HDFC

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
www.hdfc.com

Ref. No.: SE/2018-19/111

July 4, 2018

BSE Limited
P. J. Towers
Dalal Street
Mumbai 400 001

**Kind Attn:** Sr. General Manager
DCS - Listing Department

National Stock Exchange of India Ltd.
Exchange Plaza, Plot No.C/1
G Block, Bandra-Kurla Complex
Bandra (East), Mumbai 400 051

**Kind Attn:** Head – Listing

Dear Sir,

**Sub:** **Annual Report - 2017-18 and the notice convening the 41st Annual General Meeting of the Corporation**

**Ref:** **Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

This is further to our letter dated April 30, 2018 wherein we had informed you that the 41st Annual General Meeting of the Members of the Corporation (AGM) would be held on **Monday, July 30, 2018 at 2.30 p.m at "Birla Matushri Sabhagar", 19, New Marine Lines, Mumbai 400 020**.

In this connection and as required under the captioned regulation, we hereby enclose the following for your information and record:

1. Notice convening the said AGM;
2. 41st Annual Report of the Corporation in respect of the financial year 2017-18;
3. Business Responsibilty Report for the financial year 2017-18; and
4. Integrated Report for the financial year 2017-18

We would like to inform you that the said documents are also being uploaded on the website of the Corporation viz. *www.hdfc.com*.

Thank you,

Yours faithfully,
For **Housing Development Finance Corporation Limited**

**Ajay Agarwal**
**Company Secretary**

Encl.: a/a

cc: London Stock Exchange
10, Paternoster Square, London, EC4M 7LS

# 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: +91-22-66316000, Fax: +91-22-22811203
Website: *www.hdfc.com*, E-mail: *investorcare@hdfc.com*

## Notice

NOTICE IS HEREBY GIVEN THAT THE **FORTY FIRST ANNUAL GENERAL MEETING** OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED (THE **"CORPORATION"**) WILL BE HELD ON **MONDAY, JULY 30, 2018, AT 2:30 P.M.**, AT "BIRLA MATUSHRI SABHAGAR", 19, NEW MARINE LINES, MUMBAI 400 020, TO TRANSACT THE FOLLOWING BUSINESS:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt:

(a) the audited financial statements of the Corporation for the financial year ended March 31, 2018 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, 2018 together with the report of the Auditors thereon.

2. To confirm the payment of interim dividend on equity shares and to declare final dividend on equity shares for the financial year ended March 31, 2018.

**SPECIAL BUSINESS:**

3. **To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution for appointment of Mr. Upendra Kumar Sinha as an Independent Director of the Corporation:**

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder read with Schedule IV to the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment thereof for the time being in force, the Articles of Association of the Corporation and approval and recommendation of the Nomination and Remuneration Committee of Directors and the Board of Directors of the Corporation, Mr. Upendra Kumar Sinha (DIN:00010336) be and is hereby appointed as an Independent Director of the Corporation with effect from April 30, 2018 up to April 29, 2023 **AND THAT** he shall not be liable to retire by rotation."

4. **To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution for appointment of Mr. Jalaj Ashwin Dani as an Independent Director of the Corporation:**

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder read with Schedule IV to the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment thereof for the time being in force, the Articles of Association of the Corporation and approval and recommendation of the Nomination and Remuneration Committee of Directors and the Board of Directors of the Corporation, Mr. Jalaj Ashwin Dani (DIN:00019080) be and is hereby appointed as an Independent Director of the Corporation with effect from April 30, 2018 up to April 29, 2023 **AND THAT** he shall not be liable to retire by rotation."

5. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for continuation of directorship of Mr. B. S. Mehta:**

"**RESOLVED THAT** pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, variation or re-enactment thereof for the time being in force, approval of the Members of the Corporation be and is hereby accorded for continuation of the directorship of Mr. B. S. Mehta (DIN: 00035019) in the Corporation, who has attained the age of seventy five years, up to the expiry of his present term as an Independent Director i.e. July 20, 2019 on the existing terms and conditions."

6. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for continuation of directorship of Dr. Bimal Jalan:**

"**RESOLVED THAT** pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, variation or re-enactment thereof for the time being in force, approval of the Members of the Corporation be and is hereby accorded for continuation of the directorship of Dr. Bimal Jalan (DIN: 00449491) in the Corporation, who has attained the age of seventy five years, up to the expiry of his present term as an Independent Director

i.e. July 20, 2019 on the existing terms and conditions."

7. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for continuation of directorship of Dr. J. J. Irani:**

"**RESOLVED THAT** pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, variation or re-enactment thereof for the time being in force, approval of the Members of the Corporation be and is hereby accorded for continuation of the directorship of Dr. J. J. Irani (DIN: 00311104) in the Corporation, who has attained the age of seventy five years, up to the expiry of his present term as an Independent Director i.e. July 20, 2019 on the existing terms and conditions."

8. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for the re-appointment of Mr. Deepak S. Parekh as a Non-Executive Director of the Corporation:**

"**RESOLVED THAT** Mr. Deepak S. Parekh (DIN: 00009078) be and is hereby re-appointed as a Director of the Corporation liable to retire by rotation **AND THAT** pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, variation or re-enactment thereof for the time being in force, approval of the Members of the Corporation be and is hereby accorded for continuation of the directorship of Mr. Deepak S. Parekh during his tenure of re-appointment as a non-executive Director of the Corporation on attaining the age of seventy five years on October 18, 2019."

9. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for issuance of Redeemable Non-Convertible Debentures and/or other hybrid instruments on private placement basis:**

"**RESOLVED THAT** in terms of 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 to any of the foregoing 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 ₹ 85,000 crore (Rupees Eighty 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 borrowings as approved by the Members, 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."

10. **To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution for approval of Related Party Transactions with HDFC Bank Limited:**

"**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") 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) 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, 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 during the financial year 2018-19, in aggregate, may exceed 10% of the annual consolidated turnover of the Corporation as per the Corporation's last audited financial statements or any other materiality threshold as may be applicable, from time to time."

"**RESOLVED FURTHER THAT** the Members of the Corporation do hereby ratify as also accord further approval to the Board to sign and execute all such documents, agreements and writings and to do all such acts, deeds, matters and things as may be deemed necessary, expedient and incidental thereto 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."

11. **To consider, and if thought fit, to pass the following resolution as a Special Resolution for approval of the borrowing limits of the Board of Directors of the Corporation:**

"**RESOLVED THAT** in supersession of the resolution passed at the 39th Annual General Meeting of the Corporation held on July 27, 2016, the consent of the Members of the Corporation be and is hereby accorded under the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, the rules made thereunder, including any amendment, modification, variation or re-enactment thereof and the Articles of Association of the Corporation, 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 borrow, from time to time, such sum or sums of money as they may deem necessary for the purpose of the business of the Corporation *inter alia* by way of loan/ financial assistance from various bank(s), financial institution(s) and/or other lender(s), issue of debentures/bonds or other debt instruments either in Rupee or any other currency, with or without security, whether in India or abroad, issue of commercial papers, external commercial borrowings and through acceptance of fixed deposits and/ or inter corporate deposits on such terms and conditions as the Board at its sole discretion may deem fit, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Board (apart from temporary loans obtained from the Corporation's bankers in the ordinary course of business) and remaining outstanding at any point of time will exceed the aggregate of the paid-up share capital of the Corporation, its free reserves and securities premium; provided that the total amount up to which monies may be borrowed by the Board and which shall remain outstanding at any given point of time shall not exceed ₹ 5,00,000 crore (Rupees Five lac crore only)."

"**RESOLVED FURTHER THAT** the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such borrowings, from time to time, viz. terms as to interest, repayment, security or otherwise as it may deem fit and to sign and execute all such documents, agreements and writings and to do all such acts, deeds, matters and things as may be deemed necessary, expedient and incidental thereto 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."

12. **To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution for re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as "Vice Chairman & Chief Executive Officer") of the Corporation:**

"**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 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 read with Schedule V to the Companies Act, 2013, 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. Keki M. Mistry (DIN: 00008886) as the Managing Director (designated as "Vice Chairman & Chief Executive Officer") of the Corporation for a period of three years, with effect from November 14, 2018, who shall be 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."

"**RESOLVED FURTHER THAT** the Board of Directors/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. Keki M. Mistry in such manner as may be agreed to between the Board of Directors/ Nomination and Remuneration Committee of Directors and Mr. Keki M. Mistry, subject to 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."

By Order of the Board

Ajay Agarwal
Company Secretary
FCS: 9023

MUMBAI
May 21, 2018

**NOTES:**

i. **A Member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a Member of the Corporation. The proxy form, to be valid and effective, should be lodged with the Corporation at its Registered Office, duly stamped, completed and signed, not less than forty-eight hours before the commencement of the AGM.**

ii. A person can act as a proxy on behalf of not more than fifty Members and holding in aggregate not more than 10% of the total share capital of the Corporation carrying voting rights. A Member holding more than 10% of the total share capital of the Corporation carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person.

iii. If a person is appointed as proxy for more than fifty Members, he shall choose any fifty Members and confirm the same to the Corporation 24 hours before the commencement of the AGM. In case, the proxy fails to do so, the Corporation shall consider only the first fifty proxies received in respect of such person as valid.

iv. A proxy shall not have a right to speak at the AGM and shall not be entitled to vote except on a poll.

v. Corporate Members intending to send their authorised representatives to attend the AGM are requested to send to the Corporation, a certified copy of the board resolution authorising their representative to attend and vote on their behalf at the AGM.

vi. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.

vii. The explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of the business under Item Nos. 3 to 12 is annexed hereto and forms part of this Notice.

viii. Information with regard to Mr. Upendra Kumar Sinha, Mr. Jalaj Ashwin Dani, Mr. B. S. Mehta, Dr. Bimal Jalan, Dr. J. J. Irani, Mr. Deepak S. Parekh and Mr. Keki M. Mistry, as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") and the Secretarial Standard, is annexed hereto.

ix. The Register of Members and Share Transfer Books of the Corporation will remain closed from Saturday, July 21, 2018 to Monday, July 30, 2018 (both days inclusive), for the purpose of payment of dividend.

x. Members holding shares in physical form are requested to promptly notify in writing any change in their address/bank account details, details relating to nomination, PAN, e-mail address 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 above particulars, directly to their Depository Participant(s) (DP).

xi. This Notice and the Annual Report 2017-18 of the Corporation

is placed on the website of the Corporation, *www.hdfc.com.* The Notice is also placed on the website of National Securities Depository Limited (NSDL), *www.evoting.nsdl.com.*

xii. In case a Member is desirous of obtaining the Notice or Annual Report in printed form, the Member may write to the Corporation or send an e-mail to *investorcare@hdfc.com.*

xiii. 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 at the venue of the AGM. Proxy register would be available for inspection in accordance with the applicable laws.

xiv. In terms of the provisions of Section 107 of the Companies Act, 2013, since the resolutions as set out in this Notice are being conducted through e-voting, the said resolutions will not be decided on a show of hands at the AGM.

xv. 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., Monday, July 23, 2018.

xvi. **Voting through electronic means**

In compliance with the provisions of Regulation 44 of the Listing Regulations and Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 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 matters listed in this Notice by electronic means (e-voting). The e-voting facility is provided through e-voting portal of NSDL.

**Steps for remote e-voting:**

a) Visit the e-voting website of NSDL. Open the web browser and type the following URL: *www.evoting.nsdl.com*.

b) Once the home page of e-voting is launched, click on the icon "Login" which is available under "Shareholders" section.

c) A new screen will open. You will have to enter your User ID, Password and a Verification Code as shown on the screen.

d) If you are already registered with NSDL for e-voting, then use your existing User ID and Password for Login.

Alternatively, if you are registered for NSDL e-services i.e. IdeAS, you can login at *https://eservices.nsdl.com/* with your existing IdeAS login. Once you login to NSDL e-services after using your login credentials, click on e-voting and you can proceed to cast your vote electronically.

e) If you are logging in for the first time, then:

- In case you have received this Notice by e-mail, the User ID and Password is mentioned in the file attached. To open the file, please use your Client ID or Folio No. as password, as mentioned below:

| **Manner of holding shares i.e. Electronic (NSDL or CDSL) or Physical** | **Your User ID is:** |
|---|---|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID |
| c) For Members holding shares in Physical Form. | E-Voting Event Number (EVEN) followed by Folio No. registered with the Corporation. For e.g. : For Folio No. A0002561, the User ID will be 108371A0002561 |

- In case you have received this Notice in physical form, then the said details are provided in the Attendance Slip.

| **EVEN** | **USER ID** | **PASSWORD/ PIN** |
|---|---|---|
| 108371 | Refer – Attendance Slip | |

- The Password Change Menu will appear on your screen. Change the password with new password of your choice with minimum 8 digits/ characters or combination thereof. Note the new password. Please take utmost care to keep your password confidential.

f) Once the home page of e-voting opens, click on e-voting: Active Voting Cycles.

g) Select EVEN of Housing Development Finance Corporation Limited, which is provided above.

h) Once you select the EVEN, the Cast Vote page will open. Now you are ready for e-voting.

i) 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" and also "Confirm" when prompted.

j) 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.

k) Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG format) of the relevant board resolution/authority letter, etc., together with attested specimen signature(s) of the duly authorised signatory(ies) who is/are authorised to vote, to the Scrutinizer by 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 No.

xvii. **Voting at AGM:**

Members who have not cast their

vote through remote e-voting can exercise their voting rights at the AGM. The Corporation will make arrangements for voting at the AGM venue.

xviii. **General Instructions:**

a) In case of any queries, please refer to the FAQs-Shareholders and e Voting User Manual-Shareholder available in the Downloads section at *https://www.evoting.nsdl.com* or call on toll free no.: 1800-222-990. You can also mail your queries to NSDL by sending an e-mail to *evoting@nsdl.co.in* or contact Ms. Pallavi Mhatre-Assistant Manager, NSDL at the toll free number or at 022-24994600.

b) The remote e-voting period shall commence at 10:00 a.m. on Thursday, July 26, 2018 and end at 5:00 p.m. on Sunday, July 29, 2018. The e-voting module shall be disabled by NSDL for voting thereafter. During this period, Members holding shares of the Corporation either in physical or electronic form, as on Monday, July 23, 2018, may cast their vote. The Members who have cast their vote electronically may participate at the AGM but shall not be entitled to vote again.

c) Any person, who acquires shares of the Corporation and becomes a Member of the Corporation after dispatch of this Notice and holds shares as of the cut-off date i.e., Monday, July 23, 2018, may obtain User ID and Password by sending a request to *evoting@nsdl.co.in* by mentioning his/her Folio No./DP ID and Client ID. However, if you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.

d) A person who is not a Member as on the cut-off date should treat this Notice solely for information purposes.

e) 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.

f) 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 Director authorised by the Board or the Company Secretary shall declare the result of the voting forthwith.

g) The result, 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.

h) 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., July 30, 2018.

i) For security reasons and for proper conduct of the AGM, entry to the AGM venue will be regulated by the Attendance Slip, which is annexed to this Notice. Members/proxies are requested to bring their Attendance Slip complete in all respects and signed at the place provided thereat and hand it over at the entrance of the venue. The route map of the AGM venue is also annexed to this Notice.

j) Members desiring any information relating to the financial statements of the Corporation are requested to write to the Corporation at least 10 days before the AGM, to enable the Corporation to keep the information ready at the AGM.

## 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. 3 to 12 of this Notice.

**Item Nos. 3 and 4**

With the objective of ensuring a phased Board refreshment, the Nomination and Remuneration Committee of Directors at its meeting held on March 16, 2018 and April 30, 2018 had extensive deliberation on the criteria for the appointment of new directors as also the manner of selection of the potential candidates. The Nomination and Remuneration Committee after being satisfied that Mr. Upendra Kumar Sinha (DIN: 00010336) and Mr. Jalaj Ashwin Dani (DIN: 00019080) meet the various criteria enumerated in the Policy on Appointment of Directors and Members of Senior Management, recommended to the Board of Directors their appointment as the Independent Directors of the Corporation for a period of five years with effect from April 30, 2018.

The Board of Directors of the Corporation at its meeting held on April 30, 2018, appointed Mr. Sinha and Mr. Dani as Independent Directors of the Corporation for a term of five consecutive years with effect from April 30, 2018, subject to the approval of the Members. Mr. Sinha and Mr. Dani shall not be liable to retire by rotation.

The Corporation has received notices in writing under the provisions of Section 160 of the Companies Act, 2013 from certain Members proposing the candidature of Mr. Sinha and Mr. Dani as Independent Directors of the Corporation under Section 149 of the Companies Act, 2013.

The Corporation has also received declarations from Mr. Sinha and Mr. Dani confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations"). They have also confirmed that they satisfy the fit and proper criteria as prescribed under Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and that they are not disqualified from being appointed as Directors in terms of Section 164 of the Companies Act, 2013 and have given their consent to act as Directors of the Corporation.

In the opinion of the Board of Directors of the Corporation, Mr. Sinha and Mr. Dani fulfil the conditions for independence specified in the Companies Act, 2013 and the Listing Regulations.

The letter of appointment issued to Mr. Sinha and Mr. Dani setting out the terms and conditions and other material documents are available for inspection.

Accordingly, the approval of the Members is being sought for the appointment of Mr. Sinha and Mr. Dani as Independent Directors of the Corporation with effect from April 30, 2018 till April 29, 2023 pursuant to the provisions of Sections 149, 152 and Schedule IV to the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules and they shall not be subject to retirement by rotation.

The Board, accordingly, recommends the passing of the ordinary resolutions as set out at Item Nos. 3 and 4 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 those mentioned in the respective resolutions and their relatives are in any way concerned or interested, financially or otherwise, in the resolutions as set out at Item Nos. 3 and 4 of this Notice.

**Item Nos. 5 to 8**

The Members of the Corporation at the 37th Annual General Meeting (AGM) held on July 21, 2014 *inter alia* appointed Mr. B. S. Mehta, Dr. Bimal Jalan and Dr. J. J. Irani as Independent Directors of the Corporation for a period of five consecutive years with effect from July 21, 2014.

Based on the Report of the Committee on Corporate Governance chaired by Mr. Uday Kotak, the Securities and Exchange Board of India (SEBI) amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations"). According to the new provisions, a person who has attained the age of seventy five years can continue directorship in a listed company as a non-executive director only after the concerned listed company has taken the approval of its shareholders by way of a special resolution. The said provision comes into effect from April 1, 2019.

Since Mr. B. S. Mehta, Dr. Bimal Jalan and Dr. J. J. Irani, Independent Directors of the Corporation have attained seventy five years of age, their directorship can continue from April 1, 2019 only if the Corporation has obtained the approval of its Members by way of a special resolution on or before March 31, 2019.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Corporation, Mr. Deepak S. Parekh is liable to retire as a non-executive Director at this AGM. He is eligible for re-appointment. Mr. Parekh would attain the age of seventy five years on October 18, 2019 and as such Mr. Parekh would be able to continue his directorship in the Corporation post the said date if the Corporation has obtained the approval of its Members by way of a special resolution.

Mr. Mehta is a Chartered Accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. Dr. Jalan is a former Governor of the Reserve Bank and has previously held several positions in the Government including those of Finance Secretary and Chairman of the Economic Advisory Council to Prime Minister. Dr. Irani was conferred Padma Bhushan in 2007 for his services to trade and industry in India and Queen Elizabeth II conferred on him honorary Knighthood (KBE) for his contribution to Indo-British Trade and Co-operation.

Mr. Parekh spearheads the Corporation, which has turned the dream of owning a home into a reality for millions across the country. Mr. Parekh's astute business acumen and foresightedness has not only made the Corporation the leader in mortgages, but has also transformed it into India's leading financial services conglomerate with presence in banking, asset management, life insurance, general insurance, real estate venture fund, education loans and education.

In the opinion of the Board of Directors of the Corporation, Mr. Mehta, Dr. Jalan and Dr. Irani are person of high repute, integrity and have rich and varied experience and hence their directorship is recommended to be continued up to the expiry of their present term as Independent Directors i.e. July 20, 2019 by passing special resolutions as set out at Item Nos. 5 to 7 of this Notice.

Considering the role played by Mr. Parekh in the growth of HDFC Group and in order to reap the benefits of his continuous guidance, the Board recommends the re-appointment of Mr. Deepak S. Parekh as a non-executive Director liable to retire by rotation and also continuation of his directorship during the tenure of such re-appointment by passing a special resolution as set out at Item No. 8 of this Notice.

None of the Directors or Key Managerial Personnel of the Corporation or their relatives other than those mentioned in the respective resolutions and their relatives are in any way concerned or interested, financially or otherwise, in the resolutions as set out at Item Nos. 5 to 8 of this Notice.

**Item No. 9**

The Members of the Corporation at the 40th Annual General Meeting (AGM) held on July 26, 2017, 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 can be classified as being Tier II capital for an amount not exceeding ₹ 85,000 crore within a period of one year from the date of the said AGM. Pursuant to the said authority, the Corporation raised ₹ 17,700 crore by issuance of secured NCDs.

As on March 31, 2018, the outstanding secured NCDs issued by the Corporation was ₹ 1,23,719.20 crore and unsecured NCDs was ₹ 5,500 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.

The NCDs proposed to be issued by the Corporation will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Accordingly, the approval of the Members is being sought by way of special resolution as set out at Item No. 9 of this Notice authorising the Board 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 ₹ 85,000 crore on private placement basis during a period of one year from the date of this AGM.

The Board, accordingly, recommends the passing of the special resolution as set out at Item No. 9 of this Notice, for the approval of the Members.

Save and except for the equity shares of the Corporation, if any, held by them, none of the 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. 10**

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 at 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"), 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 appraisals) approves and disburses the loans. 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 this 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 4,787 branches. 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 shareholders and customers of both the organisations. As per the agreement, 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 2017-18, 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 40$^{th}$ AGM held on July 26, 2017. The transactions have been continued so far in the financial year 2018-19 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 of the arrangements/ transactions undertaken whether by way of continuation/ extension/ renewal/ modification of earlier arrangements/ transactions or otherwise so far in the financial year 2018-19. The Audit Committee of Directors of the Corporation has already granted approval for assignment/ sale of home loans to HDFC Bank up to an overall limit of ₹ 32,000 crore for the financial year 2018-19. The Audit Committee of Directors has also granted approval for other types of transactions with HDFC Bank under the omnibus route for the financial year 2018-19.

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: (i) whether by way of renewal(s) or extension(s) or modification(s) of earlier arrangements/ transactions or otherwise including banking transactions; (ii) 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; (iii) assignment/ securitisation of such percentage of home loans to HDFC Bank sourced by it as may be agreed upon, from time to time, mutually between the Corporation and HDFC Bank; (iv) 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 (v) any other transactions including transactions as may be disclosed in the notes forming part of the financial statements for the relevant period; during the financial year 2018-19.

The above stated arrangements and transactions with HDFC Bank amount to related party transactions falling within the purview of the Listing Regulations and all these transactions in aggregate, within the financial year 2018-19, 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.

The above transactions are in the ordinary course of business of the Corporation and on an arm's length basis.

The Board, accordingly, recommends passing of the ordinary resolution as set out at Item No. 10 of this Notice, for the approval of the Members.

Mr. Keki M. Mistry 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. 10 of this Notice.

The Members may please note that in terms of the provisions of the Listing Regulations, the related parties as defined thereunder will abstain from voting on the resolution under Item No.10.

**Item No. 11**

In terms of the provisions of Section 180(1)(c) of the Companies Act, 2013, the Members of the Corporation at the 39th Annual General Meeting held on July 27, 2016 had granted their approval by way of a special resolution to the Board of Directors of the Corporation to borrow, from time to time, such sums of money as they may deem necessary for the purpose of the business of the Corporation, provided that the amount outstanding consequent to such monies borrowed by the Board of Directors on behalf of the Corporation does not exceed ₹ 3,50,000 crore, at any point of time.

As on March 31, 2018, the outstanding borrowings of the Corporation amounted to ₹ 3,20,655.46 crore. Considering the future business growth of the Corporation and to meet the funding requirements for its business, the Board of Directors of the Corporation may need to further borrow, from time to time, *inter alia* by way of loan/ financial assistance from various bank(s), financial institution(s) and/or other lender(s), issue of debentures/bonds or other debt instruments either in Rupee or any other currency, with or without security, whether in India or abroad, issue of commercial papers, external commercial borrowings and through acceptance of fixed deposits and/ or inter corporate deposits on such terms and conditions as it may at its sole discretion deem fit.

Accordingly, the approval of the Members is being sought by way of special resolution authorising the Board of Directors to borrow further sums of monies within an overall limit of ₹ 5,00,000 crore outstanding at any point of time. The revised borrowing limit would be within the limits prescribed by National Housing Bank vis-à-vis the net owned funds of the Corporation.

The Board, accordingly, recommends passing of the special resolution as set out at Item No. 11 of this Notice, for the approval of the Members.

Save and except for the equity shares of the Corporation, if any, held by them, none of the Directors or Key Managerial Personnel of the Corporation or their relatives are in any way, concerned or interested, financially or otherwise, in the resolution as set out at Item No. 11 of this Notice.

**Item No. 12**

The Members of the Corporation had vide resolution passed at the 39th Annual General Meeting (AGM) held on July 27, 2016 approved the re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as the "Vice Chairman & Chief Executive Officer") of the Corporation for a period of three years, with effect from November 14, 2015.

Pursuant to the recommendation of the Nomination and Remuneration Committee of Directors, the Board of Directors of the Corporation at its meeting held on April 30, 2018, unanimously approved the re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as the "Vice Chairman & Chief Executive Officer") of the Corporation for a period of three years, with effect from November 14, 2018, subject to the approval of the Members.

The main terms and conditions of the re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as the "Vice Chairman & Chief Executive Officer") of the Corporation including his remuneration, more particularly as set out in the agreement to be executed by and between the Corporation and Mr. Keki M. Mistry are as follows:

i. The re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as the "Vice Chairman & Chief Executive Officer") of the Corporation shall be for a period of three years, with effect from November 14, 2018.

ii. During the term, Mr. Keki M. Mistry shall continue to be a member of the Board and shall be liable to retire by rotation.

iii. The Board has also designated Mr. Mistry in his capacity as Vice Chairman & Chief Executive Officer of the Corporation as a Key Managerial Person of the Corporation.

iv. Salary payable to Mr. Keki M. Mistry shall be in the range of ₹ 15,00,000 to ₹ 27,00,000 per month.

v. Commission per annum shall be equivalent to such sum as may be fixed by the Board of Directors 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 or Nomination and Remuneration Committee of Directors, from time to time.

viii. Subject to fulfilling the eligibility criteria, Mr. Keki M. Mistry 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. Mistry on his resignation/ retirement or end of service from the Corporation, whichever is earlier.

ix. Mr. Keki M. Mistry 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.

Currently, Mr. Keki M. Mistry is being paid a salary of ₹ 25,30,000 per month. In accordance with the resolution, within the aforesaid limits, the amount of salary, commission, perquisites, other benefits and allowances payable to him (including the types and amount of each type of perquisites, other benefits and allowances) will be decided by the Board of Directors or Nomination and Remuneration Committee of Directors, at such time or times, as it may deem fit, in its sole and absolute discretion.

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.

Mr. Keki M. Mistry has confirmed that he continues to satisfy the fit and proper criteria as prescribed under Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and that he is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013.

Pursuant to the provisions of Sections 196, 197 and other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V to the Companies Act, 2013, approval of the Members is sought for re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as the "Vice Chairman & Chief Executive Officer") of the Corporation on the terms and conditions, including remuneration, as mentioned hereinabove.

The Board, accordingly, recommends passing of the ordinary resolution as set out at Item No. 12 of this Notice, for the approval of the Members.

Mr. Keki M. Mistry and his relatives are interested in the resolution as set out at Item No. 12 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.

By Order of the Board

Ajay Agarwal
Company Secretary
FCS: 9023

MUMBAI
May 21, 2018

## Information with regard to the Directors mentioned in the resolutions as set out in this Notice

| Resolution No. | 3 | 4 | 5 | 6 |
|---|---|---|---|---|
| **Name of the Director** | **Mr. Upendra Kumar Sinha** | **Mr. Jalaj Ashwin Dani** | **Mr. B. S. Mehta** | **Dr. Bimal Jalan** |
| Director Identification Number | 00010336 | 00019080 | 00035019 | 00449491 |
| Age | 66 | 48 | 82 | 76 |
| Qualification | • Master of Science from Patna University<br>• Graduate in Law from Patna University | • Chemical Engineering from University of Wisconsin-Madison, USA<br>• Advanced Management Program from INSEAD, Fountainbleau, Paris | Fellow of The Institute of Chartered Accountants of India | • Bachelor of Economics from Presidency College, Kolkata<br>• Master of Arts from University of Cambridge |
| Experience | Mr. Sinha served as 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, Corporate Governance etc.<br>Prior to this, he was the Chairman and Managing Director at UTI Asset Management Company Private Limited from 2005 until February 2011.<br>Preceding this, he was the Joint Secretary in Department of Economic Affairs at Ministry of Finance and looked after Banking Division and Capital Markets Division – including external commercial borrowings, pension reforms and foreign exchange management functions.<br>Mr. Sinha was an officer of the Indian Administrative Service in 1976. | Mr. Dani 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 (NGLB) in Indian School of Business (ISB), Hyderabad. He was identified as 'Stars 2000'- Potential Leaders in the New Millennium by 'Business India' Magazine in the year 1998. | Mr. Mehta is a Chartered Accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a Director on the boards of several companies in India. | Dr. Jalan is a former Governor of the Reserve Bank. He has previously held several positions in the Government including those of Finance Secretary and Chairman of the Economic Advisory Council to Prime Minister. He was also a nominated Member of Parliament from 2003 to 2009. He was associated with a number of public institutions and was the Chairman of Centre for Development Studies, Thiruvananthapuram. |
| No. of shares held | Nil | Nil | 4,35,000 | 15,000 |
| Terms and conditions of appointment/re-appointment | 5 years with effect from April 30, 2018. | 5 years with effect from April 30, 2018. | Continuation of directorship upto his present tenure as Independent Director i.e. upto July 20, 2019, on existing terms. | Continuation of directorship upto his present tenure as Independent Director i.e. upto July 20, 2019, on existing terms. |
| Remuneration sought to be paid | Sitting fees and commission | Sitting fees and commission | Sitting fees and commission | Sitting fees and commission |
| Original date of appointment | April 30, 2018 | April 30, 2018 | June 14, 1988 | April 30, 2008 |

## Information with regard to the Directors mentioned in the resolutions as set out in this Notice (contd.)

| Resolution No. | 3 | 4 | 5 | 6 |
|---|---|---|---|---|
| **Name of the Director** | **Mr. Upendra Kumar Sinha** | **Mr. Jalaj Ashwin Dani** | **Mr. B. S. Mehta** | **Dr. Bimal Jalan** |
| Directorships held in other companies in India | Equity Listed Companies<br>1. Havells India Limited<br>2. Vedanta Limited<br>Unlisted Companies<br>3. Saumitra Research & Consulting Private Limited | Equity Listed Companies<br>1. Hitech Corporation Limited<br>2. Havells India Limited<br>Unlisted Companies<br>3. Gujarat Organics Limited<br>4. Pragati Chemicals Limited<br>5. Hydra Trading Private Limited<br>6. Smiti Holding and Trading Company Private Limited<br>7. Dani Finlease Limited<br>8. Haish Holding and Trading Company Private Limited<br>9. Vijal Holding and Trading Company Private Limited<br>10. Hitech Specialities Solutions Limited<br>11. S C Dani Research Foundation Private Limited<br>12. Addverb Technologies Private Limited<br>13. Sportscom Association<br>14. Paints and Coatings Skill Council<br>15. Piramal Foundation for Education Leadership<br>16. Piramal Foundation | Equity Listed Companies<br>1. Century Enka Limited<br>2. Procter & Gamble Hygiene and Health Care Limited<br>3. IL & FS Investment Managers Limited<br>4. Atul Limited<br>5. Pidilite Industries Limited<br>6. Sasken Technologies Limited<br>7. Gillette India Limited<br>Unlisted Companies<br>8. Thyssenkrupp Industrial Solutions (India) Private Limited | Equity Listed Companies<br>Nil<br>Unlisted Companies<br>Associated Advisory Services Private Limited |
| Membership/Chairmanship of committees in other companies in India | Audit Committee – Member<br>1. Vedanta Limited<br>Stakeholders Relationship Committee-Member<br>2. Vedanta Limited | Nil | Audit Committee – Chairman<br>1. IL & FS Investment Managers Limited<br>2. Pidilite Industries Limited<br>3. Sasken Technologies Limited<br>Audit Committee – Member<br>4. Gillette India Limited<br>5. Atul Limited<br>6. Century Enka Limited<br>7. Procter & Gamble Hygiene and Health Care Limited | Nil |

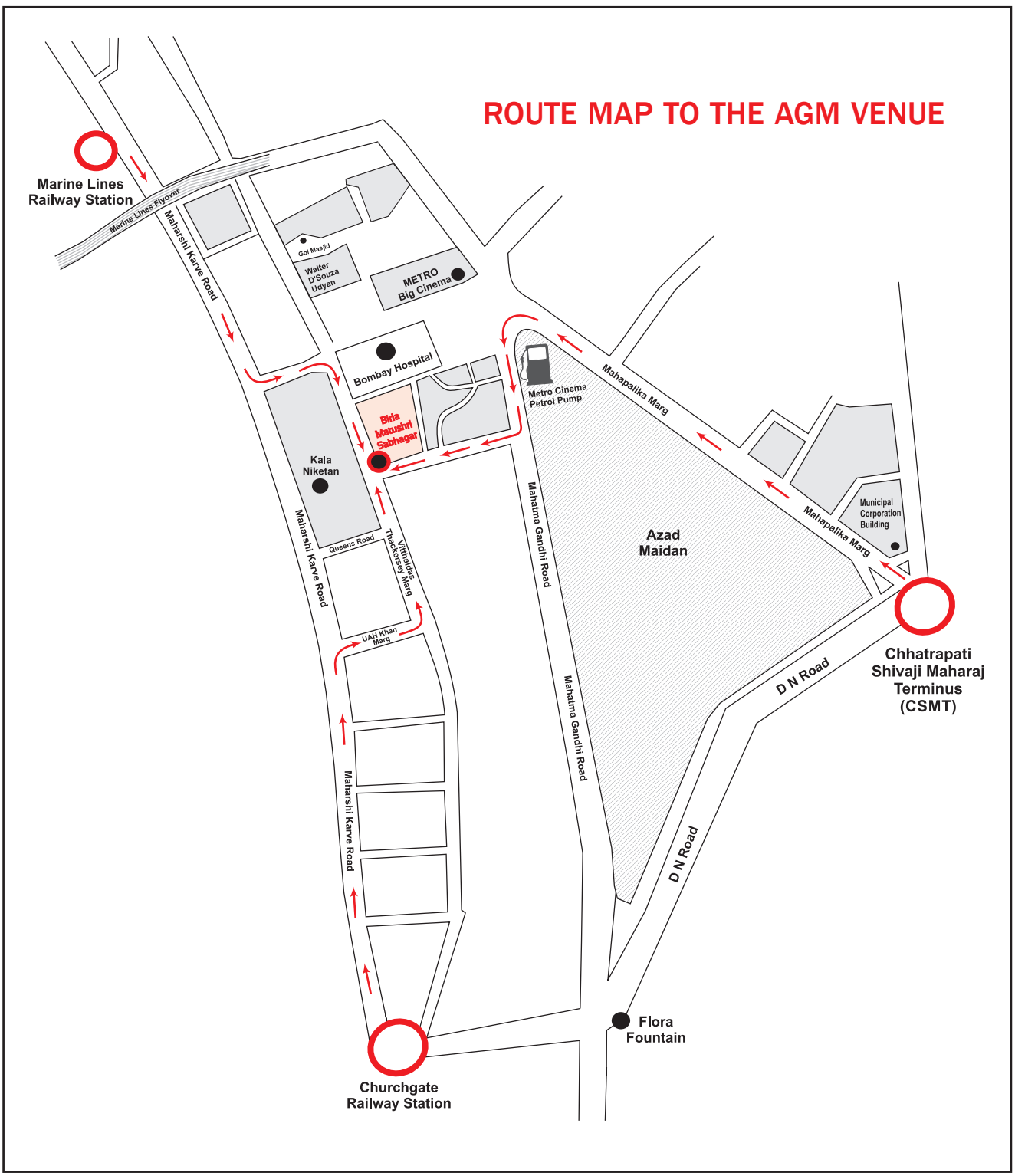
## Information with regard to the Directors mentioned in the resolutions as set out in this Notice (contd.)

| Resolution No. | 7 | 8 | 12 |
|---|---|---|---|
| **Name of the Director** | **Dr. J. J. Irani** | **Mr. Deepak S. Parekh** | **Mr. Keki M. Mistry** |
| Director Identification Number | 00311104 | 00009078 | 00008886 |
| Age | 81 | 73 | 63 |
| Qualification | • Master of Science from Nagpur University<br>• Master of Metallurgy from University of Sheffield, United Kingdom.<br>• Doctorate of Metallurgy from the University of Sheffield, United Kingdom. | Fellow of The Institute of Chartered Accountants in England and Wales | Fellow of The Institute of Chartered Accountants of India |
| Experience | Dr. Irani has been conferred with the Padma Bhushan by the President of India in 2007 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. | 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. Mr. Parekh was appointed as a non-executive director of the Corporation with effect from January 1, 2010. He is the Chairman of the Board of Directors of the Corporation and its certain group companies. He is also a director on the boards of prominent companies in India. | Mr. Mistry has been employed with the Corporation since 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 and Managing Director of the Corporation in October 2007 and as the Vice Chairman & Chief Executive Officer, with effect from January 1, 2010. Mr. Mistry is the Chairman of CII National Council on Corporate Governance and was also a member of the Committee of Corporate Governance (Kotak Committee) set up by Securities and Exchange Board of India. He is a director on the boards of other prominent companies including HDFC Group companies. |
| No. of shares held | 65,000 | 11,60,000 | 6,38,845 |
| Terms and conditions of appointment/re-appointment | Continuation of directorship upto his present tenure as Independent Director i.e. upto July 20, 2019, on existing terms. | Non-executive Director, liable to retire by rotation. | 3 years with effect from November 14, 2018. For more details refer explanatory statement. |
| Remuneration sought to be paid | Sitting fees and commission | Sitting fees and commission | Refer explanatory statement |
| Original date of appointment | January 18, 2008 | January 1, 2010 | February 1, 1993 |

## Information with regard to the Directors mentioned in the resolutions as set out in this Notice (contd.)

| Resolution No. | 7 | 8 | 12 |
|---|---|---|---|
| **Name of the Director** | **Dr. J. J. Irani** | **Mr. Deepak S. Parekh** | **Mr. Keki M. Mistry** |
| Directorships held in other companies in India | Equity Listed Companies<br>1. Repro India Limited<br>2. HDFC Standard Life Insurance Company Limited<br>Unlisted Companies<br>Nil | Equity Listed Companies<br>1. GlaxoSmithKline Pharmaceuticals Limited<br>2. The Indian Hotels Company Limited<br>3. HDFC Standard Life Insurance Company Limited<br>4. Siemens Limited<br>5. Network 18 Media & Investments Limited<br>Unlisted Companies<br>6. HDFC Asset Management Company Limited<br>7. Breach Candy Hospital Trust<br>8. HDFC ERGO General Insurance Company Limited<br>9. Indian Institute for Human Settlements<br>10. Bangalore International Airport Limited<br>11. BAE Systems India (Services) Private Limited<br>12. H T Parekh Foundation | Equity Listed Companies<br>1. HDFC Bank Limited<br>2. HDFC Standard Life Insurance Company Limited<br>3. GRUH Finance Limited<br>4. Sun Pharmaceuticals Industries Limited<br>5. Torrent Power Limited<br>Unlisted Companies<br>6. HDFC ERGO General Insurance Company Limited<br>7. HDFC Asset Management Company Limited<br>8. Greatship (India) Limited<br>9. H T Parekh Foundation |
| Membership/Chairmanship of committees in other companies in India | Audit Committee – Member<br>HDFC Standard Life Insurance Company Limited | Audit Committee-Chairman<br>1. Indian Hotels Company Limited<br>Audit Committee –Member<br>2. H T Parekh Foundation<br>3. Siemens Limited<br>4. GlaxoSmithKline Pharmaceuticals Limited<br>Stakeholders Relationship Committee-Chairman<br>5. GlaxoSmithKline Pharmaceuticals Limited<br>Stakeholders Relationship Committee-Member<br>6. HDFC Asset Management Company Limited | Audit Committee - Chairman<br>1. Greatship (India) Limited<br>2. Sun Pharmaceuticals Industries Limited<br>3. Torrent Power Limited<br>Audit Committee – Member<br>4. GRUH Finance Limited<br>5. HDFC Standard Life Insurance Company Limited<br>6. HDFC ERGO General Insurance Company Limited<br>7. HDFC Asset Management Company Limited<br>8. H T Parekh Foundation<br>Stakeholders Relationship Committee-Chairman<br>9. HDFC Standard Life Insurance Company Limited |

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
Marine Lines Railway Station
Marine Lines Flyover
Maharshi Karve Road
Gol Masjid
Walter D'Souza Udyan
METRO Big Cinema
Bombay Hospital
Birla Matushri Sabhagar
Kala Niketan
Queens Road
Vithaldas Thackersey Marg
UAH Khan Marg
Maharshi Karve Road
Churchgate Railway Station
Metro Cinema Petrol Pump
Mahapalika Marg
Mahatma Gandhi Road
Mahatma Gandhi Road
Azad Maidan
Municipal Corporation Building
Mahapalika Marg
D N Road
D N Road
Flora Fountain
Chhatrapati Shivaji Maharaj Terminus (CSMT)

# 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: +91-22-66316000, Fax: +91-22-22811203
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 41st Annual General Meeting of the Members of the Corporation held at "Birla Matushri Sabhagar", 19, New Marine Lines, Mumbai 400 020, on Monday, July 30, 2018 at 2:30 p.m.

| | |
|---|---|
| Full name of the Member/Proxy attending the Meeting | |
| Member's/Proxy's Signature | |

Note: Your entry to the Meeting will be regulated by this attendance slip.

## ELECTRONIC VOTING PARTICULARS

| EVEN (E-Voting Event Number) | USER ID | PASSWORD/PIN | CUT OFF DATE FOR VOTING | VOTING PERIOD AND TIME |
|---|---|---|---|---|
| 108371 | | | July 23, 2018 | July 26, 2018 (10.00 a.m.) to July 29, 2018 (5.00 p.m.) |

**Note:** Please read the instructions given in the Notes to the Notice dated May 21, 2018 convening the 41st Annual General Meeting of the Members of the Corporation carefully before exercising your vote electronically.

# 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: +91-22-66316000, Fax: +91-22-22811203
Website: *www.hdfc.com*, E-mail: *investorcare@hdfc.com*

## FORM NO. MGT – 11

## PROXY FORM

[Pursuant to the provisions of Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | | | |
|---|---|---|---|
| Name of the Member(s) : | | E-mail ID : | |
| Registered Address : | | Folio No./Client ID : | |
| | | DP ID : | |

I/We being the Member(s) holding _____ equity shares of ₹ 2 each of Housing Development Finance Corporation Limited, hereby appoint:

1. Name : _____

   Address : _____

   E-mail ID : _____ Signature : _____, or failing him

2. Name : _____

   Address : _____

   E-mail ID : _____ Signature : _____, or failing him

3. Name : _____

   Address : _____

   E-mail ID : _____ Signature : _____,

as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 41st Annual General Meeting of the Corporation, to be held on Monday, July 30, 2018 at 2:30 p.m. at "Birla Matushri Sabhagar", 19, New Marine Lines, Mumbai 400 020 and at any adjournment(s) thereof, in respect of such resolutions as are indicated below:

| Resolution No. | Brief details of the Resolution | Optional (Refer Note No. iv) | |
|---|---|---|---|
| | | For | Against |
| 1(a) | Adoption of the audited financial statements of the Corporation for the financial year ended March 31, 2018 together with the reports of the Board of Directors and Auditors thereon. | | |
| 1(b) | Adoption of the audited consolidated financial statements for the financial year ended March 31, 2018 together with the report of the Auditors thereon. | | |
| 2 | Declaration of final dividend on equity shares of the Corporation. | | |
| 3 | Appointment of Mr. Upendra Kumar Sinha as an Independent Director of the Corporation. | | |
| 4 | Appointment of Mr. Jalaj Ashwin Dani as an Independent Director of the Corporation. | | |
| 5 | Approval for continuation of directorship of Mr. B. S. Mehta. | | |
| 6 | Approval for continuation of directorship of Dr. Bimal Jalan. | | |
| 7 | Approval for continuation of directorship of Dr. J. J. Irani. | | |
| 8 | Re-appointment of Mr. Deepak S. Parekh as a Director of the Corporation and continuation of his directorship. | | |

| Resolution No. | Brief details of the Resolution | Optional (Refer Note No. iv) | |
|---|---|---|---|
| | | For | Against |
| 9 | Approval to issue Redeemable Non-Convertible Debentures and/ or any other hybrid instruments on private placement basis, up to an amount not exceeding ₹ 85,000 crore. | | |
| 10 | Approval of related party transactions with HDFC Bank Limited. | | |
| 11 | Authority to the Board of Directors of the Corporation to borrow monies for the purposes of the business of the Corporation, such that the overall outstanding amount does not exceed ₹ 5,00,000 crore. | | |
| 12 | Re-appointment of Mr. Keki M. Mistry as the Managing Director (designated as the "Vice Chairman & Chief Executive Officer") of the Corporation, for a period of 3 years, with effect from November 14, 2018. | | |

Signed: this _____ day of _____, 2018

Signature of Member(s): _____

Signature of the Proxy holder(s): _____

Affix Revenue Stamp

**Notes:**

i. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Corporation, not less than 48 hours before the commencement of the Meeting.

ii. A Proxy need not be a Member of the Corporation.

iii. A person appointed as Proxy shall act on behalf of not more than 50 (Fifty) Members and holding not more than 10% of the total share capital of the Corporation carrying voting rights. However, a Member holding more than 10% of the total share capital of the Corporation carrying voting rights may appoint a single person as Proxy and such person shall not act as Proxy for any other person or Member.

iv. Optional. Please put a '√' in the appropriate column against the resolutions indicated in the box.

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

HDFC

# TOMORROW IN SIGHT



FORTY FIRST ANNUAL REPORT 2017-18



# HOUSING FOR ALL

The stability of being.  A zone of comfort unlike any other.  The calming strength of relationships. And a completeness which allows hope to spring and express itself in health and happiness, clarity and confidence, familiarity and freedom.

When the question of homeownership is answered, the world and all its joys can be wooed, worked upon and won.



## Financial Highlights

(₹ in Crore)

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | **2017-18** |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Income | 11,018 | 11,361 | 12,878 | 17,354 | 21,148 | 24,198 | 27,471 | 30,957 | 33,160 | **35,230** |
| Profit After Tax | 2,283 | 2,826 | 3,535 | 4,123 | 4,848 | 5,440 | 5,990 | 7,093 | 7,443 | **12,164**[1] |
| Shareholders' Funds | 13,137 | 15,198 | 17,317 | 19,018 | 24,830 | 27,955 | 30,970 | 34,121 | 39,645 | **61,403** |
| Loans from Banks and Financial Institutions | 25,372 | 32,137 | 42,490 | 40,697 | 17,824 | 32,952 | 26,194 | 42,802 | 37,270 | **46,767** |
| Market Borrowings | 39,110 | 41,347 | 48,296 | 62,138 | 89,071 | 94,443 | 1,16,317 | 1,20,845 | 1,56,690 | **1,81,646** |
| Deposits | 19,375 | 23,081 | 24,327 | 36,293 | 51,933 | 56,578 | 66,706 | 74,670 | 86,574 | **92,242** |
| Loans Under Management[2] | 91,378 | 1,08,268 | 1,29,274 | 1,55,431 | 1,87,010 | 2,17,763 | 2,53,333 | 2,91,531 | 3,38,478 | **3,99,511** |
| Loans Outstanding | 85,198 | 97,967 | 1,17,127 | 1,40,875 | 1,70,046 | 1,97,100 | 2,28,181 | 2,59,224 | 2,96,472 | **3,59,442** |
| Dividend (%) | 300 | 360 | 450 | 550 | 625 | 700 | 750 | 850 | 900 | **1,000** |
| Book Value per Share (₹)[3] | 92 | 106 | 118 | 129 | 162 | 179 | 197 | 216 | 250 | **366** |
| Earnings per Share (₹)[3] | 16 | 20 | 24 | 28 | 32 | 35 | 38 | 44 | 46 | **75** |

[1] Including exceptional items.

[2] Inclusive of outstanding loans sold.

[3] The face value of equity shares of the Corporation was sub-divided to ₹ 2 per equity share from ₹ 10 per equity share in FY 2011. Previous year figures have been adjusted to reflect the revised value.

TOMORROW IN SIGHT

# CONTENTS


**14** Board of Directors

**15** Brief Profile of the Directors of the Corporation

**18** Chairman's Letter to Shareholders

**22** Directors' Report

**47** Report of the Directors on Corporate Governance

**63** Compliance Certificate on Corporate Governance

**64** Management Discussion and Analysis Report

**83** Standalone Financial Statements with Auditors' Report

**159** Consolidated Financial Statements with Auditors' Report

**219** Shareholders' Information

**230** Policy on Related Party Transactions


## Annual General Meeting

**Date: Monday, July 30, 2018 Time: 2.30 p.m.**
**Venue: Birla Matushri Sabhagar**, 19, New Marine Lines, Mumbai - 400 020.

Record Date for determining eligibility of Dividend - **Friday, July 20, 2018**

Date of Payment of Dividend - on and after **Tuesday, July 31, 2018**




**CUT OFF DATE**
Monday,
July 23, 2018

**START DATE**
Thursday,
July 26, 2018
(10.00 a.m.)

**END DATE**
Sunday,
July 29, 2018
(5.00 p.m.)

# AN AFFORDABLE HOUSING DREAM



## Making houses affordable means lending a sense of security and in essence, building a stronger nation.

Stability gives freedom like nothing can. At HDFC, we understand the satisfaction of owning a home as an important foundation to a successful life. We have built upon our values, initiatives and varied products and services, to infuse this feeling in each one of our delighted customers.

Our reputation as a trustworthy and dependable corporate entity has grown over the years. It has been a conscious choice to walk the path we have traversed over the last four decades. Our robust systems and well-defined processes have ensured fairness to the consumers and all other stakeholders, while facilitating more and more customers from different economic segments to become homeowners.

Recent government policy initiatives to make housing affordable for the larger Indian middle class have been well received. We see significant opportunities driven by a demand for low and mid-income housing, progressive policies and a significant financing gap.

Look forward to more from us.

# AN OPPORTUNITY ENABLED



## Working at the forefront of inclusion means strengthening the back-end with stable processes which allow seamless transition.

Market penetration is not an end in itself unless the requirements of the consumers are understood and met with. To facilitate this, we have worked on both, processes and people. Efforts to grow our customer-base is integrated with continued checks and balances. Feedback loops, varied access points for customers and clearly defined redressal mechanism provide us valuable information and wisdom to design customer-centric products and processes.

We also ensure adequate manpower resources, better understanding of all processes and regular training to equip our staff well. Multiple channels of communications, both traditional as well as new age mediums like social media platforms and mobile telephony are used to stay connected and cued into requirements of the existing as well as prospective customers. Using information collated through various customer touch points, both offline as well as online, we have learnt to anticipate new demands and have tailored our services to reach out without any compromise on our fundamental values.

# A WIDER PERSPECTIVE



## Reaching out to all economic segments enables growth and development in society as a whole.

A shortage of affordable and mid-income housing, coupled with urbanisation, family nuclearisation and home upgrades is expected to add significant incremental demand in housing over the next 5 years.

'Housing for All', the Prime Minister's initiative has resonated well with our own efforts to bring access to the informal segment, the middle-class salaried, the lower-income groups, the rural population and other financially under-served economic segments. Some of the key policy initiatives like PMAY-CLSS and RERA have helped us amplify our efforts to reach out to different segments of the society and fulfil their dream of homeownership.

At our end, we are establishing strong support systems, offering customised products, using technology to enhance distribution and ensuring higher customer engagement to aid the government's initiatives. Our efforts have been recognised and rewarded.



# A THOROUGH DEVELOPMENTAL APPROACH

## Professionalism is an imperative requirement to foster growth across all segments and helps speed up progress.

An inadequacy of long-term and flexible capital is one of the key challenges facing growth and development of low and middle-income housing. To address the funding gap, HDFC has taken concrete steps and has provided long-term flexible capital to the most reliable developers across the nation, who are working in the affordable and mid-income housing segment in the urban and semi-urban peripheral areas of India.

Thanks to our expertise, we have been able to nurture and support the entire affordable housing ecosystem - be it through initiating, building, connecting, financing or marketing, thus providing a strong impetus to all the players across the value-chain.

While things have started looking up, there is still a long way to go. We look forward to rapidly scale up our efforts in order to address the demand-supply gap in this segment in the near future.

# A FAR-REACHING VISION



## Strength lies in partnerships, be it perspective, processes or execution. Together, growth is harnessing of possibility for tomorrow.

The government's focus on the housing sector and various schemes for end buyers has helped increase homeownership, particularly first-time homebuyers. The easy availability of finance, the new rules and regulations to make the industry better organised and the inclusiveness of new economic segments are helping the sector grow.

At HDFC, we act as a bridge between the demand and supply side. We not only work with developers who are offering affordable housing, but also reach out to new audiences by being customer-friendly, offering quicker, easier accessibility besides real-time support on the ground to educate, inform and interact regarding homeownership possibilities.

We are well aware, tomorrow is not too far, and the connection with today's practice is interlinked with it strongly. We continue building on our heritage keeping in mind the promise of 'With you, right through'.

# Board of Directors

**Mr. Deepak S. Parekh**
Chairman

**Mr. B. S. Mehta**

**Mr. D. M. Sukthankar**
*(Resigned w.e.f. April 30, 2018)*

**Mr. D. N. Ghosh**
*(Resigned w.e.f. April 30, 2018)*

**Dr. S. A. Dave**
*(Resigned w.e.f. August 10, 2017)*

**Mr. Nasser Munjee**

**Dr. Bimal Jalan**

**Dr. J. J. Irani**

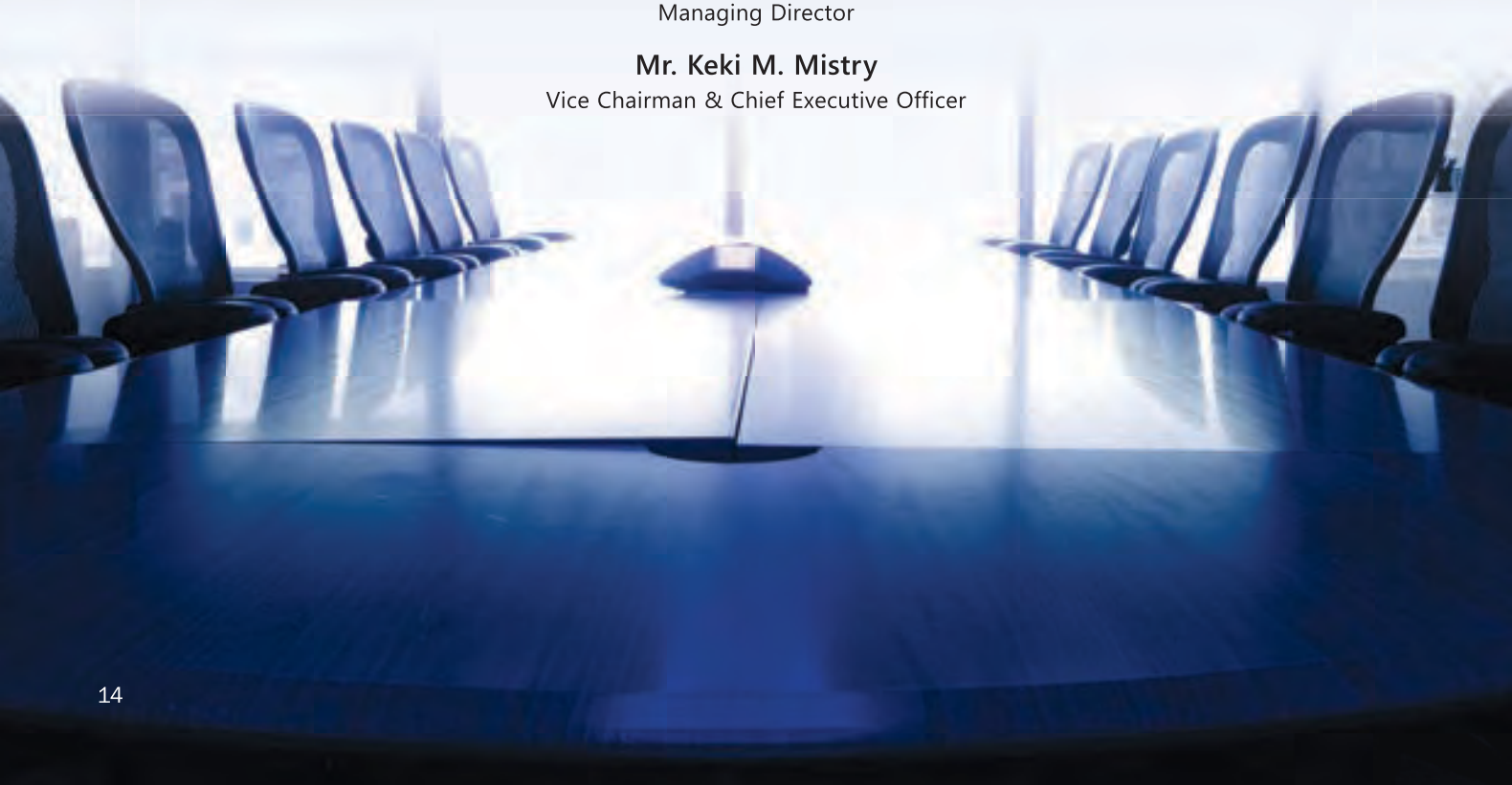
**Mr. U. K. Sinha**
*(Appointed w.e.f. April 30, 2018)*

**Mr. Jalaj Dani**
*(Appointed w.e.f. April 30, 2018)*

**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. He is a Fellow of The Institute of Chartered Accountants in England & Wales. 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 the Chairman of the Board of Directors of the Corporation and its certain group companies and is also a director on the boards of prominent companies in India. He is also the Chairman of the Corporate Social Responsibility Committee of Directors.

**Mr. B. S. Mehta** (DIN: 00035019) is a Fellow of The Institute of Chartered Accountants of India. He is a Chartered Accountant in practice dealing with taxation, accountancy and valuation of mergers and acquisitions. He is a Director on the boards of several companies in India. He has been a Director of the Corporation since 1988. He is also the Chairman of the Nomination and Remuneration Committee of Directors and a member of the Audit Committee of Directors.

**Mr. Nasser Munjee** (DIN: 00010180) holds a Master's degree in Economics from the London School of Economics, UK. He is deeply interested in development and infrastructure issues. He is the Chairman of DCB Bank Limited and a director on the boards of prominent companies in India. He was earlier the Executive Director of the Corporation and was working with the Corporation from 1978 to 1998. He has been a Director of the Corporation since 1993. He is also the Chairman of Audit Committee of Directors, Risk Management Committee and a member of the Nomination and Remuneration Committee of Directors.

**Dr. Bimal Jalan** (DIN: 00449491) is a former Governor of the Reserve Bank. He has previously held several positions in the Government including those of Finance Secretary and Chairman of the Economic Advisory Council to Prime Minister. He was also a nominated Member of Parliament from 2003 to 2009. He was associated with a number of public institutions and was the Chairman of Centre for Development Studies, Thiruvananthapuram. He has been a Director of the Corporation since 2008.

**Dr. J. J. Irani** (DIN: 00311104) holds a Master's degree in Science from the Nagpur University. He also holds a Master's and Doctorate degree in Metallurgy from University of Sheffield, UK. The President of India conferred on him the award of Padma Bhushan in 2007 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. He has been a Director of the Corporation since 2008. He is also the Chairman of Stakeholders Relationship Committee of Directors and a member of the Nomination and Remuneration Committee of Directors.

**Mr. Upendra Kumar Sinha** (DIN: 00010336) has served as 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, Corporate Governance etc. 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 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 to name a few. He was an officer of the Indian Administrative Service in 1976. He holds a M.Sc. and LLB degree from Patna University. He has been appointed as an Independent Director of the Corporation for a period of 5 years with effect from April 30, 2018, subject to the approval of the Members at the 41st Annual General Meeting. He is also a member of the Nomination and Remuneration Committee of Directors.

**Mr. Jalaj Ashwin Dani** (DIN: 00019080) is a co-promoter of Asian Paints Limited and has spent over the last two decades in various capacities with Asian Paints Limited. He has pursued Chemical Engineering at University of Wisconsin-Madison, USA. He also did Advanced Management Program at INSEAD, Fountainbleau, Paris. 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 (NGLB) in Indian School of Business (ISB), Hyderabad. He was identified as 'Stars 2000'- Potential Leaders in the New Millennium by 'Business India' Magazine in the year 1998. He has been appointed as an Independent Director of the Corporation for a period of 5 years with effect from April 30, 2018, subject to the approval of the Members at the 41st Annual General Meeting. He is also a member of the Audit Committee of Directors, Stakeholders Relationship Committee of Directors and Corporate Social Responsibility Committee of Directors.

**Mr. V. Srinivasa Rangan** (DIN: 00030248) is the Executive Director of the Corporation. He holds a Bachelor's degree in Commerce and is an Associate of The Institute of Chartered Accountants of India and that of The Institute of Cost Accountants of India. 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 the Treasury, Resources and Accounts functions of the Corporation. Mr. Rangan is also a member of the Stakeholders Relationship Committee of Directors, Corporate Social Responsibility Committee of Directors and Risk Management Committee.

**Ms. Renu Sud Karnad** (DIN: 00008064) is the Managing Director of the Corporation. She holds a Master's degree in Economics from the University of Delhi and is a graduate in law from the University of Mumbai. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, USA. Ms. Karnad joined the Corporation in 1978 and was appointed as the Executive Director of the Corporation in 2000 and was re-designated as the Joint Managing Director of the Corporation in October 2007. She was appointed as the Managing Director of the Corporation, with effect from January 1, 2010. Ms. Karnad is also a member of the Corporate Social Responsibility Committee of Directors and Risk Management Committee.

**Mr. Keki M. Mistry** (DIN: 00008886) is the Vice Chairman & Chief Executive Officer of the Corporation. He is a Fellow of The Institute of Chartered Accountants of India. Mr. Mistry is also the Chairman of CII National Council on Corporate Governance. 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 and as the Vice Chairman & Chief Executive Officer, with effect from January 1, 2010. He was also a member of the Committee of Corporate Governance set up by the Securities and Exchange Board of India. Mr. Mistry is also a member of the Corporate Social Responsibility Committee of Directors and Risk Management Committee.



# Senior Executives

## MEMBERS OF EXECUTIVE MANAGEMENT

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

## SENIOR GENERAL MANAGERS

Mr. Praveen Kumar Bhalla
Mr. Nikhil B Dwivedi
Mr. Dipta Bhanu Gupta
Mr. Prosenjit Gupta
Mr. Sudhir Kumar Jha
Mr. K Suresh Kumar
Ms. Sonal Modi
Mr. Subodh Salunke
Mr. R Sankaranarayan
Mr. Dilip Shetty

## ADDITIONAL SENIOR GENERAL MANAGER

Mr. Sunil V Shaligram

## GENERAL MANAGERS

Mr. Satrajit Bhattacharya
Mr. S K Chaudhari
Mr. Varghese George
Mr. Ankur Gupta
Mr. Arjun Gupta
Mr. T A Jaishanker
Mr. Sanjay Joshi
Mr. Deven Kumar
Ms. Iravati N Narvekar
Mr. Vinayak P Parkhi
Mr. T Ravishankar
Mr. Mahesh Shah
Mr. Sujir Udayanand
Mr. K V Vishwanathan

## COMPANY SECRETARY

Mr. Ajay Agarwal

## DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard
Estate, Mumbai 400 001.

Central Bank of India
Debenture Trustee Section
Merchant Banking Division
4th Floor, MMO Building,
55, Mahatma Gandhi Road,
Fort, Mumbai 400 001.

## PRINCIPAL BANKERS

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

## STATUTORY AUDITORS

B S R & Co. LLP
Chartered Accountants

## SECRETARIAL AUDITORS

Vinod Kothari & Company
Company Secretaries

## SOLICITORS AND ADVOCATES

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

## 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
Fax No.: +91 22-2414 7301
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
Fax No.: +91 22-2281 1205
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
Fax Nos.: +91 22-2204 6834,
2204 6758

CHAIRMAN'S LETTER

# To our Shareholders

We have had an extraordinarily good financial year. The demand for home loans continued to be strong with much of the headwinds of the previous year being behind us. We had a successful listing of our subsidiary, HDFC Life, which enabled us to monetise a part of our stake in the life insurance company. Right from the beginning, we had told our shareholders that investing in the insurance sector required patient capital. We supported and nurtured HDFC Life for seventeen long years prior to its listing. We believe listing best reflects the value we have created for our shareholders.

We concluded the financial year with an equity share capital raise of ₹ 13,000 crore. A large part of the capital raised will be utilised to maintain our shareholding in HDFC Bank. Our investment in the bank has been amongst our best value drivers for several years.

HDFC continues to maintain a fortified balance sheet. We now feel that the time is right to lay the foundation for the next phase of long-term growth and sustainability.

Some of our plans for the future are still at the drawing board stage. Yet, we know the broad contours. We want to focus on strengthening our presence across the entire value chain of housing, seek opportunities in stressed real estate assets, mark a deeper footprint in the health insurance space and explore emerging organic and inorganic growth opportunities. Besides this, we will continue to support the growth of our subsidiary companies.

## Building for the Long-Term

As a financial conglomerate, we need to keep building for the future. Our key long-term priorities are ethics, transparency, performance and customer-orientation. We will continue to pursue these priorities with vigor whilst focusing on the potential to create long-term value.

We regularly engage in dialogue with our stakeholders on developments of the Corporation, but desist from the practice of quarterly or annual earnings guidance. Listed companies do feel the pressure - not of quarterly reporting *per se*, but meeting short-term expectations of the markets in an increasingly volatile environment. Globally, there is a discernible trend of companies curtailing capex, holding back on investing in new products or reducing budgets on human resources, research and development. These are often myopically construed as dispensable costs. Nothing can be more damaging to a company than putting off long-term investments to appease short-term stakeholders.

Fortunately, there is now a chorus of saner voices highlighting the long-term perils of short-term thinking. This also calls for a mind-set change on the part of both, companies and the investor community to lay less emphasis on the short-term. A period of one quarter is way too short in the life of a company. Many industries are cyclical in nature, including housing.

To reiterate, we are completely in for the long-term. We like long-term investors, nurture long-tenured employees and strive for loyal customers who stay with the HDFC group of companies for years.

## An Era of Housing Reforms

Urbanisation is an irreversible trend in India. By 2030, it is estimated that half of India's population will be residing in urban areas. An overwhelming majority of India's GDP growth, jobs and wealth are created in its cities. Existing cities have to grow the peripheries and new cities need to be created to absorb the influx of people.

Clearly, more houses are needed. But to keep pace with the demand, there is an urgent need for many more construction and contracting companies. Construction of affordable housing on a mass scale needs thousands of plumbers, electricians, carpenters, masons, amongst several others. The housing sector always fuels the job market. If job creation is the need of the hour for the country, then the solution lies in building more homes.

## So what makes us optimistic about the future?

The impetus given to increasing homeownership over the past two years by the present government has been unprecedented. Especially in the affordable housing space, the slew of measures undertaken to incentivise developers, financiers and homebuyers has resulted in visible change on the ground.

Activity in the construction sector has picked up and housing credit growth has been robust. The pool of financially stronger real estate companies focusing on affordable housing has widened, largely due to the attractive tax incentives. This augurs well for the supply side. The interest subvention scheme has been well received and with the widening of its scope, the number of beneficiaries is expected to rise. Housing finance companies now have a diversified pool of resources to tap into with the liberalisation of external commercial borrowings and masala bonds.

Incentives or subventions are generally temporary in nature. Yet, the most significant measure taken has been the discipline brought in for developers and the protection of homebuyers, which is now permanently enshrined in the Real Estate (Regulation and Development) Act, 2016. Though implementation within states varies, RERA marks an era of confidence for all prospective homebuyers.

## Calling for Transparency

The central government has outdone itself in its support to the housing sector. The single roadblock in the housing sector today is the cussedness of state governments and local level authorities in embracing a transparent and streamlined process for building approvals. In so many ways, the government has been ahead of the curve in adopting digitisation to make

processes more efficient. Yet, one fails to understand the reluctance to put in place an online, time-bound, single-window clearance mechanism for at least fast-tracking the numerous approvals required for affordable housing.

Many of our long-term shareholders would have noticed that I keep raising the issue of the need for greater transparency in building approvals. The reason I do so, is because it is the homebuyer who is hurt the most. Price escalations due to delays and payment of speed money for building approvals are ultimately costs borne by the homebuyer.

The clarion call from the highest authority in the country to *"free the housing sector of corruption and middlemen"* is significant. Perhaps the central government needs to implement a carrot-and-stick approach, which either incentivises state governments who fast-track approvals for affordable housing or penalises them for not falling in line. Quicker approvals shorten construction timelines and this will help reduce the overall cost for a homebuyer.

## Housing Finance: Next Steps

One aspect that the housing sector has always grappled with is how can land be made available at reasonable prices? The answer lies in smart regulation.

For the past twelve years, the regulators have not allowed banks and housing finance companies (HFCs) to fund land transactions, yet non-banking financial companies (NBFCs) and private equity players are permitted to do so. This regulatory arbitrage allows NBFCs and private equity players to levy prohibitively high interest rates on developers borrowing to acquire land.

My key question is if NBFCs are allowed to cross over into activities of HFCs, then why can't HFCs be permitted to fund developers to buy land for affordable housing?

One can understand the central bank's predicament of not wanting banks at this juncture to fund land transactions. But the core role of HFCs is to support housing. If HFCs of a certain threshold size are permitted to fund developers to acquire land for affordable housing, then the current high interest rates are likely to get rationalised. This in turn will help reduce the ultimate cost for a homebuyer.

HFCs are well regulated. The National Housing Bank, the regulator for HFCs, understands the nuances of housing markets and can ensure there is sufficient vigilance to guard against any speculative funding of land transactions.

Secondly, the growing practice of housing finance players picking loans off each other's balance sheet needs to be carefully monitored. With the regulators prohibiting prepayment charges on most home loans, no one gains in this game, except the agent who keeps collecting commissions. Lenders do incur costs while originating loans. It is thus logical that

there be some compensation to a lender -- especially when a customer is poached within a timeframe of say, less than two years. To my mind, regulators should not encourage 'lazy housing finance'.

## Closing Thoughts

I am told HDFC has delivered amongst the best-in-class shareholder value – an estimated 360 times increase in market capitalisation over a 25-year period between 1993 and 2018. There are now four listed entities within the HDFC group and one more is on the anvil. We hope to have the initial public offering of HDFC Asset Management Company Limited launched shortly.

Our stock market performance is simply a reflection of the progress we have made over the years. Long-term investors who understand how we work should not get perturbed with short-term market volatilities. After all, resilient businesses take time to grow – our financial results of today are in actuality, a reflection of our actions taken several quarters and several years ago.

Finally, I think it is important to reiterate to all our shareholders that succession planning both, within HDFC and its group companies is a key agenda on each of the respective boards. As passionate and energetic as some of our leaders within the HDFC group are about their jobs, the reality is that individuals do get on in age.

Personally, the task of ensuring frictionless transitions is and will be on the top of my mind. That said, it is not as if there will be any announcements right away. All the boards of the HDFC group of companies believe that succession planning needs a time frame of 18 to 24 months to ensure a smooth transition.

I am confident of the strong pipeline of talent for various functions across all companies within the HDFC group. Yet, positions at the helm require the respective boards and nomination and remuneration committees to evaluate options of both, internal and external candidates. At HDFC, the board and Keki Mistry have agreed that he will continue in his present capacity as Vice Chairman and CEO for a period of three years, subject to shareholders' approval.

I could not be more grateful to all the leaders across the HDFC group for the extraordinary work that they do each day. Yet, each one of these outstanding leaders stand tall because of their strong and cohesive teams that back them.

As for me, I won't lose sight of the fact that it is the continued support of our shareholders that gives me the privilege to serve as non-executive chairman.



# Directors' Report

## TO THE MEMBERS

Your directors are pleased to present the forty-first annual report of your Corporation with the audited accounts for the year ended March 31, 2018.

| FINANCIAL RESULTS | For the year ended March 31, 2018 (₹ in crore) | For the year ended March 31, 2017 (₹ in crore) |
|---|---|---|
| Profit Before Exceptional Items & Tax | **11,582.10** | 10,726.64 |
| Exceptional Items | **3,681.59** | - |
| Profit before Tax | **15,263.69** | 10,726.64 |
| Tax Expense | **3,100.00** | 3,284.00 |
| Profit after Tax | **12,163.69** | 7,442.64 |
| **Surplus in the Statement of Profit & Loss** | | |
| Opening Balance | **5,295.72** | - |
| Profit for the Year | **12,163.69** | 7,442.64 |
| Amount Available for Appropriations | **17,459.41** | 7,442.64 |
| **Appropriations:** | | |
| Special Reserve No. II | **1,355.00** | 1,247.00 |
| Statutory Reserve (under Section 29C of the National Housing Bank Act, 1987) | **1,078.00** | 245.00 |
| General Reserve | **2,432.10** | - |
| Shelter Assistance Reserve | **-** | 185.00 |
| Interim Dividend (₹ 3.50 per equity share of ₹ 2 each) & Tax on Interim Dividend | **590.87** | 476.18 |
| Final Dividend & Tax on Dividend for FY17 | **2,863.62** | - |
| Additional Tax on Dividend written back | **-** | (9.98) |
| Dividend & tax pertaining to previous year paid during the year | **-** | 3.72 |
| Surplus in the Statement of Profit & Loss | **9,139.82** | 5,295.72 |

### Dividend

In March 2018, your directors declared an interim dividend of ₹ 3.50 per equity share of ₹ 2 each as compared to ₹ 3.00 per equity share in the previous financial year. The interim dividend was paid in March 2018.

Your directors recommend payment of final dividend for the financial year ended March 31, 2018 of ₹ 16.50 per equity share of ₹ 2 each compared to ₹ 15 per equity share for the previous year.

The total dividend for the year is ₹ 20 per equity share as against ₹ 18 per equity share for the previous year.

The dividend pay-out ratio excluding exceptional items for the year ended March 31, 2018 is 46.2%.

The dividend declared/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 policy is placed on the Corporation's website, *www.hdfc.com*.

### Management Discussion and Analysis Report, Report of the Directors on Corporate Governance, Business Responsibility Report & Integrated 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 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. Members who wish to receive a physical copy of the BRR are requested to write to the Corporation. The policy on Business Responsibility is also placed on the Corporation's website.

In accordance with SEBI's circular on Integrated Reporting by Listed Entities, the Corporation has prepared a report based on the guiding principles of the International Integrated Reporting Council. This has been done on a

voluntary basis and the report is placed on the Corporation's website.

**Increase in the Authorised Share Capital**

During the year, the authorised share capital of the Corporation increased from ₹ 350 crore to ₹ 457.61 crore. This includes the increase pursuant to the merger of Windermere Properties Private Limited, Haddock Properties Private Limited, Grandeur Properties Private Limited, Winchester Properties Private Limited and Pentagram Properties Private Limited, wholly-owned subsidiaries of the Corporation, into and with the Corporation as approved by the National Company Law Tribunal (NCLT), Mumbai Bench vide its order dated March 28, 2018.

**Issue of Equity Shares on a Preferential and Qualified Institutions Placement Basis**

Pursuant to receipt of approval of the members through postal ballot in February 2018, the Corporation issued 6,43,29,882 equity shares of ₹ 2 each at an issue price of ₹ 1,726.05 per equity share on preferential basis in accordance with the provisions of Chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations). The Corporation also issued 1,03,89,041 equity shares at an issue price of ₹ 1,825 per equity share to qualified institutional buyers on a qualified institutions placement basis in accordance with the provisions of Chapter VIII of the SEBI ICDR Regulations. The Corporation raised an aggregate amount of ₹ 13,000 crore from both the issuances.

The key objective of raising capital is to participate in the proposed preferential issue of HDFC Bank Limited for an amount not exceeding ₹ 8,500 crore.

The Corporation is also exploring inorganic opportunities in the health insurance sector in conjunction with its subsidiary, HDFC ERGO General Insurance Company Limited and is evaluating opportunities in the acquisition and resolution of stressed assets in the real estate sector. The Corporation will also need capital to sponsor funds it has set up to invest in the equity and mezzanine debt of affordable housing projects, support capital requirements of its subsidiary companies as and when required and capitalise on organic and inorganic growth opportunities in the affordable housing finance space.

**Conversion of Warrants**

In October 2015, the Corporation had issued 3.65 crore Warrants at an issue price of ₹ 14 per Warrant with a right exercisable by the Warrant holder to exchange each Warrant for one equity share of ₹ 2 each of the Corporation at any time on or before October 5, 2018, at a Warrant exercise price of ₹ 1,475 per equity share, to be paid by the Warrant holder at the time of exchange of the Warrants. The Warrants are listed on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

As at March 31, 2018, 5,14,600 Warrants have been exercised and exchanged into 5,14,600 equity shares of ₹ 2 each of the Corporation. The equity shares so issued rank *pari passu* with the existing equity shares of the Corporation.

**Lending Operations**

The Corporation is a housing finance company registered with the National Housing Bank (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.

The Assets Under Management (AUM) as at March 31, 2018 was ₹ 3,99,511 crore as compared to ₹ 3,38,478 crore in the previous year.

On an AUM basis, the growth in the individual loan book was 18% and the non-individual loan book was 17%. The growth in the total loan book on an AUM basis was 18%.

During the year, the Corporation's loan book increased from ₹ 2,96,472 crore to ₹ 3,59,442 crore in March 2018, representing a growth of 21%. In addition, total loans securitised and/or assigned by the Corporation and outstanding as at March 31, 2018 amounted to ₹ 40,069 crore.

Further details of lending operations are provided in the Management Discussion and Analysis Report.

**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 making payment of principal and interest on the non-convertible debentures. Details of market borrowings are provided in the Management Discussion and Analysis Report.

**Deposits**

Deposits outstanding as at March 31, 2018 amounted to ₹ 92,242 crore. 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 Chapter V of the Companies Act, 2013.

As of March 31, 2018, public deposits amounting to ₹ 696 crore had not been claimed by 43,895 depositors. Since then, 9,467 depositors have claimed or renewed deposits of ₹ 231 crore. 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 ₹ 1.45 crore was transferred to the IEPF.

**Capital Adequacy Ratio**

The Corporation's capital adequacy ratio (CAR) stood at 19.2%, of which Tier I capital was 17.3% and Tier II capital was 1.9%. Deferred tax liability on Special Reserve and the investment in HDFC Bank has been considered as a deduction in the computation of Tier I capital. Further, the proposed final dividend and tax thereon for the year ended March 31, 2018 has been considered in determining the net owned funds in the computation of the capital adequacy ratio.

As per regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 12% and 6% respectively.

**Regulatory Guidelines**

The Corporation has complied with the Housing Finance Companies (NHB) Directions, 2010 and other directions prescribed by NHB regarding deposit acceptance, accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, credit rating, corporate governance, concentration of investments and capital market exposure norms.

**Corporate Social Responsibility (CSR)**

The Corporation contributed directly and through H T Parekh Foundation to identified social sectors in urban and rural areas in sectors such as education, water & sanitation, skilling & livelihoods, healthcare, community development, differently abled persons, child welfare and environmental sustainability.

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 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 be available for inspection by the shareholders at the registered office of the Corporation.

During the year, the NCLT and the Insurance Regulatory and Development Authority of India (IRDAI) granted their approval for the merger of HDFC ERGO General Insurance Company Limited with HDFC General Insurance Limited (formerly L&T General Insurance Company Limited). Subsequent to the merger, HDFC General Insurance Limited was renamed HDFC ERGO General Insurance Company Limited.

In November 2017, the Corporation offered for sale 9.52% of the paid-up and issued equity share capital of HDFC Standard Life Insurance Company Limited (HDFC Life), a subsidiary of the Corporation in the Initial Public Offer (IPO) of HDFC Life. HDFC Life's equity shares were listed on BSE and NSE on November 17, 2017. As at March 31, 2018, the Corporation's shareholding in HDFC Life stood at 51.6%.

In January 2018, the Corporation sold its entire stake in its wholly-owned subsidiary companies, HDFC Developers Limited and HDFC Realty Limited, to Quikr India Private Limited. Consequently, HDFC Realty Limited and HDFC Developers Limited ceased to be subsidiaries of the Corporation with effect from January 24, 2018.

During the year, the Corporation has approved offering of up to 4.08% of the paid-up and issued equity share capital of HDFC Asset Management Company Limited (HDFC AMC), a subsidiary of the Corporation for sale in the IPO of HDFC AMC. The IPO is expected to be in the first half of FY 2018-19, subject to regulatory approvals and market conditions.

The Board of Directors at its earlier meeting had approved the scheme of amalgamation of five of its wholly-owned subsidiaries, Windermere Properties Private Limited, Haddock Properties Private Limited, Grandeur Properties Private Limited, Winchester Properties Private Limited and Pentagram Properties Private Limited

with itself. The applications for the proposed merger were filed with the NCLT, Mumbai bench and in March 2018, the scheme of amalgamation was approved by the NCLT. The order was filed with the Registrar of Companies, Mumbai on April 27, 2018. Accordingly, the Corporation has considered the operations of the said subsidiaries from April 1, 2016, as its own operations and accounted for the same in its books of accounts after making necessary adjustments.

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 has obtained a certificate from its statutory auditors that it 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 under review.

A review of the key subsidiary and associate companies of the Corporation form part of the Management Discussion and Analysis Report which forms part of this report.

**Particulars of Employees**

HDFC had 2,575 employees as of March 31, 2018. During the year, 8 employees employed throughout the year were in receipt of remuneration of ₹ 1.02 crore or more per annum and 1 employee employed for the part of the year was 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 at the workplace. Members of the Internal Complaints Committee constituted by the Corporation are responsible for reporting and conducting inquiries pertaining to such complaints. The Corporation on a regular basis sensitises all employees on prevention of sexual harassment at the workplace through workshops, group meetings, online training modules and awareness programmes. During the year, one complaint was received by the committee. The case has been reviewed and appropriately closed and thus there were no pending complaints with the committee as at March 31, 2018.

**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 under notes 16 and 18 in the financial statements of the Corporation for the year ended March 31, 2018.

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

The particulars regarding foreign exchange earnings and expenditure appear under notes 24.5 and 27.4 in the financial statements.

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 material 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.

During the year, the Corporation approved the grant of 4,28,45,977 stock options representing 4,28,45,977 equity shares of ₹ 2 each to eligible employees and directors of the Corporation under ESOS-17. The exercise price was determined in accordance with the pricing formula approved by the members i.e. at the latest available closing price of the equity share on the NSE, prior to the date of the meetings of the Nomination & Remuneration Committee at which the options were granted.

The options are exercisable over a period of five years from the date of their respective vesting. None of the options granted have vested during the year and consequently, no options have been exercised under ESOS-17. Further details are disclosed on the website of the Corporation.

**Unclaimed Dividend and Shares**

As at March 31, 2018, dividend amounting to ₹ 25.15 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 ₹ 1.31 crore for FY 2009-10 was transferred to the IEPF on September 11, 2017. Further, in compliance with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, the Corporation transferred 14,15,471 equity shares of ₹ 2 each (corresponding to the dividend for the FY 2009-10 remaining unclaimed for a continuous period of 7 years) in favour of the IEPF on November 28, 2017. However, the concerned shareholders may claim the unclaimed dividend and shares from IEPF, the procedure for which is detailed in the Shareholders' Information section.

The unclaimed dividend in respect of FY 2010-11 must be claimed by shareholders on or before August 8, 2018, failing which the Corporation will be transferring the unclaimed dividend and the corresponding shares to the IEPF within a period of 30 days from the said date.

**Directors**

Dr. S. A. Dave, independent director of the Corporation resigned with effect from August 10, 2017. The board placed on record its appreciation for the invaluable guidance and service rendered by him during his association with the Corporation.

With effect from April 30, 2018, non-executive directors of the Corporation, Mr. D. N. Ghosh and Mr. D. M. Sukthankar resigned from the board. The board placed on record its sincere appreciation for their invaluable contribution to the board over the years.

The board appointed Mr. U. K. Sinha and Mr. Jalaj Dani as independent directors of the Corporation for a term of 5 years with effect from April 30, 2018, subject to the approval of members at the ensuing Annual General Meeting (AGM).

At its meeting on April 30, 2018, the board re-appointed Mr. Keki M. Mistry as the Managing Director (designated as Vice-Chairman & Chief Executive Officer) of the Corporation for a period of three years, with effect from November 14, 2018, subject to the approval of members at the ensuing AGM.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Corporation, Mr. Deepak S. Parekh is liable to retire by rotation at the ensuing AGM. He is eligible for re-appointment.

The necessary resolutions for the appointment/re-appointment of the above mentioned 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 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.

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

**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, the Corporation has appointed Messrs Vinod Kothari & Company, practicing company secretaries to undertake the secretarial audit of the Corporation. The Secretarial Audit Report is annexed to this report and does not contain any qualifications.

**Significant and Material Orders Passed by Regulators**

During the year, no significant or material orders were passed by any regulators against the Corporation other than that disclosed separately in the notes to the financial statements and in the Report of the Directors on Corporate Governance.

**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, 2018 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.

**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, 2018 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, Insurance Regulatory and Development Authority 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.

On behalf of the Board of Directors

MUMBAI
April 30, 2018

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 2018**

| Name | Designation | Ratio of remuneration to the median employees' remuneration |
|---|---|---|
| Mr. Deepak S. Parekh | Chairman | 21:1 |
| Mr. D. M. Sukthankar | Non-Executive Director | 3:1 |
| Mr. B. S. Mehta | Independent Director | 3:1 |
| Mr. D. N. Ghosh | Independent Director | 2:1 |
| Mr. Nasser Munjee | Independent Director | 3:1 |
| Dr. Bimal Jalan | Independent Director | 2:1 |
| Dr. J. J. Irani | Independent Director | 3:1 |
| Mr. V. Srinivasa Rangan | Executive Director | 63:1 |
| Ms. Renu Sud Karnad | Managing Director | 94:1 |
| Mr. Keki M. Mistry | Vice Chairman & CEO | 102:1 |

**Percentage increase in the remuneration of each director and key managerial personnel in FY 2018**

*Key Managerial Personnel*

| Name | Designation | Increase in Remuneration (%) |
|---|---|---|
| Mr. Keki M. Mistry | Vice Chairman & CEO | 15 |
| Ms. Renu Sud Karnad | Managing Director | 15 |
| Mr. V. Srinivasa Rangan | Executive Director | 15 |
| Mr. Ajay Agarwal | Company Secretary | 13 |

*Non-Executive Director*

The commission paid in FY 2018 to each non-executive director (other than the Chairman of the Corporation) was ₹ 20 lakh which was the same as in the previous year. The Chairman was paid a commission of ₹ 2.40 crore which was increased after a period of four years. There was no change in the sitting fees paid to the non-executive directors for attending meetings of board/committees.

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

**Percentage increase in the median remuneration of employees in FY 2018**

The percentage increase in the median remuneration of employees in FY 2018 stood at 11%.

**Number of permanent employees**

HDFC had 2,575 employees as of March 31, 2018.

**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 2018. The average increase in remuneration of managerial personnel stood at 15% and non-managerial personnel 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 remuneration of non-managerial personnel is based on an internal evaluation of key result areas (KRAs), while the remuneration of the managerial personnel is based on the remuneration policy as recommended by the Nomination and Remuneration Committee of Directors and approved by the Board of Directors.

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

The Corporation reiterates that there were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by 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 2017 - March 2018 | HDFC Bank Ltd. has an option to buy 70% of the loans disbursed out of the loans sourced by it for the Corporation.<br>As per the agreements, the loans continue to be serviced by the Corporation, for which it is paid a consideration on mutually agreeable terms. | - | - |
| 2 | HDFC Bank Ltd., Associate Company | DSA Commission expense (home loans sourcing) | April 2017 - March 2018 | The Corporation pays Direct Sourcing Arrangement (DSA) commission to HDFC Bank Ltd. for loans sourced, at the prevailing market rate and based on the volume of loans sourced. | - | - |
| 3 | HDFC Sales Pvt. Ltd., Wholly-Owned Subsidiary Company | DSA Commission expense (home loans sourcing) | April 2017 - March 2018 | HDFC Sales Pvt. Ltd. generates leads for the Corporation for which the Corporation pays commission on the conversion of such leads to loans.<br>The Corporation pays a commission at the prevailing market rate after taking into account the leads and the infrastructure provided by it. | - | - |

On behalf of the Board of Directors

MUMBAI
April 30, 2018

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 proposed to be 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 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, a Section 8 registered charitable institution set up by HDFC in October 2012.

HDFC's CSR activities during the year focused primarily on three sectors – Healthcare, Education and Skilling & Livelihoods. In each of these sectors, we identified key sub-thematic areas which we believe are critical interventions to address the most pressing challenges and bring about systemic change by reducing inequalities and increase productivity. Further, social problems are prevalent across India and not restricted to particular geographies. The social challenges India faces are interconnected and only the sharing of best practices will lead to sustainable solutions. Hence, HDFC's CSR philosophy is to implement projects across states and regions. Our CSR projects are both in rural settlements, as well as in urban areas and involve a diverse mix of communities. Our choice of projects is entirely based on the need of a particular community, and not necessarily dictated by locations where HDFC's business is present.

In **Healthcare**, several diseases can be prevented and treated if they are diagnosed in time. In order to enhance access to affordable healthcare, reduce health costs and prevent incidence of diseases in India, the Corporation supported multiple organisations across India with expertise in detection, prevention & treatment of cancer and renal diseases. We sought to address the importance of improved nutrition for school going children by supporting the construction of mid-day meal kitchens.

We supported projects for the provision of safe and clean drinking water which covered access to clean drinking water for rural households and also supported a world-class research centre that would build affordable & innovative water technologies that can be used across rural India, especially in areas of high arsenic content. HDFC continued to support community-based, holistic sanitation programmes with its ongoing implementing partners in rural districts as well as partnered with an organisation to construct a public toilet in a metropolitan city.

The Corporation undertook projects with partners that focussed on major public health problems such as tuberculosis and leprosy. Such health issues also require greater number of healthcare professionals and therefore we endeavoured to build capacity of frontline health workers that would be the first point of contact for affected patients. We continued to support transformational surgeries which include cochlear implants, craniofacial surgeries and heart transplants for underprivileged children. Post these surgeries, the beneficiaries can enrol in school and lead a normal life. We partnered with organisations that offered specialised therapy services for children who are differently abled.

In **Education**, we supported organisations for their capital and/or operating expenditure so that they are able to achieve scale and sustainability over the long term. The organisations fulfilled either of the following criteria i.e.,(i) located in areas where education is not easily available (ii) addressing a gap in the current education system and (iii) introducing quality education for the middle and lower income class.

We supported projects and programmes at the school level (both government and low income private schools) by providing educational support including scholarship to children from underprivileged backgrounds, offered students additional learning tools (besides what is being offered to them by schools) such as E-learning & supplementary educational aids and encouraged students to stay in schools (i.e. prevent dropouts) by providing them with career guidance.

## Annual Report on Corporate Social Responsibility (CSR) Activities (Continued)

We focused on the training and capacity building of school teachers at pre-school, primary and secondary levels. We supported organisations that introduced best practices to teachers, enabled teachers to be more effective and scale their impact. During the year, we continued our support to organisations that offered special education for children with intellectual disabilities.

In **Skilling & Livelihoods**, we expanded our pilot projects from the previous year. The Corporation identified disadvantaged segments of the society where there is a great need to facilitate employment opportunities. Equally, we focussed on sectors that have a great demand for skilled workers or promoted entrepreneurship. For instance, with a view to enhance rural livelihoods, HDFC has supported programmes to develop a livestock based value chain and trained villagers in water deficient locations on effective watershed management techniques.

Women focussed livelihood interventions have demonstrated multi-pronged impact and benefits in the long run. During the year, we have worked with organisations supporting rural women for improving agricultural incomes, livestock rearing and entrepreneurship development. We supported programmes focused on vocational training and job placement/livelihoods of youth who are differently abled.

The construction industry lacks access to skilled manpower and continues to be dominated by migrant workers without any formal training in construction trades. HDFC supported various models for skilling of construction workers which includes training of plumbers and electricians in Government Industrial Training Institutes and on-the-job training for existing construction workers on construction sites.

Apart from our primary focus areas, we identified special projects in other sectors, such as Art & Culture, Sports and Environment.

Since the introduction of the CSR law in April 2014, HDFC has consciously scaled up its support to organisations based on their demonstrated capabilities over time. The Corporation has now identified and is comfortable partnering with organisations that have the ability to deliver transformational results on the ground. These organisations which we have built relations with, have a strong governance structure, are aligned with the social objectives of HDFC and have the ability to scale up without losing out on the quality of their programmes.

**During the year, the CSR Committee of the Corporation made a conscious decision to utilise the unspent CSR expenditure of ₹ 14.59 crore from financial year 2016-17.** Thus, against a prescribed 2% requirement of ₹ 159.69 crore for financial year 2017-18, HDFC spent ₹ **175.97 crore**, which includes ₹ 14.59 crore carried forward from financial year 2016-17.

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

   Mr. Deepak S. Parekh (Chairman)

   Mr. D. N. Ghosh (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 four times on May 4, 2017, July 26, 2017, October 30, 2017 and March 16, 2018. 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:** **₹ 7,984.32 crore**

4. **Prescribed CSR Expenditure (2% of the amount in Point 3 above):** **₹ 159.69 crore**

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

   a. **Total amount spent during the financial year 2017-18:** **₹ 175.97 crore ***

   * includes ₹ 14.59 crore of unspent CSR expenditure, carried forward from financial year 2016-17

   b. **Amount unspent, if any:** **Not Applicable**

## Annual Report on Corporate Social Responsibility (CSR) Activities (Continued)

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[b] | Amount Spent: Direct/ Implementing Agency[a] |
|---|---|---|---|---|---|---|---|
| | | | Districts (State) | ₹ Crore | ₹ Crore | ₹ Crore | |
| 1A | Programmes for the detection, prevention and treatment of cancer, renal diseases and malnutrition | Healthcare (Detection, Prevention & Treatment) | Various Districts (Assam); Surguja (Chhattisgarh); Gandhinagar (Gujarat); Mumbai, Pune, (Maharashtra); New Delhi (New Delhi); Bargarh, Various Districts (Odisha); Udaipur (Rajasthan); Chennai, Vellore (Tamil Nadu); Kolkata (West Bengal) | 17.03 | 17.03 | 21.83 | H T Parekh Foundation & Implementing Agency |
| 1B | Programmes for clean and safe drinking water | Healthcare (Drinking Water) | Raigad (Maharashtra); Chennai (Tamil Nadu) | 11.73 | 11.73 | 11.73 | H T Parekh Foundation |
| 1C | Community driven sanitation programmes in rural areas, urban slums and in public spaces | Healthcare (Sanitation) | Kolhapur, Mumbai, Pune, Raigad (Maharashtra); Pudukkottai (Tamil Nadu); Lucknow (Uttar Pradesh) | 7.21 | 7.21 | 21.54 | H T Parekh Foundation |
| 1D | Community based projects for tribal health, leprosy & tuberculosis and capacity building of frontline health workers | Healthcare (Public health) | Kullu, Mandi (Himachal Pradesh); Amravati, Bhandara, Gadchiroli, Gondia, Pune, Nagpur, Nandurbar, Nashik, Raigad, Thane, Wardha (Maharashtra); Tiruvallur (Tamil Nadu) | 5.68 | 5.68 | 9.35 | H T Parekh Foundation & Implementing Agency |

## Annual Report on Corporate Social Responsibility (CSR) Activities (Continued)

| Sr. No. | CSR Project/Activity | Sector | Locations | Budget for Projects/ Programmes | Amount Spent: Direct on Projects/ Programmes | Cumulative Expenditure up to Reporting Period[b] | Amount Spent: Direct/ Implementing Agency[a] |
|---|---|---|---|---|---|---|---|
| | | | Districts (State) | ₹ Crore | ₹ Crore | ₹ Crore | |
| 1E | Transformational surgeries including cochlear implants, craniofacial surgeries, heart transplants and therapy services for children with special needs | Healthcare (Child Focused) | Bengaluru (Karnataka); Mumbai, Pune, Thane (Maharashtra); Chennai (Tamil Nadu); Dehradun (Uttarakhand) | 5.05 | 5.05 | 8.52 | H T Parekh Foundation |
| 2A | Capital & operating expenditure for educational institutions and support for academic research | Education (Institutional Support & Research) | Chittoor (Andhra Pradesh); Ahmedabad (Gujarat); Bengaluru (Karnataka); Sonepat (Haryana); Igatpuri, Mumbai, Pune, Lonavla (Maharashtra); New Delhi (New Delhi); Noney (Manipur) | 18.16 | 18.16 | 23.78 | H T Parekh Foundation & Implementing Agency |
| 2B | Educational programmes that includes scholarships, additional learning tools and career guidance | Education (Holistic Development of Children) | Cachar, Barpeta (Assam); Ramgarh, Ranchi (Jharkhand); Ahmednagar, Amravati, Aurangabad, Bhandara, Buldhana, Chandrapur, Gadchiroli, Gondia, Lonavla, Mumbai, Nagpur, Pune, Raigad, Ratnagiri, Sangli, Thane, Wardha, Washim, Yavatmal (Maharashtra); Bishnupur (Manipur); Jaipur, Jodhpur (Rajasthan); Birbhum Howrah, North Dinajpur, South Parganas (West Bengal) | 10.02 | 10.02 | 12.28 | H T Parekh Foundation & Implementing Agency |

## Annual Report on Corporate Social Responsibility (CSR) Activities (Continued)

| Sr. No. | CSR Project/Activity | Sector | Locations | Budget for Projects/ Programmes | Amount Spent: Direct on Projects/ Programmes | Cumulative Expenditure up to Reporting Period[b] | Amount Spent: Direct/ Implementing Agency[a] |
|---|---|---|---|---|---|---|---|
| | | | Districts (State) | ₹ Crore | ₹ Crore | ₹ Crore | |
| 2C | Training and capacity building of school teachers at pre-school, primary and secondary levels | Education (Teacher Training & Development) | Bengaluru (Karnataka); Palghar (Maharashtra); New Delhi (New Delhi); Chennai (Tamil Nadu); Hyderabad (Telangana) | 5.45 | 5.45 | 9.15 | H T Parekh Foundation |
| 2D | Special education for children and adults with intellectual disabilities | Education (Special Education) | Mumbai (Maharashtra) | 1.46 | 1.46 | 2.66 | H T Parekh Foundation |
| 3A | Rural livelihood enhancement projects (agricultural and non-agricultural) | Skilling & Livelihoods (Rural Livelihoods) | Ahmednagar, Akola, Amravati, Aurangabad, Beed, Buldhana, Dhule, Hingoli, Jalgaon, Jalna, Latur, Nagpur, Nanded, Nandurbar, Nashik, Osmanabad, Parbhani, Pune, Sangli, Satara, Solapur, Raigad, Wardha, Washim, Yavatmal (Maharashtra) | 13.45 | 13.45 | 18.46 | H T Parekh Foundation |
| 3B | Women focussed livelihood programmes | Skilling & Livelihoods (Empowering Women) | Dhamtari, Kanker, Raigarh (Chhattisgarh); Mumbai, Nashik, Pune (Maharashtra); Jhargram, Purulia (West Bengal) | 11.47 | 11.47 | 11.82 | H T Parekh Foundation & Implementing Agency |
| 3C | Vocational training for the differently abled | Skilling & Livelihoods (Persons with Disabilities) | Guwahati (Assam); Bengaluru, Belagavi, Gulbarga, Mysore (Karnataka); Mumbai, Pune (Maharashtra); Coimbatore (Tamil Nadu) | 3.70 | 3.70 | 4.71 | H T Parekh Foundation |

## Annual Report on Corporate Social Responsibility (CSR) Activities (Continued)

| Sr. No. | CSR Project/Activity | Sector | Locations | Budget for Projects/ Programmes | Amount Spent: Direct on Projects/ Programmes | Cumulative Expenditure up to Reporting Period[b] | Amount Spent: Direct/ Implementing Agency[a] |
|---|---|---|---|---|---|---|---|
| | | | Districts (State) | ₹ Crore | ₹ Crore | ₹ Crore | |
| 3D | Skilling of underprivileged youth in construction related trades | Skilling and Livelihoods (Construction Workers) | Ahmedabad (Gujarat); Gumla, Simdega (Jharkhand); Mumbai, Pune (Maharashtra); Bhubaneswar (Odisha); Udaipur (Rajasthan) | 2.46 | 2.46 | 2.46 | H T Parekh Foundation |
| 4 | Special projects which include the promotion of Indian heritage, art & culture and training of Indian athletes for global sporting events | Art and Sports | Mumbai (Maharashtra); New Delhi (New Delhi) | 1.92 | 1.92 | 3.63 | H T Parekh Foundation & Implementing Agency |
| 5 | Programmes for environmental sustainability including recycling, conservation, animal protection and ecology | Environmental Sustainability | Guwahati (Assam); Beed, Mumbai (Maharashtra); Pali (Rajasthan) | 1.18 | 1.18 | 1.20 | H T Parekh Foundation & Implementing Agency |
| 6 | Contribution to the H T Parekh Foundation towards corpus for CSR activities, as per the focus areas listed in HDFC's CSR Policy | Various sectors covered by Schedule VII of the Companies Act, 2013 | Pan India | 60.00 | 60.00 | 130.00 | H T Parekh Foundation |
| | **Grand Total** | | | **175.97** | **175.97** | **293.12** | |

**Notes:**

a. **Details of Implementing Agencies:** HDFC carries out its CSR activities through the H T Parekh Foundation and other implementing agencies (non-profit organisations). During the current year, grants have been provided to 96 implementing agencies, of which some significant ones are as below (in alphabetical order):

| Organisation | Sector |
|---|---|
| Agastya International Foundation | Education |
| Akshaya Patra Foundation | Healthcare |
| ALERT India | Healthcare |
| Balipara Tract and Frontier Foundation | Environmental Sustainability |
| Cancer Institute (WIA) | Healthcare |
| Foundation for Promotion of Sports and Games (OGQ) | Sports |

## Annual Report on Corporate Social Responsibility (CSR) Activities (Continued)

| | |
|---|---|
| Foundation for Research in Community Health | Healthcare |
| Gramalaya Trust | Healthcare |
| I Hear Foundation | Healthcare |
| Indian Cancer Society | Healthcare |
| Indian Institute of Technology, Madras | Healthcare |
| International Foundation for Research and Education | Education |
| Jai Vakeel Foundation & Research Centre | Education |
| Mobile Creches (multi location) | Healthcare |
| Paani Foundation | Skilling & Livelihoods |
| PANIIT Alumni Reach for India Foundation | Skilling & Livelihoods |
| PRADAN | Skilling & Livelihoods |
| Quality Education Support Trust | Education |
| Room to Read India Trust | Education |
| SEARCH | Healthcare |
| Shelter Associates | Healthcare |
| Sri Gayathri Medical Mission & Research Foundation | Healthcare |
| Sulabh International Social Service Organisation | Healthcare |
| Swades Foundation | Healthcare/Skilling & Livelihoods |
| Teach to Lead | Education |
| The Bombay Community Public Trust | Multiple Sectors |
| Youth 4 Jobs Foundation | Skilling & Livelihoods |
| Yuva Mitra | Skilling & Livelihoods |

The complete list of implementing agencies is available for inspection.

b. Cumulative expenditure on programmes includes expenditure incurred for an ongoing project or programme from FY 2014-15 up to the current reporting period.

Administrative expenses and overheads of ₹ 1.52 crore have been met primarily out of the interest income earned by the H T Parekh Foundation during the year.

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
April 30, 2018

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, 2018

[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.<br>Tel. No.: +91-22–6176 6000<br>Fax No.: +91-22–2414 7301 |
| 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<br>Housing Development Finance Corporation Limited<br>Investor Services Department<br>5th Floor, Ramon House,<br>H. T. Parekh Marg,<br>169, Backbay Reclamation,<br>Churchgate, Mumbai – 400 020.<br>Tel. No.: +91-22-6141 3900<br>Fax No.: +91-22-2414 7301<br>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 | 99.80 |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sr. No. | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1. | **GRUH FINANCE LTD.**<br>"GRUH", Netaji Marg, Nr. Mithakali Six Roads, Ellisbridge, Ahmedabad 380 006 | L65923GJ1986PLC008809 | Subsidiary | 57.9 | 2(87) |
| 2. | **HDFC INVESTMENTS LTD.**<br>Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65990MH1994PLC083933 | Subsidiary | 100 | 2(87) |
| 3. | **HDFC TRUSTEE CO. LTD.**<br>HDFC House, 2nd Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65991MH1999PLC123026 | Subsidiary | 100 | 2(87) |
| 4. | **HDFC ASSET MANAGEMENT CO. LTD.**<br>HDFC House, 2nd Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65991MH1999PLC123027 | Subsidiary | 57.4 | 2(87) |

## Annex to Directors' Report - 4 (Continued)

| Sr. No. | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 5. | **HDFC HOLDINGS LTD.**<br>Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65993MH2000PLC123680 | Subsidiary | 100 | 2(87) |
| 6. | **HDFC STANDARD LIFE INSURANCE CO. LTD.**<br>13th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011 | L65110MH2000PLC128245 | Subsidiary | 51.6 | 2(87) |
| 7. | **HDFC ERGO GENERAL INSURANCE CO. LTD.**<br>HDFC House, 1st Floor, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U66030MH2007PLC177117 | Subsidiary | 50.5 | 2(87) |
| 8. | **HDFC SALES PVT. LTD.**<br>HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65920MH2004PTC144182 | Subsidiary | 100 | 2(87) |
| 9. | **HDFC VENTURES TRUSTEE CO. LTD.**<br>HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65991MH2004PLC149329 | Subsidiary | 100 | 2(87) |
| 10. | **HDFC VENTURE CAPITAL LTD.**<br>HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U65991MH2004PLC149330 | Subsidiary | 80.5 | 2(87) |
| 11. | **HDFC CREDILA FINANCIAL SERVICES PVT. LTD.**<br>B - 301, Citi Point, Next to Kohinoor Continental, Andheri-Kurla Road, Andheri (East), Mumbai 400 059 | U67190MH2006PTC159411 | Subsidiary | 91.1 | 2(87) |
| 12. | **HDFC PROPERTY VENTURES LTD.**<br>HDFC House, H. T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020 | U74140MH2006PLC165539 | Subsidiary | 100 | 2(87) |
| 13. | **HDFC PENSION MANAGEMENT CO. LTD.**<br>(Through HDFC Standard Life Insurance Co. Ltd.)<br>14th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai 400 011 | U66020MH2011PLC218824 | Subsidiary | 51.6 | 2(87) |
| 14. | **HDFC EDUCATION AND DEVELOPMENT SERVICES PVT. LTD.**<br>Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 | U80301MH2011PTC224035 | Subsidiary | 100 | 2(87) |
| 15. | **HDFC CAPITAL ADVISORS LTD.**<br>Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 | U74999MH2015PLC264030 | Subsidiary | 100 | 2(87) |
| 16. | **GRIHA PTE. LTD.**<br>(Through HDFC Investments Ltd.)<br>1 Raffles Place, #44-01, One Raffles Place, Singapore 048616 | - | Subsidiary | 100 | 2(87) |
| 17. | **GRIHA INVESTMENTS**<br>(Through HDFC Holdings Ltd.)<br>IFS Court, Bank Street, TwentyEight, Cybercity, Ebene 72201, Mauritius | - | Subsidiary | 100 | 2(87) |
| 18. | **HDFC INTERNATIONAL LIFE AND RE CO. LTD.**<br>(Through HDFC Standard Life Insurance Co. Ltd.)<br>Unit OT 17-30, Level 17, Central Park Offices, Dubai International Financial Centre (DIFC), Dubai, 114 603, United Arab Emirates | - | Subsidiary | 51.6 | 2(87) |
| 19. | **HDFC BANK LTD.***<br>HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013 | L65920MH1994PLC080618 | Associate | 20.9 | 2(6) |
| 20. | **MAGNUM FOUNDATIONS PVT. LTD.**<br>(Through HDFC Property Ventures Ltd.)<br>No. 3, Mangesh Street, T. Nagar, Chennai 600 017 | U45201TN1998PTC039924 | Associate | 50 | 2(6) |

# Annex to Directors' Report - 4 (Continued)

| Sr. No. | Name and address of the Company | CIN/GLN | 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 | 21.5 | 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, 2017) | | | | No. of shares held at the end of the year (March 31, 2018) | | | | % 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** | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| (a) Mutual Funds | 5,01,22,123 | 4,750 | 5,01,26,873 | 3.16 | 10,06,13,774 | 2,250 | 10,06,16,024 | 6.00 | 2.84 |
| (b) Financial Institutions/ Banks | 1,92,60,282 | 7,100 | 1,92,67,382 | 1.21 | 6,18,596 | 7,100 | 6,25,696 | 0.04 | -1.17 |
| (c) Central Government/ State Government(s) | 11,55,369 | - | 11,55,369 | 0.07 | 29,57,332 | - | 29,57,332 | 0.18 | 0.11 |
| (d) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| (e) Insurance Companies | 9,63,77,569 | 500 | 9,63,78,069 | 6.07 | 10,71,51,841 | - | 10,71,51,841 | 6.39 | 0.32 |
| (f) Foreign Institutional Investors/Foreign Portfolio Investors | 122,75,20,377 | - | 122,75,20,377 | 77.27 | 123,96,34,960 | - | 123,96,34,960 | 73.97 | -3.30 |
| (g) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| (h) Any Other | | | | | | | | | |
| Alternative Investment Funds | - | - | - | - | 33,53,852 | - | 33,53,852 | 0.20 | 0.20 |
| **Sub-total (B)(1)** | **139,44,35,720** | **12,350** | **139,44,48,070** | **87.78** | **145,43,30,355** | **9,350** | **145,43,39,705** | **86.78** | **-1.00** |
| (2) Non-institutions | | | | | | | | | |
| (a) Bodies Corporate | 3,01,90,332 | 3,39,910 | 3,05,30,242 | 1.92 | 1,64,79,180 | 3,10,610 | 1,67,89,790 | 1.00 | -0.92 |
| (b) Individuals - | | | | | | | | | |
| i. Individual shareholders holding nominal share capital up to ₹ 1 lakh | 9,69,95,278 | 1,30,74,599 | 11,00,69,877 | 6.93 | 9,68,02,158 | 1,10,11,749 | 10,78,13,907 | 6.44 | -0.49 |
| ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | 2,53,50,620 | 1,56,950 | 2,55,07,570 | 1.60 | 2,95,26,483 | 1,03,400 | 2,96,29,883 | 1.77 | 0.17 |

# Annex to Directors' Report - 4 (Continued)

| Category of shareholder | No. of shares held at the beginning of the year (April 1, 2017) | | | | No. of shares held at the end of the year (March 31, 2018) | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| (c) Any Other (specify) | | | | | | | | | |
| i. Directors & their relatives | 76,83,105 | 3,70,000 | 80,53,105 | 0.51 | 80,95,953 | - | 80,95,953 | 0.48 | -0.03 |
| ii. Hindu Undivided Families | 12,82,790 | - | 12,82,790 | 0.08 | 13,10,245 | - | 13,10,245 | 0.08 | # |
| iii. Foreign Nationals | 1,484 | - | 1,484 | # | 1,680 | - | 1,680 | # | # |
| iv. NRIs | 36,56,179 | 15,000 | 36,71,179 | 0.23 | 50,74,475 | 15,600 | 50,90,075 | 0.30 | 0.07 |
| v. Clearing Members | 81,73,651 | - | 81,73,651 | 0.51 | 32,51,506 | - | 32,51,506 | 0.19 | -0.32 |
| vi. Trusts | 55,71,579 | - | 55,71,579 | 0.35 | 76,95,414 | - | 76,95,414 | 0.46 | 0.11 |
| vii. Foreign Corporate Bodies (FDI) | 13,62,593 | - | 13,62,593 | 0.09 | 4,18,61,735 | - | 4,18,61,735 | 2.50 | 2.41 |
| **Sub-total (B)(2)** | **18,02,67,611** | **1,39,56,459** | **19,42,24,070** | **12.22** | **21,00,98,829** | **1,14,41,359** | **22,15,40,188** | **13.22** | **1.00** |
| **Total Public Shareholding (B) = (B)(1)+(B)(2)** | **157,47,03,331** | **1,39,68,809** | **158,86,72,140** | **100** | **166,44,29,184** | **1,14,50,709** | **167,58,79,893** | **100** | - |
| **TOTAL (A)+(B)** | **157,47,03,331** | **1,39,68,809** | **158,86,72,140** | **100** | **166,44,29,184** | **1,14,50,709** | **167,58,79,893** | **100** | - |
| **(C) Shares held by Custodians and against which Depository Receipts have been issued** | - | - | - | - | - | - | - | - | - |
| **GRAND TOTAL (A) + (B) + (C)** | **157,47,03,331** | **1,39,68,809** | **158,86,72,140** | **100** | **166,44,29,184** | **1,14,50,709** | **167,58,79,893** | **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, 2017) | | Shareholding at the end of the year (March 31, 2018) | |
|---|---|---|---|---|
| | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| Life Insurance Corporation of India* | 6,75,11,918 | 4.25 | 6,43,64,604 | 3.84 |
| Oppenheimer Developing Markets Fund* | 6,72,69,951 | 4.24 | 4,97,95,081 | 2.97 |
| Government of Singapore* | 2,96,80,012 | 1.87 | 3,21,80,433 | 1.92 |
| Europacific Growth Fund* | 5,31,09,265 | 3.34 | 3,18,13,425 | 1.90 |
| Waverly Pte. Ltd.# | - | - | 3,01,26,589 | 1.80 |
| Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Fund* | 2,51,08,614 | 1.58 | 2,63,18,278 | 1.57 |
| Abu Dhabi Investment Authority – Behave# | 79,34,000 | 0.50 | 2,23,17,918 | 1.33 |
| Vanguard Total International Stock Index Fund* | 1,90,52,532 | 1.20 | 2,13,75,247 | 1.28 |
| SBI-ETF Nifty 50# | 1,30,71,191 | 0.82 | 1,94,10,298 | 1.16 |
| Ishares India Index Mauritius Company* | 1,82,21,317 | 1.15 | 1,75,93,676 | 1.05 |
| Copthall Mauritius Investment Limited@ | 2,02,04,736 | 1.27 | 1,34,21,608 | 0.80 |
| Virtus Vontobel Emerging Markets Opportunities Fund (Formerly Virtus Emerging Markets Opportunities Fund)@ | 1,45,71,523 | 0.92 | 1,32,75,147 | 0.79 |
| First State Investments ICVC – Stewart Investors Asia Pacific Leaders Fund@ | 1,55,02,140 | 0.98 | 80,19,994 | 0.48 |

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, 2017 and March 31, 2018
@ Top 10 shareholders only as on April 1, 2017
# Top 10 shareholders only as on March 31, 2018

# Annex to Directors' Report - 4 (Continued)

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

| Name of the Director/Key Managerial Person | Shareholding at the beginning of the year (April 1, 2017) | No. of shares allotted pursuant to exercise of stock options during FY 2017-18 | No. of shares sold during FY 2017-18 | Shareholding at the end of the year (March 31, 2018) | % of total shares of the Company |
|---|---|---|---|---|---|
| Mr. Deepak S. Parekh | 16,00,000 | 3,00,000 | 7,40,000 | 11,60,000 | 0.07 |
| Mr. D. M. Sukthankar | 1,51,106 | 35,000 | 9,606 | 1,76,500 | 0.01 |
| Mr. B. S. Mehta | 4,35,000 | - | - | 4,35,000 | 0.03 |
| Mr. D. N. Ghosh | 1,41,935 | 8,000 | 5,000 | 1,44,935 | 0.01 |
| Mr. Nasser Munjee | - | - | - | - | - |
| Dr. Bimal Jalan | 15,000 | - | - | 15,000 | @ |
| Dr. J. J. Irani | 65,000 | - | - | 65,000 | @ |
| Mr. V. Srinivasa Rangan | 3,00,000 | 5,04,025 | 2,50,000 | 5,54,025 | 0.03 |
| Ms. Renu Sud Karnad | 25,23,760 | 9,18,650[$] | 8,07,752 | 26,34,658 | 0.16 |
| Mr. Keki M. Mistry | 4,50,199 | 4,68,845 | 2,80,199 | 6,38,845 | 0.04 |
| Mr. Ajay Agarwal | 42,490 | 9,000 | 13,780 | 37,710 | @ |

Dr. S. A. Dave held 3,85,215 equity shares as at April 1, 2017 and till August 10, 2017 (date of his resignation), he sold 19,500 equity shares.

[$] 3,900 shares acquired pursuant to transmission of shares.

* 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.

## 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 | 1,30,860.20 | 63,099.11 | 86,574.23 | 2,80,533.53 |
| ii) Interest due but not paid | - | - | 107.20 | 107.20 |
| iii) Interest accrued but not due | 3,964.90 | 1,060.92 | 3,608.01 | 8,633.83 |
| **Total (i+ii+iii)** | **1,34,825.10** | **64,160.03** | **90,289.44** | **2,89,274.56** |
| **Change in Indebtedness during the financial year** | | | | |
| i) Addition | 26,324.79 | 8,744.42 | 5,960.13 | 41,029.34 |
| ii) Reduction | - | - | - | - |
| **Net Change** | **26,324.79** | **8,744.42** | **5,960.13** | **41,029.34** |
| **Indebtedness at the end of the financial year** | | | | |
| i) Principal Amount | 1,56,580.14 | 71,832.69 | 92,242.63 | 3,20,655.46 |
| ii) Interest due but not paid | - | - | 85.84 | 85.84 |
| iii) Interest accrued but not due | 4,569.75 | 1,071.75 | 3,921.10 | 9,562.60 |
| **Total (i+ii+iii)** | **1,61,149.89** | **72,904.44** | **96,249.57** | **3,30,303.90** |

# Annex to Directors' Report - 4 (Continued)

## 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] | 4,83,41,181 | 4,39,18,609 | 2,98,84,831 | 12,21,44,622 |
| | (b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961 [2] | 49,87,114 | 48,83,989 | 27,84,609 | 1,26,55,712 |
| | (c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961 | - | - | - | - |
| 2. | Stock Option [3] | 14,20,000 | 14,20,000 | 8,40,000 | 36,80,000 |
| 3. | Sweat Equity | - | - | - | - |
| 4. | Commission | | | | |
| | - as % of profit | - | - | - | - |
| | - Others, specify | 6,60,00,000 | 6,01,50,000 | 4,02,00,000 | 16,63,50,000 |
| 5. | Others, please specify | - | - | - | - |
| | **Total** | **11,93,28,295*** | **10,89,52,598#** | **7,28,69,440** | **30,11,50,334** |
| | Ceiling as per the Companies Act, 2013 | | | | **965,92,44,306** |

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 The intrinsic value of employee stock options granted by the Corporation is "NIL". Excludes value of perquisite upon exercise of stock options.

3 Number of stock options granted during the FY 2017-18 under ESOS- 2017. Each option represents 1 equity share of ₹ 2 each.

* Excludes ₹ 10,50,000 being arrears for FY 2016-17, paid in FY 2017-18 post receipt of shareholders' approval.

\# Excludes ₹ 26,250 being arrears for FY 2016-17, paid in FY 2017-18 post receipt of shareholders' approval.

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 | 10,50,000 | 2,40,00,000 | - | 2,50,50,000 |
| Mr. D. M. Sukthankar | 10,00,000 | 25,00,000 | - | 35,00,000 |
| Mr. B. S. Mehta | 16,00,000 | 25,00,000 | - | 41,00,000 |
| Mr. D. N. Ghosh | 9,50,000 | 25,00,000 | - | 34,50,000 |
| Dr. S. A. Dave# | 4,00,000 | 9,00,537 | - | 13,00,537 |
| Mr. Nasser Munjee | 11,00,000 | 25,00,000 | - | 36,00,000 |
| Dr. Bimal Jalan | 3,50,000 | 25,00,000 | - | 28,50,000 |
| Dr. J. J. Irani | 10,00,000 | 25,00,000 | - | 35,00,000 |
| **Total** | **74,50,000** | **399,00,537** | **-** | **4,73,50,537** |
| Overall Ceiling as per the Companies Act, 2013 | | | | **96,59,24,431@** |

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

@ Excludes sitting fees.

\# Resigned as a Director of the Corporation w.e.f. August 10, 2017.

# Annex to Directors' Report - 4 (Continued)

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] | 24,83,653 |
| | (b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961[2] | 5,40,011 |
| | (c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961 | - |
| 2. | Stock Option[3] | 75,726 |
| 3. | Sweat Equity | - |
| 4. | Commission<br>- as % of profit<br>- Others, specify | <br>-<br>- |
| 5. | Others, please specify | - |
| | **Total** | **30,23,664** |

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 The intrinsic value of employee stock options granted by the Corporation is "NIL". Excludes value of perquisite upon exercise of stock options.

3 Number of stock options granted during the FY 2017-18 under ESOS- 2017. Each option represents 1 equity share of ₹ 2 each.

## 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, 2018

***[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 period covered by our audit, that is to say, from April 01, 2017 to March 31, 2018 (hereinafter referred to as 'Audit Period'), 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 till March 31, 2018, 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'):

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, 2009;

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 (Listing Obligations and Disclosure Requirements) Regulations, 2015;

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

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

6. Specific laws applicable as mentioned hereunder:

a. National Housing Bank Act, 1987;

b. The 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 HFCs;

j. Miscellaneous Circulars;

k. Policy Circulars;

l. Guidelines for Entry of Housing Finance Companies into Insurance Business; and

m. Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015.

We have also examined compliance with the applicable clauses of the Secretarial Standards 1 and 2 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.

**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 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 further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors 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 is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, except in case of a meeting, which was called at shorter notice in compliance with the applicable provisions of the Act and Secretarial Standard, 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.

Majority decision is carried through while dissenting members' views were not required to be captured and recorded as part of the minutes as there were no such instance.

**We further report that** there are adequate systems and processes in the Company, which commensurates with its 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 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. Private Placement of Non Convertible Debentures (NCDs):**

During the Audit Period, the Company has issued NCDs amounting to INR 42,250 crore from series R-006 to R-023; S-001 to S-005; T-001 and T-002.

**ii. Issue of equity shares under Employee Stock Option Scheme (ESOS) 2011 and 2014:**

During the Audit Period, the Company allotted 1,19,74,230 (One crore Nineteen lakh Seventy Four thousand Two hundred and Thirty) equity shares of INR 2 each to its employees and directors under the ESOS 2011 & 2014.

**iii. Increase in Authorized Share Capital:**

During the Audit Period, the Company obtained the approval of its members through Postal Ballot (including e-voting) for increasing its Authorised Share Capital from INR 350 crore (Rupees Three hundred and Fifty crore) to INR 370 crore (Rupees Three hundred and Seventy crore) and consequentially amending Clause V of its Memorandum of Association.

**iv. Preferential issue of equity shares:**

During the Audit Period, the Company allotted 6,43,29,882 (Six crore Forty Three lakh Twenty Nine thousand Eight hundred and Eighty Two) equity shares of INR 2 each, for cash, at a price of INR 1726.05 per equity share to the allottees as specified in the Postal Ballot notice dated January 13, 2018 on a preferential basis, in accordance with Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

**v. Qualified Institutions Placement of equity shares:**

During the Audit period, the Company made qualified institutions placement of 1,03,89,041 (One crore Three lakh Eighty Nine thousand and Forty One) equity shares of INR 2 each at an issue price of INR 1825 per equity share to eligible qualified institutional buyers, in terms of the preliminary placement document dated February 27, 2018 and in accordance with Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

**vi. Issue of equity shares pursuant to exercise of warrants:**

During the Audit Period, the Company allotted 5,14,600 (Five lakh Fourteen thousand Six hundred) equity shares of INR 2 each at a price of INR 1489 per equity share (including warrant issue price of INR 14 per warrant received at the time of subscription to the said warrants) pursuant to exercise of 5,14,600 (Five lakh Fourteen thousand Six hundred) warrants by 3 (three) warrant holders, in terms of placement document dated October 01, 2015.

**vii. Merger of 5 Wholly Owned Subsidiaries (WOS) with the Company:**

During the Audit Period, the Company received sanction of Hon'ble National Company Law Tribunal, Mumbai Bench on March 28, 2018 with respect to Scheme of Amalgamation between the Company and its 5 (Five) Wholly Owned Subsidiaries of the Company viz. Grandeur Properties Private Limited, Haddock Properties Private Limited, Winchester Properties Private Limited, Pentagram Properties Private Limited and Windermere Properties Private Limited.

**viii. Redemption of NCDs:**

During the Audit Period, the Company redeemed NCDs amounting to INR 23,938.5 crore pursuant to maturity/ early redemption.

For M/s Vinod Kothari & Company
Practising Company Secretaries

Vinita Nair
Partner
Membership No.: A31669
C P No.: 11902

MUMBAI
April 17, 2018

# Report of the Directors on Corporate Governance

Emerging thoughts and trends on corporate governance now seem to indicate that there is growing unanimity in the need for uniform standards across the globe. Large global institutional investors in particular, are seeking greater alignment on how boards need to approach corporate governance.

Boards are expected to demonstrate that they are not only focusing on corporate strategy, risk management frameworks and long-term value creation, but are also addressing a wider gamut of issues such as board diversity, directors' skill profiles, executive succession planning, pipeline of talent and mechanisms to ensure systematic board refreshments.

Shareholders are asking companies to articulate their stance on environmental, social and governance parameters. Sustainability and climate change related issues have moved beyond the realm of extractive industries to encompass all industries and sectors.

Many institutional investors are increasingly engaging in dialogue with corporates to share their perspectives on the reshaped corporate governance landscape and its changing priorities. Several of these issues are also being incorporated in the voting guidelines and policies of institutional investors and proxy advisory firms.

To meet the changing requirements of stakeholders, many corporates are recognising the benefits of shifting from merely focusing on financials and regulatory reporting requirements to adopting a more integrated and holistic reporting approach. This wider narrative enables stakeholders to better understand companies and their approach towards long-term value creation.

In India, the Committee on Corporate Governance chaired by Mr. Uday Kotak (Kotak Committee) submitted its report to the Securities and Exchange Board of India (SEBI) in October 2017. The underlying objective of the report was the recognition that a stronger corporate governance code will enhance the overall confidence in Indian markets and in India. SEBI will provide a timeline for implementation of various recommendations of the committee.

**Corporate Governance in HDFC**

The Corporation was founded on the core values of trust, integrity and transparency. These values are ingrained in the Corporation's culture and corporate governance practices revolve around these values.

The Corporation has, over the years, built goodwill by nurturing long-term relationships with its stakeholders including borrowers, channel partners, depositors, agents and shareholders. Constant engagement with investors has remained one of the key focus areas for the Corporation. The senior management devotes considerable time and effort towards engaging with investors. This approach enables the Corporation to better articulate its long-term strategies and in turn the close engagement enables the Corporation to better understand investors' expectations.

The board remains committed to upholding the highest standards of governance. During the year, the board has taken cognisance of emerging corporate governance trends, reviewed the feedback on governance related issues provided to the Corporation by institutional investors and discussed the key recommendations of the Kotak Committee report.

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. Of the seven non-executive directors, six are independent directors. The independent directors have confirmed that they satisfy 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. The composition of the board is in conformity with the Listing Regulations and Companies Act, 2013. None of the directors

of the Corporation 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.

Dr. S. A. Dave resigned from the board with effect from August 10, 2017. Mr. D. M. Sukthankar and Mr. D. N. Ghosh resigned as directors at the end of the board meeting held on April 30, 2018. The board placed on record its sincere appreciation for the invaluable contribution made by Dr. S. A. Dave, Mr. D. M. Sukthankar and Mr. D. N. Ghosh to the Corporation over the years.

The board of directors at its meeting held on April 30, 2018 appointed Mr. U. K. Sinha and Mr. Jalaj Dani as independent directors of the Corporation for a term of 5 years with effect from the said date, subject to the approval of the members of the Corporation at the ensuing Annual General Meeting (AGM).

The directors bring to the board a wide range of experience and skills. Brief profiles of the directors 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 are as under:

| Sr. No. | Name of Director | Category | Number of directorships | Number of committees[3] | |
|---|---|---|---|---|---|
| | | | | Member | Chairperson |
| 1 | Mr. Deepak S. Parekh (Chairman)[1] | Non-Executive Non-Independent | 9 | 5 | 2 |
| 2 | Mr. B. S. Mehta | Non-Executive Independent | 8 | 8 | 3 |
| 3 | Mr. Nasser Munjee | Non-Executive Independent | 8 | 6 | 5 |
| 4 | Dr. Bimal Jalan | Non-Executive Independent | 1 | - | - |
| 5 | Dr. J. J. Irani[1] | Non-Executive Independent | 3 | 2 | 1 |
| 6 | Mr. U. K. Sinha[2] | Non-Executive Independent | 3 | 2 | - |
| 7 | Mr. Jalaj Dani[2] | Non-Executive Independent | 7 | 2 | - |
| 8 | Mr. V. Srinivasa Rangan (Executive Director)[1] | Whole-Time | 9 | 8 | - |
| 9 | Ms. Renu Sud Karnad (Managing Director)[1] | Whole-Time | 10 | 8 | 3 |
| 10 | Mr. Keki M. Mistry (Vice Chairman & CEO)[1] | Whole-Time | 9 | 8 | 4 |

*[1] The number of directorships includes directorships in HDFC group companies.*

*[2] Appointed as independent directors of the Corporation w.e.f. April 30, 2018.*

*[3] Includes Audit Committee and Stakeholders Relationship Committee in all public limited companies.*

**Responsibilities**

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, ensure regulatory compliance and safeguard 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, aligning the remuneration policy with

the long-term interests of the Corporation and its stakeholders and ensuring an orderly plan is in place for effective leadership development and succession.

The board, periodically reviews codes and policies approved by it to ensure that the same are in conformity with the applicable regulations.

**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 judgement as they draw on their varied proficiencies in economics, finance, housing, management, accountancy, law, public policy, engineering and corporate strategy. This wide knowledge of both, their field of expertise and boardroom practices helps foster varied, unbiased, independent and experienced perspectives. The Corporation benefits immensely from their inputs in achieving its strategic direction.

The Audit Committee and the Nomination and Remuneration Committee consist entirely of independent directors. The Stakeholders Relationship Committee has a majority of independent directors. The Risk Management Committee comprises majority of directors, and the Chairman of the Committee is an independent director. The composition and functioning of these 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.

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

**Appointment of Independent Directors**

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

Mr. B. S. Mehta, Mr. Nasser Munjee, Dr. Bimal Jalan and Dr. J. J. Irani were appointed as independent directors of the Corporation for a period of 5 years with effect from July 21, 2014 and are not liable to retire by rotation. A formal letter of appointment was issued to the independent directors in terms of the provisions of the Companies Act, 2013 and other applicable regulations.

With the objective of ensuring a phased refreshment of the board, during the year, the Nomination and Remuneration Committee of Directors further deliberated on the criteria and process to evaluate, select and appoint new directors.

The Nomination and Remuneration Committee reviewed the candidatures of Mr. U. K. Sinha and Mr. Jalaj Dani which *inter alia* were found to be in accordance with the criteria elucidated in the Policy on Appointment of Directors and Members of Senior Management. The committee thereafter recommended to the board, the appointment of Mr. U. K. Sinha and Mr. Jalaj Dani as independent directors for a period of 5 years with effect from April 30, 2018, subject to the approval of members at the ensuing AGM.

Mr. Sinha and Mr. Dani have confirmed that they meet the criteria of independence prescribed under applicable laws and satisfy the fit and proper criteria as prescribed under Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.

A sample letter detailing the terms and conditions of appointment of the independent directors has 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.

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

The Corporation will conduct an orientation programme for the new independent directors to enable them to familiarise with the Corporation, its subsidiary and associate companies, the management, key areas of business and regulations.

**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 members of the board have access to all information of the Corporation. The board papers, agenda and other explanatory notes are circulated to the directors well in advance. 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 issues discussed.

Senior management is invited to attend the board meetings so as to provide additional inputs on the items being discussed by the board. At the board meetings, the executive directors and senior management make presentations on various matters including the financial results, operations related issues, risk management, the economic and regulatory environment, compliance, investors' perceptions or any other issues which the board needs to be apprised of. The CEOs and other senior executives of the group companies 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 meeting are finalised and recorded in the minute book.

During the year under review, the board met six times. The meetings were held on May 4, 2017, July 26, 2017, October 30, 2017, December 19, 2017, January 29, 2018 and March 16, 2018. The attendance of the directors at the above-mentioned board meetings and the 40$^{th}$ AGM held on July 26, 2017, along with the sitting fees paid to them are listed below:

| Directors | Board Meetings | | Attendance at the 40th AGM |
|---|---|---|---|
| | Number of Meetings Attended | Sitting Fees Paid (₹) | |
| Mr. Deepak S. Parekh (Chairman) | 6 | 6,00,000 | Yes |
| Mr. D. M. Sukthankar[2] | 6 | 6,00,000 | Yes |
| Mr. B. S. Mehta | 6 | 6,00,000 | Yes |
| Mr. D. N. Ghosh[2] | 6 | 6,00,000 | Yes |
| Dr. S. A. Dave[1] | 2 | 2,00,000 | Yes |
| Mr. Nasser Munjee | 5 | 5,00,000 | Yes |
| Dr. Bimal Jalan | 3 | 3,00,000 | Yes |
| Dr. J. J. Irani | 6 | 6,00,000 | Yes |
| Mr. V. Srinivasa Rangan (Executive Director) | 6 | - | Yes |
| Ms. Renu Sud Karnad (Managing Director) | 5 | - | Yes |
| Mr. Keki M. Mistry (Vice Chairman & CEO) | 6 | - | Yes |

[1] *Resigned as a director of the Corporation w.e.f. August 10, 2017.*

[2] *Resigned as a director of the Corporation w.e.f. April 30, 2018.*

To facilitate participation at the board/committee meetings, directors may attend the meetings via video conferencing or other audio visual means, except for matters which are not permitted to be transacted through such modes.

Leave of absence was granted to the concerned directors who could not attend the respective board meetings.

The board met on April 30, 2018, to *inter alia* approve the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2018.

**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.

During the year under review, the board constituted various committees of directors to consider, review and approve the issue of equity shares on a preferential and qualified institutions placement basis, sale of equity shares through offer for sale in the initial public offerings of HDFC Standard Life Insurance Company Limited and HDFC Asset Management Company Limited and sale of equity shares in certain subsidiaries of the Corporation.

**Audit Committee**

The Audit Committee solely comprises independent directors. The committee has been reconstituted and the present members of the committee are Mr. Nasser Munjee (Chairman), Mr. B. S. Mehta and Mr. Jalaj Dani.

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 *inter alia* include overseeing the Corporation's financial reporting process and disclosures of financial information. The responsibility of the committee *inter alia* is to review with the management, the consolidated and standalone quarterly/annual 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 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, evaluation of internal financial controls and risk management systems adopted by the Corporation and periodic review of the functioning of the whistle blower mechanism of the Corporation.

The committee, from time to time, 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 reviews all such transactions on a quarterly basis.

The committee 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, status of compliance under 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 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, on a quarterly basis discussed and reviewed with the statutory auditors of the Corporation, the key highlights of the limited review of the unaudited financial results (standalone) of the Corporation and the unaudited consolidated financial results 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 4, 2017, July 26, 2017, October 27, 2017, December 19, 2017, January 29, 2018 and March 16, 2018. The Chairman of the committee was present at the 40$^{th}$ 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 | Sitting fees paid (₹) |
|---|---|---|
| Dr. S. A. Dave (Chairman)[1] | 2 | 1,00,000 |
| Mr. Nasser Munjee (Chairman)[2] | 4 | 2,00,000 |
| Mr. B. S. Mehta | 6 | 3,00,000 |
| Mr. D. N. Ghosh[3] | 6 | 3,00,000 |

[1] *Ceased to be a member w.e.f. August 10, 2017.*

[2] *Inducted as a member of the committee w.e.f. October 4, 2017.*

[3] *Ceased to be a member w.e.f. April 30, 2018.*

*Mr. Jalaj Dani has been inducted as a member of the committee w.e.f. April 30, 2018.*

The committee met on April 30, 2018 to *inter alia* review the audited annual financial results of the Corporation and the audited consolidated financial results for the year ended March 31, 2018 and recommended the same to the board for its approval.

**Nomination and Remuneration Committee**

The Nomination and Remuneration Committee solely comprises independent directors. The committee has been reconstituted and the present members of the committee are Mr. B. S. Mehta (Chairman), Mr. Nasser Munjee, Dr. J. J. Irani and Mr. U. K. Sinha.

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. The committee formulates the criteria for evaluation of the Chairman, independent directors, non-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 and 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'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. During the year, the committee approved the grant of stock options to eligible employees/directors of the Corporation under Employee Stock Option Scheme – 2017.

The annual compensation of executive directors has been approved by the committee and is within the overall limits as approved by the shareholders.

During the year under review, the committee met six times. The meetings were held on May 4, 2017, June 1, 2017, June 20, 2017, October 30, 2017, January 29, 2018 and March 16, 2018. The Chairman of the committee was present at the 40th 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 | Sitting Fees Paid (₹) |
|---|---|---|
| Mr. B. S. Mehta (Chairman) | 6 | 3,00,000 |
| Mr. Nasser Munjee | 5 | 2,50,000 |
| Dr. J. J. Irani | 5 | 2,50,000 |

*Mr. U. K. Sinha has been inducted as a member of the committee w.e.f. April 30, 2018.*

Leave of absence was granted to the concerned members who could not attend the meetings.

**Stakeholders Relationship Committee**

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

The company secretary of the Corporation, in his capacity as the compliance officer under the Listing Regulations, is responsible for expediting the share transfer formalities.

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 stakeholders of the Corporation and initiatives taken to reduce the quantum of unclaimed dividends. 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 under review, the committee met four times. The meetings were held on April 28, 2017, July 24, 2017, October 27, 2017 and January 29, 2018.

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

| Members | Number of Meetings Attended | Sitting Fees Paid (₹) |
|---|---|---|
| Dr. S. A. Dave (Chairman)[1] | 2 | 1,00,000 |
| Dr. J. J. Irani (Chairman)[2] | 2 | 1,00,000 |
| Mr. D. M. Sukthankar[3] | 4 | 2,00,000 |
| Mr. V. Srinivasa Rangan | 4 | - |

[1] *Ceased to be a member w.e.f. August 10, 2017.*

[2] *Inducted as a member of the committee w.e.f. October 4, 2017.*

[3] *Ceased to be a member w.e.f. April 30, 2018.*

*Mr. Jalaj Dani has been inducted as a member of the committee w.e.f. April 30, 2018.*

**Risk Management Committee**

With the objective of ensuring that the risks impacting the business of the Corporation are identified and appropriate measures are taken to mitigate the same, the Corporation has formulated and 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 regional managers and the functional heads of the Corporation are responsible for identifying, monitoring and periodically reviewing 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. The 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 Risk Management Committee (RMC) consists of a majority of directors, including an independent director, in accordance with the Listing Regulations. The independent director is the Chairman of the RMC. During the year, the committee was reconstituted. 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 committee and the board which endorses and approves the overall integrated risk management strategy of the Corporation. The RMC met twice during the year under review, on October 27, 2017 and March 14, 2018.

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

| Members | Number of Meetings Attended | Sitting Fees Paid (₹) |
|---|---|---|
| Mr. Nasser Munjee (Chairman)[1] | 2 | 1,00,000 |
| Mr. Keki M. Mistry | 2 | - |
| Ms. Renu Sud Karnad | 1 | - |
| Mr. V. Srinivasa Rangan | 2 | - |
| Mr. Conrad D'Souza[2] | 2 | - |
| Ms. Madhumita Ganguli[2] | 2 | - |
| Mr. Suresh Menon[2] | 2 | - |

[1] *Inducted as a member of the committee w.e.f. October 4, 2017.*

[2] *Members of Executive Management*

Leave of absence was granted to the concerned member who could not attend the meeting.

**Corporate Social Responsibility Committee**

The Corporate Social Responsibility (CSR) Committee consists of the Chairman, an independent director and three whole-time directors of the Corporation. The CSR Committee has been reconstituted and the present members of the committee 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 of CSR Policy, approval of CSR activities, recommendation of the amount of expenditure to be incurred on CSR activities to the board and review and approval of projects/programs to be supported by the Corporation. Details of CSR activities form part of the Directors' Report.

During the year under review, the committee met four times. The meetings were held on May 4, 2017, July 26, 2017, October 30, 2017 and March 16, 2018. The non-executive directors have waived receipt of sitting fees for attending the meetings of the CSR Committee.

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

| Members | Number of Meetings Attended |
|---|---|
| Mr. Deepak S. Parekh (Chairman) | 4 |
| Mr. D. N. Ghosh[1] | 4 |
| Mr. Keki M. Mistry | 4 |
| Ms. Renu Sud Karnad | 3 |
| Mr. V. Srinivasa Rangan | 4 |

[1] *Ceased to be a member w.e.f. April 30, 2018.*

*Mr. Jalaj Dani has been inducted as a member of the committee w.e.f. April 30, 2018.*

Leave of absence was granted to the concerned member who could not attend the meeting.

**Meeting of Independent Directors**

The independent directors convene separate meetings to discuss various issues at their discretion.

A meeting of independent directors was held on March 16, 2018 to evaluate the performance of the directors of the Corporation, the Chairman, the board as a whole and committees thereof. Mr. B. S. Mehta chaired the meeting. At the meeting, the independent directors also assessed the quality, quantity and timeliness of flow of information between the Corporation's management and the board which enables the board to effectively and reasonably perform its duties. The independent directors also discussed the strategy and risks pertaining to the Corporation and its group companies.

The details of the attendance of the independent directors along with sitting fees paid are listed below:

| Independent Directors | Number of Meetings Attended | Sitting Fees Paid (₹) |
|---|---|---|
| Mr. B. S. Mehta | 1 | 50,000 |
| Mr. D. N. Ghosh[1] | 1 | 50,000 |
| Mr. Nasser Munjee | 1 | 50,000 |
| Dr. Bimal Jalan | 1 | 50,000 |
| Dr. J. J. Irani | 1 | 50,000 |

[1] *Resigned as a director of the Corporation w.e.f. April 30, 2018.*

**Remuneration Policy**

The remuneration policy, including the criteria for remunerating non-executive 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 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. 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, perquisites (equivalent to their respective annual salary), other benefits and allowances which include use of the Corporation's car with a driver, telephones for the Corporation's business (expenses whereof would be borne and paid by the Corporation), house maintenance allowance, house rent allowance, leave travel allowance, 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 whole-time directors or senior employees of the Corporation and commission which is decided by the Nomination and Remuneration Committee is 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.

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

The whole-time directors are directors on the boards of certain subsidiary companies of the Corporation and accordingly are paid sitting fees. During the year, Mr. Keki M. Mistry received an amount of ₹ 74.42 lac, Ms. Renu Sud Karnad received ₹ 59.45 lac and Mr. V. Srinivasa Rangan received ₹ 28.80 lac 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 ranging between 3 to 5 years, however their office is liable to retire by rotation. The board at its meeting on April 30, 2018, re-appointed Mr. Keki M. Mistry as the Managing Director (designated as Vice-Chairman & Chief Executive Officer) of the Corporation for a period of three years, with effect from November 14, 2018, subject to the approval of members at the ensuing AGM.

**Evaluation of the Board and Directors**

The Nomination and Remuneration Committee of Directors reassessed the methodology and criteria to evaluate the performance of the board as a whole and its committees as well as the performance of each director individually,

including the Chairman and confirmed that the existing template meets the criteria laid in the guidance note on board evaluation issued by SEBI on January 5, 2017. The said criteria *inter alia* includes effectiveness of the board and its committees, process of decision making, active participation, governance, independence, quality and content of agenda papers, team work, frequency of meetings, discussions at meetings, role in establishing a good corporate culture, cohesion in meetings, role of the chairman, contribution and management of conflict of interest.

The above is supplemented through discussions amongst directors at the meetings of the independent directors and the board, wherein the feedback is directly offered to the Chairman. Further, the Chairman on a periodic basis has one-on-one discussions with the directors to gauge their views on the functioning of the Corporation and also to discuss the means to implement the suggestions offered by them either collectively or individually.

The Nomination and Remuneration committee requested Mr. B. S. Mehta, independent director and its chairman to oversee the exercise of board evaluation, aggregate the evaluation sheets and communicate the ratings based on such aggregation to the Chairman of the Corporation.

The independent directors also reviewed the performance of the non-executive directors, whole-time directors, the Chairman, the board as a whole and committees thereof.

The Chairman shared the results of evaluation at the meeting of the Board of Directors. The board reviewed the results and whilst expressing its satisfaction on the same, took cognisance of the need for board refreshment in a phased manner.

**Investor Grievances**

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

At the beginning of the financial year, there was no investor complaint that was unresolved. During the year, the Corporation received 6 investor complaints and all the complaints were resolved to the satisfaction of shareholders. There were no investor complaints pending as at March 31, 2018.

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**

In terms of the provisions of the Listing Regulations, Dr. S. A. Dave was the nominee of the Corporation on the board of HDFC Standard Life Insurance Company Limited (HDFC Life). Pursuant to Dr. Dave's resignation, the Corporation nominated Dr. J. J. Irani as a nominee of the Corporation on the board of HDFC Life.

Subsequent to the listing of equity shares of HDFC Life in November 2017, the Corporation is no longer required to nominate any of its independent directors on the board of HDFC Life.

Each quarter, the Audit Committee reviews the investments made by the unlisted subsidiary companies of the Corporation. The committee also reviews the annual financial statements of the unlisted 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 meetings of the Corporation on a quarterly basis.

**Code of Conduct and Management of Conflict of Interest**

The code of conduct for non-executive directors and 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.

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.

**Share Dealing Code**

HDFC Share Dealing Code prescribes detailed procedures and guidelines to be adopted while dealing in the securities of the Corporation. The code is applicable to all directors, employees, their immediate relatives and connected persons. The said persons are prohibited from dealing 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 and/or its securities.

Further, other than the exercise of stock options, directors, employees and connected persons who buy and sell any number of securities of the Corporation are prohibited from entering into a contra trade i.e. sell or buy any number of securities during the next six months following the prior transaction and from taking positions in derivative transactions in the equity shares of the Corporation.

**Dealing with Unpublished Price Sensitive Information**

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

The Corporation also has in place an Investor Relations Policy which *inter alia* lays out the procedures and systems to facilitate disclosure of material unpublished price sensitive information in a timely, fair and transparent manner. The Corporation has an internal policy on processes, systems and controls pertaining to handling of unpublished price sensitive information to ensure that such 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**

As at March 31, 2018, deposits held by non-executive directors in the Corporation amounted to ₹ 3.25 crore. The cost and the terms and conditions of the deposits are the same as applicable to public deposits. The non-executive directors of the Corporation do not have any other 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 with related parties. The policy is placed on the website of the Corporation.

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. The details of material related party transactions with HDFC Bank Limited that require approval of the shareholders of the Corporation has been mentioned in the notice convening the ensuing AGM.

During the year, the Audit Committee also reviewed and approved the revised pricing policy of the Corporation to determine arm's length pricing for transactions to be entered by the Corporation with its related parties in accordance with the provisions of the Companies Act, 2013.

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

**Whistleblower Policy**

The Corporation has a board approved Whistleblower Policy and 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 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 Whistleblower 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 Committee of directors is updated on the vigil mechanism on a periodic basis, which *inter alia* includes the scope of the policy, process to lodge a complaint, redressal procedure, protection of whistleblowers and status of complaints received. During the financial year under review, three complaints pertaining to the Corporation were received under the corporate whistleblower mechanism. All the three complaints were reviewed, investigated and duly closed and no complaints were pending for redressal as at March 31, 2018.

During the year, no person was denied access to the audit committee for expressing his concerns or reporting grievances under the Whistleblower Policy and/or vigil mechanism.

**Strictures and Penalties**

During the year, 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.

The Supreme Court of India by way of an order dated July 22, 2015 had directed the Corporation to pay a penalty of ₹ 75,000 to SEBI for an inadvertent delay in filing a report under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. This pertained to the acquisition of equity shares on a preferential basis of Hindustan Oil Exploration Company Limited in 1997, which resulted in the Corporation holding 10.92% of the voting rights of the company. The Corporation paid the penalty in financial year 2015-16 and thus settled the issue.

Barring the above, during the last three years, no penalties or strictures have been 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 Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006. The financial statements for the year have been prepared in accordance with and in compliance 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 issued secured redeemable non-convertible debentures (NCDs) aggregating ₹ 42,250 crore on a private placement basis, in various tranches. The Corporation also raised ₹ 1,300 crore through the issuance of unsecured rupee denominated bonds to overseas investors. The funds raised from the issuance of NCDs and rupee denominated bonds were utilised for housing finance business requirements and general corporate purposes.

During the year, the Corporation raised ₹ 11,104 crore through an issue of equity shares on a preferential basis in accordance with the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations). The Corporation also raised ₹ 1,896 crore through a qualified institutions placement issue of equity shares in accordance with Chapter VIII of the SEBI ICDR Regulations. Thus in aggregate, an amount of ₹ 13,000 crore was raised from both the issuances. The net proceeds of the funds raised through the issues will be utilised towards the purpose as stated in the Directors' Report.

Details of all the above-mentioned issues and the end use were provided to the Audit 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 2,41,603 shareholders as at March 31, 2018. The main channel of communication to the shareholders is through the annual report which *inter alia* includes the Chairman's Statement, the Directors' Report, the Report of the Directors on Corporate Governance, Management Discussion and Analysis Report, the financial statements of the Corporation along with the Auditors' Report, the Consolidated Group financial statements with the Auditors' Report, Business Responsibility Report, Integrated Report, Corporate Social Responsibility Report and Shareholders' Information.

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 said website.

Regular communication with shareholders ensures that the Corporation's strategy is being clearly understood. 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.

The Corporation also communicates the quarterly financial results by e-mail to shareholders who have registered their e-mail address either with the Corporation or their Depository Participants.

To expedite the process of share transfers, the board has delegated the power of share transfers to the Investor Services Committee, comprising the company secretary and senior officers of the Secretarial Department. The committee attends to the share transfer formalities on a weekly basis.

A brief profile of the directors to be appointed/re-appointed at the 41st AGM is provided as an annex to the notice convening the said AGM. A section on "Shareholders' Information" with information as required under the Listing Regulations 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 are given below. All the AGMs were held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

| Financial Year | Meeting | Date | Time | Number of Special Resolutions passed |
|---|---|---|---|---|
| 2014-15 | 38th AGM | July 28, 2015 | 3.00 p.m. | 4 |
| 2015-16 | 39th AGM | July 27, 2016 | 3.00 p.m. | 2 |
| 2016-17 | 40th AGM | July 26, 2017 | 2:30 p.m. | 2 |

The Corporation would be providing a one-way live webcast of the proceedings of the ensuing AGM to be held on July 30, 2018. The link to access the webcast will be placed on the Corporation's website.

**Postal Ballot**

During the year, the members of the Corporation approved the following matters through postal ballot on February 14, 2018. A snapshot of the voting results of the postal ballot is as follows:

| Resolution No. | Particulars | % of votes polled on outstanding shares | % of votes in favour on votes polled | % of votes against on votes polled |
|---|---|---|---|---|
| 1. | Ordinary Resolution – Increase in the Authorised Share Capital | 74.87 | 99.69 | 0.31 |
| 2. | Special Resolution – Issue of equity shares on a preferential basis | 74.88 | 99.90 | 0.10 |
| 3. | Special Resolution –Issue of equity shares on a Qualified Institutions Placement basis | 74.88 | 99.99 | 0.01 |
| 4. | Ordinary Resolution- Approval of related party transaction with HDFC Bank Limited regarding subscription to the equity shares of HDFC Bank Limited on a preferential basis | 74.88 | 99.99 | 0.01 |

Mr. N. L. Bhatia, Managing Partner, Messrs N. L. Bhatia & Associates, practising company secretaries was appointed to act as the scrutiniser for the postal ballot process. The detailed voting procedure mentioned in the postal ballot notice, the scrutiniser's report and the voting results are available on the website of the Corporation.

No further resolution is proposed to be passed through postal ballot under the provisions of the Companies Act, 2013.

**Compliance**

The Corporation has complied with the mandatory requirements as stipulated under the Listing Regulations. The Corporation has submitted the quarterly compliance report on corporate governance to the stock exchanges within the prescribed time limit.

Messrs N. L. Bhatia & Associates, practising company secretaries, have certified that the Corporation has complied with the mandatory requirements as stipulated under the Listing Regulations. The certificate is annexed to the

Directors' Report and will be submitted to the stock exchanges and the Ministry of Corporate Affairs along with the Annual Report.

Mr. Sudhir Kumar Jha, Senior General Manager – Corporate Legal is the compliance officer in accordance with the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.

Further, the board appointed Mr. R. Arivazhagan – Member of the Executive Management as the Chief Information Technology Officer in accordance with the Indian Evidence Act, 1872.

**Non-Mandatory Requirements**

The Corporation is in compliance with all 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 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
April 30, 2018

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
April 30, 2018

KEKI M. MISTRY
Vice Chairman & CEO

# Compliance Certificate on Corporate Governance

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined all the relevant records of HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ("the Corporation") for the purpose of certifying compliance of the conditions of the Corporate Governance under Chapter IV to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") for the period from April 1, 2017 to March 31, 2018. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation process adopted by the Corporation for ensuring the compliance of the conditions of the Corporate Governance. This certificate 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 and information furnished to us, we certify that the Corporation has complied with all the conditions of Corporate Governance as stipulated in 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 N. L. Bhatia & Associates
Practising Company Secretaries
UIN: P1996MH055800

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

MUMBAI
April 30, 2018

# Management Discussion and Analysis Report

## INDUSTRY STRUCTURE AND DEVELOPMENTS

### Macroeconomic Overview

During the year under review, the global economy gained traction with synchronised expansion across both, developed and emerging markets. Global financial markets were mostly buoyant, with few bouts of volatility triggered by specific events. Key global macroeconomic events that characterised FY18 included firming up of commodity prices, particularly oil prices, US continuing on its path towards monetary policy normalisation and rising concerns on trade barriers, increased tariffs and protectionist policies.

The Indian economy faced a relatively subdued GDP growth in the first half of the financial year under review owing to the spill over effects of demonetisation and implementation of the Goods and Services Tax (GST). The latter half of the financial year saw a stronger recovery. This was corroborated by the second advance estimates of the Central Statistics Office, which estimated India's GDP growth for FY18 at 6.6%.

In FY18, net Foreign Portfolio Investment (FPI) inflows into India, stood at ₹ 1.5 lakh crore. Most of the FPI inflows during the year were concentrated in debt. In FY18, the Indian equity markets were largely supported by domestic institutional investors who pumped a record high of ₹ 1.1 lakh crore.

### Housing and Real Estate Market

The year under review will be marked as an eventful and important one for the Indian real estate markets. On May 1, 2017, the Real Estate (Regulation and Development) Act, 2016 (RERA) came into force. Developers are mandated to get their projects registered with the real estate regulator and details of projects have to be placed on the respective state web portals to enable public access. This has brought in greater transparency and accountability on the part of developers and is a confidence booster for home buyers.

Implementation of RERA, however, continues to vary across states. While most states have notified RERA rules, many still do not have a permanent authority or an appellate tribunal.

GST – a long impending reform was implemented with effect from July 1, 2017. The key objective of GST is to facilitate greater formalisation of the Indian economy. Under the present regulations, under construction properties attract GST, however, there is no GST applicable on completed properties. In a bid to support the housing sector, the government has placed the GST rate of under construction affordable housing projects and projects under the Pradhan Mantri Awas Yojana (Housing for All – Urban Mission) at a concessional rate of 8%.

Initially there were apprehensions that both, RERA and GST which are transformative legislations could impact the real estate market. While there were transitional adjustments, there was a recognition that both these legislations will strengthen and bring about efficiencies in the real estate markets in the medium to long-term.

### Mortgage Finance Market in India

The continued government's thrust towards affordable housing has helped more Indians become homeowners. In order to facilitate the government's flagship programme of Housing for All, the government has supported the housing and housing finance sector through various initiatives. Some of these include:

***Fiscal Incentives:*** The government has continued to support home loan borrowers by offering tax incentives on both, the principal and interest component of a home loan. These tax incentives help reduce the overall cost for a home loan borrower.

***Interest Subvention Scheme:*** The government's Credit Linked Subsidy Scheme (CLSS), introduced in 2015 initially focused on the economically weaker sections (EWS) and low income group (LIG) customers. In 2017, the government recognised the benefits of expanding this scheme to include the middle income groups (MIG) as well. The interest subsidy on the home loan is paid to the beneficiary upfront, thereby reducing the amount of the equated monthly instalment. A key condition under CLSS is that the eligible beneficiary family should not own a home.

**Salient Features of the CLSS**

| Criteria | CLSS – EWS & LIG | CLSS - MIG I | CLSS - MIG II |
|---|---|---|---|
| Household income (per annum) | Up to ₹ 6 lakh | > ₹ 6 lakh up to ₹ 12 lakh | > ₹ 12 lakh up to ₹ 18 lakh |
| Property size (sq. mtr.) | 60 | 120 | 150 |
| Maximum amount of loan qualifying for subsidy | Up to ₹ 6 lakh | Up to ₹ 9 lakh | Up to ₹ 12 lakh |
| Interest subsidy (per annum) | 6.5% | 4% | 3% |
| Subsidy under CLSS* | ₹ 2.67 lakh | ₹ 2.35 lakh | ₹ 2.30 lakh |

**NPV discount rate at 9% for 20 years*

The CLSS has been very well received and the union budget 2018-19 increased the budgetary allocations under this scheme. It is estimated that cumulatively, over 1.65 lakh home loan customers are beneficiaries under this scheme.

***Supply Side Incentives:*** To increase the supply of affordable homes, developers have been allowed 100% deduction of profits and gains for affordable housing units, where the size of a unit is 30 square metres in metro cities and 60 square metres in other areas. The size of the unit is determined based on the carpet area. This provision is available for projects that are approved by the competent authority after June 1, 2016 but before March 31, 2019 and the projects have to be completed within five years from the date of approval. Recognising the immense demand, a number of well-reputed developers are focusing on the affordable housing segment where the demand is immense. Further, affordable housing has been given infrastructure status.

***Other Demand Drivers:*** Given India's favourable demographics, with 66% of India's population below the age of 35 years, there is a large potential for home loans. In addition, the trend towards nuclearisation of households, rapid increase in the urban population, rising income levels and improved affordability have made home loans attractive.

India's mortgage to GDP ratio is currently estimated at 10%. While this ratio has been gradually rising, it still remains lower than several peer countries where the mortgage to GDP ratios are in the range of 20% to 30%, while in the case of advanced economies, this ratio is generally upwards of 60% of GDP. Thus, the scope for further penetration of the Indian mortgage market is immense.

**Interest Rate and Liquidity Scenario**

During the year, domestic financial markets exhibited diverse trends, with the first half of the year largely characterised by a softening interest rate environment and surplus liquidity in the system. On August 2, 2017, the Reserve Bank of India (RBI) in its monetary policy announced a reduction in the repo rate by 25 basis points. However, despite this move, from August 2017 onwards long-term yields began inching upwards. This was on account of growing concerns of excessive government borrowing leading to fiscal slippages and rising inflationary expectations triggered by higher oil and food prices.

Towards the latter half of December 2017, with the slowdown in government spending and the usual advance tax outflows, there was a temporary liquidity deficit. By February 2018, there was some respite with bond yields easing in response to the government's indication that it would reduce its borrowings in the first half of FY19. However, the trend of rising oil prices, deteriorating position of the current account deficit, outflows by foreign portfolio investors, rising US-treasury yields and the RBI's hawkish minutes of its monetary policy in April 2018 has resulted in increasing borrowing costs across the system.

**INDUSTRY OUTLOOK: CHALLENGES AND OPPORTUNITIES**

During the year, the housing and real estate sector went through various phases of transition as the sector recalibrated to new reforms and regulatory regimes. While there were intermittent slowdowns in terms of demand, sales and supply in certain pockets owing to the adjustment phase, there was consensus that greater formalisation and increased transparency and accountability would be beneficial for the sector over the medium and long-term.

Certain developers in some pockets of the country have been facing increased stress owing to their inability to complete housing projects. This has left some homebuyers and home loan borrowers in difficulties.

The Insolvency and Bankruptcy Code, 2016 – another critical new legislation is now being reviewed as there is recognition of the need to protect homebuyers against insolvent companies.

There are also a number of emerging opportunities as far as stressed real estate assets are concerned. This includes identification of unfinished or incomplete projects, taking them over from stressed or insolvent developers, getting the construction activity completed and then selling the completed projects. This will help ensure that projects are not left incomplete and customers who have booked properties get delivery of their homes.

In terms of residential properties, the maximum new launches during the year were seen in the affordable housing segment. According to JLL India, the share of supply in the affordable housing segment with capital value below ₹ 4,000 per square foot increased to 28% in 2017 from 23% in the previous year. This augurs well as the demand is significantly greater in the affordable housing sector. A number of well reputed developers are actively looking at expanding their footprint in affordable housing. Research reports by property consultants also corroborated a strong pick-up in new housing launches across the top seven cities in the last quarter of the financial year under review.

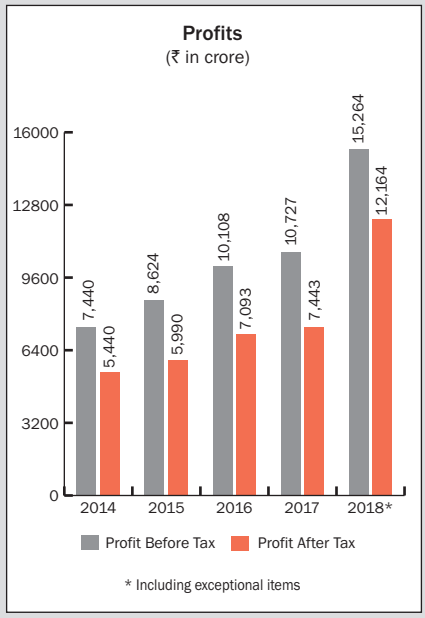
As far as housing finance is concerned, growth in home loans by banks, non-bank financial companies and housing finance companies continued to remain robust. Recent analysis by various credit rating agencies has indicated increased stress in the asset quality of loans against property. This stems from aggressive lending practices, intensifying competition and an inability to correctly assess repayment capacities of borrowers.

Key risks for the housing finance business include possibilities of widespread job losses, which could make servicing of the home loan difficult and a sharp deterioration of asset quality, particularly in the case of non-individual business. Other concerns include unanticipated changes in regulations which could impact the operations of the Corporation.

## FINANCIAL AND OPERATIONAL PERFORMANCE

### Financial Performance

Total income of the Corporation for the year ended March 31, 2018 was ₹ 35,230 crore compared to ₹ 33,160 crore in the previous year, representing a growth of 6%. In addition, there were exceptional items of ₹ 3,682 crore, details of which are provided below.




For the year ended March 31, 2018, the Corporation made a profit before tax of ₹ 15,264 crore as against ₹ 10,727 crore in the previous year – an increase of 42%.

The transaction of the sale of equity shares in the initial public offering of HDFC Standard Life Insurance Company Limited (HDFC Life) has triggered the provision of Minimum Alternate Tax (MAT) under Section 115JB of the Income-Tax Act, 1961. MAT tax credit of ₹ 311 crore has been recognised for the year under review and the tax expense has been adjusted accordingly.

After providing ₹ 3,100 crore (PY ₹ 3,284 crore) for tax, the reported profit after tax for the year ended March 31, 2018 stood at ₹ 12,164 crore as compared to ₹ 7,443 crore in the previous year, representing a growth of 63%.

### Exceptional Items - Sale of HDFC Life Shares

During the year, the Corporation offered for sale 19,12,46,050 equity shares of ₹ 10 each of HDFC Life, representing 9.52% of its issued and paid-up share capital in the initial public offering of HDFC Life, resulting in a profit of ₹ 5,257 crore.

In accordance with past practice and with the objective of further strengthening the Corporation's balance sheet, the Corporation believes it is prudent to utilise one-off pre-tax gains from the sale of subsidiaries to shore up the provision and contingencies account and thereby build an additional buffer against any unexpected risk in the future. Accordingly, the Corporation

created an additional special provision of ₹ 1,575 crore as a charge to the statement of profit and loss, being 30% of the pre-tax gains on the above-mentioned transaction.

Thus, an amount of ₹ 3,682 crore has been considered as exceptional items for the year under review.

**One-Time Transactions**

During the year, the Corporation also sold two of its wholly owned subsidiaries, HDFC Realty Limited and HDFC Developers Limited to Quikr India Private Limited for a combined profit of ₹ 265 crore. The Corporation created an additional special provision of ₹ 80 crore as a charge to the statement of profit and loss account.

In the previous year, the Corporation had sold shares of HDFC ERGO General Insurance Company Limited (HDFC ERGO) to ERGO International A.G. for a profit of ₹ 920 crore. The Corporation had created a special provision of ₹ 275 crore as a charge to the statement of profit and loss.

After adjusting for these exceptional items and one-time transactions, the profit before tax for the year ended March 31, 2018 was ₹ 11,397 crore as compared to ₹ 10,082 crore in the previous year, representing a growth of 13%.

**Deferred Tax Liability on Special Reserve**

The National Housing Bank (NHB) had directed Housing Finance Companies (HFCs) to provide for Deferred Tax Liability (DTL) in respect of the balance in the Special Reserve created under section 36(1)(viii) of the Income Tax Act, 1961.

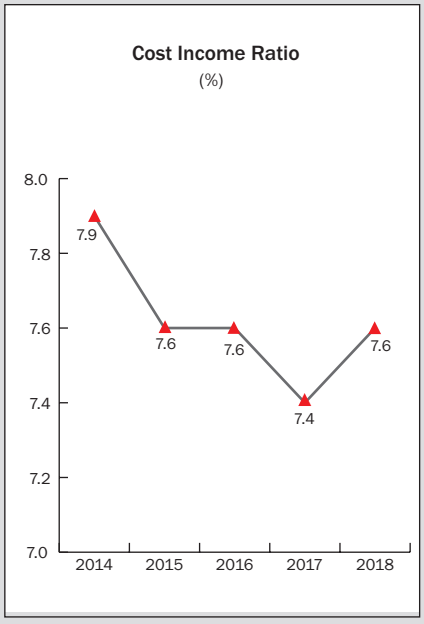
The DTL on the amount of Special Reserve appropriated out of the profits of the Corporation for the financial year under review was ₹ 470 crore (PY ₹ 432 crore). This has been taken into account in determining the effective tax rate which has been used in determining the tax charge on the income of the Corporation for the year ended March 31, 2018.

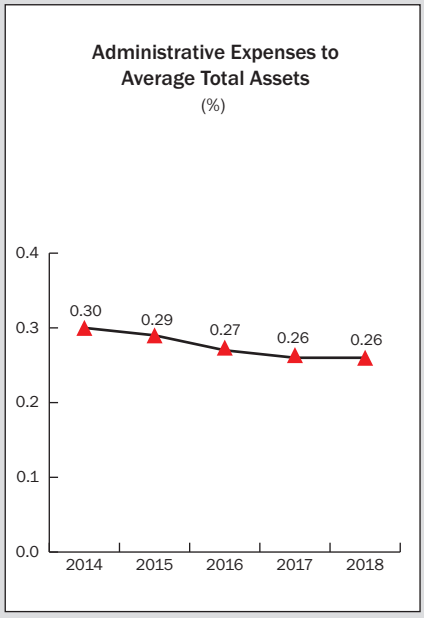
The regulator NHB, as a matter of abundant prudence requires HFCs to create DTL on the amount appropriated to Special Reserve. Special Reserve will never be utilised for payment of dividend or any other purpose and the Corporation has adequate other reserves for meeting any such requirements if so needed at a later stage. Management is of the view that as Special Reserve will never be utilised, the tax liability on the Special Reserve will never materialise.

**Statement of Profit and Loss**

Key elements of the statement of profit and loss for the year ended March 31, 2018 are:

- Net Interest Income grew by 14% during the year.
- Net Interest Margin for the year was 4.0%.
- The Corporation's cost to income ratio was 7.6% for the year ended March 31, 2018. HDFC's cost to income ratio continues to be among the lowest in the financial sector in Asia.
- Administrative expenses as a percentage of average assets stood at 0.26% as at March 31, 2018 which was the same level as in the previous year.
- Pre-tax return on average assets was 3.3% and the post-tax return on average assets was 2.4%. These ratios have been adjusted for the exceptional items.
- In March 2018, the board declared and paid an interim



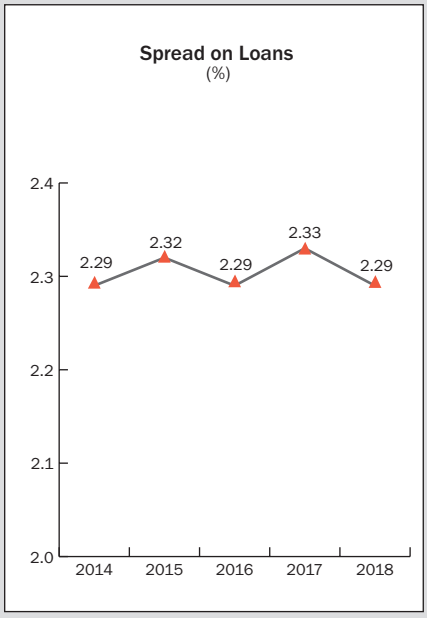



dividend of ₹ 3.50 per equity share of ₹ 2 each. The board recommended a final dividend of ₹ 16.50 per equity share. The total dividend for the year is ₹ 20 per equity share as against ₹ 18 per equity share in the previous year.

- The dividend pay-out ratio excluding exceptional items is 46.2%.
- Return on equity after adjusting for exceptional items, dividend and capital raised through Preferential Allotment and Qualified Institutions Placement basis in FY18Q4 being apportioned on a pro-rata basis was 20.4%.

### Spread on Loans

The average yield on loan assets during the year was 9.76% per annum compared to 10.64% in the previous year. The average all-inclusive cost of funds was 7.47% per annum as compared to 8.31% in the previous year. The spread on loans over the cost of borrowings for the year was 2.29% per annum as against 2.33% in the previous year. Spread on individual loans for the year was 1.92% and on non-individual loans was 3.10%.




### Operational Performance

### Lending Operations

The Corporation's lending operations continued to be robust given the strong demand for housing loans. In support of the government's flagship scheme, 'Housing For All', the Corporation increased its efforts towards loans to the EWS and LIG where household incomes are up to ₹ 3 lakh and ₹ 6 lakh per annum respectively.

During the year, 38% of home loans approved in volume terms and 19% in value terms have been to customers from the EWS and LIG segment.

The Corporation on an average has been approving approximately 8,200 loans on a monthly basis to the EWS and LIG segment, with monthly average approvals at ₹ 1,312 crore.

During the year, in value terms, loans to the EWS and LIG segment grew by 32% and 41% respectively compared to the previous year.

The average home loan to the EWS and LIG segment stood at ₹ 10.2 lakh and ₹ 17.4 lakh respectively.

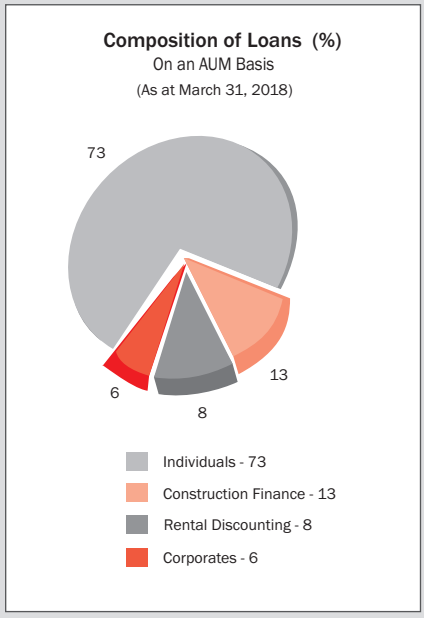
Individual loan disbursements grew 29% during the year. The Corporation has cumulatively financed 6.3 million housing units. The average size of individual loans stood at ₹ 26.4 lakh.

The Corporation ranks among the top institutions in terms of customers who have availed benefits under the CLSS. Cumulatively, the Corporation had approximately 23,000 customers who had availed subsidies under the CLSS and the cumulative loan amount approved against these loans is ₹ 3,946 crore.

In the non-individual business loans, demand for loans by corporates remained tepid largely owing to the continued 'twin balance sheet problems' with over leveraged corporates and banks saddled with high non-performing loans. During the year, growth in non-individual loans came from commercial lease rental discounting and construction finance.

### 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.



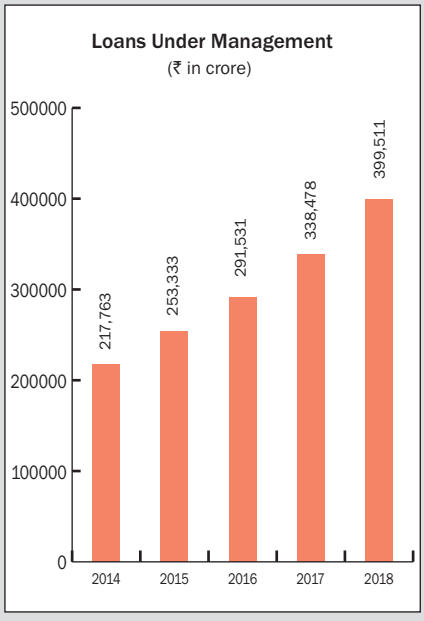
The Assets Under Management (AUM) as at March 31, 2018 was ₹ 3,99,511 crore as compared to ₹ 3,38,478 crore in the previous year.

On an AUM basis, the growth in the individual loan book was 18% and the non-individual loan book was 17%. The growth in the total loan book on an AUM basis was 18%.

During the year, the Corporation's loan book increased from ₹ 2,96,472 crore to ₹ 3,59,442 crore as at March 31, 2018, representing a growth of 21%. In addition, total loans securitised and/or assigned by the Corporation and outstanding as at March 31, 2018 amounted to ₹ 40,069 crore.

In accordance with the provisions of Schedule III of the Companies Act, 2013, the loan book has been classified into long-term loans and current maturities of long-term loans.

The table below provides a synopsis of the loan book of the Corporation as classified under the Schedule III of the Companies Act, 2013.




₹ crore

| | Long-Term | Current | Total |
|---|---|---|---|
| Individuals | 2,47,265 | 4,192 | 2,51,457 |
| Corporate Bodies | 87,047 | 15,317 | 1,02,364 |
| Others | 4,568 | 1,053 | 5,621 |
| **Loan Book** | **3,38,880** | **20,562** | **3,59,442** |

The net increase in the loan book, (after removing the loans that have been sold) is ₹ 62,970 crore, which has been determined after taking into account loan repayments of ₹ 1,10,853 crore and loans written off during the year amounting to ₹ 56 crore.

Prepayments on retail loans stood at 11.3% of the opening balance of individual loans compared to 10.7% in the previous year. 62% of these prepayments were full prepayments.

Of the total loan book (including loans sold), individual loans comprise 73%.

The growth in the individual loan book, after adding back loans sold in the preceding twelve months was 26% (23% net of loans sold).

Non-individual loans grew by 17% and comprised 27% of the portfolio.

The total loan book, net of loans sold grew by 21% during the year. The growth in the total loan book would have been 23% had the Corporation not sold any loans during the year.

**Assignment/Sale of Loans**

During the year, the Corporation sold individual loans amounting to ₹ 6,453 crore, of which ₹ 1,850 crore qualified as priority sector advances for banks. The Corporation did not sell any loans in the second half of the financial year.

The Corporation, under the loan assignment route sold individual loans amounting to ₹ 5,624 crore to HDFC Bank pursuant to the buyback option embedded in the home loan arrangement between the Corporation and HDFC Bank and ₹ 829 crore was assigned/securitised to another bank. In respect of the loans assigned/ securitised during the year to banks other than HDFC Bank, the residual income is 2.7% per annum.

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. Further, despite the loans being off the balance sheet, the Corporation continues to receive a monthly income, thereby generating a stream of income in the future years on the loans sold.

As at March 31, 2018, individual loans outstanding in respect of all loans assigned/securitised stood at ₹ 39,364 crore. HDFC continues to service these loans and is entitled to the residual income on the loans sold/assigned.

The residual income on the outstanding individual loans assigned/securitised is 1.27% per annum. The residual income on these loans is being recognised over the life of the underlying loans and not on an upfront basis.

Loan pools which were rated by external rating agencies carry a

rating indicating the highest degree of safety.

**Product-wise Loan Performance**

As at March 31, 2018, the product-wise break-up of loans on an AUM basis was - individual loans: 73%, corporate loans: 6%, construction finance: 13% and commercial lease rental discounting: 8%.

During the year, on an AUM basis, 74% 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 51%, 27% and 16% of home loans disbursed respectively during the year. Thus, total loans sourced from distribution channels accounted for 94% of individual loans disbursed by HDFC in value terms. 84% of the Corporation's individual loan business during the year was sourced directly or through the Corporation's affiliates.

The commission paid to the agents in respect of loans retained by the Corporation is charged to the statement of profit and loss upfront and is not amortised over the life of the loan. The total commission payable to distribution channels amounting to ₹ 670 crore has been charged to the statement of profit and loss against fee income.

**Marketing, Distribution and Digital Initiatives**

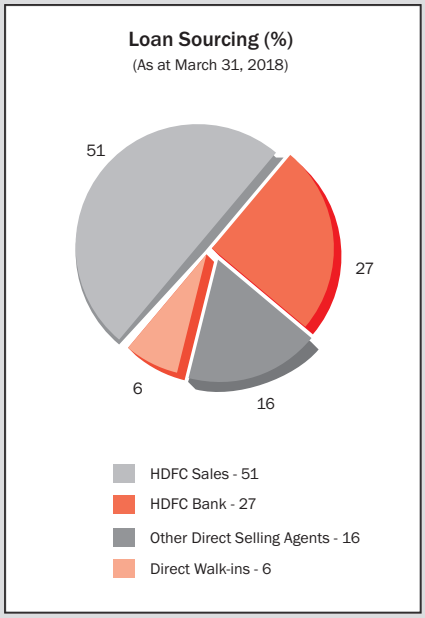
During the year, efforts were concentrated on further strengthening the distribution network. The Corporation's distribution network now spans 474 outlets, which includes 148 offices of HDFC's wholly owned distribution company, HDFC Sales Private Limited (HSPL).

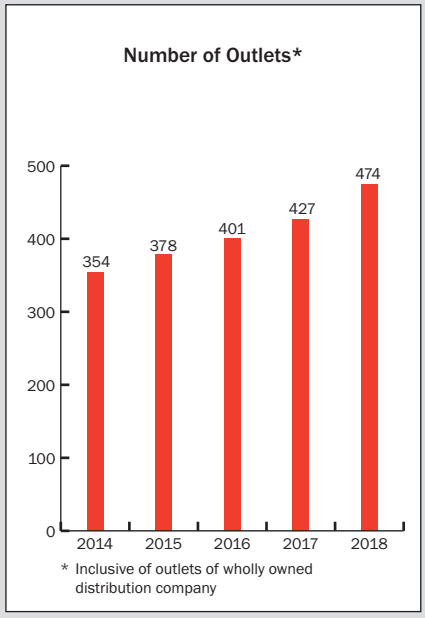
To further augment the network, HDFC covers additional locations through its outreach programmes. HDFC has overseas offices in London, Singapore and Dubai. The Dubai office caters to customers across Middle-East through its service associates.

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.

'HDFC's Online Home Loans' is an end-to-end origination to approval home loan platform. This platform enables customers to apply, upload documents and get a home loan approval online.

The Corporation's website, *'www.hdfc.com'* has various new features to enhance customer experience such as live chat, click-to-call facility, missed call service and the home assist module. For digital savvy customers, the blog, *www.hdfc.com/blog* has content on home finance, real estate, non-housing loans and lifestyle in formats like videos, infographics and listicles.



During the year, the Corporation continued to deploy various digital marketing strategies for brand building and lead generation. The Corporation further built on its descriptive, predictive and prescriptive business analytical capabilities for lead scoring, upselling and cross-selling to drive efficiency and predict propensity for conversion of leads to loans. The customer lifecycle management module drives business growth by upselling and cross-selling products to existing customers at predefined milestones as guided by analytics.

**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.

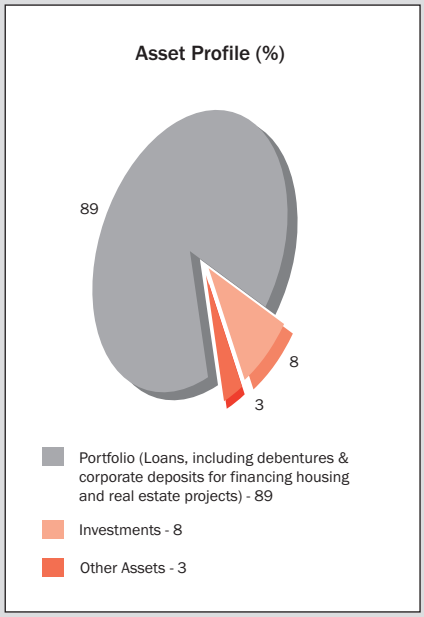
The investment function supports the core business of housing finance. The investment mandate includes ensuring adequate levels of liquidity to support core business requirements, maintaining a high degree of safety and optimising the level of returns, consistent with acceptable levels of risk.

As at March 31, 2018, the investment portfolio stood at ₹ 30,533 crore. The proportion of investments to total assets was 8%. As at March 31, 2018 the Corporation had invested short term surplus funds in mutual funds amounting to ₹ 10,195 crore (Previous Year - ₹ 3,020 crore). These funds were primarily received from the proceeds of the equity issue in March 2018 and were parked in mutual funds pending investment in the proposed preferential issue of HDFC Bank Limited where the Corporation has received shareholders' approval to invest up to ₹ 8,500 crore subject to regulatory approvals and market conditions.

Housing finance companies are required to maintain a statutory liquidity ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.5% of public deposits. As at March 31, 2018, the Corporation had ₹ 63 crore in National Housing Bank (NHB) bonds and ₹ 9,303 crore in government securities.

As at March 31, 2018, the treasury portfolio (excluding investments in equity shares and equity linked products) had an average balance period to maturity of 37 months. The average yield on the non-equity treasury portfolio for the year was 8.19% per annum on an annualised basis.

HDFC has classified its investments into current and long-term investments. The current investments have been entirely marked to market. In respect of long-term investments, provisions have been made to reflect any permanent diminution in the value of investments. The aggregate provision on account of such current and long-term investments amounted to ₹ 413 crore.




During the year, the Corporation booked profit on sale of investments amounting to ₹ 5,635 crore. Profit on sale of investments included ₹ 5,257 crore on account of offer for sale of shares of HDFC Standard Life Insurance Company Limited in the initial public offer and ₹ 265 crore on the sale of HDFC's wholly owned subsidiaries, HDFC Realty Limited and HDFC Developers Limited.

Surplus from deployment of liquid funds in Cash Management Schemes of Mutual Funds was ₹ 425 crore.

Dividend received during the year was ₹ 1,079 crore, of which ₹ 1,056 crore was received from subsidiary and associate companies.

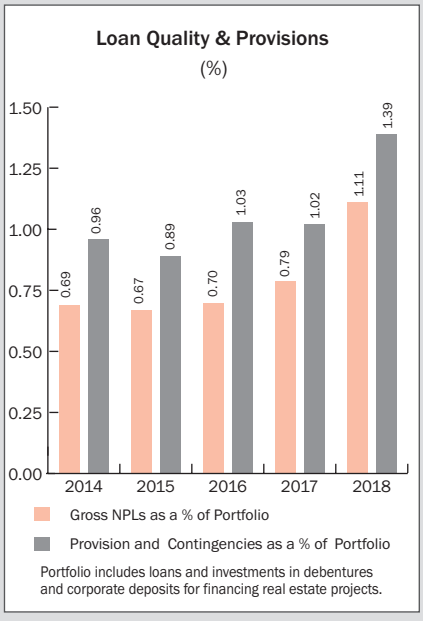
As at March 31, 2018, the market value of quoted investments was higher by ₹ 1,55,680 crore as compared to the value at which these investments are reflected in the balance sheet. This unaccounted gain includes appreciation in the market value of investments held by HDFC's wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited. It, however, excludes the unrealised gains on the unlisted investments, such as HDFC ERGO General Insurance Company Limited, HDFC Asset Management Company Limited, amongst others.

**Asset Quality**

Gross non-performing loans outstanding amounted to ₹ 4,019 crore as at March 31, 2018,

constituting 1.11% of the loan portfolio. The principal outstanding in respect of individual loans where the instalments were in arrears constituted 0.64% of the individual portfolio and the corresponding figure was 2.18% in respect of the non-individual portfolio.

In June 2017, the Reserve Bank of India's Internal Advisory Committee identified twelve accounts for reference to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code, 2016 (IBC). Accordingly the account became a non-performing loan during the quarter ended June 30, 2017. On August 2, 2017, the NCLT admitted the account to the Corporate Insolvency Resolution Process under the IBC. The resolution professional has admitted claims of an amount of ₹ 979 crore from the Corporation. As per the IBC regulations, the resolution process is to be completed by end May 2018. The Corporation has made adequate provisioning for the account.




If the above loan account were to be excluded, the total gross non-performing loans would have been 0.84% and the non-performing loans as a percentage of the non-individual loan portfolio would have been 1.29%.

On a gross basis, the Corporation has written off loans aggregating to ₹ 57 crore during the year. These loans have been written off pursuant to one-time settlements, where the Corporation will continue making efforts to recover the money. The Corporation has, since inception, written off loans (net of subsequent recovery) aggregating to ₹ 353 crore. Thus as at March 31, 2018, the total loan write offs continues to stand at less than 4 basis points of cumulative disbursements since inception of the Corporation.

### Provisions and Contingencies

During the year, the Corporation made provisions and contingencies of ₹ 2,030 crore through a charge to the statement of profit and loss. This is inclusive of the additional special provisioning.

In accordance with past practice and with the objective of further strengthening the Corporation's balance sheet, as a prudent measure, HDFC utilised a part of the exceptional gains received from the offer for sale of equity shares of HDFC Standard Life Insurance Company Limited in the IPO and the proceeds from the sale of HDFC Realty Limited and HDFC Developers Limited to build an additional buffer against any unexpected risk in the future. Accordingly, the Corporation made an additional special provision of ₹ 1,655 crore. This special provision was done voluntarily and not on account of any regulatory requirement. The Corporation holds adequate security in respect of all secured loans.

During the year, NHB reduced the provisioning requirement on standard individual housing loans from 0.40% to 0.25%. As per NHB norms, the Corporation is required to carry a total provisions and contingencies of ₹ 2,756 crore of which ₹ 1,598 crore is against standard assets.

The provisions and contingencies as at March 31, 2018 stood at ₹ 5,000 crore (inclusive of provisions for non-performing assets of ₹ 1,158 crore). This provisions and contingencies is equivalent to 1.39% of the loan portfolio. The provision coverage ratio stood at 124%.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) has proved to be a useful recovery tool and the Corporation has been able to successfully initiate recovery action under this Act.

### Fixed Assets

Net fixed assets as at March 31, 2018 amounted to ₹ 645 crore. Additions to fixed assets during the year was ₹ 43 crore.

### Resource Mobilisation

### Share Capital

As on April 1, 2017, the Corporation had a balance of ₹ 317.73 crore in the share capital account.

***Issue of Equity Shares on a Preferential Offer:*** Pursuant to receipt of approval of the members through postal ballot in February 2018, the

Corporation issued 6,43,29,882 equity shares of ₹ 2 each at an issue price of ₹ 1,726.05 per equity share on a preferential basis in accordance with the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations). The shares issued have a lock in of one year from date of allotment.

***Issue of Equity Shares on a Qualified Institutions Placement Basis:*** The Corporation also issued 1,03,89,041 equity shares at an issue price of ₹ 1,825 per equity share to qualified institutional buyers on a qualified institutions placement basis in accordance with the provisions of Chapter VIII of the SEBI ICDR Regulations. The issue received a good response from a wide range of qualified institutional buyers.

The Corporation thus raised an aggregate amount of ₹ 13,000 crore from both the issuances.

***Proposed Use of Proceeds:*** The key objective of raising capital is to participate in the proposed preferential issue of HDFC Bank for an amount not exceeding ₹ 8,500 crore, subject to regulatory approvals and market conditions. The Corporation is also exploring inorganic opportunities in the health insurance sector in conjunction with its subsidiary, HDFC ERGO General Insurance Company Limited and is evaluating opportunities in the acquisition and resolution of stressed assets in the real estate sector. The Corporation will also need capital to sponsor funds it has set up to invest in the equity and mezzanine debt of affordable housing projects, support capital requirements of its subsidiary companies as and when required and capitalise on organic and inorganic growth opportunities in the affordable housing finance space.

***Other Equity Allotments:*** During the year 5,14,600 warrants were exercised and exchanged into 5,14,600 equity shares of the Corporation (see details below). The Corporation also allotted 1,19,74,230 equity shares of ₹ 2 each pursuant to exercise of stock options by certain employees/directors.

Thus, the Corporation allotted a total of 8,72,07,753 equity shares of ₹ 2 each during the year. After considering the allotments, the balance in the share capital account as at March 31, 2018 was ₹ 335.18 crore, representing 1,67,58,79,893 equity shares.

**Conversion of Warrants**

In October 2015, the Corporation had issued warrants with non-convertible debentures to domestic qualified institutional buyers on a qualified institutions placement basis. The non-convertible debentures amounting ₹ 5,000 crore were redeemed on maturity on March 28, 2017.

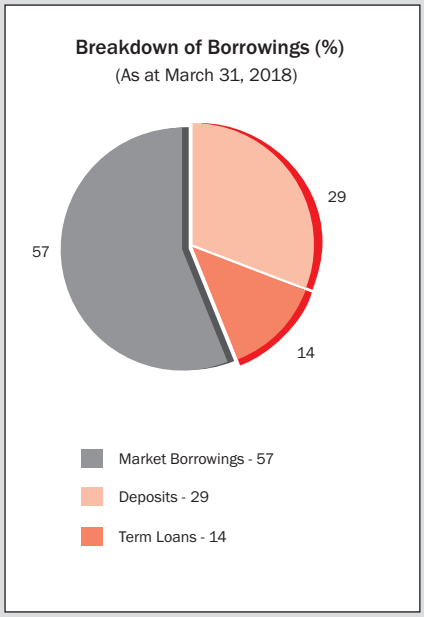
The Corporation had allotted 3.65 crore warrants at an issue price of ₹ 14 per warrant with a right exercisable by the Warrant holder to exchange each warrant for one equity share of ₹ 2 each of the Corporation at any time on or before October 5, 2018, at a warrant exercise price of ₹ 1,475 per equity share, to be paid by the warrant holder at the time of exchange of the warrants. The warrants are listed on the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE).

As at March 31, 2018, 5,14,600 warrants have been exercised and exchanged into 5,14,600 equity shares of ₹ 2 each of the Corporation. The equity shares so issued rank *pari passu* with the existing equity shares of the Corporation.

**Subordinated Debt**

As at March 31, 2018, the Corporation's outstanding subordinated debt stood at ₹ 5,500 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, 2018, ₹ 4,100 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

Borrowings as at March 31, 2018 amounted to ₹ 3,20,655 crore as against ₹ 2,80,534 crore in the previous year - an increase of 14%. Borrowings constituted 80% of funds employed as at March 31, 2018. Of the total borrowings, debentures and securities constituted 57%, deposits 29% and term loans 14%.

Under the Companies Act 2013, assets and liabilities are classified into current and non-current to facilitate a fair portrayal of the financial and liquidity position of a company. Borrowings are bifurcated into long-term borrowings and short-term borrowings. Further the current maturities of long-term borrowings are disclosed separately under the head other current liabilities.

The table below provides a synopsis of the total borrowings of the Corporation as classified under the Schedule III of the Companies Act, 2013.

### Summary of Total Borrowings

₹ crore

| | Long-Term Borrowings | Short-Term Borrowings | Current maturities of long-term borrowings | Total |
|---|---|---|---|---|
| Term Loans | 14,868 | 14,500 | 17,399 | 46,767 |
| Market Borrowings | 94,851 | 42,914 | 43,881 | 181,646 |
| Deposits | 43,622 | 6,212 | 42,408 | 92.242 |
| **Total Borrowings** | **1,53,341** | **63,626** | **1,03,688** | **320,655** |

### Market Borrowings – Non Convertible Debentures and Commercial Paper

During the year, the Corporation issued non-convertible debentures (NCDs) amounting to ₹ 42,250 crore 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. In order to reduce the cost of funds, during the year, the Corporation has made early redemptions of high coupon NCDs amounting to ₹ 6,498 crore.

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.

As at March 31, 2018, the outstanding zero coupon debentures (ZCDs) amounted to ₹ 5,950 crore. The premium on the ZCDs is payable on the maturity of the ZCDs. The proportionate premium on these ZCDs for the year (net of tax) amounting to ₹ 384 crore has been debited to the securities premium account in accordance with Section 52 of the Companies Act, 2013.

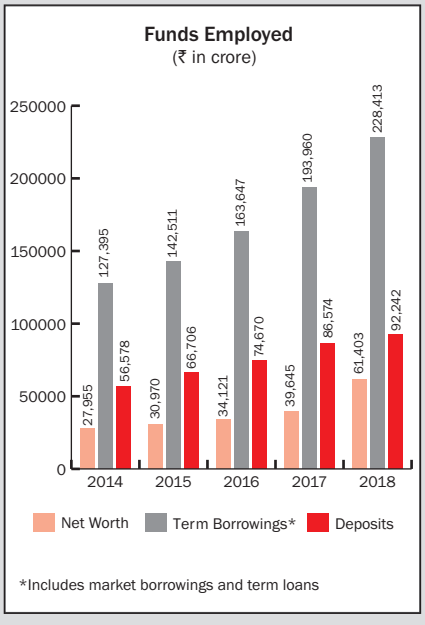
The Corporation's short-term debt programme has been assigned the highest ratings of 'CRISIL A1+', 'ICRA A1+' and 'CARE A1+' by CRISIL, ICRA and CARE Ratings respectively. As at March 31, 2018, the Corporation had commercial paper with a maturity value of ₹ 44,275 crore.

### Rupee Denominated Bonds Overseas

Under the Corporation's Medium Term Note Programme, during the year, the Corporation issued ₹ 1,300 crore of rupee denominated bonds overseas to International Finance Corporation (IFC), an investment arm of World Bank, through the approval route of the Reserve Bank of India. This issue was for a tenor of 5 years and 9 days with a coupon of 6.73% per annum payable semi-annually. The Corporation has made specific long-term commitments to use these proceeds to on-lend to developers for the construction of affordable housing.

Through the above-mentioned joint effort with IFC, the Corporation has strengthened its impact assessment mechanisms through increased environmental and social governance. This entails monitoring parameters such as labour and working conditions, pollution prevention, community, health and safety and stakeholder engagement during the construction phase.

As at March 31, 2018, total outstanding rupee denominated bonds overseas stood at ₹ 9,600 crore. These bonds are unsecured and the currency risk is borne by the investor. The bonds are listed on the London Stock Exchange.



**Deposits**

As at March 31, 2018, total outstanding deposits stood at ₹ 92,242 crore compared to ₹ 86,574 crore in the previous year. The number of deposit accounts stood at over 18.7 lakh.

CRISIL and ICRA have for the twenty-third 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.

The Corporation also offers the facility of on-line placement of deposits through its website to retail investors, providing convenience to depositors.

The Corporation has over 22,000 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.

**Term Loans from Banks, Institutions and Refinance from NHB**

As at March 31, 2018, the total loans outstanding from banks, institutions and NHB (including foreign currency borrowings from domestic banks) amounted to ₹ 46,767 crore as compared to ₹ 37,270 crore as at March 31, 2017.

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 Urban Housing Funds, Rural Housing Fund and Regular Refinance Scheme amounting to ₹ 7,090 crore.

**External Commercial Borrowing**

The outstanding external commercial borrowings constitute borrowings from Asian Development Bank under the Housing Finance Facility Project (USD 34 million) and External Commercial Borrowing (ECB) under RBI's Low Cost Affordable Housing Scheme (USD 1,175 million). The entire principal on the foreign currency borrowings has been fully hedged.

**Financial Risk Management**

During the year, the Board of Directors of the Corporation approved and adopted the revised Financial Risk Management and Hedging Policy Document. The Corporation manages its interest rate and currency risk in accordance with the 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, 2018, the Corporation had foreign currency borrowings of USD 3,029 million equivalent. As at March 31, 2018, the Corporation's foreign currency exposure on borrowings net of risk management arrangements is USD 337 million.

As a part of asset liability management and on account of the predominance of HDFC's Adjustable Rate Home Loan product as well as to reduce the overall cost of borrowings, the Corporation has entered into interest rate swaps wherein it has converted its fixed rate rupee liabilities of a notional amount of ₹ 48,370 crore as at March 31, 2018 for varying maturities into floating rate liabilities linked to various benchmarks.

**Revaluation of Foreign Currency Assets and Liabilities**

Assets and liabilities in foreign currencies net of risk management arrangements are converted at the rates of exchange prevailing at the year end, where not covered by forward contracts. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the exchange difference is being amortised over the life of the contract.

The net loss/gain on translation of long-term monetary assets and liabilities in foreign currencies is amortised over the maturity period of monetary assets and liabilities and charged to the statement of profit and loss. The unamortised exchange difference is carried in the balance sheet as 'foreign currency monetary item translation difference account'. The net loss/gain on translation of short-term monetary assets and liabilities in foreign currencies is recorded in the statement of profit and loss.

As on March 31, 2018, an amount of ₹ 169 crore (net of future tax benefit of ₹ 58 crore) is carried forward in the foreign currency monetary item translation difference account. This amount is to be amortised over the period of the monetary assets/ liabilities.

Consequent to the Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India, becoming effective from April 1, 2016, the Corporation has changed its accounting policy relating to derivative contracts from the aforesaid date. On and from that date, all derivative contracts are recognised on the balance sheet and measured at fair value. The fair value changes are recognised in the statement of profit and loss unless hedge accounting is used. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the statement of profit and loss in the same period as the offsetting losses and gains on the hedged item. The long-term monetary items other than derivatives continue to be amortised, through the statement of profit and loss over the balance period of such long term asset or liability. There is no material impact on the results of the Corporation for the year ended March 31, 2018.

### Asset-Liability Management (ALM)

Under Schedule III of the Companies Act, 2013, the classification of assets and liabilities into current and non-current is based on 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, 2018, assets and liabilities with maturity up to 1 year amounted to ₹ 85,959 crore and ₹ 75,665 crore respectively. Assets and liabilities with maturity of greater than 1 year and up to 5 years amounted to ₹ 2,12,829 crore and ₹ 2,35,992 crore respectively and assets and liabilities with maturity beyond 5 years amounted to ₹ 1,02,886 crore and ₹ 90,017 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 and enters into interest rate swaps at appropriate times to minimise the interest rate gap.

As at March 31, 2018, 85% of the assets and 68% of the liabilities were on a floating rate basis.

Further, the Corporation has a fixed rate home loan scheme and has kept some liabilities on a fixed rate basis to match out the expected disbursals under the fixed rate product.

### Capital Adequacy Ratio

As at March 31, 2018, the risk weighted assets stood at around ₹ 3,06,000 crore.

The Corporation's capital adequacy ratio (CAR) stood at 19.2%, of which Tier I capital was 17.3% and Tier II capital was 1.9%. Deferred tax liability on Special Reserve and the investment in HDFC Bank has been considered as a deduction in the computation of Tier I capital. Further, the proposed final dividend and tax thereon for the year ended March 31, 2018 has been considered in determining the net owned funds in the computation of the capital adequacy ratio.

As per regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 12% and 6% respectively.

## 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 Committee. The Audit Committee comprises three independent directors.

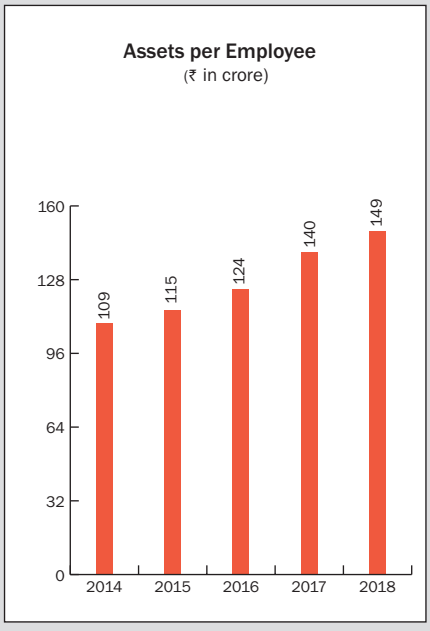
## MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

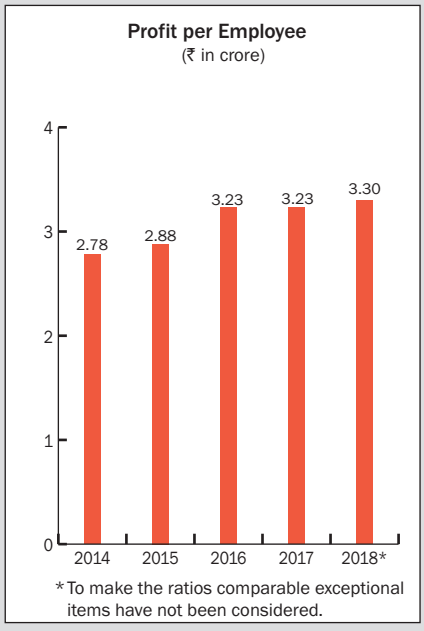
Human resources are HDFC's most valuable assets. The Corporation is focused on continuously training and upgrading the work skills of its staff across the organisation. During the year, new recruits participated in an induction programme at the Centre for Housing Finance, which is the Corporation's training centre in Lonavla. Other in-house programmes were in the areas of mentoring, train the trainer, negotiative skills and other operational related areas.

The Corporation has its own online learning management system called '*HDFC Aspire*', which is an e-learning tool to enable employees to self-learn and upgrade their skills. Special e-learning modules launched during the year were in the areas of business development, credit risk management, affordable housing and legal and regulatory compliances. Based on the assessments, the e-learning modules have been well received by the staff.

The efficiency of the Corporation's staff is evident from the fact that the number of offices increased from 41 in 1998 to 326 (excluding offices of HSPL) currently as against the number of employees which increased from 806 to 2,575 during the same period.

Total assets per employee as at March 31, 2018 stood at ₹ 149 crore as compared to ₹ 140 crore in the previous year. The net profit per employee as at March 31, 2018 was ₹ 3.3 crore (after adjusting for exceptional items) compared to ₹ 3.2 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, located at Lonavla. Participants from countries across Asia attended the week-long residential training programme.

The Frankfurt School of Finance & Management and HDFC jointly organised the tenth '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.

Senior executives of the Corporation conducted customised training programmes for housing finance players and regulators in Indonesia. The Corporation rendered technical assistance and advisory services to First Housing Finance (Tanzania) Limited, which is Tanzania's first housing finance company. The Corporation also undertook a consultancy assignment in Rwanda to explore the feasibility of setting up a mortgage finance fund.

## Awards and Recognitions

During the year, some of the awards

and recognitions received by the Corporation included:

- Outstanding Contribution to Home Ownership in India – Capital Finance International, UK
- Listed amongst the world's top 10 consumer finance firms – Forbes
- Amongst the top performing institutions under the CLSS
- India's Leading Housing Finance Company – Dun & Bradstreet BFSI Awards
- Leading Housing Finance Company of the Year by ASSOCHAM
- Ranked 4th Most Attractive Brand in India - BFSI by TRA Research
- Ranked 5th amongst India's Most Valuable Companies – Business Today

**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.

During the year, the Corporation made gross investments in the equity share capital of its subsidiary companies – HDFC Credila Financial Services Private Limited (₹ 50 crore), HDFC Sales Private Limited (₹ 36 crore), HDFC Education and Development Services Private Limited (₹ 7 crore) and HDFC ERGO General Insurance Company Limited (₹ 9 crore). In addition, the Corporation made investments in optionally convertible debentures of HDFC Sales Private Limited (₹ 17 crore).

During the year, the Corporation offered for sale 9.52% of its equity shares in HDFC Standard Life Insurance Company Limited in the initial public offering. The Corporation also sold two of its wholly owned subsidiaries, HDFC Realty Limited and HDFC Developers Limited to Quikr India Private Limited (Quikr) – a digital classified platform.

**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, 2018, advances of HDFC Bank stood at ₹ 6,58,333 crore – an increase of 19% over the previous year. Total deposits stood at ₹ 7,88,771 crore – an increase of 23%. As at March 31, 2018, HDFC Bank's distribution network includes 4,787 branches and 12,635 ATMs in 2,691 locations.

For the year ended March 31, 2018, HDFC Bank reported a profit after tax of ₹ 17,487 crore as against ₹ 14,550 crore in the previous year, representing an increase of 20%. HDFC Bank has recommended a dividend of ₹ 13 per share of ₹ 2 each as against ₹ 11 per share for the previous year.

HDFC together with its wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited holds 20.9% of the equity share capital of HDFC Bank. During the year, the Corporation received dividend of ₹ 598 crore from HDFC Bank (includes ₹ 165 crore received by HDFC Investments Limited).

**HDFC Standard Life Insurance Company Limited (HDFC Life)**

Total premium income of HDFC Life for the year ended March 31, 2018 stood at ₹ 23,564 crore as compared to ₹ 19,445 crore in the previous year, reflecting a growth of 21%. As at March 31, 2018, the company has a portfolio of 34 retail products and 11 group products, along with 8 optional rider benefits, catering to a diverse range of customer needs.

The company has consistently ranked among the top 3 private players in the individual and group business category based on weighted received premium (WRP). The company had a market share of 28.5% on group premia and 13.3% for individual WRP in the private sector in FY18. The company had market share of 19.1% based on overall new business received premium in FY18.

HDFC Life has reported a standalone profit after tax of ₹ 1,109 crore for the year ended March 31, 2018 as against ₹ 892 crore in the previous year – a growth of 24%.

The new business margin based on actual expenses (post overrun) stood at 23.2% (PY: 22.0%).

As at March 31, 2018, the Market Consistent Embedded Value stood at ₹ 15,216 crore (PY: ₹ 12,471 crore). The operating return on embedded value stood at 21.5%.

During the year, HDFC Life paid an interim dividend of ₹ 1.36 per equity share of ₹ 10 each compared to ₹ 1.10 per equity share in the previous year.

The solvency ratio of the company was 192% as at March 31, 2018 as against the minimum regulatory requirement of 150%.

As at March 31, 2018, the Corporation's shareholding in HDFC Life stood at 51.6%. During the year, the Corporation received dividend of ₹ 141 crore from HDFC Life.

**HDFC Asset Management Company Limited (HDFC-AMC)**

As at March 31, 2018, HDFC-AMC managed 57 debt, equity, gold exchange traded fund and fund of fund schemes of HDFC Mutual Fund (HDFC-MF). The quarterly average assets under management for the quarter ended March 31, 2018 stood at ₹ 3.08 lakh crore which is inclusive of assets under management under Regulation 24(b) of the SEBI (Mutual Fund) Regulations, 1996 and portfolio management and advisory services. HDFC Mutual Fund is the second largest mutual fund in India based on quarterly average assets under management for the quarter ended March 31, 2018. Equity assets comprise 43% of the assets under management of HDFC-MF. The overall market share was 13.4% and the market share for equity oriented funds stood at 17.0%. The number of investor accounts stood at over 81 lakh. HDFC-AMC has 210 investor service centres across the country.

For the year ended March 31, 2018, HDFC-AMC reported a profit after tax of ₹ 722 crore as against ₹ 550 crore in the previous year, representing a growth of 31%.

HDFC holds 57.4% of the equity share capital of HDFC-AMC. During the year, the Corporation received dividend of ₹ 193 crore from HDFC-AMC.

During the year, the Corporation has approved offering of up to 4.08% of the paid-up and issued equity share capital of HDFC-AMC for sale in the initial public offering (IPO) of HDFC-AMC. The IPO is expected to be in the first half of FY19, subject to regulatory approvals and market conditions.

**HDFC ERGO General Insurance Company Limited (HDFC ERGO)**

During the year, the National Company Law Tribunal (NCLT) and the Insurance Regulatory and Development Authority of India (IRDAI) granted their approval for the merger of HDFC ERGO General Insurance Company Limited with HDFC General Insurance Limited (formerly L&T General Insurance Company Limited). Subsequent to the merger, HDFC General Insurance Limited was renamed HDFC ERGO General Insurance Company Limited.

HDFC ERGO continued to retain its market ranking as the third largest private sector player in the general insurance industry.

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 52% of the business.

The gross direct premium of HDFC ERGO for the year ended March 31, 2018 stood at ₹ 7,290 crore as against ₹ 6,189 crore in the previous year (on a merged basis), representing a growth of 18%.

The combined ratio as at March 31, 2018 stood at 99.4%. The solvency ratio of the company was 206% as at March 31, 2018 as against the minimum regulatory requirement of 150%.

For the year ended March 31, 2018, the profit after tax of HDFC ERGO stood at ₹ 404 crore as against ₹ 302 crore in the previous year, registering a growth of 34%.

During the year, HDFC ERGO paid an interim dividend of ₹ 2 per equity share of ₹ 10 each. During the year, the Corporation received dividend of ₹ 61 crore from HDFC ERGO.

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

**HDFC Property Funds**

HDFC Venture Capital Limited (HVCL) is the 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 (HI-REF), had an initial corpus of ₹ 1,000 crore. HI-REF had distributed the entire investment corpus and also profits to its investors. HI-REF is in the midst of concluding final exits from the balance portfolio.

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 – HDFC India Real Estate Fund (HIREF) International LLC and HIREF International Fund II Pte Ltd. HIREF International LLC was launched in 2007 and has a corpus of USD 800 million. Exits have commenced and the fund is in the process of exiting the balance investments. HIREF International Fund II Pte Ltd. had its final closing in April 2015 with a total corpus of USD 321 million. Few exits have commenced from this fund as well.

HDFC Ventures Trustee Company Limited has entered into a trust deed to act as a trustee to "HIREF III" which is being registered under SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). HIREF III will raise capital for making investments in accordance with the fund documents and as per AIF Regulations.

HDFC Capital Advisors Limited is in the business of providing investment advisory 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. HDFC Capital Advisors Limited is a wholly owned subsidiary of the Corporation. 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 and a tenor of 12 years. During the year, HDFC Capital Advisors successfully achieved the initial closure of its second fund, H-CARE 2. The fund received investor and sponsor commitment of USD 550 million for H-CARE 2. The objective of H-CARE 1 and H-CARE 2 is to provide equity and mezzanine capital respectively, for the development of housing for affordable and middle-income households in India. H-CARE 1 and H-CARE 2 combine together to create a USD 1 billion platform providing flexible, long-term financing for the development of affordable and mid-income residential projects in India's leading 15 cities.

The Corporation is the sponsor of H-CARE 1 & H-CARE 2. The primary investor in both H-CARE-1 and H-CARE-2 is a wholly-owned subsidiary of the Abu Dhabi Investment Authority.

**GRUH Finance Limited (GRUH)**

GRUH is a housing finance company in the affordable housing segment with a retail network of 194 offices spread across 11 states. As at March 31, 2018, the loan book stood at ₹ 15,568 crore compared to ₹ 13,244 crore in the previous year – an increase of 18%. The gross non-performing loans stood at 0.45% of the total loans outstanding and the net non-performing loans were nil. The average size of loans disbursed during the year was ₹ 9.4 lakh.

As at March 31, 2018, the capital adequacy ratio stood at 18.9%, of which Tier I capital was 17.7% and Tier II capital was 1.2%.

For the year ended March 31, 2018, GRUH reported a profit after tax of ₹ 363 crore as compared to ₹ 297 crore – representing a growth of 22%.

The board recommended payment of a dividend for the year ended March 31, 2018 of ₹ 3.30 per equity share of ₹ 2 each as against ₹ 2.80 per equity share in the previous year. The board has also recommended the issue of bonus shares in the ratio of one equity share of ₹ 2 each for every one equity share of ₹ 2 each (1:1), subject to approval of shareholders at the ensuing annual general meeting. During the year, the Corporation received dividend of ₹ 60 crore from GRUH.

HDFC's holding in GRUH currently stands at 57.9%.

**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 148 locations. During the year under review, HSPL sourced loans accounting for 51% of individual loans disbursed by HDFC.

During the year, the Corporation made an investment of ₹ 36 crore in the equity share capital of HSPL and

₹ 17 crore in optionally convertible debentures issued by HSPL.

HSPL is a wholly owned subsidiary of HDFC.

**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, 2018, HDFC Credila had cumulatively disbursed ₹ 6,301 crore to over 43,700 customers. The outstanding loan book stood at ₹ 4,047 crore, registering a growth of 27% over the previous year. The average loan amount disbursed during the year was ₹ 19.1 lakh. For the year ended March 31, 2018, HDFC Credila reported a profit after tax of ₹ 87 crore as against ₹ 65 crore in the previous year, representing a growth of 33%.

In addition to having its own offices and sourcing applications through the web, HDFC Credila capitalises on HDFC'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.

During the year, the Corporation made an investment of ₹ 50 crore in the equity of HDFC Credila.

The Corporation holds 90.4% of the shareholding in HDFC Credila on a fully diluted basis.

**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 first school, '*The HDFC School*' to which the company is providing services was inaugurated in March 2015 in Gurugram. As at March 31, 2018, the school had 405 students. The second school is in Pune with 402 students. A third school in Bengaluru is expected to commence in June 2018.

The HDFC 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 also have children with special needs and have trained teachers to take care of them. The schools also have children from underprivileged backgrounds.

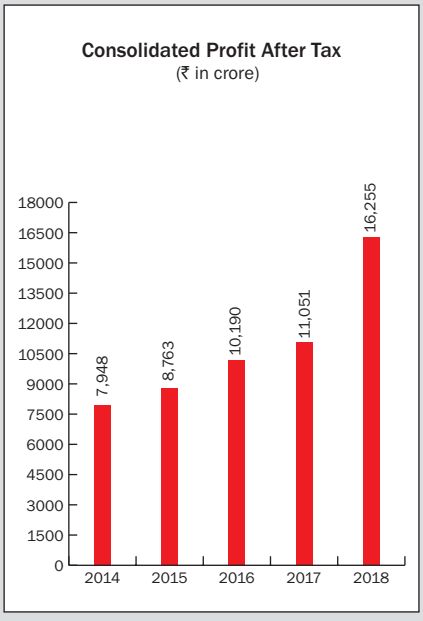
During the year, the Corporation made an investment of ₹ 7 crore in the equity of HDFC Edu.

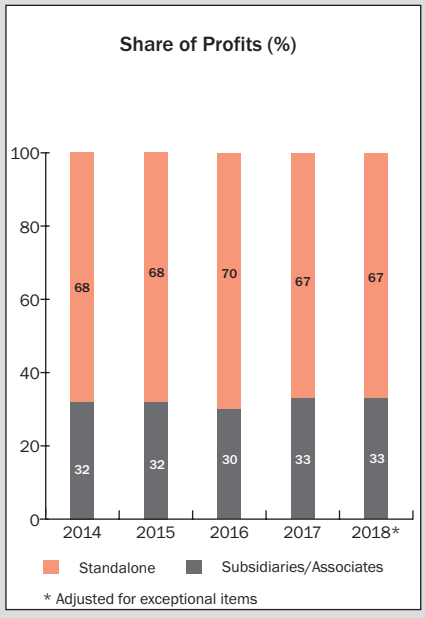
**AUDITED CONSOLIDATED ACCOUNTS**

In accordance with the accounting standards prescribed by the Institute of Chartered Accountants of India, the consolidated financial statements comprise the individual 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, 2018 the profit before tax was ₹ 17,603 crore as compared to ₹ 12,650 crore in the previous year representing a growth of 39%.

After providing ₹ 4,001 crore (PY ₹ 4,021 crore) for tax, the profit for the year was ₹ 13,601 crore as compared to ₹ 8,629 crore in the previous year.



After adjusting for share of profit of minority interest ₹ 1,077 crore (PY ₹ 797 crore) and for net share of profit from associates of ₹ 3,730 crore (PY ₹ 3,219 crore), the profit after tax attributable to the group was ₹ 16,255 crore as compared to ₹ 11,051 crore in the previous year, representing a growth of 47%.

**Consolidated Share of Profits**

The standalone profit after tax of the Corporation increased from ₹ 7,443 crore in the previous year to ₹ 12,164 crore (inclusive of exceptional items) in the year ended March 31, 2018. The consolidated profits of the subsidiaries and the net share of profits from associates (equity method) stood at ₹ 4,091 crore compared to ₹ 3,608 crore in the previous year.

For the year ended March 31, 2018, the share of the profit from subsidiaries and associates adjusted for exceptional items in the consolidated profit after tax was 33%.

Adjusted for exceptional items, the post-tax return on assets for the consolidated group accounts for the year ended March 31, 2018 was 2.5%. The return on equity, adjusted for exceptional items and net worth considered on a pro-rata basis stood at 19.4%. The basic and diluted earnings per share (on a face value of ₹ 2 per share) for the group was ₹ 100.35 and ₹ 98.88 respectively.

STANDALONE FINANCIAL STATEMENTS

# Independent Auditors' Report

TO THE MEMBERS OF
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

**Report on the standalone financial statements**

We have audited the accompanying standalone financial statements of **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** (the 'Corporation'), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

***Management's responsibility for the standalone financial statements***

The Corporation's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (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 cash flows of the Corporation in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India. 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 judgments 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 is 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 management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

***Auditor's responsibility***

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Corporation's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

We believe that the audit evidence we have obtained including the financial information as certified by the management of the Corporation as

regards erstwhile Grandeur Properties Private Limited ('GPPL'), Haddock Properties Private Limited ('HPPL'), Pentagram Properties Private Limited ('PPPL'), Winchester Properties Private Limited ('Winchester Limited') and Windermere Properties Private Limited ('Windermere Limited') (hereinafter all these 5 entities together referred to as 'Transferor Companies') and the audit evidence obtained by the other auditors of the aforesaid Transferor Companies in terms of their report referred in the sub-paragraph (a) of the Other matters below is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

***Opinion***

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 management certified financial information in respect of the Transferor Companies for the period from April 1, 2017 to March 28, 2018 and the reports of the other auditors on the financial information of the Transferor Companies for the year ended March 31, 2017, referred in the sub-paragraph (a) of the Other matters below, the aforesaid standalone financial statements give the information required by 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 March 31, 2018, and its profits and its cash flows for the year ended on that date.

**Other matters**

(a) The standalone financial statements of the Corporation include the financial information of GPPL, HPPL, PPPL, Winchester Limited and Windermere Limited consequent to its merger into the Corporation which has been effected on March 28, 2018, with the appointed date of April 1, 2016 (Refer Note 34 to the financial statements). We did not audit the financial information of the aforesaid Transferor Companies, included in the standalone financial statements of the Corporation, whose financial information reflect total assets of ₹ 99 crores as at March 28, 2018, total revenue of ₹ 59 crores for the year ended on March 31, 2017 and for the period from April 1, 2017 to March 28, 2018 and net cash outflows of ₹ 5 crores for the period from April 1, 2016 to March 28, 2018 as considered in the standalone financial statements. We have been provided with the financial information of the Transferor Companies for the financial year ended March 31, 2017 which has been audited by other auditors whose reports have been furnished to us and for the period from April 1, 2017 to March 28, 2018 by the management of the Corporation and our opinion on the standalone financial statements in so far as it relates to the amounts included in respect of these entities are based solely on the reports of the other auditors for the year ended March 31, 2017 and the financial information for the period from April 1, 2017 to March 28, 2018 as certified by the management of the Corporation.

Our opinion on the standalone financial statements is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial information as certified by the management of the Corporation.

(b) Attention is drawn to the fact that the corresponding figures for the year ended March 31, 2017 as reported in these standalone financial statements were audited by another auditor who expressed an unmodified opinion on those standalone financial statements, dated 4 May 2017.

**Report on other legal and regulatory requirements**

As required by the Companies (Auditor's Report) Order, 2016 (the 'Order') issued by the Central Government of India in terms of sub section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.

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 Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement 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 Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India;

e) On the basis of the written representations received from the Directors of the Corporation as on March 31, 2018 taken on record by the Board of Directors of the Corporation and declarations from the Directors of the Transferor

Companies as provided to us by the management of the Corporation, none of the Directors are disqualified as on March 31, 2018 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 over financial reporting of the Corporation and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, 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 on its standalone financial position in its standalone financial statements – Refer Note 23 to the standalone financial statements;

ii. The Corporation has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long term contracts including derivative contracts as at year end - Refer Note 38 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; and

iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made since they do not pertain to the financial year ended March 31, 2018.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768

MUMBAI
April 30, 2018

# Annexure "A" to the Independent Auditors' Report

**(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 fixed assets.

(b) The Corporation has a regular programme of physical verification of fixed assets by which fixed assets 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 deed / transfer deed / conveyance deed 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 non-current investment:

| Particulars of land and Building | ₹ in crore | Remarks |
|---|---|---|
| Freehold land and building of Global Perspectives Limited located at Gurgaon, admeasuring 2.07 acres | 72 | The Corporation is in the process of transferring these asset in its name. The process will be concluded after the necessary regulatory clearances have been obtained. |
| Freehold land and building of Colossal Properties Private Limited located at New Delhi, admeasuring 2.52 acres | 42 | |

In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the 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 granted loans, 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 which:

(a) The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudice to the Corporation's interest;

(b) 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;

(c) There is no overdue amount remaining outstanding as at the year end.

(iv) In our opinion and according to the information and explanations given to us, the Corporation has complied with the provisions of Section 185 and subsection (1) of 186 of the Act in connection with loan to any of its Directors or to any person in whom the Director is interested and investments made. The Corporation being a housing finance company, nothing contained in Section 186 is applicable, except subsection (1) of that section.

(v) As per the Ministry of Corporate Affairs notification dated March 31, 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, sales tax, service tax, value added 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, sales tax, service tax, value added tax, goods and services tax, cess and other material statutory dues were in arrears as at March 31, 2018 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 service tax, value added tax and goods and services tax that have not been deposited on account of any dispute. However, according to the information and explanations given to us, the following dues of wealth tax, interest on lease tax and Employees' State Insurance and income 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 | 1998-99 | 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 | 2012-13 | Commissioner of Income Tax (Appeal) (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 of the Corporation, 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 of the Corporation, 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, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and the details 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 of the Corporation, the Corporation has made preferential allotment and private placement of shares during the year. The Corporation has complied with the requirement of Section 42 of the Act and amount raised have been used for the purposes for which the funds were raised other than temporary deployment pending application of proceeds.

(xv) According to the information and explanations given to us and based on our examination of the records of the Corporation, 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 explanation 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

MUMBAI
April 30, 2018

# Annexure "B" to the Independent Auditors' Report

**(Referred to in our report of even date)**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")**

We have audited the internal financial controls over financial reporting of Housing Development Finance Corporation Limited (the "Corporation") as of 31 March 2018 in conjunction with our audit of the standalone financial statements of the Corporation for the year ended on that date.

***Management's responsibility for internal financial controls***

The Corporation's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI"). 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 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 over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note 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, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. 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 over financial reporting was 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the 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 system over financial reporting.

***Meaning of internal financial controls over financial reporting***

The company's internal financial control over financial reporting 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. The company's internal financial control over financial reporting 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 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 over financial reporting***

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Opinion***

In our opinion, to the best of our information and according to the explanations given to us, the Corporation has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768

MUMBAI
April 30, 2018

# Balance Sheet as at March 31, 2018

| | Notes | ₹ in Crore | Mar 31, 2017 ₹ in Crore |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' FUNDS** | | | |
| Share capital | 2 | 335.18 | 317.73 |
| Reserves and surplus | 3 | 61,016.98 | 39,276.55 |
| Money received against warrants | 3.13 | 50.38 | 51.10 |
| | | 61,402.54 | 39,645.38 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term borrowings | 4 | 1,53,341.42 | 1,50,062.23 |
| Deferred tax liability (Net) | 5 | 2,333.58 | 2,388.58 |
| Other long-term liabilities | 6 | 2,754.28 | 2,338.52 |
| Long-term provisions | 7 | 5,145.06 | 3,126.75 |
| | | 1,63,574.34 | 1,57,916.08 |
| **CURRENT LIABILITIES** | | | |
| Short-term borrowings | 8 | 63,625.45 | 42,130.33 |
| Trade payables | 9 | 207.59 | 147.71 |
| Other current liabilities | 10 | | |
| - Borrowings | | 1,02,945.24 | 87,539.59 |
| - Others | | 9,790.14 | 9,750.58 |
| Short-term provisions | 11 | 129.13 | 176.37 |
| | | 1,76,697.55 | 1,39,744.58 |
| | | 4,01,674.43 | 3,37,306.04 |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | | |
| (i) Tangible assets | 12 | 639.71 | 638.21 |
| (ii) Intangible assets | 13 | 4.79 | 4.13 |
| Non-current investments | 14 | 19,879.10 | 16,829.94 |
| Long-term loans and advances | 15 | 3,797.03 | 6,605.42 |
| Other non-current assets | 16 | 1,752.66 | 1,539.60 |
| | | 26,073.29 | 25,617.30 |
| **Loans** | 17 | | |
| - Non-current Loans | | 3,38,880.16 | 2,64,679.43 |
| - Current Loans | | 20,561.85 | 31,792.41 |
| | | 3,59,442.01 | 2,96,471.84 |
| **CURRENT ASSETS** | | | |
| Current investments | 18 | 10,653.41 | 3,580.16 |
| Trade receivables | 19 | 109.59 | 109.48 |
| Cash and bank balances | 20 | 1,371.39 | 6,318.80 |
| Short-term loans and advances | 21 | 2,305.84 | 4,021.32 |
| Other current assets | 22 | 1,718.90 | 1,187.14 |
| | | 16,159.13 | 15,216.90 |
| | | 4,01,674.43 | 3,37,306.04 |

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, April 30, 2018

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

**Renu Sud Karnad**
Managing Director
(DIN: 00008064)

**Nasser Munjee** (DIN: 00010180)
**B. S. Mehta** (DIN: 00035019)
**D. N. Ghosh** (DIN: 00012608)
**V. Srinivasa Rangan**
Executive Director
(DIN: 00030248)

**D. M. Sukthankar** (DIN: 00034416)
**J. J. Irani** (DIN: 00311104)
**Bimal Jalan** (DIN: 00449491)
**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Statement of Profit and Loss for the year ended March 31, 2018

| | Notes | ₹ in Crore | Previous Year ₹ in Crore |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations | 24 | 34,807.10 | 32,111.06 |
| Profit on Sale of Investments | 25 | 378.07 | 1,001.73 |
| Other Income | 26 | 44.72 | 46.81 |
| **Total Revenue** | | 35,229.89 | 33,159.60 |
| **EXPENSES** | | | |
| Finance Cost | 27 | 22,235.00 | 20,896.20 |
| Employee Benefit Expenses | 28 | 425.47 | 388.80 |
| Establishment Expenses | 29 | 100.02 | 86.22 |
| Other Expenses | 30 | 383.06 | 305.78 |
| Depreciation and Amortisation | 12 & 13 | 49.24 | 55.96 |
| Provisions and Contingencies | 39.5 | 455.00 | 700.00 |
| **Total Expenses** | | 23,647.79 | 22,432.96 |
| **Profit before exceptional items and Tax** | | 11,582.10 | 10,726.64 |
| Exceptional items | 31 & 39.5.1 | 3,681.59 | - |
| **PROFIT BEFORE TAX** | | 15,263.69 | 10,726.64 |
| Tax Expense: | | | |
| - Current Tax (MAT) | | 3,466.00 | 2,789.00 |
| - MAT Credit Entitlement | | (311.00) | - |
| - Deferred Tax | 5 | (55.00) | 495.00 |
| **PROFIT FOR THE YEAR** | | 12,163.69 | 7,442.64 |
| **EARNINGS PER SHARE** (Face Value ₹ 2) | 32 | | |
| - Basic | | 74.83 | 46.08 |
| - Diluted | | 73.73 | 45.70 |

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, April 30, 2018

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**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Cash Flow Statement for the year ended March 31, 2018

| | | Notes | ₹ in crore | Previous Year ₹ in crore |
|---|---|---|---|---|
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| | Profit before tax | | **15,263.69** | 10,726.64 |
| | Adjustments for: | | | |
| | Depreciation and Amortisation | **12 & 13** | **49.24** | 55.96 |
| | Provisions and Contingencies | | **2,030.00** | 700.00 |
| | Interest Expense | **27** | **21,768.04** | 20,716.51 |
| | Net Loss / (Gain) on translation of foreign currency monetary assets and liabilities | **27.2** | **310.46** | 30.59 |
| | Net Loss / (Gain) on derivative valuation of INR derivatives & underlying hedging instrument | **27.1** | **17.20** | (20.59) |
| | Interest Income | **24** | **(33,122.83)** | (30,405.51) |
| | Utilisation of Shelter Assistance Reserve | **3** | **(175.05)** | (146.27) |
| | Profit on Sale of Investments | | **(5,634.66)** | (1,001.73) |
| | Dividend Income | **24** | **(1,079.28)** | (909.06) |
| | (Profit) / Loss on Sale of Investment in Properties | | **-** | 2.14 |
| | Surplus from deployment in Cash Management Schemes of Mutual Funds | **24** | **(425.08)** | (444.64) |
| | (Profit) / Loss on Sale of Fixed Assets (Net) | | **(0.09)** | 0.08 |
| | Operating Profit before Working Capital changes | | **(998.36)** | (695.88) |
| | Adjustments for: | | | |
| | Investment in Cash Management Schemes of Mutual Funds | | **(467,326.00)** | (386,372.00) |
| | Sale proceeds of Investments in Cash Management Schemes of Mutual Funds | | **465,556.08** | 383,816.64 |
| | Current and Non Current Assets | | **1,612.41** | 1,463.36 |
| | Current and Non Current Liabilities | | **(1.74)** | 312.80 |
| | Cash generated from Operations | | **(1,157.61)** | (1,475.08) |
| | Interest Received | | **32,546.89** | 30,561.21 |
| | Interest Paid | | **(20,735.67)** | (19,183.68) |
| | Premium Paid on Redemption of Debentures | | **(616.17)** | (1,714.53) |
| | Dividend Received | | **1,079.28** | 909.06 |
| | Taxes Paid | | **(3,689.20)** | (3,515.91) |
| | **Net cash from Operations** | | **7,427.52** | 5,581.07 |
| | Loans disbursed (net) | | **(63,021.22)** | (37,289.81) |
| | Corporate Deposits (net) | | **5,150.67** | (4,410.48) |
| | **Net cash used in operating activities** | | **(50,443.03)** | (36,119.22) |
| **B** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| | Purchase of Fixed Assets | | **(43.47)** | (27.97) |
| | Sale of Fixed Assets | | **0.68** | 0.62 |
| | | | **(42.79)** | (27.35) |
| | Investments in Subsidiaries | | **(192.00)** | (416.97) |
| | Other Investments | | **(14,975.06)** | (3,741.97) |
| | Sale proceeds of Investments : | | | |
| | - in Subsidiary Company | | **6,186.62** | 1,120.50 |
| | - in other Companies, Funds and Properties | | **6,521.27** | 1,675.44 |
| | **Net cash from investing activities** | | **(2,501.96)** | (1,390.35) |
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| | Share Capital - Equity | **2.1** | **17.45** | 1.77 |
| | Securities Premium | **3** | **14,036.36** | 680.62 |
| | Deposits, CPs and other Short Term Borrowings (Net) | | **(4,797.01)** | 2,696.93 |
| | Proceeds from long-term borrowings | | **1,80,965.57** | 1,70,965.37 |
| | Repayment of long-term borrowings | | **(1,36,840.00)** | (1,31,656.17) |
| | Dividend paid - Equity Shares | | **(2,957.60)** | (3,159.71) |
| | Tax paid on Dividend | | **(478.58)** | (440.96) |
| | **Net cash from financing activities** | | **49,946.19** | 39,087.85 |
| | Net (Decrease) / Increase in cash and cash equivalents [A+B+C] | | **(2,998.80)** | 1,578.28 |
| | Add : Cash and cash equivalents as at the beginning of the year | **20** | **4,208.90** | 2,638.10 |
| | Add : Adjustments on account of merger | **34** | **21.57** | |
| | Add : Exchange difference on bank balance | | **-** | (7.48) |
| | **Cash and cash equivalents as at the end of the year** | **20** | **1,231.67** | 4,208.90 |

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, April 30, 2018

Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

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(DIN: 00311104)

**Bimal Jalan**
(DIN: 00449491)

**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Notes forming part of the standalone financial statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 BACKGROUND

Housing Development Finance Corporation Limited ('HDFC' or 'the Corporation') was incorporated in 1977 as the first specialised mortgage company in India. The principal business is providing finance to individuals, corporates and developers for the purchase, construction, development and repair of houses, apartments and commercial property 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.

### 1.2 ACCOUNTING CONVENTION

These financial statements have been prepared and presented on an accrual basis in accordance with historical cost convention, applicable Accounting Standards specified under Section 133 of the Companies Act, 2013, the relevant provisions of the Companies Act, 2013 and the guidelines issued by the National Housing Bank to the extent applicable. The Balance Sheet and the Statement of Profit and Loss of the Corporation are prepared in accordance with the provisions contained in Section 129 of the Companies Act, 2013, read with Schedule III.

Accounting policies applied have been consistent with previous year except where different treatment is required as per new pronouncements made by the regulatory authorities. The management evaluates, all recently issued or revised accounting pronouncements, on an ongoing basis.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ 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.

### 1.3 OPERATING CYCLE

Based on the nature of its activities, the Corporation has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

### 1.4 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Corporation are segregated based on the available information.

### 1.5 CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)

Cash comprises 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), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### 1.6 LOANS AND RECEIVABLES AND CREDIT LOSS ALLOWANCES

Loans are initially recorded at the disbursed principal amounts and are subsequently adjusted for recoveries and any lumpsum principal repayment (prepayment).

A loan is recognised as non-performing ("NPA") or as a "doubtful" or as a "loss" asset based on the period for which the repayment instalment or interest has remained in arrears as prescribed under the Housing Finance

## Notes forming part of the standalone financial statements (Continued)

Companies (NHB) Directions, 2010, (the "NHB Directions") as updated from time to time. Allowances for credit losses are made on an individual basis at rates prescribed under the NHB Directions unless, the management estimates that a higher individual allowance is required to reduce the carrying value of loan asset, including accrued interest, to its estimated realisable amount. The fair value of the underlying security is taken into consideration to estimate the realisable amount of the loan. When a loan is identified as a "Loss Asset" that is adversely affected by a potential threat of non-recoverability, the outstanding balance is fully written off or fully provided for.

The Corporation recognises general provision towards standard assets as prescribed under the Housing Finance Companies (NHB) Directions, 2010, (the "NHB Directions") as updated from time to time. In addition to the above, the Corporation, on a prudent basis, recognises provisions on standard assets, on the basis of consideration of economic and business conditions impacting a specific exposure or a group of advances. These provisions are recognised as per the Board approved policy and included as part of 'Other Provision and Contingencies - Accelerated Provisioning'. These provisions are transferred as provision on the same/ specific advance/group of advances in case it slips into non-performing asset. When such provision is no longer required the same will be reversed in the Statement of Profit and Loss.

In addition to the above, the Corporation, as per a Board approved policy, sets aside a portion of significant one off gains arising on sale of its shares in subsidiaries/associates as additional provisions on specific loans and advances. Such provisions are either recognised against specifically identified standard assets/projects or additional provisions (over and above the regulatory requirements) against specific non-performing assets. These provisions are included as part of 'Other Provision and Contingencies - Accelerated Provisioning'. These provisions are transferred as provision on the same/specific standard advance/group of advances in case it slips into non-performing asset. When such provision is no longer required the same will be reversed in the Statement of Profit and Loss.

### 1.7 INTEREST INCOME ON LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence generally once the entire loan is disbursed. Certain customers request for commencement of regular principal repayments even before the entire loan is disbursed, especially when the projects are of long gestation. A recalculated EMI based on Principal Outstanding is offered in such cases. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed generally on a monthly rest based on the principal outstanding at the beginning of the month/relevant period.

Interest income is allocated over the contractual term of the loan by applying the committed interest rate to the outstanding amount of the loan. Interest income is accrued as earned with the passage of time.

Interest on loan assets classified as "non-performing" is recognised only on realisation.

### 1.8 DIVIDEND

Dividend income is recognised when the right to receive has been established. Dividends from units of mutual funds, where received, are accounted on receipt of such amounts.

### 1.9 FEES AND OTHER REVENUE

Fees, charges and other revenue, net of amounts incurred towards commission to Direct Selling Agents, is recognised after the service is rendered to the extent that it is probable that the economic benefits will flow to the Corporation and that the revenue can be reliably measured, regardless of when the payment is being made.

### 1.10 INCOME FROM LEASES

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained

## Notes forming part of the standalone financial statements (Continued)

by the lessor are classified as operating leases. The Corporation has let out portions of its buildings to its subsidiaries / associates under operating lease arrangements. Income is recognised over the period over which the property is used by the lessee based on the lease terms as the arrangements are cancellable and do not contain any minimum lease payment or contingent rent payments.

### 1.11 INCOME FROM INVESTMENTS

Interest Income on Debentures/ Bonds and Government Securities is accounted on accrual basis.

Any discount/premium on account of these investments held as long-term investments, is recognised over the life of the security on a pro-rata basis.

The gains/ losses on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on sale of investments is determined after consideration of cost on a weighted average basis.

### 1.12 BORROWING AND BORROWING COSTS

The Corporation borrows funds, primarily in Indian Rupees, that carry a fixed rate or floating rate of interest. As a part of its risk management strategy, the Corporation converts some of such borrowings into floating rate or foreign currency borrowings by entering into interest rate swaps or cross currency interest rate swaps having the same notional amount and maturity as the underlying borrowings and generally holds these instruments till maturity.

Borrowing costs include interest, amortised brokerage on deposits and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan. Issue expenses and discounts on certain securities are charged to the securities premium account.

Brokerage and incentive on deposits are amortised over the period of the deposit.

### 1.13 TRANSLATION OF FOREIGN CURRENCY

**Initial recognition**

Transactions in foreign currencies entered into by the Corporation are accounted at the exchange rates prevailing on the date of the transaction.

**Measurement at the Balance Sheet date**

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract.

The net loss/gain on translation of long term monetary assets and liabilities in foreign currencies is amortised over the maturity period of such monetary assets and liabilities and charged to the Statement of Profit and Loss. The unamortised exchange difference is carried in the Balance Sheet as “Foreign Currency Monetary Item Translation Difference Account”. The net loss/gain on translation of short term monetary assets and liabilities in foreign currencies is recorded in the Statement of Profit and Loss.

### 1.14 ACCOUNTING FOR DERIVATIVE CONTRACTS

Consequent to the Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India, becoming effective from April 1, 2016, on and from that date, all derivative contracts are recognised in the balance sheet and measured at fair value. The corresponding fair value changes are recognised in the Statement of Profit and Loss unless hedge accounting is applied.

## Notes forming part of the standalone financial statements (Continued)

In case of fair value hedges, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item.

For derivative contracts designated as cash flow hedges, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognised within equity i.e., Cashflow Hedge Reserve. Amounts recognised in equity are transferred to the Statement of Profit and Loss in the same period as the cash flows of hedged items affect the Statement of Profit and Loss. When a derivative contract expires or is sold or if a hedge no longer meets the criteria for hedge accounting, any cumulative profit or loss in the Cash Flow Hedge Reserve is retained in equity until the hedged cash flow is recognised in the Statement of Profit and Loss. However, if hedged cash flows are no longer expected to occur, the profit or loss against the corresponding derivative contract, accumulated in the Cash Flow Hedge Reserve, is immediately released through the Statement of Profit and Loss.

Changes in the fair values of derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Profit and Loss.

### 1.15 OPERATING LEASES

Payments under a non-cancellable operating lease arrangement, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are charged to the Statement of Profit and Loss on a straight-line basis over the lease term, unless another systematic basis is more appropriate.

### 1.16 INVESTMENTS

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long Term. Long-term investments (excluding investment in properties), are carried individually at cost less provision for diminution, other than temporary, in the market value of such investments. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on 'Accounting for Investments' (AS 13), and is recognised through the Provision for Contingencies Account.

Current investments are carried individually, at the lower of cost and market value.

Investments in properties acquired as part of the debt asset settlement are recorded at the fair value on the date of the transfer. Investments in properties are carried individually at cost less accumulated depreciation and impairment, if any.

### 1.17 TANGIBLE FIXED ASSETS

Fixed Assets (including such assets which have been leased out by the Corporation) including any cost attributable for bringing the same to its working condition are capitalised at cost inclusive of legal, registration and/or installation expenses.

### 1.18 INTANGIBLE ASSETS

Intangible Assets comprising of system software are stated at cost of acquisition, less accumulated amortisation. Any expenses on such software for support and maintenance payable annually are charged to the Statement of Profit and Loss.

### 1.19 DEPRECIATION AND AMORTISATION

**Tangible Fixed Assets**

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets,

## Notes forming part of the standalone financial statements (Continued)

in whose case the life of the assets has been assessed as under based on management's technical valuation, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.:

(a) Computers and data processing equipment - 4 years

(b) Vehicles - 5 years

(c) Leasehold land is amortised over the duration of the lease.

**Intangible Assets**

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Computers Software - 4 years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

**Investment In Properties**

Depreciation on Investment in properties is provided on a pro-rata basis from the date of acquisition.

1.20 **PROVISIONS AND CONTINGENCIES**

A provision is recognised when the Corporation has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding employee benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are neither recognised nor disclosed in the financial statements.

1.21 **EMPLOYEE BENEFITS**

**Employee Stock Option Scheme ('ESOS')**

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Corporation to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Corporation follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any, is amortised over the vesting period.

**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.

**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. The guidance on implementing AS-15, Employee Benefits issued by the ICAI, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. 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 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. Actuarial gains and losses are recognised in the Statement of Profit and Loss 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 scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

In the case of Dubai branch of the Corporation, the provision for gratuity is made in accordance with the prevalent local laws.

**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.

1.22 **EARNINGS PER SHARE**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post-tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined

## Notes forming part of the standalone financial statements (Continued)

independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### 1.23 TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961 (the "Income Tax Act").

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss where appropriate. The credit available under the Act in respect of MAT paid is recognised as an asset where there is convincing evidence that the Corporation will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability.

### 1.24 GOODS AND SERVICES TAX INPUT CREDIT

Goods and Services tax input credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

### 1.25 ASSIGNED / SECURITISED LOANS AND SECURITISATION LIABILITIES

The Corporation enters into transactions through direct assignment route. Transfer of pools of mortgages under the direct assignment route involve transfer of proportionate shares in the pools of mortgages. Such transfers result in derecognition only of that proportion of the mortgages which meets the derecognition criteria. The portion retained by the Corporation continue to be accounted for as loans.

The Corporation also periodically transfers pools of mortgages. Such assets are derecognised, if and only if, the Corporation loses control of the contractual rights that comprise the corresponding pools or mortgages transferred. In respect of pools securitised, wherever required, the Corporation provides credit enhancement in the form of guarantees and undertaking.

The Corporation also acts as a servicing agent for pools assigned/securitised.

On de-recognition, the difference between the book value of the securitised asset and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

# Notes forming part of the standalone financial statements (Continued)

## 2. SHARE CAPITAL

| | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|
| AUTHORISED | | |
| 228,80,50,000 Equity Shares of ₹ 2 each [Refer Notes 2.5 & 34] (Previous Year 175,00,00,000 Equity Shares of ₹ 2 each) | **457.61** | 350.00 |
| | **457.61** | 350.00 |
| ISSUED, SUBSCRIBED AND FULLY PAID UP | | |
| 167,58,79,893 Equity Shares of ₹ 2 each (Previous Year 158,86,72,140 Equity Shares of ₹ 2 each) | **335.18** | 317.73 |
| | **335.18** | 317.73 |

2.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | Number | ₹ in Crore | Number | ₹ in Crore |
| Equity shares outstanding as at the beginning of the year | **158,86,72,140** | **317.73** | 157,98,46,340 | 315.97 |
| Shares allotted pursuant to exercise of stock options | **1,19,74,230** | **2.40** | 88,25,800 | 1.76 |
| Shares allotted pursuant to issue of shares under QIP, Preferential basis and Conversion of Warrants into equity shares | **7,52,33,523** | **15.05** | - | - |
| Equity shares outstanding as at the end of the year | **167,58,79,893** | **335.18** | 158,86,72,140 | 317.73 |

2.2 There were no shareholder holding more than 5 percent shares in the Corporation as at March 31, 2018. Details of shareholders holding more than 5 percent shares in the Corporation as at March 31, 2017 are given below:

| Particulars | As on March 31, 2017 | |
|---|---|---|
| | Number | Percentage of shares held to total Shares |
| Life Insurance Corporation of India (All accounts) | 8,60,26,344 | 5.41% |

2.3 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, 2018 **11,04,53,219 shares** (Previous Year 12,29,51,224 shares) were reserved for issuance as follows:

a) **7,44,67,819 shares** of ₹ 2 each (Previous Year 8,64,51,224 shares of ₹ 2 each) towards outstanding Employees Stock Options granted / available for grant, including lapsed options [Refer Note 2.4].

## Notes forming part of the standalone financial statements (Continued)

b) **3,59,85,400 shares** of ₹ 2 each (Previous Year 3,65,00,000 shares of ₹ 2 each) towards outstanding share warrants [Refer Note 3.13].

2.4 Through postal ballot held on March 10, 2017, the shareholders had approved the issue of 4,98,51,524 equity shares of ₹ 2 each to the eligible employees and directors of the Corporation. The Nomination and Remuneration Committee of Directors (NRC) at its meeting held during the year on various dates, approved the grant of 4,28,45,977 new stock options, representing 4,28,45,977 equity shares of ₹ 2 each under ESOS-2017, to the eligible employees and Directors. The same represents the Options approved for grant by the shareholders at the postal ballot held on March 10, 2017 plus 10,59,040 options lapsed under previous schemes (ESOS-11 : 3,90,350 options, and ESOS-14 : 6,68,690 options), net of 80,64,587 options reserved. The options were granted at an exercise price ranging between ₹ 1,569.85 to ₹ 1,908.30 per option, being the latest available closing price of the equity shares of the Corporation on the stock exchange on which the shares are listed and having higher trading volume, prior to the meeting of the NRC at which the options were granted.

In terms of ESOS-17, the options would vest over a period of 1-3 years from the date of grant, but not later than December 1, 2020, depending upon options grantee completing continuous service of three years with the Corporation. Accordingly, no options have vested during the current year. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme - 2014 (ESOS - 14), the Corporation had on October 8, 2014, granted **62,73,064 options** at an exercise price of ₹ 5,073.25 per option representing 3,13,65,320 equity shares of ₹ 2 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS-14, the options would vest over a period of 1-3 years from the date of grant, but not later than October 7, 2017, depending upon options grantee completing continuous service of three years with the Corporation. Accordingly, during the year **49,902 options** (Previous Year 1,57,799 options) were vested. In the current year **1,799 options** (Previous Year 22,390 options) lapsed. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme - 2011 (ESOS - 11), the Corporation had on May 23, 2012, granted **61,02,475 options** at an exercise price of ₹ 3,177.50 per option representing 3,05,12,375 equity shares of ₹ 2 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 11, the options would vest over a period of 1-3 years from the date of grant, but not later than May 22, 2015, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. In the current year **27 options** (Previous Year 1,936 options) lapsed. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2008 (ESOS – 08), the Corporation had on November 25, 2008, granted **57,90,000 options** at an exercise price of ₹ 1,350.60 per option representing 57,90,000 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

## Notes forming part of the standalone financial statements (Continued)

In terms of ESOS - 08, the options would vest over a period of 1-3 years from the date of grant, but not later than November 24, 2011, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. In the current year **Nil options** (Previous Year 228 options) lapsed. 4,874 options are yet to be lapsed.

Under Employees Stock Option Scheme – 2007 (ESOS – 07), the Corporation had on September 12, 2007, granted **54,56,835 options** at an exercise price of ₹ 2,149 per option representing 54,56,835 equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 07, the options would vest over a period of 1-3 years from the date of grant, but not later than September 11, 2010, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. 5,287 options are yet to be lapsed.

**Method used for accounting for share based payment plan:**

The Corporation has adopted intrinsic value method to recognise the compensation cost of stock options to employees of the Corporation. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Since the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07 were granted at the market price, the intrinsic value of the option is Nil. Consequently, compensation cost is also Nil.

**Movement during the year in the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07:**

Number of options

(Previous Year figures are in brackets)

| Particulars | ESOS-17 | ESOS-14 | ESOS-11 | ESOS-08 | ESOS-07 |
|---|---|---|---|---|---|
| Outstanding at the beginning of the year | - | **54,08,364** | **16,87,772** | **4,874** | **5,287** |
| | - | *(60,71,671)* | *(28,13,951)* | *(5,102)* | *(5,287)* |
| Granted during the year | **4,28,45,977** | - | - | - | - |
| | | - | - | - | - |
| Vested during the year | - | **49,902** | - | - | - |
| | - | *(1,57,799)* | - | - | - |
| Exercised during the year | - | **11,42,355** | **12,52,491** | - | - |
| | - | *(6,40,917)* | *(11,24,243)* | - | - |
| Lapsed during the year | **4,03,871** | **1,799** | **27** | - | - |
| | | *(22,390)* | *(1,936)* | *(228)* | - |
| Outstanding at the end of the year | **4,24,42,106** | **42,64,210** | **435,254** | **4,874** | **5,287** |
| | - | *(54,08,364)* | *(16,87,772)* | *(4,874)* | *(5,287)* |
| Unvested at the end of the year | **4,24,42,106** | - | - | - | - |
| | - | *(49,902)* | - | - | - |
| Exercisable at the end of the year | - | **42,64,210** | **4,35,254** | **4,874** | **5,287** |
| | - | *(53,58,462)* | *(16,87,772)* | *(4,874)* | *(5,287)* |
| Weighted average price per option | **₹ 1,571.33** | **₹ 5,073.25** | **₹ 3,177.50** | **₹ 1,350.60** | **₹ 2,149.00** |

## Notes forming part of the standalone financial statements (Continued)

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 |

Since all the stock options granted under ESOS-2014, ESOS-2011, ESOS-2008 and ESOS-2007 have been vested, the stock based compensation expense determined under fair value based method is ₹ **Nil** (Previous Year ₹ Nil). Accordingly there is no change in the reported and pro-forma net profit and Basic and Diluted EPS.

However, had the compensation cost for the stock options granted been determined based on the fair value approach, the Corporation's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Net Profit (as reported) | **12,163.69** | 7,442.64 |
| Less : Stock-based compensation expenses determined under fair value method, net of tax: [Gross ₹ **920.17 crore** (Previous Year ₹ Nil)] (pro-forma) | **601.72** | - |
| Net Profit (pro-forma) | **11,561.97** | 7,442.64 |
| Less : Amounts utilised out of Shelter Assistance Reserve | **175.05** | 146.27 |
| Net Profit considered for computing EPS (pro-forma) | **11,386.92** | 7,296.37 |

Amount in ₹

| Particulars | Current Year | Previous Year |
|---|---|---|
| Basic earnings per share (as reported) | **74.83** | 46.08 |
| Basic earnings per share (pro-forma) | **71.07** | 46.08 |
| Diluted earnings per share (as reported) | **73.73** | 45.70 |
| Diluted earnings per share (pro-forma) | **70.03** | 45.70 |

## Notes forming part of the standalone financial statements (Continued)

2.5 Through postal ballot held on February 14, 2018, the shareholders of the Corporation had approved the following :

a) Increase in the Authorised Share Capital of the Corporation to ₹ 370 Crores comprising 185,00,00,000 equity shares of ₹ 2 each.

b) Issue of 6,43,29,882 equity shares of face value of ₹ 2 each on a preferential basis at a price of ₹ 1,726.05 per Equity Share.

c) Issue of equity shares on a Qualified Institutional Placement basis for a total consideration not exceeding ₹ 1,896 crore.

Pursuant to the said approval, the Corporation has allotted 6,43,29,882 equity shares of face value of ₹ 2 each on a preferential basis at a price of ₹ 1,726.05 per Equity share during the year. The Corporation has also allotted 1,03,89,041 equity shares of face value of ₹ 2 each on a Qualified Institutional Placement basis at a price of ₹ 1,825 per Equity Share.

2.6 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.

| 3. RESERVES AND SURPLUS | | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|
| **SPECIAL RESERVE No. I** | [Notes 3.1 & 3.2] | **51.23** | 51.23 |
| **SPECIAL RESERVE No. II** | [Notes 3.1 & 3.2] | | |
| Opening Balance | | **9,811.95** | 8,564.95 |
| Add: Transfer from Statement of Profit and Loss | [Note 3.3] | **1,355.00** | 1,247.00 |
| | | **11,166.95** | 9,811.95 |
| **GENERAL RESERVE** | | | |
| Opening Balance | | **10,006.74** | 11,367.13 |
| Less: Adjustment pursuant to the Scheme of Amalgamation | [Note 34] | **(334.74)** | - |
| Less: Utilised towards Deferred Tax Liability for Special Reserve | [Note 3.2] | **-** | (1,119.08) |
| Less: Opening impact of Derivative Transition (Previous Year net of Deferred Tax of ₹ 127.70 crore) | [Note 3.5] | **-** | (241.31) |
| Add: Transfer from Statement of Profit and Loss | | **2,432.10** | - |
| | | **12,104.10** | 10,006.74 |
| **STATUTORY RESERVE (As per Section 29C of The National Housing Bank Act, 1987)** | | | |
| Opening Balance | | **3,849.42** | 3,604.42 |
| Add : Transfer from Statement of Profit and Loss | [Note 3.3] | **1,078.00** | 245.00 |
| | | **4,927.42** | 3,849.42 |
| **SECURITIES PREMIUM** | | | |
| Opening Balance | | **10,240.49** | 10,133.82 |
| Add : Received during the year | | **14,036.36** | 680.62 |
| | | **24,276.85** | 10,814.44 |
| Less : Utilised during the year (Net) [Net of tax effect of ₹ **264.58 crore** (Previous Year ₹ 303.76 crore)] | [Note 3.4] | **499.93** | 573.95 |
| | | **23,776.92** | 10,240.49 |

## Notes forming part of the standalone financial statements (Continued)

| | | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|
| **SHELTER ASSISTANCE RESERVE** | | | |
| Opening Balance | | **193.20** | 154.47 |
| Add : Transfer from Statement of Profit and Loss | | **-** | 185.00 |
| | | **193.20** | 339.47 |
| Less : Utilised during the year | | **175.05** | 146.27 |
| | | **18.15** | 193.20 |
| **CAPITAL RESERVE** | | **0.04** | 0.04 |
| **FOREIGN CURRENCY MONETARY ITEMS TRANSLATION DIFFERENCE ACCOUNT (Debit Balance)** | [Note 3.6] | | |
| Opening Balance (Debit) | | **(171.69)** | (122.07) |
| Add/(Less): Effect of foreign exchange rate variations during the year | | **(72.50)** | (269.02) |
| Add/(Less): On fair valuation of derivatives as on April 1, 2016 | | **-** | 162.20 |
| Add/(Less): Amortisation for the year | [Note 3.7] | **75.65** | 57.20 |
| Closing balance (Debit) | | **(168.54)** | (171.69) |
| **CASH FLOW HEDGE RESERVE** | | **0.89** | (0.54) |
| **SURPLUS IN THE STATEMENT OF PROFIT AND LOSS:** | | | |
| Opening Balance | | **5,295.72** | - |
| Profit for the year | | **12,163.69** | 7,442.64 |
| Amount available for appropriations | | **17,459.41** | 7,442.64 |
| **APPROPRIATIONS:** | | | |
| Special Reserve No. II | [Note 3.3] | **1,355.00** | 1,247.00 |
| General Reserve | | **2,432.10** | - |
| Statutory Reserve (As per Section 29C of The National Housing Bank Act, 1987) | [Note 3.3] | **1,078.00** | 245.00 |
| Shelter Assistance Reserve | | **-** | 185.00 |
| Interim Dividend [Dividend ₹ **3.50** per equity share of ₹ 2 each (Previous Year ₹ 3.00 per equity share of ₹ 2 each)] | [Note 3.9] | **586.56** | 476.14 |
| Tax on Interim Dividend | | **4.31** | 0.04 |
| Final Dividend pertaining to previous year paid | | **2,389.35** | - |
| Tax on Final Dividend | | **474.27** | - |
| Tax on Dividend credit taken | [Note 3.11] | **-** | (9.98) |
| Dividend including tax of ₹ **Nil** (Previous Year ₹ 0.63 crore) pertaining to previous year paid during the year | [Note 3.12] | **-** | 3.72 |
| | | **9,139.82** | 5,295.72 |
| | | **61,016.98** | 39,276.55 |

3.1 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, whereas Special Reserve No. II relates to the amounts transferred thereafter.

## Notes forming part of the standalone financial statements (Continued)

3.2 Vide circular NHB(ND)/DRS/Pol. 62/2014 dated May 27, 2014, the National Housing Bank (NHB) had directed Housing Finance Companies (HFCs) to provide for deferred tax liability in respect of the balance in the "Special Reserve" created under Section 36(1)(viii) of the Income Tax Act, 1961. Vide circular NHB(ND)/ DRS/Pol. 65/2014 dated August 22, 2014, NHB has permitted HFCs to create the Deferred Tax Liability over a period of 3 years, in a phased manner in the ratio of 25:25:50. Accordingly, the Corporation had created 50 percent of deferred tax liability of ₹ 1,119.08 crore on the balance of accumulated Special Reserve as on April 1, 2014 by debiting the General Reserve during the year ended March 2015 and March 2016. During the previous year the Corporation had created balance 50 percent of deferred tax liability of ₹ 1,119.08 crore by debiting the General Reserve [Refer Note 5].

3.3 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 **₹ 1,355 crore** (Previous Year ₹ 1,247 crore) to Special Reserve No. II in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and an amount of **₹ 1,078 crore** (Previous Year ₹ 245 crore) to "Statutory Reserve (As per Section 29C of The NHB Act)".

3.4 During the year, the Corporation utilised ₹ **499.93 crore** (net of tax effect of ₹ **264.58 crore**) [Previous Year ₹ 573.95 crore (net of tax effect of ₹ 303.76 crore)] in accordance with Section 52 of the Companies Act, 2013, towards the proportionate premium payable on redemption of Zero Coupon Secured Redeemable Non-Convertible Debentures, towards early redemption of Secured Redeemable Non-Convertible Debentures, issue expenses in respect of Rupee Denominated Bonds and Medium Term Note Programme (MTN Programme) and issue of shares to qualified institutional buyers and also under preferential basis.

3.5 The Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India was effective from April 1, 2016. On and from that date, all derivative contracts are recognised on the balance sheet and measured at fair value. The fair value changes are recognised in the Statement of Profit and Loss unless hedge accounting is used. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item. The long term monetary items other than derivatives continue to be amortised, through the Statement of Profit and Loss over the balance period of such long term asset or liability as explained in Note 3.6.

3.6 Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation has exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities. Consequently, an amount of ₹ **168.54 crore** (without considering future tax benefit of ₹ **58.33 crore**) [(Previous Year ₹ 171.69 crore) (without considering future tax benefits of ₹ 59.42 crore)] is carried forward in the Foreign Currency Monetary Items Translation Difference Account as on March 31, 2018. This amount is to be amortised over the period of the monetary assets/liabilities ranging upto 3 years.

## Notes forming part of the standalone financial statements (Continued)

3.7 During the year, there was a net reduction of ₹ **3.15 crore** (Previous Year net addition of ₹ 49.62 crore) in the Foreign Currency Monetary Items Translation Difference Account as under :

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Adjusted against General Reserve on fair valuation of derivatives as on April 1, 2016 | - | 162.20 |
| Net Revaluation of monetary assets & liabilities | **(298.56)** | (351.59) |
| Net Debit/(Credit) on account of repayments during the year | **226.06** | 82.57 |
| Net amortisation Debit/(Credit) during the year | **75.65** | 57.20 |
| Net reduction/(addition) during the year | **3.15** | (49.62) |

3.8 The Board of Directors have proposed dividend on equity shares at ₹ **16.50 per share** at their meeting held on April 30, 2018. As per the Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in ensuing Annual General Meeting.

3.9 The Board of Directors of the Corporation at its meeting held on March 16, 2018, *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 2017-18.

3.10 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 | **2017-18** | **2016-17** | 2016-17 | 2015-16 |
| Number of non-resident shareholders | **8,191** | **6,825** | 6,654 | 6,472 |
| Number of shares held by them | **1,28,68,40,792** | **1,23,96,74,145** | 1,22,26,92,759 | 1,22,44,31,611 |
| Gross amount of dividend (in ₹) | **4,50,39,42,772** | **18,59,51,12,175** | 3,66,80,78,277 | 17,14,20,42,554 |

3.11 In the previous year, the Corporation availed a credit of ₹ **9.98 crore** (for FY 2015-16), which is adjusted against the dividend tax paid by the subsidiary companies of the Corporation on the dividend paid to the Corporation as per Section 115-O(1A) of the Income Tax Act, 1961.

3.12 In respect of equity shares issued pursuant to Employee Stock Option Schemes between April 1, 2016 and the date of the Annual General Meeting, the Corporation, in the previous year, paid dividend of ₹ 3.09 crore for the year 2015-16 and tax on dividend of ₹ 0.63 crore as approved by the shareholders at the Annual General Meeting held on July 27, 2016.

3.13 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 a conversion 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. An amount of ₹ 51.10 crore was received towards subscription of warrants. The warrants may be converted into equivalent number of shares on payment of the conversion price at any time on or before October 5, 2018. In the event the warrants are not converted into shares within the said period, the Corporation is eligible to forfeit the amounts received towards the warrants. During the year 5,14,600 warrants were converted to equity shares of ₹ 2 each.

# Notes forming part of the standalone financial statements (Continued)

## 4. LONG-TERM BORROWINGS

₹ in Crore

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Bonds and Debentures [Refer Notes 4.3 & 4.10] | **94,851.18** | 95,026.36 |
| **Term Loans :** | | |
| - Banks [Refer Note 4.10] | **1,515.00** | 2,432.00 |
| - External Commercial Borrowing - Low Cost Affordable Housing [Refer Notes 4.5 & 4.10] | **5,702.37** | 7,619.87 |
| - Others [Refer Note 4.10] | **7,650.57** | 4,145.83 |
| | **1,09,719.12** | 1,09,224.06 |
| Deposits [Refer Note 4.3] | **43,622.30** | 40,838.17 |
| **Total** | **1,53,341.42** | 1,50,062.23 |

4.1 Long-term borrowings are further sub-classified as follows :

₹ in Crore

| Sr. No. | Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| | **Secured :** [Refer Note 4.2] | | |
| a) | **Bonds and Debentures** | | |
| | - Bonds | **27.35** | 34.20 |
| | - Non Convertible Debentures | **79,723.83** | 81,192.16 |
| | | **79,751.18** | 81,226.36 |
| b) | **Term Loans from Banks** | | |
| | - Scheduled Banks | **265.00** | 1,432.00 |
| | | **265.00** | 1,432.00 |
| c) | **Term Loans from other parties** | | |
| | - Asian Development Bank [Refer Note 4.4] | **209.00** | 260.26 |
| | - National Housing Bank | **7,441.57** | 3,885.57 |
| | | **7,650.57** | 4,145.83 |
| | **Total Secured:** | **87,666.75** | 86,804.19 |
| | **Unsecured :** | | |
| a) | **Bonds and Debentures** | | |
| | - Non Convertible Subordinated Debentures [Refer Note 4.10] | **5,500.00** | 5,500.00 |
| | - Synthetic INR Denominated Bonds | **9,600.00** | 8,300.00 |
| b) | **Term Loans from Banks** | | |
| | - Scheduled Banks | **1,250.00** | 1,000.00 |
| c) | **External Commercial Borrowing - Low Cost Affordable Housing** | **5,702.37** | 7,619.88 |
| d) | **Deposits** [Refer Note 4.8] | **43,622.30** | 40,838.16 |
| | **Total Unsecured:** | **65,674.67** | 63,258.04 |
| | **Total** | **1,53,341.42** | 1,50,062.23 |

4.2 All secured long-term borrowing 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.

## Notes forming part of the standalone financial statements (Continued)

4.3 Non-Convertible Debentures includes ₹ **1,180 crore** (Previous Year ₹ 665 crore) and Deposits includes ₹ **60.01 crore** (Previous Year ₹ 72.95 crore) from related parties [Refer Note 35].

4.4 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 the 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.

4.5 The Corporation had availed External Commercial Borrowing (ECBs) of **USD 1,175 million** for financing prospective owners of low cost affordable housing units under "approval route" in terms of Reserve Bank of India ("RBI") guidelines. The borrowing has a maturity of five years. In terms of the RBI guidelines, these borrowings have been swapped into rupees for the entire maturity by way of principal only swaps. The currency exposure on the interest has been hedged by way of forward contracts.

The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

4.6 The Corporation has raised ₹ **9,600 crore** through Rupee Denominated Bonds to overseas investors till date. The Corporation was the first Indian corporate issuer of such bonds. Out of the said issuances, ₹ **5,000 crore** has been issued through standalone issuances to various investors under the automatic route.

The Corporation had established a Medium Term Note Programme (MTN Programme) for **USD 750 mn** so as to enable the Corporation to issue debt instruments in the international capital markets, subject to regulatory approvals. During the year, the Corporation has upsized its MTN Programme from **USD 750 mn** to **USD 1.3 bn**. Subsequently, during the annual updation of the MTN Programme on the London Stock Exchange, the Corporation increased the limit of the Programme by another **USD 1.5 bn**. Consequently, the MTN Programme limit currently is **USD 2.8 bn**.

During the year, the Corporation raised ₹ **1,300 crore** through issue of Rupee Denominated Bonds under the MTN Programme to International Finance Corporation (IFC) through the approval route. IFC, member of the World bank group has partnered with the Corporation, to finance the construction of affordable housing projects in the country for an amount of ₹ **5,200 crore**. Under the said agreement, IFC contributes ₹ **1,300 crore**, by subscribing to the said Bonds. The Corporation shall contribute the balance amount of ₹ **3,900 crore**. The Corporation shall finance eligible sub projects by way of loans to eligible sub borrowers.

The Corporation has raised ₹ **4,600 crore** till date under the MTN Programme through the approval route in accordance with the external commercial borrowing guidelines issued by the Reserve Bank of India (RBI).

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)

4.7 As on March 31, 2018, the Corporation has foreign currency borrowings of **USD 3,029.15 million equivalent** (Previous Year USD 2,944.46 million equivalent). The Corporation has undertaken currency swaps and forward contracts of a notional amount of **USD 2,325 million equivalent** (Previous Year USD 2,554.92 million equivalent) and dollar denominated assets and foreign currency arrangements of **USD 367.39 million** (PY USD 401.66 million) to hedge the foreign currency risk. As on March 31, 2018, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is **USD 336.76 million** (Previous Year Nil).

Further, interest rate swaps on a notional amount of **USD Nil** (Previous Year USD 70 million equivalent) are outstanding, which have been undertaken to hedge the interest rate risk on the foreign currency borrowings.

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 ₹ **48,270 crore** (Previous Year ₹ 30,355 crore) and Cross Currency Interest rate swaps of notional amount of ₹ **100 crore** (Previous Year ₹ 300 crore) as on March 31, 2018 for varying maturities into floating rate liabilities linked to various benchmarks. The Corporation has currency swaps of a notional amount of **USD Nil** (Previous Year USD 49.42 million equivalent) through which it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to the benchmarks of respective currencies.

4.8 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.

4.9 As at March 31, 2018, the Corporation's outstanding subordinated debt is ₹ **5,500 crore** (Previous Year ₹ 5,500 crore). 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, 2018, **74.55%** (Previous Year 83.64%) 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)

4.10 **Terms of redemption of bonds and debentures and for repayment terms of term loans:**

**A) BONDS & DEBENTURES**

(Previous Year figures are in brackets)

₹ in Crore

| **Bonds & Debentures - Secured** | | | | | |
|---|---|---|---|---|---|
| **Maturities -** | | **1-3 years** | **3-5 years** | **> 5 years** | **TOTAL** |
| **Rates of Interest** | | | | | |
| 7% - 8% | | **37,286.16**<br>*(18,866.00)* | **711.39**<br>- | **2,979.12**<br>*(3,000.82)* | **40,976.67**<br>*(21,866.82)* |
| 8.01% - 10% | | **20,222.15**<br>*(29,263.84)* | **4,762.41**<br>*(13,201.53)* | **9,962.86**<br>*(7,390.38)* | **34,947.42**<br>*(49,855.75)* |
| 10.01% - 11.95% | | **-**<br>*(4,215.28)* | **-**<br>- | **-**<br>- | **-**<br>*(4,215.28)* |
| Zero Coupon | | **3,799.74**<br>*(5,254.31)* | **-**<br>- | **-**<br>- | **3,799.74**<br>*(5,254.31)* |
| Variable Rate<br>- Linked to G Sec | | **14.95**<br>*(14.10)* | **12.40**<br>*(15.90)* | **-**<br>*(4.20)* | **27.35**<br>*(34.20)* |
| **TOTAL SECURED** | **A**<br>*A* | **61,323.00**<br>*(57,613.53)* | **5,486.20**<br>*(13,217.43)* | **12,941.98**<br>*(10,395.40)* | **79,751.18**<br>*(81,226.36)* |
| **Bonds & Debentures - Unsecured** | | | | | |
| **Maturities -** | | **1-3 years** | **3-5 years** | **> 5 years** | **TOTAL** |
| **Rates of Interest** | | | | | |
| Non Convertible Subordinated Debentures | | | | | |
| 8.65% - 9.6% | | **1,500.00**<br>*(500.00)* | **1,000.00**<br>*(2,000.00)* | **3,000.00**<br>*(3,000.00)* | **5,500.00**<br>*(5,500.00)* |
| Synthetic INR Denominated Bonds | | | | | |
| 6.87% - 7.88% | | **8,300.00**<br>*(5,000.00)* | **1,300.00**<br>*(3,300.00)* | **-**<br>- | **9,600.00**<br>*(8,300.00)* |
| **TOTAL UNSECURED** | **B**<br>*B* | **9,800.00**<br>*(5,500.00)* | **2,300.00**<br>*(5,300.00)* | **3,000.00**<br>*(3,000.00)* | **15,100.00**<br>*(13,800.00)* |
| **TOTAL (SECURED & UNSECURED)** | **A+B**<br>*A+B* | **71,123.00**<br>*(63,113.53)* | **7,786.20**<br>*(18,517.43)* | **15,941.98**<br>*(13,395.40)* | **94,851.18**<br>*(95,026.36)* |

# Notes forming part of the standalone financial statements (Continued)

## B) TERM LOANS FROM BANKS

(Previous Year figures are in brackets)

₹ in Crore

| Term Loans from Banks - Secured | | | | | |
|---|---|---|---|---|---|
| **Maturities -** | | **1-3 years** | **3-5 years** | **> 5 years** | **TOTAL** |
| **Rates of Interest** | | | | | |
| Term Loans from Scheduled Banks - Rupee | | | | | |
| 7.5% - 9% | | **-** | **-** | **265.00** | **265.00** |
| | | *(132.00)* | *(1,000.00)* | *(300.00)* | *(1,432.00)* |
| **TOTAL SECURED** | **A** | **-** | **-** | **265.00** | **265.00** |
| | *A* | *(132.00)* | *(1,000.00)* | *(300.00)* | *(1,432.00)* |
| **Term Loans from Banks - Unsecured** | | | | | |
| **Maturities -** | | **1-3 years** | **3-5 years** | **> 5 years** | **TOTAL** |
| **Rates of Interest** | | | | | |
| Term Loans from Scheduled Banks - Rupee | | | | | |
| 6.65% - 7.60% | | **-** | **1,000.00** | **250.00** | **1,250.00** |
| | | - | *(1,000.00)* | - | *(1,000.00)* |
| **TOTAL UNSECURED** | **B** | **-** | **1,000.00** | **250.00** | **1,250.00** |
| | *B* | - | *(1,000.00)* | - | *(1,000.00)* |
| **TOTAL (SECURED & UNSECURED)** | **A+B** | **-** | **1,000.00** | **515.00** | **1,515.00** |
| | *A+B* | *(132.00)* | *(2,000.00)* | *(300.00)* | *(2,432.00)* |

## C) EXTERNAL COMMERCIAL BORROWING - LOW COST AFFORDABLE HOUSING - UNSECURED

(Previous Year figures are in brackets)

₹ in Crore

| **Maturities -** | **1-3 years** | **3-5 years** | **> 5 years** | **TOTAL** |
|---|---|---|---|---|
| **Rates of Interest** | | | | |
| USD LIBOR + 107 bps | **-** | **-** | **-** | **-** |
| | *(1,945.50)* | - | - | *(1,945.50)* |
| USD LIBOR + 120 bps | **3,258.50** | **-** | **-** | **3,258.50** |
| | - | *(3,242.50)* | - | *(3,242.50)* |
| USD LIBOR + 126 bps | **-** | **2,443.87** | **-** | **2,443.87** |
| | - | *(2,431.87)* | - | *(2,431.87)* |
| **TOTAL UNSECURED** | **3,258.50** | **2,443.87** | **-** | **5,702.37** |
| | *(1,945.50)* | *(5,674.37)* | - | *(7,619.87)* |

# Notes forming part of the standalone financial statements (Continued)

## D) TERM LOANS FROM OTHER PARTIES - SECURED

(Previous Year figures are in brackets)

₹ in Crore

| Maturities - | 1-3 years | 3-5 years | > 5 years | TOTAL |
|---|---|---|---|---|
| **Rates of Interest** | | | | |
| Asian Development Bank | | | | |
| USD LIBOR + 40 bps | **58.30** | **48.67** | **-** | **106.97** |
| | *(54.55)* | *(61.68)* | *(16.65)* | *(132.88)* |
| Variable linked to Bank PLR | **29.82** | **24.89** | **-** | **54.71** |
| | *(28.04)* | *(31.71)* | *(8.55)* | *(68.30)* |
| Variable linked to G Sec | **25.79** | **21.53** | **-** | **47.32** |
| | *(24.25)* | *(27.43)* | *(7.40)* | *(59.08)* |
| National Housing Bank | | | | |
| 4.61% - 5.99% | **364.63** | **364.63** | **645.17** | **1,374.43** |
| | - | - | - | - |
| 6% - 8% | **1,731.72** | **1,357.35** | **1,873.52** | **4,962.59** |
| | *(1,687.72)* | *(1,260.95)* | *(250.17)* | *(3,198.84)* |
| 8.01% - 9.45% | **386.70** | **205.20** | **512.65** | **1,104.55** |
| | *(663.92)* | *(22.81)* | - | *(686.73)* |
| **TOTAL SECURED** | **2,596.96** | **2,022.27** | **3,031.34** | **7,650.57** |
| | *(2,458.48)* | *(1,404.58)* | *(282.77)* | *(4,145.83)* |

## 5. DEFERRED TAX ASSET/LIABILITY:

In compliance with the Accounting Standard (AS 22) relating to 'Accounting for Taxes on Income', the Corporation has recognised a credit of ₹ **55.00 crore** (Previous Year debit ₹ 495.00 crore) in the Statement of Profit and Loss for the year ended March 31, 2018 towards deferred tax asset (net) for the year, arising on account of timing differences. In the Previous Year ₹ 1,119.08 crore has been adjusted against the General Reserve (as per Note 3.2).

The major components of deferred tax assets and liabilities are :

₹ in Crore

| Particulars | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| a) Depreciation | **-** | **51.70** | - | 54.75 |
| b) Special Reserve I & II | **-** | **3,920.08** | - | 3,413.45 |
| c) Provisions and Contingencies | **1,597.45** | **-** | 1,120.39 | - |
| d) Provision for Employee Benefits | **62.64** | **-** | 53.85 | - |
| e) Others (net) | **-** | **21.89** | - | 94.62 |
| **Total** | **1,660.09** | **3,993.67** | 1,174.24 | 3,562.82 |
| **Net Deferred Tax Liability** | **2,333.58** | | 2,388.58 | |

# Notes forming part of the standalone financial statements (Continued)

## 6. OTHER LONG-TERM LIABILITIES

₹ in Crore

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest accrued but not due on borrowings | **1,708.42** | 1,443.52 |
| Premium payable on redemption of Debentures | **752.75** | 690.25 |
| Payable against Derivative | **197.09** | 133.26 |
| Security and other deposits received | **29.64** | 6.11 |
| Income received in advance | **55.13** | 45.18 |
| Others | **11.25** | 20.20 |
| **Total** | **2,754.28** | 2,338.52 |

## 7. LONG-TERM PROVISIONS

₹ in Crore

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for Employee Benefits [Refer Note 28.3] | **145.26** | 60.10 |
| Provisions and Contingencies [Refer Notes 7.1,7.2 & 39.5.1] | **4,999.80** | 3,066.65 |
| **Total** | **5,145.06** | 3,126.75 |

7.1 Provisions and Contingencies includes provisions for standard assets and all other contingencies. As per National Housing Bank Circular No. NHB.HFC.DIR.4/CMD/2012 dated January 19, 2012, NHB.HFC.DIR.9/CMD/2013 dated September 6, 2013 and NHB.HFC.DIR.18/MD&CEO/2017 dated August 2, 2017, in addition to provision for non performing assets, all housing finance companies are required to carry a general provision. (i) at the rate of 1% of Standard Assets in respect of Commercial Real Estate ("CRE") other than Residential Housing, (ii) at the rate of 0.75% Commercial Real Estate - Residential Housing, (iii) at the rate of 0.25% in respect of Individual Housing Loans and (iv) at the rate of 0.40% of the total outstanding amount of loans which are Standard Assets other than (i), (ii) & (iii) above. Loans to Individuals for 3rd dwelling units onwards are treated as CRE exposure.

Accordingly, the Corporation is required to carry a minimum provision of **₹ 1,598.44 crore** (Previous Year ₹ 1,604.92 crore) towards standard assets.

7.2 Movement in Provisions and Contingencies Account during the year is as under:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Opening Balance | **3,066.65** | 2,695.34 |
| Additions during the year | **2,030.00** | 700.00 |
| Utilised during the year – towards Diminution in Value of Investments | **(40.68)** | (291.43) |
| Utilised during the year - towards loans written off | **(56.17)** | (37.26) |
| **Closing Balance** | **4,999.80** | 3,066.65 |

## 8. SHORT-TERM BORROWINGS

₹ in Crore

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Deposits - Unsecured** [Refer Note 4.8 & Note 8.2] | **6,211.93** | 2,687.05 |
| **Other loans and advances:** | | |
| Scheduled Banks - Secured [Refer Note 8.1] | **10,500.00** | 2,000.00 |
| Scheduled Banks - Unsecured | **4,000.00** | - |
| Commercial Papers - Unsecured [Refer Note 8.3] | **42,913.52** | 37,443.28 |
| | **57,413.52** | 39,443.28 |
| **Total** | **63,625.45** | 42,130.33 |

## Notes forming part of the standalone financial statements (Continued)

8.1 All secured short term borrowing 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.

8.2 Deposits includes ₹ **32.25 crore** (Previous Year ₹ 15.40 crore) from related parties [Refer Note 35].

8.3 Commercial papers of the Corporation have a maturity value of ₹ **44,275 crore** (Previous Year ₹ 38,380 crore). Yield on commercial paper varies between **6.25% to 8.50%** (Previous Year: 6.50% to 9.20%).

### 9. TRADE PAYABLES

₹ in Crore

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Trade Payables | **207.59** | 147.71 |
| **Total** | **207.59** | 147.71 |

9.1 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 | Current Year | Previous Year |
|---|---|---|
| a) Amount outstanding but not due as at year end | - | - |
| b) Amount due but unpaid as at the year end | **0.19** | 0.18 |
| c) Amounts paid after appointed date during the year | - | - |
| 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** | **0.19** | 0.18 |

9.2 As required under Section 125 of the Companies Act, 2013, the Corporation has transferred ₹ **2.76 crore** (Previous Year ₹ 2.16 crore) to the Investor Education and Protection Fund (IEPF) during the year. As of March 31, 2018, no amount was due for transfer to the IEPF.

9.3 Trade Payables includes ₹ **92.96 crore** (Previous Year ₹ 52.83 crore) due to related parties [Refer Note 35].

# Notes forming part of the standalone financial statements (Continued)

## 10. OTHER CURRENT LIABILITIES

₹ in Crore

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current maturities of long-term borrowings | **1,02,945.24** | 87,539.59 |
| Interest accrued but not due on borrowings | **7,143.68** | 6,359.50 |
| Premium payable on redemption of Debentures | **465.90** | 380.06 |
| Interest accrued and due on matured deposits | **85.84** | 107.20 |
| Income and other amounts received in advance | **324.68** | 370.96 |
| Unclaimed dividend | **43.05** | 24.74 |
| Unclaimed matured deposits | **743.34** | 801.39 |
| Payable against Derivatives | **181.23** | 891.30 |
| **Other payables** | | |
| - Statutory Remittances | **226.14** | 174.88 |
| - Financial Assistance received from Kreditanstalt für Wiederaufbau | **7.78** | 7.78 |
| - Amounts payable - Securitised Loans | **490.55** | 574.60 |
| - Others | **77.95** | 58.17 |
| | **9,790.14** | 9,750.58 |
| **Total** | **1,12,735.38** | 97,290.17 |

10.1 Current maturities of Long term borrowings are further sub-classified as under:

₹ in Crore

| Sr. No. | Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| | **Secured** [Refer Notes 10.2 & 10.3] | | |
| (i) | **Bonds and Debentures** | | |
| | - Bonds | **6.85** | 6.30 |
| | - Non Convertible Debentures | **43,874.31** | 24,213.86 |
| (ii) | **Term Loans from Banks** | | |
| | - Scheduled Banks | **13,241.24** | 16,586.11 |
| (iii) | **Term Loans from other parties** | | |
| | - Asian Development Bank | **51.91** | 48.69 |
| | - National Housing Bank | **1,239.08** | 1,201.05 |
| | **Total Secured** | **58,413.39** | 42,056.01 |
| | **Unsecured** | | |
| (i) | **Term Loans from Banks** | | |
| | - Scheduled Banks | **911.70** | 3,235.95 |
| (ii) | **External Commercial Borrowing - Low Cost Affordable Housing** | **1,955.10** | - |
| (iii) | **Deposits** [Refer Notes 4.8 & 10.3] | **41,665.05** | 42,247.63 |
| | **Total Unsecured** | **44,531.85** | 45,483.58 |
| | **Total** | **1,02,945.24** | 87,539.59 |

10.2 Secured current maturities of long term 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.

10.3 Current maturities of Non-Convertible Debentures includes ₹ **1,815 crore** (Previous Year ₹ 592 crore) and Deposits includes ₹ **42.96 crore** (Previous Year ₹ 0.01 crore) from related parties [Refer Note 35].

## 11. SHORT-TERM PROVISIONS

₹ in Crore

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for Employee benefits [Refer Note 28.3] | **37.29** | 116.91 |
| Provision for Tax (Net of Advance Tax) | **91.84** | 59.46 |
| **Total** | **129.13** | 176.37 |

# Notes forming part of the standalone financial statements (Continued)

Previous Year figures are in (brackets)

## 12. TANGIBLE ASSETS

₹ in Crore

| | GROSS BLOCK | | | | | DEPRECIATION AND AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at March 31, 2017 | Additions | Transfer pursuant to implementation of Scheme of Amalgamation (Refer Note 34) | Deductions | As at March 31, 2018 | As at March 31, 2017 | For the Year | Transfer pursuant to implementation of Scheme of Amalgamation (Refer Note 34) | Deductions | As at March 31, 2018 | As at March 31, 2018 | As at March 31, 2017 |
| Land : | | | | | | | | | | | | |
| Freehold | 15.67 | - | - | - | **15.67** | - | - | - | - | - | **15.67** | 15.67 |
| | *(15.67)* | - | - | - | *(15.67)* | - | - | - | - | - | *(15.67)* | *(15.67)* |
| Leasehold | 370.25 | - | - | - | **370.25** | 20.70 | **8.88** | - | - | **29.58** | **340.67** | 349.55 |
| | *(370.25)* | - | - | - | *(370.25)* | *(11.82)* | *(8.88)* | - | - | *(20.70)* | *(349.55)* | *(358.43)* |
| Buildings : | | | | | | | | | | | | |
| Own Use | 239.99 | **1.35** | - | **0.10** | **241.24** | 48.48 | **4.59** | - | **0.03** | **53.04** | **188.20** | 191.51 |
| | *(240.10)* | *(0.18)* | - | *(0.29)* | *(239.99)* | *(43.97)* | *(4.58)* | - | *(0.07)* | *(48.48)* | *(191.51)* | *(196.13)* |
| Leasehold Improvements | 65.30 | **7.98** | - | **0.51** | **72.77** | 53.34 | **4.49** | - | **0.41** | **57.42** | **15.35** | 11.96 |
| | *(60.16)* | *(5.35)* | - | *(0.21)* | *(65.30)* | *(40.26)* | *(13.29)* | - | *(0.21)* | *(53.34)* | *(11.96)* | *(19.90)* |
| Computer Hardware | 82.01 | **14.12** | - | **1.86** | **94.27** | 64.97 | **9.32** | - | **1.86** | **72.43** | **21.84** | 17.04 |
| | *(78.86)* | *(8.20)* | - | *(5.05)* | *(82.01)* | *(61.18)* | *(8.84)* | - | *(5.05)* | *(64.97)* | *(17.04)* | *(17.68)* |
| Furniture and Fittings | | | | | | | | | | | | |
| Own Use | 64.96 | **3.70** | **0.61** | **0.82** | **68.45** | 42.92 | **3.77** | **0.13** | **0.80** | **46.02** | **22.43** | 22.04 |
| | *(63.23)* | *(3.44)* | - | *(1.71)* | *(64.96)* | *(40.61)* | *(3.92)* | - | *(1.61)* | *(42.92)* | *(22.04)* | *(22.62)* |
| Office Equipment etc.: | | | | | | | | | | | | |
| Own Use | 62.62 | **7.71** | **0.76** | **1.92** | **69.17** | 39.58 | **4.67** | **1.21** | **1.73** | **43.73** | **25.44** | 23.04 |
| | *(58.95)* | *(5.20)* | - | *(1.53)* | *(62.62)* | *(36.42)* | *(4.56)* | - | *(1.40)* | *(39.58)* | *(23.04)* | *(22.53)* |
| Vehicles | 16.38 | **5.73** | - | **1.48** | **20.63** | 8.98 | **2.81** | - | **1.27** | **10.52** | **10.11** | 7.40 |
| | *(14.01)* | *(3.15)* | - | *(0.78)* | *(16.38)* | *(6.77)* | *(2.74)* | - | *(0.53)* | *(8.98)* | *(7.40)* | *(7.24)* |
| Leased Assets : | | | | | | | | | | | | |
| Plant & Machinery* | 129.18 | - | - | - | **129.18** | 129.18 | - | - | - | **129.18** | - | - |
| | *(129.18)* | - | - | - | *(129.18)* | *(129.18)* | - | - | - | *(129.18)* | - | - |
| Vehicles* | 16.37 | - | - | - | **16.37** | 16.37 | - | - | - | **16.37** | - | - |
| | *(16.37)* | - | - | - | *(16.37)* | *(16.37)* | - | - | - | *(16.37)* | - | - |
| **Total** | 1,062.73 | **40.59** | **1.37** | **6.69** | **1,098.00** | 424.52 | **38.53** | **1.34** | **6.10** | **458.29** | **639.71** | 638.21 |
| Previous Year | *(1,046.78)* | *(25.52)* | - | *(9.57)* | *(1,062.73)* | *(386.58)* | *(46.81)* | - | *(8.87)* | *(424.52)* | *(638.21)* | *(660.20)* |

*Assets held for disposal

12.1 Depreciation charge for the financial year above excludes ₹ **8.49 crore** (Previous Year ₹ 6.50 crore) being depreciation charge on Investment in Properties.

Previous Year figures are in (brackets)

## 13. INTANGIBLE ASSETS

₹ in Crore

| | GROSS BLOCK | | | | | DEPRECIATION AND AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at March 31, 2017 | Additions | Transfer pursuant to implementation of Scheme of Amalgamation (Refer Note 34) | Deductions | As at March 31, 2018 | As at March 31, 2017 | For the Year | Transfer pursuant to implementation of Scheme of Amalgamation (Refer Note 34) | Deductions | As at March 31, 2018 | As at March 31, 2018 | As at March 31, 2017 |
| Computer Software | 20.37 | **2.88** | - | - | **23.25** | 16.24 | **2.22** | - | - | **18.46** | **4.79** | 4.13 |
| | *(17.92)* | *(2.45)* | - | - | *(20.37)* | *(13.59)* | *(2.65)* | - | - | *(16.24)* | *(4.13)* | *(4.33)* |
| **Total** | 20.37 | **2.88** | - | - | **23.25** | 16.24 | **2.22** | - | - | **18.46** | **4.79** | 4.13 |
| Previous Year | *(17.92)* | *(2.45)* | - | - | *(20.37)* | *(13.59)* | *(2.65)* | - | - | *(16.24)* | *(4.13)* | *(4.33)* |

# Notes forming part of the standalone financial statements (Continued)

## 14. NON-CURRENT INVESTMENTS (AT COST)

| | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|
| **Trade Investments :** | | |
| Equity Shares - Subsidiaries and Associate Companies | **8,104.66** | 8,223.36 |
| Preference Shares - Convertible - Subsidiary Company | **67.00** | 67.00 |
| Debentures - Convertible - Subsidiary Company | **90.00** | 118.00 |
| Venture Funds | **293.53** | 296.24 |
| **Non Trade Investments :** | | |
| Equity Shares | **765.03** | 735.96 |
| Preference Shares - Cumulative Redeemable | **48.69** | 5.99 |
| Debentures and Bonds - Redeemable - for Financing Real Estate Projects | | 63.33 |
| Debentures and Bonds - Convertible - Others* | **376.94** | 0.00 |
| Debentures and Bonds - Redeemable - Others | **25.00** | 25.00 |
| Pass Through Certificates and Security Receipts - for Financing Real Estate Projects | **757.51** | 763.91 |
| Security Receipts - Others | **9.80** | 12.34 |
| Government Securities | **8,949.06** | 6,277.02 |
| Mutual Funds | **20.00** | 20.00 |
| Venture Funds | **368.42** | 236.64 |
| Properties [Net of Depreciation of ₹ **289.12 crore** (Previous Year ₹ 25.99 crore)] | **415.63** | 357.30 |
| | **20,291.27** | 17,202.09 |
| Less : Provision for other than temporary Diminution in Value of Investments | **412.17** | 372.15 |
| | **19,879.10** | 16,829.94 |

*Amount less than ₹ 50,000

| | Book Value ₹ in Crore | Market Value ₹ in Crore |
|---|---|---|
| **Aggregate of Quoted Investments** | **6,986.02** | **1,34,406.83** |
| *Previous Year* | *5,885.70* | *65,836.12* |
| **Aggregate of Investments listed but not quoted** | **9,037.39** | |
| *Previous Year* | *6,365.35* | |
| **Aggregate of Investments in Unquoted Mutual Funds (Refer note 2 below)** | **20.00** | **20.06** |
| *Previous Year* | *20.00* | *20.05* |
| **Aggregate of Unquoted Investments (Others)** | **3,440.56** | |
| *Previous Year* | *4,222.09* | |
| **Properties** | **395.13** | |
| *Previous Year* | *336.80* | |
| | **19,879.10** | |
| *Previous Year* | *16,829.94* | |

# Notes forming part of the standalone financial statements (Continued)

## Trade Investments :

| | Number of Units | Face Value ₹ | As at March 31, 2018 ₹ in Crore | Number of Units | Face Value ₹ | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|---|---|---|
| **Equity Shares - Subsidiaries and Associate Companies (fully paid)** | | | | | | |
| **Subsidiaries** | | | | | | |
| HDFC Credila Financial Services Private Limited | 5,30,56,403 | 10 | **152.97** | 4,92,72,003 | 10 | 102.97 |
| GRUH Finance Ltd.* | 21,18,77,850 | 2 | **60.40** | 21,30,77,850 | 2 | 60.74 |
| HDFC Asset Management Co. Ltd. | 12,07,72,800 | 5 | **235.88** | 1,50,96,600 | 10 | 235.88 |
| HDFC Developers Ltd. | - | - | **-** | 59,90,000 | 10 | 5.99 |
| HDFC Education and Development Services Pvt. Ltd. | 3,70,00,000 | 10 | **37.00** | 3,02,00,000 | 10 | 30.20 |
| HDFC ERGO General Insurance Co. Ltd. | 30,54,09,988 | 10 | **742.30** | 30,50,05,688 | 10 | 733.33 |
| HDFC Holdings Ltd. | 18,00,070 | 10 | **102.40** | 18,00,070 | 10 | 102.40 |
| HDFC Investments Ltd. | 2,66,70,500 | 10 | **66.14** | 2,66,70,500 | 10 | 66.14 |
| HDFC Property Ventures Ltd. | 10,00,000 | 10 | **1.00** | 10,00,000 | 10 | 1.00 |
| HDFC Capital Advisors Ltd. | 19,97,660 | 10 | **2.00** | 19,97,660 | 10 | 2.00 |
| HDFC Realty Ltd. | - | - | **-** | 97,50,070 | 10 | 9.31 |
| HDFC Sales Pvt. Ltd. | 4,00,00,000 | 10 | **40.01** | 40,10,000 | 10 | 4.02 |
| HDFC Standard Life Insurance Co. Ltd.* | 1,03,85,14,075 | 10 | **1,111.74** | 1,22,97,60,125 | 10 | 1,316.56 |
| HDFC Trustee Co. Ltd. | 1,00,000 | 10 | **0.10** | 1,00,000 | 10 | 0.10 |
| HDFC Venture Capital Ltd. | 4,02,500 | 10 | **0.40** | 4,02,500 | 10 | 0.40 |
| HDFC Ventures Trustee Co. Ltd. | 50,000 | 10 | **0.05** | 50,000 | 10 | 0.05 |
| | | | **2,552.39** | | | 2,671.09 |
| **Associate Companies** | | | | | | |
| HDFC Bank Ltd.* | 39,32,11,100 | 2 | **5,549.74** | 39,32,11,100 | 2 | 5,549.74 |
| True North Ventures Private Limited | 9,75,002 | 4 | **0.03** | 9,75,002 | 4 | 0.03 |
| RuralShores Business Services Pvt. Ltd. | 4,76,351 | 10 | **2.50** | 4,76,351 | 10 | 2.50 |
| | | | **5,552.27** | | | 5,552.27 |
| | | | **8,104.66** | | | 8,223.36 |
| *listed shares | | | | | | |
| **Preference Shares - Convertible - Subsidiary Company (fully paid)** | | | | | | |
| 0.01% HDFC Credila Financial Services Pvt. Ltd. (Compulsorily Fully Convertible) | 6,69,99,956 | 10 | **67.00** | 6,69,99,956 | 10 | 67.00 |
| | | | **67.00** | | | 67.00 |
| **Debentures - Convertible - Subsidiary Companies - Zero Coupon** | | | | | | |
| HDFC Sales Pvt. Ltd. | 2,70,00,000 | 10 | **27.00** | 1,00,00,000 | 10 | 10.00 |
| HDFC Education and Development Services Pvt. Ltd. | 6,30,00,000 | 10 | **63.00** | 6,30,00,000 | 10 | 63.00 |
| HDFC Developers Ltd. | - | - | **-** | 2,50,00,000 | 10 | 25.00 |
| HDFC Realty Limited | - | - | **-** | 2,00,00,000 | 10 | 20.00 |
| | | | **90.00** | | | 118.00 |
| **Venture Funds** | | | | | | |
| HDFC Investment Trust | | | **112.63** | | | 141.56 |
| HDFC Investment Trust II | | | **180.90** | | | 154.68 |
| | | | **293.53** | | | 296.24 |

# Notes forming part of the standalone financial statements (Continued)

## Non-Trade Investments:

| | Number of Units | Face Value ₹ | As at March 31, 2018 ₹ in Crore | Number of Units | Face Value ₹ | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|---|---|---|
| **Equity Shares (fully paid)** | | | | | | |
| **Unlisted :** | | | | | | |
| AEC Cements and Constructions Ltd. | - | - | - | 2,80,000 | 10 | 0.28 |
| Asset Reconstruction Co. (India) Ltd. | 75,41,137 | 10 | 46.37 | 75,41,137 | 10 | 46.37 |
| Computer Age Management Services Pvt. Ltd. | 54,06,680 | 10 | 1.51 | 54,06,680 | 10 | 1.51 |
| Citrus Processing India Pvt Ltd. | 11,51,234 | 10 | 34.09 | 11,51,234 | 10 | 34.09 |
| Feedback Infra Pvt. Ltd. | 7,53,114 | 10 | 24.93 | 7,53,114 | 10 | 24.93 |
| GMR Chhattisgarh Energy Limited | 13,95,60,000 | 10 | 139.56 | 13,95,60,000 | 10 | 139.56 |
| GVFL Ltd. | 1,50,000 | 10 | 0.27 | 1,50,000 | 10 | 0.27 |
| Goods & Services Tax Network | 10,00,000 | 10 | 1.00 | 10,00,000 | 10 | 1.00 |
| IDFC Infrastructure Finance Limited (Erstwhile IDFC Infra Debt Fund Ltd.) | 6,00,00,000 | 10 | 60.00 | 6,00,00,000 | 10 | 60.00 |
| Idhasoft Ltd. | 4,71,06,525 | 1 | 8.21 | 4,71,06,525 | 1 | 8.21 |
| Iridium India Telecom Ltd.* | 31,75,750 | 10 | - | 31,75,750 | 10 | - |
| INCAB Industries Ltd. | 76,188 | 10 | 0.23 | 76,188 | 10 | 0.23 |
| Infrastructure Development Corporation (Karnataka) | 1,50,000 | 10 | 0.15 | 1,50,000 | 10 | 0.15 |
| Infrastructure Leasing & Financial Services Ltd. | 1,15,87,194 | 10 | 78.11 | 1,15,87,194 | 10 | 78.11 |
| True North Corporate Pvt. Ltd. (Erstwhile IVF Advisors Pvt. Ltd.) | 2,000 | 10 | 0.01 | 2,000 | 10 | 0.01 |
| Kesoram Textile Mills Ltd. (received on demerger in 1999-2000) | 22,258 | 2 | - | 22,258 | 2 | - |
| Medgenome Labs Limited* | 10 | 2,592 | 0.00 | - | - | - |
| MIEL e-Security Pvt. Ltd. | 1,11,112 | 10 | 4.11 | 1,11,112 | 10 | 4.11 |
| National Investment And Infrastructure Fund Limited | 1,217 | 10 | 0.28 | - | - | - |
| National Stock Exchange of India Ltd.# (FV changed from ₹ 10/- to ₹ 1/-) | 8,11,250 | 1 | 21.44 | | | |
| Next Gen Publishing Ltd. | 19,35,911 | 10 | 1.70 | 19,35,911 | 10 | 1.70 |
| Novacel Life Sciences Ltd. | 7,50,000 | 10 | 0.75 | 7,50,000 | 10 | 0.75 |
| OCM Private Ltd. (Erstwhile OCM India Ltd.) | 22,56,295 | 10 | 3.41 | 22,56,295 | 10 | 3.41 |
| Tamil Nadu Urban Infrastructure Financial Services Ltd. | 1,50,000 | 10 | 0.15 | 1,50,000 | 10 | 0.15 |
| Tamil Nadu Urban Infrastructure Trustee Co. Ltd. | 15,000 | 10 | 0.02 | 15,000 | 10 | 0.02 |
| The Greater Bombay Co-operative Bank Ltd.* | 40 | 25 | 0.00 | 40 | 25 | 0.00 |
| TVS Credit Services Ltd. | 50,00,000 | 10 | 10.00 | 50,00,000 | 10 | 10.00 |
| VBHC Value Homes Private Limited [Erstwhile Value & Budget Housing Corporation (India) Pvt. Ltd.] | 1,89,394 | 10 | 6.08 | 1,89,394 | 10 | 6.08 |
| Clayfin Technologies Private Limited (Erstwhile Vayana Enterprises Pvt. Ltd.) | 6,87,614 | 10 | 2.29 | 6,87,614 | 10 | 2.29 |
| Utkarsh Micro Finance Ltd. | 4,31,589 | 10 | 5.61 | - | - | - |
| Ziqitza Healthcare Ltd.* (Conversion of Preference Shares into Equity Shares) | 2,350 | 10 | 0.50 | 2,350 | 10 | 0.50 |
| | | | 450.78 | | | 423.73 |
| **Listed :** | | | | | | |
| Andhra Cements Ltd. | 2,57,42,546 | 10 | 49.41 | 2,59,57,055 | 10 | 49.82 |
| Bharat Bijlee Ltd. | 98,657 | 10 | 2.13 | 1,22,480 | 10 | 2.65 |
| CL Educate Ltd. | 5,94,233 | 10 | 35.08 | 5,94,233 | 10 | 35.08 |
| Coromandel International Ltd. (received under Scheme of Arrangement in 2003-04) | 2,69,330 | 2 | - | 2,69,330 | 2 | - |
| Hindustan Oil Exploration Co. Ltd. | 1,40,86,303 | 10 | 100.23 | 1,48,26,303 | 10 | 105.50 |
| Indraprastha Medical Corporation Ltd. | 61,46,897 | 10 | 26.39 | 61,46,897 | 10 | 26.39 |
| Infosys Ltd. | 85,000 | 5 | 9.32 | 85,000 | 5 | 9.32 |
| RBL Bank Ltd. | 88,04,680 | 10 | 58.99 | 88,04,680 | 10 | 58.99 |
| Reliance Naval and Engineering Ltd. (Erstwhile Reliance Defence And Engineering Ltd.) | 13,84,994 | 10 | 8.22 | - | - | - |
| Siemens Ltd. | 76,353 | 2 | 2.70 | 76,353 | 2 | 2.70 |
| State Bank of India | 3,25,000 | 10 | 7.82 | 3,25,000 | 10 | 7.82 |
| Sun Pharmaceuticals Industries Ltd. | 1,60,768 | 1 | 13.96 | 1,60,768 | 1 | 13.96 |
| | | | 314.25 | | | 312.23 |
| | | | 765.03 | | | 735.96 |

*Amount less than ₹ 50,000

#Reclassified as Non-Current in the Current Year.

# Notes forming part of the standalone financial statements (Continued)

| | Number of Units | Face Value ₹ | As at March 31, 2018 ₹ in Crore | Number of Units | Face Value ₹ | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|---|---|---|
| **Preference Shares - Cumulative Redeemable (fully paid)** | | | | | | |
| 0.001% BPL Ltd. | 5,99,014 | 100 | **5.99** | 5,99,014 | 100 | 5.99 |
| 0.001% National Investment And Infrastructure Fund Limited | 4,53,000 | 1,000 | **0.45** | - | - | - |
| 0.10% Reliance Defence And Engineering Limited | 4,22,45,764 | 10 | **42.25** | - | - | - |
| | | | **48.69** | | | 5.99 |
| **Debentures and Bonds - Redeemable** | | | | | | |
| **- for financing Real Estate Projects (fully paid)** | | | | | | |
| **- Zero Coupon Bonds** | | | | | | |
| **- Listed Unquoted** | | | | | | |
| NHB Sumeru Zero Coupon Bonds (Refer Note 3)# (yield to maturity - 9%) | | | | 1,50,000 | 10,000 | 63.33 |
| | | | | | | 63.33 |
| # Reclassified as Current in the Current year | | | | | | |
| **Debentures and Bonds - Convertible - Others (fully paid)** | | | | | | |
| 17.50% Iridium India Telecom Ltd * | 28,750 | 1,000 | **0.00** | 28,750 | 1,000 | 0.00 |
| 0.00% Medgenome Labs Limited | 1,99,584 | 1,000 | **19.96** | - | - | - |
| 0.00% QUIKR India Private Limited | 3,87,013 | 9,224 | **356.98** | - | - | - |
| | | | **376.94** | | | - |
| * Amount less than ₹ 50,000 | | | | | | |
| **Debentures and Bonds - Redeemable - Others (fully paid)** | | | | | | |
| **- Listed** | | | | | | |
| 10.25% RBL Bank Ltd | 250 | 10,00,000 | **25.00** | 250 | 10,00,000 | 25.00 |
| | | | **25.00** | | | 25.00 |
| **Pass Through Certificates & Security Receipts** | | | | | | |
| **- for financing Real Estate Projects** | | | | | | |
| Pass Through Certificates [Refer Note 17.1] | | | **32.83** | | | 39.23 |
| Security Receipts | | | **724.68** | | | 724.68 |
| | | | **757.51** | | | 763.91 |
| **- Others** | | | | | | |
| Security Receipts | | | **9.80** | | | 12.34 |
| | | | **9.80** | | | 12.34 |
| **Government Securities** | | | | | | |
| Government of India Loans | | | **8,949.06** | | | 6,277.02 |
| | | | **8,949.06** | | | 6,277.02 |
| **Schemes of Mutual Funds** | | | | | | |
| HDFC Mutual Fund | | | **20.00** | | | 20.00 |
| | | | **20.00** | | | 20.00 |
| **Venture Funds** | | | | | | |
| Faering Capital India Evolving Fund | | | **17.50** | | | 39.36 |
| Gaja Capital India Fund - I | | | **2.08** | | | - |
| HDFC Capital Affordable Real Estate Fund | | | **147.85** | | | 58.73 |
| HDFC India Real Estate Fund (HI-REF) | | | **8.89** | | | - |
| IDFC Private Equity Fund IV | | | **13.49** | | | 7.16 |
| True North Fund (Erstwhile India Value Fund) | | | **77.34** | | | 85.45 |
| Jhelum Investment Fund | | | **49.57** | | | 36.57 |
| Kaizen Domestic Scheme 1 | | | **8.68** | | | 9.37 |
| Lok Capital Growth Fund | | | **8.79** | | | - |
| National Investment and Infrastructure Fund | | | **17.51** | | | - |
| Tamil Nadu Urban Development Fund | | | **16.72** | | | - |
| | | | **368.42** | | | 236.64 |

**Notes :**

1) Unquoted investments include ₹ **94.09 crore** (Previous Year ₹ 94.09 crore) in respect of equity shares, which are subject to restrictive covenant. Quoted investments include ₹ **1,111.74 crore** (Previous Year ₹ 35.08 crore) in respect of equity shares which are subject to a lock-in period and include ₹ **60.40 crore** (Previous Year ₹ 60.74 crore) in respect of equity shares, which are subject to restrictive covenant.
2) Market value of Investments in Unquoted Mutual Funds represents the repurchase price of the units issued by the Mutual Funds.
3) NHB Sumeru Zero Coupon Bonds are held as Capital Assets under Section 2(48) of the Income Tax Act, 1961.

# Notes forming part of the standalone financial statements (Continued)

## 15. LONG-TERM LOANS AND ADVANCES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Corporate Deposits [Refer Notes 15.1 & 15.2] | **8.82** | 2,958.88 |
| Capital Advances - Unsecured; considered good | **54.93** | 16.39 |
| Advance against Investment in Properties | **-** | 113.18 |
| Security Deposits - Unsecured; considered good | **26.25** | 24.17 |
| Instalments due from borrowers - Secured; Considered doubtful | **148.35** | 130.61 |
| Others - Unsecured; Considered doubtful | **49.71** | 49.71 |
| Other Long-term Loans and Advances: | | |
| - Staff Loans Others - Secured; considered good | **21.24** | 18.47 |
| - Prepaid Expenses - Unsecured; considered good | **137.95** | 173.00 |
| - Advance Tax (Net of Provision) | **3,349.78** | 3,121.01 |
| **Total** | **3,797.03** | 6,605.42 |

15.1 Corporate Deposits aggregating to ₹ **7.02 crore** (Previous Year ₹ 2,957.08 crore) are secured or partly secured by one or a combination of the following securities:

(a) Registered/equitable mortgage of property;
(b) Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;
(c) Hypothecation of assets;
(d) Bank guarantees, company guarantees or personal guarantees;
(e) Negative lien;
(f) Assignment of receivables;
(g) Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

15.2 Corporate Deposits include Sub-standard and Doubtful assets of ₹ **8.82 crore** (Previous Year ₹ 8.88 crore).

## 16. OTHER NON-CURRENT ASSETS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Receivables on Securitised Loans | **482.38** | 417.58 |
| Amounts Receivable on swaps and other derivatives | **507.81** | 422.72 |
| Receivable against Derivative | **128.61** | 252.04 |
| Interest accrued but not due on Loans | **452.18** | 239.85 |
| Interest accrued but not due on Bank Deposits | **0.02** | 1.57 |
| Income accrued but not due on Investments | **74.31** | 62.96 |
| Bank Deposits with maturities beyond twelve months from the Balance Sheet date [Refer Note 16.1] | **107.35** | 142.88 |
| **Total** | **1,752.66** | 1,539.60 |

## Notes forming part of the standalone financial statements (Continued)

16.1 Bank deposits, with maturities beyond twelve months from the balance sheet date, includes earmarked balances ₹ **106.96 crore** (Previous Year ₹ 132.88 crore) against foreign currency loans [Refer Note 4.4] and ₹ **0.39 crore** (Previous Year ₹ Nil) towards letter of credit issued by Bank.

### 17. LOANS

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | **Non-Current** | **Current** | Non-Current | Current |
| **Loans:** | | | | |
| - Individuals | **2,47,265.34** | **4,191.40** | 1,91,833.93 | 12,602.25 |
| - Corporate Bodies | **87,046.49** | **15,317.37** | 69,189.92 | 18,187.30 |
| - Others | **4,568.33** | **1,053.08** | 3,655.58 | 1,002.86 |
| **Total** | **3,38,880.16** | **20,561.85** | 2,64,679.43 | 31,792.41 |

17.1 Investment in Debentures, Pass Through Certificates, Security Receipts and Corporate Deposits amounting to ₹ **1,306.02 crore** (Previous Year ₹ 4,594.92 crore) are towards Financial Real Estate Projects, The Debentures, Pass Through Certificates and Security Receipts are reflected as a part of Investment in Notes 14 and 18. The Corporate Deposits are reflected as part of Loans and Advances in Notes 15 and 21.

17.2 Loans include amounts due from the directors ₹ **0.05 crore** (Previous Year ₹ 0.06 crore) and other related parties ₹ **108.87 crore** (Previous Year ₹ 110.40 crore) [Refer Note 35].

17.3 Loans granted by the Corporation aggregating to ₹ **3,54,779.15 crore** (Previous Year ₹ 2,92,524.88 crore) are secured or partly secured by one or a combination of the following securities;

(a) Registered/equitable mortgage of property;

(b) Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;

(c) Hypothecation of assets;

(d) Bank guarantees, company guarantees or personal guarantees;

(e) Negative lien;

(f) Assignment of receivables;

(g) Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit].

17.4 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).

17.5 Loans includes Sub-Standard, Doubtful Loans and loss assets of ₹ **4,018.72 crore** (Previous Year ₹ 2,377.69 crore).

17.6 Loans include ₹ **182.12 crore** (Previous Year ₹ 95.73 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)

## 18. CURRENT INVESTMENTS

| | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|
| **Held as current Investments** | | |
| **(At lower of cost and fair value unless stated otherwise)** | | |
| **Trade** | | |
| Equity Shares - Subsidiary Companies | - | 108.67 |
| Debentures - Convertible - Subsidiary Companies [for Financing Real Estate Projects] - Redeemable | - | 265.18 |
| **Non Trade** | | |
| Equity Shares - Unlisted | - | 21.44 |
| Debentures and Bonds [for Financing Real Estate Projects] - Redeemable | 63.33 | |
| **Current portion of Long Term Investments (at cost)** | | |
| Pass Through Certificates & Security Receipts | 1.70 | 3.23 |
| Government Securities | 354.06 | 134.46 |
| Mutual Funds | 10,195.00 | 3,000.00 |
| Venture Funds & Other Funds | 40.62 | 57.09 |
| | 10,654.71 | 3,590.07 |
| Less : Provision for Diminution in Value of Investments | 1.30 | 9.91 |
| | 10,653.41 | 3,580.16 |

| | Book Value ₹ in Crore | Market Value ₹ in Crore |
|---|---|---|
| **Aggregate of Quoted Investments** | - | - |
| *Previous Year* | - | - |
| **Aggregate of Investments listed but not quoted** | 354.06 | |
| *Previous Year* | *134.46* | |
| **Aggregate of Investments in Unquoted Mutual Funds** | 10,195.00 | 10,204.75 |
| *Previous Year* | *3,000.00* | *3,000.92* |
| **Aggregate of Unquoted Investments (Others)** | 104.35 | |
| *Previous Year* | *445.70* | |
| | 10,653.41 | |
| *Previous Year* | *3,580.16* | |

# Notes forming part of the standalone financial statements (Continued)

| | Number of Units | Face Value ₹ | As at March 31, 2018 ₹ in Crore | Number of Units | Face Value ₹ | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|---|---|---|
| **Held as Current Investments** | | | | | | |
| **Trade Investments :** | | | | | | |
| **Equity Shares - Subsidiary Companies (fully paid)^** (Refer Note 34) | | | | | | |
| Grandeur Properties Pvt. Ltd. | - | - | - | 10,000 | 10 | 49.80 |
| Windermere Properties Pvt. Ltd. | - | - | - | 10,000 | 10 | 56.68 |
| Winchester Properties Pvt. Ltd. | - | - | - | 10,000 | 10 | 2.19 |
| Pentagram Properties Pvt. Ltd. | - | - | - | 10,000 | 10 | - |
| Haddock Properties Pvt. Ltd. | - | - | - | 10,000 | 10 | - |
| | | | - | | | 108.67 |
| **Debentures - Convertible - Subsidiary Companies - for Financing Real Estate Projects - Redeemable (fully paid)^** [Refer Notes 17.1 & 34] | | | | | | |
| 6.40% Haddock Properties Pvt Ltd. | - | - | - | 6,981.00 | 1,00,000 | 56.39 |
| 9.00% Pentagram Properties Pvt Ltd. | - | - | - | 5,532.00 | 1,00,000 | 54.47 |
| 6.50% Winchester Properties Pvt Ltd. | - | - | - | 3,912.00 | 1,00,000 | 39.12 |
| 7.70% Windermere Properties Pvt Ltd. | - | - | - | 11,520.00 | 1,00,000 | 115.20 |
| | | | - | | | 265.18 |
| **Non-Trade Investments:** | | | | | | |
| **Equity Shares - Unlisted** | | | | | | |
| National Stock Exchange of India Ltd.# (FV changed from ₹ 10/- to ₹ 1/-) | | | | 811,250 | 10.00 | 21.44 |
| | | | | | | 21.44 |
| **Debentures and Bonds - Redeemable - for financing Real Estate Projects (fully paid)** [Refer Note 17.1] | | | | | | |
| **- Zero Coupon Bonds** | | | | | | |
| **- Listed Unquoted** | | | | | | |
| NHB Sumeru Zero Coupon Bonds (yield to maturity - 9%)* | 1,50,000 | 10,000 | **63.33** | | | |
| | | | **63.33** | | | |

* Reclassified as Current in the Current Year
^ received as in-specie distribution
# Reclassified as Non-Current in the Current Year

| **Current portion of Long Term Investments** | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|
| **Pass Through Certificates & Security Receipts** | | |
| Security Receipts | **1.70** | 3.23 |
| | **1.70** | 3.23 |
| **Government Securities** | | |
| Government of India Loans | **354.06** | 134.46 |
| | **354.06** | 134.46 |
| **Schemes of Mutual Funds** | | |
| Liquid funds | **5,195.00** | 3,000.00 |
| HDFC Mutual Fund | **5,000.00** | - |
| | **10,195.00** | 3,000.00 |
| **Venture Funds and Other Funds** | | |
| Faering Capital India Evolving Fund | **19.12** | - |
| Gaja Capital India Fund - I | **-** | 6.05 |
| HDFC India Real Estate Fund (HI-REF) | **-** | 8.89 |
| Tamil Nadu Urban Development Fund | **-** | 16.72 |
| Tata Capital Growth Fund I | **4.74** | 6.47 |
| India Venture Trust - Fund 1 | **2.60** | 4.18 |
| True North Fund (Erstwhile India Value Fund) | **14.16** | 14.78 |
| | **40.62** | 57.09 |

# Notes forming part of the standalone financial statements (Continued)

## 19. TRADE RECEIVABLES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Trade Receivables - Unsecured; Considered Good, less than six months | **109.59** | 109.48 |
| **Total** | **109.59** | 109.48 |

19.1 Trade Receivables includes amounts due from the related parties ₹ **74.80 crore** (Previous Year ₹ 57.73 crore) [Refer Note 35].

## 20. CASH AND BANK BALANCES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| (a) Cash and cash equivalents | | |
| (i) Balances with banks: | | |
| In Current Accounts | **111.14** | 108.59 |
| In Deposit accounts with original maturity of 3 months or less | **1,000.00** | 4,000.00 |
| (ii) Cash on hand | **0.13** | 0.47 |
| (iii) Cheques on hand | **120.40** | 99.84 |
| | **1,231.67** | 4,208.90 |
| (b) Other Bank balances | | |
| (i) In other Deposit accounts | | |
| - original Maturity more than 3 months | **69.61** | 2,060.00 |
| (ii) Earmarked balance with banks | | |
| - Unclaimed Dividend Account | **43.05** | 24.74 |
| - Towards Guarantees Issued by Banks | **0.49** | 0.30 |
| - Other - Against Foreign Currency Loans [Refer Note 4.4] | **26.57** | 24.86 |
| | **139.72** | 2,109.90 |
| **Total** | **1,371.39** | 6,318.80 |

## 21. SHORT-TERM LOANS AND ADVANCES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Others:** | | |
| Current maturities of Staff Loans - others -Secured; Considered good | **6.77** | 5.10 |
| Corporate Deposits [Refer Notes 21.1 & 21.2] | **607.19** | 2,807.80 |
| Instalments due from borrowers - Secured; Considered good | **1,188.65** | 1,039.65 |
| Other Advances - Unsecured; Considered good [Refer Note 21.3] | **50.57** | 32.86 |
| Prepaid Expenses - Unsecured; Considered good | **134.73** | 129.83 |
| Security Deposits - Unsecured; Considered good | **6.93** | 6.08 |
| MAT Credit entitlement | **311.00** | - |
| **Total** | **2,305.84** | 4,021.32 |

21.1 Out of the Corporate Deposits, amounts aggregating to ₹ **407.19 crore** (Previous Year ₹ 2,134.50 crore) are secured and considered good.

## Notes forming part of the standalone financial statements (Continued)

21.2 Corporate Deposits includes amounts due from the related parties **Nil** (Previous Year ₹ 13.30 crore) [Refer Note 35].

21.3 Other Advances includes amounts due from the related parties ₹ **9.85 crore** (Previous Year ₹ 9.52 crore) [Refer Note 35].

### 22. OTHER CURRENT ASSETS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Interest accrued on interest rate swaps | **747.44** | 556.88 |
| Receivable against Derivatives | **109.48** | 24.31 |
| Receivables on Securitised Loans | **121.45** | 91.62 |
| Interest accrued but not due on Loans | **392.39** | 311.34 |
| Income accrued but not due on Investments | **166.93** | 102.97 |
| Assets held for sale | **170.09** | - |
| Interest accrued but not due on Corporate Deposits | **11.12** | 100.02 |
| **Total** | **1,718.90** | 1,187.14 |

### 23. CONTINGENT LIABILITIES AND COMMITMENTS

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 Accounting Standard 29 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.

23.1 Given below are amounts in respect of claims asserted by revenue authorities and others:

a) Contingent liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to ₹ **1,528.78 crore** (Previous Year ₹ 1,241.88 crore). The said amount has been paid/ adjusted and will be received as refund if the matters are decided in favour of the Corporation.

b) 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 ₹ **0.15 crore** (Previous Year ₹ 0.15 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.

## Notes forming part of the standalone financial statements (Continued)

23.2 Contingent liability in respect of guarantees and undertakings comprise of the following:

a) Guarantees ₹ **511.88 crore** (Previous Year ₹ 628.09 crore).

b) Corporate undertakings for securitisation of receivables aggregated to ₹ **1,838.21 crore** (Previous Year ₹ 1,838.21 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.

23.3 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **1,066.99 crore** (Previous Year ₹ 580.63 crore).

**24. REVENUE FROM OPERATIONS**

₹ in Crore

| Particular | Current Year | Previous Year |
|---|---|---|
| **Interest Income :** | | |
| - Interest on Loans | **32,046.31** | 29,402.04 |
| - Other Interest [Refer Note 24.1] | **1,076.52** | 1,003.47 |
| - Net (Loss) / Gain on foreign currency transactions and translation | **(0.20)** | 0.28 |
| Income from Leases | **35.35** | 5.33 |
| Dividends [Refer Note 24.2] | **1,079.28** | 909.06 |
| Surplus from deployment in Cash Management Schemes of Mutual Funds [Refer Note 24.3] | **425.08** | 444.64 |
| Fees and Other Charges [Refer Note 24.4] | **144.76** | 346.24 |
| **Total** | **34,807.10** | 32,111.06 |

24.1 a) Other Interest includes interest on investments amounting to ₹ **627.69 crore** (Previous Year ₹ 500.74 crore), including ₹ **29.01 crore** (Previous Year ₹ 31.32 crore) in respect of investments classified as current investments.

b) Other Interest includes interest on income tax refund ₹ **192.65 crore** (Previous Year ₹ 32.59 crore).

24.2 Dividend income includes ₹ **625.04 crore** (Previous Year ₹ 524.93 crore) received from subsidiary companies which have been classified as Long Term Investments [Refer Note 35].

24.3 Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹ **425.08 crore** (Previous Year ₹ 444.64 crore) is in respect of investments held as current investments.

24.4 Fees and Other Charges is net of amounts incurred towards Commission to Direct Selling Agents ₹ **670.02 crore** (Previous Year ₹ 502.38 crore).

24.5 Earnings in foreign currency :

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Interest on Bank Deposits | **3.21** | 3.53 |
| Consultancy and other fees | **1.81** | 2.58 |

## Notes forming part of the standalone financial statements (Continued)

24.6 Fees and Other Charges includes brokerage of ₹ **0.05 crore** (Previous Year ₹ 0.07 crore) received in respect of insurance/agency business undertaken by the Corporation.

24.7 Fees and Other Charges includes ₹ **102.61 crore** (Previous Year ₹ 84.38 crore) received from related parties.

**25.** Profit on sale of investments includes profit of ₹ **265.46 crore** on account of sale of equity shares of HDFC Developers Limited and HDFC Realty Limited (Subsidiary Companies). [Previous Year ₹ 919.90 crore on account of sale of equity shares of HDFC ERGO General Insurance Company Ltd. (Subsidiary Company)].

**26.** Other Income includes rent of ₹ **26.45 crore** (Previous Year ₹ 26.73 crore).

26.1 In accordance with the Accounting Standard (AS 19) on 'Leases', the following disclosures in respect of Operating Leases are made:

Income from Leases includes ₹ **6.30 crore** (Previous Year ₹ 7.47 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

| Period | Current Year | Previous Year |
|---|---|---|
| Not later than one year | **3.44** | 4.06 |
| Later than one year but not later than five years | **2.46** | 0.29 |
| Later than five years | **0.59** | - |

**27. FINANCE COST**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Interest** | | |
| - Loans | **2,295.58** | 2,475.09 |
| - Deposits | **7,324.91** | 7,285.30 |
| - Bonds and Debentures [Refer Note 27.1] | **9,795.39** | 8,701.26 |
| - Commercial Paper | **2,352.16** | 2,254.86 |
| | **21,768.04** | 20,716.51 |
| Net (Gain)/Loss on foreign currency transactions and translation [Refer Note 27.2] | **310.26** | 30.87 |
| **Other charges** [Refer Note 27.3] | **156.70** | 148.82 |
| **Total** | **22,235.00** | 20,896.20 |

27.1 Interest on Bonds and Debentures above includes a net loss of ₹ **17.20 crore** (Previous Year a gain of ₹ 20.59 crore) being a net Loss / (Gain) on derivative valuation of INR derivatives and the underlying hedging instrument as shown below:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Realised Loss/(Gain) | **2.97** | 0.41 |
| Derivative valuations | **14.23** | (21.00) |
| Net Loss/(Gain) recognised in Statement of Profit and Loss | **17.20** | (20.59) |

## Notes forming part of the standalone financial statements (Continued)

27.2 A net loss of ₹ **310.46 crore** (Previous Year loss of ₹ 30.59 crore) has been recognised in the Statement of Profit and Loss being net loss on transaction and translation of foreign currency monetary items and derivative valuations as shown below:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Exchange Loss/(Gain) on Translation | | |
| - Foreign Currency Denominated Assets & Foreign Currency Borrowings | **85.02** | 62.85 |
| Realised Loss/(Gain) | **228.97** | 36.17 |
| Derivative accounting impact | **(3.73)** | (68.15) |
| Net Loss/(Gain) on foreign currency transaction and translation recognised in Finance Cost | **310.26** | 30.87 |
| Realised Loss/(Gain) recognised in Revenue from operations | **0.20** | (0.28) |
| Net Loss/(Gain) recognised in Statement of Profit and Loss | **310.46** | 30.59 |

27.3 Other Charges is net of exchange gain ₹ **0.13 crore** (Previous Year includes exchange loss of ₹ 0.35 crore).

27.4 Expenditure in foreign currency :

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Interest and Other Charges on Loans | **909.96** | 426.81 |
| Others | **13.58** | 15.55 |

a) The above amounts are net of tax deducted at source.

b) The above expenses include ₹ **16.23 crore** (Previous Year ₹ 15.06 crore) debited to Securities Premium, being expenses incurred in respect of issuance of Synthetic INR Denominated Bonds.

### 28 EMPLOYEE BENEFIT EXPENSES

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Salaries and Bonus | **349.87** | 315.39 |
| Contribution to Provident Fund and Other Funds | **54.04** | 54.93 |
| Staff Training and Welfare Expenses | **21.56** | 18.48 |
| **Total** | **425.47** | 388.80 |

28.1 Salaries and Bonus include provisions made in respect of accumulated leave salary and leave travel assistance which is in the nature of Long Term and Short Term Employee Benefits and has been actuarially determined as per the Accounting Standard (AS) 15 on Employee Benefits.

28.2 Expenditure shown above is net of recovery from subsidiary companies in respect of Salaries ₹ **2.81 crore** (Previous Year ₹ 4.11 crore).

## Notes forming part of the standalone financial statements (Continued)

### 28.3 Employee Benefits

#### (a) Defined contribution plans

The Corporation makes Superannuation Fund contributions to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Corporation is required to contribute a specified percentage of the payroll costs to fund the benefits.

The Corporation recognised ₹ **13.54 crore** (Previous Year ₹ 12.88 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.

#### (b) Defined benefit plans

**Provident Fund**

The Corporation makes Provident Fund contributions to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Corporation is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to the provident fund set up as a trust by the Corporation. The Corporation is liable for annual contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employees' Provident Fund Scheme, 1952 and recognises such deficiency as an expense in the year it is determined.

The fair value of the assets of the provident fund and the accumulated members' corpus is ₹ **382.06 crore** and ₹ **379.49 crore** respectively (Previous Year ₹ 334.12 crore and ₹ 332.90 crore respectively). In accordance with an actuarial valuation, there is no deficiency in the interest cost as the present value of the expected future earnings on the fund is greater than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of 8.55 %. The actuarial assumptions include discount rate of **7.73%** (Previous Year 7.27%) and an average expected future period of **14 years** (Previous Year 13.27 years). Expected guaranteed interest rate (weighted average yield) is **8.77%** (Previous Year 8.88%).

The Corporation recognised ₹ **18.29 crore** (Previous Year ₹ 15.90 crore) for provident fund contributions and ₹ **13.54 crore** (Previous Year ₹ 12.88 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.

**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)

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Change in the Benefit Obligations:** | | |
| Liability at the beginning of the year | **237.12** | 210.66 |
| Current Service Cost | **10.13** | 8.73 |
| Interest Cost | **17.24** | 16.56 |
| Benefits Paid | **(15.08)** | (10.85) |
| Actuarial loss | **6.61** | 12.02 |
| Liability at the end of the year* | **256.02** | 237.12 |
| *The Liability at the end of the year ₹ **256.02 crore** (Previous Year ₹ 237.12 crore) includes ₹ **57.49 crore** (Previous Year ₹ 53.07 crore) in respect of an un-funded plan. | | |
| **Fair Value of Plan Assets:** | | |
| Fair Value of Plan Assets at the beginning of the year | **176.51** | 160.31 |
| Expected Return on Plan Assets | **12.84** | 12.60 |
| Contributions | **17.54** | 8.76 |
| Actuarial loss on Plan Assets | **(2.97)** | (5.16) |
| Fair Value of Plan Assets at the end of the year | **203.92** | 176.51 |
| Total Actuarial loss to be recognised | **(9.58)** | (17.18) |
| **Actual Return on Plan Assets:** | | |
| Expected Return on Plan Assets | **12.84** | 12.60 |
| Actuarial loss on Plan Assets | **(2.97)** | (5.16) |
| Actual Return on Plan Assets | **9.87** | 7.44 |
| **Reconciliation of the Liability Recognised in the Balance Sheet:** | | |
| Opening Net Liability | **60.61** | 50.35 |
| Expense recognised | **24.11** | 29.87 |
| Contribution by the Corporation | **(17.54)** | (8.76) |
| Benefits paid by the Corporation/Insurance Companies | **(15.08)** | (10.85) |
| Amount recognised in the Balance Sheet under "Long term Provision for Employee Benefits" ₹ **51.57 crore** (Previous Year ₹ 60.08 crore) and under "Short term Provision for Employee Benefits" ₹ **0.53 crore** (Previous Year ₹ 0.53 crore). | **52.10** | 60.61 |

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Expense Recognised in the Statement of Profit and Loss :** | | |
| Current Service Cost | **10.13** | 8.73 |
| Interest Cost | **17.24** | 16.56 |
| Expected Return on Plan Assets | **(12.84)** | (12.60) |
| Net Actuarial loss to be recognised | **9.58** | 17.18 |
| Expense recognised in the Statement of Profit and Loss under "Staff Expenses" | **24.11** | 29.87 |

## Notes forming part of the standalone financial statements (Continued)

₹ in Crore

| Particulars | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|---|
| **Amount Recognised in the Balance Sheet:** | | | | | |
| Liability at the end of the year | **256.02** | 237.12 | 210.66 | 180.38 | 146.36 |
| Fair Value of Plan Assets at the end of the year | **203.92** | 176.51 | 160.31 | 130.47 | 108.14 |
| Amount recognised in the Balance Sheet under "Long term Provision for Employee Benefits" and "Short term Provision for Employee Benefits" | **52.10** | 60.61 | 50.35 | 49.91 | 38.22 |
| **Experience Adjustment :** | | | | | |
| On Plan Liabilities | **14.22** | 3.51 | 5.11 | 23.67 | 20.44 |
| On Plan Assets | **(2.97)** | (5.16) | (1.34) | (0.58) | (3.01) |
| Estimated Contribution for next year | **5.37** | 13.27 | 11.94 | 10.49 | 6.19 |

**Investment Pattern:**

% Invested

| Particulars | Current Year | Previous Year |
|---|---|---|
| Central Government securities | **1.24** | 1.86 |
| State Government securities/securities guaranteed by State/Central Government | **24.30** | 24.04 |
| Public Sector/Financial Institutional Bonds | **4.51** | 4.65 |
| Private Sector Bonds | **17.12** | 16.15 |
| Special Deposit Scheme | **1.08** | 1.25 |
| Equity Shares | **46.08** | 47.04 |
| Others (including bank balances) | **5.67** | 5.01 |
| **Total** | **100.00** | 100.00 |

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

**Compensated Absences**

The actuarial liability of compensated absences of privilege leave of the employees of the Corporation is ₹ **104.80 crore** (Previous Year ₹ 98.86 crore).

**Principal Assumptions:**

| Particulars | Current Year | Previous Year |
|---|---|---|
| Discount Rate | **7.73%** | 7.27% |
| Return on Plan Assets | **7.73%** | 7.27% |
| 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.

# Notes forming part of the standalone financial statements (Continued)

## 29. ESTABLISHMENT EXPENSES

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Rent [Refer Note 29.1] | **63.29** | 57.00 |
| Rates and Taxes | **5.06** | 2.85 |
| Repairs and Maintenance - Buildings | **11.07** | 7.29 |
| General Office Expenses | **3.20** | 2.97 |
| Electricity Charges | **16.45** | 15.37 |
| Insurance Charges | **0.95** | 0.74 |
| **Total** | **100.02** | 86.22 |

29.1 In accordance with the Accounting Standard (AS) 19 on 'Leases', the following disclosures in respect of Operating Leases are made :

The Corporation has acquired properties under non-cancellable operating leases for periods ranging from 12 months to 36 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amounts to ₹ **0.29 crore** (Previous Year ₹ 0.41 crore).

₹ in Crore

| Period | Current Year | Previous Year |
|---|---|---|
| Not later than one year | **0.24** | 0.31 |
| Later than one year but not later than five years | **-** | - |
| Later than five years | **-** | - |

## 30. OTHER EXPENSES

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Travelling and Conveyance | **17.11** | 15.76 |
| Printing and Stationery | **9.98** | 8.89 |
| Postage, Telephone and Fax | **29.03** | 26.85 |
| Advertising | **42.05** | 34.75 |
| Business Development Expenses | **43.09** | 25.38 |
| Loan Processing Expenses | **45.76** | 38.36 |
| Manpower Outsourcing | **47.28** | 38.30 |
| Repairs and Maintenance - Other than Buildings | **9.97** | 8.43 |
| Office Maintenance | **35.15** | 29.13 |
| Legal Expenses | **17.39** | 14.68 |
| Computer Expenses | **24.69** | 20.05 |
| Directors' Fees and Commission | **4.75** | 4.46 |
| Miscellaneous Expenses [Refer Note 30.1] | **52.39** | 36.27 |
| Auditors' Remuneration [Refer Note 30.2] | **4.42** | 4.47 |
| **Total** | **383.06** | 305.78 |

30.1 Miscellaneous Expenses include Securities Transaction Tax amounting to ₹ **0.07 crore** (Previous Year ₹ 0.04 crore).

## Notes forming part of the standalone financial statements (Continued)

30.2 **Auditors' Remuneration:**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Audit Fees | **1.74** | 1.71 |
| ICFR Fees | **0.30** | 0.30 |
| Limited Reviews | **1.20** | 1.20 |
| Tax Matters | **1.00** | 0.99 |
| Other Matters and Certification | **0.15** | 0.26 |
| Reimbursement of Expenses | **0.03** | 0.01 |
| **Total** | **4.42** | 4.47 |

a) Auditors' Remuneration for the year ended March 31, 2018 comprises of remuneration of ₹ 1.00 crore paid to the previous auditor.

b) Audit Fees in the previous year include ₹ 0.04 crore paid to Branch Auditors.

c) Auditors' Remuneration exclude ₹ **0.75 crore** (Net of tax ₹ 0.49 crore) being certification fees in respect of Qualified Institutional Placements (QIP) issue of equity shares, Preferential issue of equity shares & Medium Term Note Programme (MTN Programme), utilised out of Securities Premium Account. [Previous Year exclude ₹ 1.55 crore (Net of tax ₹ 1.01 crore) being certification fee in respect of Rupee Denominated Bonds and for Medium Term Note Programme (MTN Programme), utilised out of Securities Premium Account].

d) Auditors' Remuneration above is excluding Goods and Service Tax, Service Tax, Swachh Bharat Cess and Krishi Kalyan Cess.

**31. Exceptional items:**

During the year, the Corporation has offered 19,12,46,050 equity shares of ₹ 10 each of HDFC Standard Life Insurance Company Limited (HDFC Life), a material subsidiary representing 9.52% of its issued and paid-up share capital in the initial public offering of HDFC Life, resulting in a profit of ₹ 5,256.59 crore (net of expenses).

In accordance with past practice and with the objective of further strengthening the Corporation's balance sheet, the Corporation has made an additional provision of ₹ 1,575 crore to shore up the Provision and Contingencies Account and thereby recognise provisions towards specific loans against future risks.

The transaction has triggered the provision of Minimum Alternate Tax under section 115JB of the Income-tax Act, 1961. The tax expense has been adjusted accordingly.

**32.** In accordance with the Accounting Standard (AS) 20 on 'Earnings Per Share':

(i) In calculating the Basic Earnings Per Share, the Profit After Tax of ₹ **12,163.69 crore** (Previous Year ₹ 7,442.64 crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ **175.05 crore** (Previous Year ₹ 146.27 crore).

## Notes forming part of the standalone financial statements (Continued)

Accordingly the Basic Earnings Per Share has been calculated based on the adjusted Profit After Tax of ₹ **11,988.63 crore** (Previous Year ₹ 7,296.37 crore) and the weighted average number of shares during the year of ₹ **160.22 crore** (Previous Year ₹ 158.34 crore).

(ii) 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 | **74.83** | 46.08 |
| Effect of outstanding Stock Options | **(1.10)** | (0.38) |
| Diluted Earnings Per Share | **73.73** | 45.70 |

(iii) 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 | **160.22** | 158.34 |
| Diluted effect of outstanding Stock Options | **2.39** | 1.31 |
| Weighted average number of shares for computation of Diluted Earnings Per Share | **162.61** | 159.65 |

### 33. SUMMARY OF TOTAL BORROWINGS, LOANS AND INVESTMENTS

**Borrowings**

₹ in Crore

| Term-wise Break-up | Current Year | Previous Year |
|---|---|---|
| Long-term borrowings | **1,53,341.42** | 1,50,062.23 |
| Short-term borrowings | **63,625.45** | 42,130.33 |
| Current maturities of long-term borrowings | **1,02,945.24** | 87,539.59 |
| Unclaimed matured deposits | **743.34** | 801.39 |
| **Total Borrowings** | **3,20,655.45** | 2,80,533.54 |
| **Category-wise Break-up** | | |
| Bonds and Debentures | **1,38,732.34** | 1,19,246.52 |
| Term Loans : | | |
| - Banks | **30,167.94** | 24,254.06 |
| - External Commercial Borrowing | **7,657.47** | 7,619.88 |
| - Others | **8,941.55** | 5,395.57 |
| Commercial Papers | **42,913.52** | 37,443.28 |
| Deposits | **92,242.63** | 86,574.24 |
| **Total Borrowings** | **3,20,655.45** | 2,80,533.54 |

## Notes forming part of the standalone financial statements (Continued)

**Loans** ₹ in Crore

| Term-wise Break-up | Current Year | Previous Year |
|---|---|---|
| Long-term loans | **3,38,880.16** | 2,64,679.43 |
| Short-term loans | **20,561.85** | 31,792.41 |
| **Net Loan Book** | **3,59,442.01** | 2,96,471.84 |
| **Category-wise Break-up** | | |
| Individual | **2,51,456.74** | 2,04,436.18 |
| Corporate Bodies | **1,02,363.86** | 87,377.22 |
| Others | **5,621.41** | 4,658.44 |
| **Net Loan Book** | **3,59,442.01** | 2,96,471.84 |

**Investments** ₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Non-Current Investments | **19,879.10** | 16,829.94 |
| Current Investments | **10,653.41** | 3,580.16 |
| **Total Investments** | **30,532.51** | 20,410.10 |

### 34. Amalgamation of Grandeur Properties Pvt Ltd, Haddock Properties Pvt Ltd, Pentagram Properties Pvt Ltd, Windermere Properties Pvt Ltd, Winchester Properties Pvt Ltd with the Corporation

The National Company Law Tribunal, Mumbai Bench approved the merger of erstwhile Grandeur Properties Pvt Ltd (eGPPL), erstwhile Haddock Properties Pvt Ltd (eHPPL), erstwhile Pentagram Properties Pvt Ltd (ePPPL), erstwhile Windermere Properties Pvt Ltd (eWPPL), erstwhile Winchester Properties Pvt Ltd (eWtPPL) (Transferor Companies) into and with the Corporation vide its order dated March 28, 2018, having appointed date as April 1, 2016. The said order was filed with the Registrar of Companies on April 27, 2018. The entire business with all the assets, liabilities, reserves and surplus of Transferor Companies were transferred to and vested in the Corporation, on a going concern basis with effect from appointed date of April 1, 2016, while the Scheme has become effective from April 27, 2018. Since the Scheme received all the requisite approvals after the financial statements for the years ending March 31, 2017 were adopted by the shareholders, the impact of amalgamation has been given in the current financial year with effect from the appointed date.

The Amalgamation has been accounted as per "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations". Accordingly, the accounting treatment has been given as under:-

The assets and liabilities as at April 1, 2017 of eGPPL, eHPPL, ePPPL, eWPPL and eWtPPL were incorporated in the financial statement of the Corporation at its book value.

## Notes forming part of the standalone financial statements (Continued)

In terms of the Scheme, assets acquired and liabilities discharged are as under: ₹ in Crore

| Particulars | eGPPL | eHPPL | ePPPL | eWPPL | eWtPPL | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Tangible assets (net of Depreciation) | 12.29 | 17.11 | 17.81 | 35.66 | 12.66 | 95.53 |
| Cash and bank balance | 0.56 | 14.05 | 0.28 | 0.41 | 0.11 | 15.41 |
| Net Tax assets | 6.31 | 2.87 | 5.80 | 8.37 | 2.42 | 25.77 |
| Other current assets | 2.79 | - | 0.57 | 7.81 | 0.16 | 11.33 |
| **Total Assets** | **21.95** | **34.03** | **24.46** | **52.25** | **15.35** | **148.04** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Loans and advances from related parties | 10.60 | 78.69 | 69.12 | 118.99 | 47.45 | 324.85 |
| Security deposits | 0.81 | 0.62 | 4.85 | 5.07 | 0.64 | 11.99 |
| Other current liabilities | 0.08 | 12.15 | 0.02 | 0.38 | 0.41 | 13.04 |
| **Total Liabilities** | **11.49** | **91.46** | **73.99** | **124.44** | **48.50** | **349.88** |
| | | | | | | |
| **Net Assets/(Liabilites) taken over** | 10.46 | (57.43) | (49.53) | (72.19) | (33.15) | (201.84) |
| Profits/(loss) on operations for FY 16-17 | (4.14) | (1.38) | (6.02) | (12.30) | (7.24) | (31.08) |
| **(Debit)/Credit to General reserve** | **6.32** | **(58.81)** | **(55.55)** | **(84.49)** | **(40.39)** | **(232.92)** |
| **(Debit)/Credit to General reserve on account of cancellation of equity holding** | | | | | | **(101.82)** |
| **Total (Debit)/Credit to General reserve of the Corporation on account of amalgamation** | | | | | | **(334.74)** |

**Operations of eGPPL, eHPPL, ePPPL, eWPPL, eWtPPL from April 1, 2017 to March 31, 2018, as detailed below, have been accounted for in the current year's Statement of Profit and Loss, after the profit for the year before impact of the scheme of amalgamation.**

₹ in Crore

| Particulars | eGPPL | eHPPL | ePPPL | eWPPL | eWtPPL | Total |
|---|---|---|---|---|---|---|
| Income from leases | 1.69 | 4.96 | 6.86 | 13.75 | 1.77 | 29.03 |
| Other income | 0.03 | 0.01 | 0.04 | - | 0.10 | 0.18 |
| **Total Income** | **1.72** | **4.97** | **6.90** | **13.75** | **1.87** | **29.21** |
| Interest Expenses | 1.34 | 7.00 | 8.18 | 11.85 | 5.56 | 33.93 |
| Depreciation | 0.26 | 0.29 | 0.44 | 0.88 | 0.27 | 2.14 |
| Other expenses | 0.96 | 0.36 | 1.06 | 3.03 | 0.95 | 6.36 |
| **Total Expenses** | **2.56** | **7.65** | **9.68** | **15.76** | **6.78** | **42.43** |
| **Profit Before Tax** | **(0.84)** | **(2.68)** | **(2.78)** | **(2.01)** | **(4.91)** | **(13.22)** |

The depreciation of tangible assets includes adjustment on account of alignment of accounting policy arising from the amalgamation.

Further, pursuant to the merger of Transferor Companies the authorised share capital of the Corporation has further increased to ₹ 457.61 crore comprising 228,80,50,000 equity shares of ₹ 2 each.

# Notes forming part of the standalone financial statements (Continued)

## 35. RELATED PARTY TRANSACTIONS

As per the Accounting Standard on 'Related Party Disclosures' (AS 18), the related parties of the Corporation are as follows:

**A) Subsidiary Companies**

HDFC Holdings Ltd.
HDFC Trustee Company Ltd.
HDFC Standard Life Insurance Company Ltd.
HDFC Venture Capital Ltd.
HDFC Ventures Trustee Company Ltd.
GRUH Finance Ltd.
Griha Investments (Subsidiary of HDFC Holdings Ltd.)
HDFC Education and Development Services Pvt. Ltd.
HDFC Investments Ltd.
HDFC Asset Management Company Ltd.
HDFC Capital Advisors Ltd.
HDFC Realty Ltd. (till 24th January, 2018)
HDFC Developers Ltd. (till 24th January, 2018)
HDFC ERGO General Insurance Company Ltd.
(Formerly HDFC General Insurance Limited from September 14, 2016 and L&T General Insurance Company Limited upto September 13, 2016)
HDFC Sales Pvt. Ltd.
HDFC Property Ventures Ltd.
HDFC Credila Financial Services Private Ltd.
Griha Pte. Ltd. (Subsidiary of HDFC Investments Ltd.)
HDFC Pension Management Company Ltd.
(subsidiary of HDFC Standard Life Insurance Company Ltd.)
HDFC International Life and Re Company Limited
(subsidiary of HDFC Standard Life Insurance Company Ltd.)

**B) Associate Companies**

HDFC Bank Ltd.
RuralShores Business Services Pvt. Ltd.
Magnum Foundations Pvt. Ltd.
True North Ventures Private Limited

**C) Entities over which control is exercised**

HDFC Investment Trust (HIT)
HDFC Investment Trust - II (HIT- II)
H T Parekh Foundation

**D) Key Management Personnel**

Mr. Keki M. Mistry
Ms. Renu Sud Karnad
Mr. V. Srinivasa Rangan

**E) Relatives of Key Management Personnel**

*(Where there are transactions)*
Mr. Nikhil Singhal
Ms. Swarn Sud
Mr. Rishi Sud

# Notes forming part of the standalone financial statements (Continued)

The nature and volume of transactions of the Corporation during the year, with the above related parties were as follows:

₹ in Crore

| Particulars | Subsidiary Companies | | Associates | | Entities over which control is exercised | | Key Management Personnel | | Relatives of Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| **Dividend Income** | | | | | | | | | | |
| HDFC Asset Management Company Ltd. | **193.24** | 138.89 | - | - | - | - | - | - | - | - |
| HDFC Bank Ltd. | - | - | **432.53** | 373.55 | - | - | - | - | - | - |
| HDFC Investments Ltd. | **168.02** | 160.02 | - | - | - | - | - | - | - | - |
| HDFC Standard Life Insurance Company Ltd. | **141.24** | 135.27 | - | - | - | - | - | - | - | - |
| Others | **122.55** | 90.75 | - | 0.01 | - | - | - | - | - | - |
| **Interest Income** | | | | | | | | | | |
| HDFC Investment Trust - II (HIT-II) | - | - | - | - | **23.59** | 6.69 | - | - | - | - |
| HDFC Investment Trust (HIT) | - | - | - | - | **35.99** | 33.02 | - | - | - | - |
| HDFC Property Ventures Ltd. | **13.19** | 11.91 | - | - | - | - | - | - | - | - |
| Others | **3.03** | 4.69 | **5.66** | 5.57 | - | - | - | - | **0.03** | 0.04 |
| **Consultancy, Fees & Other Income** | | | | | | | | | | |
| HDFC ERGO General Insurance Company Ltd. | **29.60** | 23.75 | - | - | - | - | - | - | - | - |
| HDFC Standard Life Insurance Company Ltd. | **70.94** | 58.50 | - | - | - | - | - | - | - | - |
| Others | **2.07** | 2.13 | - | - | - | - | - | - | - | - |
| **Rent Income** | | | | | | | | | | |
| HDFC Asset Management Company Ltd. | **12.31** | 11.75 | - | - | - | - | - | - | - | - |
| HDFC ERGO General Insurance Company Ltd. | **6.67** | 6.34 | - | - | - | - | - | - | - | - |
| Others | **6.06** | 7.03 | **2.13** | 2.15 | - | - | - | - | - | - |
| **Support Cost Recovered** | | | | | | | | | | |
| HDFC Asset Management Company Ltd. | **1.37** | 1.52 | - | - | - | - | - | - | - | - |
| HDFC ERGO General Insurance Company Ltd. | **0.70** | 0.79 | - | - | - | - | - | - | - | - |
| HDFC Realty Ltd. | **0.87** | 0.93 | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **1.29** | 2.46 | - | - | - | - | - | - | - | - |
| Others | **1.03** | 1.35 | **0.41** | 0.49 | **0.36** | 0.31 | - | - | - | - |
| **Other Income** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **329.97** | 276.54 | - | - | - | - | - | - |
| HDFC Investment Trust (HIT) | - | - | - | - | **26.27** | 47.68 | - | - | - | - |
| Others | **0.41** | 3.81 | - | - | - | - | - | - | - | - |
| **Interest Expense** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **34.02** | (0.34) | - | - | - | - | - | - |
| HDFC ERGO General Insurance Company Ltd. | **19.01** | 18.55 | - | - | - | - | - | - | - | - |
| HDFC Standard Life Insurance Company Ltd. | **55.94** | 88.85 | - | - | - | - | - | - | - | - |
| Others | **0.27** | 0.41 | - | - | **4.99** | 0.03 | **0.24** | 0.25 | **0.01** | 0.01 |
| **Bank & Other Charges** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **3.34** | 0.41 | - | - | - | - | - | - |
| **Remuneration*** | | | | | | | | | | |
| Mr. Keki M. Mistry | - | - | - | - | - | - | **12.04** | 10.26 | - | - |
| Mr. V. Srinivasa Rangan | - | - | - | - | - | - | **7.29** | 6.30 | - | - |
| Ms. Renu Sud Karnad | - | - | - | - | - | - | **10.90** | 9.51 | - | - |
| **Other Expenses/Payments** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **248.20** | 193.37 | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **314.65** | 241.30 | - | - | - | - | - | - | - | - |
| Others | **13.76** | 12.25 | - | - | - | - | - | - | **0.10** | 0.10 |

*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.

# Notes forming part of the standalone financial statements (Continued)

₹ in Crore

| Particulars | Subsidiary Companies | | Associates | | Entities over which control is exercised | | Key Management Personnel | | Relatives of Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| **Investments made** | | | | | | | | | | |
| HDFC Credila Financial Services Private Ltd. | **50.00** | 55.00 | - | - | - | - | - | - | - | - |
| HDFC Developers Ltd. | **39.75** | 15.00 | - | - | - | - | - | - | - | - |
| HDFC ERGO General Insurance Company Ltd. | **8.98** | 288.97 | - | - | - | - | - | - | - | - |
| HDFC Investment Trust - II (HIT-II) | - | - | - | - | **74.22** | 41.42 | - | - | - | - |
| HDFC Realty Ltd. | **33.48** | 20.00 | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **52.99** | - | - | - | - | - | - | - | - | - |
| Others | **6.80** | 38.00 | - | - | **6.43** | 4.11 | - | - | - | - |
| **Investments sold/Redeemed** | | | | | | | | | | |
| HDFC ERGO General Insurance Company Ltd. | - | 200.60 | - | - | - | - | - | - | - | - |
| HDFC Investment Trust - II (HIT-II) | - | - | - | - | **48.00** | 8.00 | - | - | - | - |
| HDFC Investment Trust (HIT) | - | - | - | - | **35.36** | 38.90 | - | - | - | - |
| HDFC Standard Life Insurance Company Ltd. | **204.82** | - | - | - | - | - | - | - | - | - |
| Others | **45.34** | - | - | - | - | - | - | - | - | - |
| **Investments** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **5,549.74** | 5,549.74 | - | - | - | - | - | - |
| HDFC Standard Life Insurance Company Ltd. | **1,111.74** | 1,316.56 | - | - | - | - | - | - | - | - |
| Others | **1,597.65** | 1,539.53 | **2.53** | 2.53 | **293.53** | 296.24 | - | - | - | - |
| **Loans given** | | | | | | | | | | |
| HDFC Property Ventures Ltd. | **122.00** | 95.00 | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **34.00** | 51.00 | - | - | - | - | - | - | - | - |
| Others | **12.00** | 6.50 | - | - | - | - | - | - | - | - |
| **Loans repaid** | | | | | | | | | | |
| HDFC Property Ventures Ltd. | **108.50** | 95.00 | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **49.00** | 56.00 | - | - | - | - | - | - | - | - |
| Others | **12.00** | 24.51 | - | - | - | - | **0.01** | 0.01 | **0.02** | 0.02 |
| **Loans sold** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **5,623.94** | 13,845.65 | - | - | - | - | - | - |
| **Loans** | | | | | | | | | | |
| HDFC Property Ventures Ltd. | **108.50** | 95.00 | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | - | 15.00 | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | **0.05** | 0.06 | **0.37** | 0.40 |
| **Bank Deposits placed** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **1,060.41** | 60.02 | - | - | - | - | - | - |
| **Bank Deposits matured/withdrawn** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **60.16** | 60.00 | - | - | - | - | - | - |
| **Bank balance and Deposits** | | | | | | | | | | |
| HDFC Bank Ltd. | - | - | **1,233.13** | 199.32 | - | - | - | - | - | - |
| **Corporate Deposits placed** | | | | | | | | | | |
| HDFC Developers Ltd. | **15.00** | - | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **10.00** | - | - | - | - | - | - | - | - | - |
| HDFC Venture Capital Ltd. | - | 13.30 | - | - | - | - | - | - | - | - |
| Others | - | 2.00 | - | - | - | - | - | - | - | - |
| **Corporate Deposits Redeemed/withdrawn** | | | | | | | | | | |
| HDFC Developers Ltd. | **15.00** | - | - | - | - | - | - | - | - | - |
| HDFC Realty Ltd. | - | 2.00 | - | - | - | - | - | - | - | - |
| HDFC Sales Pvt. Ltd. | **10.00** | - | - | - | - | - | - | - | - | - |
| HDFC Venture Capital Ltd. | **13.30** | 12.58 | - | - | - | - | - | - | - | - |
| Others | - | 1.50 | - | - | - | - | - | - | - | - |
| **Corporate Deposits** | | | | | | | | | | |
| HDFC Venture Capital Ltd. | - | 13.30 | - | - | - | - | - | - | - | - |

# Notes forming part of the standalone financial statements (Continued)

₹ in Crore

| Particulars | Subsidiary Companies | | Associates | | Entities over which control is exercised | | Key Management Personnel | | Relatives of Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year |
| **Trade Receivable** | | | | | | | | | | |
| HDFC Bank Ltd. | **-** | - | **32.37** | 4.10 | **-** | - | **-** | - | **-** | - |
| HDFC ERGO General Insurance Company Ltd. | **9.10** | 27.64 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Standard Life Insurance Company Ltd. | **31.71** | 24.94 | **-** | - | **-** | - | **-** | - | **-** | - |
| Others | **1.62** | 1.04 | **-** | - | **-** | - | **-** | - | **-** | - |
| **Other Advances/Receivables** | | | | | | | | | | |
| HDFC Bank Ltd. | **-** | - | **34.39** | 4.51 | **-** | - | **-** | - | **-** | - |
| HDFC ERGO General Insurance Company Ltd. | **2.14** | 1.76 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Property Ventures Ltd. | **3.37** | 2.93 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Standard Life Insurance Company Ltd. | **7.61** | 7.60 | **-** | - | **-** | - | **-** | - | **-** | - |
| Others | **0.03** | 0.09 | **-** | - | **-** | - | **-** | - | **0.06** | 0.06 |
| **Deposits Received** | | | | | | | | | | |
| HDFC Developers Ltd. | **4.25** | 9.25 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Education & Development Services Pvt. Ltd. | **19.60** | 35.40 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Realty Ltd. | **-** | 10.01 | **-** | - | **-** | - | **-** | - | **-** | - |
| H T Parekh Foundation | **-** | - | **-** | - | **60.00** | 70.00 | **-** | - | **-** | - |
| Others | **-** | - | **-** | - | **-** | - | **0.02** | 2.84 | **-** | 0.11 |
| **Deposits repaid/matured** | | | | | | | | | | |
| HDFC Developers Ltd. | **4.25** | 9.75 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Education & Development Services Pvt. Ltd. | **32.75** | 20.00 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Realty Ltd. | **-** | 10.01 | **-** | - | **-** | - | **-** | - | **-** | - |
| Others | **-** | - | **-** | - | **-** | - | **0.01** | 2.39 | **0.11** | 0.09 |
| **Deposits** | | | | | | | | | | |
| HDFC Education & Development Services Pvt. Ltd. | **2.25** | 15.40 | **-** | - | **-** | - | **-** | - | **-** | - |
| Ms. Renu Sud Karnad | **-** | - | **-** | - | **-** | - | **2.85** | 2.85 | **-** | - |
| H T Parekh Foundation | **-** | - | **-** | - | **130.00** | 70.00 | **-** | - | **-** | - |
| Others | **-** | - | **-** | - | **-** | - | **0.01** | - | **-** | 0.11 |
| **Non-Convertible Debentures (Allotments under Primary Market)** | | | | | | | | | | |
| HDFC Bank Ltd. | **-** | - | **2,105.00** | 2,320.00 | **-** | - | **-** | - | **-** | - |
| **Non-Convertible Debentures - Redemption** | | | | | | | | | | |
| HDFC Bank Ltd. | **-** | - | **65.00** | - | **-** | - | **-** | - | **-** | - |
| HDFC ERGO General Insurance Company Ltd. | **25.00** | - | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Standard Life Insurance Company Ltd. | **102.00** | - | **-** | - | **-** | - | **-** | - | **-** | - |
| **Non-Convertible Debentures** | | | | | | | | | | |
| HDFC Bank Ltd. | **-** | - | **1,610.00** | - | **-** | - | **-** | - | **-** | - |
| HDFC ERGO General Insurance Company Ltd. | **279.00** | 259.00 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Standard Life Insurance Company Ltd. | **1,106.00** | 998.00 | **-** | - | **-** | - | **-** | - | **-** | - |
| **Commercial Paper- Redemption** | | | | | | | | | | |
| HDFC ERGO General Insurance Company Ltd. | **25.00** | - | **-** | - | **-** | - | **-** | - | **-** | - |
| **Other Liabilities/Payables** | | | | | | | | | | |
| HDFC Bank Ltd. | **-** | - | **52.47** | 25.69 | **-** | - | **-** | - | **-** | - |
| HDFC Sales Pvt. Ltd. | **38.10** | 9.44 | **-** | - | **-** | - | **-** | - | **-** | - |
| HDFC Standard Life Insurance Company Ltd. | **51.69** | 49.42 | **-** | - | **-** | - | **-** | - | **-** | - |
| H T Parekh Foundation | **-** | - | **-** | - | **24.97** | 17.85 | **-** | - | **-** | - |
| Others | **12.24** | 9.41 | **-** | - | **-** | - | **0.33** | 0.11 | **0.02** | 0.01 |
| **Donation** | | | | | | | | | | |
| H T Parekh Foundation | **-** | - | **-** | - | **169.97** | 136.85 | **-** | - | **-** | - |

# Notes forming part of the standalone financial statements (Continued)

## 36. EXPOSURES IN FOREIGN CURRENCY

Disclosure as per Guidance Note on Accounting for Derivative Contracts issued by The Institute of Chartered Accountants of India.

| | Foreign Currency | Current Year | | |
|---|---|---|---|---|
| | | Exchange Rate | Amount in Foreign currency (USD mn) | Amount in INR (₹ in Crore) |
| **I. Assets** | | | | |
| Receivables (trade & other) | | | | |
| Other Monetary assets (e.g. ICDs/Loans given in FC) | USD | 65.17 | 367.39 | 2,394 |
| **Total Receivables (A)** | | | **367.39** | **2,394** |
| Hedges by derivative contracts (B) | | | - | - |
| **Unhedged Receivables (C=A-B)** | | | **367.39** | **2,394** |
| | | | | |
| **II. Liabilities** | | | | |
| Payables (trade & other) | | | | |
| Borrowings (ECB and Others) | USD | 65.17 | 3,029.15 | 19,741 |
| **Total Payables (D)** | | | **3,029.15** | **19,741** |
| Hedges by derivative contracts (E) | USD | 65.17 | 2,325.00 | 15,152 |
| **Unhedged Payables (F=D-E)** | | | **704.15** | **4,589** |

| | Foreign Currency | Previous Year | | |
|---|---|---|---|---|
| | | Exchange Rate | Amount in Foreign currency (USD mn) | Amount in INR (₹ in Crore) |
| **I. Assets** | | | | |
| Receivables (trade & other) | | | | |
| Other Monetary assets (e.g. ICDs/Loans given in FC) | USD | 64.85 | 401.66 | 2,605 |
| **Total Receivables (A)** | | | **401.66** | **2,605** |
| Hedges by derivative contracts (B) | | | - | - |
| **Unhedged Receivables (C=A-B)** | | | **401.66** | **2,605** |
| | | | | |
| **II. Liabilities** | | | | |
| Payables (trade & other) | | | | |
| Borrowings (ECB and Others) | USD | 64.85 | 2,944.46 | 19,095 |
| **Total Payables (D)** | | | **2,944.46** | **19,095** |
| Hedges by derivative contracts (E) | USD | 64.85 | 2,554.92 | 16,569 |
| **Unhedged Payables (F=D-E)** | | | **389.54** | **2,526** |

## 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 Accounting Standard (AS) 17 on 'Segment Reporting'.

Segment reporting is done in the Consolidated financial statements as prescribed by AS 17.

## Notes forming part of the standalone financial statements (Continued)

**38.** 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 any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

**39. DISCLOSURES REQUIRED BY THE NATIONAL HOUSING BANK**

39.1 **Minimum Disclosures**

The following additional disclosures have been made as required under the "Housing Finance Companies Corporate Governance (NHB) Directions 2016".

39.2 **Summary of Significant Accounting Policies**

The accounting policies regarding key areas of operations are disclosed as note 1 to the accounts.

39.3 **Disclosure:**

39.3.1 **Capital**

| Particulars | Current Year | Previous Year |
|---|---|---|
| (i) CRAR (%) | **19.16** | 15.79 |
| (ii) CRAR – Tier I Capital (%) | **17.30** | 13.08 |
| (iii) CRAR – Tier II Capital (%) | **1.86** | 2.71 |
| (iv) Amount of subordinated debt raised as Tier - II Capital | **-** | - |
| (v) Amount raised by issue of Perpetual Debt Instruments | **-** | - |

39.3.2 **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 | **3,849.42** | 3,604.42 |
| 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. | **9,509.95** | 8,262.95 |
| | **13,359.37** | 11,867.37 |
| **Addition/Appropriation/Withdrawal during the year** | | |
| **Add :** | | |
| a) Amount transferred under Section 29C of the NHB Act | **1,078.00** | 245.00 |
| 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. | **1,355.00** | 1,247.00 |

# Notes forming part of the standalone financial statements (Continued)

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **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 | - | - |
| | **15,792.37** | 13,359.37 |
| **Balance at the end of the year** | | |
| a) Statutory Reserve under Section 29C of the NHB Act | **4,927.42** | 3,849.42 |
| 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. | **10,864.95** | 9,509.95 |
| | **15,792.37** | 13,359.37 |

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.

### 39.3.3 Investments

₹ in Crore

| Particulars | | Current Year | Previous Year |
|---|---|---|---|
| **1.** | **Value of Investments** | | |
| (i) | Gross value of Investments | | |
| | (a) In India | **30,945.98** | 20,792.16 |
| | (b) Outside India | **-** | - |
| (ii) | Provisions for Depreciation | | |
| | (a) In India | **413.47** | 382.06 |
| | (b) Outside India | **-** | - |
| (iii) | Net value of Investments | | |
| | (a) In India | **30,532.51** | 20,410.10 |
| | (b) Outside India | **-** | - |
| **2.** | **Movement of provisions held towards depreciation on investments** | | |
| (i) | Opening balance | **382.06** | 90.63 |
| (ii) | Add: Provisions made | **43.79** | 291.43 |
| (iii) | Less: Write-off / Written-back of excess provisions during the year | **12.38** | - |
| (iv) | Closing balance | **413.47** | 382.06 |

### 39.3.4 Derivatives

#### 39.3.4.1 Forward Rate Agreement (FRA)/Interest Rate Swap (IRS)

₹ in Crore

| Particulars | | Current Year | Previous Year |
|---|---|---|---|
| (i) | The notional principal of swap agreements | **48,270** | 30,809 |
| (ii) | Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements | **1,330** | 1,180 |
| (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 | **1,195** | 1,059 |

*Concentration of credit risk arising from swaps is with banks.

## Notes forming part of the standalone financial statements (Continued)

The nature and terms of hedging portfolio are set out below:

| Benchmark | Current Year | Previous Year | Terms |
|---|---|---|---|
| | Notional Principal (₹ in Crore) | | |
| OIS | 45,670 | 26,855 | Fixed Receivable V/s Floating Payable |
| INBMK | 2,600 | 3,500 | Fixed Receivable V/s Floating Payable |
| | Notional Principal (USD mn) | | |
| USD LIBOR | - | 70 | Fixed Payable V/s Floating Receivable |

39.3.4.2 **Exchange Traded Interest Rate (IR) Derivatives**

The Corporation has not entered into any exchange traded derivatives.

39.3.4.3 **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 counter party 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, 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 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, Risk management and hedging 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.

# Notes forming part of the standalone financial statements (Continued)

**Measurement and Accounting**

The Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India is effective from April 1, 2016.

On and from that date, all derivative contracts are recognised on the balance sheet and measured at fair value. The fair value changes are recognised in the Statement of Profit and Loss unless hedge accounting is used. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item. The tenor of hedging instrument may be less than or equal to the tenor of underlying hedged asset or liability.

The Corporation has entered into fair value hedges through 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 ₹ 1,195 crore on outstanding Fair value hedges.

The long term monetary items other than derivatives continue to be amortised, through the Statement of Profit and Loss over the balance period of such long term asset or liability. Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation has exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities.

Foreign exchange forward contracts outstanding at the Balance Sheet date, are effectively valued at the closing spot rate. 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 the floating rate benchmark 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. In order to match the gains and losses of the hedged item and the hedging instrument in the Statement of Profit and Loss, the changes in fair value of the hedging instrument and the hedged item is recognized at the same time in the Statement of Profit and Loss. The outstanding notional of forward contracts to cover future interest on foreign currency borrowings is USD 34.77mn.

Movements in the Cash flow hedge reserve are as follows:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Opening Balance | **(0.54)** | - |
| Debit/(Credits) in the Cash flow reserve | **(0.70)** | (5.33) |
| Amount transferred to Statement of Profit and Loss | **2.13** | 4.79 |
| Closing Balance | **(0.89)** | (0.54) |

# Notes forming part of the standalone financial statements (Continued)

## B. Quantitative Disclosure

₹ in Crore

| Particulars | | Currency Derivatives | | Interest Rate Derivatives | |
|---|---|---|---|---|---|
| | | Current Year | Previous Year | Current Year | Previous Year |
| (i) | Derivatives (Notional Principal Amount) | **15,479** | 17,069 | **48,270** | 30,809 |
| (ii) | Marked to Market Positions | | | | |
| | (a) Assets (+) | **52** | 24 | **1,330** | 1,180 |
| | (b) Liability (-) | **(294)** | (526) | **(135)** | (121) |
| (iii) | Credit Exposure | **823** | 1,019 | **1,698** | 1,416 |
| (iv) | Unhedged Exposures | **-** | - | **-** | - |

*Currency Derivatives includes Forward contracts, Principal Only swaps, Cross Currency Interest rate swaps

### 39.3.5 Securitisation

39.3.5.1

₹ in Crore

| 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 | | **968.68** | 1,155.26 |
| 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 | **32.83** | 39.23 |
| 4. | Amount of exposures to securitisation transactions other than MRR | | **Nil** | Nil |

### 39.3.5.2 Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

₹ in Crore

| Particulars | | Current Year | Previous Year |
|---|---|---|---|
| (i) | No. of accounts | **4** | 2 |
| (ii) | Aggregate value (net of provisions) of accounts sold to SC/RC | **230.32** | 649.87 |
| (iii) | Aggregate consideration | **165.91** | 863.89 |
| (iv) | Additional consideration realized in respect of accounts transferred in earlier years | **-** | - |
| (v) | Aggregate gain/loss over net book value | **64.41** | 53.77 |

# Notes forming part of the standalone financial statements (Continued)

39.3.5.3 **Details of Assignment transactions undertaken**

₹ in Crore

| Particulars | | Current Year | Previous Year |
|---|---|---|---|
| (i) | No. of accounts | **31,732** | 84,965 |
| (ii) | Aggregate value (net of provisions) of accounts assigned | **6,453.14** | 15,082.32 |
| (iii) | Aggregate consideration | **6,453.14** | 15,082.32 |
| (iv) | Additional consideration realized in respect of accounts transferred in earlier years | **Nil** | Nil |
| (v) | Aggregate gain/loss over net book value | **Nil** | Nil |

39.3.5.4 **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 | **4** | 2 |
| 2. | Aggregate outstanding | **306.53** | 917.66 |
| 3. | Aggregate consideration received | **165.91** | 863.89 |

39.3.6 **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) | **2,179.67** | **1,350.00** | **815.58** | - |
| Over one month to 2 months | **1,338.68** | - | **1,368.71** | - |
| Over 2 to 3 months | **1,806.54** | **1,731.09** | **2,772.09** | **18.86** |
| Over 3 to 6 months | **8,703.92** | **3,918.67** | **3,020.09** | **2,272.80** |
| Over 6 months to 1 year | **9,659.69** | **1,809.31** | **15,732.10** | **5,039.18** |
| Over 1 to 3 years | **34,580.77** | **8,954.70** | **62,194.14** | **7,892.73** |
| Over 3 to 5 years | **23,277.01** | **4,806.88** | **41,527.79** | **3,999.04** |
| Over 5 to 7 years | **9,953.01** | **2,587.33** | **39,575.36** | **488.41** |
| Over 7 to 10 years | - | **1,765.47** | **14,640.00** | - |
| Over 10 years | - | **132.50** | - | - |
| **Total** | **91,499.29** | **27,055.95** | **1,81,645.86** | **19,711.02** |

# Notes forming part of the standalone financial statements (Continued)

₹ in Crore

| Maturity Buckets | Assets | | |
|---|---|---|---|
| | Advances | Investments | Foreign Currency Assets |
| Up to 30/31 days (one month) | **4,380.43** | **-** | **11.13** |
| Over one month to 2 months | **4,826.88** | **-** | **81.86** |
| Over 2 to 3 months | **4,859.79** | **6,459.15** | **154.72** |
| Over 3 to 6 months | **12,954.58** | **6,001.67** | **383.90** |
| Over 6 months to 1 year | **29,364.56** | **5,408.20** | **123.74** |
| Over 1 to 3 years | **1,01,730.39** | **2,065.79** | **1,148.37** |
| Over 3 to 5 years | **73,123.41** | **1,059.20** | **251.27** |
| Over 5 to 7 years | **44,617.60** | **9,036.05** | **26.74** |
| Over 7 to 10 years | **39,327.88** | **281.41** | **-** |
| Over 10 years | **42,074.76** | **221.04** | **-** |
| **Total** | **3,57,260.28** | **30,532.51** | **2,181.73** |

39.3.7 **Exposure**

39.3.7.1 **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: ₹ **27,460.16 crore** (Previous Year ₹ 24,788.46 crore) | **2,38,744.42** | 1,95,270.94 |
| | (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; | **93,162.69** | 80,087.66 |
| | (iii) | **Investments in Mortgage Backed Securities (MBS) and other securitised exposures -** | | |
| | | a) Residential | **32.83** | 39.23 |
| | | b) Commercial Real Estate | **-** | - |
| b) | **Indirect Exposure** | | | |
| | Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | | **185.77** | 183.76 |

# Notes forming part of the standalone financial statements (Continued)

39.3.7.2 **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; | **904.66** | 528.30 |
| (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; | **50.69** | 155.30 |
| (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 stock brokers and guarantees issued on behalf of stock brokers and market makers; | **95.07** | 55.24 |
| (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; | **10,527.39** | 8,896.94 |
| (vii) | bridge loans to companies against expected equity flows / issues; | **-** | - |
| (viii) | All exposures to Venture Capital Funds (both registered and unregistered) | **1,487.01** | 1,100.23 |
| | **Total Exposure to Capital Market** | **13,064.82** | 10,736.01 |

39.3.7.3 **Details of financing of parent company products**

These details are not applicable since the Corporation is not a subsidiary of any company.

39.3.7.4 **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.

39.3.7.5 **Advances against Intangible Collateral**

₹ in Crore

| Particulars | | Advances against Intangible Collateral | Value of such Intangible Collateral |
|---|---|---|---|
| (i) | Corporate Loans | **2,043.44** | **1,885.16** |
| (ii) | Project Loans | **5,724.49** | **10,331.53** |
| (iii) | Deposits | **2,233.19** | **1,653.83** |
| **Total** | | **10,001.12** | **13,870.52** |

# Notes forming part of the standalone financial statements (Continued)

## 39.4 Miscellaneous

### 39.4.1 Registration obtained from other financial sector regulators

| Regulator | Registration No. |
|---|---|
| **Insurance Regulatory and Development Authority:** As corporate agent (Composite) | CA0058 |
| **Securities and Exchange Board of India:** As share transfer agent in Category II | INR000003159 |

### 39.4.2 Disclosure of Penalties imposed by NHB and other regulators

During FY 2017-18, there were no penalties imposed by NHB or any other regulators.

### 39.4.3 Related party Transactions

Details of all material transactions with related parties are disclosed in note 35. The policy on Related Party Transaction is set out in this annual report.

### 39.4.4 Rating assigned by Credit Rating Agencies and migration of rating during the year

| Instrument | Rating Agency | Ratings Assigned |
|---|---|---|
| Deposits | ICRA Limited<br>CRISIL Limited | ICRA MAAA/ Stable<br>CRISIL FAAA/ Stable |
| Bonds/ Non-Convertible Debentures | ICRA Limited<br>CRISIL Limited | ICRA AAA/Stable<br>CRISIL AAA/ Stable |
| Non-Convertible Debentures with Warrants | ICRA Limited<br>CRISIL Limited | ICRA AAA/Stable<br>CRISIL AAA/ Stable |
| Subordinated Debt | ICRA Limited<br>CRISIL Limited | ICRA AAA/Stable<br>CRISIL AAA/ Stable |
| Short Term Debt | ICRA Limited<br>CRISIL Limited<br>Credit Analysis & Research Ltd. | ICRA A1+<br>CRISIL A1+<br>CARE A1+ |
| Long Term Bank Facilities<br>Short Term Bank Facilities | Credit Analysis & Research Ltd. | CARE AAA<br>CARE A1+ |
| Long Term Bank Facilities<br>Short Term Bank Facilities | ICRA Limited | ICRA AAA<br>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.

### 39.4.5 Remuneration of Directors

Details of Remuneration of Directors are disclosed as part of the Directors Report.

# Notes forming part of the standalone financial statements (Continued)

39.4.6 **Management**

Refer to the Management Discussion and Analysis report for the relevant disclosures.

39.4.7 **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.

39.4.8 **Revenue Recognition**

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

39.4.9 **Accounting Standard 21 – Consolidated Financial Statements (CFS)**

Refer to the Consolidated Financial Statements for the relevant disclosures.

**39.5 Additional Disclosures**

39.5.1 **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 | **40.68** | 47.57 |
| 2. Provision towards NPA | **190.61** | 148.25 |
| 3. Provision for Standard Assets * (with details like teaser loan, CRE, CRE-RH etc.) | **163.85** | 264.90 |
| 4. Other Provisions and Contingencies | **1,634.86** | 239.28 |
| 5. Total Debit to Statement of Profit and Loss | **2,030.00** | 700.00 |
| 6. Provision made towards Income tax | **3,100.00** | 3,284.00 |

* Provision for Standard Assets includes CRE - RH of ₹ **27.72 crore** (Previous Year ₹ 9.96 crore), CRE - Non RH of ₹ **97.98 crore** (Previous Year ₹ 160.04 crore) and Non CRE of ₹ **38.15 crore** (Previous Year ₹ 94.90 crore)

₹ in Crore

| Break up of Loan, Advances & Other Assets and Provisions thereon | Housing | | Non-Housing | |
|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year |
| **Standard Assets** | | | | |
| a) Total Outstanding Amount | **2,45,581.69** | 2,05,313.13 | **1,13,566.36** | 97,484.76 |
| b) Provisions made | **833.56** | 949.26 | **764.89** | 655.67 |
| **Sub-Standard Assets** | | | | |
| a) Total Outstanding Amount | **1,050.28** | 606.14 | **1,534.72** | 538.37 |
| b) Provisions made | **157.56** | 95.23 | **230.21** | 80.76 |
| **Doubtful Assets – Category-I** | | | | |
| a) Total Outstanding Amount | **252.09** | 265.75 | **407.83** | 391.17 |
| b) Provisions made | **72.62** | 80.27 | **108.52** | 106.60 |

## Notes forming part of the standalone financial statements (Continued)

₹ in Crore

| Break up of Loan, Advances & Other Assets and Provisions thereon | Housing | | Non-Housing | |
|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year |
| **Doubtful Assets – Category-II** | | | | |
| a) Total Outstanding Amount | **184.15** | 161.77 | **236.78** | 259.00 |
| b) Provisions made | **76.73** | 70.78 | **100.41** | 142.86 |
| **Doubtful Assets – Category-III** | | | | |
| a) Total Outstanding Amount | **112.34** | 159.20 | **89.73** | 54.87 |
| b) Provisions made | **112.34** | 159.20 | **89.73** | 54.87 |
| **Loss Assets** | | | | |
| a) Total Outstanding Amount | **102.20** | - | **107.12** | - |
| b) Provisions made | **102.20** | - | **107.12** | - |
| **Total** | | | | |
| **a) Total Outstanding Amount** | **2,47,282.75** | 2,06,505.99 | **1,15,942.54** | 98,728.17 |
| **b) Provisions made as per NHB Regulation (A)** | **1,355.01** | 1,354.74 | **1,400.88** | 1,040.76 |
| **Additional Provision towards identified assets (B)** | **1,285.60** | 250.43 | **958.31** | 420.72 |
| **Total Provisions made (A+B)** | **2,640.61** | 1,605.17 | **2,359.19** | 1,461.48 |

39.5.2 **Draw Down from Reserves**

During FY 2017-18, there were no draw down from Reserves.

39.5.3 **Concentration of Public Deposits, Advances, Exposures and NPAs**

39.5.3.1 **Concentration of Public Deposits**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Total Deposits of twenty largest depositors | **5,466.29** | 5,615.23 |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the Corporation | **8.65%** | 9.32% |

39.5.3.2 **Concentration of Loans & Advances**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Total Loans & Advances to twenty largest borrowers | **34,160.18** | 32,180.00 |
| Percentage of Loans & Advances to twenty largest borrowers to Total Advances of the Corporation | **9.49%** | 11.00% |

39.5.3.3 **Concentration of all Exposure (including off-balance sheet exposure)**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Total Exposure to twenty largest borrowers/customers | **34,175.08** | 32,200.00 |
| Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the HFC on borrowers/customers | **9.48%** | 11.00% |

# Notes forming part of the standalone financial statements (Continued)

39.5.3.4 **Concentration of NPAs**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Total Exposure to top ten NPA accounts | **2,052.34** | 1,077.30 |

39.5.3.5 **Sector-wise NPAs**

| Sl. No. | Sector | Percentage of NPA to Total Advances in that Sector |
|---|---|---|
| **A.** | **Housing Loans:** | |
| | 1. Individual | 0.58% |
| | 2. Builder/Project Loans | 1.41% |
| | 3. Corporates | 0.61% |
| **B.** | **Non-Housing Loans:** | |
| | 1. Individual | 0.96% |
| | 2. Builder/Project Loans | 0.79% |
| | 3. Corporates | 5.02% |

39.5.4 **Movement of NPAs**

₹ in Crore

| Particulars | | Current Year | Previous Year |
|---|---|---|---|
| i. | Net NPAs to Net Advances (%) | **0.80%** | 0.54% |
| ii. | Movement of NPAs (Gross) | | |
| | a) Opening balance | **2,436.27** | 1,884.46 |
| | b) Additions during the year | **2,677.37** | 1,196.12 |
| | c) Reductions during the year | **1,036.40** | 644.30 |
| | d) Closing balance | **4,077.25** | 2,436.27 |
| iii. | Movement of Net NPAs | | |
| | a) Opening balance | **1,645.69** | 1,266.59 |
| | b) Additions during the year | **2,025.01** | 993.45 |
| | c) Reductions during the year | **750.89** | 614.35 |
| | d) Closing balance | **2,919.82** | 1,645.69 |
| iv. | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| | a) Opening balance | **790.58** | 617.87 |
| | b) Additions during the year | **652.36** | 202.66 |
| | c) Reductions during the year | **285.51** | 29.95 |
| | d) Closing balance | **1,157.43** | 790.58 |

39.5.5 **Overseas Assets**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Bank Balances | **0.43** | 1.23 |
| Fixed assets | **0.09** | 0.12 |
| Advances and Prepaid expenses | **1.03** | 1.20 |

# Notes forming part of the standalone financial statements (Continued)

39.5.6 **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 | N.A. |
| HDFC Investment Trust II | N.A. |

39.6 **Disclosure of Complaints**

39.6.1 **Customer Complaints**

| **Particulars** | | **Current Year** | Previous Year |
|---|---|---|---|
| a) | No. of complaints pending at the beginning of the year | **1,286** | 205 |
| b) | No. of complaints received during the year | **19,433** | 14,812 |
| c) | No. of complaints redressed during the year | **20,563** | 13,731 |
| d) | No. of complaints pending at the end of the year | **156** | 1,286 |

**40.** Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

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, April 30, 2018

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

**Renu Sud Karnad**
Managing Director
(DIN: 00008064)

Directors

**Nasser Munjee** (DIN: 00010180)
**B. S. Mehta** (DIN: 00035019)
**D. N. Ghosh** (DIN: 00012608)
**V. Srinivasa Rangan**
Executive Director
(DIN: 00030248)

**D. M. Sukthankar** (DIN: 00034416)
**J. J. Irani** (DIN: 00311104)
**Bimal Jalan** (DIN: 00449491)
**Ajay Agarwal**
Company Secretary
(FCS: 9023)

## 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, 2018)**

₹ 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 Share-holding |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | HDFC Standard Life Insurance Co. Ltd. | INR | - | 2,012.63 | 2,736.56 | *1,10,481.46 | 1,05,732.27 | *1,06,602.86 | #33,529.55 | 1,126.74 | 17.74 | 1,109.00 | - | 51.62 |
| 2 | HDFC Asset Management Co. Ltd. | INR | - | 105.28 | 2,054.69 | 2,370.62 | 210.65 | 1,950.56 | 1,867.25 | 1,062.52 | 340.90 | 721.62 | - | 57.36 |
| 3 | HDFC Trustee Co. Ltd. | INR | - | 0.10 | 0.90 | 2.76 | 1.76 | - | 2.00 | 0.47 | 0.12 | 0.35 | - | 100.00 |
| 4 | HDFC ERGO General Insurance Co. Ltd. | INR | - | 605.07 | 1,175.45 | 10,354.53 | 8,574.01 | 8,158.76 | 3,636.83 | 513.27 | 109.56 | 403.71 | - | 50.48 |
| 5 | GRUH Finance Ltd. | INR | - | 73.14 | 1,307.78 | 15,970.97 | 14,590.05 | 153.12 | 1,687.19 | 562.07 | 199.39 | 362.68 | - | 57.93 |
| 6 | HDFC Developers Ltd. (Refer Note 25) | INR | - | - | - | - | - | - | 4.51 | (11.26) | 0.03 | (11.29) | - | 100.00 |
| 7 | HDFC Venture Capital Ltd. | INR | - | 0.50 | 3.33 | 21.58 | 17.75 | - | - | (2.14) | - | (2.14) | - | 80.50 |
| 8 | HDFC Ventures Trustee Co. Ltd. | INR | - | 0.05 | 1.05 | 1.12 | 0.02 | 0.61 | 0.13 | 0.05 | 0.01 | 0.04 | - | 100.00 |
| 9 | HDFC Property Venture Ltd. | INR | - | 1.00 | 7.69 | 133.72 | 125.03 | 21.77 | 35.59 | 3.47 | 3.02 | 0.45 | - | 100.00 |
| 10 | HDFC Realty Ltd. (Refer Note 25) | INR | - | - | - | - | - | - | 15.07 | (19.58) | - | (19.58) | - | 100.00 |
| 11 | HDFC Investments Ltd. | INR | - | 26.67 | 139.56 | 166.31 | 0.08 | 136.77 | 208.99 | 207.54 | 1.70 | 205.84 | - | 100.00 |
| 12 | HDFC Holdings Ltd. | INR | - | 1.80 | 172.23 | 174.85 | 0.82 | 171.05 | 4.78 | 4.10 | - | 4.10 | - | 100.00 |
| 13 | HDFC Sales Pvt. Ltd. | INR | - | 40.00 | (17.01) | 111.64 | 88.65 | - | 352.08 | (8.50) | - | (8.50) | - | 100.00 |
| 14 | HDFC Credila Financial Services Pvt. Ltd. | INR | - | 131.53 | 323.91 | 4,292.74 | 3,837.30 | - | 488.58 | 135.75 | 48.68 | 87.07 | - | 82.22 |
| 15 | HDFC Pension Management Co. Ltd. | INR | - | 28.00 | (0.95) | 27.88 | 0.83 | 26.08 | 2.55 | (0.12) | - | (0.12) | - | 51.62 |
| 16 | HDFC Education and Development Services Pvt. Ltd. | INR | - | 37.00 | (17.71) | 84.33 | 65.04 | - | 2.84 | (4.89) | (0.01) | (4.88) | - | 100.00 |
| 17 | Griha Investments | USD | 65.04 | 0.20 | 119.50 | 120.40 | 0.70 | - | 17.72 | (7.64) | - | (7.64) | - | 100.00 |
| 18 | Griha Pte. Ltd. | SGD | 49.66 | 5.21 | 28.98 | 37.26 | 3.07 | - | 17.32 | 12.10 | 2.22 | 9.88 | - | 100.00 |
| 19 | HDFC Capital Advisors Ltd | INR | | 2.00 | 13.15 | 21.30 | 6.15 | 18.25 | 22.94 | 8.75 | 2.28 | 6.47 | - | 100.00 |
| 20 | HDFC International Life And Re Company Limited | USD | 65.04 | 93.40 | (12.97) | 94.89 | 14.46 | 23.24 | 11.70 | (1.68) | - | (1.68) | - | 51.62 |

**NOTE:**

* Includes Investments of Shareholders', Policyholders' and Assets held to cover Linked Liability.

# Includes Net Premium Income, Investment Income and other Income.



TOMORROW IN SIGHT

## 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, 2018)

| Name of Associates/Joint Ventures | HDFC Bank Limited | True North Ventures Pvt. Ltd | RuralShore Business Services Pvt Ltd | Magnum Foundations Pvt Ltd. |
|---|---|---|---|---|
| Latest audited Balance Sheet Date | 31st March 2018 | 31st March 2017 | 31st March 2017 | 31st March 2017 |
| **Shares of Associate/Joint Ventures held by Corporation and its subsidiaries of the year end** | | | | |
| Number | 54,32,16,100 | 9,75,002 | 4,76,351 | 5,00,000 |
| Amount of investment in Associates/Joint Venture (₹ in Crore) | 5,623.09 | 0.03 | 2.50 | 23.25 |
| Extend of Holding % | 20.93 | 21.51 | 27.08 | 50.00 |
| Description of how there is significant influence | %age holding more than 20% and representation on the board. | %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 | Share of losses exceeded the carrying amount of investment and the same has been fully provided for in the books of accounts of HDFC Ltd. | Exclusively held with a view to their subsequent disposal in the near future |
| Networth attributable to Shareholding as per latest audited Balance Sheet (₹ in Crore) | 26,832.86 | 1.49 | - | - |
| Consolidate Profit/Loss for the year (₹ in Crore) | 18,510.03 | 0.13 | (5.97) | - |
| Considered in Consolidation (₹ in Crore) | 3,219.47 | 0.03 | - | - |
| Not Considered in Consolidation (₹ in Crore) | 15,290.56 | 0.10 | (5.97) | - |

# CONSOLIDATED FINANCIAL STATEMENTS


- Independent Auditors' Report
- Consolidated Balance Sheet
- Consolidated Statement of Profit and Loss
- Consolidated Cash Flow Statement
- Notes to Consolidated Financial Statements

# Independent Auditors' Report

TO THE MEMBERS OF
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** (the 'Holding Company' or the 'Corporation'), and its subsidiaries (the Holding Company and its subsidiaries together referred to as the 'Group') and associates, which comprise the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

***Management's responsibility for the consolidated financial statements***

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the 'Act') with respect to the preparation of these consolidated financial statements that give a true and fair view of the state of affairs, profit/ loss and cash flows of the Group including associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India. The respective 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 the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 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 the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group and of its associates to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in the auditor's 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 auditor's report. However, future events or conditions may cause Group and its associates to cease to continue as a going concern.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a), (b), (d), (e) and (f) of the 'Other matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

***Opinion***

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 management certified financial information in respect of the Transferor Companies for the period from April 1, 2017 to March 28, 2018 and the reports of the other auditors on separate financial statements of the subsidiaries and associates and on the financial information of the Transferor Companies for the year ended March 31, 2017, all referred to in the 'Other matters' paragraph below, the aforesaid consolidated financial statements give the information required by 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 consolidated state of affairs of the Group and its associates as at March 31, 2018, and their consolidated profit and their consolidated cash flows for the year ended on that date.

***Other matters***

(a) We did not audit the financial statements of 15 subsidiaries, whose financial statements reflect total assets of ₹ 1,37,464 crores as at March 31, 2018, total revenues of ₹ 32,899 crores for the year ended on that date and net cash inflows amounting to ₹ 2,375 crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports 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 subsidiaries and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

(b) 3 of the aforesaid 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 3 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 included in respect of these 3 subsidiaries located outside India is based on the reports of other auditors and the conversion adjustments prepared by the management of the Corporation and audited by us.

(c) We did not audit the financial statement of 2 subsidiaries whose financial statements reflects total revenue of ₹ 20 crores for the year ended March 31, 2018. Investment in equity shares of these 2 subsidiaries have been sold during quarter ended March 31, 2018 and these entities ceased to be subsidiaries of the Holding Company effective 24 January 2018. The financial statements of these entities for the period ended 24 January 2018 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 these entities are based solely on such unaudited financial information as certified by management of the Corporation.

(d) The consolidated financial statements includes the Group's share of net profit after tax of ₹ 3,730 crores for the year ended March 31, 2018, as considered in the consolidated financial statements, in respect of 2 associates, whose financial statements has not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by 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 associates, is based solely on the reports of the other auditors.

The auditor of one of the aforesaid associates has reported, 'the consolidated financial statements also includes the Group's share of profit after tax of ₹ 52 lacs, as considered in the consolidated

financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by management, and our opinion on this statement, in so far as it relates to the amounts and disclosures included in respect of the associate, is based solely on such unaudited financial statements as certified by the management of that associate. In our opinion and according to the information and explanations given to us by the Bank's Management, these financial statements are not material to the Group'.

(e) The standalone financial statements of the Holding Company include the financial information of Grandeur Properties Private Limited ('GPPL'), Haddock Properties Private Limited ('HPPL'), Pentagram Properties Private Limited ('PPPL'), Winchester Properties Private Limited ('Winchester Limited') and Windermere Properties Private Limited ('Windermere Limited') (hereinafter all these 5 entities together referred to as 'Transferor Companies') consequent to its merger into the Holding Company which has been effected on March 28, 2018, with the appointed date of 1 April 2016 (Refer Note 41 to the consolidated financial statements). We did not audit the financial information of the aforesaid Transferor Companies included in the standalone financial statements of the Holding Company, included in the Group whose financial information reflect total assets of ₹ 99 crores as at March 28, 2018, total revenue of ₹ 59 crores for the year ended on March 31, 2017 and for the period from April 1, 2017 to March 28, 2018 and net cash outflows of ₹ 5 crores for the period from 1 April 2016 to March 28, 2018. We have been provided with the financial information of Transferor Companies for the financial year ended March 31, 2017 which has been audited by other auditors whose reports have been furnished to us and for the period from April 1, 2017 to March 28, 2018 by the management of the Corporation and our opinion on the consolidated financial statements in so far as it relates to the amounts included in respect of these entities are based solely on the reports of the other auditors for the year ended March 31, 2017 and the financial information for the period from April 1, 2017 to March 28, 2018 as certified by the management of the Corporation.

(f) Claims paid pertaining to Insurance Business includes charge for actuarial valuation of liabilities for life policies in force, in respect of one subsidiary and 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 subsidiaries' appointed actuaries, and in their respective opinion, the assumptions for such valuation 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 actuaries' certificates in this regard in forming their opinion on the financial statements of the said subsidiaries.

(g) Attention is drawn to the fact that the corresponding figures for the year ended March 31, 2017 as reported in these consolidated financial statements were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements, dated 4 May 2017.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, 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 information as certified by the management of the Corporation and the actuarial valuation of liabilities for the life insurance policies in force and of the estimate of claims IBNR and claims IBNER.

**Report on other legal and regulatory requirements**

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements and the other financial information of subsidiaries and associates, referred in the 'Other matters' paragraph above 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, and the Consolidated Cash Flow Statement 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 Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India;

(e) On the basis of the written representations received from the Directors of the Holding Company as on March 31, 2018 taken on record by the Board of Directors of the Holding Company, declarations from the Directors of the Transferor Companies as provided to us by the management of the Holding Company and the reports of the statutory auditors of its subsidiary companies and associate companies incorporated in India, none of the Directors of the Group companies, Transferor Companies and its associate companies incorporated in India is disqualified as on March 31, 2018 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 incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on consideration of reports of the other auditors on separate financial statements and also the other financial information of subsidiaries and associate:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates– Refer Note 26 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts including derivative contracts – Refer Note 42 to the consolidated financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary companies and associate companies incorporated in India; 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 since they do not pertain to the financial year ended March 31, 2018.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

AKEEL MASTER
Partner
Membership No: 046768

MUMBAI
April 30, 2018

## Annexure "A" to the Independent Auditors' Report

**(Referred to in our report of even date)**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")**

In conjunction with our audit of the Consolidated Financial Statements of **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** (hereinafter referred to as the "Holding Company") as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of the Holding Company, its subsidiaries (the Holding Company and its subsidiaries together referred to as the 'Group') and associates which are companies incorporated in India, as of that date.

Claims paid pertaining to Insurance Business includes charge for actuarial valuation of liabilities for life policies in force, in respect of one subsidiary and 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 subsidiaries' appointed actuaries, and in their respective opinion, the assumptions for such valuation 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 actuaries' certificates in this regard in forming their opinion on the financial statements of the said subsidiaries.

***Management's responsibility for internal financial controls***

The respective Board of Directors of the Holding Company, its subsidiaries and its associates, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI"). 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 Corporation's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

***Auditor's responsibility***

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Group and its associates which are Companies incorporated in India, 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, both issued by the ICAI. 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 over financial reporting was 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the 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, which are companies incorporated in India, 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 over financial reporting of the Group and its associate companies, which are companies incorporated in India.

***Meaning of internal financial controls over financial reporting***

A company's internal financial control over financial reporting 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 over financial reporting 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 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 over financial reporting***

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Opinion***

In our opinion 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 referred to in the 'Other matters' paragraph below, the Holding Company, its subsidiary companies and its associate companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

***Other matters***

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to the 12 subsidiaries and two associate companies, which are companies incorporated in India, is solely based on the corresponding reports of the respective auditors.

The financial statements and internal financial controls over financial reporting in relation to an associate company (i.e. component of one associate company), which is a company incorporated in India, is unaudited. Our opinion on the internal financial controls over financial reporting of the aforesaid entity excludes consideration of the internal financial controls over financial reporting in respect of this associate.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting 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 representations of the Board of Directors and the 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

MUMBAI
April 30, 2018

# Housing Development Finance Corporation Limited
## Consolidated Balance Sheet as at March 31, 2018

| | Notes | ₹ in Crore | ₹ in Crore | March 31, 2017 ₹ in Crore |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **SHAREHOLDERS' FUNDS** | | | | |
| Share Capital | 4 | 335.18 | | 317.73 |
| Reserves and Surplus | 5 | 86,155.84 | | 59,690.48 |
| Money received against warrants | 5.11 | 50.38 | | 51.10 |
| | | | 86,541.40 | 60,059.31 |
| **MINORITY INTEREST** | | | 4,697.65 | 3,472.57 |
| **NON-CURRENT LIABILITIES** | | | | |
| Policy Liabilities (Policyholder's Fund) | | 85,946.93 | | 74,256.39 |
| Long-term borrowings | 7 | 1,61,709.86 | | 1,61,952.00 |
| Deferred tax liabilities (net) | 17 | 2,493.59 | | 2,514.22 |
| Other Long-term liabilities | 8 | 2,853.14 | | 2,492.52 |
| Long-term provisions | 9 | 5,911.46 | | 3,847.56 |
| | | | 2,58,914.98 | 2,45,062.69 |
| **CURRENT LIABILITIES** | | | | |
| Short-term borrowings | 10 | 69,618.96 | | 42,447.95 |
| Trade Payables | 11 | 7,114.45 | | 5,927.15 |
| Other current liabilities | 12 | | | |
| - Policy Liabilities (Policyholder's Fund) | | 16,795.41 | | 14,274.24 |
| - Borrowings | | 1,05,301.56 | | 89,394.67 |
| - Others | | 10,439.84 | | 10,646.96 |
| Short-term provisions | 13 | 3,277.01 | | 2,851.80 |
| | | | 2,12,547.23 | 1,65,542.77 |
| | | | 5,62,701.26 | 4,74,137.34 |
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Fixed assets | | | | |
| (i) Tangible assets | 14 | 1,236.40 | | 1,206.03 |
| (ii) Intangible assets | 15 | 94.04 | | 82.66 |
| (iii) Capital work in Progress | | 12.62 | | 40.48 |
| (iv) Intangible assets under Development | | 11.06 | | 13.20 |
| **GOODWILL ON CONSOLIDATION** | | 221.85 | | 620.04 |
| Non-current investments | 16 | 1,39,486.35 | | 1,19,045.97 |
| Deferred tax asset (net) | 17 | 18.40 | | 15.67 |
| Long-term loans and advances | 18 | 4,329.45 | | 7,132.97 |
| Other non-current assets | 19 | 1,948.69 | | 1,628.68 |
| | | | 1,47,358.86 | 1,29,785.70 |
| **LOANS** | 20 | | | |
| Non-current Loans | | 3,57,455.75 | | 280,107.81 |
| Current Loans | | 21,717.01 | | 32,783.64 |
| | | | 3,79,172.76 | 3,12,891.45 |
| **CURRENT ASSETS** | | | | |
| Current investments | 21 | 23,742.12 | | 13,809.31 |
| Trade receivables | 22 | 1,488.05 | | 1,482.43 |
| Cash and bank balances | 23 | 3,012.39 | | 7,496.78 |
| Short-term loans and advances | 24 | 4,500.39 | | 5,335.93 |
| Other current assets | 25 | 3,426.69 | | 3,335.74 |
| | | | 36,169.64 | 31,460.19 |
| | | | 5,62,701.26 | 4,74,137.34 |

See accompanying notes forming part of the 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, April 30, 2018

Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

**Renu Sud Karnad**
Managing Director
(DIN: 00008064)

**Nasser Munjee** (DIN: 00010180)
**B. S. Mehta** (DIN: 00035019)
**D. N. Ghosh** (DIN: 00012608)
**V. Srinivasa Rangan**
Executive Director
(DIN: 00030248)

**D. M. Sukthankar** (DIN: 00034416)
**J. J. Irani** (DIN: 00311104)
**Bimal Jalan** (DIN: 00449491)
**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Housing Development Finance Corporation Limited

## Consolidated Statement of Profit and Loss for the year ended March 31, 2018

| | Notes | ₹ in Crore | Previous Year ₹ in Crore |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations | 27 | 38,245.24 | 35,005.26 |
| Profit on sale of Investments | 28 | 641.93 | 1,177.26 |
| Other Income | | 24.10 | 53.28 |
| Premium from Insurance Business | | 26,361.62 | 21,729.13 |
| Other Operating Income from Insurance Business | | 3,868.78 | 3,122.70 |
| **Total Revenue** | | 69,141.67 | 61,087.63 |
| **EXPENSES** | | | |
| Finance Cost | 29 | 23,452.42 | 21,953.15 |
| Employee Benefits Expenses | 30 | 1,048.14 | 913.02 |
| Establishment Expenses | 31 | 162.61 | 142.49 |
| Other Expenses | 32 | 1,193.10 | 1,078.00 |
| Claims paid pertaining to Insurance Business | | 15,337.43 | 11,888.33 |
| Commission and operating expenses pertaining to Insurance Business | | 4,163.34 | 3,118.88 |
| Other expenses pertaining to Insurance Business | | 9,072.73 | 8,491.21 |
| Depreciation and Amortisation | 14 & 15 | 74.11 | 107.98 |
| Provisions and Contingencies | | 489.61 | 745.02 |
| **Total Expenses** | | 54,993.49 | 48,438.08 |
| **PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX** | | 14,148.18 | 12,649.55 |
| **EXCEPTIONAL ITEMS** | 39 | 3,454.33 | - |
| **PROFIT BEFORE TAX** | | 17,602.51 | 12,649.55 |
| Tax Expense | | | |
| Current Tax (MAT) | 39 | 4,339.38 | 3,504.91 |
| MAT Credit Entitlement | 39 | (317.51) | - |
| Deferred Tax | 17 | (20.67) | 515.88 |
| **PROFIT FOR THE YEAR** | | 13,601.31 | 8,628.76 |
| Share of profit of Minority Interest | | (1,076.58) | (797.02) |
| Net share of Profit from Associates | | 3,730.23 | 3,219.38 |
| **PROFIT AFTER TAX ATTRIBUTABLE TO THE CORPORATION** | 5.1 | 16,254.96 | 11,051.12 |
| **EARNINGS PER SHARE** (Face Value ₹ 2) | 34 | | |
| Basic (₹) | | 100.35 | 68.87 |
| Diluted (₹) | | 98.88 | 68.30 |

See accompanying notes forming part of the 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, April 30, 2018

Directors

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

**Renu Sud Karnad**
Managing Director
(DIN: 00008064)

**Nasser Munjee**
(DIN: 00010180)

**B. S. Mehta**
(DIN: 00035019)

**D. N. Ghosh**
(DIN: 00012608)

**V. Srinivasa Rangan**
Executive Director
(DIN: 00030248)

**D. M. Sukthankar**
(DIN: 00034416)

**J. J. Irani**
(DIN: 00311104)

**Bimal Jalan**
(DIN: 00449491)

**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Housing Development Finance Corporation Limited

## Consolidated Cash Flow Statement for the year ended March 31, 2018

| | | Notes | ₹ in Crore | Previous Year ₹ in Crore |
|---|---|---|---|---|
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| | Profit after tax attributable to the Group | | **16,254.96** | 11,051.12 |
| | Add: Provision for Taxation | | **4,001.20** | 4,020.79 |
| | Profit Before Tax | | **20,256.16** | 15,071.91 |
| | Adjustments for: | | | |
| | Depreciation and Amortisation* | **14 & 15** | **149.23** | 179.45 |
| | Provision and Contingencies | | **2,064.61** | 745.02 |
| | Interest Expense | **29** | **22,970.23** | 21,761.08 |
| | Net (Gain)/Loss on translation of foreign currency monetary assets and liabilities | | **309.64** | 34.75 |
| | Net gain on derivative valuation of INR derivatives & underlying hedging instrument | | **17.20** | (20.59) |
| | Interest Income | **27** | **(35,461.03)** | (32,360.40) |
| | Shelter Assistance Reserve - utilisation | | **(176.53)** | (146.26) |
| | Reserve for Unexpired Risk | | **464.85** | 407.04 |
| | Policy Liabilities (net) | | **14,211.71** | 16,383.87 |
| | Surplus from Deployment in Cash Management Schemes of Mutual Funds | **27** | **(440.12)** | (453.75) |
| | Profit on Sale of Investments | | **(5,671.26)** | (1,177.26) |
| | Dividend Income | **27** | **(66.78)** | (42.23) |
| | Provision for Diminution in Value of Investments | | **(15.95)** | 15.00 |
| | Bad debts written off | | **1.46** | 1.30 |
| | (Profit)/Loss on Sale of Fixed Assets (net) | | **(4.92)** | (7.95) |
| | Operating Profit before Working Capital changes | | **18,608.50** | 20,390.98 |
| | Adjustments for: | | | |
| | Current and Non Current Assets | | **1,083.61** | 564.35 |
| | Current and Non Current Liabilities | | **957.39** | 3,581.62 |
| | Cash generated from operations | | **20,649.50** | 24,536.95 |
| | Interest Received | | **34,794.19** | 32,242.88 |
| | Interest Paid | | **(21,960.31)** | (20,418.79) |
| | Premium paid on redemption of Debentures | | **(616.17)** | (1,714.54) |
| | Dividend Received | | **66.78** | 42.23 |
| | Taxes Paid | | **(4,600.76)** | (4,225.40) |
| | **Net cash from operations** | | **28,333.23** | 30,463.33 |
| | Loans disbursed (net) | | **(66,331.91)** | (40,224.99) |
| | Corporate Deposits (net) | | **5,135.28** | (4,411.43) |
| | **Net cash used in operating activities** | **[A]** | **(32,863.40)** | (14,173.09) |
| | * Includes depreciation included under Other expenses pertaining to Insurance Business | | | |
| **B** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| | Purchase of Fixed Assets | | **(222.84)** | (281.48) |
| | Sale of Fixed Assets | | **20.33** | 63.34 |
| | Goodwill (net) | | **-** | (432.23) |
| | Investments (net) | | **(23,504.34)** | (26,577.92) |
| | **Net cash used in investing activities** | **[B]** | **(23,706.85)** | (27,228.29) |
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| | Share Capital - Equity | **4.1** | **17.45** | 1.76 |
| | Securities Premium | **5** | **14,402.41** | 730.67 |
| | Deposits, CPs and other Short Term Borrowings (net) | | **701.75** | 2,390.18 |
| | Proceeds from long-term borrowings | | **1,85,415.27** | 1,75,767.03 |
| | Repayment of long-term borrowings | | **(1,44,246.11)** | (1,33,497.80) |
| | Dividend paid | | **(2,956.62)** | (2,685.52) |
| | Tax paid on Dividend | | **(682.81)** | (597.77) |
| | Bonus and Securities Issue Expenses | | **(72.99)** | (1.73) |
| | Increase in Minority Interest | | **1,390.28** | 1,020.49 |
| | **Net cash from financing activities** | **[C]** | **54,027.93** | 43,127.32 |
| | Net (Decrease)/Increase in cash and cash equivalents | **[A+B+C]** | **(2,542.32)** | 1,725.94 |
| | Add: Cash and cash equivalents as at the beginning of the year | **23** | **5,357.78** | 3,639.32 |
| | Add: Exchange difference on bank balance | | **-** | (7.48) |
| | **Cash and cash equivalents as at the end of the year** | **23** | **2,815.46** | 5,357.78 |
| | See accompanying notes forming part of the 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, April 30, 2018

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

**Renu Sud Karnad**
Managing Director
(DIN: 00008064)

Directors

**Nasser Munjee** (DIN: 00010180)
**B. S. Mehta** (DIN: 00035019)
**D. N. Ghosh** (DIN: 00012608)
**D. M. Sukthankar** (DIN: 00034416)
**J. J. Irani** (DIN: 00311104)
**Bimal Jalan** (DIN: 00449491)
**V. Srinivasa Rangan**
Executive Director
(DIN: 00030248)
**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Notes forming part of the consolidated financial statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 BACKGROUND

Housing Development Finance Corporation Limited ('HDFC' or 'the Corporation') was incorporated in 1977 as the first specialised mortgage company in India. The principal business is providing finance to individuals, corporates and developers for the purchase, construction, development and repair of houses, apartments and commercial property 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 (Refer Note 2.1).

### 1.2 ACCOUNTING CONVENTION

**OTHER THAN INSURANCE COMPANIES**

These financial statements have been prepared and presented on an accrual basis in accordance with historical cost convention, applicable Accounting Standards specified under Section 133 of the Companies Act, 2013, the relevant provisions of the Companies Act, 2013 and the guidelines issued by the National Housing Bank to the extent applicable. The Balance Sheet and the Statement of Profit and Loss of the Corporation are prepared in accordance with the provisions contained in Section 129 of the Companies Act 2013, read with Schedule III.

**INSURANCE COMPANIES**

The financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting principles prescribed by the Insurance Regulatory and Development Authority of India (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, ('the IRDA Financial Statements Regulations'), provisions of the Insurance Regulatory and Development Authority Act, 1999, the Insurance Act, 1938, circulars/notifications issued by the Insurance Regulatory and Development Authority of India ('the IRDAI') from time to time, the Companies Act, 2013 and applicable Accounting Standards specified under Section 133 of the Companies Act, 2013.

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ 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.

Accounting policies applied have been consistent with previous year except where different treatment is required as per new pronouncements made by the regulatory authorities. The management evaluates, all recently issued or revised accounting pronouncements, on an ongoing basis.

### 1.3 GAIN OR LOSS ON DILUTION

The gain or loss on account of dilution of stake of HDFC Ltd. in its subsidiaries, associates and entities over which control is exercised is accounted through General Reserve.

### 1.4 USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Generally Accepted Accounting Principles in India (Indian GAAP) requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial

## Notes forming part of the consolidated financial statements (Continued)

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.

### 1.5 INFLATION

Assets and liabilities are recorded at historical cost to the Group. These costs are not adjusted to reflect the changing value in the purchasing power of money.

### 1.6 OPERATING CYCLE

Based on the nature of its activities, the Corporation has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

### 1.7 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

### 1.8 CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)

Cash comprises 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), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### 1.9 LOANS AND RECEIVABLES AND CREDIT LOSS ALLOWANCES

Loans are initially recorded at the disbursed principal amounts and are subsequently adjusted for recoveries and any lumpsum principal repayment (prepayment).

A loan is recognised as non-performing (“NPA”) or as a “doubtful” or as a "loss" asset based on the period for which the repayment instalment or interest has remained in arrears as prescribed under the Housing Finance Companies (NHB) Directions, 2010, (the “NHB Directions”) as directed from time to time. Allowances for credit losses are made on an individual basis at rates prescribed under the NHB Directions unless, the management estimates that a higher individual allowance is required to reduce the carrying value of loan asset, including accrued interest, to its estimated realisable amount. The fair value of the underlying security is taken into consideration to estimate the realisable amount of the loan. When a loan is identified as a “Loss Asset” that is adversely affected by a potential threat of non-recoverability, the outstanding balance is fully written off or fully provided for.

The Corporation recognises general provision towards standard assets as prescribed under the Housing Finance Companies (NHB) Directions, 2010, (the “NHB Directions”) as updated from time to time. In addition to the above, the Corporation, on a prudent basis, recognises provisions on standard assets, on the basis of consideration of economic and business conditions impacting a specific exposure or a group of advances. These provisions are recognised as per the Board approved policy and included as part of ‘Other Provision and Contingencies - Accelerated Provisioning’. These provisions are transferred as provision on the same/ specific advance/ group of advances in case it slips into non-performing asset. When such provision is no longer required the same will be reversed in the Statement of Profit and Loss.

In addition to the above, the Corporation, as per a Board approved policy, sets aside a portion of significant one off gains arising on sale of its shares in subsidiaries/associates as additional provisions on specific loans

## Notes forming part of the consolidated financial statements (Continued)

and advances. Such provisions are either recognised against specifically identified standard assets/projects or additional provisions (over and above the regulatory requirements) against specific non-performing assets. These provisions are included as part of 'Other Provision and Contingencies - Accelerated Provisioning'. These provisions are transferred as provision on the same/specific standard advance/group of advances in case it slips into non-performing asset. When such provision is no longer required the same will be reversed in the Statement of Profit and Loss.

### 1.10 INTEREST INCOME ON LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence generally once the entire loan is disbursed. Certain customers request for commencement of regular principal repayments even before the entire loan is disbursed, especially when the projects are of long gestation. A recalculated EMI based on Principal Outstanding is offered in such cases. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is generally computed on a monthly rest basis on the principal outstanding at the beginning of the relevant period.

Interest income is allocated over the contractual term of the loan by applying the committed interest rate to the outstanding amount of the loan. Interest income is accrued as earned with the passage of time.

Interest on loan assets classified as "non-performing" is recognised only on realisation.

### 1.11 DIVIDEND

Dividend income is recognised when the right to receive has been established. Dividends from units of mutual funds, where received, are accounted on receipt of such amounts.

### 1.12 FEES AND OTHER REVENUE

Fees, charges and other revenue, net of amounts incurred towards commission to Direct Selling Agents, is recognised after the service is rendered to the extent that it is probable that the economic benefits will flow to the Corporation and that the revenue can be reliably measured, regardless of when the payment is being made.

### 1.13 PREMIUM INCOME FROM INSURANCE BUSINESS

#### LIFE INSURANCE BUSINESS

**Premium Income**

Premium income is accounted for when due from the policyholders and 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. Top up premium is considered as single premium.

**Income from Linked Policies**

Income from linked policies, which include fund management charges, policy administration charges, mortality charges and other charges, wherever applicable, is recovered from the linked funds in accordance with the terms and conditions of the insurance contracts and is accounted for as income when due.

**Reinsurance Premium Ceded**

Reinsurance premium ceded is accounted for on due basis, at the time when related premium income is accounted for in accordance with the terms and conditions of the reinsurance treaties. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

## Notes forming part of the consolidated financial statements (Continued)

**GENERAL INSURANCE BUSINESS**

**Premium Income**

Premium including Reinsurance accepted (net of service tax/good and service tax) is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk). Any subsequent revisions to or cancellation of premiums are accounted for in the year 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 Ceded**

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. Reinsurance 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 cancellation of premiums are accounted for in the year in which they occur.

Premium on excess of loss reinsurance cover is accounted as per the terms of the reinsurance arrangements.

**Commission received**

Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium.

Profit commission under reinsurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the Reinsurer.

1.14 **INCOME FROM LEASES**

Leases of assets under which substantially all of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. The Corporation has let out portions of its buildings to its subsidiaries/associates under operating lease arrangements. Income is recognised over the period over which the property is used by the lessee based on the lease terms as the arrangements are cancellable and do not confirm any minimum lease payment or contingent rent payments.

1.15 **MANAGEMENT AND TRUSTEESHIP FEES**

Management and Trusteeship fees are accounted on accrual basis.

1.16 **INCOME FROM INVESTMENTS**

Interest Income on Debentures/Bonds and Government Securities is accounted on accrual basis.

Any discount/premium on account of these investments, held as long term investments, is recognised over the life of security on a prorata basis.

The gain/loss on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on sale of investments is determined after consideration of cost on a weighted average basis.

1.17 **BORROWING AND BORROWING COSTS**

The Corporation borrows funds, primarily in Indian Rupees, and carry a fixed rate or floating rate of interest. As a part of its risk management strategy, the Corporation converts some of such borrowings into floating rate or foreign currency borrowings by entering into interest rate swaps or cross currency interest rate swaps having the same notional amount and maturity as the underlying borrowings and generally holds these instruments till maturity.

## Notes forming part of the consolidated financial statements (Continued)

Borrowing costs include interest, amortised brokerage on deposits and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary costs in connection with long-term external commercial borrowings are amortised to the Statement of Profit and Loss over the tenure of the loan. Issue expenses and discounts of certain securities are charged to the securities premium.

Brokerage and incentive brokerage on deposits are amortised over the period of the deposit.

### 1.18 TRANSLATION OF FOREIGN CURRENCY

**Initial recognition**

Transactions in foreign currencies entered into by the Group are accounted at the exchange rates prevailing on the date of the transaction.

**Measurement at the Balance Sheet date**

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract.

The net loss/gain on translation of long term monetary assets and liabilities in foreign currencies is amortised over the maturity period of such monetary assets and liabilities and charged to the Statement of Profit and Loss. The unamortised exchange difference is carried in the Balance Sheet as "Foreign currency monetary item translation difference account". The net loss/gain on translation of short term monetary assets and liabilities in foreign currencies is recorded in the Statement of Profit and Loss.

### 1.19 ACCOUNTING FOR DERIVATIVE CONTRACTS

Consequent to the Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India, becoming effective from April 1, 2016, on and from that date, all derivative contracts are recognised in the balance sheet and measured at fair value. The corresponding fair value changes are recognised in the Statement of Profit and Loss, unless hedge accounting is applied.

In case of fair value hedges, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item.

For derivative contracts designated as cash flow hedges, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognised within equity i.e., Cashflow Hedge Reserve. Amounts recognised in equity are transferred to the Statement of Profit and Loss in the same period as the cash flows of hedged items affect the Statement of Profit and Loss. When a derivate contract expires or is sold or if a hedge no longer meets the criteria for hedge accounting, any cumulative profit or loss in the Cash Flow Hedge Reserve is retained in equity until the hedged cash flow is recognised in the Statement of Profit and Loss. However, if hedged cashflows are no longer expected to occur, the profit or loss against the corresponding derivative contract, accumulated in the Cashflow Hedge Reserve, is immediately released through the Statement of Profit and Loss.

Changes in the fair values of derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statement of Profit and Loss.

### 1.20 BROKERAGE - MUTUAL FUND EXPENSE

Brokerage paid on investment in Equity Linked Saving Schemes and Closed Ended Schemes is amortised over a period of 36 months and over the tenure of the scheme respectively.

## Notes forming part of the consolidated financial statements (Continued)

Brokerage paid in advance in respect of Portfolio Management Business is amortised over the contractual period.

Recurring expenses of schemes of HDFC Mutual Fund are borne by one of the subsidiary company, including the amounts in excess of the limits prescribed by the Securities and Exchange Board of India, are accounted in the respective heads in the Statement of Profit and Loss.

### 1.21 INVESTMENTS

#### (i) OTHER THAN INSURANCE COMPANIES

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long Term. Long-term investments (excluding investment in properties), are carried individually at cost less provision for diminution, other than temporary, in the market value of such investments. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on 'Accounting for Investments' (AS 13) and is recognised through the Provision for Contingencies Account.

Current investments are carried individually, at the lower of cost and market value. Investment properties acquired as part of the debt asset settlement are recorded at the fair value on the date of the transfer. Investment in properties are carried individually at cost less accumulated depreciation and impairment, if any.

#### (ii) INSURANCE COMPANIES

Investments are made in accordance with the provisions of the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the Insurance Regulatory and Development Authority of India (Investment) (Amendment) Regulations, 2001, the Insurance Regulatory and Development Authority of India (Investment) (Fourth Amendment) Regulations, 2008, the Insurance Regulatory and Development Authority of India (Investment) (Fifth Amendment) Regulations, 2013, wherever applicable and various other circulars/notifications/clarifications issued by the IRDA in this context from time to time.

Investments are recognised at cost on the date of purchase, which includes brokerage and taxes if any, and excluding accrued interest (i.e. since the previous coupon date) as on the date of purchase.

In case of one of the subsidiary company (HDFC Standard Life Insurance Co. Ltd.), Investment property represents land or building held for use other than in services or for administrative purposes. The investment in the real estate investment property is valued at historical cost plus revaluation if any. Revaluation of the investment property is done at least once in three years. The change in the carrying amount of the investment property is taken to Revaluation Reserve in the Balance Sheet. Impairment loss, if any, exceeding the amount in Revaluation Reserve is recognised as an expense in the Revenue Account or the Profit and Loss Account.

### 1.22 TANGIBLE FIXED ASSETS

Fixed Assets (including such assets which have been leased out by the Corporation) including any cost attributable for bringing the same to its working condition are capitalised at cost inclusive of legal, registration and/or installation expenses.

### 1.23 INTANGIBLE ASSETS

Intangible Assets comprising of system software are stated at cost of acquisition, less accumulated amortisation and Goodwill arising on account of a scheme of amalgamation in a subsidiary company and a scheme of

## Notes forming part of the consolidated financial statements (Continued)

de-merger in a jointly controlled entity. Any expenses on such software for support and maintenance payable annually are charged to the Statement of Profit and Loss.

### 1.24 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.

### 1.25 IMPAIRMENT OF ASSETS

The carrying values of assets forming part of any cash generating units at Balance Sheet date are reviewed for impairment at each Balance Sheet date. If any indication for such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor. If at the Balance Sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that extent.

### 1.26 DEPRECIATION AND AMORTISATION

**Tangible Fixed Assets**

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Depreciation on tangible fixed assets has been provided as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of assets, in whose case the life of the assets has been assessed as under based on Management's technical evaluation, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support, etc.:

a. Computers and data processing equipment - 4 years
b. Vehicles - 5 years
c. Leasehold land is amortised over the duration of the lease.

**Intangible Assets**

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Computers Software - 4 years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

**Investment In Properties**

Depreciation on Investment in properties is provided on a pro-rata basis from the date of acquisition.

### 1.27 PROVISIONS AND CONTINGENCIES

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding employee benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are neither recognised nor disclosed in the financial statements.

# Notes forming part of the consolidated financial statements (Continued)

## 1.28 EMPLOYEE BENEFITS

**Employee Stock Option Scheme ('ESOS')**

The Employee Stock Option Scheme ('the Scheme') provides for the grant of options to acquire equity shares of the Corporation to its employees. The options granted to employees vest in a graded manner and these may be exercised by the employees within a specified period.

The Corporation follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured by the excess, if any, of the market price of the underlying stock over the exercise price as determined under the option plan. The market price is the closing price on the stock exchange where there is highest trading volume on the working day immediately preceding the date of grant. Compensation cost, if any, is amortised over the vesting period.

**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.

**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. The guidance on implementing AS-15, Employee Benefits issued by the ICAI, states that benefits involving employer established provident funds, which require interest shortfalls to be provided, are to be considered as defined benefit plans. 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 is recognised.

**Gratuity and Other Post Retirement Benefits**

For defined benefit plans in the form of leave encashment/compensated absences, 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. Actuarial gains and losses are recognised in the Statement of Profit and Loss 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 scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

In the case of Dubai branch of the Corporation, the provision for gratuity is made in accordance with the prevalent local laws.

## Notes forming part of the consolidated financial statements (Continued)

**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.

### 1.29 CLAIMS PAID AND OTHER EXPENSES PERTAINING TO INSURANCE BUSINESS

#### (i) LIFE INSURANCE BUSINESS

**Benefits paid**

Benefits paid consist of policy benefit amounts and claim settlement costs, where applicable.

**Non-linked business**

Death and rider claims are accounted for on receipt of intimation. Annuity benefits, money back payment and maturity claims are accounted for when due. Surrenders are accounted for on the receipt of consent from the insured to the quote provided by the Company.

**Linked business**

Death and rider claims are accounted for on receipt of intimation. Maturity claims are accounted for on due basis when the associated units are de-allocated. Surrenders and withdrawals are accounted for on receipt on intimation when associated units are de-allocated. Amounts payable on lapsed policies are accounted for on expiry of lock in period, which is the period after which policies cannot be revived. Surrenders and lapsation are disclosed at net of charges recoverable.

Reinsurance claims receivable are accounted for in the period in which the concerned claims are intimated. Repudiated claims and other claims disputed before judicial authorities are provided for on prudent basis as considered appropriate by management.

**Policy acquisition costs**

Policy acquisition costs mainly consist of commission to insurance intermediaries, sales staff costs, office rent, medical examination costs, policy printing expenses, stamp duty and other related expenses incurred to source and issue the policy. These costs are expensed in the period in which they are incurred.

#### (ii) GENERAL INSURANCE BUSINESS

**Claims incurred**

Claims incurred comprises of claims paid (net of salvage and other recoveries), change in the estimate liability for outstanding claims made following a loss occurrence reported, change in estimated liability for claims incurred but not reported (IBNR) & claims incurred but not enough reported (IBNER) and specific settlement costs comprising survey, legal and other directly attributable expenses.

## Notes forming part of the consolidated financial statements (Continued)

Provision is made for estimated value of outstanding claims at the Balance Sheet date net of reinsurance, salvage and other recoveries. 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 the light of past experience and progressively modified for changes as appropriate on availability of further information and include insurance claim settlement costs likely to be incurred to settle outstanding claims.

Claims (net of amounts receivable from reinsurers/coinsurers) 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 guidelines issued by IRDA vide circular No. 11/IRDA/ACTL/IBNR/2005-06 dated June 8, 2005 and applicable provisions of the Guidance Note 21 issued by the Institute of Actuaries of India. The Appointed Actuary has used alternative 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.

**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 out in the period in which they are incurred.

**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 handling) exceeds related reserve for unexpired risk.

### 1.30 LEASES

(i) **Finance leases**

Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the lower of the fair value of the asset and present value of the minimum lease payments at the inception of the lease term and are disclosed as leased assets. Lease payments are apportioned between the finance charges and the corresponding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Statement of Profit and Loss.

Leased assets capitalised under finance lease are depreciated on a straight line basis over the lease term.

(ii) **Operating leases**

Leases where the lessor effectively retains substantially all the risk and the benefits of ownership over the leased term are classified as operating leases. Leased rental payments under operating leases including committed increase in rentals are accounted for as an expense, on a straight line basis, over the non-cancellable lease period.

### 1.31 EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of

## Notes forming part of the consolidated financial statements (Continued)

equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### 1.32 TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

Minimum Alternative Tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss where appropriate. The credit available under the Act in respect of MAT paid is recognised as an asset where there is convincing evidence that the Corporation will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability.

### 1.33 GOODS AND SERVICES TAX INPUT CREDIT

Goods and Services tax input credit is accounted for in the books in the period in which the underlying supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

### 1.34 SECURITISED/ASSIGNED LOANS AND SECURITISATION LIABILITIES

The Corporation enters into transactions through direct assignment route. Transfers of pools of mortgages under the direct assignment route involve transfer of proportionate shares in the pools of mortgages. Such transfers result in derecognition only of that proportion of the mortgages which meets the derecognition criteria. The portion retained by the Corporation continue to be accounted for as loans.

The Corporation also periodically transfers pools of mortgages. Such assets are derecognised, if and only if, the Corporation loses control of the contractual rights that comprise the corresponding pools or mortgages transferred. In respect of pools securitised, wherever required, the Corporation provides credit enhancement in the form of guarantees and undertaking.

## Notes forming part of the consolidated financial statements (Continued)

The Corporation also acts as a servicing agent for pools assigned/securitised.

On de-recognition, the difference between the book value of the securitised asset and consideration received is recognised as gain arising on securitisation in the Statement of Profit and Loss over the balance maturity period of the pool transferred. Losses, if any, arising from such transactions, are recognised immediately in the Statement of Profit and Loss.

1.35 **POLICY LIABILITIES**

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, regulations notified by the IRDA and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDA.

The specific principles adopted for the valuation of policy liabilities are set out as per the IRDA (Assets, Liabilities and Solvency Margin) Regulations, 2000 and the APS2 & APS7 issued by the Institute of Actuaries of India.

1.36 **RESERVE FOR UNEXPIRED RISK OF GENERAL INSURANCE BUSINESS**

Reserve for Unexpired Risk represents proportion of net premium written relating to the period of insurance subsequent to the Balance Sheet date, calculated on the basis of 1/365th method, or as required under Section 64V(1)(ii)(b) of the Insurance Act, 1938, i.e., subject to a minimum of 100% in case of marine hull business and 50% in case of other businesses based on net premium written during the year, whichever is higher. As per the Master Circular on preparation of financial statements - General Insurance Business, the net Premium Written is to be considered only in respect of policies written during the year and unexpired on the Balance sheet date.

**2.** The consolidated financial statements relate to Housing Development Finance Corporation Limited ("HDFC Ltd." or "the Corporation"), its subsidiaries, jointly controlled entities and Group's share of profit/loss in its associates as on March 31, 2018 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:

(i) The financial statements of the Corporation and its subsidiaries have been combined on a line-by-line basis by consolidating the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions, resulting in unrealised profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' (AS 21).

(ii) The Corporation's investments in equity shares of associates are accounted for under the equity method and its share of pre-acquisition profits/losses is reflected as goodwill/capital reserve in the carrying value of investments in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' (AS 23).

(iii) The financial statements of the subsidiaries and the associates used in the consolidation are drawn up to the same reporting date as that of the Corporation, i.e. March 31, 2018.

(iv) The excess of cost to the Corporation, of its investment in the subsidiaries over the Corporation's portion of equity is recognised in the financial statements as Goodwill.

(v) The excess of the Corporation's portion of equity of the subsidiaries on the acquisition date over its cost of investment is treated as Capital Reserve.

(vi) Minority Interest in the net assets of consolidated subsidiaries consists of:

a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and

b) The minorities' share of movements in equity since the date the relationship came into existence.

## Notes forming part of the consolidated financial statements (Continued)

(vii) Minority interest's share of net profit/loss for the year of the consolidated subsidiaries is identified and adjusted against the profit after tax of the group.

(viii) In case of foreign subsidiaries, being non-integral operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the Foreign Currency Translation Reserve.

2.1 The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard on Consolidated Financial Statements (AS 21).

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.

| Name of Subsidiary | Proportion of Ownership Interest (%) | |
|---|---|---|
| | Current Year | Previous Year |
| HDFC Developers Ltd. (Refer Note 40) | **100.00** | 100.00 |
| HDFC Investments Ltd. | **100.00** | 100.00 |
| HDFC Holdings Ltd. | **100.00** | 100.00 |
| HDFC Asset Management Co. Ltd. | **57.36** | 59.99 |
| HDFC Trustee Co. Ltd. | **100.00** | 100.00 |
| HDFC Realty Ltd. (Refer Note 40) | **100.00** | 100.00 |
| GRUH Finance Ltd. | **57.93** | 58.45 |
| HDFC Venture Capital Ltd. | **80.50** | 80.50 |
| HDFC Ventures Trustee Co. Ltd. | **100.00** | 100.00 |
| HDFC Standard Life Insurance Co. Ltd. | **51.62** | 61.53 |
| HDFC Pension Management Co. Ltd. (Subsidiary of HDFC Standard Life Insurance Co. Ltd.) | **51.62** | 61.53 |
| HDFC International Life and Re Company Limited (Subsidiary of HDFC Standard Life Insurance Co. Ltd.) | **51.62** | 61.53 |
| HDFC ERGO General Insurance Co. Ltd. (Formerly HDFC General Insurance Limited from September 14, 2016 and L&T General Insurance Company Limited upto September 13, 2016) | **50.48** | 50.80 |
| HDFC Sales Pvt. Ltd. | **100.00** | 100.00 |
| HDFC Property Ventures Ltd. | **100.00** | 100.00 |
| HDFC Investment Trust | **100.00** | 100.00 |
| HDFC Investment Trust - II | **100.00** | 100.00 |
| Griha Investments (Subsidiary of HDFC Holdings Ltd.) | **100.00** | 100.00 |
| Griha Pte Ltd. (Subsidiary of HDFC Investments Ltd.) | **100.00** | 100.00 |
| HDFC Credila Financial Services Pvt. Ltd. | **82.22** | 81.12 |
| HDFC Education and Development Services Pvt. Ltd. | **100.00** | 100.00 |
| HDFC Capital Advisors Ltd. | **100.00** | 100.00 |

2.2 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'.

2.3 The accounts of H T Parekh Foundation, a section 8 Company under Companies Act, 2013, are not consolidated in these financial statements, since, the Corporation will not derive any economic benefits from H T Parekh Foundation.

## Notes forming part of the consolidated financial statements (Continued)

3. Investment made by the Corporation and its subsidiaries in the following associates, have been accounted for, under the equity method, in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' (AS 23):

| Name of Associate | Nature of Business | Proportion of Ownership Interest (%) | |
|---|---|---|---|
| | | Current Year | Previous Year |
| HDFC Bank Ltd. | Banking Services | **20.93** | 21.20 |
| True North Ventures Pvt. Ltd | Venture Capital | **21.51** | 21.51 |
| RuralShores Business Services Pvt. Ltd. # | BPO | **27.08** | 27.08 |
| Magnum Foundations Pvt. Ltd. * | Real Estate | **50.00** | 50.00 |

# As per Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' (AS 23), the investments in RuralShores Business Services Pvt. Ltd. has been excluded from consolidation since the share of losses exceeded the carrying amount of investment and the same has been fully provided for in the books of account of HDFC Ltd.

* As per the Accounting Standard on Consolidated Financial Statements (AS 23), Investments in Magnum Foundations Pvt. Ltd. by one of the subsidiary company has been excluded from consolidation, since it is exclusively held with a view to their subsequent disposal in the near future by such subsidiary company.

HDFC Ltd.'s share of profit in HDFC Bank Ltd. has been accounted for based on their consolidated financial statements.

4. **SHARE CAPITAL**

| | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|
| AUTHORISED | | |
| 228,80,50,000 Equity Shares of ₹ 2 each | **457.61** | 350.00 |
| (Previous Year 175,00,00,000 Equity Shares of ₹ 2 each) | | |
| | **457.61** | 350.00 |
| ISSUED, SUBSCRIBED AND FULLY PAID UP | | |
| 167,58,79,893 Equity Shares of ₹ 2 each | **335.18** | 317.73 |
| (Previous Year 158,86,72,140 Equity Shares of ₹ 2 each) | | |
| | **335.18** | 317.73 |

4.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | Number | ₹ in Crore | Number | ₹ in Crore |
| Equity shares outstanding as at the beginning of the year | **158,86,72,140** | **317.73** | 157,98,46,340 | 315.97 |
| Shares allotted pursuant to exercise of stock options | **1,19,74,230** | **2.40** | 88,25,800 | 1.77 |
| Shares allotted pursuant to issue of shares under QIP, Preferential basis & Conversion of Warrants into equity shares | **7,52,33,523** | **15.05** | - | - |
| Equity shares outstanding as at the end of the year | **167,58,79,893** | **335.18** | 158,86,72,140 | 317.73 |

## Notes forming part of the consolidated financial statements (Continued)

4.2 There were no shareholder holding more than 5 percent shares in the Corporation as at March 31, 2018. Details of shareholders holding more than 5 percent shares in the Corporation as at March 31, 2017 are given below:

| Particulars | As on March 31, 2017 | |
|---|---|---|
| | Number | Percentage of shares held to total Shares |
| Life Insurance Corporation of India (All accounts) | 8,60,26,344 | 5.41% |

4.3 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, 2018, **11,04,53,219 shares** (Previous Year 12,29,51,224 shares) were reserved for issuance as follows:

a) **7,44,67,819 shares** of ₹ 2 each (Previous Year 8,64,51,224 shares of ₹ 2 each) towards outstanding Employees Stock Options granted/available for grant, including lapsed options [Refer Note 4.4].

b) **3,59,85,400 shares** of ₹ 2 each (Previous Year 3,65,00,000) towards outstanding share warrants [Refer Note 5.11].

4.4 Through postal ballot held on March 10, 2017, the shareholders had approved the issue of 4,98,51,524 equity shares of ₹ 2 each to the eligible employees and directors of the Corporation. The Nomination and Remuneration Committee of Directors (NRC) at its meeting held during the year on various dates, approved the grant of 4,28,45,977 new stock options, representing 4,28,45,977 equity shares of ₹ 2 each under ESOS-2017, to the eligible employees and Directors. The same represents the Options approved for grant by the shareholders at the postal ballot held on March 10, 2017 plus 10,59,040 options lapsed under previous schemes (ESOS-11: 3,90,350 options, and ESOS-14 : 6,68,690 options), net of 80,64,587 options reserved. The options were granted at an exercise price ranging between ₹ 1,569.85 to ₹ 1,908.30 per option, being the latest available closing price of the equity shares of the Corporation on the stock exchange on which the shares are listed and having higher trading volume, prior to the meeting of the NRC at which the options were granted.

4.5 Through postal ballot held on February 14, 2018, the shareholders of the Corporation had approved the following :

a) Increase in the Authorised Share Capital of the Corporation to ₹ 370 crores comprising 185,00,00,000 equity shares of ₹ 2 each.

b) Issue of 6,43,29,882 equity shares of face value of ₹ 2 each on a preferential basis at a price of ₹ 1,726.05 per Equity share.

c) Issue of equity shares on a Qualified Institutional Placement basis for a total consideration not exceeding ₹ 1,896 crore.

Pursuant to the said approval, the Corporation has allotted 6,43,29,882 equity shares of face value of ₹ 2 each on a preferential basis at a price ₹ 1,726.05 per Equity share during the year. The Corporation has also allotted 1,03,89,041 equity shares of face value of ₹ 2 each on a Qualified Institutional Placement basis at a price of ₹ 1,825 per Equity share.

4.6 In terms of ESOS-17, the options would vest over a period of 1-3 years from the date of grant, but not later than Dec 1, 2020, depending upon options grantee completing continuous service of three years with the

## Notes forming part of the consolidated financial statements (Continued)

Corporation. Accordingly, no options have vested during the current year. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme - 2014 (ESOS - 14), the Corporation had on October 8, 2014, granted **62,73,064** options at an exercise price of ₹ **5,073.25** per option representing **3,13,65,320** equity shares of ₹ 2 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS-14, the options would vest over a period of 1-3 years from the date of grant, but not later than October 7, 2017, depending upon options grantee completing continuous service of three years with the Corporation. Accordingly, during the year **49,902 options** (Previous Year 1,57,799 options) were vested. In the current year **1,799 options** (Previous Year 22,390 options) lapsed. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme - 2011 (ESOS - 11), the Corporation had on May 23, 2012, granted **61,02,475** options at an exercise price of ₹ **3,177.50** per option representing **3,05,12,375** equity shares of ₹ 2 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 11, the options would vest over a period of 1-3 years from the date of grant, but not later than May 22, 2015, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. In the current year **27** options (Previous Year 1,936 options) lapsed. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2008 (ESOS – 08), the Corporation had on November 25, 2008, granted **57,90,000** options at an exercise price of ₹ **1,350.60** per option representing **57,90,000** equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 08, the options would vest over a period of 1-3 years from the date of grant, but not later than November 24, 2011, depending upon option grantee completing continuous service of three years with the Corporation. Accordingly, all the options have been vested in the earlier years. In the current year **Nil options** (Previous Year 228 options) lapsed. The options can be exercised over a period of five years from the date of respective vesting.

Under Employees Stock Option Scheme – 2007 (ESOS – 07), the Corporation had on September 12, 2007, granted **54,56,835** options at an exercise price of ₹ **2,149** per option representing **54,56,835** equity shares of ₹ 10 each to the employees and directors of the Corporation. The said price was determined in accordance with the pricing formula approved by the shareholders i.e. at the latest available closing price on the stock exchange having higher trading volume, prior to grant of options.

In terms of ESOS - 07, the options would vest over a period of 1-3 years from the date of grant, but not later than September 11, 2010, depending upon option grantee completing continuous service of three years with the Corporation. All the options have been vested in the earlier years. The options can be exercised over a period of five years from the date of respective vesting.

## Notes forming part of the consolidated financial statements (Continued)

**Method used for accounting for share based payment plan:**

The Corporation has used intrinsic value method to recognise for the compensation cost of stock options to employees of the Corporation. Intrinsic value is the amount by which the quoted market price of the underlying share exceeds the exercise price of the option. Since the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07 were granted at the market price, the intrinsic value of the option is Nil. Consequently the compensation cost is also Nil.

**Movement during the year in the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07:**

Number of options (Previous Year figures are in brackets)

| Particulars | ESOS-17 | ESOS-14 | ESOS-11 | ESOS-08 | ESOS-07 |
|---|---|---|---|---|---|
| Outstanding at the beginning of the year | - | **54,08,364**<br>*(60,71,671)* | **16,87,772**<br>*(28,13,951)* | **4,874**<br>*(5,102)* | **5,287**<br>*(5,287)* |
| Granted during the year | **42,845,977**<br>- | **-**<br>- | **-**<br>- | **-**<br>- | **-**<br>- |
| Vested during the year | **-**<br>- | **49,902**<br>*(1,57,799)* | **-**<br>- | **-**<br>- | **-**<br>- |
| Exercised during the year | **-**<br>- | **11,42,355**<br>*(6,40,917)* | **12,52,491**<br>*(11,24,243)* | **-**<br>- | **-**<br>- |
| Lapsed during the year | **4,03,871**<br>- | **1,799**<br>*(22,390)* | **27**<br>*(1,936)* | **-**<br>*(228)* | **-**<br>- |
| Outstanding at the end of the year | **4,24,42,106**<br>- | **42,64,210**<br>*(54,08,364)* | **4,35,254**<br>*(16,87,772)* | **4,874**<br>*(4,874)* | **5,287**<br>*(5,287)* |
| Unvested at the end of the year | **4,24,42,106**<br>- | **-**<br>*(49,902)* | **-**<br>- | **-**<br>- | **-**<br>- |
| Exercisable at the end of the year | **-**<br>- | **42,64,210**<br>*(53,58,462)* | **4,35,254**<br>*(16,87,772)* | **4,874**<br>*(4,874)* | **5,287**<br>*(5,287)* |
| Weighted average price per option | **₹ 1,571.33** | **₹ 5,073.25** | **₹ 3,177.50** | **₹ 1,350.60** | **₹ 2,149.00** |

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 |

## Notes forming part of the consolidated financial statements (Continued)

Since all the stock options granted under ESOS-2014, ESOS-2011, ESOS-2008 and ESOS-2007 have been vested, the stock based compensation expense determined under fair value based method is ₹ **Nil** (Previous Year ₹ Nil). Accordingly there is no change in the reported and pro-forma net profit and Basic and Diluted EPS.

However, had the compensation cost for the stock options granted been determined based on the fair value approach, the Corporation's net profit and earnings per share would have been as per the pro-forma amounts indicated below:

₹ **in Crore**

| Particulars | Current Year | Previous Year |
|---|---|---|
| Net Profit (as reported) | **16,254.96** | 11,051.12 |
| Less: Stock-based compensation expenses determined under fair value based method, net of tax: [Gross ₹ **920.17 crore** (Previous Year ₹ Nil)] (pro-forma) | **601.72** | - |
| Net Profit (pro-forma) | **15,653.24** | 11,051.12 |
| Less: Amounts utilised out of Shelter Assistance Reserve | **176.54** | 146.27 |
| Net Profit considered for computing EPS (pro-forma) | **15,476.70** | 10,904.85 |

Amount in ₹

| Particulars | Current Year | Previous Year |
|---|---|---|
| Basic earnings per share (as reported) | **100.35** | 68.87 |
| Basic earnings per share (pro-forma) | **96.60** | 68.87 |
| Diluted earnings per share (as reported) | **98.88** | 68.30 |
| Diluted earnings per share (pro-forma) | **95.18** | 68.30 |

4.7 The Corporation has not allotted any shares 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.

## 5. RESERVES AND SURPLUS

| | | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|
| Special Reserve No. I | [Refer Note 5.2] | **51.23** | 51.23 |
| Special Reserve No. II | [Refer Note 5.2] | **11,483.38** | 10,069.08 |
| Special Reserve Under Section 45-IC(1) of the Reserve Bank of India Act, 1934 | | **82.57** | 67.04 |
| General Reserve | | **16,486.30** | 13,937.12 |
| Statutory Reserve | | **4,943.49** | 3,865.63 |
| (As per Section 29C of the National Housing Bank Act, 1987) | | | |
| Securities Premium | [Refer Note 5.3] | **24,292.92** | 10,307.22 |
| Capital Redemption Reserve | | **26.29** | 27.67 |
| Debenture Redemption Reserve | | **9.81** | 9.72 |
| Shelter Assistance Reserve | | **18.15** | 193.21 |
| Corporate Social Responsibility Account | | **-** | 1.55 |
| Foreign Currency Translation Reserve | | **9.35** | 6.38 |
| Foreign Currency Monetary Item Translation Difference Account (Debit Balance) | [Refer Notes 5.7 and 5.8] | **(168.54)** | (171.69) |
| Cashflow Hedge Reserve | | **0.89** | (0.54) |
| Capital Reserve | | **0.04** | 0.04 |
| Capital Reserve on Consolidation | | **48.30** | 48.30 |
| Surplus in the Statement of Profit and Loss (of subsidiaries and associates) | [Refer Note 5.1] | **28,871.66** | 21,278.52 |
| | | **86,155.84** | 59,690.48 |

# Notes forming part of the consolidated financial statements (Continued)

## 5.1 SURPLUS IN THE STATEMENT OF PROFIT AND LOSS

| | | As at March 31, 2018 ₹ in Crore | As at March 31, 2017 ₹ in Crore |
|---|---|---|---|
| Opening Balance | | **21,278.52** | 12,536.95 |
| Add / (Less): Opening Adjustment | [Refer Note 2.2] | **(0.19)** | 121.31 |
| Add: Profit after Tax for the year attributable to the Corporation | | **16,254.96** | 11,051.12 |
| Add: Adjustment on account of Sale of Subsidiaries | [Refer Note 40] | **30.87** | - |
| Amounts available for appropriations | | **37,564.16** | 23,709.38 |
| **APPROPRIATIONS:** | | | |
| Special Reserve No. II | [Refer Note 5.2] | **1,416.56** | 1,296.10 |
| Special Reserve (under Section 45-IC(1) of the Reserve Bank of India Act, 1934) | | **15.14** | 14.36 |
| General Reserve | | **2,519.84** | 70.99 |
| Statutory Reserve (As per Section 29C of the National Housing Bank Act, 1987) | | **1,078.00** | 245.00 |
| Shelter Assistance Reserve | | **-** | 185.00 |
| Debenture Redemption Reserve | | **4.91** | 9.72 |
| Final dividend paid | [Refer Note 5.5] | **2,388.89** | - |
| Tax on Final Dividend | [Refer Note 5.5] | **495.08** | - |
| Tax on Dividend credit taken | [Refer Note 5.4] | **-** | (9.98) |
| Interim Dividend Paid | [Refer Note 5.10] | **586.35** | 476.13 |
| Tax on Interim Dividend | [Refer Note 5.10] | **187.73** | 139.82 |
| Dividend [including tax of ₹ **Nil** (Previous Year ₹ 0.63 crore)] pertaining to previous year paid during the year | [Refer Note 5.4] | **-** | 3.72 |
| | | **28,871.66** | 21,278.52 |

5.2 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 HDFC Ltd. and a Subsidiary. Special Reserve No. I relates to the amounts transferred upto Financial Year 1996-97, whereas Special Reserve No. II relates to the amounts transferred thereafter.

Vide circular NHB(ND)/DRS/Pol. 62/2014 dated May 27, 2014, the National Housing Bank (NHB) had directed Housing Finance Companies (HFCs) to provide for deferred tax liability in respect of the balance in the "Special Reserve" created under Section 36(1)(viii) of the Income Tax Act, 1961. Vide circular NHB(ND)/DRS/Pol. 65/2014 dated August 22, 2014, NHB has permitted HFCs to create the Deferred Tax Liability over a period of 3 years, in a phased manner in the ratio of 25:25:50. Accordingly, the Corporation and one of its subsidiary has created the residual deferred tax liability of ₹ 1,158.17 crore on balance of accumulated Special Reserve as on April 1, 2014 by debiting the General reserve in the previous year.

The Corporation and one of its subsidiary has transferred an amount of ₹ **1,416.56 crore** (Previous Year ₹ 1,296.10 crore) to Special Reserve No. II in terms of Section 36(1)(viii) of the Income-tax Act, 1961, ₹ **1,078 crore** (Previous Year ₹ 245 crore) to "Statutory Reserve (As per Section 29C of The NHB Act)" and ₹ **15.14 crore** (Previous Year ₹ 14.36 crore) has been transferred by its subsidiaries to Special Reserve (As per Section 45-IC of The Reserve Bank of India Act, 1934).

5.3 During the year, ₹ **547.66 crore** (Previous Year ₹ 575.08 crore) has been utilised out of the Securities Premium in accordance with Section 52 of the Companies Act, 2013. Out of the above, ₹ **47.70 crore** (Previous Year ₹ 1.13 crore) has been utilised by the subsidiary companies towards issue of Bonus equity shares, expenses thereon and debenture issue expenses and ₹ **499.93 crore (net of tax ₹ 264.08 crore)** [(Previous Year ₹ 573.95 crore) (net of tax ₹ 303.76 crore)] has been utilised by HDFC Ltd. towards the proportionate premium payable on the redemption of Zero Coupon Secured Redeemable Non Convertible Debentures and issue expenses in respect of Rupee Denominated Bonds and Medium Term Note Programme (MTN Programme).

## Notes forming part of the consolidated financial statements (Continued)

5.4 During the previous year, the Corporation availed a credit of ₹ 9.98 crore (for FY 2015-16), which is adjusted against the dividend tax paid by the subsidiary companies of the Corporation on the dividend paid to the Corporation as per Section 115-O(1A) of the Income Tax Act, 1961.

In respect of equity shares issued pursuant to Employee Stock Option Schemes between April 1, 2016 and the date of the Annual General Meeting, the Corporation, in the previous year, paid dividend of ₹ 3.09 crore for the year 2015-16 and tax on dividend of ₹ 0.63 crore as approved by the shareholders at the Annual General Meeting held on July 27, 2016 and GRUH Finance Ltd, in the previous year, paid dividend of ₹ 33,718 for the FY 2015-16 and tax on dividend ₹ 6,865 as approved by the shareholders at the Annual General Meeting held on June 22, 2016.

5.5 According to the amendment in Companies (Accounting Standards) Rules, 2006 ('principal rules'), proposed Dividend is not recorded as Liability effective from FY 2016-17. Accordingly, the Corporation has paid dividend of ₹ **2,389.35 crore** along with additional tax on dividend of ₹ **474.27 crore**. Also, GRUH Finance Ltd, a subsidiary company has paid Dividend of ₹ **123.00 crore** including tax on dividend of ₹ **20.81 crore** pertaining to previous year during the year ended March 31, 2018.

5.6 The Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India was effective from April 1, 2016. On and from that date, all derivative contracts are recognised on the balance sheet and measured at fair value. The fair value changes are recognised in the Statement of Profit and Loss unless hedge accounting is used. Where hedge accounting is used, fair value changes of the derivative contracts are recognised through the Statement of Profit and Loss in the same period as the offsetting losses and gains on the hedged item. The long term monetary items other than derivatives continue to be amortised, through the Statement of Profit and Loss over the balance period of such long term asset or liability as explained in Note 5.7.

5.7 Pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs amending the Accounting Standard 11, the Corporation has exercised the option as per Para 46A inserted in the Standard for all long term monetary assets and liabilities. Consequently, an amount of ₹ **168.54 crore** (without considering future tax benefit of ₹ **58.33 crore**) [(Previous Year ₹ 171.69 crore) (without considering future tax benefits of ₹ 59.42 crore)] is carried forward in the Foreign Currency Monetary Items Translation Difference Account as on March 31, 2018. This amount is to be amortised over the period of the monetary assets/liabilities ranging upto 3 years.

5.8 During the year, there was a net addition of ₹ **3.15 crore** (Previous Year net addition ₹ 49.62 crore) in the Foreign Currency Monetary Items Translation Difference Account as under:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Adjusted against General reserve on fair valuation of derivatives as on April 1, 2016 | - | 162.20 |
| Net Revaluation of monetary assets & liabilities | **(298.56)** | (351.59) |
| Net Debit/(Credit) on account of repayments during the year | **226.06** | 82.57 |
| Net amortisation Debit/(Credit) during the year | **75.65** | 57.20 |
| Net reduction/(addition) during the year | **3.15** | (49.62) |

5.9 The Board of Directors have proposed dividend on equity shares at ₹ **16.50** per share at their meeting held on April 30, 2018. As per the Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in ensuing Annual General Meeting.

5.10 The Board of Directors of the Corporation at its meeting held on March 16, 2018, *inter alia*, has approved the payment of an interim dividend of ₹ **3.50** (Previous Year ₹ 3.00) per equity share of face value of ₹ 2 each of the Corporation, for the financial year 2017-18.

5.11 The Corporation has on October 5, 2015 issued 3,65,00,000 warrants, convertible into 3,65,00,000 equity shares of ₹ 2 each at a conversion 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

## Notes forming part of the consolidated financial statements (Continued)

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. An amount of ₹ 51.10 crore was received towards subscription of warrants. The warrants may be converted into equivalent number of shares on payment of the conversion price at any time on or before October 5, 2018. In the event the warrants are not converted into shares within the said period, the Corporation is eligible to forfeit the amounts received towards the warrants. During the year **5,14,600 warrants** were converted to equity shares of ₹ 2 each.

6. The Funds for Future Appropriations (FFA), in the participating segment, represents the surplus, which is not allocated to policyholders or shareholders as at the Balance Sheet date. Transfers to and from the fund reflect the excess/deficit of income over expenses/expenses over income respectively and appropriations in each accounting period arising in the Company's policyholders' fund. Any allocation to the par policyholders would also give rise to a transfer to Shareholders' Profit and Loss Account in the required proportion.

The FFA in the linked segment represents surplus on the lapsed policies unlikely to be revived. This surplus is required to be held within the policyholders' fund till the time policyholders are eligible for revival of their policies.

### 7. LONG-TERM BORROWINGS

₹ in Crore

| Particulars | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| Bonds and Debentures [Refer Note 7.8] | | **98,469.18** | 97,456.36 |
| Term Loans: [Refer Note 7.8] | | | |
| - Banks | **3,534.89** | | 7,712.02 |
| - External Commercial Borrowing - Low Cost Affordable Housing | **5,702.38** | | 7,619.88 |
| - Others | **9,403.87** | **18,641.14** | 7,325.79 |
| Deposits [Refer Note 7.7] | | **44,599.54** | 41,837.95 |
| | | **161,709.86** | 161,952.00 |

7.1 Long-Term Borrowings are further sub-classified as follows:

₹ in Crore

| Sr. No. | Particulars | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|---|
| | **Secured:** [Refer Note 7.2] | | | |
| a) | **Bonds and Debentures** | | | |
| | - Bonds | **27.35** | | 34.20 |
| | - Non Convertible Debentures | **82,918.83** | | 83,349.16 |
| b) | **Term Loans from Banks** | | | |
| | - Scheduled Banks | **2,284.89** | | 6,712.02 |
| c) | **Term Loans from other parties** | | | |
| | - Asian Development Bank [Refer Note 7.3] | **209.00** | | 260.26 |
| | - National Housing Bank | **9,194.87** | | 7,065.53 |
| | **Total Secured** | | **94,634.94** | 97,421.17 |
| | **Unsecured :** | | | |
| a) | **Bonds and Debentures** | | | |
| | - Non Convertible Subordinated Debentures | **5,723.00** | | 5,623.00 |
| | - Perpetual Debt Instrument | **200.00** | | 150.00 |
| | - Synthetic INR Denominated Bonds [Refer Note 7.5] | **9,600.00** | | 8,300.00 |
| b) | **Term Loans from Banks** | | | |
| | - Scheduled Banks | **1,250.00** | | 1,000.00 |
| c) | **External Commercial Borrowing - Low Cost Affordable Housing** [Refer Note 7.4] | **5,702.38** | | 7,619.88 |
| d) | **Deposits** [Refer Note 7.7] | **44,599.54** | | 41,837.95 |
| | **Total Unsecured** | | **67,074.92** | 64,530.83 |
| | | | **1,61,709.86** | 1,61,952.00 |

## Notes forming part of the consolidated financial statements (Continued)

7.2 All secured Long-Term Borrowings are secured by

(i) Negative lien on the assets of the Corporation and GRUH Finance Ltd 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.

(ii) First charge by way of hypothecation of education loan receivables of one of the subsidiary company's underlying portfolio of education loans and related collaterals.

7.3 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 the 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.

7.4 The Corporation had availed External Commercial Borrowing (ECBs) of **USD 1,175 million**, for financing prospective owners of low cost affordable housing units under "approval route" in terms of Reserve Bank of India ("RBI") guidelines. The borrowing has a maturity of five years. In terms of the RBI guidelines, these borrowings have been swapped into rupees for the entire maturity by way of principal only swaps. The currency exposure on the interest has been hedged by way of forward contracts.

The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

7.5 The Corporation has raised ₹ **9,600 crore** through Rupee Denominated Bonds to overseas investors till date. The Corporation was the first Indian corporate issuer of such bonds. Out of the said issuances, ₹ **5,000 crore** has been issued through standalone issuances to various investors under the automatic route.

The Corporation established a Medium Term Note Programme (MTN Programme) for **USD 750 million** so as to enable the Corporation to issue debt instruments in the international capital markets, subject to regulatory approvals. During the year, the Corporation has upsized its MTN Programme from **USD 750 million** to **USD 1.3 billion**. Subsequently, during the annual updation of the MTN Programme on the London Stock Exchange, the Corporation increased the limit of the Programme by another USD 1.5 billion. Consequently, the MTN Programme limit currently is **USD 2.8 billion**.

During the year, the Corporation raised ₹ **1,300 crore** through issue of Rupee Denominated Bonds under the MTN Programme to International Finance Corporation (IFC) through the approval route. IFC, member of the World bank group has partnered with the Corporation, to finance the construction of affordable housing projects in the country for an amount of ₹ **5,200 crore**. Under the said agreement, IFC contributes ₹ **1,300 crore**, by subscribing to the said Bonds. The Corporation shall contribute the balance amount of ₹ **3,900 crore**. The Corporation shall finance eligible sub projects by way of loans to eligible sub borrowers.

The Corporation has raised ₹ **4,600 crore** till date under the MTN Programme through the approval route with the external commercial guidelines issued by the Reserve Bank of India (RBI).

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 consolidated financial statements (Continued)

7.6 As on March 31, 2018, the Corporation has foreign currency borrowings of **USD 3,029.15 million equivalent** (Previous Year USD 2,944.46 million equivalent). The Corporation has undertaken currency swaps and forward contracts of a notional amount of **USD 2,325 million equivalent** (Previous Year USD 2,554.92 million equivalent) and dollar denominated assets and foreign currency arrangements of **USD 367.39 million** (Previous Year 401.66 million) to hedge the foreign currency risk. As on March 31, 2018, the Corporation's net foreign currency exposure on borrowings net of risk management arrangements is **USD 336.76 million** (Previous Year USD Nil).

Further, interest rate swaps on a notional amount of **USD Nil** (Previous Year USD 70 million equivalent) are outstanding, which have been undertaken to hedge the interest rate risk on the foreign currency borrowings.

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 ₹ **48,270 crore** (Previous Year ₹ 30,355 crore) and Cross currency interest rate swaps of a notional amount of ₹ **100 crore** (Previous Year ₹ 300 crore) as on March 31, 2018 for varying maturities into floating rate liabilities linked to various benchmarks. The Corporation has entered into currency swaps of a notional amount of **USD Nil** (Previous Year USD 49.42 million equivalent) through which it has converted its rupee liabilities into foreign currency liabilities and the interest rate is linked to the benchmarks of respective currencies.

7.7 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.

7.8 **Terms of redemption of bonds and debentures and for repayment terms of term loans:**

**A) BONDS & DEBENTURES**

Previous Year figures are in (brackets)
₹ in Crore

| **Bonds & Debentures - Secured** | | | | | |
|---|---|---|---|---|---|
| **Maturities -** | | **1-3 years** | **3-5 years** | **> 5 years** | **TOTAL** |
| **Rates of Interest** | | | | | |
| 6.03% - 8% | | **36,896.16** | **396.39** | **3,314.12** | **40,606.67** |
| | | *(18,821.00)* | - | *(3,350.82)* | *(22,171.82)* |
| 8.01% - 10% | | **23,089.15** | **5,685.41** | **9,747.86** | **38,522.42** |
| | | *(31,474.84)* | *(13,227.53)* | *(7,020.38)* | *(51,722.75)* |
| 10.01% - 11.95% | | **-** | **-** | **-** | **-** |
| | | *(4,200.28)* | - | - | *(4,200.28)* |
| Zero Coupon | | **3,789.74** | **-** | **-** | **3,789.74** |
| | | *(5,254.31)* | - | - | *(5,254.31)* |
| Variable Rate | | | | | |
| - Linked to G Sec | | **14.95** | **12.40** | **-** | **27.35** |
| | | *(14.10)* | *(15.90)* | *(4.20)* | *(34.20)* |
| **Total Secured** | **A** | **63,790.00** | **6,094.20** | **13,061.98** | **82,946.18** |
| | *A* | *(59,764.53)* | *(13,243.43)* | *10,375.40)* | *(83,383.36)* |

# Notes forming part of the consolidated financial statements (Continued)

Previous Year figures are in (brackets)
₹ in Crore

| Bonds & Debentures - Unsecured | | | | | |
|---|---|---|---|---|---|
| Maturities - | | 1-3 years | 3-5 years | > 5 years | TOTAL |
| Rates of Interest | | | | | |
| Non-Convertible Subordinated Debentures and Perpetual Debt Instrument | | | | | |
| 8.65% - 12.00% | | 1,500.00<br>*(500.00)* | 1,035.00<br>*(2,000.00)* | 3,388.00<br>*(3,273.00)* | 5,923.00<br>*(5,773.00)* |
| Synthetic INR Denominated Bonds | | | | | |
| 6.87% - 7.88% | | 8,300.00<br>*(5,000.00)* | 1,300.00<br>*(3,300.00)* | -<br>- | 9,600.00<br>*(8,300.00)* |
| Total Unsecured | B<br>*B* | 9,800.00<br>*(5,500.00)* | 2,335.00<br>*(5,300.00)* | 3,388.00<br>*(3,273.00)* | 15,523.00<br>*(14,073.00)* |
| Total (Secured & Unsecured) | A+B<br>*A+B* | 73,590.00<br>*(65,264.53)* | 8,429.20<br>*(18,543.43)* | 16,449.98<br>*(13,648.40)* | 98,469.18<br>*(97,456.36)* |

## B) TERM LOANS FROM BANKS

Previous Year figures are in (brackets)
₹ in Crore

| Term Loans from Banks - Secured | | | | | |
|---|---|---|---|---|---|
| Maturities - | | 1-3 years | 3-5 years | > 5 years | TOTAL |
| Rates of Interest | | | | | |
| Term Loans from Scheduled Banks - Rupee | | | | | |
| 7.01% - 9% | | 1,024.10<br>*(701.07)* | 568.54<br>*(1,399.90)* | 692.25<br>*(4,463.21)* | 2,284.89<br>*(6,564.18)* |
| 9.01% - 12.00% | | <br>*(93.94)* | <br>*(53.90)* | | -<br>*(147.84)* |
| Total Secured | A<br>*A* | 1,024.10<br>*(795.01)* | 568.54<br>*(1,453.80)* | 692.25<br>*(4,463.21)* | 2,284.89<br>*(6,712.02)* |
| Term Loans from Banks - Unsecured | | | | | |
| Maturities - | | 1-3 years | 3-5 years | > 5 years | TOTAL |
| Rates of Interest | | | | | |
| Term Loans from Scheduled Banks - Rupee | | | | | |
| 6.65% - 7.60% | | -<br>- | 1,000.00<br>*(1,000.00)* | 250.00<br>- | 1,250.00<br>*(1,000.00)* |
| Total Unsecured | B<br>*B* | -<br>- | 1,000.00<br>*(1,000.00)* | 250.00<br>- | 1,250.00<br>*(1,000.00)* |
| Total (Secured & Unsecured) | A+B<br>*A+B* | 1,024.10<br>*(795.01)* | 1,568.54<br>*(2,453.80)* | 942.25<br>*(4,463.21)* | 3,534.89<br>*(7,712.02)* |

## C) EXTERNAL COMMERCIAL BORROWING - LOW COST AFFORDABLE HOUSING - UNSECURED

Previous Year figures are in (brackets)
₹ in Crore

| Maturities - | 1-3 years | 3-5 years | > 5 years | TOTAL |
|---|---|---|---|---|
| Rates of Interest | | | | |
| USD LIBOR + 107-175 bps | -<br>*(1,945.50)* | -<br>- | -<br>- | -<br>*(1,945.50)* |
| USD LIBOR + 120 bps | 3,258.50<br>- | -<br>*(3,242.50)* | -<br>- | 3,258.50<br>*(3,242.50)* |
| USD LIBOR + 126 bps | -<br>- | 2,443.88<br>*(2,431.88)* | -<br>- | 2,443.88<br>*(2,431.88)* |
| Total Unsecured | 3,258.50<br>*(1,945.50)* | 2,443.88<br>*(5,674.38)* | -<br>- | 5,702.38<br>*(7,619.88)* |

# Notes forming part of the consolidated financial statements (Continued)

## D) TERM LOANS FROM OTHER PARTIES - SECURED

Previous Year figures are in (brackets)

₹ in Crore

| Maturities - | 1-3 years | 3-5 years | > 5 years | TOTAL |
|---|---|---|---|---|
| **Rates of Interest** | | | | |
| Asian Development Bank<br>USD LIBOR + 40 bps | **58.29**<br>*(54.55)* | **48.67**<br>*(61.68)* | **-**<br>*(16.65)* | **106.96**<br>*(132.88)* |
| Variable linked to Bank PLR | **29.82**<br>*(28.04)* | **24.89**<br>*(31.71)* | **-**<br>*(8.55)* | **54.71**<br>*(68.30)* |
| Variable linked to G Sec | **25.79**<br>*(24.25)* | **21.53**<br>*(27.43)* | **-**<br>*(7.40)* | **47.32**<br>*(59.08)* |
| National Housing Bank<br>4.61% - 5.99% | **364.62**<br>- | **364.63**<br>- | **645.18**<br>- | **1,374.43**<br>- |
| 5.50% - 8% | **2,035.03**<br>*(1,982.54)* | **1,641.54**<br>*(1,497.70)* | **2,339.12**<br>*(716.76)* | **6,015.69**<br>*(4,197.00)* |
| 8.01% - 10% | **599.63**<br>*(1,179.12)* | **382.06**<br>*(507.32)* | **823.06**<br>*(1,182.09)* | **1,804.75**<br>*(2,868.53)* |
| **Total Secured** | **3,113.18**<br>*(3,268.50)* | **2,483.33**<br>*(2,125.84)* | **3,807.36**<br>*(1,931.45)* | **9,403.87**<br>*(7,325.79)* |

## 8. OTHER LONG-TERM LIABILITIES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Interest Accrued but not due on Borrowings | **1,724.09** | 1,508.90 |
| Premium payable on redemption of Debentures | **752.75** | 690.25 |
| Payable against Derivative | **197.09** | 133.26 |
| Security and Other Deposits Received | **30.04** | 6.95 |
| Income Received in Advance | **55.42** | 45.52 |
| Trade Payables | **82.17** | 87.44 |
| Others | **11.58** | 20.20 |
| **Total** | **2,853.14** | 2,492.52 |

## 9. LONG-TERM PROVISIONS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Provision for Employee Benefits [Refer Note 30.2] | **191.91** | 99.90 |
| Provision and Contingencies [Refer Notes 9.1 and 9.2] | **5,153.89** | 3,189.10 |
| Reserve for Unexpired Risk (Includes Insurance Reserve) | **565.66** | 558.56 |
| **Total** | **5,911.46** | 3,847.56 |

## Notes forming part of the consolidated financial statements (Continued)

9.1 Provision and Contingencies includes provisions for standard assets and all other contingencies. In accordance with the prudential norms of National Housing Bank and Reserve Bank of India, the minimum provision required to be carried forward is ₹ **1,664.54 crore** (Previous Year ₹ 1,668.04 crore) and ₹ **17.01 crore** (Previous Year ₹ 11.60 crore) respectively.

9.2 **Movement in Provisions and Contingencies Account during the year is as under:**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Opening Balance | **3,189.10** | 2,794.95 |
| Additions during the year (Net) | **2,064.61** | 746.02 |
| Utilised during the year towards diminution in value of Investments | **(36.48)** | (306.07) |
| Utilised during the year towards loans and others written off | **(63.33)** | (45.80) |
| Closing Balance | **5,153.89** | 3,189.10 |

### 10. SHORT-TERM BORROWINGS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Loans repayable on demand:** | | |
| - From Banks - Unsecured | **4,650.00** | - |
| Deposits - Unsecured [Refer Note 7.7] | **6,283.03** | 2,694.64 |
| | | |
| Other loans and advances | | |
| - Scheduled Banks - Secured [Refer Note 10.1] | **10,537.37** | 2,038.02 |
| - Scheduled Banks - Unsecured | **4,000.00** | - |
| - Commercial Papers - Unsecured [Refer Note 10.2] | **44,148.56** | 37,715.29 |
| | **69,618.96** | 42,447.95 |

10.1 All secured Short-Term Borrowings are secured by:

(i) Negative lien on the assets of the Corporation and GRUH Finance Ltd 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.

(ii) First charge by way of hypothecation of education loan receivables of one of the subsidiary company's underlying portfolio of education loans and related collaterals.

10.2 Commercial papers of the Corporation have a maturity value of ₹ **45,570 crore** (Previous Year ₹ 38,655 crore). Yield on commercial paper varies between **6.08% to 8.50%** (Previous Year 6.50% to 9.20%).

### 11. TRADE PAYABLES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Trade payables | **7,114.45** | 5,927.15 |
| **Total** | **7,114.45** | 5,927.15 |

# Notes forming part of the consolidated financial statements (Continued)

## 12. OTHER CURRENT LIABILITIES

₹ in Crore

| Particulars | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| Policy Liabilities (Policyholder's Fund) | | **16,795.41** | 14,274.24 |
| Current maturities of long-term borrowings | | **1,05,301.56** | 89,394.67 |
| Interest accrued but not due on borrowings | **7,228.84** | | 6,415.68 |
| Premium payable on redemption of Debentures | **465.90** | | 380.06 |
| Interest accrued and due on matured deposits | **85.84** | | 104.27 |
| Income and other amounts received in advance | **361.55** | | 409.11 |
| Unclaimed dividend | **44.91** | | 26.29 |
| Unclaimed matured deposits | **752.86** | | 827.78 |
| Payable against Derivatives | **181.23** | | 891.30 |
| **Other payables** | | | |
| - Statutory Remittances | **396.36** | | 234.19 |
| - Financial Assistance from Kreditanstalt für Wiederaufbau | **7.78** | | 7.78 |
| - Amounts payable - Securitised Loans | **490.55** | | 574.60 |
| - Amounts payable to Gratuity Fund | **0.17** | | 0.42 |
| - Others | **423.85** | | 775.48 |
| **Sub Total** | | **10,439.84** | 10,646.96 |
| **Total** | | **1,32,536.81** | 1,14,315.87 |

12.1 Current maturities of Long-Term Borrowings are further sub classified as follows:

₹ in Crore

| Sr. No. | Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| | **Secured** [Refer Note 12.2] | | |
| a) | **Bonds and Debentures** | | |
| | - Bonds | **6.85** | 6.30 |
| | - Non-Convertible Debentures | **44,019.31** | 24,286.86 |
| b) | **Term Loans from Banks** | | |
| | - Scheduled Banks | **13,737.47** | 16,953.87 |
| c) | **Term Loans from other parties** | | |
| | - Asian Development Bank | **51.91** | 48.69 |
| | - National Housing Bank | **1,533.97** | 1,792.33 |
| | **Unsecured** | | |
| a) | **Bonds and Debentures** | | |
| | - Non-Convertible Subordinated Debentures | **1,022.00** | 350.00 |
| b) | **Term Loans from Banks** | | |
| | - Scheduled Banks | **911.70** | 3,235.95 |
| c) | **External Commercial Borrowing - Low Cost Affordable Housing** | **1,955.10** | - |
| d) | **Deposits** [Refer Note 7.7] | **42,063.25** | 42,720.67 |
| | | **1,05,301.56** | 89,394.67 |

# Notes forming part of the consolidated financial statements (Continued)

12.2 Secured Current maturities of Long Term Borrowings are secured by:

(i) Negative lien on the assets of the Corporation and GRUH Finance Ltd. 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.

(ii) First charge by way of hypothecation of education loan receivables of one of the subsidiary company's underlying portfolio of education loans and related collaterals.

## 13. SHORT-TERM PROVISIONS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Provision for Employee benefits [Refer Note 30.2] | **123.10** | 208.10 |
| Provision for Tax (Net of Advance Tax) | **109.89** | 130.26 |
| Claims Incurred but not reported (IBNR) & Incurred but not enough reported (IBNER) | **1,328.46** | 1,255.63 |
| Reserve for Unexpired Risk (Includes Insurance Reserve) | **1,715.56** | 1,257.81 |
| **Total** | **3,277.01** | 2,851.80 |

## 14. TANGIBLE ASSETS

Previous Year figures are in (brackets)

₹ in Crore

| | GROSS BLOCK | | | | | DEPRECIATION AND AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at March 31, 2017 | Additions | Adjustments | Deductions | As at March 31, 2018 | As at March 31, 2017 | For the Year | Adjustments | Deductions | As at March 31, 2018 | As at March 31, 2018 | As at March 31, 2017 |
| Land : | | | | | | | | | | | | |
| Freehold | 56.80 | - | - | 0.04 | 56.76 | - | - | - | - | - | 56.76 | 56.80 |
| | *(56.80)* | - | - | - | *(56.80)* | - | - | - | - | - | *(56.80)* | *(56.80)* |
| Leasehold | 370.24 | - | - | - | 370.24 | 20.68 | 8.88 | - | - | 29.56 | 340.68 | 349.56 |
| | *(370.24)* | - | - | - | *(370.24)* | *(11.80)* | *(8.88)* | - | - | *(20.68)* | *(349.56)* | *(358.44)* |
| Buildings : | | | | | | | | | | | | |
| Own Use | 653.66 | 78.18 | - | 41.11 | 690.73 | 121.63 | 5.47 | - | 26.16 | 100.94 | 589.79 | 532.03 |
| | *(709.46)* | *(0.18)* | - | *(55.98)* | *(653.66)* | *(114.66)* | *(8.63)* | - | *(1.66)* | *(121.63)* | *(532.03)* | *(594.80)* |
| Under Operating Lease | 276.34 | - | (276.34) | | - | 222.04 | - | (222.04) | | - | - | 54.30 |
| | *(287.85)* | - | - | *(11.51)* | *(276.34)* | *(204.75)* | *(25.58)* | - | *(8.29)* | *(222.04)* | *(54.30)* | *(83.10)* |
| Leasehold Improvements | 140.09 | 15.37 | (0.05) | 5.29 | 150.12 | 110.77 | 10.29 | (0.04) | 4.75 | 116.27 | 33.85 | 29.32 |
| | *(127.26)* | *(14.56)* | - | *(1.73)* | *(140.09)* | *(89.02)* | *(20.49)* | - | *1.26* | *(110.77)* | *(29.32)* | *(38.24)* |
| Computer Hardware | 280.54 | 46.04 | (2.39) | 9.99 | 314.20 | 220.65 | 15.79 | (1.88) | (11.74) | 246.30 | 67.90 | 59.89 |
| | *(258.76)* | *(31.13)* | *(3.74)* | *(13.09)* | *(280.54)* | *(199.42)* | *(14.31)* | *(2.45)* | *4.47* | *(220.65)* | *(59.89)* | *(59.34)* |
| Furniture & Fittings : | | | | | | | | | | | | |
| Own Use | 175.92 | 20.33 | 0.55 | 2.59 | 194.21 | 126.66 | 5.94 | 0.11 | (2.38) | 135.09 | 59.12 | 49.26 |
| | *(164.19)* | *(10.49)* | *(5.08)* | *(3.84)* | *(175.92)* | *(116.68)* | *(5.63)* | *(3.83)* | *0.52* | *(126.66)* | *(49.26)* | *(47.51)* |
| Under Operating Lease | 0.13 | - | - | 0.13 | - | 0.13 | - | - | 0.13 | - | - | - |
| | *(0.13)* | - | - | - | *(0.13)* | *(0.12)* | *(0.01)* | - | - | *(0.13)* | - | *(0.01)* |
| Office Equipment etc. | | | | | | | | | | | | |
| Own Use | 176.71 | 23.96 | 0.55 | 6.93 | 194.29 | 126.76 | 9.03 | 1.11 | (0.75) | 137.65 | 56.64 | 49.95 |
| | *(167.23)* | *(13.95)* | *(0.88)* | *(5.35)* | *(176.71)* | *(116.43)* | *(7.81)* | *(0.61)* | *1.91* | *(126.76)* | *(49.95)* | *(50.80)* |
| Under Operating Lease | 1.24 | - | - | 1.24 | - | 1.20 | - | - | 1.20 | - | - | 0.04 |
| | *(1.24)* | - | - | - | *(1.24)* | *(1.14)* | *(0.06)* | - | - | *(1.20)* | *(0.04)* | *(0.10)* |

# Notes forming part of the consolidated financial statements (Continued)

Previous Year figures are in (brackets)
₹ in Crore

| | GROSS BLOCK | | | | | DEPRECIATION AND AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at March 31, 2017 | Additions | Adjustments | Deductions | As at March 31, 2018 | As at March 31, 2017 | For the Year | Adjustments | Deductions | As at March 31, 2018 | As at March 31, 2018 | As at March 31, 2017 |
| Vehicles : | | | | | | | | | | | | |
| Owned | 49.48 | 18.56 | - | 8.93 | 59.11 | 24.61 | 4.30 | - | 1.46 | 27.45 | 31.66 | 24.87 |
| | *(41.37)* | *(12.19)* | - | *(4.08)* | *(49.48)* | *(17.96)* | *(4.00)* | - | 2.65 | *(24.61)* | *(24.87)* | *(23.41)* |
| Under Finance Lease | 0.01 | - | - | 0.01 | - | - | - | - | - | - | - | 0.01 |
| | *(0.01)* | - | - | - | *(0.01)* | - | - | - | - | - | *(0.01)* | *(0.01)* |
| Leased Assets : | | | | | | | | | | | | |
| Plant & Machinery* | 129.18 | - | - | - | 129.18 | 129.18 | - | - | - | 129.18 | - | - |
| | *(129.18)* | - | - | - | *(129.18)* | *(129.18)* | - | - | - | *(129.18)* | - | - |
| Vehicles* | 16.37 | - | - | - | 16.37 | 16.37 | - | - | - | 16.37 | - | - |
| | *(16.37)* | - | - | - | *(16.37)* | *(16.37)* | - | - | - | *(16.37)* | - | - |
| **Total** | **2,326.71** | **202.44** | [3] **(277.68)** | **76.26** | **2,175.21** | **1,120.68** | [1] [2] **59.70** | [3] **(222.74)** | **18.83** | **938.81** | **1,236.40** | **1,206.03** |
| *Previous Year* | *(2,330.09)* | *(82.50)* | *(9.70)* | *(95.58)* | *(2,326.71)* | *(1,017.53)* | *(95.40)* | *(6.89)* | *0.86* | *(1,120.68)* | *(1,206.03)* | *(1,312.56)* |

(*) Assets held for disposal

**Notes :**

(1) Net of depreciation for the year amounting to ₹ **42.61 crore** (Previous Year ₹ 41.05 crore) included in Other expenses pertaining to Insurance Business.

(2) Depreciation for the financial year excludes ₹ **8.49 crore** (Previous Year ₹ 6.50 crore) being depreciation charge on Investment in Properties.

(3) Represents acquisition/sale of subsidiary.

## 15. INTANGIBLE ASSETS

Previous Year figures are in (brackets)
₹ in Crore

| | GROSS BLOCK | | | | | DEPRECIATION AND AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at March 31, 2017 | Additions | Adjustments | Deductions | As at March 31, 2018 | As at March 31, 2017 | For the Year | Adjustments | Deductions | As at March 31, 2018 | As at March 31, 2018 | As at March 31, 2017 |
| Computer Software | | | | | | | | | | | | |
| Owned | 397.13 | 50.37 | - | 1.21 | 446.29 | 320.72 | 5.00 | 31.74 | - | 357.46 | 88.83 | 76.41 |
| | *(242.41)* | *(49.21)* | *(105.86)* | *(0.35)* | *(397.13)* | *(181.63)* | *(4.93)* | *(104.09)* | *30.07* | *(320.72)* | *(76.41)* | *(60.78)* |
| Goodwill | 157.74 | - | - | - | 157.74 | 151.70 | 0.83 | - | - | 152.53 | 5.21 | 6.04 |
| | *(157.74)* | - | - | - | *(157.74)* | *(150.87)* | *(0.83)* | - | - | *(151.70)* | *(6.04)* | *(6.87)* |
| Website Development | 3.12 | 0.03 | - | 3.10 | 0.05 | 2.91 | 0.09 | - | 2.95 | 0.05 | - | 0.21 |
| | *(2.81)* | *(0.31)* | - | - | *(3.12)* | *(2.58)* | *(0.33)* | - | - | *(2.91)* | *(0.21)* | *(0.23)* |
| **Total** | **557.99** | **50.40** | [2] **-** | **4.31** | **604.08** | **475.33** | [1] **5.92** | [2] **31.74** | **2.95** | **510.04** | **94.04** | **82.66** |
| *Previous Year* | *(402.96)* | *(49.52)* | *(105.86)* | *(0.35)* | *(557.99)* | *(335.08)* | *(6.09)* | *(104.09)* | *30.07* | *(475.33)* | *(82.66)* | *(67.88)* |

**Notes :**

(1) Net of depreciation for the year amounting to ₹ **32.51 crore** (Previous Year ₹ 30.42 crore) included in Other expenses pertaining to Insurance Business.

(2) Represents acquisition/sale of subsidiary.

## 16. NON-CURRENT INVESTMENTS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Investment in Associates:** | | |
| **Equity Shares** | | |
| Equity Investments in Associates by the Holding Company | **1,468.97** | 1,468.97 |
| Equity Investments in Associate by Subsidiaries | **73.32** | 73.32 |
| | **1,542.29** | 1,542.29 |
| Add: Goodwill on Acquisition of Associates (share of pre-acquisition of profits) | **3,891.12** | 3,891.12 |
| | **5,433.41** | 5,433.41 |

# Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Add: Adjustment of post-acquisition share of profit of Associates (Equity Method) | **21,403.44** | 17,906.49 |
| | **26,836.85** | 23,339.90 |
| Less: Provision for Diminution in Value of Investments | **(2.50)** | (2.50) |
| **(A)** | **26,834.35** | 23,337.40 |
| **Other Investments:** | | |
| **Insurance Companies** | | |
| Equity Shares - Other Companies | **41,796.87** | 37,806.44 |
| Preference Shares | **132.60** | 235.26 |
| Non Convertible Debentures and Bonds | **25,392.61** | 21,747.10 |
| Pass Through Certificates & Security Receipts | **1.70** | 4.22 |
| Government Securities | **33,310.25** | 27,466.09 |
| Mutual Funds and Other Funds | **191.82** | 82.81 |
| Fixed Deposits | **45.30** | 46.08 |
| | **1,00,871.15** | 87,388.00 |
| Add: Fair Value Adjustment | **(676.32)** | (494.94) |
| **(B)** | **1,00,194.83** | 86,893.06 |
| Investments related to Policy Holders | **45,134.50** | 35,016.96 |
| Investments to cover linked liabilities | **4,129.45** | 4,126.98 |
| Investments related to Shareholders | **50,930.88** | 47,749.12 |
| **Total** | **1,00,194.83** | 86,893.06 |

16.1 **Encumbrances**

The assets of the subsidiary company (HDFC Standard Life Insurance Company Limited) are free from any encumbrances at March 31, 2018, except for Fixed Deposits and Government Securities, mentioned below, kept as margin against bank guarantees/margin with exchange and collateral securities issued.

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| (i) Issued in India | **76.59** | 104.64 |
| (ii) Issued outside India | **0.09** | 0.09 |
| **Total** | **76.68** | 104.73 |

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Other Investments** | | |
| **Other than Insurance Companies** | | |
| Equity Shares - Other Companies | **884.93** | 843.70 |
| Preference Shares | **159.32** | 91.17 |
| Debentures and Bonds | **1,159.75** | 394.06 |
| Pass Through Securities & Security Receipts | **767.31** | 776.25 |
| Government Securities | **9,048.58** | 6,437.71 |
| Mutual Funds and Other Funds | **440.97** | 297.65 |
| Properties (Net of Depreciation) | **415.63** | 357.30 |
| | **12,876.49** | 9,197.84 |
| Less: Provision for Diminution in Value of Investments | **(419.32)** | (382.33) |
| **(C)** | **12,457.17** | 8,815.51 |
| **Total (A) + (B) + ( C )** | **1,39,486.35** | 1,19,045.97 |

₹ in Crore

| Particulars | Book Value | Market Value |
|---|---|---|
| **Aggregate book value of Quoted Investments** | **892.90** | **1,314.57** |
| *Previous Year* | *518.72* | *981.14* |
| **Aggregate book value of Investments listed but not quoted** | **9,199.89** | |
| *Previous Year* | *6,508.06* | |
| **Aggregate book value of Investments in Unquoted Mutual Funds** | **22.61** | ***20.67** |
| *Previous Year* | *22.00* | *20.05* |
| **Aggregate book value of Unquoted Investments (Others)** | **1,946.64** | |
| *Previous Year* | *1,429.93* | |
| **Properties** | **395.13** | |
| *Previous Year* | *336.80* | |
| | **12,457.17** | |
| | *8,815.51* | |

* Market value of investments in Unquoted Mutual Funds represents repurchase price of units issued by Mutual Funds.

**Note:**
Quoted investments include ₹ **Nil** (Previous Year ₹ 35.08 crore) in respect of equity shares, which are subject to a lock-in period and unquoted investments include ₹ **94.09 crore** (Previous Year ₹ 94.09 crore) in respect of equity shares, which are subject to restrictive covenant.

### 17. DEFERRED TAX ASSET/LIABILITIES

In compliance with the Accounting Standard 22 on 'Accounting for Taxes on Income' (AS 22), credit has been recognised for ₹ **20.67 crore** (Previous Year debit had been taken ₹ 515.88 crore) in the Statement of Profit and Loss for the year ended March 31, 2018 towards deferred tax liability (net) for the year, arising on account of timing differences. In the Previous Year ₹ 1,158.17 crore has been adjusted against utilisation from the General Reserve (as per Note 5.2).

## Notes forming part of the consolidated financial statements (Continued)

Major components of deferred tax assets and liabilities arising on account of timing differences are:

₹ in Crore

| Particulars | Deferred Tax Liability Assets / (Liabilities) | | Deferred Tax Assets Assets / (Liabilities) | |
|---|---|---|---|---|
| | **Current Year** | Previous Year | **Current Year** | Previous Year |
| (a) Depreciation | **(65.36)** | (66.39) | **8.26** | 8.95 |
| (b) Preliminary Expenses | **-** | - | **0.01** | 0.01 |
| (c) Special Reserve II | **(4,107.96)** | (3,564.56) | **-** | - |
| (d) Provision for Contingencies | **1,630.86** | 1,150.95 | **6.16** | 4.23 |
| (e) Provision for Employee Benefits | **67.68** | 57.28 | **2.73** | 2.38 |
| (f) Others (net) | **(18.81)** | (91.50) | **1.24** | 0.10 |
| **Total** | **(2,493.59)** | (2,514.22) | **18.40** | 15.67 |

17.1 In respect of HDFC Standard Life Insurance Company Ltd., during the year provision for tax (net) amounting to ₹ **193.29 crore** (Previous Year ₹ 173.99 crore), ₹ **175.55 crore** charged to the Revenue Account (Previous Year ₹ 151.98 crore) and ₹ **17.74 crore** charged to the Profit and Loss Account (Previous Year ₹ 22.01 crore), in accordance with the Income tax Act, 1961 and Rules and Regulations thereunder as applicable to the Company.

### 18. LONG-TERM LOANS AND ADVANCES

₹ in Crore

| Particulars | **As at March 31, 2018** | As at March 31, 2017 |
|---|---|---|
| Corporate Deposits | **8.82** | 2,958.88 |
| Capital Advances - Unsecured; considered good | **58.67** | 20.86 |
| Advance against Investment in Properties | **-** | 113.18 |
| Security Deposits - Unsecured; considered good | **87.75** | 82.20 |
| Instalment due from Borrowers - Secured; considered doubtful | **148.36** | 130.61 |
| Other Long Term Loans and Advances | | |
| - Staff Loan others - Secured, considered good | **21.24** | 18.47 |
| - Prepaid Expenses - Unsecured, considered good | **157.79** | 198.57 |
| - Advance Tax (Net of Provision) | **3,765.84** | 3,524.83 |
| - MAT credit entitlement | **25.00** | - |
| - Others - Unsecured, considered good | **6.27** | 35.66 |
| - Others - Unsecured, considered doubtful | **49.71** | 49.71 |
| **Total** | **4,329.45** | 7,132.97 |

18.1 Corporate Deposits aggregating to ₹ **7.02 crore** (Previous Year ₹ 2,957.08 crore) are secured or partly secured by one or a combination of the following securities:

(a) Registered/equitable mortgage of property;

(b) Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;

(c) Hypothecation of assets;

(d) Bank guarantees, company guarantees or personal guarantees;

(e) Negative lien;

(f) Assignment of receivables;

(g) Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

18.2 Corporate Deposits include Sub standard and Doubtful assets of ₹ **8.82 crore** (Previous Year ₹ 8.88 crore).

# Notes forming part of the consolidated financial statements (Continued)

## 19. OTHER NON-CURRENT ASSETS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Receivable on Securitised Loans | **482.38** | 417.59 |
| Amounts receivable on Swaps and other derivatives | **507.81** | 422.72 |
| Receivable against derivatives | **128.61** | 252.04 |
| Interest accrued but not due on Loans | **452.18** | 239.85 |
| Interest accrued but not due on Bank Deposits | **6.99** | 4.93 |
| Income accrued but not due on Investments | **139.84** | 62.97 |
| Bank deposit with maturities beyond twelve months from the Balance Sheet date [Refer Note 19.1] | **230.88** | 228.58 |
| **Total** | **1,948.69** | 1,628.68 |

19.1 Bank deposits with maturities beyond twelve months includes earmarked balances ₹ **106.96 crore** (Previous Year ₹ 132.88 crore) against foreign currency loans, ₹ **0.39 crore** (Previous Year ₹ 0.10 crore) towards letter of credit issued by bank.

## 20. LOANS

₹ in Crore

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| **Loans:** | | | | |
| - Individuals | **2,65,561.38** | **5,066.58** | 2,07,043.61 | 13,368.23 |
| - Corporate Bodies | **86,937.98** | **15,317.37** | 69,053.21 | 18,172.30 |
| - Others | **4,956.39** | **1,333.06** | 4,010.99 | 1,243.11 |
| **Total** | **3,57,455.75** | **21,717.01** | 2,80,107.81 | 32,783.64 |

20.1 Out of Loans, amounts aggregating to ₹ **3,86,019.14 crore** (Previous Year ₹ 3,36,840.66 crore) are secured or partly secured by one or a combination of the following securities:

(a) Registered/equitable mortgage of property;

(b) Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;

(c) Hypothecation of assets;

(d) Bank guarantees, company guarantees or personal guarantees;

(e) Negative lien;

(f) Assignment of receivables;

(g) Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit].

20.2 Long Term Loans and Advances include Sub-Standard, Doubtful loans and Loss assets of ₹ **4,090.61 crore** (Previous Year ₹ 2,419.79 crore).

20.3 Loans include ₹ **218.82 crore** (Previous Year ₹ 124.29 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)

## 21. CURRENT INVESTMENTS

**Insurance Companies** [Refer Note 16.1]

₹ in Crore

| Particulars | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| Non-Convertible Debentures and Bonds | | **2,334.01** | 844.90 |
| Preference Shares | | **10.00** | - |
| Government Securities | | **1,335.98** | 2,075.36 |
| Securities Receipts | | **3.54** | 1.78 |
| Mutual Funds and Other Funds | | **1,135.32** | 201.16 |
| Fixed Deposits | | **290.75** | 135.84 |
| Commercial Papers | | **941.66** | 120.56 |
| Certificate of Deposits | | **268.61** | 165.42 |
| Treasury Bills | | **992.96** | 1,951.62 |
| Repo Investments | | **4,262.98** | 3,882.82 |
| Less: Fair Value Change | | **(7.82)** | (4.30) |
| | | **11,567.99** | 9,375.16 |
| Add/(Less): Fair Value Adjustment | | **-** | - |
| **Total** | **(A)** | **11,567.99** | 9,375.16 |

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Investments related to Policy Holders | **6,143.87** | 3,904.72 |
| Investments to cover Linked Liabilities | **661.06** | 525.32 |
| Investments related to Shareholders | **4,763.06** | 4,527.50 |
| Investments towards Unclaimed Fund | **-** | 417.62 |
| **Total** | **11,567.99** | 9,375.16 |

**Other than Insurance Companies**

₹ in Crore

| Particulars | | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| **Held as Current Investments (At cost or market value whichever is lower unless stated otherwise)** | | | |
| Equity Shares - Associate Companies | | **23.25** | 21.75 |
| Equity Shares - Unlisted Company | | **-** | 21.44 |
| Non Convertible Debentures and Bonds | | **63.33** | 21.44 |
| Mutual Funds | | **11,626.04** | 4,196.18 |
| **Current Maturities of Long Term Investments (At cost)** | | | |
| Security Receipts | | **1.70** | 3.23 |
| Government Securities | | **430.41** | 134.46 |
| Venture Funds and Other Funds | | **40.62** | 57.09 |
| | | **12,185.35** | 4,434.15 |
| Less: Provision for Diminution in Value of Investments | | **(11.22)** | - |
| | **(B)** | **12,174.13** | 4,434.15 |
| **Total** | **(A) + (B)** | **23,742.12** | 13,809.31 |

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

| Particulars | Book Value | Market Value |
|---|---|---|
| **Aggregate book value of Quoted Investments** | **432.83** | **433.22** |
| *Previous Year* | *362.74* | *362.74* |
| **Aggregate book value of Investments listed but not quoted** | **354.06** | |
| *Previous Year* | *134.45* | |
| **Aggregate book value of Investments in Unquoted Mutual Funds** | **11,263.30** | ***11,233.33** |
| *Previous Year* | *3,833.45* | *3,864.10* |
| **Aggregate book value of Unquoted Investments (Others)** | **123.94** | |
| *Previous Year* | *103.51* | |
| **Total** | **12,174.13** | |
| *Previous Year* | *4,434.15* | |

* Market value of investments in Unquoted Mutual Funds represents repurchase price of units issued by Mutual Funds.

### 22. TRADE RECEIVABLES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Trade Receivables – Unsecured; Considered good, less than six months | **1,466.70** | 1,451.33 |
| Trade Receivables – Unsecured; Considered good, more than six months | **21.35** | 31.10 |
| **Total** | **1,488.05** | 1,482.43 |

### 23. CASH AND BANK BALANCES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| (a) Cash and cash equivalents | | |
| (i) Balances with banks: | | |
| - In Current Accounts | **1,333.23** | 969.25 |
| - In Deposit Accounts with original maturity of 3 months or less | **1,114.50** | 4,046.73 |
| (ii) Cash on Hand | **0.17** | 0.53 |
| (iii) Cheques on Hand | **367.56** | 341.27 |
| **Sub Total** | **2,815.46** | 5,357.78 |
| (b) Other Bank balances: | | |
| (i) Earmarked balances with banks | | |
| - Unclaimed Dividend Account | **44.91** | 26.29 |
| - Against Foreign Currency Loans [Refer Note 7.3] | **26.68** | 24.97 |
| - Towards Guarantees Issued by Banks | **0.49** | 0.30 |
| (ii) Short-term bank deposits with original maturity more than 3 months [Refer Note 23.1] | **124.85** | 2,087.44 |
| **Total** | **3,012.39** | 7,496.78 |

23.1 Bank Deposits of the subsidiary companies of ₹ **0.09 crore** (Previous Year ₹ 1.25 crore) are marked as lien for overdraft facility.

# Notes forming part of the consolidated financial statements (Continued)

## 24. SHORT-TERM LOANS AND ADVANCES

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Current maturities of Staff Loans - Others - Secured; considered good | **7.02** | 5.25 |
| Corporate Deposits [Refer Note 24.1] | **653.08** | 2,838.30 |
| Instalments due from borrowers - Secured, considered good | **1,685.42** | 1,543.92 |
| Prepaid Expenses - Unsecured; considered good | **135.19** | 131.04 |
| Sundry Deposits - Unsecured; considered good | **17.83** | 12.37 |
| MAT credit entitlement | **311.00** | - |
| Other Advances - Unsecured; considered good | **1,658.96** | 778.47 |
| Loans and Advances to Related parties | **31.89** | 26.58 |
| **Total** | **4,500.39** | 5,335.93 |

24.1 Out of Corporate deposits, amounts aggregating to ₹ **453.09 crore** (Previous Year ₹ 2,180.40 crore) are secured and considered good [Refer Note 18.1].

## 25. OTHER CURRENT ASSETS

₹ in Crore

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Receivables on Securitised Loans | **121.45** | 91.63 |
| Receivables on sale of Investments | **-** | 457.91 |
| Interest accrued on interest rate swaps | **747.44** | 556.88 |
| Receivable against Derivatives | **109.48** | 24.31 |
| Interest accrued but not due on Loans | **407.25** | 322.68 |
| Interest accrued and due on Loans | **0.19** | 1.69 |
| Income accrued but not due on Investments | **2,015.96** | 1,754.63 |
| Interest accrued but not due on Corporate Deposits | **24.92** | 126.01 |
| **Total** | **3,426.69** | 3,335.74 |

## 26. CONTINGENT LIABILITIES AND COMMITMENTS

The Group 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 Accounting Standard on 'Provisions, Contingent Liabilities and Contingent Assets' - (AS - 29) 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 consolidated financial statements (Continued)

26.1 Given below are amounts in respect of claims asserted by revenue authorities and others:

a) Contingent liability in respect of income-tax demands, net of amounts provided for and disputed, amounts to ₹ **1,546.02 crore** (Previous Year ₹ 1,260.72 crore). The matters in dispute are under appeal. Out of the above an amount of ₹ **1,535.75 crore** (Previous Year ₹ 1,250.12 crore) has been paid/adjusted against refund and the same will be received as refund if the matters are decided in the favour of HDFC Ltd. and the respective subsidiary companies.

b) 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 HDFC Ltd. amounts to ₹ **0.15 crore** (Previous Year ₹ 0.15 crore).

c) The subsidiary companies have received show cause cum demand notices, amounting to ₹ **95.69 crore** (Previous Year ₹ 93.12 crore), from the Office of the Commissioner, Service Tax, Mumbai on various grounds. One of the subsidiary has filed appeals to the appellate authorities on the said show cause notices. The subsidiary has been advised by an expert that their grounds of appeal are well supported in law. As a result, the subsidiary is confident to defend the appeal against the demand and does not expect the demand to crystalise into a liability.

d) One of the subsidiary company has received show cause notice in respect of a Service tax matter amounting to ₹ **21.69 crore** (Previous Year ₹ 21.69 crore). Based on expert advice in respect of these matters, the Management does not expect any outflow of economic benefits and assessed the likelihood of outflow of resources as remote.

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.

26.2 Contingent liability in respect of guarantees and undertakings comprise of the following:

a) Guarantees ₹ **512.52 crore** (Previous Year ₹ 628.38 crore).

b) Corporate undertakings provided by HDFC Ltd. for securitisation of receivables aggregated to ₹ **1,838.21 crore** (Previous Year ₹ 1,838.21 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, management does not believe, based on currently available information, that the maximum outflow that could arise, will have a material adverse effect on the Company's financial condition.

c) In terms of Senior Citizens' Welfare Fund Rules, 2016, as amended, notified by the Department of Economic Affairs, Ministry of Finance, Government of India, dated March 18, 2016 and Master Circular No. IRDA/F&A/CIR/Misc/173/07/2017 dated July 25, 2017, on Unclaimed Amount of Policyholders, issued by IRDAI, the Company has transferred an amount of ₹ **4.75 crore** (Previous Year ₹ Nil) being unclaimed amount of Policyholders outstanding for a period more than 10 years as on September 30, 2017 alongwith interest to the Senior Citizens Welfare Fund.

26.3 Proportionate share of claims not acknowledged as debt and other contingent liabilities in respect of associate companies amounts to ₹ **1,792.76 crore** (Previous Year ₹ 714.05 crore).

Claims not acknowledged as debt and other contingent liabilities in respect of a subsidiary company amounts to ₹ **0.77 crore** (Previous Year ₹ 0.78 crore).

## Notes forming part of the consolidated financial statements (Continued)

26.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **1,892.55 crore** (Previous Year ₹ 1,254.52 crore).

**27. REVENUE FROM OPERATIONS**

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Interest Income:** | | |
| - Interest on Loans | **34,092.56** | 31,174.28 |
| - Other Interest [Refer Note 27.1] | **1,368.47** | 1,186.12 |
| Net (Loss) / Gain on foreign currency transactions and translation [Refer Note 29.2] | **(0.20)** | 0.28 |
| Dividends [Refer Note 27.2] | **66.78** | 42.23 |
| Management & Trusteeship Fees | **1,820.11** | 1,541.71 |
| Surplus from deployment in Cash Management Schemes of Mutual Funds [Refer Note 27.3] | **440.12** | 453.75 |
| Income from Leases [Refer Note 27.4] | **57.38** | 27.17 |
| Fees and Other Charges [Refer Note 27.5] | **400.02** | 579.72 |
| **Total** | **38,245.24** | 35,005.26 |

27.1 a) Other Interest includes interest on investments amounting to ₹ **657.21 crore** (Previous Year ₹ 537.67 crore).

b) Other Interest includes interest on investments amounting to ₹ **4.84 crore** (Previous Year ₹ 3.50 crore) in respect of current investments.

c) Other Interest includes Interest on Income Tax Refund ₹ **192.65 crore** (Previous Year ₹ 32.59 crore).

27.2 Dividend income includes ₹ **34.83 crore** (Previous Year ₹ 17.89 crore) in respect of current investments.

27.3 Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹ **440.12 crore** (Previous Year ₹ 453.75 crore) is in respect of investments held as current investments.

27.4 In accordance with the Accounting Standard on 'Leases' (AS 19), the following disclosures are made in respect of Operating Leases:

Income from Leases includes ₹ **6.30 crore** (Previous Year ₹ 7.47 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

| Period | Current Year | Previous Year |
|---|---|---|
| Not later than one year | **3.44** | 4.06 |
| Later than one year but not later than five years | **2.46** | 0.29 |
| Later than five years | **0.59** | - |

27.5 Fees and other charges is net of the amounts paid to Direct Selling Agents ₹ **414.25 crore** (Previous Year ₹ 307.90 crore).

**28.** Profit on sale of investments includes ₹ **111.44 crore** (Previous Year ₹ 114.06 crore) in respect of current investments.

## Notes forming part of the consolidated financial statements (Continued)

### 29. FINANCE COST

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Interest** | | |
| - Loans | **2,702.16** | 3,005.23 |
| - Deposits | **7,450.36** | 7,421.83 |
| - Bonds and Debentures [Refer Note 29.1] | **10,180.59** | 8,777.89 |
| - Commercial Paper | **2,637.12** | 2,556.13 |
| | **22,970.23** | 21,761.08 |
| Net Loss on foreign currency transactions and translation [Refer Note 29.2] | **312.41** | 30.76 |
| **Other Charges** [Refer Note 29.3] | **169.78** | 161.31 |
| **Total** | **23,452.42** | 21,953.15 |

29.1 Interest on Bonds and Debentures above includes a net loss of ₹ **17.20 crore** (Previous Year net gain of ₹ 20.59 crore) being net loss/(gain) on derivative valuation of INR derivatives and the underlying hedging instrument as shown below:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Realised (Gain)/Loss | **2.97** | 0.41 |
| Derivative valuations | **14.23** | (21.00) |
| Net (Gain)/Loss recognised in statement of Profit and Loss | **17.20** | (20.59) |

29.2 ₹ **312.61 crore** (Previous Year Loss of ₹ 30.48 crore) has been recognised in the Statement of Profit and Loss being net loss on transaction and translation of foreign currency monetary assets and liabilities as shown below:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Exchange (Gain)/Loss on Translation | | |
| - Foreign Currency Denominated Assets and Foreign Currency Borrowings | **85.02** | 62.62 |
| Realised (Gain)/Loss | **231.12** | 36.29 |
| Derivative accounting impact | **(3.73)** | (68.15) |
| Net (Gain)/Loss on translation and transactions recognised in Finance cost | **312.41** | 30.76 |
| Realised (Gain)/Loss recognised in Revenue from Operations [Refer Note 27] | **0.20** | (0.28) |
| Net (Gain)/Loss recognised in Statement of Profit and Loss | **312.61** | 30.48 |

29.3 Other Charges is net of Exchange gain ₹ **0.13 crore** (Previous Year includes exchange loss of ₹ 0.35 crore).

### 30. EMPLOYEE BENEFITS EXPENSES

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Salaries and Bonus | **937.48** | 808.64 |
| Contribution to Provident Fund and Other Funds | **78.19** | 77.98 |
| Gratuity Expenses | **3.97** | 4.49 |
| Staff Training and Welfare Expenses | **28.50** | 21.91 |
| **Total** | **1,048.14** | 913.02 |

30.1 Salaries and Bonus include provisions made in respect of accumulated leave salary and leave travel assistance which is in the nature of Long Term and Short Term Employee Benefits and has been actuarially determined as per the Accounting Standard on Employee Benefits (AS 15).

# Notes forming part of the consolidated financial statements (Continued)

30.2 **Employee Benefits**

In accordance with the Accounting Standard 15 on Employee Benefits (AS 15), the following disclosures have been made:

a) **Defined contribution plans**

The Corporation makes Superannuation Fund contributions to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Corporation is required to contribute a specified percentage of the payroll costs to fund the benefits.

b) **Defined benefit plans**

**Provident Fund**

The Corporation makes Provident Fund contributions to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to the provident fund set up as a trust by the Company. The Company is liable for annual contributions and any deficiency in interest cost compared to interest computed based on the rate of interest declared by the Central Government under the Employees' Provident Fund Scheme, 1952 and recognises such deficiency, as an expense in the year it is determined.

The fair value of the assets of the provident fund and the accumulated members' corpus is ₹ **382.06 crore** and ₹ **379.49 crore** respectively (Previous Year ₹ 334.12 crore and ₹ 332.90 crore respectively). In accordance with an actuarial valuation, there is no deficiency in the interest cost as the present value of the expected future earnings on the fund is greater than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of **8.55%**. The actuarial assumptions include discount rate of **7.73%** (Previous Year 7.27%) and an average expected future period of **14 years** (Previous Year 13.27 years). Expected guaranteed interest rate (weighted average yield) is **8.77%** (Previous Year 8.88%).

The Company recognised ₹ **18.29 crore** (Previous Year ₹ 15.90 crore) for provident fund contributions and ₹ **13.54 crore** (Previous Year ₹ 12.88 crore) for superannuation contributions in the statement of profit and loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

The following amounts are recognised in the Statement of Profit and Loss which are included as under:

₹ in Crore

| Particulars | Contributions to Provident Fund and Other Funds under Staff Expenses | | Other expenses pertaining to Insurance Business | |
|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year |
| Provident Fund | **37.27** | 32.09 | **34.94** | 31.14 |
| Superannuation Fund | **14.43** | 13.69 | **0.69** | 0.54 |
| Employees' Pension Scheme-1995 | **3.51** | 3.49 | - | - |
| Employees' State Insurance Corporation | **5.28** | 2.73 | - | - |
| Labour Welfare Fund | **0.03** | 0.02 | - | - |
| National pension scheme | - | - | **3.03** | 18.41 |

c) **Other post retirement plans**

The details of the Group's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuaries and relied upon by the auditors:

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Change in the Benefit Obligations:** | | |
| Liability at the beginning of the year | **340.40** | 290.21 |
| Acquisition/(transfer) during the year | **(0.57)** | 2.27 |
| Current Service Cost | **26.35** | 21.11 |
| Interest Cost | **24.82** | 22.87 |
| Benefits Paid | **(24.42)** | (16.16) |
| Actuarial loss | **4.52** | 20.10 |
| Liability at the end of the year * | **371.10** | 340.40 |
| * The Liability at the end of the year ₹ **371.10 crore** (Previous Year ₹ 340.40 crore) includes ₹ **70.51 crore** (Previous Year ₹ 64.30 crore) in respect of un-funded plans. | | |

## Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| **Fair Value of Plan Assets:** | | |
| Fair Value of Plan Assets at the beginning of the year | **253.97** | 220.08 |
| Expected Return on Plan Assets | **18.58** | 17.36 |
| Contributions | **28.92** | 23.62 |
| Benefits Paid | **(8.53)** | (4.48) |
| Actuarial loss on Plan Assets | **3.85** | (2.61) |
| Fair Value of Plan Assets at the end of the year | **296.79** | 253.97 |
| Total Actuarial loss to be recognised | **(0.67)** | (22.71) |
| **Actual Return on Plan Assets:** | | |
| Expected Return on Plan Assets | **18.58** | 17.36 |
| Actuarial loss on Plan Assets | **3.85** | (2.61) |
| Actual Return on Plan Assets | **22.43** | 14.75 |
| **Expense Recognised in the Statement of Profit and Loss:** | | |
| Current Service Cost | **26.35** | 21.11 |
| Interest Cost | **24.82** | 22.87 |
| Expected Return on Plan Assets | **(18.58)** | (17.36) |
| Net Actuarial loss to be recognised | **0.67** | 22.71 |
| Expense recognised in the Statement of Profit and Loss | | |
| Included under Contribution to Provident Fund and Other Funds | **23.79** | 40.23 |
| Included under Other expenses pertaining to Insurance Business | **9.47** | 9.10 |
| **Total** | **33.26** | 49.33 |
| **Reconciliation of the Liability Recognised in the Balance Sheet:** | | |
| Opening Net Liability | **86.43** | 70.13 |
| Acquisition/(transfer) during the year | **(0.57)** | 2.27 |
| Expense recognised | **33.26** | 49.33 |
| Contribution by the Corporation | **(28.92)** | (23.62) |
| Benefits paid in respect of unfunded plans | **(15.89)** | (11.68) |
| Amount recognised in the Balance Sheet under "Provision for Employee Benefits" and "Other Current Liabilities" | **74.31** | 86.43 |

₹ in Crore

| Particulars | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|---|---|---|---|---|
| **Amount Recognised in the Balance Sheet:** | | | | | |
| Liability at the end of the year | **371.10** | 340.40 | 290.21 | 244.42 | 190.67 |
| Fair Value of Plan Assets at the end of the year | **296.79** | 253.97 | 220.08 | 175.70 | 141.56 |
| Amount recognised in the Balance Sheet under "Provision for Employee Benefits" and "Other Current Liabilities" | **74.31** | 86.43 | 70.13 | 68.72 | 49.11 |
| **Experience Adjustment:** | | | | | |
| On Plan Liabilities | **11.12** | 3.20 | 6.99 | 26.81 | 22.14 |
| On Plan Assets | **3.78** | 0.02 | 0.09 | 1.59 | (3.09) |
| Estimated Contribution for next year | **17.73** | 26.14 | 23.60 | 28.18 | 19.54 |

## Notes forming part of the consolidated financial statements (Continued)

**Investment Pattern:**

| Particulars | % Invested Current Year | % Invested Previous Year |
|---|---|---|
| Central Government securities | **15.13** | 22.92 |
| State Government securities/securities guaranteed by State/Central Government | **9.63** | 3.27 |
| Public Sector/Financial Institutional Bonds | **10.33** | 30.04 |
| Private Sector Bonds | **16.36** | 2.35 |
| Special Deposit Scheme | **0.23** | 0.02 |
| Deposits with Banks and Financial Institutions | **17.33** | - |
| Investment in Insurance Companies* | **18.29** | 29.75 |
| Investment in Equity Shares | **10.97** | 9.26 |
| Others (including bank balances) | **1.73** | 2.39 |
| **Total** | **100.00** | 100.00 |

Based on the above allocation and the prevailing yields on these assets, the long-term estimate of the expected rate of return on fund assets has been arrived at.

* As the gratuity fund is managed by a life insurance company, details of investment are not available with the Company.

**Principal Assumptions:**

| Particulars | Current Year % | Previous Year % |
|---|---|---|
| Discount Rate | **6.57 to 7.89** | 6.57 to 7.90 |
| Return on Plan Assets | **7.27 to 8.01** | 7.26 to 7.52 |
| Salary Escalation | **3 to 12** | 3 to 10 |

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

### 31. ESTABLISHMENT EXPENSES

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Rent [Refer Note 31.1] | **109.49** | 96.36 |
| Rates and Taxes | **9.38** | 6.02 |
| Repairs and Maintenance - Buildings | **11.22** | 10.45 |
| General Office Expenses | **3.43** | 3.42 |
| Electricity Charges | **26.94** | 25.10 |
| Insurance Charges | **2.15** | 1.14 |
| **Total** | **162.61** | 142.49 |

31.1 In accordance with the Accounting Standard 19 on 'Leases' (AS 19), the following disclosures are made in respect of Operating and Finance Leases:

(a) Properties under non-cancellable operating leases have been acquired, both for commercial and residential purposes for periods ranging from 12 months to 60 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amount to ₹ **96.30 crore** (Previous Year ₹ 94.39 crore).

## Notes forming part of the consolidated financial statements (Continued)

The future lease payments in respect of the above are as follows:

₹ in Crore

| Period | Current Year | Previous Year |
|---|---|---|
| Not later than one year | **25.11** | 24.78 |
| Later than one year but not later than five years | **22.18** | 25.98 |

(b) Certain motor cars have been acquired under Operating Lease by subsidiary companies. In respect of these operating leases, the lease rentals charged to the Statement of Profit and Loss are ₹ **0.24 crore** (Previous Year ₹ 0.49 crore) included under Other expenses pertaining to Insurance business.

### 32. OTHER EXPENSES

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Travelling and Conveyance | **35.39** | 32.46 |
| Printing and Stationery | **42.34** | 34.42 |
| Postage, Telephone and Fax | **42.20** | 40.31 |
| Advertising | **161.67** | 141.73 |
| Business Development Expenses | **40.46** | 25.61 |
| Loan Processing Expenses | **45.76** | 38.36 |
| Manpower Outsourcing | **67.26** | 67.55 |
| Repairs and Maintenance - Other than Buildings | **26.08** | 21.99 |
| Office Maintenance | **45.75** | 38.75 |
| Legal Expenses | **13.94** | 51.34 |
| Computer Expenses | **26.59** | 22.16 |
| Directors' Fees and Commission | **11.81** | 10.33 |
| Miscellaneous Expenses [Refer Note 32.1] | **626.77** | 545.45 |
| Auditors' Remuneration [Refer Note 33] | **7.08** | 7.54 |
| **Total** | **1,193.10** | 1,078.00 |

### 32.1 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The details of amounts spent towards CSR are as under:

₹ in Crore

| Particulars | In Cash | Yet to be paid in cash | Total |
|---|---|---|---|
| a) Construction/acquisition of any asset | - | - | - |
| b) On purposes other than (a) above | **30.67** | - | **30.67** |

### 33. AUDITORS' REMUNERATION

₹ in Crore

| Particulars | Current Year | Previous Year |
|---|---|---|
| Audit Fees | **4.83** | 5.15 |
| Fees for Internal Control over Financial Reporting | **0.37** | 0.39 |
| Limited Reviews | **1.66** | 1.48 |
| Tax Matters | **1.23** | 1.40 |
| Other Matters and Certification | **1.61** | 1.57 |
| Reimbursement of Expenses | **0.15** | 0.12 |
| | **9.85** | 10.11 |
| Less: Included under commission & operating expenses pertaining to Insurance Business | **2.77** | 2.57 |
| **Total** | **7.08** | 7.54 |

## Notes forming part of the consolidated financial statements (Continued)

a) Auditors' Remuneration exclude ₹ **0.75 crore (Net of tax ₹ 0.49 crore)** being certification fees in respect of Qualified Institutional Placements (QIP) issue of equity shares, Preferential issue of equity shares & Medium Term Note Programme (MTN Programme), utilised out of Securities Premium Account. [Previous Year exclude ₹ 1.55 crore (Net of tax ₹ 1.01 crore) being certification fee in respect of Rupee Denominated Bonds and for Medium Term Note Programme (MTN Programme), utilised out of Securities Premium Account].

b) Auditors' Remuneration for the year ended March 31, 2018 comprises of remuneration of ₹ **1.03 crore** paid to the previous auditor.

c) Auditors' remuneration above is excluding Goods and Services tax, Service tax, Swachh Bharat Cess and Krishi Kalyan Cess.

**34.** In accordance with the Accounting Standard 20 on 'Earning per Share' (AS 20), the following disclosures have been made:

(i) In calculating the Basic Earnings Per Share, the Profit After Tax attributable to the Group of ₹ **16,254.96 crore** (Previous Year ₹ 11,051.12 crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ **176.54 crore** (Previous Year ₹ 146.27 crore).

Accordingly the Basic Earnings Per Share has been calculated based on the adjusted Profit After Tax attributable to Group of ₹ **16,078.42 crore** (Previous Year ₹ 10,904.85 crore) and the weighted average number of shares during the year of **160.22 crore** (Previous Year 158.34 crore).

(ii) 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 | **100.35** | 68.87 |
| Effect of outstanding Stock Options | **(1.47)** | (0.57) |
| Diluted Earnings Per Share | **98.88** | 68.30 |

(iii) 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 | **160.22** | 158.34 |
| Diluted effect of outstanding Stock Options | **2.39** | 1.31 |
| Weighted average number of shares for computation of Diluted Earnings Per Share | **162.61** | 159.65 |

## 35. SEGMENT REPORTING

As per the Accounting Standard 17 on 'Segment Reporting' (AS 17), the main segments and the relevant disclosures relating thereto are as follows:

₹ in Crore

| Particulars | Loans | | Life Insurance | | General Insurance | | Asset Management | | Others | | Inter-segment adjustments | | Unassociated | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Segment Revenue | 42,229.73 | 34,665.24 | 27,056.07 | 22,190.93 | 3,636.83 | 3,041.98 | 1,924.44 | 1,682.66 | 423.23 | 433.44 | (1,210.64) | (1,027.05) | 111.34 | 100.43 | 74,171.00 | 61,087.63 |
| Segment Result | 15,528.97 | 10,894.77 | 1,300.61 | 1,061.21 | 513.27 | 423.36 | 1,012.05 | 805.23 | 2.39 | 33.27 | (866.08) | (668.27) | 111.30 | 99.98 | 17,602.51 | 12,649.55 |
| Income-tax (Current) | | | | | | | | | | | | | 4,339.38 | 3,504.91 | 4,339.38 | 3,504.91 |
| MAT Credit Entitlement | | | | | | | | | | | | | (317.51) | - | (317.51) | - |
| Deferred tax | | | | | | | | | | | | | (20.67) | 515.88 | (20.67) | 515.88 |
| Total Result | 15,528.97 | 10,894.77 | 1,300.61 | 1,061.21 | 513.27 | 423.36 | 1,012.05 | 805.23 | 2.39 | 33.27 | (866.08) | (668.27) | (3,889.90) | (3,920.81) | 13,601.31 | 8,628.76 |
| Segment Assets | 4,09,459.68 | 3,41,847.62 | 1,08,720.55 | 93,738.57 | 10,042.30 | 8,870.31 | 989.94 | 1,027.60 | 352.37 | 428.33 | - | - | 33,136.42 | 28,224.91 | 5,62,701.26 | 4,74,137.34 |
| Segment Liabilities | 3,54,506.27 | 3,10,008.88 | 1,05,457.43 | 90,210.40 | 8,550.38 | 6,975.89 | 226.69 | 307.24 | 63.65 | 485.68 | - | - | 2,657.79 | 2,617.37 | 4,71,462.21 | 4,10,605.46 |
| Net Assets | 54,953.41 | 31,838.74 | 3,263.12 | 3,528.17 | 1,491.92 | 1,894.42 | 763.25 | 720.36 | 288.72 | (57.35) | - | - | 30,478.63 | 25,607.54 | 91,239.05 | 63,531.88 |
| Other Information | | | | | | | | | | | | | | | | |
| Capital Expenditure | 49.77 | 31.31 | 33.58 | 46.88 | 96.31 | 156.70 | 19.07 | 12.42 | 24.11 | 34.17 | - | - | - | - | 222.84 | 281.48 |
| Depreciation | 52.97 | 59.27 | * 44.64 | * 40.96 | * 30.67 | * 30.71 | 11.97 | 12.71 | 8.98 | 35.80 | - | - | - | - | 149.23 | 179.45 |
| Non cash expenses other than Depreciation | 2,265.14 | 873.51 | 11.31 | 2.92 | 77.07 | 19.17 | 17.72 | 5.16 | 8.09 | 13.18 | - | - | - | - | 2,379.33 | 913.94 |

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 management in deciding how to allocate resources and in assessing performance.

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) Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market/fair value factors.

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) Asset Management segment includes portfolio management, mutual fund and property investment management.

f) Others includes project management, investment consultancy and property related services.

g) The group does not have any material operations outside India and hence, disclosure of geographic segments is not given.

* Included in Other expenses relating to Insurance Business



TOMORROW IN SIGHT

# Notes forming part of the consolidated financial statements (Continued)

## 36. RELATED PARTY TRANSACTIONS

As per the Accounting Standard 18 on 'Related Party Disclosures' (AS 18), the related parties of the Corporation are as follows:

**A) Associate Companies**

HDFC Bank Ltd.
RuralShores Business Services Pvt. Ltd.
Magnum Foundations Pvt. Ltd.
True North Ventures Private Limited

**B) Investing Party and its Group Companies**

Standard Life Investments Ltd.
Standard Life (Mauritius Holdings) 2006 Ltd.
ERGO International AG
Munich Re

**C) Entities over which control is Exercised**

H T Parekh Foundation

**D) Key Management Personnel**

Mr. Keki M. Mistry
Ms. Renu Sud Karnad
Mr. V. Srinivasa Rangan

**E) Relatives of Key Management Personnel -** *(Where there are transactions)*

Ms. Arnaaz K. Mistry
Mr. Nikhil Singhal
Ms. Swarn Sud
Mr. Bharat Karnad
Mr. Rishi Sud

The nature and volume of transactions of the Corporation during the year, with the above related parties were as follows:

₹ in Crore

| Particulars | Associates | | Investing Party and its Group Companies | | Entities over which control is exercised | | Key Management Personnel | | Relatives of Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year |
| **Dividend Income** | | | | | | | | | | |
| - HDFC Bank Ltd. | **617.47** | 537.07 | - | - | - | - | - | - | - | - |
| - Others | - | 0.01 | - | - | - | - | - | - | - | - |
| **Interest Income** | | | | | | | | | | |
| - HDFC Bank Ltd. | **15.00** | 19.23 | - | - | - | - | - | - | - | - |
| - Magnum Foundations Pvt Ltd | **2.16** | 2.24 | - | - | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | - | - | **0.03** | 0.04 |
| **Consultancy and Other Fees** | | | | | | | | | | |
| - Standard Life Investments Ltd | - | - | **1.91** | 0.87 | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | - | - | - | - |
| **Rent Income** | | | | | | | | | | |
| - HDFC Bank Ltd. | **2.13** | 2.15 | - | - | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | - | - | - | - |
| **Reinsurance Income** | | | | | | | | | | |
| - Munich Re | - | - | **115.35** | 49.64 | - | - | - | - | - | - |
| **Support cost recovered** | | | | | | | | | | |
| - HDFC Bank Ltd. | **0.41** | 0.49 | - | - | - | - | - | - | - | - |
| - H T Parekh Foundation | - | - | - | - | **0.36** | 0.31 | - | - | - | - |
| **Miscellaneous Services rendered** | | | | | | | | | | |
| - HDFC Bank Ltd. | **404.44** | 331.83 | - | - | - | - | - | - | - | - |
| - ERGO International AG | - | - | **2.75** | - | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | **0.02** | 0.01 | **0.02** | - |

# Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

| Particulars | Associates | | Investing Party and its Group Companies | | Entities over which control is exercised | | Key Management Personnel | | Relatives of Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| **Interest Expense** | | | | | | | | | | |
| - HDFC Bank Ltd. | **169.91** | 17.71 | - | - | - | - | - | - | - | - |
| - ERGO International AG | - | - | **12.92** | 5.06 | - | - | - | - | - | - |
| - Others | - | - | - | - | **4.99** | 0.03 | **0.24** | 0.25 | **0.01** | 0.01 |
| **Bank and Other Charges/ Payments** | | | | | | | | | | |
| - HDFC Bank Ltd. | **37.87** | 99.75 | - | - | - | - | - | - | - | - |
| **Reinsurance Expense** | | | | | | | | | | |
| - Munich Re | - | - | **228.75** | 96.41 | - | - | - | - | - | - |
| **Remuneration *** | | | | | | | | | | |
| - Mr. Keki M. Mistry | - | - | - | - | - | - | **12.77** | 10.71 | - | - |
| - Mr. V. Srinivasa Rangan | - | - | - | - | - | - | **7.49** | 6.50 | - | - |
| - Ms. Renu Sud Karnad | - | - | - | - | - | - | **11.49** | 9.84 | - | - |
| **Dividend Expenses** | | | | | | | | | | |
| - ERGO International AG | - | - | **58.44** | 36.53 | - | - | - | - | - | - |
| - Standard Life (Mauritius Holdings) 2006 Ltd | - | - | **80.19** | 76.80 | - | - | - | - | - | - |
| - Standard Life Investments Ltd | - | - | **128.82** | 92.59 | - | - | - | - | - | - |
| **Other Expenses** | | | | | | | | | | |
| - HDFC Bank Ltd. | **1,773.66** | 1,234.06 | - | - | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | - | - | **0.10** | 0.10 |
| **Investments made** | | | | | | | | | | |
| - HDFC Bank Ltd. | **673.30** | 354.10 | - | - | - | - | - | - | - | - |
| **Investments sold / Redeemed** | | | | | | | | | | |
| - HDFC Bank Ltd. | **72.16** | - | - | - | - | - | - | - | - | - |
| - Magnum Foundations Pvt Ltd | **2.16** | 1.50 | - | - | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | - | - | - | - |
| **Securities purchased** | | | | | | | | | | |
| - HDFC Bank Ltd. | **135.65** | 260.57 | - | - | - | - | - | - | - | - |
| **Investments** | | | | | | | | | | |
| - HDFC Bank Ltd. | **9,038.55** | 8,462.00 | - | - | - | - | - | - | - | - |
| - Others | **22.12** | 24.28 | - | - | - | - | - | - | - | - |
| **Bank Deposits placed** | | | | | | | | | | |
| - HDFC Bank Ltd. | **1,272.04** | 415.59 | - | - | - | - | - | - | - | - |
| **Bank Deposits matured / withdrawn** | | | | | | | | | | |
| - HDFC Bank Ltd. | **136.33** | 475.12 | - | - | - | - | - | - | - | - |
| **Bank Balance and Deposits** | | | | | | | | | | |
| - HDFC Bank Ltd. | **2,514.73** | 1,003.81 | - | - | - | - | - | - | - | - |
| **Loans given** | | | | | | | | | | |
| - Magnum Foundations Pvt Ltd | **0.22** | 0.27 | - | - | - | - | - | - | - | - |

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

# Notes forming part of the consolidated financial statements (Continued)

₹ in Crore

| Particulars | Associates | | Investing Party and its Group Companies | | Entities over which control is exercised | | Key Management Personnel | | Relatives of Key Management Personnel | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| **Loans repaid** | | | | | | | | | | |
| - Magnum Foundations Pvt Ltd | - | 1.38 | - | - | - | - | - | - | - | - |
| - Mr Nikhil Singhal | - | - | - | - | - | - | - | - | **0.02** | 0.02 |
| - Ms. Renu Sud Karnad | - | - | - | - | - | - | **0.01** | 0.01 | - | - |
| **Loans Sold** | | | | | | | | | | |
| - HDFC Bank Ltd. | **5,623.94** | 13,845.65 | - | - | - | - | - | - | - | - |
| **Loans** | | | | | | | | | | |
| - Magnum Foundations Pvt Ltd | **26.80** | 26.58 | - | - | - | - | - | - | - | - |
| - Others | - | - | - | - | - | - | **0.05** | 0.06 | **0.37** | 0.40 |
| **Trade Receivable** | | | | | | | | | | |
| - HDFC Bank Ltd. | **32.37** | 4.11 | - | - | - | - | - | - | - | - |
| **Other Advances / Receivables** | | | | | | | | | | |
| - HDFC Bank Ltd. | **36.20** | 8.80 | - | - | - | - | - | - | - | - |
| - Magnum Foundations Pvt Ltd | **3.96** | 2.02 | - | - | - | - | - | - | - | - |
| - Others | - | - | **4.67** | 0.28 | - | - | - | - | **0.06** | 0.06 |
| **Prepaid Premium** | | | | | | | | | | |
| - Standard Life (Mauritius Holdings) 2006 Ltd | - | - | **0.62** | - | - | - | - | - | - | - |
| **Deposits Placed** | | | | | | | | | | |
| - H T Parekh Foundation | - | - | - | - | **70.00** | 60.00 | - | - | - | - |
| - Others | - | - | - | - | - | - | **0.03** | 2.84 | - | 0.11 |
| **Deposits Matured / Repaid** | | | | | | | | | | |
| - Ms. Renu Sud Karnad | - | - | - | - | - | - | **0.01** | 2.39 | - | - |
| - Ms. Swarn Sud | - | - | - | - | - | - | - | - | **0.11** | 0.09 |
| - Others | - | - | - | - | - | - | - | - | - | - |
| **Deposits** | | | | | | | | | | |
| - H T Parekh Foundation | - | - | - | - | **130.00** | 60.00 | - | - | | |
| - Others | - | - | - | - | - | - | **2.86** | 2.85 | - | 0.11 |
| **Debentures** | | | | | | | | | | |
| - ERGO International AG | - | - | **170.00** | 170.00 | - | - | - | - | - | - |
| - Others | **1,315.00** | - | - | - | - | - | - | - | - | - |
| **Non-Convertible Debentures (Allotments under Primary Market)** | | | | | | | | | | |
| - HDFC Bank Ltd. | **2,105.00** | 2,320.00 | - | - | - | - | - | - | - | - |
| **Non-Convertible Debentures - Redemption** | | | | | | | | | | |
| - HDFC Bank Ltd. | **65.00** | - | - | - | - | - | - | - | - | - |
| **Non-Convertible Debentures** | | | | | | | | | | |
| - HDFC Bank Ltd. | **1,610.00** | - | - | - | - | - | - | - | - | - |
| **Other Liabilities / Payables** | | | | | | | | | | |
| - HDFC Bank Ltd. | **865.95** | 840.64 | - | - | - | - | - | - | - | - |
| - Munich Re | - | - | **123.70** | 22.69 | - | - | - | - | - | - |
| - Others | - | - | **4.79** | 4.79 | - | - | **0.33** | 0.11 | **0.02** | 0.01 |
| **Donation** | | | | | | | | | | |
| - H T Parekh Foundation | - | - | - | - | **171.14** | 136.85 | - | - | - | - |

## Notes forming part of the consolidated financial statements (Continued)

**37. 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, 2018)

| Sr. No. | Name of the Entity | Net assets i.e. Total Assets minus Total Liabilities | | Share of Profit/(Loss) | |
|---|---|---|---|---|---|
| | | As % of consolidated net assets | Amount (₹ in crore) | As % of consolidated Profit or loss | Amount (₹ in crore) |
| **Parent** | | | | | |
| 1 | Housing Development Finance Corporation Limited | | 61,402.54 | | 12,163.69 |
| | Less: Inter Company eliminations | | (11,769.05) | | (1,074.10) |
| | **Net of eliminations** | **54.42%** | **49,633.49** | **68.23%** | **11,089.59** |
| **Subsidiaries** | | | | | |
| **Indian** | | | | | |
| 1 | GRUH Finance Ltd. | 1.53% | 1,392.89 | 2.24% | 363.89 |
| 2 | HDFC Standard Life Insurance Co. Ltd. | 3.81% | 3,475.82 | 7.08% | 1,151.10 |
| 3 | HDFC ERGO General Insurance Co. Ltd. | 1.62% | 1,479.61 | 2.77% | 450.59 |
| 4 | HDFC Asset Management Co. Ltd. | 2.36% | 2,156.51 | 4.53% | 737.06 |
| 5 | HDFC Trustee Co. Ltd. | 0.00% | 2.50 | 0.00% | 0.35 |
| 6 | HDFC Investment Trust | 0.08% | 76.67 | 0.12% | 18.80 |
| 7 | HDFC Investment Trust - II | 0.23% | 213.77 | 0.21% | 34.35 |
| 8 | HDFC Venture Capital Ltd. | 0.02% | 21.40 | 0.00% | (0.42) |
| 9 | HDFC Ventures Trustee Co. Ltd. | 0.00% | 1.10 | 0.00% | (0.05) |
| 10 | HDFC Property Venture Ltd. | 0.12% | 106.44 | -0.11% | (17.70) |
| 11 | HDFC Pension Management Co. Ltd. | 0.03% | 27.05 | 0.00% | (0.12) |
| 12 | HDFC Capital Advisors | 0.02% | 15.11 | 0.04% | 6.55 |
| 13 | HDFC Investments Ltd. | 0.18% | 160.81 | 0.25% | 40.84 |
| 14 | HDFC Holdings Ltd. | 0.19% | 173.84 | 0.03% | 4.09 |
| 15 | HDFC Developers Ltd. | - | - | -0.08% | (12.68) |
| 16 | HDFC Sales Pvt. Ltd. | 0.00% | 0.29 | -2.18% | (354.54) |
| 17 | HDFC Realty Ltd. | - | - | -0.11% | (17.62) |
| 18 | HDFC Credila Financial Services Pvt. Ltd. | 0.50% | 455.26 | 0.53% | 86.73 |
| 19 | HDFC Education and Development Services Pvt. Ltd. | 0.09% | 80.06 | -0.03% | (5.06) |
| **Foreign** | | | | | |
| 1 | Griha Investments | 0.13% | 119.77 | 0.09% | 14.60 |
| 2 | Griha Pte. Ltd. | 0.04% | 34.23 | 0.08% | 12.64 |
| 3 | HDFC International Life and Re Company Ltd. | 0.09% | 80.43 | -0.01% | (1.68) |
| | | | | | |
| | Share of Minorities | 5.13% | 4,697.65 | -6.63% | (1,076.58) |
| **Associates (Investment as per the equity method)** | | | | | |
| **Indian** | | | | | |
| 1 | HDFC Bank Limited | 29.41% | 26,832.86 | 22.95% | 3,730.20 |
| 2 | True North Ventures Pvt. Ltd. | 0.00% | 1.49 | 0.00% | 0.03 |
| **Total** | | **100.00%** | **91,239.05** | **100.00%** | **16,254.96** |

## Notes forming part of the consolidated financial statements (Continued)

**38.** During the Year ended March 31, 2017, HDFC ERGO General Insurance Company Ltd. ("HDFC ERGO"), a subsidiary company, acquired 100% equity shares of L & T General Insurance Company Limited (renamed as HDFC General Insurance Company Limited [HDFC General Insurance]). The scheme of arrangement under Sections 391 and 394 of the Companies Act, 1956 and Sections 230 and 232 of the Companies Act, 2013 for merger of HDFC ERGO with HDFC General Insurance with January 1, 2017 as appointed date has been approved by the National Company Law Tribunal (NCLT) vide its order dated June 23, 2017. Further, Insurance Regulatory and Development Authority of India (IRDAI) vide its letter dated August 16, 2017 gave its final approval to the said merger with effect from August 16, 2017 with the appointed date of January 1, 2017. The merger has been accounted under the 'Pooling of Interests' method as prescribed under the Accounting Standard 14 'Accounting for Amalgamations (AS - 14). The merged entity was renamed as **HDFC ERGO General Insurance Company Limited**. The effect of the scheme has been given effect to in the opening reserves of this financial statements.

**39.** During the year, the Corporation has offered **19,12,46,050** equity shares of ₹ 10 each of HDFC Standard Life Insurance Company Limited (HDFC Life), a material subsidiary representing 9.52% of its issued and paid-up share capital in the initial public offering of HDFC Life, resulting in a profit of ₹ **5,029.33 crore (net of expenses)**.

In accordance with past practice and with the objective of further strengthening the Corporation's balance sheet, the Corporation has made an additional provision of ₹ **1,575 crore** to shore up the Provisions and Contingencies Account and thereby recognise provisions towards specific loans against future risks.

The transaction has triggered the provision of Minimum Alternate Tax under section 115JB of the Income-tax Act, 1961. The tax expense has been adjusted accordingly.

**40.** During the current year, the Corporation has sold 100% equity share capital in HDFC Developers Limited and HDFC Realty Limited, its wholly owned subsidiary companies to Quikr India Private Limited (Quikr India) resulting in a pre tax gain of ₹ **265.46 crore**.

**41.** Windermere Properties Private Limited, Haddock Properties Private Limited, Grandeur Properties Private Limited, Winchester Properties Private Limited and Pentagram Properties Private Limited were wholly-owned subsidiaries of the Corporation (Transferor companies). The National Company Law Tribunal, Mumbai Bench approved the merger of the Transferor companies into and with the Corporation vide its order dated March 28, 2018, having appointed date as April 1, 2016. The said order was filed with the Registrar of Companies on April 27, 2018. Accordingly the Corporation has considered the operations of the said subsidiaries from April 1, 2016 as its own operations and accounted for the same in its books of accounts after making necessary adjustments. The figures of statement of profit and loss for the previous quarter has been adjusted to give effect to the scheme of amalgamation.

**42.** 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 any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

**43.** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

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, April 30, 2018

**Deepak S. Parekh**
Chairman
(DIN: 00009078)

**Keki M. Mistry**
Vice Chairman & Chief Executive Officer
(DIN: 00008886)

**Renu Sud Karnad**
Managing Director
(DIN: 00008064)

Directors

**Nasser Munjee** (DIN: 00010180)
**B. S. Mehta** (DIN: 00035019)
**D. N. Ghosh** (DIN: 00012608)
**D. M. Sukthankar** (DIN: 00034416)
**J. J. Irani** (DIN: 00311104)
**Bimal Jalan** (DIN: 00449491)

**V. Srinivasa Rangan**
Executive Director
(DIN: 00030248)

**Ajay Agarwal**
Company Secretary
(FCS: 9023)

# Shareholders' Information

**41st Annual General Meeting (AGM)**

| | |
|---|---|
| Day/Date | : Monday, July 30, 2018 |
| Time | : 2:30 p.m. |
| Venue | : Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020. |

**E-voting Period**

| | |
|---|---|
| Starts | : Thursday, July 26, 2018 at 10:00 a.m. |
| Ends | : Sunday, July 29, 2018 at 5:00 p.m. |
| Cut-off date for e-voting | : Monday, July 23, 2018. Shareholders holding shares as on the cut-off date shall be eligible to vote either through remote e-voting or at the venue of the AGM. |

**Financial Year** : April 1 to March 31

**Date of book closure** : From Saturday, July 21, 2018 to Monday, July 30, 2018 (both days inclusive).

**Payment of Dividend**

| | |
|---|---|
| Recommended dividend | : ₹ 16.50 per equity share of ₹ 2 each. |
| Dividend entitlement | : Shareholders whose names appear in the Register of Members/statements of beneficial position, as at the close of business hours on Friday, July 20, 2018. |
| Date of payment | : Tuesday, July 31, 2018 onwards (subject to the approval of the Members at the 41st AGM). |

Shareholders holding shares in physical form are requested to update their bank a/c details by submitting the duly filled in form, which has been provided at the end of this Annual Report, to Investor Services Department of the Corporation. Shareholders holding shares in electronic form are requested to contact their Depository Participant(s) (DP).

**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)** | **National Stock Exchange of India Limited (NSE)** |
|---|---|
| Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai 400 001.<br>Tel. Nos. : +91 22-2272 1233/34<br>E-mail : *is@bseindia.com*<br>Website : *www.bseindia.com* | Exchange Plaza, Plot No. C-1, Block G,<br>Bandra Kurla Complex,<br>Bandra (E), Mumbai 400 051.<br>Tel. Nos. : +91 22-2659 8100-114<br>E-mail : *nseiscmum@nse.co.in*<br>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 |

**Warrants**

| | |
|---|---|
| ISIN | : INE001A13031 |
| Listing | : BSE and NSE |
| Outstanding Warrants (as at March 31, 2018) | : 3,59,85,400 |
| Date of Exercise | : On or before October 5, 2018. |

**Debt Securities**

The secured redeemable non-convertible debentures and un-secured redeemable non-convertible debentures issued by the Corporation are listed for trading on the wholesale debt market segments of BSE and 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. Other information regarding the terms of the issue of Rupee Denominated Bonds is provided in the Management Discussion and Analysis Report.

**Listing Fees**

The listing fees have been paid to BSE and NSE for the financial year 2018-19. 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 Secretarial Department of the Corporation.

The ISD offers various services to the shareholders and debenture holders of the Corporation including services pertaining to transfer, transmission, transposition, dematerialisation and re-materialisation of shares, payment of dividend, 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 details and PAN, etc.

Shareholders holding shares in physical form are requested to contact the ISD for any of the aforesaid services at the address given below. However, those holding shares in electronic form are requested to directly contact their DP for any of the aforesaid services, excluding services relating to unclaimed dividend.

**Investor Services Department**

5th Floor, Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020.

Tel. No. : +91 22-6141 3900, Fax No. : +91 22-2414 7301, E-mail : *investorcare@hdfc.com*

The ISD, being a registered share transfer agent is subject to many internal audits besides regular inspections by NSDL and CDSL. None of the reports contained any adverse comments.

**Share Transfer System**

The Corporation has in place a Share Transfer Committee, which comprises the Chairman and the whole-time directors of the Corporation and an Investor Services Committee comprising the company secretary and senior officers of the Secretarial Department.

The Investor Services Committee is authorised to approve transfer, transmission, transposition, dematerialisation and re-materialisation of shares, subject to the ratification by Share Transfer Committee.

A statement of transactions ratified/approved by the Share Transfer Committee is further noted/ratified, as the case may be, by the Stakeholders Relationship Committee of Directors/Board of Directors.

**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 Days |
|---|---|
| Transfer of shares | 3 working days |
| Transposition of names | 3 working days |
| Change of address/bank details | 3 working days |
| Registration of nomination | 3 working days |
| Issue of duplicate/Revalidation of dividend warrant(s) | 5 working days |
| Split/Replacement/Consolidation of share certificate(s) | 5 working days |
| Dematerialisation of shares | 5 working days |
| Re-materialisation of shares | 5 working days |
| Transmission of shares/Deletion of name | 7 working days |
| Release of unclaimed shares | 7 working days |
| Issue of duplicate share certificate(s) | 15 working days |

** Subject to receipt of valid documents, its verification and receipt of requisite approvals.*

The adherence to the said service standards is regularly reviewed by the company secretary.

The Corporation has designated an e-mail id, *investorcare@hdfc.com* to enable its shareholders/investors to lodge complaints, which is monitored by the company secretary.

A detailed report on the correspondence including complaints received and attended to is provided to the Members of Stakeholders Relationship Committee along with agenda papers on a quarterly basis.

**Investors' Grievances**

The Corporation is committed to providing effective and prompt service to its investors. In case any investor is not satisfied with the response of the Corporation, he/she can escalate the grievance in the manner as made available on the website of the Corporation, *www.hdfc.com*.

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 | | |
|---|---|---|---|
| | 2015-16 | 2016-17 | 2017-18 |
| Stock Exchanges and SEBI including SCORES | 18 | 3 | 6 |
| NHB, MCA and others | - | - | - |
| Directly received from investors | - | - | - |
| **Total No. of complaints received** | **18** | **3** | **6** |
| **Total No. of complaints redressed** | **17** | **4** | **6** |
| No. of complaints pending | 1 | - | - |

**Unclaimed Dividend**

During the year, the Corporation undertook following initiatives to reduce the quantum of unclaimed dividends:

- periodic reminders to the concerned shareholders to claim dividend;
- directly credited the unclaimed dividend to the shareholders' accounts, who had updated their bank details with the Corporation/depositories; and
- issued at-par cheques towards the unclaimed dividend for the financial year 2009-10 and dispatched the same to the concerned shareholders at the address registered with the Corporation/depositories.

Despite the above initiatives, unclaimed dividend amounting to ₹ 1,30,81,968 in respect of the financial year 2009-10 was transferred to the Investor Education and Protection Fund (IEPF) on September 11, 2017, in compliance with the provisions of Section 125 of the Companies Act, 2013. Further, unclaimed dividend in respect of the financial year 2010-11 is due for transfer on August 8, 2018. The details are available on the Corporation's website. Concerned shareholders are requested to claim the same on or before the said date.

The details of the unclaimed dividends as on March 31, 2018 and the last date for claiming the same from the Corporation, prior to its transfer to the IEPF, are as under:

| Financial Year (FY) | No. of members who have not claimed their dividend | Unclaimed dividend as on March 31, 2018 (₹) | Unclaimed dividend as % to total dividend | Date of declaration | Last date for claiming the dividend from the Corporation prior to its transfer to IEPF |
|---|---|---|---|---|---|
| 2010-11 | 3,645 | 1,82,95,686 | 0.14 | July 8, 2011 | August 8, 2018 |
| 2011-12 | 3,280 | 2,38,01,921 | 0.15 | July 11, 2012 | August 10, 2019 |
| 2012-13 | 2,988 | 2,82,04,707 | 0.15 | July 19, 2013 | August 19, 2020 |
| 2013-14 | 2,956 | 3,41,86,012 | 0.16 | July 21, 2014 | August 20, 2021 |
| Interim Dividend 2014-15 | 4,797 | 57,51,314 | 0.18 | March 19, 2015 | April 20, 2022 |
| Final Dividend 2014-15 | 3,576 | 3,26,67,323 | 0.16 | July 28, 2015 | August 26, 2022 |
| Interim Dividend 2015-16 | 5,503 | 99,28,848 | 0.21 | March 21, 2016 | April 19, 2023 |
| Final Dividend 2015-16 | 4,497 | 4,07,34,750 | 0.18 | July 27, 2016 | August 25, 2023 |
| Interim Dividend 2016-17 | 5,313 | 1,00,89,948 | 0.21 | March 3, 2017 | April 1, 2024 |
| Final Dividend 2016-17 | 4,541 | 4,78,32,885 | 0.20 | July 26, 2017 | August 24, 2024 |

Interim dividend of ₹ 3.50 per equity share for the financial year 2017-18 was paid from March 29, 2018.

Details of earlier years' dividend that have been transferred in accordance with the applicable provisions of the Companies Act, 1956/Companies Act, 2013, are as under:

| Particulars | Unclaimed Dividend up to 1994-95 | Unclaimed Dividend from 1995-96 to 2009-10 |
|---|---|---|
| Status | Transferred to General Revenue account of the Central Government | Transferred to the IEPF |
| Can be claimed from | Registrar of Companies, Mumbai | IEPF (*www.iepf.gov.in*). Process mentioned in the next section of this document |

**Unclaimed Shares**

*As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (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 FY 2017-18 and its status as at March 31, 2018, 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, 2017. | 438 | 6,04,175 |
| Number of shareholders who approached the Corporation for transfer of equity shares from the said Unclaimed Suspense Account during the year ended March 31, 2018. | 15 | 18,250 |
| Number of shareholders (out of the said 15 shareholders) to whom equity shares were transferred from the Unclaimed Suspense Account during the year ended March 31, 2018. | 9 | 11,000 |
| Aggregate number of equity shares that were transferred in the name of IEPF during the year ended March 31, 2018. | 413 | 5,65,775 |
| Aggregate number of shareholders and the outstanding equity shares lying in the Unclaimed Suspense Account as at March 31, 2018. | 16 | 27,400 |

In terms of the Listing Regulations, voting rights on the equity shares lying in the Unclaimed Suspense Account shall remain frozen till the rightful owner claims such shares.

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 the 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 as amended (IEPF Rules), all shares in respect of which dividend(s) has not been paid or claimed for seven consecutive years or more are required to be transferred by the company in the name of IEPF.

In compliance with the IEPF Rules, the Corporation transferred 14,15,471 equity shares of ₹ 2 each corresponding to the unclaimed dividend for the FY 2009-10 in the name of IEPF on November 28, 2017. The details of said shares are available on the Corporation's website. Prior to the said transfer, the Corporation had sent reminders to the concerned shareholders and published notices in widely circulated English, Marathi and Gujarati newspapers requesting them to claim the dividend(s) prior to transfer of corresponding shares to IEPF.

The concerned shareholder can claim the dividend and/or shares that have been transferred to IEPF after complying with the procedure prescribed by the Ministry of Corporate Affairs, Government of India. A brief outline of the said

procedure for claiming the dividend/shares from the IEPF Authority is listed below for the benefit of the concerned shareholders:

- Download Form No. IEPF-5 from *www.iepf.gov.in*
- Submit the duly filled form online at *www.mca.gov.in.* On successful upload, download the acknowledgement that gets generated automatically.
- Take a printout of the duly filled Form No. IEPF-5 and the acknowledgement. Submit the same to the Nodal Officer (IEPF) of the Corporation at its registered office in an envelope marked as "Claim for refund from IEPF Authority" along with the following documents:
  - indemnity in original with claimant's signature;
  - advance stamped receipt (in original);
  - copy of Aadhaar Card (for Indian citizens);
  - copy of Passport, OCI and PIO card (for foreigners and NRI);
  - proof of entitlement (share certificate/ dividend warrant etc.); and
  - cancelled cheque leaf.
- The Corporation on receipt of the complete set of documents will submit its verification report to the IEPF Authority.
- Upon submission of the 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*.

**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.

It has consistently ensured that shareholders are empowered and endeavoured 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 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.

**Dematerialisation of Shares and Liquidity**

As at March 31, 2018, 99.32% of the total issued and paid-up equity share capital of the Corporation was held by shareholders in electronic form and the balance in physical form.

**Secretarial Compliance**

The Corporation has complied with the applicable provisions of the Companies Act, 2013, the rules framed thereunder, the SEBI Act, 1992, rules, regulations and guidelines issued thereunder and the Listing Regulations. In this connection, Messrs Vinod Kothari & Company, practising company secretaries has conducted a secretarial audit for the financial year 2017-18 and the audit report is provided elsewhere in the Annual Report.

**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 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 prescribed nomination form to the ISD. Shareholders can download the prescribed nomination 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.

**Shareholders' Feedback**

The Corporation had sought the views of its shareholders on various matters relating to investor services through a feedback form, which was sent along with the annual report 2016-17 and was also uploaded on the website of the Corporation.

Few shareholders participated in the said survey and most of them have ranked the services provided by the Corporation as excellent. The Corporation wishes to place on record its appreciation to the shareholders for giving their valuable feedback.

**Distribution of Shareholding as at March 31, 2018**

| No. of shares held | No. of Shares | % to Capital | No. of shareholders | % to No. of shareholders |
|---|---|---|---|---|
| 1 | 16,203 | 0.00 | 16,203 | 6.71 |
| 2 - 10 | 3,74,378 | 0.02 | 56,166 | 23.25 |
| 11 - 100 | 40,56,825 | 0.24 | 90,915 | 37.63 |
| 101 - 200 | 24,00,736 | 0.14 | 15,419 | 6.38 |
| 201 - 500 | 70,31,313 | 0.42 | 19,034 | 7.88 |
| 501 - 1,000 | 1,34,61,686 | 0.80 | 15,687 | 6.49 |
| 1,001 - 5,000 | 5,09,27,519 | 3.04 | 23,188 | 9.60 |
| 5,001 - 10,000 | 1,40,23,239 | 0.84 | 2,002 | 0.83 |
| 10,001 - 50,000 | 3,37,76,920 | 2.02 | 1,522 | 0.63 |
| 50,001 - 1,00,000 | 2,66,22,231 | 1.59 | 371 | 0.15 |
| 1,00,001 and above | 152,31,88,843 | 90.89 | 1,096 | 0.45 |
| **Total** | **167,58,79,893** | **100** | **2,41,603** | **100** |

### 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, 2018 are given below:

| Sr. No. | Name of the shareholder | No. of shares | % to capital |
|---|---|---|---|
| 1 | Life Insurance Corporation of India | 6,43,64,604 | 3.84 |
| 2 | Oppenheimer Developing Markets Fund | 4,97,95,081 | 2.97 |
| 3 | Government of Singapore | 3,21,80,433 | 1.92 |
| 4 | Europacific Growth Fund | 3,18,13,425 | 1.90 |
| 5 | Waverly Pte. Ltd. | 3,01,26,589 | 1.80 |
| 6 | Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | 2,63,18,278 | 1.57 |
| 7 | Abu Dhabi Investment Authority - Behave | 2,23,17,918 | 1.33 |
| 8 | Vanguard Total International Stock Index Fund | 2,13,75,247 | 1.28 |
| 9 | SBI-ETF Nifty 50 | 1,94,10,298 | 1.16 |
| 10 | Ishares India Index Mauritius Company | 1,75,93,676 | 1.05 |
| | **Total** | **31,52,95,549** | **18.82** |

Details of shareholding based on category of investors are provided in Form No. MGT–9 (Extract of Annual Return), which is annexed to the Directors' Report.

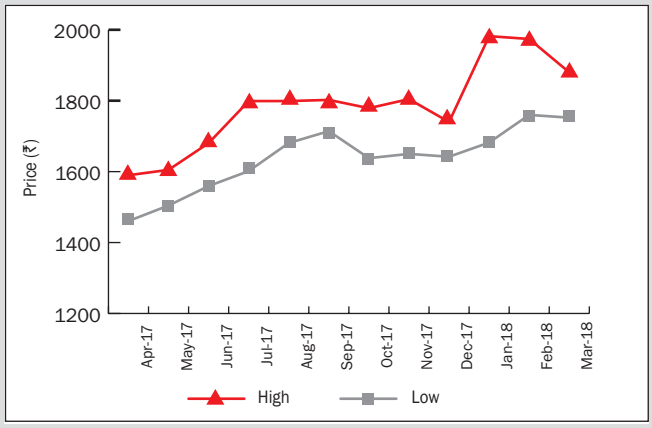
### Stock Market Price Data

The monthly high and low price and the volume of shares traded on BSE and NSE during the financial year 2017-18 are as under:

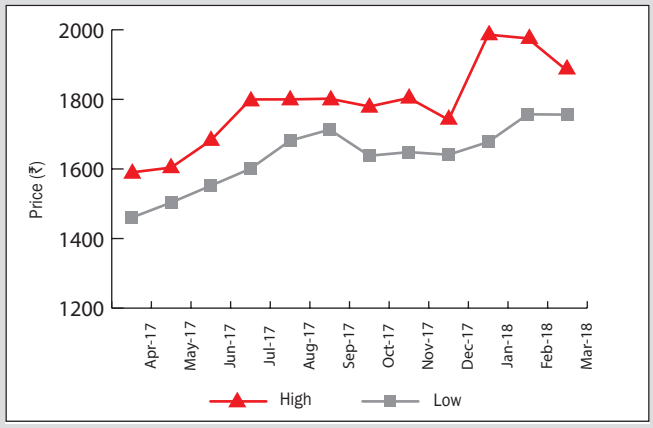
| Month | BSE | | | NSE | | |
|---|---|---|---|---|---|---|
| | High (₹) | Low (₹) | No. of shares traded | High (₹) | Low (₹) | No. of shares traded |
| April-17 | 1,589.85 | 1,460.70 | 54,25,893 | 1,590.00 | 1,460.00 | 4,57,66,319 |
| May-17 | 1,605.00 | 1,504.45 | 50,96,794 | 1,604.00 | 1,503.45 | 5,90,29,836 |
| June-17 | 1,680.50 | 1,559.30 | 52,86,204 | 1,682.20 | 1,551.80 | 6,14,01,252 |
| July-17 | 1,799.00 | 1,601.55 | 92,84,508 | 1,799.90 | 1,600.70 | 6,25,90,676 |
| August-17 | 1,799.00 | 1,680.70 | 36,26,077 | 1,799.00 | 1,681.40 | 5,88,30,606 |
| September-17 | 1,802.25 | 1,714.15 | 19,61,618 | 1,802.00 | 1,713.00 | 5,25,87,773 |
| October-17 | 1,778.90 | 1,638.00 | 18,84,295 | 1,779.40 | 1,638.00 | 4,57,75,413 |
| November-17 | 1,804.50 | 1,650.00 | 15,23,498 | 1,804.00 | 1,648.40 | 6,64,80,074 |
| December-17 | 1,740.00 | 1,642.00 | 65,08,074 | 1,741.30 | 1,640.85 | 4,76,65,070 |
| January-18 | 1,982.00 | 1,681.95 | 1,41,26,583 | 1,986.05 | 1,677.50 | 7,55,60,590 |
| February-18 | 1,974.10 | 1,760.00 | 50,77,726 | 1,975.30 | 1,757.05 | 6,16,43,455 |
| March-18 | 1,879.90 | 1,752.15 | 39,43,002 | 1,881.50 | 1,756.10 | 5,98,36,261 |

*Source: www.bseindia.com and www.nseindia.com.*

### Share Price Movement on BSE

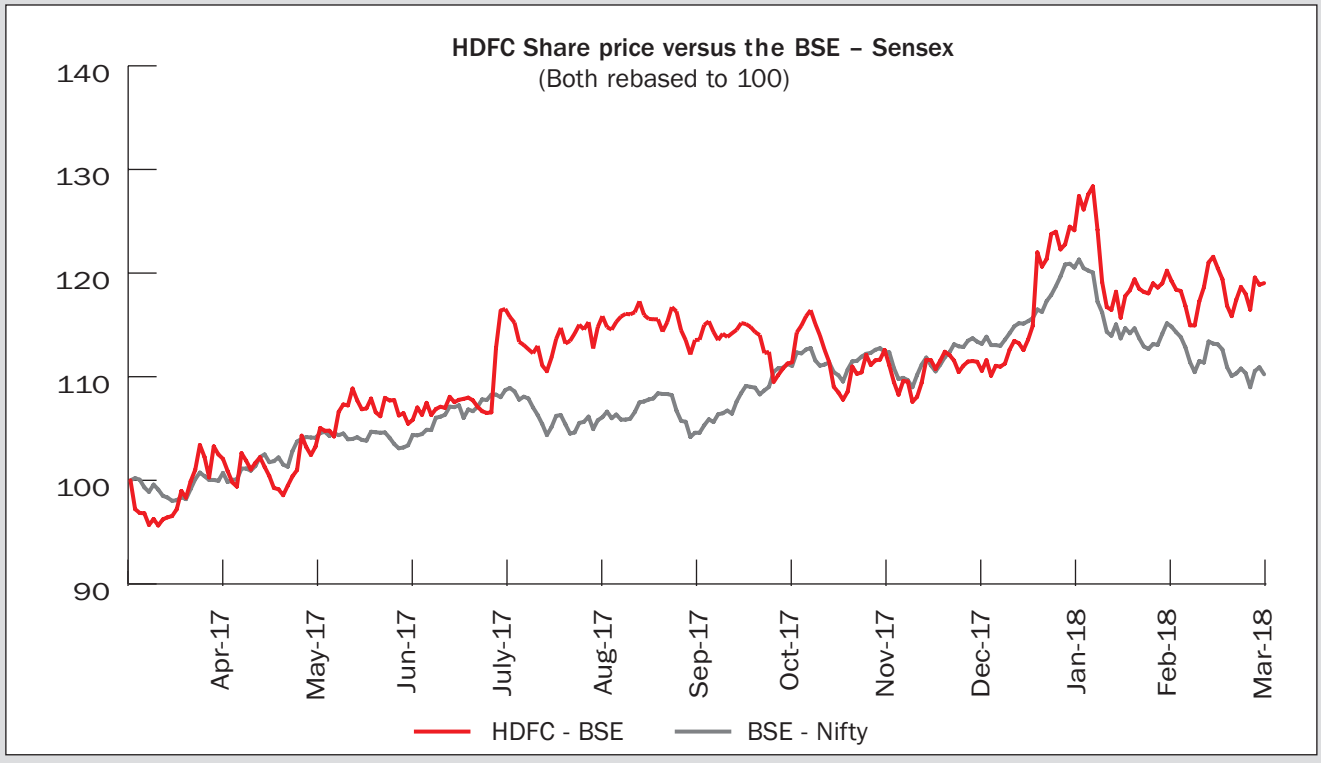


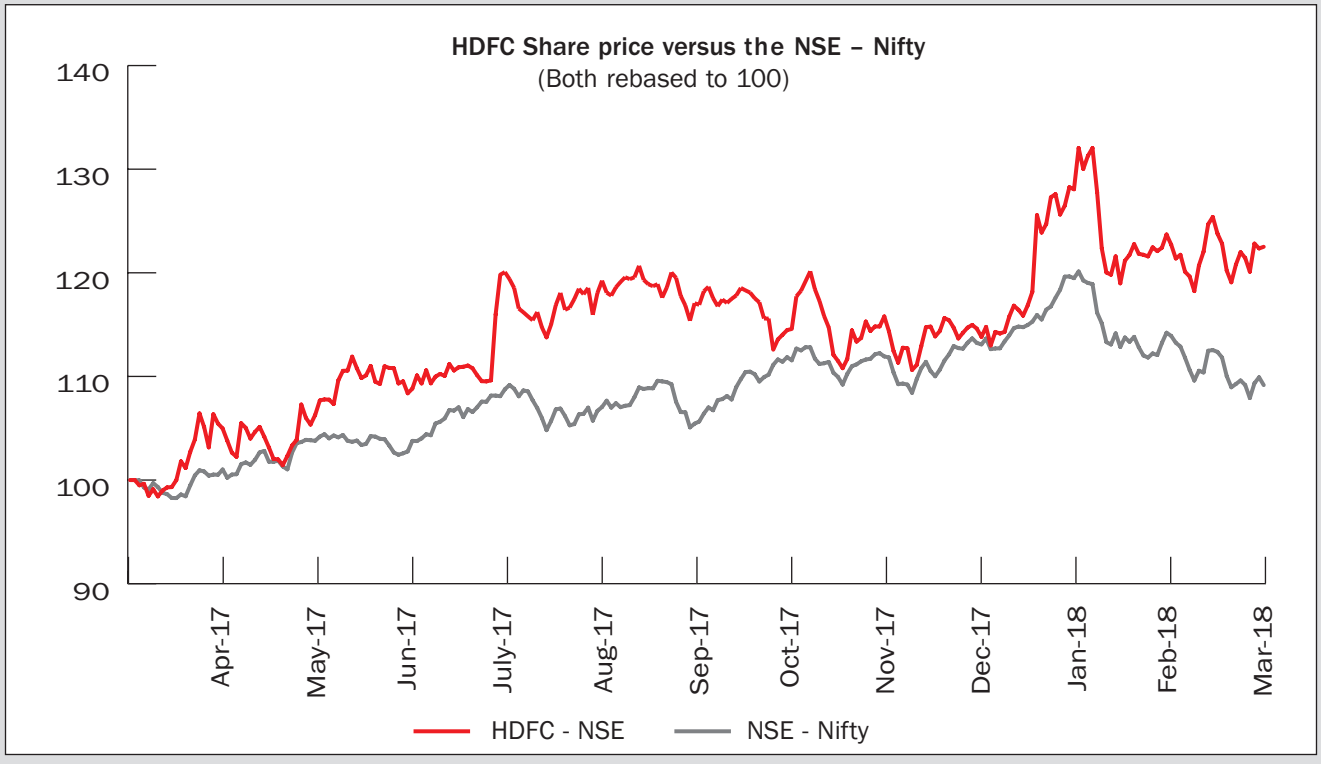

### Share Price Movement on NSE

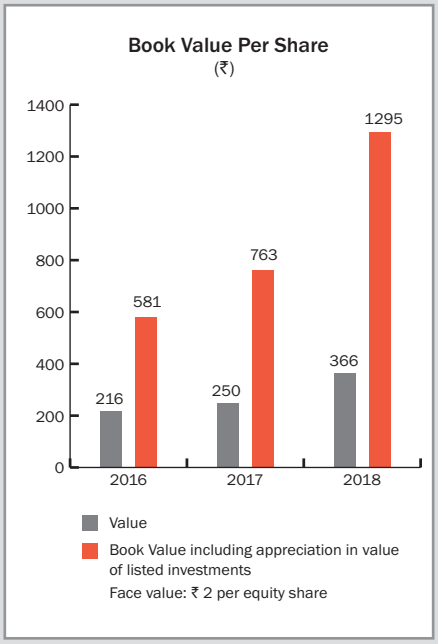


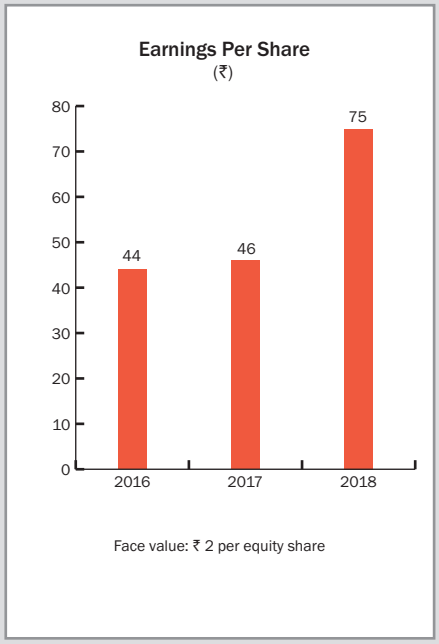

### HDFC Share price versus the BSE – Sensex

(Both rebased to 100)




HDFC Share price versus the NSE – Nifty
(Both rebased to 100)
140
130
120
110
100
90
Apr-17
May-17
Jun-17
July-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
HDFC - NSE
NSE - Nifty


Book Value Per Share
(₹)
1400
1200
1000
800
600
400
200
0
216
581
250
763
366
1295
2016
2017
2018
Value
Book Value including appreciation in value of listed investments
Face value: ₹ 2 per equity share


Earnings Per Share
(₹)
80
70
60
50
40
30
20
10
0
44
46
75
2016
2017
2018
Face value: ₹ 2 per equity share

**Web links**

As required under the various provisions of the Companies Act, 2013, Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016 and Listing Regulations, the web link of some of the important documents placed on the website of the Corporation is provided below:

| Sr. No. | Details of document | Web link |
|---|---|---|
| 1. | Code of Conduct for Non-Executive Directors | https://www.hdfc.com/allpolicies/Code-of-Conduct-for-NED_0.pdf |
| 2. | Code of Conduct for Executive Directors and Members of Senior Management | https://www.hdfc.com/allpolicies/Code-of-Conduct-for-ED-and-SM_2.pdf |
| 3. | Corporate Social Responsibility Policy | https://www.hdfc.com/allpolicies/CSRPolicy_0.pdf |
| 4. | Whistle Blower Policy | https://www.hdfc.com/allpolicies/whistle-blower-policy_0.pdf |
| 5. | Policy on Material Subsidiary Companies | https://www.hdfc.com/allpolicies/Policy-Material-Subsidiaries_0.pdf |
| 6. | Policy on Related Party Transactions | https://www.hdfc.com/allpolicies/Revised-Related-Party-Transaction-Policy_1.pdf |
| 7. | Board Familiarisation Programme | https://www.hdfc.com/allpolicies/Board-Familiarisation-Programme_0.pdf |
| 8. | Update on Board Familiarisation | https://www.hdfc.com/allpolicies/Familiarisation-Update_0.pdf |
| 9. | Policy on Remuneration of Directors, Senior Management, KMPs and other employees | https://www.hdfc.com/allpolicies/Remuneration-Policy_0.pdf |
| 10. | Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information | https://www.hdfc.com/allpolicies/Corporate-Disclosure-Policy-Final_0.pdf |
| 11. | Letter of Appointment to Independent Directors | https://www.hdfc.com/allpolicies/Letter-of-Appointment-to-Independent-Directors_0.pdf |
| 12. | Policy on Determination of Materiality | https://www.hdfc.com/allpolicies/policy-on-determination-of-materiality_0.pdf |
| 13. | Web Archival Policy | https://www.hdfc.com/allpolicies/Web-Archival-Policy_0.pdf |
| 14. | Policy on Business Responsibility | https://www.hdfc.com/allpolicies/BR-Policy_0.pdf |
| 15. | Dividend Distribution Policy | https://www.hdfc.com/allpolicies/Dividend-Policy_1.pdf |
| 16. | Policy on Management of Conflict of Interest | https://www.hdfc.com/allpolicies/Policy-on-Management-of-Conflict-of-Interest_0.pdf |
| 17. | Disclosure under the SEBI (Share Based Employee Benefits) Regulations, 2014 | https://www.hdfc.com/investor-relations/annual-report |
| 18. | Internal Guidelines on Corporate Governance | https://www.hdfc.com/allpolicies/Internal-Guidelines-on-Corporate-Governance_1.pdf |
| 19. | Business Responsibility Report 2017-18 | https://www.hdfc.com/investor-relations/annual-report |

# Policy on Related Party Transactions

## PART – A

## INTENT AND CONTENT

**About the Corporation:**

Housing Development Finance Corporation Limited (hereinafter referred to as 'the Corporation') is a public limited company incorporated on October 17, 1977, under the Companies Act, 1956 (Corporate Identity Number L70100MH1977PLC019916). It is registered as a Housing Finance Company with the National Housing Bank (NHB) under the NHB Act, 1987. The equity shares and other securities of the Corporation are listed on BSE Limited and the National Stock Exchange of India Limited and as such the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations') including the listing agreements executed with the recognised stock exchanges for its various listed securities, are applicable and binding on it.

**Scope and Purpose:**

The Companies Act, 2013 (the Act), the Rules framed thereunder as well as Regulation 23 of Listing Regulations, contain detailed provisions on 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.

However, pursuant to the enactment of Section 14 of the Companies (Amendment) Act, 2015, the Listing Regulations and in light of its impact on the compliance and disclosures pertaining to Related Party Transactions, this Policy was amended by the Board of Directors of the Corporation at its meeting held on January 27, 2016.

**Clarifications, Amendments and Updates:**

As the Audit Committee of Directors of the Corporation is entrusted with the task of reviewing and approving transactions with Related Parties or any subsequent modifications thereof, the Audit Committee shall be the reviewing authority with respect to this Policy and shall recommend this Policy or amendments thereof for approval of the Board.

The Executive Management of the Corporation comprising the Vice Chairman & Chief Executive Officer, Managing Director and Executive Director(s) shall have the authority, either singly or jointly, to issue such guidance and clarifications as may be deemed necessary for the implementation of this Policy. They are also authorized to delegate such powers as may be considered necessary and appropriate for effective administration and enforcement of this Policy to any officer(s) of the Corporation.

Revised Policy shall be deemed to have come into effect from February 1, 2016. This Policy may be amended, pursuant to the recommendation of the Audit Committee and subject to the approval of the Board.

The Audit Committee may review this Policy at such interval as it may deem necessary and recommend the changes, if any, to this Policy for the approval of the Board of Directors of the Corporation.

This Policy shall be subject to amendments in accordance with Regulations, Rules, Circulars, Notifications, etc. as may be issued by regulatory authorities, from time to time. In case of any amendments, circulars, clarifications issued by relevant authorities not being consistent with the provisions laid down under this policy, then such amendments shall prevail upon the provisions hereunder and this Policy shall accordingly stand amended from the effective date.

Likewise, reference in this Policy to accounting standards shall be deemed to refer to the contemporaneous accounting standards as applicable to the Corporation at the relevant time.

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, that is to say, the Companies Act, 2013 and Rules framed thereunder or the Listing Regulations, as amended, from time to time.

## PART – B

## DEFINITIONS

1. **Applicable Law**

   Includes (a) the Companies Act, 2013 (the Act) and rules made thereunder; (b) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations); (c) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

2. **Arm's Length Transaction**

   Explanation (b) to Section 188(1) of the Companies Act, 2013 defines an *"arm's length transaction"* to mean a *transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.*

3. **Associate Company**

   A. Companies Act, 2013:

   In terms of Section 2(6) of the Companies Act, 2013 *"Associate Company"* in relation to another company, means a *company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.*

   For the purposes of this term 'Associate Company', *"significant influence"* means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

   B. Listing Regulations:

   In terms of definition under Regulation 2 (1) (b) of Listing Regulations, "Associate" shall mean any entity which is an associate under sub-section (6) of Section 2 of Companies Act, 2013 or under the applicable accounting standards.

   The applicable Accounting Standard 18 pertaining to Related Party Disclosures (AS18) notified by the Companies (Accounting Standards) Rules, 2006, defines an associate to *mean an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party.*

   For the purposes of AS 18, *"significant influence"* means *the participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.*

4. **Compliance Officer**

   Means the Company Secretary of the Corporation or such other compliance officer as identified by the Board for the purpose of Listing Regulations.

5. **Transaction**

   Means any transfer of resources, services or obligations between two or more parties.

6. **Related Party**

   A. Companies Act, 2013:

   The term "related party" has been defined under Section 2(76) of the Companies Act, 2013 as follows-

   ***Related Party*** *with reference to a company means –*

   *(i) a director or his relative;*

   *(ii) a key managerial personnel or his relative;*

   *(iii) a firm, in which a director, manager or his relative is a partner;*

   *(iv) a private company in which a director or manager or his relative is a member or director;*

(v) *a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;*

(vi) *any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;*

(vii) *any person on whose advice, directions or instructions a director or manager is accustomed to act:*

*Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;*

(viii) *any company which is —*

*(A) a holding, subsidiary or an associate company of such company; or*

*(B) a subsidiary of a holding company to which it is also a subsidiary;*

(ix) *such other person as may be prescribed*

Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, provides that a director (excluding independent directors) or key managerial personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

B. Listing Regulations:

In terms of definition under Regulation 2 (1) (zb) of Listing Regulations, related party means a related party as defined under sub-section 76 of Section 2 of the Companies Act, 2013 or under the applicable accounting standards.

C. Applicable Accounting Standard:

Standard 10.1 of AS 18, defines a related party as follows -

*Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.*

Standard 3 of AS - 18 provides that the Standard deals only with related party relationships described in (a) to (e) below:

a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;

c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;

d) key management personnel and relatives of such personnel; and

e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

In terms of AS 18, the following are deemed not to be related parties:

a) two companies simply because they have a director in common, notwithstanding paragraph 3(d) or (e) above (unless the director is able to affect the policies of both companies in their mutual dealings);

b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and

c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process)

(i) providers of finance;

(ii) trade unions;

(iii) public utilities;

(iv) government departments and government agencies including government sponsored bodies.

In view of the above definition, AS 18 further defines the terms 'control' and 'significant influence' as follows -

***Control –***

*a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or*

*b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or*

*c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.*

***Significant Influence –***

*Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.*

**7. Related Party Transaction:**

In terms of definition under Regulation 2 (1) (zc) of Listing Regulations, 'related party transaction' means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged.

The following are illustrations of "transactions" as per applicable Accounting Standard

(i) purchases or sales of goods (finished or unfinished);

(ii) purchases or sales of property and other assets;

(iii) rendering or receiving of services;

(iv) leasing of property of any kind or hire purchase arrangements;

(v) transfer of research and development;

(vi) license agreements;

(vii) finance arrangements (including loans and equity contributions in cash or in kind);

(viii) guarantees and collaterals; and

(ix) agency arrangements, management contracts including for deputation of employees.

Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions for the purpose of this Policy:

i. Any transaction that involves providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, 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.

ii. 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.

iii. Reimbursement of pre-incorporation expenses incurred by or on behalf of a Related Party.

iv. 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.

v. 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 Committee.

8. **Material Related Party Transaction**

Means such Related Party Transactions where the aggregate value of transactions entered, or likely to be entered into, with a related party; during the current financial year, is likely to exceed 10% of the annual consolidated turnover of the company as per the last audited financial statements of the Corporation.

9. **Relative**

In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if -

a. They are members of a Hindu undivided family;
b. They are husband and wife;
c. Father (including step-father);
d. Mother (including step-mother);
e. Son (including step-son);
f. Son's wife;
g. Daughter;
h. Daughter's husband;
i. Brother (including step-brother); or
j. Sister (including step-sister).

## PART – C

## 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 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. | | √ | √ | Exceeding 10% of the turnover or Rs. 100 crore, whichever is lower<br><br>*Note: Related Parties that are parties to the contract shall abstain from voting.* |
| Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent. | | √ | √ | Exceeding 10% of the net worth or Rs. 100 crore, whichever is lower<br><br>*Note: Related Parties that are parties to the contract shall abstain from voting.* |

| | | | | |
|---|---|---|---|---|
| Leasing of property of any kind. | | √ | √ | Exceeding 10% of the turnover or 10% of the net worth, or Rs. 100 crore whichever is lower<br><br>*Note: Related Parties that are parties to the contract shall abstain from voting.* |
| Availing or rendering of any services, directly or through appointment of agent. | | √ | √ | Exceeding 10% of the turnover or Rs. 100 crore whichever is lower<br><br>*Note: Related Parties that are parties to the contract shall abstain from voting.* |
| 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<br><br>*Note: Related Parties that are parties to the contract shall abstain from voting.* |
| Underwriting the subscription of any securities or derivatives thereof, of the Corporation. | | √ | √ | Remuneration exceeding 1% of net worth<br><br>*Note: Related Parties that are parties to the contract 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<br><br>*Note: All related parties to abstain from voting.* |

## PART – D

## GOVERNANCE STRUCTURE

**1. 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 year, as on 1st April every year.

c. Furnish on a quarterly 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. Place the record of Related Parties before the Audit Committee *[annually]*.

e. Ensure that internal systems have been created to ensure that the concerned employees approving the transactions are not related to the contracting parties and alternative approving authorities are put in place. The internal systems shall be placed before the Audit Committee and shall be circulated amongst all concerned employees for effective monitoring of all Related Party Transactions.

Ensure that Senior Management Personnel furnish a certificate to the Audit Committee 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.

2. **Ascertaining whether Related Party Transactions are on an Arm's Length Basis**

(i) The following illustrative tests may be used by the Audit 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 NHB/ Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, Securities and Exchange Board of India as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, 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 counter parties.

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 10B 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 Committee shall be entitled to rely on professional opinion or representation from the counter party in this regard.

(iv) Further, the Corporation shall also obtain, if so required by the Audit Committee, a certificate from an internal auditor or such other agency duly appointed for the purpose of certifying that all the transactions that have been /are to be entered into with Related Parties, are in accordance with the most appropriate pricing methodology as suggested by the independent external agency and also in the ordinary course of business of the Corporation.

3. **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 Companies Act, 2013, 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 Companies Act, 2013.

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.

**4. 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 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 Committee has already been sought, will not require prior approval of the Audit Committee for each transaction entered into pursuant to the same.

b. Transactions above the value of ₹ 1 crore per transaction may be granted omnibus approval by Audit Committee subject to criteria specified under Clause 5 below. Further, such transactions shall be reported to the Audit Committee quarterly in the format provided in Annexure I.

c. All Related Parties Transactions other than those falling under Points (i) and (ii) above for which no omnibus approval has been accorded, shall require prior approval of Audit Committee.

d. Transactions between the Corporation and its wholly owned subsidiary companies will be governed by criteria above unless exempted under the Applicable Law.

(iii) Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit 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 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 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;

e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

f. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

g. any other information relevant or important for the Committee to take a decision on the proposed transaction.

(vi) Audit 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 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 are 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 person;

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 Committee deems relevant.

(viii) If the Audit Committee determines that a Related Party Transaction should be brought before the Board, 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 Law, 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 Committee, reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee. The Audit 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. The Audit Committee recommendations may also include appropriate measures against the contract employee authorising such transactions without prior approval of the Audit Committee.

(xi) If approval of the Board/ general meeting, where applicable, for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board/ general meeting, if required, within 3 months of entering in the Related Party Transaction.

(xii) In any case where either the Audit Committee/Board/ a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, 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 Audit Committee/ Board has authority to modify or waive any procedural requirements of this Policy.

(xiii) No member of the Audit 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 Committee/ Board.

(xiv) If a Related Party Transaction is of ongoing nature, the Board / Audit Committee may establish guidelines for the Corporation's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board, on at least an annual basis, shall review and assess on-going relationships with the Related Party to ensure that they are in compliance with the Act and rules made thereunder, Listing Regulations and this Policy and that the Related Party Transaction remains appropriate.

(xv) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

(xvi) In terms of Para B (2) of Part C of Schedule II to Listing Regulations, the Audit Committee shall review the statement containing significant Related Party Transactions. The threshold limit for determining significant Related Party Transactions will be the same as applicable for Material Related Party Transactions, as amended from time to time.

**5. Omnibus Approval by the Audit Committee**

(i) In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Corporation (including transactions for support services/ sharing of services with Subsidiary/ Associate Companies), the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by the Corporation, subject to the following conditions:

a. The Audit Committee shall grant such omnibus approval in line with this Policy based on the following criteria:

i. Frequency of the transactions, based on either the past record of similar transactions, or expected frequency during the current financial year;

ii. Volumes of transactions undertaken with such Related Party. The maximum value of the transactions, per transaction or in aggregate, shall not exceed 10% of annual consolidated turnover of the Corporation, whichever is lower;

iii. Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval in a manner so as to enable effective decision making:

a. Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought;

b. Contractual terms offered by other parties for similar transactions;

c. Adherence to any conditions on the contractual terms with such Related Parties, for instance, floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.

b. Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the business interest of the Corporation.

c. Such omnibus approval shall specify the following:

i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;

ii. the indicative base price or current contracted price and the formula for variation in the price, if any;

iii. The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and

iv. such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction.

(ii) The details of such transactions viz. actually entered into/ executed by the Corporation will be tabled for review before the Audit Committee quarterly in every financial year.

(iii) Exceptions allowed under Applicable Laws to Related Party Transactions shall be exempted from the scope of this policy unless the Audit Committee decides otherwise.

(iv) Omnibus approval granted after 1st April, 2016 shall be reviewed at the last meeting of every preceding financial year and such approvals shall be valid till the conclusion of the immediately following financial year.

(v) Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:

a. Transactions which are not in ordinary course of business or not on arm's length basis;

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.

## PART – E

## DISSEMINATION OF INFORMATION

The Corporation shall upload this Policy on its website i.e. *www.hdfc.com* and a weblink of the same will be provided in the Annual Report. Disclosures regarding Material Related Party Transactions, if any, shall be disclosed to the stock exchanges quarterly along with the Corporation's Compliance Report on Corporate Governance, in accordance with the Listing Regulations.

The Corporation shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, Rules made thereunder and Listing Regulations.

**Annexure 1**

| Date of transaction when entered | Name of the related party | Nature of transaction | Maximum amount approved | Amount of transaction already entered into | Price at which the transaction was entered |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |

**If you need any assistance, please walk in or call any of our offices to experience the warmth, courtesy and professionalism of HDFC.**

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**CORPORATE OFFICE:** HDFC House, Mumbai 400 020. Tel: 66316000, 22820282.

**BRANCH OFFICES:**

**AGRA** Tel: 2526769 / 70. **AHMEDABAD (Navrangpura)** Tel: 66307000. **AHMEDABAD (Maninagar)** Tel: 7227011281. **AHMEDABAD (Nikol)** Tel: 7227011287. **AHMEDABAD (Satellite)** Tel: 7227011293. **AHMEDNAGAR** Tel: 6605222. **AJMER** Telefax: 0145 - 2641164. **AKOLA** Tel: 2442454, 2430244. **ALAPPUZHA** Tel: 2269460/70. **ALIGARH** Tel: 2408541. **ALLAHABAD** Tel: 2260325. **ALMORA** Tel: 235556. **ALWAR** Tel: 2702739. **AMBALA** Tel: 2630880, 2601762. **AMRAVATI** Tel: 2666009/987. **AMRITSAR** Tel: 2500851, 5095458. **ANAND** Tel: 297552/3/4. **ANGUL** Tel: 605080. **ANKLESHWAR** Tel: 255771/2. **AURANGABAD** Tel: 2349300. **BARAMATI** Tel: 220150/60. **BAREILLY** Tel: 2477496, 2451169. **BEAWAR** Telefax: 01462 - 251691. **BELGAUM** Tel: 2427091/93. **BENGALURU (Kasturba Road)** Tel: 41183000/232. **BENGALURU (Rajajinagar)** Tel: 23506416/446. **BENGALURU (Electronic City)** Tel: 28523955. **BENGALURU (Jayanagar)** Tel: 26592839. **BENGALURU (Kengeri)** Tel: 28425353/58. **BENGALURU (Koramangala)** Tel: 41183000, 25501083. **BENGALURU (Marathahalli)** Tel: 41183000/25400232. **BENGALURU (Sahakaranagar)** Tel: 23626362. **BENGALURU (Sarjapur Road)** Tel: 25746772/73. **BENGALURU (Whitefield)** Tel: 28451020. **BENGALURU (Yelahanka)** Tel: 28460911 to 916. **BENGALURU (Kanakapura Road)** Tel: 26861501/2/3. **BHARUCH** Tel: 238444/555. **BHATINDA** Tel: 5012218/19. **BHILAI** Tel: 4075203. **BHILWARA** Tel: 232902. **BHIWADI** Telefax: 01493 - 224041. **BHOPAL (ISBT)** Tel: 2780000. **BHOPAL (Sonagiri)** Tel: 4229990, 4904252. **BHOPAL (Chunnabhatti)** Tel: 2422001/06. **BHUBANESWAR** Tel: 6633300, 2534555. **BHUBANESWAR (Patia)** Tel: 7205000236. **BIKANER** Telefax: 0151 - 2206677. **BILASPUR** Tel: 432300. **BULANDSHAHR** Telefax: 0573 - 2255526. **CALICUT** Tel: 2367656/7. **CHANDIGARH** Tel: 3989123, 3011300. **CHANDIGARH (Deposits)** Tel: 3989123, 3962724. **CHANDRAPUR** Tel: 271563. **CHENNAI (Anna Salai)** Tel: 28599300. **CHENNAI (Adyar)** Tel: 23452001/2/3. **CHENNAI (Anna Nagar)** Tel: 23451991/2. **CHENNAI (Kodambakkam)** Tel: 23453001/2. **CHENNAI (OMR)** Tel: 23454003/4. **CHENNAI (Porur)** Tel: 26793371/3281. **CHENNAI (Tambaram)** Tel: 23453006/7. **CHENNAI (Velacherry)** Tel: 22463711/12. **CHENNAI (DLF IT Park)** Tel: 4959521 /7. **CHENNAI (Egmore)** Tel: 23452075. **CHENNAI (Ambattur)** Tel: 23452077/8/9. **CHENNAI (Ramanujam IT Park)** Tel: 98401 44800, 98406 26884. **CHENNAI (Maraimalai Nagar)** Tel: 27456430.

**COIMBATORE (Kamaraj Road)** Tel: 4343900. **COIMBATORE (Saibaba Colony)** Tel: 4301100/1111. **COIMBATORE (Ganapathy)** Tel.: 4200211/411. **COOCH BEHAR** Tel: 222050/66. **CUTTACK** Tel: 2332093/61. **DANAPUR** Tel: 5222267/68/69. **DAVANAGERE** Tel: 222394/494. **DEHRADUN (Rajpur Road)** Tel: 6672222. **DEHRADUN (Vasant Vihar)** Tel: 2769869. **DEWAS** Tel: 402600/02. **DHANBAD** Tel: 2300630/31. **DHULE** Tel: 273500/600. **DINDIGUL** Tel: 2433040/1/2. **DURGAPUR** Tel: 2549776/8. **ERODE** Tel: 2240928/29. **FAIZABAD** Tel: 8228180/8228280. **FARIDABAD** Tel: 4315120. **GANDHIDHAM** Tel: 7227011272. **GANDHINAGAR** Tel: 65727262/3. **GHAZIABAD (Lohia Nagar)** Tel: 2721446/3116. **GHAZIABAD (Vaishali)** Tel: 4233253/54.**GOA (Panaji)** Tel: 2234172. **GOA (Margao)** Tel: 2700472/3. **GODHRA** Tel: 265043/63. **GORAKHPUR** Telefax: 0551 - 2200167.**GULBARGA** Tel: 241966/988. **GUNTUR** Tel: 2247301. **GURGAON (Mehrauli - Gurgaon Road)** Tel: 4061772/3. **GURGAON (Sector 14)** Tel: 4367801/2. **GURGAON (Sector 66)** Tel: 9213021725, 9213021610. **GUWAHATI (Six Mile)** Tel: 7101800. **GUWAHATI (Chenikuthi)** Tel: 2666915. **GWALIOR** Tel: 4011970/1/3. **HALDWANI** Tel: 284956/57. **HARIDWAR** Tel: 265325. **HISSAR** Tel: 233383. **HOSUR** Tel: 247444, 244888. **HUBLI** Tel: 2352138, 2356345. **HYDERABAD (Basheer Bagh )** Tel: 67699000, 66475011. **HYDERABAD (Dilsukhnagar)** Tel: 67699400. **HYDERABAD (Gachibowli)** Tel: 23005100. **HYDERABAD (Jubilee Hills)** Tel: 23116000. **HYDERABAD (Kompally)** Tel: 27940900. **HYDERABAD (Kukatpally)** Tel: 48539200. **HYDERABAD (Madhapur)** Tel: 48534200. **HYDERABAD (Pothireddypally)** Tel: 298450. **HYDERABAD (R C Puram)** Tel: 40220900. **HYDERABAD (Uppal)** Tel: 40220700. **SECUNDARABAD (Dr. A. S. Rao Nagar)** Tel: 48539400. **INDORE (M G Road)** Tel: 422 3300/33. **INDORE (Prabhu Nagar)** Tel: 4264303. **INDORE (Vijay Nagar)** Tel: 4433333, 4756401. **IRINJALAKUDA** Tel: 2821589. **JABALPUR** Tel: 4092000/01. **JAIPUR (Bhagwan Das Road)** Tel: 4140888. **JAIPUR (Jagatpura)** Telefax: 0141 - 2755778. **JAIPUR (Mansarovar)** Tel: 2780989. **JAIPUR (Vaishali Nagar)** Telefax: 0141 - 2246059. **JAIPUR (Vidhydhar Nagar)** Tel: 2232432. **JAJPUR ROAD** Tel: 222157. **JALANDHAR** Tel: 2277444/45. **JALGAON** Tel: 2220762, 2232015. **JAMMU** Tel: 2477707/8. **JAMNAGAR** Tel: 7227011278. **JAMSHEDPUR** Tel: 2321493. **JHANSI** Telefax: 0510 - 2333844. **JODHPUR** Tel: 2644448/9. **JORHAT** Tel: 9864016557, 7578001700. **KAITHAL** Tel: 235603. **KAKINADA** Tel: 2380800. **KANCHIPURAM** Tel: 27267201/2/3. **KANHANGAD** Tel: 2200599/699. **KANNUR** Tel: 2765850/90. **KANPUR** Tel: 6680600/2306744. **KANPUR (Ashok Nagar)** Tel: 2556776/68. **KARIMNAGAR** Tel: 2228900. **KARNAL** Tel: 6451231/32. **KASHIPUR** Tel: 270333. **KHAMMAM** Tel: 233000. **KOCHI (Ravipuram)** Tel: 3011200. **KOCHI (Aluva)** Tel: 2609555/666. **KOCHI (Kakkanad)** Tel: 6493030. **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)** Tel: 23215060/8300, 22886256/4645. **KOLKATA (Behala)** Tel: 24468392. **KOLKATA (Chandannagore)** Telefax: 033 – 26830058, 64589933. **KOLKATA (Old Court House Street)** Tel: 22481308, 66086200. **KOLKATA (Garia)** Tel: 24351082/7011. **KOLKATA (Salt Lake City)** Tel: 46021501/2/3. **KOLKATA (B T Road)** Tel: 25574561/62. **KOLKATA (VIP Road)** Tel.: 4602 2959/2960. **KOLLAM** Tel: 2762551/2, 8129355115. **KOTA** Tel: 5130888, 2436981/2. **KOTTARAKARA** Tel: 2458600, 2459800. **KOTTAYAM** Tel: 2304985, 2566136. **KUNNAMKULAM** Tel: 227980/82. **KURNOOL** Tel: 259200. **KURUKSHETRA** Tel:270386/7. **LUCKNOW (Ashok Marg)** Tel: 3989123, 6668800. **LUCKNOW (Aliganj)** Tel: 2745249. **LUCKNOW (Gomti Nagar)** Tel: 2303770/1017. **LUDHIANA (Pakhowal Road)** Tel: 2429856, 5025184, 2432347. **LUDHIANA (Chandigarh Road)** Tel: 2680043/45/42. **MADURAI (KK Nagar)** Tel: 2559000 **MADURAI (West Veli Street)** Tel: 2350715/6. **MAHABUBNAGAR** Tel: 273300. **MALAPPURAM** Tel: 2738873/4. **MANGALORE** Tel: 2445220, 2440582. **MARTHANDAM** Tel: 271744, 272744, 9787449500. **MATHURA** Tel: 2423017, 2425551/5606. **MAVELIKKARA** Tel: 9446420732, 2344411/2. **MEERUT** Tel: 4058793/4. **MEHSANA** Tel: 243001/2/3. **MOGA** Tel: 509020/21. **MOHALI** Tel: 2220116, 2225774. **MORADABAD** Tel: 2485100. **MUMBAI (Churchgate)** Tel: 61766000/100. **MUMBAI [Churchgate (Deposits)]** Tel: 67546060. **MUMBAI (Andheri East)** Tel: 26830048/49/50. **MUMBAI (Andheri West)** Tel: 26733981-3. **MUMBAI (Andheri-Kurla Road)** Tel: 28304251-3. **MUMBAI (Bandra – Kurla Complex)** Tel: 26500951/52/53. **MUMBAI (Borivali - Ramdas Sutrale Marg)** Tel: 28907153, 28937152/55. **Mumbai (Borivali - East)** Tel: 28705417/19. **Mumbai [Borivali - L T Road (Deposits)]** Tel: 28937000/1. **MUMBAI (Chembur)** Tel: 25291188/8838/0417. **MUMBAI [Ghatkopar (Deposits)]** Tel: 25011284. **Mumbai (Goregaon)** Tel: 67546111. **Mumbai (Goregaon – East)** Tel: 28497102/3/4/5. **MUMBAI [Parel East (Deposits)]** Tel.: 67546060.**MUMBAI (Lower Parel)** Tel: 66200000. **MUMBAI (Lower Parel – Credit Risk Management)** Tel: 66113020. **MUMBAI (Malad)** Tel: 65990487/88/89/90. **MUMBAI (Malad - Deposits)** Tel: 28813676. **MUMBAI (Mira Road)** Tel: 65990265/6/7. **MUMBAI (Mulund)** Tel: 25655633/733. **MUMBAI (Vikhroli)** Tel: 25186624/5/6. **MUMBAI (Vasai)** Tel: 2341132/33/34. **MUMBAI (Virar)** Tel: 2500162/215, 2501315/16/17. **AMBERNATH** Tel: 2603168/9. **BADLAPUR** Tel: 2671712/3/4/5. **BOISAR** Tel : 645435/3. **DOMBIVALI** Tel: 2861473/4. **KALYAN** Tel: 2201580/3, 2201574. **KARJAT** Tel: 220301/2/3. **THANE (Gokhale Road)** Tel: 25451114-6. (For Deposits: 65288415) **THANE (Vikas Complex)** Tel: 25471568/70. **THANE (Ghodbunder Road)** Tel: 61033300. **VASHI (Navi Mumbai)** Tel: 65165201-4. **KHARGHAR (Navi Mumbai)** Tel: 27746813/4/5/6/7. **KOPARKHAIRANE (Navi Mumbai)** Tel: 27550615/16/17. **SEAWOODS (Navi Mumbai)** Tel: 27718787/9. **NEW PANVEL** Tel: 27490833/34, 27483548. **OLD PANVEL** Tel: 9029023892, 9029022494, 9029021921, 9029020717, 9869433185. **MUVATTUPUZHA** Tel: 2833533.

MUZAFFARNAGAR Tel: 2615223/4. MUZAFFARPUR Tel: 2248032/33. MYSORE Tel: 2545614/5. NAGERCOIL Tel: 237192/93, 8220834183.NAGPUR (Civil Line) Tel: 2566000, 2527888. NAGPUR (Central Avenue Road) Tel: 2767559, 2771273/92. NAGPUR (Kadbi Chowk) Tel: 2542918. NAGPUR (Khamla Ring Road) Tel: 2289220. NASHIK (Sharanpur Link Road) Tel: 6606000. NASHIK (Indira Nagar) Tel: 6611938/9. NASHIK (Panchavati) Tel: 2350998. NASHIK ROAD Tel: 2459924/5. NEEMRANA Tel: 7737000721. NELLORE Tel: 2359000. NEW DELHI (Munirka) Tel: 41115111. NEW DELHI (Dwarka) Tel: 45572405/6. NEW DELHI (Lodhi Road) Tel: 43792100. NEW DELHI (Netaji Subhash Place) Tel: 47292032/3/4. NEW DELHI (Vikas Puri) Tel: 28540989/90. NEW DELHI (Connaught Place) Tel: 41514836. NOIDA Tel: 4351299/302/303/304. NOIDA (Sector 62) Tel: 6111900. ONGOLE Tel: 280299. PALA Tel: 315757, 315767. PALAKKAD Tel: 2536481, 2536482. PANCHKULA Tel: 2556426/64. PAONTA SAHIB Tel: 225022, 225122. PATHANAMTHITTA Tel: 2271372, 9446577066. PATHANKOT Tel: 2230452, 2220453. PATIALA Tel: 2209273/166, 5002768. PATNA Tel: 669 0669. PERINTHALMANNA Tel: 222015, 227015. PITHAMPUR Tel: 4433333. POLLACHI Tel: 221224/6. PUDUCHERRY Tel: 2205421/31. PUNE (University Road) Tel: 25505000. PUNE (Baner) Tel: 66057077/8. PUNE (Camp) Tel: 26838602/1728/6738. PUNE (Chakan) Tel: 278100/1. PUNE (Chinchwad) Tel: 27371736 /0219. PUNE (Hadapsar - Magarpatta City) Tel: 26898412/395. PUNE (Kothrud) Tel: 25453592/3. PUNE (Nagar Road) Tel: 26699149. PUNE (Sinhagad Road) Tel: 24350084/0151. PUNE (Vishrantwadi) Tel: 65330500/501. PUNE (Wakad) Tel: 65330502/03. PUNE (Wakdewadi) Tel: 2550 5000. RAIPUR Tel: 4243110. RAIPUR (Sunder Nagar) Tel: 4201600. RAJAHMUNDRY Tel: 2490900. RAJKOT Tel: 7227011290. RANCHI Tel: 2331055, 2330823. RATLAM Tel: 4433333, 407375. RATNAGIRI Tel: 224022/23. REWARI Tel: 221112/3. RISHIKESH Tel: 2432424/222. ROHTAK Tel: 255467/8/9. ROORKEE Tel: 272211, 18604204222. ROPAR Tel: 224986, 500100. ROURKELA Tel: 2401060/1. RUDRAPUR Tel: 244422, 606888, 18604204222. SAHARANPUR Telefax: 0132 - 2760200. SALEM Tel: 2314486/7. SANGAREDDY Tel: 298450. SANGLI Tel: 2329892/ 3. SATARA Tel: 226400, 227901. SHIMLA Tel: 2626711. SIKAR Tel: 271888, 270888. SILCHAR Tel: 0384-2221399. SILIGURI Tel: 2640716. SIRSA Tel: 220824/25 SOLAPUR Tel: 2316804/5. SONEPAT Tel: 6061002. SRI GANGANAGAR Tel: 2485900. SRINAGAR Tel: 01942503664, 9596432345. SURAT (Adajan) Tel: 6711800. SURAT (City Light) Tel: 2213201/2. SURAT (Majura Gate) Tel: 2479371, 2475954.THIRUVALLA Tel: 2600051. THIRUVANANTHAPURAM (Vazhuthacaud ) Tel: 3020300, 2325731. THIRUVANANTHAPURAM (Technopark) Tel: 2700701, 7736534769. THIRUVANANTHAPURAM (Kazhakuttom) Tel: 2417707/8, 9544555050. THIRUVANANTHAPURAM (Medical College) Tel: 2555515/6, 9446019145. THRISSUR Tel: 2389790/1. TIRUCHIRAPALLI Tel: 2412744/2414744. TIRUNELVELI

Tel: 2577822/833, 9443157782. **TIRUPATI** Tel: 6645831. **TIRUPPUR** Tel: 4242901/2. **TUMKUR** Tel: 2252202/3/4. **TUTICORIN** Tel: 2300707/807, 9677736295. **UDAIPUR** Tel: 5100840/50. **UJJAIN** Tel: 4433333, 2533685. **VADODARA (Race Course)** Tel: 2308400, 2356397, 2320240. **VADODARA (Waghodia Road)** Tel: 2514164, 2512364. **VAPI** Tel: 2462580, 2402573/34/93. **VARANASI** Tel: 2224033/34. **VELLORE** Tel: 2241261/2/3, 96779 07217. **VIJAYAWADA** Tel: 2429100. **VISAKHAPATNAM** Tel: 6637373. **VISAKHAPATNAM (Gajuwaka)** Tel: 2570120. **WARANGAL** Tel: 2451000. **YAMUNA NAGAR** Tel: 260024/16, 230025.

**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 and New Panvel are listed under Mumbai).

**International office:**

**DUBAI** Tel: +971 (4) 3961825.

**LONDON** Tel: + 44 (0) 20 78725545 / 47 / 42 / 62

**SINGAPORE** Tel: + 65 65367000.

## (To be used by shareholders holding shares in physical form only)

To,
Housing Development Finance Corporation Ltd.
Investor Services Department
5th Floor, Ramon House,
H.T. Parekh Marg,
169, Backbay Reclamation,
Churchgate, Mumbai- 400 020

## Updation of Shareholder Information

I/We ……. hereby request you to update the following information against my/ our Folio No.:

**General Information :**

| | | | | |
|---|---|---|---|---|
| Folio No. | | | | |
| PAN* | PAN of first holder | PAN of joint holder 1 | PAN of joint holder 2 | PAN of joint holder 3 |
| | | | | |
| Tel No. with STD Code | | | | |
| Mobile No. | | | | |
| Email id | | | | |

*Self attested copy of PAN card of first holder and joint holder(s) enclosed

**Bank Details :**

| | |
|---|---|
| Name of the Bank: | |
| Bank A/c Type (Saving / Current) | |
| Bank A/c No.** | |
| IFSC (11 digit) | |
| MICR (9 digit) | |
| Bank Branch Address: | |

** Original cancelled bank cheque with the name of the first holder printed on it or copy of bank account statement/passbook attested by the banker, of the aforesaid account, enclosed.

I/ We hereby declare that the particulars given above are correct and complete.

Place : _____

Date : _____

_____
Signature of the sole/ first holder

## Notes

# Notes

# Notes

# AWARDS & ACCOLADES

- Ranked as the 5th biggest 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 4 consecutive years -*Forbes Global 2000 List.*
- Winner in the 'Financial Institutions/Non-Banking Financial Companies/Financial Services' sector at the Dun & Bradstreet Corporate Awards 2018.
- Winner in the 'India's Leading Housing Finance Company' category at the Dun & Bradstreet India's Leading BFSI Companies & Awards 2018.
- Ranked 4th in the list of 'India's Most Attractive Brands 2017' under the BFSI category according to the TRA Research.
- Ranked 2nd in the Best Performing Primary Lending Institution category under CLSS for EWS/LIG, recognised by NHB at Affordable Housing Liveable Cities Conference.
- Ranked 3rd in the Best Performing Primary Lending Institution category under CLSS for EWS/LIG at the National Workshop on Urban Transformation on completion of 2 years of Smart cities mission, AMRUT and PMAY (U).
- Featured in exclusive list of 70 esteemed organisations titled 'Icons of Modern India' in the 70th Independence Special issue of India Today magazine.
- Ranked 5th amongst Business Today's 500 India's Most Valuable Companies.
- Awarded the 'Leading Housing Finance Company of the Year' by ASSOCHAM. Award was announced at the National Summit on 'Finance for Housing for All by 2022' organised by ASSOCHAM.
- Ranked 25th amongst 'India's Most Attractive Employers' by Universum Global.

HDFC

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# Business Responsibility Report

Sixth Business Responsibility Report 2017-18

# HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
# BUSINESS RESPONSIBILITY REPORT 2017-18

**(Pursuant to regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)**

## 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,<br>H. T. Parekh Marg,<br>169, Backbay Reclamation,<br>Churchgate<br>Mumbai 400 020<br>India |
| | Corporate office address | HDFC House,<br>H. T. Parekh Marg,<br>165-166, Backbay Reclamation,<br>Churchgate<br>Mumbai 400 020<br>India |
| 4 | Website | www.hdfc.com |
| 5 | E-mail id | investorcare@hdfc.com |
| 6 | Financial Year Reported | April 1, 2017 to March 31, 2018 |
| 7 | Sector(s) that the Company is engaged in | HDFC is a housing finance company regulated 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 its 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, the Corporation has overseas offices in London, Singapore and Dubai and service associates in the Middle East. |
| (ii) | *Number of National Locations* | The Corporation has a PAN-India presence.<br>As at March 31, 2018, the Corporation has 471 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. |

## SECTION B :

## FINANCIAL DETAILS OF THE COMPANY

| | | |
|---|---|---|
| 1. | Paid-up capital | Rs. 335.18 crore |
| 2. | Total turnover | Rs. 35,229.89 crore |
| 3. | Total profit after taxes | Rs. 12,163.69 crore |
| 4. | Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax | Rs. 175.97 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.<br>Key areas of CSR Activities in the financial year 2017-18 healthcare, skilling & livelihood and education.<br>Further details are provided in the Annual Report on Corporate Social Responsibility Activities 2017-18. |
| 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.<br>Further details are provided in the Annual Report on Corporate Social Responsibility Activities 2017-18. |

## SECTION C :

## OTHER DETAILS

**1. Does the Company have any subsidiary company/companies?**

Yes. As at March 31, 2018, the Corporation had 18 subsidiary companies and 3 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).**

The major subsidiary companies have their own BR initiatives and generally do not participate in the BR initiatives of the Corporation.

**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%]**

No.

## 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 | Mr. Praveen Kumar Bhalla |
| 2. | Designation | Senior General Manager – Human Resources |
| 3. | Telephone number | +91-11-41596576 |
| 4. | E-mail id | praveenb@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 | Y | Y | Y | Y | Y | - | Y | Y |
| 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) | Y (Refer Note c) | Y (Refer Note b) | Y (Refer Note c) | Y (Refer Note c) | - | Y (Refer Note c) | Y (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) |

| # Principle-wise policies | | |
|---|---|---|
| P1 | Ethics & Transparency | The Corporation's Code of Conduct for Employees, Executive Directors & Senior Management and Non-Executive Directors, Fair Practices Code, Whistle Blower Policy, Policy on Management of Conflict of Interest, regulatory guidelines and anti-bribery and anti-corruption 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 comprehensive employee health insurance policy, Personal accident policy, policy on maternity benefits for female employees, policy for ensuring safety of women at the workplace, 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 etc. |
| 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 in the United Nations' Universal Declaration of Human Rights. |
| P6 | Responsible lending norms | Given that the Corporation is a housing finance company, the applicability of this principle is limited. However, the Corporation evaluates environmental and social risks in its lending policies and abstains from lending to environmentally irresponsible projects. In addition, employees are sensitized 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 specialized housing finance products that cater to the vulnerable and low income segments. These policies are part of the Corporation's lending business and hence, there is no standalone policy on equitable growth and development. |
| 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 the policies placed on the Corporation's website. The hyperlink is https://www.hdfc.com/investor-services/allpolicies

c. The policies of the Corporation are internal documents and are not accessible to the public.

d. The policies are internally evaluated by various Department Heads, Business Heads and the management.

### 3. Governance related to BR

***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 business on a continuous basis.

The Corporation's business responsibility performance is reviewed by the Board of Directors on an annual basis.

During the year under review, the Corporate Social Responsibility Committee of Directors and the Stakeholders Relationship Committee of Directors met four times.

***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-report.

The Corporation has a Sustainability Report which is also placed on the Corporation's website. The hyperlink is https://www.hdfc.com/social-initiatives.

## 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 the most transparent and accountable manner. HDFC's zero tolerance in the matters relating to unethical practices, bribery and corruption, has helped it not only gain the tremendous confidence and trust of its stakeholders' but also the market leadership.

HDFC has formulated and adopted various codes and policies to facilitate ethical decision making. They reinforce HDFC's culture of transparency in business and are continuously updated in line with the dynamic business environment and regulatory norms. The codes and policies are designed to cover employees in all functional areas by adhering to the laws applicable to the Corporation's business. Ethical values and zero tolerance to bribery and corruption percolates to all group companies of the Corporation.

HDFC ensures compliance of ethical standards not only by its employees but also by its vendors, contractors etc. through appropriate clauses in the work contract signed with them.

HDFC was the only Indian company to be included in the fifth annual list of the 'World's Most Ethical Companies' by the Ethisphere Institute, USA.

**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 categorizes its stakeholders to include housing loan customers, agents, depositors, shareholders, debenture holders, 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. The Corporation has in place a software called "Customer Relationship Enhancement and Managing System" (CREAMS) to record, monitor and redress the grievances/feedback received from the customers, which helps in maintaining higher service standards.

HDFC, under the CREAMS initiative has identified senior executives at all branches who are responsible for ensuring efficient and effective redressal of complaints within a prescribed turnaround time. All complaints are monitored at the corporate office by the customer engagement team.

HDFC has an in-built escalation mechanism wherein complaints are escalated to the level of business heads, regional business heads/functional heads and Managing Director. The Complaints forwarded by the regulatory and supervisory authorities are tracked separately within CREAMS. A grievance redressal procedure recommended by National Housing Bank (NHB) is also available on HDFC's website for the benefit of HDFC's customers. An escalation matrix for grievance received from the investors is also available on the website of HDFC.

Details of the stakeholder complaints received during the financial year 2017-18 and pending as on March 31, 2018 are as under:

| Sr. No. | Nature of complaints | No. of complaints received during the year | Pending as on March 31, 2018 |
|---|---|---|---|
| 1 | Complaints/ queries received from home loan customers and depositors | 19,433 (0.58% of the customer and depositor base) | 156* |
| 2 | Investor complaints | 6 | NIL |

* Out of this, 8 complaints are pending as on April 30, 2018.

## 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 have 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 over 6.3 million housing units in the country. HDFC recognises the need 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 emphasized on exploring opportunities of collaboration with partners in ensuring conservation of energy and resources. HDFC encourages the usage of environmental 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. HDFC Reach loans aim at addressing the housing finance needs of the customers belonging to the informal sector having sufficient income, but limited documentation. Apart from home loans, HDFC also extends small equity and funding lines to upcoming ventures and customers.




- HDFC has played a developmental role in the housing finance sector in India, having promoted a number of housing finance companies to penetrate in the market, including India's first rural housing finance company. HDFC has also played an internal 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.**

The housing finance regulator, NHB, prevents housing finance companies 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.

Given that the Corporation is a financial services provider, one of the major resources consumed by the Corporation is paper. HDFC promotes 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 2016-17 alongwith the notice convening the 40$^{th}$ Annual General Meeting and the dividend e-payment advice were sent to over 1.5 lac shareholders so as to minimise the usage of paper. Further, for the current year, annual interest certificates were sent via e-mail to more than 13 lac customers. HDFC has also introduced an online portal to provide a user-friendly and frictionless approach to home loan approval process.

Further, through a joint effort with the International Finance Corporation, HDFC has strengthened its impact assessment mechanisms through increased environmental and social governance.

HDFC has also introduced the use of kiosks at trade fairs and property exhibitions. These kiosks facilitate electronic filing of loan application forms and directly link 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 constantly reviews and introduces initiatives that work towards the conservation of the valuable resources in the surrounding environment.

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 & Environmental Design Council (LEED). HDFC's corporate office building achieved LEED Gold Certification under the LEED for Commercial Interiors Rating System.

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, the CFL light fittings are being shifted to LED light fittings to conserve energy.



HDFC has also installed solar power roof panels to save grid power as a green initiative at our corporate office. These solar power panels consist of Solar PV modules which generate DC electricity on sunny days. The system so installed 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 Natural Resources 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.

While the Corporation sensitises its employees 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 environmental friendly materials with higher recycle content, such as green guard rated furniture and gives regional priority to material purchases of such recycled products.

**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.

HDFC has embraced e-waste management since more than 6 years. The waste generated at the Corporation's offices is managed as per the waste disposal process. The Corporation engages with certified e-waste handlers for disposal of e-waste and uses local vendors for disposal of paper for recycling. HDFC's computer systems and electronic wastes are gathered at the branch levels. HDFC has tied up with e-waste recycling vendors who picks up the e-waste and disseminates the various parts using CRT cutters, Cable strippers and Plastic shredders at their facility. They then segregate them on the type of materials and send it for recycling or safe disposal as per the green norms.

HDFC has also installed a plastic bottle flaking machine. The machine crushes the bottles and converted flakes are then utilized as a raw material in the manufacturing of paint and polyster fibres.

## Principle 3 BUSINESSES SHOULD PROMOTE THE WELL BEING OF ALL EMPLOYEES

**As at March 31, 2018**

| | | |
|---|---|---|
| 1 | Total number of permanent employees | 2,575 |
| 2 | Number of employees on temporary/contractual/casual basis. | 1,731 |
| 3 | Number of permanent women employees | 640<br>The female: male ratio stood at 25:75. 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. |
| 5 | Is there an employee association that is recognised by management? | No |
| 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 | 1 | Nil |
| 3 | Discriminatory employment practices | Nil | Nil |

2. **What percentage of employees were given safety and skill upgradation 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 & leadership programmes. There is a dedicated Human Resources Department vertical that ensures that employees are sufficiently trained in functional and behavioral 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 are identified during the performance appraisal process and through discussions. At times, customer feedback also acts 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 also introduced 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 credit, lending products of HDFC, credit linked subsidy scheme, and critical aspects of loan process 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 programmes on leadership, mentoring, train the trainer and soft skills like negotiation, communication etc.

Given below are the details of training imparted during the year:

| | | |
|---|---|---|
| 1 | Permanent employees to whom training has been imparted | 2,518 |
| 2 | Total training man days per employee | 7.28 |
| 3 | Permanent women employees to whom training has been imparted | 635 |

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 work place. Periodic communication and alerts are sent out to employees and awareness sessions are conducted on safety related aspects. Periodic fire safety drills and audits are also conducted.

## 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.

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 sections' 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.

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.

Given the projected growth of urbanization and the consequent housing demands in India, the Ministry of Housing and Urban Affairs introduced in June 2015, an interest subsidy scheme called the Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojana (URBAN) - Housing for All, applicable to purchase, construct, extend and improve the houses for the Economically Weaker Section (EWS), Lower Income Group (LIG) and Middle Income Group (MIG). HDFC has whole heartedly promoted and facilitated the implementation of this scheme due to which many families that had not owned a pucca house could see the dream of home ownership, materialise. During the year ended March 31, 2018, credit linked subsidy amounting to Rs. 455 crore has been credited to the account of 20,794 borrowers.




HDFC has also 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 2017, 131 employees of HDFC & HDFC Sales voluntered for 'Shramdaan' in 2 drought prone villages in Maharashtra. The employees dug and ploughed using pickaxes and spades to create water pits, formed a human chain and carried large amounts of soil and stone to repair check dams.

A blood donation drive was conducted at its head office during the last year where employees participated wholeheartedly to support the noble cause.

## Principle 5 BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

1. **Does the policy of the Corporation 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 BUSINESSES 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 foot print 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 their 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 the villages.

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?**

Although the Corporate is cognizant of environmental related issues, it does not have any direct project related to clean development mechanism.

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 has made an effort to support developers undertaking energy efficient real estate projects. Till date, HDFC has financed around 50 real estate projects that have secured green ratings from Indian Green Building Council, United States Green Building Council and Leadership in Energy and Environmental Design.

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 during the financial year 2017-18.

## 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 the 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
- US-India Investors' Forum
- Indian Merchants' Chamber
- International Union for Housing Finance
- National Real Estate Development Council

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.

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 and inclusive development and in the area of housing. 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 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.**

Yes. HDFC undertakes a number of projects that are focused on social development. In financial year 2017-18, the Corporation promoted inclusive growth by focussing primarily on three social sector areas, namely (i) Healthcare, (ii) Skilling & Livelihoods and (iii) Education. In Healthcare, the key thematic areas supported were (a) safe & clean drinking water, (b) prevention, diagnosis & treatment of diseases, (c) addressing malnutrition amongst children and (d) transformational surgeries. In Skilling & Livelihoods, HDFC supported projects that focussed on (a) empowerment of women, (b) rural livelihoods, (c) skilling of construction workers and (d) skilling of persons with disabilities. In Education, the focus was on (a) institutional support, (b) holistic development of students and (c) teacher training & development.



The Corporation also supported various programmes pertaining to the welfare of the differently abled and also supported community based, holistic sanitation projects.

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?**

HDFC undertakes a large part of its social welfare activities through the H T Parekh Foundation (a CSR initiative of HDFC) which partners with exemplary NGOs.

3. **Has the company done any impact assessment of its initiative?**

Yes. The Corporation supports social sector projects that bring about transformative impact on the lives of beneficiaries. The number of beneficiaries who have benefitted, specific case studies and assessment results are analysed in-depth for the Corporation's social initiatives.

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 2017-18 and the Social Initiatives Report.

In Financial Year 2017-18, HDFC's community development initiatives focussed on organisations and programmes that addressed the core needs of rural communities and strived to bring about holistic development of villages. Some of HDFC's key rural development projects were the training of villagers from water deficient districts in effective watershed management techniques, supporting initiatives in providing safe drinking water and non-agricultural based livelihoods. HDFC also supported sanitation programmes with the community involvement in demand, construction and maintenance of toilets. HDFC also supported organisations that brought about behavioural change amongst the communities.

5. **Has the company taken steps to ensure that this community development initiative is successfully adopted by the community?**

Yes. Community development projects are regularly monitored which includes regular follow-up with the partnering organisation, site visits to monitor the programme, feedback from the community and progress reports that include a description of the activities undertaken by the project. Regular interaction with the partnering organisation and the community has helped in ensuring that best practices are adopted and also in addressing any challenges for the successful implementation of such initiatives.

## 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 99.2% 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' which are displayed prominently in each office with information on service charges, interest rates, product information, service standards for various transactions and grievance redressal mechanisms.

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.**

Nil

**4. Did the company carry out any consumer survey/ consumer satisfaction trends?**

HDFC is committed to providing effective and prompt service to its customers. The Corporation has in place, a software called CREAMS to record and redress the grievances/ feedback from the customers which helps in ensuring standard operating procedure and maintaining high service standards.

HDFC also 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.

HDFC had also sought the feedback of the shareholders on various aspects relating to investor services through a form, which was sent along with the Annual Report 2016-17. The said feedback form was also available on HDFC's website for ease of the investors. Few shareholders participated in the said survey and most of them have ranked the services provided by the Corporation as excellent.




WITH YOU, RIGHT THROUGH

Housing Development Finance Corporation Limited






Building Sustainable Value

# INTEGRATED REPORT 2017-18










HDFC

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# TABLE OF CONTENTS


To Shareholders ..... 3

About this Report ..... 6

HDFC at a Glance ..... 7

Value Creation at the Group Level ..... 9

Stakeholder Engagement ..... 10

Connecting Forms of Capital ..... 13

Financial Capital ..... 16

Human Capital ..... 17

Social & Relationship Capital ..... 23

Manufactured Capital ..... 28

Intellectual Capital ..... 31

Natural Capital ..... 34

Management Glimpses ..... 36

# TO SHAREHOLDERS



**Deepak Parekh**
Chairman



**Keki Mistry**
Vice Chairman & CEO



**Renu Sud Karnad**
Managing Director

This report is an outcome of numerous interactions we have had with our stakeholders in the recent period combined with the initiative of the Securities and Exchange Board of India to gently nudge the top 500 listed companies to voluntarily adopt guiding principles of integrated reporting.

Financial year 2017-18 has been an eventful year for HDFC. The thrust given by the government towards affordable housing saw fruition through an increased number of home loan customers who became beneficiaries of interest rate subventions through the government's Credit Linked Subsidy Scheme (CLSS). These customers belonging to the economically weaker sections, low income group and middle income groups are first-time homebuyers. Having worked closely with the government and the regulator on implementing this scheme, we are extremely satisfied with our efforts. We remain amongst the top players in our contribution to customers who are beneficiaries under the CLSS.

We have also made specific long-term commitments to fund developers for the construction of affordable housing. Through a joint effort with the International Finance Corporation, we have strengthened our impact assessment mechanisms through increased environmental and social governance. This entails monitoring parameters such as labour and working conditions, pollution prevention, community, health and safety and stakeholder engagement during the construction phase. We have also sponsored a fund for investment in equity and mezzanine capital of projects for affordable housing.

Another significant landmark during the year was the raising of equity share capital of ₹ 13,000 crore. As we had reiterated, this will mostly be utilised for investments in some of our associate and subsidiary companies, forays into new businesses and capitalising on inorganic growth opportunities. HDFC along with its group companies has a presence in almost all financial products and services. Yet, this capital raise in a sense marks the foundation of the next generation long-term growth strategies of HDFC. Further, the successful unlocking of value in our subsidiary companies, which we nurtured over the years stands testimony to our commitment to increasing shareholder value.

Our approach to sustainability is best reflected in our contribution to our community as a corporate citizen. For us, this started in 1988, marking the 10th year of operations of our Corporation, where we began voluntarily earmarking a part of our profits for various social causes under the Shelter Assistance Fund. This has remained a continuous journey, though these efforts are now channeled on a substantially larger scale through the H T Parekh Foundation. The Foundation has opted to be sector agnostic and works across a range of social interventions and development initiatives across India.

Lastly, we believe that no discussion on integrated thinking is complete without mentioning our greatest asset – our people.  Each individual's role within the organisation is mapped out not just from a perspective of succession planning, but also to ensure multi-faceted skill development. We attribute our high retention rate to a combination of satisfied employees as well as employees who have a great sense of pride and security by they themselves being owners of the Corporation. From the time we started offering stock option plans, each and every employee within the organisation has been given stock options. We believe this equanimity has held us in good stead.

As always, we remain open to feedback from all our stakeholders. We continue to engage in constructive dialogue on long-term value creation, the future path of board and governance structures, identifying and filling in new skill and competency gaps and evaluating stewardship at the HDFC group level. None of these conversations with like-minded partners will yield its optimum potential without concerted efforts on inclusiveness, equal opportunities, diversity and enhanced engagements on environmental and sustainability issues.

We are committed to presenting the performance of HDFC to our stakeholders using the guiding posts of integrated reporting. We recognise the merits of sharing our perspectives on both, financial and non-financial parameters which enables us to present a more holistic view of HDFC. As always, we welcome a broader conversation and feedback from our stakeholders.

Sincerely,

***Deepak Parekh***
***Keki Mistry***
***Renu Sud Karnad***

*April 30, 2018*

# ABOUT THIS REPORT

*Integrated reporting provides an overview of financial and non-financial performance. For us, it is a simple narration of what we do each day at our workplace.*

Since our inception in 1977, our mandate has been to serve customers, stakeholders and the community. Enabling homeownership in India remains our core purpose. At HDFC, we have always been committed to sharing information about our Corporation and its developments with all our stakeholders.

The Annual Report, quarterly financial reporting, periodic updates and investor presentations are some of the ways through which we reach out to our stakeholders. Yet, we believe the best way to narrate the ongoing HDFC story is through engaging with as many investors, analysts and other stakeholders as we possibly can. Another reason why we invest a great deal of time and effort with investors and other constituents is to better understand their expectations of us.

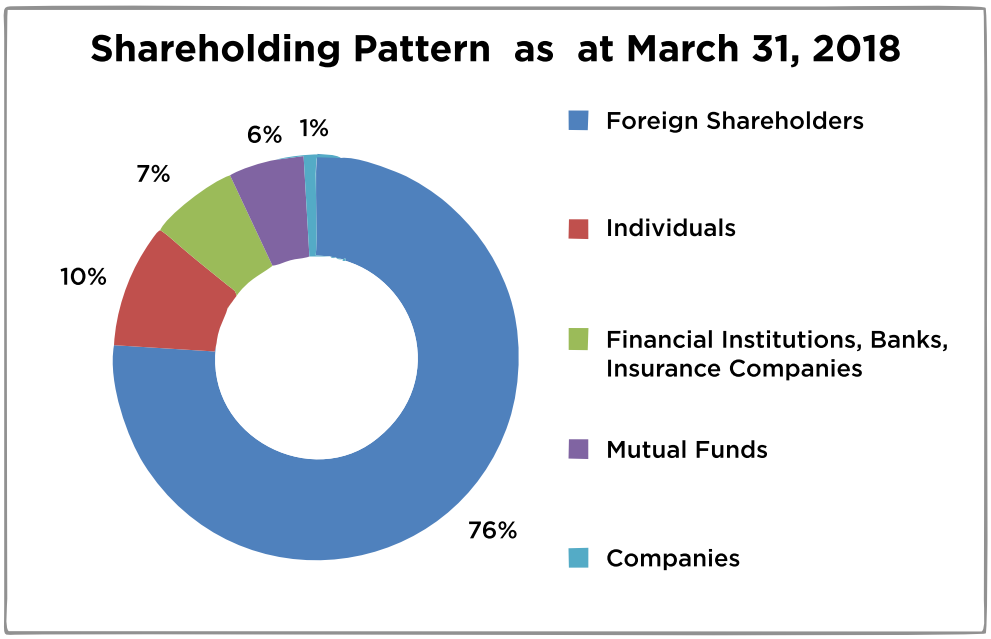
This Integrated Report is our maiden effort to share a few different perspectives of our business. The report endeavours to shift beyond the realm of financials and regulatory reporting requirements to touch upon softer aspects like a simple narration of what we do each day at our workplace and reflect upon the ethos and values of how we do business.

We advise this report be read in conjunction with all the components of the Annual Report 2017-18 – Financial Statements, Directors' Report, Report on Corporate Governance, Management Discussion & Analysis Report, Report on Corporate Social Responsibility, Business Responsibility Report and Report on Shareholders' Information.

# HDFC AT A GLANCE

HDFC was incorporated in 1977 as India's first retail mortgage finance company. Over the years, it has evolved as a financial conglomerate with interests beyond mortgages. HDFC has a unique structure of being both, an operating company and a holding company. HDFC is a mortgage finance company and is also the holding company for investments in its subsidiary and associate companies.

As at March 31, 2018, 76% of HDFC's equity shares were held by foreign investors, 13% by domestic institutional investors, 10% by individuals and 1% by companies. The market capitalisation of HDFC as at March 31, 2018 stood at ₹ 3 lac crore.




## KEY STRATEGIES

**The primary business objectives are to:**

- Maintain its position as a leading housing finance institution;
- Develop close relationships with individual households and enhance its customer relationships;
- Transform ideas for housing finance into viable and creative solutions; and
- Grow through diversification by leveraging its client base.

**The primary financial objectives are to:**

- Grow the loan book in a prudent and sustainable manner;
- Endeavour to increase the return on equity to maximise shareholder value;
- Minimise gross non-performing assets;
- Minimise the cost to income ratio.

**Other driving factors and intangibles:**

- Work culture driven on the principles of kindness, fairness, efficiency and effectiveness;
- Build a corporate reputation of trust and quality customer service;
- Comply with the regulatory environment;
- Actively engage with shareholders, investors and other stakeholders;
- Demonstrate risk management capabilities;
- Enhance sensitivity towards environmental and sustainability related issues;
- Accord highest priority to governance.

# VALUE CREATION AT THE GROUP LEVEL

While HDFC and its group companies share strong synergies, each entity operates independently with their own employees and independent boards. The key underlying commonality is the sharing of the 'HDFC brand'. It is on the basis of pure trust and a shared belief of rendering quality customer service that the HDFC brand has been entrusted in the hands of each of our group companies.

Under the entire HDFC umbrella, we have a combined customer base of approximately 6.9 crore, served by approximately 2 lac employees with a reach of over 20,000 offices, outlets, ATMs and touch points. Listed companies within the HDFC group had a combined market capitalisation of ~US $ 140 billion as at March 31, 2018.

## Snapshot of Key Companies in the HDFC Group as at March 31, 2018

| | Year of Incorporation | HDFC's Shareholding (%) | Shareholders[1] (Nos) | Market Capitalisation (US$ bn) | Employees (Nos) | Reach (Nos) | Total Assets/AUM (₹ bn) |
|---|---|---|---|---|---|---|---|
| HDFC | 1977 | - | 2,41,603 | 47 | 2,575 | 326 | 4,017 |
| HDFC Bank | 1994 | 20.9 | 5,32,368 | 75 | 16,45,10[2] | 18,846 | 11,032 |
| HDFC Standard Life Insurance | 2000 | 51.6 | 3,40,297 | 14 | 1,76,12[2] | 414 | 1,058 |
| HDFC Asset Management | 1999 | 57.4 | - | - | 995 | 210 | 30,80[3] |
| HDFC Ergo General Insurance | 2002 | 50.5 | - | - | 2,975 | 107 | 21 |
| HDFC Credila | 2006 | 90.4 | - | - | 246 | 23 | 43 |
| GRUH Finance | 1986 | 57.9 | 48,698 | 3 | 692 | 194 | 160 |
| HDFC Property Funds[4] | 2005/ 2015 | 100.0 | - | - | 28 | - | 137[3] |
| HDFC Sales | 2004 | 100.0 | - | - | 8,304 | 148 | 1 |

[1] Listed entities
[2] Includes subsidiaries of respective companies
[3] Assets Under Management
[4] Includes HDFC Property Ventures & HDFC Capital Advisors

# STAKEHOLDER ENGAGEMENT

We have always maintained that a constant and proactive engagement with our key stakeholders enables the Corporation to better communicate its strategies and performance. A continuous engagement helps align expectations, thereby enabling the Corporation to better serve its stakeholders.

## SHAREHOLDERS & INVESTORS

We communicate with shareholders and investors through various ways including quarterly financial disclosures, investor presentations, annual reports and other disclosures made by the Corporation from time to time. Interactions through one-on-one meetings, concalls, HDFC Access Day, investor conferences and non-deal road shows help investors understand the Corporation better. In turn, engaging with investors regularly enables us to get useful feedback, which serve as inputs for corporate strategy and governance practices. During the year, the Corporation had interactions with over 1,200 fund managers and analysts representing over 450 institutions/funds/brokerage houses. The Corporation participated in 26 domestic and international investor conferences and non-deal road shows.

## EMPLOYEES

We value feedback from our employees as they are the ones interacting directly with our customers. Hence their inputs are invaluable in designing our products, services and formulating various lending policies. We believe in an open door policy for all employees. This enables better communication, team work and transparency within the organisation. As per our Code of Conduct, employees are obligated to report any known or suspected violations of the code, corporate policies or regulations.

## CUSTOMERS

The best assurance of the quality of our customer service comes from the feedback we receive from both, our deposit and home loan customers. For our home loan customers, we insist on at least one interface prior to disbursement of a loan. Our customers communicate with us directly in our offices or through our website, social media platforms, phone or email.

## CHANNEL PARTNERS AND KEY PARTNERS

Our channel partners source home loans for us. They are our feet on the street. HDFC Sales, HDFC Bank and third party Direct Selling Agents (DSAs) source home loans. We invest a great deal of time and effort in training our DSAs to ensure that the application is fit for processing. This helps reduce our turnaround time. While our DSAs source loans for us, all the credit, legal and technical appraisals are done in-house by HDFC only. All our DSAs are mandated to follow the Model Code of Conduct as approved by the board and stipulated by the regulations. We regularly seek feedback from our DSAs.

Our key partners and deposit agents source deposits for us. We have over 22,000 active key partners. We organise special training programmes for them where they get to interact with our senior management. The objective of these meetings is to keep them abreast of the latest developments of the Corporation. During the year, 25 key partner meetings were conducted and were attended by over 5,000 key partners. We also seek feedback from our key partners which enables us to serve our depositors more effectively.

## REGULATORS

We engage in various interactions with our regulators and stand committed in providing timely and accurate information as and when required. Our senior management commits significant time to meet with our regulator. This enables us to understand their focus areas and concerns and in turn, our inputs are used to apprise the regulators of the market scenario and practices in our business.

As HDFC is the promoter of its subsidiary and associate companies, our senior management also interacts with other key regulators in the financial sector, especially in the context of financial conglomerate reporting.

## RESEARCH ANALYSTS

We interact with a number of members from the investment community. We regularly engage with over 40 research analysts from various brokerage houses that cover HDFC. This entails one-on-one/group meetings and/or concalls. We provide detailed

information of the quarterly financial results in an excel format to enable research analysts to easily analyse the financials. In addition, we provide various reports, investor presentations and other official releases and regulatory filings which are placed on our website and/or disclosed to the stock exchanges.

## COMMUNITIES & NON-GOVERNMENTAL ORGANISATIONS

We recognise that our role as a responsible corporate citizen entails much more than providing finance for our customers' housing and real estate requirements. While our core focus remains housing, we also believe that communities benefit through high quality, affordable education. Towards this goal, we continue to work on building our footprint in education through The HDFC School. Currently, we have The HDFC School in three locations -- Gurugram, Pune and Bengaluru.

We engage with various non-government organisations, focusing on diverse social issues. Our efforts towards corporate social responsibility are largely channeled through the H T Parekh Foundation. We also encourage our employees to jointly participate with the Corporation in some of its philanthropic partnerships and support to various social causes.

# CONNECTING FORMS OF CAPITAL

## FINANCIAL CAPITAL

Shareholders' Funds: ₹61,403 crore

US$ 47 bn market cap

Capital Adequacy Ratio: 19.2%

Highest credit ratings

Diversified funding base

## HUMAN CAPITAL

2,575 employees

Experienced leadership

Professionally qualified staff

Equal employment opportunities and inclusive work environment

## SOCIAL CAPITAL

Cumulatively financed 6.3 million housing units

Direct and indirect job creation, multiplier impact of housing on the economy

Activities around corporate social responsibility

*"Our greatest intangible capital is our principles based corporate culture – built on the basis of fairness, kindness, efficiency and effectiveness. We try to imbibe this in all spheres of our work."*

## MANUFACTURED CAPITAL

474 offices

Hub and spoke model, processing hubs, call centres, back office processing units

Physical infrastructure and digital platforms

## INTELLECTUAL CAPITAL

Core values

Brand name synonymous with trust and quality service

Value added services

Home grown technology platforms

## NATURAL CAPITAL

Advocate of eco-friendly building norms and practices

Sensitising employees on conserving electricity, minimising usage of paper and saving and recycling water

# AT A GLANCE: THE YEAR IN NUMBERS

## FINANCIAL HIGHLIGHTS

₹ crore

| Standalone Financials | FY 2018 | FY 2017 |
|---|---|---|
| **PERFORMANCE FOR THE YEAR: STANDALONE** | | |
| Gross Income | 35,230 | 33,160 |
| Profit After Tax | 12,164 | 7,443 |
| **FINANCIALS** | | |
| Loans Under Management | 3,99,511 | 3,38,478 |
| *Individuals* | 2,90,821 | 2,45,732 |
| *Non-Individuals* | 1,08,690 | 92,746 |
| | | |
| Borrowings | 3,20,655 | 2,80,534 |
| *Term Loans* | 46,767 | 37,270 |
| *Bonds & Securities* | 1,81,646 | 1,56,690 |
| *Deposits* | 92,242 | 86,574 |
| | | |
| Shareholders' Funds | 61,403 | 39,645 |
| **KEY RATIOS (%)** | | |
| Cost to Income | 7.6 | 7.4 |
| Interest Coverage (times) | 1.5 | 1.5 |
| Debt:Equity (times) | 5.2 | 7.1 |
| Post tax Return on Average Assets^ | 2.4 | 2.3 |
| Return on Equity^ | 20.4 | 19 |
| **INVESTORS' INFORMATION** | | |
| Price Per Share (₹) | 1,826 | 1,502 |
| Market Capitalisation (US $ bn) | 47 | 37 |
| Earnings Per Share - diluted (₹) | 74 | 46 |
| Dividend Per Share (₹) | 20 | 18 |
| Book Value Per share (₹) | 366 | 250 |

^To make the ratios comparable, exceptional items have not been considered

## NON-FINANCIAL HIGHLIGHTS

| | FY 2018 | FY 2017 |
|---|---|---|
| **HUMAN CAPITAL** | | |
| Number of Employees | 2,575 | 2,305 |
| Retention Rate (%) | 96 | 95 |
| Average Age of Employees (years) | 36 | 36 |
| Profit Per Employee (₹ cr) | 3.3 | 3.2 |
| Assets Per Employee (₹ cr) | 149 | 140 |
| **SOCIAL & RELATIONSHIP CAPITAL** | | |
| Cumulative number of housing units financed (mn) | 6.3 | 5.8 |
| Spend on Corporate Social Responsibility (₹ cr) | 176 | 147 |
| **MANUFACTURED CAPITAL** | | |
| Number of Offices | 474 | 427 |
| HDFC Apps | HDFC Home Loan App | HDFC Home Loan Calculator App |
| | 1,50,000+ installs | |
| Digital Initiatives | Sourcing of leads, online home loan approvals and other customer services, online deposits, analytics, blogs, social media, website in Hindi and English | |

# FINANCIAL CAPITAL

As a housing finance company, 'financial capital' by default ranks amongst the most important capitals. Finance is the equivalent of the 'raw material' for the Corporation.

## Key Financial Objectives and Performance Outcome in FY 2018

### Grow the loan book in a prudent and sustainable manner

While the Corporation has guided a sustainable growth rate of 15 to 18% for the loan book, growth on an Assets Under Management basis for the year ended March 31, 2018 stood at 18%. The individual loan book grew 18% and the non-individual loan book grew by 17%.

We have grown at a faster pace compared to housing loans in the banking sector.

### Endeavour to maximise shareholder value

The endeavour of the Corporation is to increase long-term shareholder value. HDFC has been ranked among the top 10 companies in terms of wealth creation during the period FY 2012-2017.

The book value per share as at March 31, 2018 stood at ₹ 366 (Previous year: ₹ 250). The Return on Equity for the year ended March 31, 2018 stood at 20.4%.

### Minimise gross non-performing assets

The endeavour of the Corporation is to maintain low non-performing assets. As at March 31, 2018, the non-performing loans stood at 1.11% of which, the individual non-performing loans stood at 0.64% of the individual portfolio and the non-individual non-performing loans stood at 2.18% of the non-individual portfolio.

Total loan write offs since inception is under 4 basis points.

### Minimise the cost to income ratio

The Corporation aims to have a cost income ratio of under 10%. A reflection of operational efficiency is best depicted in the cost to income ratio which stood at 7.6% for the year ended March 31, 2018. This is amongst the lowest ratios in the financial sector.

*Cross References:*

- *Standalone and Consolidated Financial Statements FY18*
- *Directors' Report and Management Discussion and Analysis Report*
- *Website: Investor Relations Section - www.hdfc.com*

# HUMAN CAPITAL

As is the case with any services driven organisation, our people are our most valuable asset. Since inception, HDFC has emphasised on the importance of inculcating honesty, transparency, integrity and accountability in all spheres of work. These attributes define our work culture.

As far as recruitments are concerned, we generally prefer freshers, who come with 'no baggage' and are willing to learn and grow within the organisation. Yet, we remain conscious in recognising that there are several new and emerging skill sets required in a large organisation like ours. Thus, we need to constantly evaluate and address these skill gaps. This requires concerted efforts to search for the right talent and identify individuals who can seamlessly fit within the HDFC culture.

## ORGANISATION STRUCTURE

**Chairman & Board of Directors**

**Vice Chairman & CEO**

**Managing Director**

**Executive Director**

**Members of Executive Management**

**Line Functions**
**Lending Operations & Department Functions**

# HUMAN CAPITAL DATA POINTS

## Employee Strength

As at March 31, 2018, the Corporation had 2,575 permanent employees. The average age of employees is 36 years.

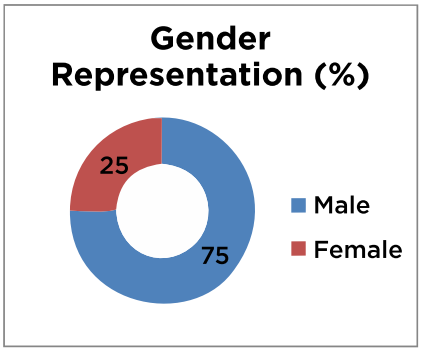
## Role-wise Employee Distribution

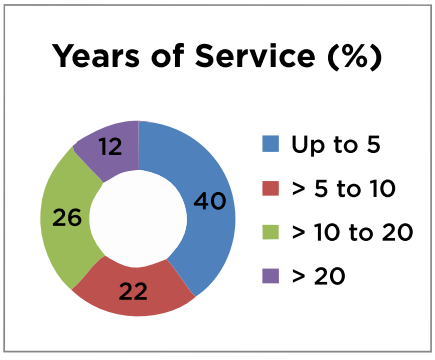
| Level | Number of Employees |
|---|---|
| Associates | 373 |
| Middle Management | 1,882 |
| Senior Management | 286 |
| Top Management | 34 |
| Total | 2,575 |

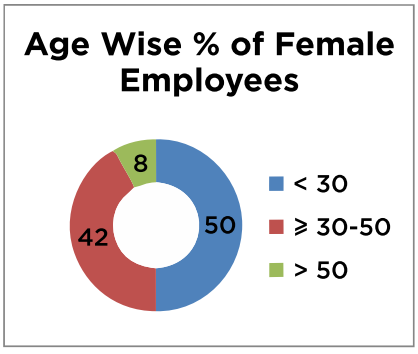
## Geography-wise Employee Distribution

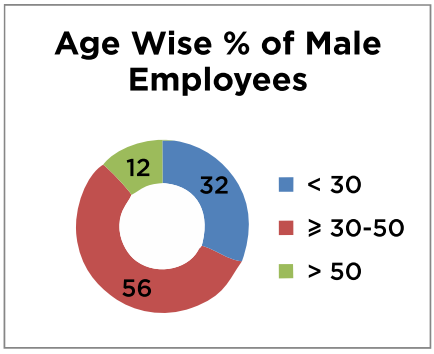
| North | South | East | West | Overseas | Total |
|---|---|---|---|---|---|
| 749 | 734 | 121 | 964 | 7 | 2,575 |

## Other Employee Details



## EMPLOYEE TRAINING

We have a dedicated vertical to ensure that employees are sufficiently trained in functional and behavioural skills to ensure high standards of service to internal and external stakeholders.

Training is based on the identified needs, competency or job specific knowledge gaps, skills and attitudes as identified jointly by the employee, department and branch heads and the human resources department. We also use customer feedback which often acts a base to identify learning and development needs.

Other training conducted during the year include programmes on leadership, mentoring, train the trainer and soft skills like negotiation and communication skills.

We also nominate 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.

## E-LEARNING PLATFORM

Our e-learning platform, 'HDFC Aspire' allows employees to enhance their knowledge on products, policies and processes at their pace and convenience. Various knowledge enhancing courses were launched during the year on functional areas like credit, lending products, critical aspects of loan processes and the central government's interest subvention scheme -- Credit Linked Subsidy Scheme. These courses have been very well received by our employees. Virtual classroom initiatives have also been undertaken to enhance the learning processes.

## EMPLOYEE PRODUCTIVITY

| | FY 2018 | FY 2017 |
|---|---|---|
| Number of Permanent Employees | 2,575 | 2,305 |
| Number of Outlets | 474 | 427 |
| Profit Per Employee (₹ cr) | 3.3 | 3.2 |
| Assets Per Employee (₹ cr) | 149 | 140 |
| Staff Expenses to Non Interest Expenses Ratio (%) | 46.8 | 49.8 |
| Spend on Staff Training & Welfare (₹ cr) | 21.6 | 18.5 |
| Total Training Man-days per Employee (Days) | 7.28 | 5.10 |

## WORK LIFE BALANCE

Our human resources department ensures that our employees maintain a judicious balance between work and life. Work hours and productivity are closely monitored. We also have a dedicated team in the human resources department that works on employee engagement programmes and assesses various needs of our workforce.

## EMPLOYEE WELLBEING

| Financial^ | Health | Employee Engagement |
|---|---|---|
| Education allowance for employees' children<br><br>Staff loans at concessional rates<br><br>Fuel reimbursement<br><br>Digital based reimbursements<br><br>Travel & vehicle allowance<br><br>Relocation allowance | Health insurance for employees and immediate family: domiciliary & hospitalisation<br><br>Health camps arranged on office premises<br><br>Sponsor employees for sport events<br><br>Sensitisation of work life balance | Employee engagement programmes to ensure bonding outside of the workplace<br><br>Friday Club: Entails short duration recreational activities on a monthly basis to ensure a congenial and happy work environment. |

^ Allowances are grade related

## TRAINING ON CODE OF CONDUCT AND ETHICS

We recognise that building and sustaining a value driven organisation requires a demonstrative effect with the tone being set at the top, but it is equally important that the values and culture percolate down to every level within the organisation.

In order to ensure that our employees stay sensitised to all the requirements of the Corporation's comprehensive Code of Conduct, the human resources department periodically reiterates and highlights various key aspects of the Code of Conduct through a combination of group meetings and e-communication means. Employees are also expected to provide confirmations that they have understood and have imbibed the principles of the Code of Conduct in all spheres of work related activities.

During the year, in order to reiterate the importance of a congenial work environment as well as to sensitise all employees on the importance of behavioural conduct, all employees were requested to do an online training-cum-awareness module on prevention of sexual harassment at the workplace. 96% of our employees undertook and completed this module.

## JOB ROTATION AND SUCCESSION PLANNING

The objective of our job rotation policy is to enable our employees to enhance their knowledge, develop new skills and have a broader understanding of various functions across the Corporation. This ensures a well-balanced career development path. Job rotation aids in creating a stronger talent pipeline which in turn helps in succession planning as there is a larger pool of multi-skilled employees.

In the case of the regional business heads, branch heads and department heads, we recognise that succession planning is a continuous process rather than a one-time event. We have in place a systematic mechanism to identify high performers and groom them to take on higher responsibilities thereby mitigating vacancy, readiness and transition risks.

## GRIEVANCE MECHANISMS

We have always believed in the importance of an open-door policy and this helps our employees to address grievances and concerns at an early stage. Each new employee is also assigned a mentor to guide and help them. The human resources department monitors the effectiveness of the mentorship programme.

## WORK ENVIRONMENT

We are committed to providing a respectful, inclusive, equal opportunity and gender sensitive work environment. We also emphasise on the importance of maintaining a safe and healthy workplace for all our employees and third party employees who work on our premises. We constantly assess our health, safety and environmental performance across all our offices. Select employees have undergone fire-fighting training sessions and periodic fire drills, and audits are conducted in our office premises to ensure maintenance of safety standards.

# SOCIAL & RELATIONSHIP CAPITAL

## CUSTOMER CAPITAL

Housing is a basic necessity and we believe in enabling more Indians to become home owners. Housing plays a critical role socially and has multiplier effects on an economy, given its strong backward and forward linkages with various industries. The housing sector and real estate sector in India is also the second largest employment generator in the country.

Customers form the core of our business. We remain driven by continuously finding ways to enhance the quality of customer service. In a competitive housing finance market, the key differentiator is the quality of customer service rendered.

## CUSTOMER PROFILE

As at March 31, 2018, 73% of assets under management were individual loans and 27% were non-individual loans, comprising loans to corporates, construction finance and commercial lease rental discounting.

During the year, we made efforts to widen our reach to customers across all income segments and also expanded our reach of rural housing loans, loans to self-employed customers and those belonging to the informal sector.

| Individual Loans | FY 2018 |
|---|---|
| Average Loan Size | ₹ 26.4 lac |
| Average Loan to Value Ratio | 69% |
| Average Loan Term | 13 years |
| Average Age | 39 years |
| Number of loans - employed: self-employed | 80:20 |

The government's thrust on affordable housing has seen fruition through the increased number of beneficiaries under the Credit Linked Subsidy Scheme (CLSS). We have remained amongst the top institutions in terms of customers who have availed the CLSS scheme.

We strive to maintain a judicious mix of lending to all income segments. We believe in cash-flow based lending and not asset backed lending practices. During the year, in volume terms 46% of our loans approved were to the middle-income group, 31% to the low income group, 16% to the high income group and 7% to the economically weaker sections.

As at March 31, 2018, the average home loan amount of our customers was ₹ 10.2 lac for economically weaker sections and ₹ 17.4 lac for low income group customers. We approve over 8,200 loans monthly to the economically weaker sections and the low income groups.

## SUPPORTING THE UNDERSERVED & OTHER SOCIAL INTERVENTIONS

We have always believed that we need to support underserved sections of society. We were amongst the early equity investors in microfinance in India. Presently, our support to the microfinance and SME sectors are through a combination of equity investments and funding lines for on-lending to these sectors.

We have also supported social initiative projects such as education buildings, senior citizen housing, hospitals and low cost hostel accommodation for students and young working people.

## CUSTOMER ENGAGEMENT

We engage with our customers through various means. While our loans are sourced by direct selling agents, the credit, legal and technical appraisals are done in-house by us. Prior to the disbursement of a loan we always believe that there should be at least one customer interface. We believe this gives additional comfort to a customer as well.

Customers interact with us by visiting our offices or via the phone, SMS or through any electronic means. In the recent period, there has been a stronger digital engagement for both, new and existing customers.

## RESPONSIBLE LENDING PRACTICES

Our consumer charter is enshrined in our Fair Practices Code which is available on our website. In addition, as per the regulatory requirements we also need to get the customer's consent on 'Most Important Terms and Conditions' of the loan.

We believe our role is not just providing customers with finance, but we also capitalise on our expertise by helping the customer through counseling, and advising on legal and technical aspects of the home. This value added service has held us in good stead over the years.

We ensure that our lending policies do not discriminate in extending products and services to any persons on grounds of disability. We also adhere to the guidelines provided by the National Housing Bank on loan facilities to visually impaired persons.

## CUSTOMER GRIEVANCES

In order to effectively deal with customer grievances, we have in place a software package, "Customer Relationship Enhancement and Managing System" (CREAMS) to record, monitor and redress grievances/feedback received from customers. This in turn helps us maintain higher service standards.

During the year, we received a total of 19,433 complaints/queries from our home loan customers and depositors, representing 0.6% of our total customer and depositor base. 156 complaints/queries were pending as at March 31, 2018, out of which 8 complaints were pending as on date. The nature of the complaints/queries largely entailed procedural issues during the home loan process, queries and concerns relating to the Credit Linked Subsidy Scheme and routine follow up queries.

During the year, we received 6 investor complaints and all the complaints were resolved to the satisfaction of shareholders. There were no investor complaints pending as at March 31, 2018.

There has been a significant improvement in the turnaround time of complaints and queries owing to the intensified efforts of our 'customer engagement' teams across the Corporation.

## CUSTOMER PRIVACY

We strongly understand the obligations we have towards preserving the financial and personal information of all our customers. We continue to strengthen our operational risk management framework and ensure the stability and security of our information technology platforms.

We have an information privacy policy which forms a part of the information security policy of the Corporation. For our website users, our privacy policy is published on our website.

During the year, we have had no instances of any breach of customer privacy.

## OUTSOURCED SERVICES AND SUPPLIERS

We engage outsourced staff for various services including staff from HDFC Sales Private Limited, staff for our call centres and staff that help with the upkeep and maintenance of office premises. We also engage with various suppliers for our business and office related requirements.

All our outsourced staff and suppliers are selected after using rigorous internal based selection criteria.

Our outsourced staff members are expected to abide by our code of conduct. We confirm that we are in compliance with labour laws, human rights and other local regulations in our dealings with our outsourced services.

## CORPORATE SOCIAL RESPONSIBILITY & COMMUNITY ENGAGEMENT

The philosophy of our Founder, Mr. H T Parekh was to always actively engage with the wider community and in particular, with the less fortunate. This sensitisation since inception has led us to be mindful of our community engagements. We created a 'Shelter Assistance Reserve' to support worthwhile social projects and communities in our tenth year of operations. Today a large part of our community engagements are channeled through the H T Parekh Foundation.

During the year, we promoted inclusive growth by supporting and focusing primarily on three social sector areas:

1. **Healthcare:** safe and clean drinking water, prevention, diagnosis and treatment of diseases, addressing malnutrition amongst children and transformational surgeries.
2. **Skilling & Livelihoods:** empowerment of women, rural livelihoods, skilling of construction workers and skilling of persons with disabilities.
3. **Education:** institutional support, holistic development of students, teacher training and development.

We believe it is important to enable our employees to voluntarily devote their time towards social causes. During the year, 131 employees of HDFC and HDFC Sales volunteered for 'Shramdaan' (i.e. voluntary physical labour and participation) in two drought prone villages in Maharashtra in May 2017. The Shramdaan was organised by Paani Foundation, a not-for-profit organisation, whose objective is to create a drought free Maharashtra.

Our employees who volunteered in two villages in Maharashtra -- Shetfalgade and Kakaddhara dug and ploughed using pickaxes and spades to create water pits and formed a human chain and carried large amounts of soil and stone to repair check dams.

Some of our employees made voluntary contributions to the corpus of H T Parekh Foundation, while others volunteered their time with various non-government organisations.

For further details, kindly refer to Corporate Social Responsibility Activities in the Annual Report 2017-18.

*Other References:*

*Website of the H T Parekh Foundation: http://www.htparekhfoundation.com/*
*Business Responsibility Report 2017-18*

# MANUFACTURED CAPITAL

Manufactured capital essentially entails our tangible infrastructure like physical assets and also includes information technology related assets wherein these platforms enable value creation for all our business activities.

## PHYSICAL INFRASTRUCTURE

As at March 31, 2018, we had 326 offices of our own and 148 offices of our wholly-owned subsidiary, HDFC Sales Private Limited. Thus we have a physical reach across 474 locations. Some of our offices are owned premises while most are leased premises.

Our offices follow a fairly standardised physical layout and are designed keeping the customer in mind. We try to ensure that our offices are conveniently located for customers and that they are well maintained with energy efficient lighting and equipped with energy saving/energy star devices.

We follow a hub and spoke model to optimise efficiencies. Most of our offices are small format offices, staffed by few individuals who act as the interface for our customers. The loans are processed at their respective processing hubs, spread across 30 locations across India. The hubs in turn have specialised clusters – for instance, salaried, self-employed, non-resident Indian loans, online applications; amongst several others. This hub and spoke model enables faster turnaround time.

## DIGITAL INFRASTRUCTURE

A large part of our low cost operating structure is attributable to our strong technology based platforms, particularly for our home loan and deposit customers.

Information Technology (IT) is the backbone of all functions within the Corporation and thus the IT team plays a crucial role in the overall functioning of the organisation. Our team of IT professionals is responsible for delivering and maintaining all applications, networks and IT infrastructure, including IT security and providing end user support.

As per our Corporation's Asset Management Policy, our IT assets are classified into three key components – software assets, hardware assets and information assets. Our software assets are a combination of both, home grown and licensed technologies.

## CYBER RISK AND DATA PROTECTION

Protection of our IT infrastructure from cyber security risks calls for increased vigilance and risk mitigation measures. We have an Information Security Policy and Cyber Security Framework to ensure protection of data from end points to the periphery. In addition to the board appointed Chief Information Technology Officer, we also have an Information Security Steering Committee whose responsibility is to govern and protect information assets from various cyber threats and ensure procedures and practices are in line with the Information Security Policy of the Corporation.

We have also engaged with external consultants to independently review our information security and cyber security framework, procedures and policies.

Vulnerability assessments and penetration testing are carried out periodically along with red teaming activities to check the strength of the current cyber security landscape and keep improving it. The IT team also regularly ensures awareness and sensitisation of various aspects of IT security to all our employees.

Our IT staff members periodically undergo training on cyber security and data protection. Our total IT spend for the year ended March 31, 2018 stood at ₹ 42 crore compared to ₹ 31 crore in the previous year.

## BUSINESS CONTINUITY AND DISASTER RECOVERY

Our Business Continuity and Disaster Recovery policy is designed with the objective of ensuring that there is an implementable, resilient business continuity strategy and framework in place to ensure necessary continuation of business during a disaster and that there be minimal disruption of critical operations.

We recognise that merely having a business continuity management plan (BCP) does not tantamount to preparedness and therefore this is not viewed as a one-time effort, but needs continuous sensitisation amongst key identified emergency response teams and function response teams, along with other relevant stakeholders. This entails periodic BCP drills, tests and exercises, especially in the context of the disaster recovery site's capability in managing technology disaster at the primary data site. Other efforts include awareness drives, training and reviews for improvements. This initiative is overseen by the head of the Business Continuity Management Committee of the Corporation.

## BRIDGING TECHNOLOGY AND BUSINESS OPERATIONS

Since inception, it has been our constant endeavour to automate several operating processes which has enabled us to gain scale and efficiency.

We have a core team, referred as the IT-User Support Group (IT-USG) which acts as the bridge between the IT and business operations teams. The members of the IT-USG group have a combination of skills of being technology savvy and have a strong understanding of business operations as well.

The IT-USG team members test the IT systems for logic, processes and ease of usage and are also responsible for data hygiene. Another key role played by the IT-USG is to assist in training the frontline staff to use the systems efficiently. This in turn helps us serve our customers in a more efficient manner.

# INTELLECTUAL CAPITAL

## VALUES

HDFC was built on the founding values of kindness, fairness, efficiency and effectiveness. Our daily endeavour is to remain true to these values in every sphere of activity that we undertake. We believe that our value and culture is our strongest capital.

## BRAND VALUE

We have not ascribed a value to our brand. However, we believe we derive immense value owing to the fact that our brand name is perceived as being synonymous with trust and quality customer service. All our group companies have in good faith, been entrusted with the 'HDFC' brand.

The HDFC group has emerged as a diverse conglomerate with a footprint across banking, securities, life insurance, non-life insurance, pension funds, asset management, property funds, affordable housing, non-bank financial companies, education finance and schools.

As an organisation, HDFC is unique -- it is both, a mortgage finance company and the holding company for investments in its subsidiary and associate companies.

HDFC was ranked 4th in 'India's Most Attractive Brands, 2017' in the banking and financial services institutions category according to TRA Research, a leading syndicated primary research firm on brand trust and brand attractiveness. Under the all India listing of brands, HDFC was the only housing finance company featured in the top 100 companies compiled by TRA Research.

HDFC was also awarded India's Leading Housing Finance Company at the Dun & Bradstreet BFSI Awards, 2018.

## IN-HOUSE VALUE ADDED SERVICES

In India, land is a state subject. Each state has different regulations. Real estate markets require local level knowledge and expertise. HDFC is a single product company and this has enabled us to stay focused and deepen our understanding and nuances of local real estate markets.

We have always believed that when a customer comes to us for a home loan, funding is not their only requirement. They derive comfort knowing that a housing project has been pre-approved by HDFC. They seek our advice on the legal title of the property or seek our inputs on technical appraisals to ensure the building structure is sound or turn to us for fair valuations of properties. These value added services have been our key differentiator. Housing finance products are fairly standardised across the industry and we believe that the only product patent a home financier has is the quality of customer service.

## LEAD GENERATION THROUGH AN INCREASED DIGITAL FOOTPRINT

During the year, the digital medium saw a rapid increase in the generation of home loan leads. To this effect, we have a well-diversified online lead tracking mechanism from aggregators, our own website, life cycle marketing, missed calls, special campaigns, search engine marketing (SEM) and online application platforms.

## SOURCING OF LOANS

Our sourcing model for home loans is unique. We understood that we needed the feet-on-street, but were conscious in recognising that all distribution channels would only source loans for us, while the control over the credit, legal, technical appraisal continues to rest with us, thereby ensuring that the quality of loans disbursed is not compromised in any manner.

During the year, 51% of our loans disbursed were sourced from our wholly owned subsidiary, HDFC Sales Private Limited, 27% from HDFC Bank, 16% from third party direct selling agents and 6% from direct walk-ins.

## SHARING OF EXPERTISE GLOBALLY

We have been recognised for our deep understanding and knowledge of mortgage finance and this has helped us establish housing finance companies and render consultancy services and technical assistance in countries with nascent mortgage finance markets, especially in Asia and Africa. We also have a large pool of expert trainers and various global institutions reach out to us for consultancy services and training programmes.

# PRESENCE ACROSS THE HOUSING VALUE CHAIN

**Land Funding:** Equity and mezzanine capital through HDFC Property Funds

**Construction finance** to developers; increased focus on ESG parameters

**Retail home loans** Affordable Housing Vertical, customised products

**Digital reach** Lead management, online approvals, data analytics

**Digital reach** Lead management, online approvals, data analytics

**Value added services:** loan counseling, advice on legal and technical aspects

**Cross-selling of products** e.g. life & property insurance

**Support & participate** in the government's subvention scheme for housing

**Sharing of expertise** globally through technical assistance, consultancy & promoting new HFCs

# NATURAL CAPITAL

While we are in the business of financing homes, our regulator does not permit the undertaking of any direct construction activities ourselves. Hence as a housing finance company, our environmental impact is largely limited to the consumption of natural resources such as energy, paper and water and consequently, the outputs are essentially in the form of emissions and waste.

Yet, as a responsible organisation, we recognise the severity of the impact of climate change. Extreme weather conditions ranging from drought to floods impact the agriculture sector and in turn affects the Indian economy as well. From a natural risk perspective, severe weather conditions or natural disasters can impact the homes of our borrowers and thus in certain circumstances can lead to the inability to service the home loan.

## APPROACH TO ENVIRONMENTAL MANAGEMENT

As an organisation, we are cognisant of the importance of a transition towards a green economy and the need for increased environmental stewardship. As responsible lenders, it is incumbent upon us to ensure that the developers that we lend to are compliant with all the necessary environmental norms during the construction phase.

Through our lending for construction finance, we have supported many developers undertaking energy efficient real estate projects. We have financed various real estate projects that have secured green ratings from the Indian Green Building Council, United States Green Building Council and Leadership in Energy and Environmental Design.

During the year, we have also made specific long-term commitments to fund developers for the construction of affordable housing. Through a joint effort with the International Finance Corporation, we have strengthened our impact assessment mechanisms through increased environmental and social governance. This entails monitoring parameters such as labour and working conditions, pollution prevention, community, health and safety and stakeholder engagement during the construction phase.

As a policy, we have always financed only self-contained tenements which provide for sanitation facilities within the housing unit. This helps to facilitate a cleaner environment and reduce health hazards.

## FINANCING ENVIRONMENTAL IMPACT

The MSCI ESG Ratings Report on HDFC (November 2017) states, *"In the context of global industry peers, HDFC ranks at the top quartile. HDFC's exposure to potential credit risks arising from the environmental impact of the companies and activities it finances is determined to be minimal."*

## ORGANISATION PRACTICES

We endeavour to promote ecological sustainability and green initiatives such as recycling paper and other waste material. Our employees and stakeholders have been encouraged to use electronic means of communication wherever possible to reduce the usage of paper. Our IT department proactively runs various 'go-green' campaigns internally to keep sensitising employees on minimising use of paper. We have eco-recycle bins for electronic waste. We have installed LED lighting and fixtures in most of our offices and at the head office, we follow a practice of switching off the lights when not at the workstations.

During the year, our employees participated in a tree plantation drive, upholding the spirit that everyone's footprint matters and everyone can help and play their part in protecting the environment.

# MANAGEMENT GLIMPSES



**V. S. Rangan**

**Executive Director & CFO**

The second half of the year has been challenging in terms of raising resources in an environment where the surplus liquidity as a result of demonetisation got sucked out of the system and was followed by a sharp spike in interest rates.

Our borrowing profile has to be dynamic and we have to keep seeking new sources of funding and widening and diversifying our lender base. To this effect, our masala bond and MTN programme has enabled us to reach out to new lenders as well as set the benchmark by not only being the first Indian corporate to raise masala bonds, but also being one of the largest issuers of such bonds.

Our task ahead is to see how we best deploy our freshly raised capital so as to create a strong foundation which, in the years to come will be shareholder accretive as we have done in the past.



**Conrad D'Souza**

**Member of Executive Management & Chief Investor Relations Officer**

Our senior management spends a great deal of time and effort on investor relations. We ensure that we meet or interact with as many shareholders, potential investors and research analysts who reach out to us.

We do have challenges in our business, but our endeavour to ensure timely, accurate and consistent communication has held us in good stead.

We have to keep striving for higher governance standards and work towards mainstreaming integrated reporting, thereby articulating and providing a balanced overview of our financial and non-financial performance.



**Madhumita Ganguli**

**Member of Executive Management**

**Regional Business Head**

We now have an extremely favourable environment to support affordable housing and this is reflected in our strong growth in individual home loans.

Our competitive strength is our people's deep knowledge of local real estate markets and our efficiencies in our loan processing systems.

In a fiercely competitive housing finance market, retaining a customer is perhaps more important than just acquiring a new home loan customer.

We have to keep our frontline staff motivated and empowered to ensure quality customer service at all times.



**Suresh Menon**

**Member of Executive Management**

**Policy Implementation & Process Management**

Given our large scale and widespread reach, it is extremely critical that our systems and policies work in tandem.

As we opt for greater automation, it is important that our systems are thoroughly tested, are user friendly and are in accordance with our policy and regulatory framework.

Data is a powerful tool, but accuracy of data must always be the overriding factor.

Internal audits serve as our greatest assurance that our risk management, governance and internal control processes are operating efficiently or need corrective action.



## R. Arivazhagan

**Member of Executive Management**
**& Chief Information Officer**

IT, a business enabler forms the backbone of our operations. Our team of high quality IT professionals are ensuring consistent availability and performance of the IT systems with proper capacity to facilitate seamless operations.

Our constant endeavor is to keep systems upgraded in line with the latest technology trends in the market.

'Digital First' strategy drives customer experience to the next level. Our prime objective is maintaining the quality of assets and securing them to the best possible extent. For us, cyber security risk management is foremost on the agenda.



## Mathew Joseph

**Member of Executive Management**
**Regional Business Head**

The housing finance market is extremely competitive and we have made concerted efforts to build a strong customer retention vertical to ensure that we retain our customers.

In our next phase of growth, we will see larger volumes and lower ticket sizes as we endeavour to extend our reach to deep geographic locations. Yet, we need to be careful in our lending practices to ensure that we retain our high asset quality levels. We will not chase market share at the cost of asset quality.



**Rajeev Sardana**

**Member of Executive Management**

**Regional Business Head**

We recognised early in the day that that we needed to tap into opportunities to offer home loans to self-employed customers. Aided by improved data from the credit bureaus, increased tax compliances and by nurturing our own specialised teams, we have steadily built up expertise in lending to self-employed customers. We follow prudent lending norms based on cash flow lending and not asset backed lending.

We have consciously decided to be careful on loans against property, where the industry is now seeing some stress building up.

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