

Annex to Directors' Report - 4

FORM NO. MR-3

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

[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

HDFC House, H T Parekh Marg, 165-166, Backbay Reclamation,
Churchgate, Mumbai-400 020

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 Corporation'). 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 Corporation's books, papers, minute books, forms and returns filed and other records maintained by the Corporation, to the extent the information provided by the Corporation, its officers, agents and authorised representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion,

the Corporation has, during the period under review covering the financial year ended on March 31, 2021 ("the Audit Period"), generally complied with the statutory provisions listed hereunder and also that the Corporation 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 records which include books, papers, minute books, forms and returns filed and other records made available to us and maintained by the Corporation for the Audit Period according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contract (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the

extent of Foreign Direct Investment and External Commercial Borrowings;

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

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
- (g) The Securities and Exchange Board of India (Listing Obligations and

Disclosure Requirements) Regulations, 2015;

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

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

(vi) Other laws applicable specifically to the Corporation namely:

1. National Housing Bank Act, 1987;

2. The Housing Finance Companies (NHB) Directions, 2010;

3. Guidelines on Know your Customer and Anti-Money Laundering Measures;

4. Returns to be submitted by Housing Finance Companies;

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

6. Housing Finance Companies-Issuance of Non-convertible Debentures on private placement basis (NHB) Directions, 2014;

7. Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016;

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

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

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

11. Information Technology Framework for HFCs - Guidelines;

12. Pension Fund Regulatory and Development Authority (Point of

Presence) Regulations, 2018;

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

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

15. RBI Commercial Paper Directions, 2017 w.r.t. issue of commercial papers and applicable operating guidelines issued by FIMMDA (Fixed Income Money Market and Derivatives Association of India); and

16. Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to board meetings, general meetings and dividend.

(ii) The Listing Agreements entered into by the Corporation with BSE Limited and National Stock Exchange of India Limited read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Corporation has complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc. as mentioned above.

We report that:

During the period under review, the National Housing Bank levied a penalty of ₹ 1,50,000 for non-compliance of two provisions of

paragraph 2(1)(zc)(ii) and paragraph 2(1)(v)(x) of the Housing Finance Companies (NHB) Directions, 2010, the said penalty was paid on October 8, 2020.

We further report that:

The Board of Directors of the Corporation 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 was on account of re-appointment of managing director and executive director of the Corporation that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except where the meeting was held at a short notice to transact urgent business, 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.

Decisions at the Board Meetings were taken unanimously.

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

We further report that during the period under review, the Corporation has not undertaken any specific events/actions that can have a

major bearing on the Corporation's compliance responsibility in pursuance of the above referred laws, rules, regulations, guidelines, standards etc., except as follows:-

1. Issue of 1,50,77,063 equity shares under the Employee Stock Option Scheme (ESOS 2011/2014/2017) to its employees and executive directors;
2. Issue of 4,61,500 Secured Redeemable Non-convertible Debentures aggregating to an amount of ₹ 46,150 crore;
3. The Corporation has issued and allotted through Qualified Institutions Placement basis:
 - a. 5,68,18,181 equity shares of ₹ 2 each at an issue price of ₹ 1,760 per equity share (including

- a premium of ₹ 1,758 per equity share), aggregating ₹ 10,000 crore;
- b. 1,70,57,400 Warrants at an issue price of ₹ 180 per Warrant ("Warrant Issue Price"), aggregating to ₹ 307 crore; and with a right exercisable by the Warrant holder to exchange each Warrant for one equity share of ₹ 2 each of the Corporation, any time before the expiry of a period of 36 months from the date of its allotment, at an exercise price of ₹ 2,165 per Warrant ("Warrant Exercise Price"); and
- c. 36,930 Secured Redeemable Non-convertible Debentures at par having a tenor of 3 years, carrying a coupon rate of 5.40% payable annually, aggregating to ₹ 3,693 crore.

4. The Corporation redeemed Secured Redeemable Non-convertible Debentures aggregating to ₹ 41,294 crore; and
5. Commercial Papers aggregating ₹ 55,570 crore were issued during the period under review and Commercial Papers aggregating ₹ 53,925 crore redeemed on the maturity date.

For Parikh & Associates
Company Secretaries

P. N. Parikh
Partner

FCS No.: 327

CP No.: 1228

MUMBAI

April 27, 2021 UDIN:F000327C000185303

Annexure 'A'

To,
The Members,
Housing Development Finance Corporation Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Corporation. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process 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 process and practices we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Corporation.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of

the management. Our examination was limited to the verification of procedure on test basis.

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

For Parikh & Associates
Company Secretaries

P. N. Parikh
Partner

FCS No.: 327

CP No.: 1228

MUMBAI

April 27, 2021 UDIN:F000327C000185303