Notes forming part of the Consolidated Financial Statements

1. Corporation Overview

Housing Development Finance Corporation Limited ('HDFC' or 'the Corporation' or 'the Company') was incorporated in 1977 as the first specialised Mortgage Company domiciled in India as a limited company having its Corporate office at HDFC House, H T Parekh Marg, Churchgate, Mumbai 400 020. The principal business is providing finance to individuals, corporates and developers for the purchase, construction, development and repair of houses, apartments and commercial properties in India. The business is conducted through its branches in India and its overseas offices at London, Singapore and Dubai supported by a network of agents for sourcing loans as well as deposits. HDFC is the holding company for investments in its associates and subsidiary companies. The Corporation is a public limited company and its shares are listed on the Bombay Stock Exchange (BSE), India, and the National Stock Exchange (NSE), India, and the Corporation's Synthetic INR Denominated bonds are listed on the London Stock Exchange. HDFC is also a financial conglomerate ("the Group") and has subsidiaries / associates engaged across banking, insurance, asset management and other financial services business.

2. Basis of Preparation and Presentation

2.1 **Statement of Compliance and Basis of Preparation and Presentation**

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity are prepared and presented in the format prescribed in the Division III of Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows". The Balance Sheet, Statement of Profit and Loss, Statement of Cash Flow and Statement of Changes in Equity are together referred as the financial statement of the Group.

The consolidated financial statements ("financial statements") of the Group have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 under Section 133 of the Companies Act, 2013 and relevant amendment rules issued thereafter ("Ind AS") on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained below, the relevant provisions of the Companies Act, 2013 (the "Act") and the guidelines issued by the National Housing Bank ("NHB"), the Reserve Bank of India ("RBI"), the Insurance Regulatory Development Authority of India ("IRDAI"), the Securities Exchange Board of India ("SEBI") to the extent applicable.

Amounts in the financial statements are presented in Indian Rupees in Crore rounded off to two decimal places as permitted by Schedule III to the Act. Per share data are presented in Indian Rupee to two decimal places. The Group presents its Balance Sheet in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 48.

Accounting policies are consistently applied except where a newly-issued Ind AS is initially adopted or a revision to an existing Ind AS requires a change in the accounting policy.

2.2 **Functional and Presentation Currency**

The financial statements are presented in Indian Rupees (₹) which is the functional and the presentation currency of the Group and all values are rounded to the nearest Crore, except when otherwise indicated.

2.3 **Basis of Measurement**

The financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair values.

A historical cost is a measure of value used for accounting in which the price of an asset on the balance sheet is based on its historical cost, it is generally fair value of consideration given in exchange for goods and services at the time of transaction.

Fair value is the price that likely to be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102 Share Based Payments, leasing transactions that are within the scope of Ind AS 116 Leases.

Fair value measurements under Ind AS are categorised into fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can access on measurement date.
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 where unobservable inputs are used for the valuation of assets or liabilities.

2.4 Use of Estimates and Judgements

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgments and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

The preparation of the financial statements in conformity with Indian Accounting Standards (“Ind AS”) requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise. Some of the areas involving significant estimation / judgement are determination of Expected Credit Loss, fair valuation of Investments, Income taxes, share based payments and employee benefits.

2.4.1 Income Taxes

The Corporation’s tax jurisdiction is in India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for certain tax positions.

2.4.2 Insurance Companies

For Insurance Companies, critical adjustments or judgements are required for valuation of policy liabilities as on date.

2.5 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries together referred to as (“the Corporation/Group”) and Associates as at and for the year ended 31 March, 2021.

Notes forming part of the Consolidated Financial Statements (Continued)

The Corporation consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Corporation has less than a majority of the voting or similar rights of an investee, the Corporation considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Corporation's voting rights and potential voting rights.
- The size of the Corporation's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Corporation gains control until the date the Corporation ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Corporation uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Corporation member's financial statements in preparing the consolidated financial statements to ensure conformity with the Corporation's accounting policies.

The financial statements of all entities used for the purpose of consolidation are same reporting date as that of the parent company, i.e., year ended on 31 March, 2021.

2.6 **Consolidation Procedure**

- Combine like items of assets, liabilities, equity, income, and expenses of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
- Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Corporation's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes forming part of the Consolidated Financial Statements (Continued)

If the Corporation loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Corporation had directly disposed of the related assets or liabilities.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

The financial statements of the following subsidiary companies have been consolidated as per Ind AS 110 - Consolidated Financial Statements.

All the below mentioned subsidiaries have been incorporated in India, other than Griha Investments which has been incorporated in Mauritius, Griha Pte. Ltd. which has been incorporated in Singapore and HDFC International Life and Re Company Limited which has been incorporated in Dubai.

Sr. No.	Name of Subsidiary	Proportion of Ownership Interest (%)	
		March 31, 2021	March 31, 2020
1	HDFC Investments Ltd.	**100**	100
2	HDFC Holdings Ltd.	**100**	100
3	HDFC Asset Management Co. Ltd.	**52.68**	52.72
4	HDFC Trustee Co. Ltd.	**100**	100
5	GRUH Finance Ltd. (Subsidiary upto Aug 30, 2019)	**-**	-
6	HDFC Venture Capital Ltd.	**80.50**	80.50
7	HDFC Ventures Trustee Co. Ltd.	**100**	100
8	HDFC Life Insurance Co. Ltd.	**49.99**	51.46
9	HDFC Pension Management Co. Ltd. (Subsidiary of HDFC Life Insurance Co. Ltd.)	**49.99**	51.46
10	HDFC International Life and Re Company Limited (Subsidiary of HDFC Life Insurance Co. Ltd.)	**49.99**	51.46
11	HDFC ERGO General Insurance Co. Ltd.	**50.56**	50.48
12	HDFC Sales Pvt. Ltd.	**100**	100
13	HDFC Property Ventures Ltd.	**100**	100
14	HDFC Investment Trust	**100**	100
15	HDFC Investment Trust – II	**100**	100
16	Griha Investments (Subsidiary of HDFC Holdings Ltd.)	**100**	100

Notes forming part of the Consolidated Financial Statements (Continued)

Sr. No.	Name of Subsidiary	Proportion of Ownership Interest (%)	
		March 31, 2021	March 31, 2020
17	Griha Pte Ltd. (Subsidiary of HDFC Investments Ltd.)	**100**	100
18	HDFC Credila Financial Services Ltd.	**100**	100
19	HDFC Education and Development Services Pvt. Ltd.	**100**	100
20	HDFC Capital Advisors Ltd.	**100**	100
21	HDFC ERGO Health Insurance Ltd. (formerly known as Apollo Health Insurance Co. Ltd) (Refer Note 10.2)	**-**	51.56

Consequent to the above changes in the ownership interest, certain previous year balances have been considered on current ownership and accordingly the same is reflected in the Reserves and Surplus as ‘Opening Adjustments’.

2.7 Business Combinations and Goodwill

Business combinations except under common control are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Corporation measures the non-controlling interests in the acquiree at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

In case of bargain purchase, before recognising a gain in respect thereof, the Corporation re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Notes forming part of the Consolidated Financial Statements (Continued)

2.8 **Investments in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with Ind AS 105.

Under the equity method, the investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. Dividend received from associates is recognised as reduction in the carrying amount of the investments.

After application of the equity method, the Corporation determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Corporation calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit/loss of an associate in the Statement of Profit and Loss.

Upon loss of significant influence over the associate, the Corporation measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal, is recognised in profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate. Changes in investor's interest in other component of equity in such cases are being directly recognised in Equity.

When a group entity transacts with an associate of the Group, profit or losses resulting from the transactions with associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant Accounting Policies

3.1 **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

Interest

Interest income on financial instruments is recognised on a time proportion basis taking into account the amount outstanding and the Effective Interest Rate ("EIR") applicable.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets measured at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

Interest income/Expenses is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets interest, income is calculated by applying the EIR to the

Notes forming part of the Consolidated Financial Statements (Continued)

amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

Dividend Income

Dividend income is recognised when the Corporation's right to receive dividend is established.

Fee and Commission Income:

The Group recognises revenue from contract with customers based on five step model as set out in Ind AS 115, Revenue from Contracts with Customers to determine when to recognise revenue and at what amount.

Revenue is measured based on the consideration specified in the contract with a customers. Revenue from contracts with customers is recognised when services are provided and it is highly probable that a significant reversal of revenue is not expected to occur.

If the consideration promised in a contract includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for rendering the promised services to a customer. The amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, or other similar items. The promised consideration can also vary if an entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

Rental Income

Income from operating leases are recognised in the statement of profit and loss as per the contractual rentals unless another systematic basis is more representative of the time pattern in which benefits derived from the leased assets.

Premium Income of Life Insurance Business

Premium income on Insurance contracts and Investment Contracts with Discretionary Participative Feature (DPF) is recognised as income when due from policyholders and as reduced for lapsation expected based on the experience of the Company. In case of linked business, premium income is accounted for when the associated units are created. Premium on lapsed policies is accounted for as income when such policies are reinstated.

Premium Income of General Insurance Business

Premium including Re-insurance accepted (net of service tax upto June 30, 2017, and net of Goods & Service Tax w.e.f. July 1, 2017) is 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 cancellations of premiums are accounted for in the period in which they occur. Instalment cases are recorded on instalment due dates. Premium received in advance represents premium received prior to commencement of the risk.

Reinsurance Premium

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Re-insurance premium ceded on unearned premium is carried forward to the period of risk and is set off against related unearned premium. Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur.

Premium on excess of loss Re-insurance cover is accounted as per the terms of the Re-insurance arrangements.

Other Income

Other Income represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

3.2 **Financial Instruments**

3.2.1 **Fair Valuation of Investments**

Some of the Group's Investments are measured at fair value. In determining the fair value of such Investments, the Group uses quoted prices (unadjusted) in active markets for identical assets or based on inputs which are observable either directly or indirectly. However in certain cases, the Group adopts valuation techniques and inputs which are not based on market data. When Market observable information is not available, the Group has applied appropriate valuation techniques and inputs to the valuation model.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of Investments are disclosed in Note 49.

3.2.2 **Recognition and Initial Measurement**

All financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans are recognised when fund transfer is initiated or disbursement cheque is issued to the customer. The Group recognises debt securities, deposits and borrowings when funds are received by the Group.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3.2.3 **Classification and Subsequent Measurement of Financial Assets and Liabilities**

3.2.3.1 **Financial Assets**

The Group classifies and measure all of its financial assets based on the business model for managing the assets and the asset's contractual terms, either at:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI"),
- FVTPL

Notes forming part of the Consolidated Financial Statements (Continued)

3.2.3.1.1 **Amortised Cost**

The Group classifies and measures cash and bank balances, Loans, Trade receivable, certain debt investments and other financial assets at amortised cost if following condition is met:

Financial Assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are SPPI, are subsequently measured at amortised cost.

3.2.3.1.2 **FVOCI**

The Group classifies and measures certain debt instruments at FVOCI when the investments is held within a business model, the objective of which is achieved by both, collecting contractual cash flows and selling the financial instruments and the contractual terms of the financial instruments meet the Solely Payment of Principal and Interest on principal amount outstanding ("SPPI") test.

The Group measures all equity investments at fair value through profit or loss, unless the Group's management has elected to classify irrevocably some of its equity instruments at FVOCI, when such instruments meet the definition of Equity under Ind AS 32 Financial Instruments, Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

3.2.3.1.3 **FVTPL**

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in profit or loss.

3.2.3.1.4 **Evaluation of Buiness Model and Test**

Classification and measurement of financial instruments depends on the results of the Solely Payments of Principal and Interest on the principal amount outstanding ("SPPI") (refer note 3.2.2.1.5) and the business model test (refer note 3.2.2.1.4). The Group determines the business model at a level that reflects how the Group's financial instruments are managed together to achieve a particular business objective.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those instruments.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group considers all relevant information available when making the business model assessment. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Corporation's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The Group reassesses it's business model each reporting period to determine whether the business model have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business model.

The loans initiated by the Group and outstanding include loans for which an option is given to a third party to acquire loans by way of assignment. This is consequent to an arrangement with the party that sources loans for the Group and has an option to acquire through assignment, a fixed percentage of the aggregate value of loans sourced by it for the Group at a predetermined price. Accordingly, as per the arrangement, loans assigned are substituted by newly sourced loans which ensures contractual cash flows are collected by the Group. All such outstanding loans have been classified at amortised cost.

3.2.3.1.5 **Solely Payments of Principal and Interest on the Principal Amount Outstanding Test ("SPPI")**

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that meet SPPI test.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI, such financial assets are either classified as fair value through profit & loss account or fair value through other comprehensive income.

3.2.3.1.6 **Subsequent Measurement and Gain and Losses**

Financial Assets at Amortised Cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

Debt Instrument at FVOCI:

These assets are subsequently measured at fair value. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on subsequently measurement is recognised in OCI and on derecognition the cumulative gain or loss recognised in OCI will be recycled to statement of profit and loss.

Notes forming part of the Consolidated Financial Statements (Continued)

Equity Instrument at FVOCI:

Gains and losses on equity instruments measured at FVOCI are recogised in Other Comprehensive Income and are never recycled to profit or loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are fair valued at each reporting period and are not subjected to an impairment assessment.

Financial Assets at FVTPL:

These assets are subsequently measured at fair value. Net gain and losses, including any interest or dividend income, are recognised in statement of profit and loss.

3.2.3.1.7 **Reclassifications**

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets.

3.2.3.2 **Financial Liabilities and Equity Instruments**

3.2.3.2.1 **Classification as Debt or Equity**

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

3.2.3.2.2 **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recognised at the face value and proceeds received in excess of the face value are recognised as Securities Premium.

3.2.3.2.3 **Subsequent Measurement and Gain and Losses**

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

3.2.4 **Impairment and Write-off**

The Group recognises loss allowances for Expected Credit Losses on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Debt instruments measured at amortised cost and at FVOCI;
- Lease receivables;
- Loan commitments issued;
- Financial guarantee; and
- Other Assets.

Equity instruments are measured at fair value and not subject to impairment loss.

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. the portion of lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL are measured at an amount equal to the 12-month ECL.

The Group has established policy to perform an assessment at the end of each reporting period whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instruments.

Based on the above process, the Group categorises its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 to Stage 1.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the life time expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3 to Stage 2.

Stage 3: When loans are considered credit-impaired, the Group records an allowance for the life time expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.2.4.1 **Determination and Measurement of Expected Credit Losses**

Determination of Expected Credit Losses

The measurement of impairment losses (ECL) across all categories of financial assets requires judgement.

In particular, the estimation of the amount and timing of future cash flows based on Group's historical experience and collateral values when determining impairment losses along with the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- Bifurcation of the financial assets into different portfolios when ECL is assessed on collective basis.
- Group's criteria for assessing if there has been a significant increase in credit risk. (Refer Note 3.2.3.2)
- Development of ECL models, including choice of inputs / assumptions used.

The various inputs used and the process followed by the Group in measurement of ECL has been detailed in Note 3.2.3.1.

Notes forming part of the Consolidated Financial Statements (Continued)

Measurement of Expected Credit Losses

The Group calculates ECL based on probability-weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the portfolio EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

When estimating ECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Group's ECL for financial guarantee is estimated based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the interest rate relevant to the exposure.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities after considering the credit conversion factor (for Stage 1 and Stage 2 assets), and accrued interest from missed payments.
- Probability of Default (PD) is the probability of whether borrowers will default on their obligations which are calculated based on historical default rate summary of past years using origination vintage analysis.
- Loss Given Default (LGD) is an estimate of the loss from a financial asset given that a default occurs. The LGD is computed using a "Workout approach" based on the Group's own loss and recovery experience. It is usually expressed as a percentage of the EAD.

3.2.4.2 **Significant Increase in Credit Risk**

The Group monitors all financial assets, including loan commitments and financial guarantee contracts issued that are subject to impairment requirements, to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group measures the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list'. Given an exposure is on a watch list once, there is a concern that the creditworthiness of the specific counterparty has deteriorated. ECL assessment for watch list accounts is done on a case by case approach after considering the probability of weighted average in different recovery scenario. For individual loans the Group considers the expectation of forbearance, payment holidays and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD is more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when a financial asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3.2.4.3 **Credit Impaired Financial Assets**

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition. The definition of default includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Borrowers forming part of schemes released under the regulatory packages like Moratorium, One-Time restructuring and Emergency credit linked guaranteed scheme are not subject to credit impairment.

3.2.4.4 **Definition of Default**

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Corporation; or
- the borrower is unlikely to pay its credit obligations to the Corporation in full.

Notes forming part of the Consolidated Financial Statements (Continued)

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not as relevant for individual lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

3.2.4.5 Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off/ may assign / sell loan exposure to ARC / Bank / a financial institution for a negotiated consideration. Recoveries resulting from the Group's enforcement activities could result in impairment gains. The Group has a board approved policy on Write off and one time settlement of loans.

3.2.5 Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. Loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original EIR. If the significant difference in present value, the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowances for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms may lead to a gain or loss on derecognition. The new financial asset may have a loss allowance measured based on 12-month ECL except where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms;
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification does not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance is continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans is generally measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative

Notes forming part of the Consolidated Financial Statements (Continued)

fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

3.2.6 **Derecognition of Financial Liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.2.7 **Collateral Valuation and Repossession**

The Group provides fully secured, partially secured, and unsecured loans to individuals and Corporates. To mitigate the credit risk on financial assets, the Group seeks to use collateral, where possible as per the powers conferred on the Housing Finance Companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("SARFAESI").

In its normal course of business, the Corporation does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non–current assets held for sale.

3.2.8 **Servicing of Assets / Liabilities**

The Corporation transfers loans through securitisation and direct assignment transactions. The transferred loans are de-recognised and gains/losses are accounted for, only if the Corporation transfers substantially all risks and rewards specified in the underlying assigned loan contract. In accordance with the Ind AS 109, on de-recognition of a financial asset under assigned transactions for a fee, the Corporation recognises the fair value of future service fee income over service obligations cost on net basis as service fee income in the statement of profit and loss and, correspondingly creates a service asset in balance sheet.

The Corporation recognises either a servicing asset or a servicing liability for servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing activities, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing activities, a servicing asset is recognised. Corresponding amount is recognised in Statement of Profit and Loss.

3.2.9 **Derivative Financial Instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and foreign exchange option contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Notes forming part of the Consolidated Financial Statements (Continued)

Hedge Accounting

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Group applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Group would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for, as described below:

Fair Value Hedges

Fair value hedges the exposure to changes in the fair value of a recognised asset or liability, or an identified portion of such an asset, liability, that is attributable to a particular risk and could affect profit or loss.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statement of profit and loss in net gain on fair value changes. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the balance sheet and is also recognised in the statement of profit and loss in net gain on fair value changes.

The Group classifies a fair value hedge relationship when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship fixed rate debt issued and other borrowed funds. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. If the relationship does not meet hedge effectiveness criteria, the Group discontinues hedge accounting from the date on which the qualifying criteria are no longer met. For hedged items recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item on termination of the hedge accounting relationship is amortised over the remaining term of the original hedge using the recalculated EIR method by recalculating the EIR at the date when the amortisation begins. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit and loss.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the profit and loss statement.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss

Notes forming part of the Consolidated Financial Statements (Continued)

on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

3.2.10 **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Corporation are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with Ind AS 109; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Corporation's revenue recognition policies.

The Corporation has not designated any financial guarantee contracts as FVTPL.

3.3 **Property, Plant and Equipment ("PPE")**

PPE held for use are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses.

PPE is recognised when it is probable that future economic benefits associated with the item is expected to flow to the Corporation and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes professional fees related to the acquisition of PPE.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 **Investment Property**

Investment properties are properties held to earn rentals and/or capital appreciation and are measured and reported at cost, including transaction costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the Statement of Profit and Loss in the same period.

3.5 **Intangible Assets**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment, except for Goodwill on Consolidation (Refer Note 2.7). Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development".

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.6 **Capital Work-in-Progress**

Capital work-in-progress includes assets not ready for the intended use and are carried at cost, comprising direct cost and related incidental expenses.

3.7 **Depreciation and Amortisation**

Depreciation is recognised using straight line method so as to write off the cost of the assets (other than freehold land) less their residual values over their estimated useful lives specified in Schedule II to the Act, or in case of assets where the estimated useful life was determined by technical evaluation, over the useful life so determined. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is recognised on prospective basis.

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use.

Freehold land is not depreciated. Leasehold land is amortised over the duration of the lease. The useful life of the property, plant and equipment held by the Group is as follows:

Class of assets	Useful life
Buildings	60 years
Computer Hardware*	4 years
Furniture & Fittings	10 years
Office Equipment	5 years
Vehicles*	5 years
Computer Software*	4 years

** For the above class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Act.*

Intangible assets, with finite service life, are amortised on straight line basis over the estimated useful life of 4 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

Notes forming part of the Consolidated Financial Statements (Continued)

3.8 Impairment of Assets other than Financial Instruments

As at the end of each accounting year, the Group reviews the carrying amounts of its PPE, investment property and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any.

3.9 Employee Benefits

3.9.1 Share-based Payment Arrangements

Estimating fair value for share-based payment transactions requires use of an appropriate valuation model. The Corporation measures the cost of equity-settled transactions with Option holders using Black-Scholes Model to determine the fair value of the options on the grant date.

Inputs into the valuation model, includes assumption such as the expected life of the share option, volatility and dividend yield.

The stock options granted to employees pursuant to the Corporation's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options determined at grant date is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity. On cancellation or lapse of option granted to employees, the compensation cost charged to statement of profit & loss is credited with corresponding decrease in equity.

3.9.2 Defined Contribution Plans

Superannuation Fund

The Corporation's contribution to superannuation fund is considered as a defined contribution plan and is charged as an expense based on the amount of contribution required to be made.

3.9.3 Defined Benefit Plans

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Provident Fund

All employees of the Corporation are entitled to receive benefits under the Provident Fund. The Corporation makes a contribution to provident fund and the schemes thereunder, as recognised by the Income-tax authorities and administered by various trustees. The contributions are recognised as an expense in the year in which they are incurred. The Rules of the Corporation's Provident Fund administered by a Trust require that if the Board of Trustees is unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Corporation. Actuarial valuation of this Provident Fund interest shortfall is done as per the guidance note issued in this respect by The Institute of Actuaries of India (IAI) and provision towards this liability, if any is recognised.

Notes forming part of the Consolidated Financial Statements (Continued)

Gratuity and Other Post Retirement Benefits

For defined benefit plans in the form of gratuity fund and post retirement pension scheme for whole-time Directors, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurements are recognised in the Other Comprehensive Income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of planned assets.

Short-term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Long-term Employee Benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date, based on actuarial valuation.

3.10 **Scheme and Commission Expenses**

Certain scheme related expenses and commission paid to distributors were being borne by one of the subsidiary company till October 22, 2018. These expenses have been charged in accordance with applicable circulars and guidelines issued by Securities and Exchange Board of India ("SEBI") and Association of Mutual Funds in India and have been presented under the respective expense heads in the Statement of Profit and Loss.

Any brokerage or commission paid by the one of the subsidiary in line with the applicable regulations is being amortised over the contractual period.

Pursuant to circulars issued by SEBI in this regard, with effect from October 22, 2018, all of these expenses, subject to certain minor exceptions, are being borne by the respective schemes.

New Fund Offer expenses on the launch of schemes are borne by one of the subsidiary and recognised in the Statement of Profit and Loss as and when incurred.

3.11 **Leases**

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

Operating Leases

Transition

Effective April 1, 2019 the Group has adopted Ind AS 116 - Leases, which requires any lease arrangement to be recognised in the balance sheet of the lessee as a 'right-of-use' asset with a corresponding lease liability. Accordingly depreciation has been charged on such assets as against lease rental expenses in the previous year. Similarly interest expense has been recognised on lease liabilities under finance costs. As permitted by the standard, the Group has applied this standard w.e.f. April 1, 2019 and comparatives for the previous period / year have not been restated.

Notes forming part of the Consolidated Financial Statements (Continued)

The Group as Lessee

The Group's lease asset classes primarily consist of leases for office premises. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset
- the Group has substantially all of the economic benefits from use of the asset through the period of the lease and
- the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee.

The 'right-of-use' asset has been included under the line 'Property, Plant and Equipment' and lease liability has been included under 'Other Financial Liabilities'.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Group changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Group as Lessor

Leases for which the Group is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

3.12 Dividends on Ordinary Shares

The Corporation recognises a liability to make cash to equity holders of the Corporation when the dividend is authorised and the distribution is no longer at the discretion of the Corporation. As per the corporate laws in India, an interim dividend is authorised when it is approved by the Board of Directors and final dividend is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Notes forming part of the Consolidated Financial Statements (Continued)

3.13 **Cash and Cash Equivalents**

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short-term deposits with banks (with an original maturity of three months or less from the date of placement) and cheques on hand. Short term and liquid investments being subject to more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

3.14 **Securities Premium Account**

Securities premium is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of shares and issue expenses of securities which qualify as equity instruments.

3.15 **Borrowing Costs**

Borrowing costs include interest expense calculated using the EIR on respective financial instruments measured at amortised cost, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

3.16 **Deferred Acquisition Cost (DAC)/Deferred Origination Fees (DOF)**

Incremental costs incurred during the financial year on acquiring or renewing of investment contracts without Discretionary Participating Feature are deferred and amortized over the life of the policy contracts as the related revenue is recognized, to the extent that these costs are recoverable out of future premiums.

Initial and other front-end fees received for rendering future investment management services relating to investment contracts without Discretionary Participating Feature, are deferred and recognized as revenue when the related services are rendered.

3.17 **Claims Incurred**

Claims incurred comprises of claims paid (net of salvage and other recoveries), change in estimated liability for outstanding claims made following a loss occurrence reported, change in estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) and specific settlement costs comprising survey, legal and other directly attributable expenses.

Provision is made for estimated value of outstanding claims at the Balance Sheet date. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and progressively modified for changes as appropriate, on availability of further information and include claim settlement costs likely to be incurred to settle outstanding claims.

Claims are recognised on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts.

The estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) has been estimated by the Appointed Actuary in compliance with applicable provisions of Guidance Note 21 issued by the Institute of Actuaries of India. The Appointed Actuary has used generally accepted actuarial methods for each product category as considered appropriate depending upon the availability of past data as well as appropriateness of the different methods to the different lines of businesses. The above elements of estimates of liability for claims are periodically reviewed by the Appointed Actuary and adjusted based on recent experience and emerging trends.

3.18 **Acquisition Costs**

Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts viz. commission. These costs are expensed in the period in which they are incurred.

3.19 **Commission Received**

Commission on Re-insurance ceded is recognised as income on ceding of Re-insurance premium.

Notes forming part of the Consolidated Financial Statements (Continued)

Profit commission under Re-insurance treaties, wherever applicable, is recognised in the year of final determination of the profits and as intimated by the Reinsurer.

3.20 **Reserve for Unexpired Risk**

Reserve for unexpired risk represents that part of the net premium written which is attributable to and allocated to the succeeding accounting period. Reserve for unexpired risk is calculated on the basis of 1/365th method in all segment subject to a minimum of 100% in case of Marine Hull business and based on Net Premium Written during the year, whichever is higher as per Circular No. IRDA/F&A/CIR/CPM/056/03/2016 dated April 4, 2016.

3.21 **Premium Deficiency**

Premium deficiency is recognised for the Company as a whole on an annual basis. Premium deficiency is recognised if the sum of the expected claim costs, related expenses and maintenance cost (related to claims handling) exceeds related reserve for unexpired risk. The expected claim costs are calculated and duly certified by the Appointed Actuary.

3.22 **Salvage Recoveries**

Salvaged vehicles are recognised at net realizable value and are deducted from the claim settlement made against the same. Salvaged vehicles on hand are treated as stock-in-trade and are recognised at estimated net realizable value based on independent valuer's report.

3.23 **Foreign Currencies**

Functional currency of the Corporation and foreign operations has been determined based on the primary economic environment in which the Corporation and its foreign operations operate considering the currency in which funds are generated, spent and retained.

Transactions in currencies other than the Corporation's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the rates prevailing at the year-end. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise except for the Long Term Monetary Items outstanding as at March 31, 2019, for which differences are recognized in FCMITDA & amortised in Profit & Loss statement.

3.24 **Segments**

The Corporation's main business is financing by way of loans for the purchase or construction of residential houses, commercial real estate and certain other purposes in India, Life Insurance business, General Insurance business and Asset Management business. All other activities of the Corporation revolve around these main businesses.

3.25 **Earnings per Share**

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

3.26 **Taxes on Income**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Profit and Loss except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside profit or loss.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date, and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgements are involved in determining Group's tax charge for the year which includes an interpretation of local tax laws, judicial pronouncements and an assessment whether the tax authorities will accept the position taken. These judgements, also, take account of external advice, wherever appropriate, and the Group's view on settling with the tax authorities.

The Group provides for current tax liabilities at the best estimate that is expected to be paid to the tax authorities where an outflow is probable. In making these estimates, the Group assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all the relevant information.

3.27 Goods and Services Input Tax Credit

Goods and Services tax input credit is recognised for in the books in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits.

3.28 Provisions and Contingent Liabilities

Provisions are recognised only when:

- The Group has a present obligation (legal or constructive) as a result of a past event; and
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows.

Contingent liability is disclosed in case of:

- A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
- A present obligation arising from past events, when no reliable estimate is possible.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

Notes forming part of the Consolidated Financial Statements (Continued)

3.29 **Contingent Assets**

Contingent assets are not recognised in the financial statements. Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

3.30 **Reinsurance Assets**

Reinsurance Asset, being net contractual rights receivable under re-insurance contract, has been recognized on the basis of Actuarial valuation involving assumption about the future. The assumptions include the determination of the discount rate, mortality rates etc. All assumptions are reviewed at each reporting date. This also includes the balances due from reinsurance companies which are accounted for in the period in which the related claims are intimated.

3.31 **Insurance Contract Liabilities**

The actuarial liabilities, for all inforce policies and policies where premiums are discontinued but a liability exists as at the valuation date, are calculated in accordance with the generally accepted actuarial principles and practices, requirements of Insurance Act, 1938, as amended from time to time including amendment brought by the Insurance Laws (Amendment) Act, 2015, regulations notified by the IRDAI and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDAI.

A brief of the methodology used is as given below:

3.31.1 The policy liabilities are valued on policy by policy basis, i.e. each policy is valued separately.

3.31.2 The reserves for linked business (individual and group) comprises of unit reserves and non-unit reserves. The unit reserves are determined on the basis of NAV of the units outstanding as at the valuation date and non-unit reserves are calculated using gross premium method.

3.31.3 The liabilities for individual non-linked non-participating and participating business are calculated using gross premium method and are subject to the minimum floor of surrender value. Additionally, individual non-linked participating policies also have a reference to the asset share of policies at valuation date.

3.31.4 The liabilities for one year renewable group protection business are calculated on the unexpired risk premium basis. For other than one year renewable group protection business, the liabilities are calculated using gross premium valuation method.

3.31.5 The liabilities for the group non-linked savings products are determined as the higher of policy account balances (including accrued interest/ bonuses) and reserves calculated by gross premium valuation method.

3.31.6 The liabilities in respect of rider benefits are determined as the higher of unexpired premium reserves and reserves calculated by gross premium valuation method.

3.31.7 Additional reserves are determined to:

- allow for the claims that may have occurred already but not yet reported (Incurred But Not Reported).
- allow for the servicing of existing policies if the Company were to close the new business one year from the valuation date (Closure to New Business).
- meet the expected liabilities that would arise on the revival of lapsed policies on the basis of the proportion of the policies expected to be revived based on the revival experience of the Company (Revival Reserve).
- allow for the additional amount required to be paid on account of cancellation of policies due to look in, on the basis of the proportion of the policies expected to exercise the look-in option based on the experience of the Company (Look in Reserve).
- allow for the cost of guarantees, wherever applicable.

Notes forming part of the Consolidated Financial Statements (Continued)

3.32 **Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for;
- Uncalled liability on shares and other investments partly paid;
- Funding related commitment to associate and joint venture companies; and
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

3.33 **Non-Current Assets held for sale**

Non-current assets are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

3.34 **Statement of Cash Flows**

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

- changes during the period in operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and
- all other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

3.35 **COVID-19 Regulatory Package**

4 Consequent to the outbreak of COVID-19 pandemic, the Indian government had announced lockdown in March 2020. Subsequently, the lockdown has been lifted by the government in a phased manner outside specified containment zones.

The extent to which the COVID-19 pandemic, including the current second wave that has significantly increased the number of cases in India, may continue to impact Corporation's performance, will depend on ongoing and future developments, which are uncertain, including among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by us.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020, the Corporation had offered moratorium on the payment of instalments falling due between March 1, 2020 and August 31, 2020 ('moratorium period') to eligible borrowers. In respect of accounts where moratorium benefit was granted, the staging of those accounts as at March 31, 2021 is based on the days past due status considering the benefit of moratorium period in accordance with the COVID-19 Regulatory Package announced by the RBI vide aforesaid notifications.

The IRDAI vide Circular No. IRDAI/NL/CIR/MOT/081/04/2020 dated April 3, 2020 has provided clarifications on its Circular No. IRDAI/NL/CIR/MOT/079/04/2020 dated April 2, 2020 issued in relation to accounting of premium on the Motor third party liability cases falling due for renewal during the lockdown period (25th March, 2020 to 14th April, 2020)(subsequently extended to 3rd May, 2020) as a result of COVID-19 pandemic.

There remains a high level of uncertainty about the duration of the lockdown and the time required for life and business operations to normalise. The extent to which the COVID-19 pandemic will impact the Group's business and financial statement is at this juncture, dependent on future developments, which are highly uncertain.

Notes forming part of the Consolidated Financial Statements (Continued)

4. Cash and Cash Equivalents

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Cash on hand	**0.50**	8.91
(ii) Balances with banks:		
- In Current Accounts	**1,934.30**	4,475.89
- In Deposit accounts with original maturity of 3 months or less	**312.78**	653.79
(iii) Cheques, drafts on hand	**381.10**	59.87
Total	**2,628.68**	5,198.46

5. Bank Balances other than Cash and Cash Equivalents

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
(i) In other Deposit accounts		
- original Maturity more than 3 months	**286.40**	185.92
(ii) Earmarked balances with banks		
- In Current Accounts	**15.31**	-
- Earmarked Balances - Deposit Account	**23.74**	-
- Unclaimed Dividend Account	**24.67**	24.79
- Other - Against Foreign Currency Loans [Refer Note 20.2]	**56.45**	91.40
- Towards Guarantees Issued by Banks	**0.22**	0.96
Total	**406.79**	303.07

6. Derivative Financial Instruments

The Group enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

₹ in Crore

Particulars	As at March 31, 2021			As at March 31, 2020		
	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Currency derivatives:						
- Forwards	1,790.00	16.47	64.33	12,391.25	485.00	-
- Currency swaps - Principal Only Swaps	15,333.00	925.47	135.41	19,026.58	2,119.23	60.10
- Options purchased (net)	-	-	-	11,007.12	856.31	-
Sub-Total (i)	**17,123.00**	**941.94**	**199.74**	42,424.95	3,460.54	60.10

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	As at March 31, 2021			As at March 31, 2020		
	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities	Notional Amounts*	Fair Value - Assets	Fair Value - Liabilities
(ii) Interest rate derivatives						
- Interest Rate Swaps	1,08,351.53	1,250.36	1,348.08	70,698.38	2,297.52	34.17
- Options purchased (net)	9,458.00	-	168.97	12,750.40	-	260.57
- Others				-	-	-
- Options purchased (net)						
Sub-Total (ii)	**1,17,809.53**	**1,250.36**	**1,517.05**	**83,448.78**	**2,297.52**	**294.74**
Total Derivative Financial Instruments (i)+(ii)	**1,34,932.53**	**2,192.30**	**1,716.79**	**1,25,873.73**	**5,758.06**	**354.84**
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
- Currency derivatives	-	-	-	-	-	-
- Interest rate derivatives	1,08,351.53	1,250.36	1,348.08	65,300.00	2,297.52	-
Sub-Total (i)	**1,08,351.53**	**1,250.36**	**1,348.08**	**65,300.00**	**2,297.52**	**-**
(ii) Cash flow hedging:						
- Currency derivatives	17,123.00	941.94	199.74	47,066.63	3,460.54	73.52
- Interest rate derivatives	9,458.00	-	168.97	13,507.10	-	281.32
Sub-Total (ii)	**26,581.00**	**941.94**	**368.71**	60,573.73	3,460.54	354.84
Total Derivative Financial Instruments (i)+(ii)	**1,34,932.53**	**2,192.30**	**1,716.79**	1,25,873.73	5,758.06	354.84

* Notional amounts of the respective currencies have been converted at March 31, 2021 and March 31, 2020 exchange rate. The notional on currency swaps includes ₹ 54.97 crore on account of 60 million of ADB loan naturally hedged by placing equivalent deposit with Cayman Island.

6.1 The Group has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adequate provision as required under Ind AS for material forseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

6.2 Refer note 49.1.6.a for Foreign currency risk.

7. Trade Receivables and other Receivables

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Trade receivables considered good - Unsecured	**248.12**	336.48
Less: Provision for Expected Credit Loss	**5.77**	0.17
Net Trade receivables	**242.35**	336.31
Other receivables - considered good - Unsecured	**-**	6.58
Total	**242.35**	342.89

No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Notes forming part of the Consolidated Financial Statements (Continued)

8. Loans

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Loans:		
Individual Loans	3,74,458.46	3,31,469.34
Corporate Bodies	1,22,706.60	1,18,165.46
Others	6,787.29	6,815.22
Staff Loans	35.77	33.38
Total – Gross (A)	**5,03,988.12**	4,56,483.40
Less: Impairment Loss allowance (Expected Credit Loss)	13,040.32	10,987.24
Total – Net (A)	**4,90,947.80**	4,45,496.16
(a) Secured by tangible assets	4,70,664.98	4,30,040.58
(b) Secured by intangible assets	11,004.78	9,068.14
(c) Covered by bank and government guarantee	1,953.30	930.75
(d) Unsecured	20,365.06	16,443.93
Total – Gross (B)	**5,03,988.12**	4,56,483.40
Less: Impairment Loss allowance (Expected Credit Loss)	13,040.32	10,987.24
Total – Net (B)	**4,90,947.80**	4,45,496.16
(I) Loans in India		
(i) Public Sector	1,044.63	1,142.63
(ii) Others	5,02,943.49	4,55,340.77
Total (C) - Gross	**5,03,988.12**	4,56,483.40
Less: Impairment Loss allowance (Expected Credit Loss)	13,040.32	10,987.24
Total (C) (I) - Net	**4,90,947.80**	4,45,496.16
(II) Loans outside India		
Less: Impairment Loss allowance (Expected Credit Loss)	-	-
Total (C) (II) - Net	-	-
Total (C) (I) and (II)	**4,90,947.80**	4,45,496.16

8.1 Loans granted by the Group are secured or partly secured by one or a combination of the following securities;

1. Registered / equitable mortgage of property;
2. Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies;
3. Hypothecation of assets;
4. Bank guarantees, company guarantees or personal guarantees;
5. Negative lien;
6. Assignment of receivables;
7. Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit]

There were no loans given against the collateral of gold jewellery

8.2 Loans include ₹ **529.41 Crore** (Previous Year ₹ 467.16 Crore) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

8.3 **Expected Credit Loss**

Expected Credit loss is a calculation of the present value of the amount expected not to be recovered on a financial asset, for financial reporting purposes. Credit risk is the potential that the obligor and counterparty will fail to meet its financial obligations to the lender. This requires an effective assessment and management of the credit risk at both individual and portfolio level.

The key components of Credit Risk assessment are:

a. Probability of Default (PD): represents the likelihood of default over a defined time horizon.

b. Exposure at Default (EAD): represents the gross exposure at the time of default.

c. Loss Given Default (LGD): represents the proportion of EAD that is likely loss post-default.

The definition of default is taken as more than 90 days past due for all individual loans, corporate loans and others.

Delinquency buckets have been considered as the basis for the staging of all loans with:

a. 0-30 days past due loans classified as stage 1

b. 31-90 days past due loans classified as stage 2 and

c. > 90 days past due loans classified as stage 3

EAD is the total amount outstanding including accrued interest as on the reporting date. The ECL is computed as a product of PD, LGD and EAD.

Macro Economic Variables

The measurement of ECL should be forward looking in nature. In order to incorporate forward looking macroeconomic characteristics into ECL, relationships with macroeconomic variables such as Gross Domestic Product, Inflation, Total investments, National Savings, etc. (relevant variables to the underlying loan portfolio) are analysed and modelled into estimates of Probability of Default (PD). Forecasted 12-months and Lifetime PDs are driven by IMF macroeconomic forecasts for India released as part of World Economic Outlook, October 2020.

One of the subsidiary company operates using internal rating models. The company runs separate models for its portfolio in which the customers are rated from 'Standard' to 'NPA' using internal grades.

COVID-19

Further, the Group has also evaluated its individual and non-individual portfolios to determine any specific category of customers which may reflect higher credit losses (e.g. based on specific sectors) or borrowers who have shown stress due to COVID like salary cut / loss of pay, job loss temporary / permanent, business closed, business related financial difficulty, increase in business expenditure, etc Basis such determination, the Group has recognised provisions as management overlay for specific categories of customers.

Credit Quality of Individual Loan Assets:

The Group has classified all individual loans as amortized cost and has assessed it at the collective pool level.

The individual loan book has been divided into the following segments –

- Housing and Non-Housing
- Salaried and Self Employed
- Geographical location (North, East, West and South)

Notes forming part of the Consolidated Financial Statements (Continued)

The 12 months default rates have been forecasted to create the PD term structure which incorporates both 12 month (Stage 1 Loans) and lifetime PD (Stage 2 Loans). The historical 12 months default rates are modelled against relevant macroeconomic variables to arrive at future 12 months point-in-time default rates. The forecasted default rates are then used to create point-in-time PD term structure.

The vintage analysis methodology has been used to create the LGD vintage. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the interest rate. The housing and non-housing portfolio has been considered together for the LGD computation.

Credit Quality of Corporate Loan Assets:

Measurement of ECL for stage 1 and certain stage 2 non-individual / corporate loans is based on portfolio approach where PD and LGD is calculated based on historic performance of the portfolio further segmented into: i) Corporate Finance ii) Construction Finance iii) Lease Rental Discounting iv) Inter-Corporate Deposits. Certain loans classified as stage 2 and all the loans classified as Stage 3 are assessed for ECL provisioning based on case to case approach by calculating probability weighted average cashflows under different recovery scenarios.

The 12 months PD has been applied on stage 1 loans. The PD term structure i.e. Lifetime PD has been applied on the stage 2 loans according to the repayment schedule for stage 2 loans and PD is considered to be 100% for stage 3 loans. PD has been separately calculated for each segment as described above.

The vintage analysis methodology has been used to create the LGD vintage for measurement of ECL, based on portfolio approach. The LGD vintage takes into account the recovery experience across accounts of a particular portfolio post default. The recoveries are tracked and discounted to the date of default using the effective interest rate.

The Group has identified certain non-individual accounts as Watch List under Stage 2 based on the following criteria.

- Builders' Cash flows are insufficient to service the loan due to slow sales or the project is stalled.
- Borrowers' operational cashflows are insufficient indicating possibility of further delayed payments.
- Security cover is insufficient for repayment of loans.
- Where the borrowing company has been proceeded upon under Insolvency and Bankruptcy Code (IBC) by creditors and such reference has been admitted by the National Company Law Tribunal (NCLT).

Such accounts identified as watchlist are upgraded by the Corporation, where the management is satisfied that the risks associated with the account has abated.

In addition to the management overlays described above in relation to the impact of COVID 19, during the year, the management has recognised additional provisions towards overlay in relation to specific categories of individual customers e.g. customers associated with incomplete projects, impact of reduction in collateral value associated with specific Stage 3 customers, customers associated with projects covered by subvention schemes etc.

Further, during the year, the Corporation has also applied point in time method for determining probability of default in relation to computation of provision under expected credit loss model for non-individual customers.

Notes forming part of the Consolidated Financial Statements (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to lending is, as follows:

₹ in Crore

Particulars	FY 2020-21				FY 2019-20			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**4,22,009.28**	**24,805.32**	**9,668.80**	**4,56,483.40**	4,04,784.56	18,306.96	5,244.34	4,28,335.86
Adjustment on account of scheme of amalgamation of GRUH Finance Ltd (a subsidiary) with Bandan Bank	-	-	-	-	(16,638.59)	(654.83)	(114.45)	(17,407.87)
Increase in EAD - new assets originated or purchased / further increase in existing assets	**1,42,772.56**	**1,702.75**	**727.66**	**1,45,202.97**	1,40,933.85	1,343.53	564.03	1,42,841.41
Assets repaid in part or full (excluding write offs)	**(72,509.03)**	**(2,922.18)**	**(1,920.14)**	**(77,351.35)**	(67,032.11)	(2,607.86)	(2,523.88)	(72,163.85)
Assets Derecognised (Loans Assigned)	**(18,979.78)**	-	-	**(18,979.78)**	(24,127.25)	-	-	(24,127.25)
Assets written off	-	-	**(1,367.12)**	**(1,367.12)**	-	-	(994.89)	(994.89)
Transfers to Stage 1	**2,816.41**	**(2,450.04)**	**(366.37)**	-	2,037.24	(1,744.93)	(292.31)	-
Transfers to Stage 2	**(13,495.45)**	**14,119.20**	**(623.75)**	-	(16,138.76)	16,317.31	(178.56)	(0.01)
Transfers to Stage 3	**(1,177.47)**	**(3,752.83)**	**4,930.30**	-	(1,809.66)	(6,154.86)	7,964.52	-
Gross carrying amount closing balance	**4,61,436.52**	**31,502.22**	**11,049.38**	**5,03,988.12**	4,22,009.28	24,805.32	9,668.80	4,56,483.40

Note: Gross carrying amount includes undrawn balance on which ECL is computed.

Reconciliation of ECL balance is given below:

₹ in Crore

Particulars	FY 2020-21				FY 2019-20			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	**372.55**	**5,750.82**	**4,863.87**	**10,987.24**	263.62	3,152.32	2,556.09	5,972.03
Adjustment on account of scheme of amalgamation of GRUH Finance Ltd (a subsidiary) with Bandan Bank	-	-	-	-	(20.01)	(15.87)	(83.69)	(119.57)
ECL Remeasurements due to changes in EAD / assumptions [Net]	**1,353.43**	**1,742.66**	**323.93**	**3,420.02**	867.45	3,345.10	1,916.86	6,129.41
Assets Derecognised or repaid (excluding write offs)	-	-	**(1,366.94)**	**(1,366.94)**	-	-	-	-
Transfers to Stage 1	**137.52**	**(101.14)**	**(36.38)**	-	132.04	(105.14)	(26.90)	-
Transfers to Stage 2	**(653.35)**	**811.54**	**(158.19)**	-	(821.92)	840.47	(18.55)	0.00
Transfers to Stage 3	**(100.68)**	**(2,320.64)**	**2,421.32**	-	(48.63)	(1,466.06)	1,514.70	0.01
Amounts written off / other adjustments	-	-	-	-	-	-	(994.64)	(994.64)
ECL allowance - closing balance	**1,109.47**	**5,883.24**	**6,047.61**	**13,040.32**	372.55	5,750.82	4,863.87	10,987.24

Notes forming part of the Consolidated Financial Statements (Continued)

The Expected Credit Loss (ECL) shown above is computed on the Exposure At Default (EAD) which comprises of the Gross Carrying Amount adjusted for the following amounts:

₹ in Crore

Particulars	As on March 31, 2021	As on March 31, 2020
EMI / Interest Amounts Received in Advance	**(317.75)**	(195.51)
Undisbursed Loan Component (after applying Credit Conversion Factor)	**47,620.30**	20,211.37
Financial Guarantees	**299.50**	384.86

Summary of Impairment Loss Allowance (Expected Credit Loss)

₹ in Crore

Particulars	Stage 1	Stage 2	Stage 3	Total
March 31, 2021	**1,109.47**	**5,883.24**	**6,047.61**	**13,040.32**
March 31, 2020	372.55	5,750.82	4,863.87	10,987.24

Stage 1 - Loss allowance measured at 12 months expected credit losses.

Stage 2 and 3 - Loss allowance measured at life-time expected credit losses.

8.4 Concentration of Exposure

₹ in Crore

Particulars	As on March 31, 2021	As on March 31, 2020
Total Loans and Advances to twenty largest borrowers *	**58,927.60**	52,119.15
Percentage of Loans & Advances to twenty largest borrowers to Total advances of the Corporation	**10.69%**	11.70%

* Loans (principal outstanding, undrawn loan commitment, financial guarantees and inter corporate deposits) outstanding as on date has been considered for the computation of concentration of exposure.

9. Investment in Associates

The Group's interest in material associates are:

Name of the Associate	Principal place of business	Nature of Business	Method of accounting	Proportion of stake	
				As at March 31, 2021	As at March 31, 2020
HDFC Bank Limited	India	Banking	Equity Method	21.13%	21.24%
Truenorth Ventures Private Limited	India	Venture Capital	Equity Method	21.51%	21.51%
Good Host Spaces Private Limited	India	Hospitality	Equity Method	25.01%	25.01%
Magnum Foundations Private Limited (Upto 23 February 2021)	India	Real estate	Equity Method	50.00%	50.00%
Renaissance Investment Solutions ARC Pvt. Ltd (w.e.f. 24 November 2020)	India	Securitisation and Assets Reconstruction	Equity Method	19.95%	-

Notes forming part of the Consolidated Financial Statements (Continued)

Summarised financial information in respect of Group's material associates along with reconciliation of the same to the carrying amount of the interest in associates is set out below:

₹ in Crore

Particulars (as at March 31, 2021)	Good Host Spaces Private Limited	HDFC Bank Limited	Truenorth Ventures Private Limited	Renaissance Investment Solutions ARC Pvt. Ltd	Total
Summarised statement of Net Assets					
Cash and cash equivalents		1,21,258.90	-	2.24	1,21,261.14
Other Financial Assets		16,68,665.70	5.83	-	16,68,671.53
Non-Financial Assets		21,083.60	2.11	-	21,085.71
Total Assets (A)		**18,11,008.20**	**7.94**	**2.24**	**18,11,018.38**
Financial Liabilities		15,82,461.80	-	0.54	15,82,462.34
Non-Financial Liabilities		9,185.80	0.28	0.04	9,186.12
Total Liabilities (B)		**15,91,647.60**	**0.28**	**0.58**	**15,91,648.46**
Net Assets (A-B)		**2,19,360.60**	**7.66**	**1.66**	**2,19,369.92**
Group share in %		21.13%	21.51%	19.95%	-
Group share in Amount		46,341.99	1.65	0.33	**46,343.97**
Goodwill and other adjustments		9,051.10	0.05	-	**9,051.15**
Add: Value of an Associate carried as FVTPL		-	-	-	-
Carrying amount		**55,393.09**	**1.70**	**0.33**	**55,395.12**
Summarised statement of Profit and Loss					
Interest Income		1,28,594.40	0.57	-	**1,28,594.97**
Other Income		23,240.60	-	-	**23,240.60**
Interest Expenses		59,209.30	0.01	-	**59,209.31**
Depreciation and Amortisation		2,427.60	-	-	**2,427.60**
Other Expenses		36,340.40	0.12	0.84	**36,341.36**
Income Tax		11,186.50	0.08	-	**11,186.58**
Profit before Tax from continuing operations		42,671.20	0.36	(0.84)	**42,670.72**
Profit after Tax from continuing operations		31,484.70	0.28	(0.84)	**31,484.14**
Other Comprehensive Income		(1,214.80)	-	-	**(1,214.80)**
Total Comprehensive Income		30,269.90	0.28	(0.84)	**30,269.34**
Group share in %		21.13%	21.51%	19.95%	
Group share in Amount in Profit and Loss (A) (including dilution gains and other adjustments)	(13.17)	6,934.72	0.09	(0.17)	**6,921.47**
Group share in Amount in Other Comprehensive Income (B)	-	(256.64)	-	-	**(256.64)**
Total Group share in Amount (A+B)	(13.17)	6,678.08	0.09	(0.17)	**6,664.83**
Share in commitments and contingent liabilities	-	21,416.67	-	-	**21,416.67**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars (as at March 31, 2020)	GRUH Finance Ltd	HDFC Bank Limited	Truenorth Ventures Private Limited	Good Host Spaces Private Limited	Total
Summarised statement of Net Assets	Refer Note 10.1				
Cash and cash equivalents		87,919.80	0.01	20.67	87,940.48
Other Financial Assets		14,99,612.20	5.88	58.25	14,99,676.33
Non-Financial Assets		17,711.30	1.58	1,686.21	19,399.09
Total Assets (A)		**16,05,243.30**	**7.47**	**1,765.13**	**16,07,015.90**
Financial Liabilities		14,09,584.70	0.05	27.54	14,09,612.29
Non-Financial Liabilities		8,913.20	0.14	1,172.41	10,085.75
Total Liabilities (B)		**14,18,497.90**	**0.19**	**1,199.95**	**14,19,698.04**
Net Assets (A-B)		**1,86,745.40**	**7.28**	**565.18**	**1,87,317.86**
Group share in %		21.24%	21.51%	25.01%	-
Group share in Amount		39,663.90	1.57	141.35	39,806.82
Goodwill and other adjustments		9,048.84	0.05	12.82	9,061.71
Add: Value of an Associate carried as FVTPL		-	-	-	15.21
Carrying amount		48,712.74	1.62	154.17	48,883.74
Summarised statement of Profit and Loss					
Interest Income		1,22,671.60	-	-	1,22,671.60
Other Income		21,575.40	1.06	112.60	21,689.06
Interest Expenses		62,021.60	-	50.64	62,072.24
Depreciation and Amortisation		2,301.00	-	11.81	2,312.81
Other Expenses		42,333.90	0.13	53.68	42,387.71
Income Tax		10,910.00	0.17	(1.77)	10,908.40
Profit before Tax from continuing operations		37,590.50	0.93	(3.53)	37,587.90
Profit after Tax from continuing operations		26,680.50	0.76	(1.76)	26,679.50
Other Comprehensive Income		680.50	-	-	680.50
Total Comprehensive Income		27,361.00	0.76	(1.76)	27,360.00
Group share in %		21.24%	21.51%	25.01%	-
Group share in Amount in Profit and Loss (A) (including dilution gains and other adjustments)	11.09	5,735.29	0.16	(0.44)	5,746.10
Group share in Amount in Other Comprehensive Income (B)	-	144.54	-	-	144.54
Total Group share in Amount (A+B)	11.09	5,879.83	0.16	(0.44)	5,890.64
Share in commitments and contingent liabilities	-	18,584.74	0.24	-	18,584.98

Notes forming part of the Consolidated Financial Statements (Continued)

HDFC Bank Ltd. for the purposes of its statutory compliance prepares and presents its financial statements/ results under the historical cost convention and accrual basis of accounting in accordance with Generally Accepted Accounting Principles in India ('GAAP'), statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, read together with relevant rules, in so far as they apply to banks. These financial statements/ results are largely referred to as the Indian GAAP ('IGAAP') financial statements/ results of the Bank. The Ministry of Corporate Affairs, India, in its press release dated January 18, 2016, had issued a roadmap for implementation of IFRS converged Indian Accounting Standards ('IND-AS'). The timelines for the said implementation have since been deferred.

HDFC Bank Ltd, being an associate of Housing Development Finance Corporation Limited (the 'Corporation'), has prepared this consolidated financial information ('fit- for consolidation information'), in accordance with the recognition and measurement principles of IND-AS as specified under Section 133 of the Companies Act, 2013, for the purposes of preparing the consolidated financial statements/ results of the Corporation.

Subsequent to the year ended March 31, 2021, the Group has sold its entire holding i.e. 47,75,241 equity shares representing 24.48% of the equity capital of Good Host Spaces Private Limited (Good Host). Accordingly, Good Host has ceased to be an associate of the Group and no longer accounted under the equity method. Profit on sale of investment in Good Host will be recognised in Financial year 2021-2022. As on March 31, 2021, investment in Good Host is classified as assets held for sale.

10. Investments - Other than Insurance Companies

₹ in Crore

Investments	As at March 31, 2021				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	21,048.82	21,048.82	21,048.82
Government Securities$	22,552.38	29.94	-	29.94	22,582.32
Equity Shares	-	7,242.78	1,115.72	8,358.50	8,358.50
Preference Shares	3.50	-	7.85	7.85	11.35
Debentures	1,537.41	32.85	460.78	493.63	2,031.04
Pass-through Certificates	18.33	-	-	-	18.33
Security Receipts	-	-	175.00	175.00	175.00
Investment in Units of Venture Funds / Alternate Investment Funds / REITS	-	-	1,174.63	1,174.63	1,174.63
Total – Gross (A)	**24,111.62**	**7,305.57**	**23,982.81**	**31,288.37**	**55,399.99**
(i) Investments outside India		78.36		78.36	78.36
(ii) Investments in India	24,111.62	7,227.21	23,982.81	31,210.01	55,321.63
Total (B)	**24,111.62**	**7,305.57**	**23,982.81**	**31,288.37**	**55,399.99**
Less: Allowance for Impairment loss (C)	0.69	-	-	-	0.69
Total – Net (D) = (A)-(C)	**24,110.93**	**7,305.57**	**23,982.81**	**31,288.37**	**55,399.30**

$ The Group has not recognised any provision under Expected Credit Loss on Investments made in Government Securities.

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Investments	As at March 31, 2020				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	28,162.25	28,162.25	28,162.25
Government Securities$	14,283.47	-	-	-	14,283.47
Equity Shares	-	5,110.90	621.54	5,732.44	5,732.44
Preference Shares	70.00	-	16.68	16.68	86.68
Debentures	1,201.39	101.30	460.35	561.65	1,763.04
Pass-through Certificates	22.57	-	-	-	22.57
Security Receipts	-	-	176.13	176.13	176.13
Investment in Units of Venture Funds and Alternate Investment Funds	-	-	841.33	841.33	841.33
Total – Gross (A)	15,577.43	5,212.20	30,278.28	35,490.48	51,067.91
(i) Investments outside India	-	58.38	-	58.38	58.38
(ii) Investments in India	15,577.43	5,153.82	30,278.28	35,432.10	51,009.53
Total (B)	15,577.43	5,212.20	30,278.28	35,490.48	51,067.91
Less: Allowance for Impairment loss (C)	40.62	-	-	-	40.62
Total – Net (D) = (A)-(C)	15,536.81	5,212.20	30,278.28	35,490.48	51,027.29

$ The Group has not recognised any provision under Expected Credit Loss on Investments made in Government Securities.

10.1 GRUH Finance Limited

During the previous year, in view of the scheme of amalgamation filed by GRUH Finance Limited ("GRUH"), a Subsidiary of the Corporation, and Bandhan Bank Limited ("Bandhan") and the subsequent directive by the Reserve Bank of India to the Corporation to hold not more than 9.9% of the share capital of Bandhan post merger, the Corporarion sold the shares of the GRUH during the period, and the Corporation's shareholding in GRUH was reduced to 38% on 30 August 2019, accordingly the same was classified as an associate company. The effective date of the merger of GRUH into and with Bandhan Bank Limited (Bandhan Bank) was October 17, 2019. The Corporation was allotted 15,93,63,149 shares aggregating 9.90% of the total issued share capital of Bandhan. On derecognition of investment in GRUH, the Corporation has recorded a fair value gain of ₹ 9,016.41 Crore through the Statement of Profit and Loss for the year ended 31 March 2020.

10.2 HDFC ERGO Health Insurance Limited

During the year, the National Company Law Tribunal has sanctioned the Scheme of Amalgamation for merger of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) (HDFC ERGO Health) with and into HDFC ERGO General Insurance Company Limited (HDFC ERGO), subsidiaries of the Corporation and Insurance Regulatory and Development Authority of India (IRDAI) has issued final approval for the merger. Consequently, HDFC ERGO Health has been merged with HDFC ERGO from appointed date i.e. March 1, 2020. As at the end of this quarter the Corporation's holding in HDFC ERGO, the merged entity is 50.56 per cent. As per the directions of RBI, the Corporation is required to reduce its shareholding in the merged entity to 50 per cent or below on within 6 months post amalgamation.

Notes forming part of the Consolidated Financial Statements (Continued)

10.3 **Debt Asset Swap**

The Corporation has entered into debt assets swap, wherein the gross carrying amount of the Investments taken over as at March 31, 2021 stood at ₹ **347.30 Crore** (Previous Year ₹ 62.47 Crore).

11. Assets of Insurance Business

11.1 **Investment of Life Insurance Business**

₹ in Crore

Investments	As at March 31, 2021				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Government Securities and Other Approved Securities	-	56,278.87	11,539.62	67,818.49	**67,818.49**
Equity Shares	-	-	61,923.34	61,923.34	**61,923.34**
Preference Shares	-	-	3.15	3.15	**3.15**
Debentures	-	28,820.79	8,407.10	37,227.89	**37,227.89**
Fixed Deposits	-	135.00	-	135.00	**135.00**
Certificate of Deposits	-	-	387.52	387.52	**387.52**
Commercial Papers	-	-	758.19	758.19	**758.19**
Reverse Repo Instruments	-	4,672.00	1,233.23	5,905.23	**5,905.23**
Investment in Units of Venture Capital Fund / Reits	-	-	597.61	597.61	**597.61**
Total – Gross (A)	-	**89,906.66**	**84,849.76**	**1,74,756.42**	**1,74,756.42**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	89,906.66	84,849.76	1,74,756.42	**1,74,756.42**
Total (B)	-	**89,906.66**	**84,849.76**	**1,74,756.42**	**1,74,756.42**
Less: Allowance for Impairment loss (C)	-	41.58	-	41.58	**41.58**
Total – Net (D) = (A)-(C)	-	**89,865.08**	**84,849.76**	**1,74,714.84**	**1,74,714.84**
Investments of Policyholders		83,341.84	83,476.12	1,66,817.97	**1,66,817.97**
Investments of Shareholders		6,523.24	1,373.64	7,896.87	**7,896.87**
Total	-	**89,865.08**	**84,849.76**	**1,74,714.84**	**1,74,714.84**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Investments	As at March 31, 2020				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Government Securities and Other Approved Securities	-	42,502.41	10,507.08	53,009.49	53,009.49
Equity Shares	-	-	36,448.55	36,448.55	36,448.55
Preference Shares	-	-	1.36	1.36	1.36
Debentures	-	23,711.50	10,920.38	34,631.88	34,631.88
Fixed Deposits	-	549.72	-	549.72	549.72
Certificate of Deposits	-	34.27	24.56	58.83	58.83
Commercial Papers	-	-	97.76	97.76	97.76
Reverse Repo Instruments	-	3,101.75	1,481.85	4,583.60	4,583.60
Security Receipts	-	-	0.03	0.03	0.03
Investment in Units of Venture Capital Fund / Reits	-	-	265.63	265.63	265.63
Total – Gross (A)	-	69,899.65	59,747.20	1,29,646.85	1,29,646.85
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	-	69,899.65	59,747.20	1,29,646.85	1,29,646.85
Total (B)	-	69,899.65	59,747.20	1,29,646.85	1,29,646.85
Less: Allowance for Impairment loss (C)	-	41.62	-	41.62	41.62
Total – Net (D) = (A)-(C)	-	69,858.03	59,747.20	1,29,605.23	1,29,605.23
Investments of Policyholders		65,540.42	58,338.57	1,23,878.99	1,23,878.99
Investments of Shareholders		4,317.61	1,408.63	5,726.24	5,726.24
Total	-	69,858.03	59,747.20	1,29,605.23	1,29,605.23

Notes forming part of the Consolidated Financial Statements (Continued)

11.2 Investments - Non Life Insurance Business

₹ in Crore

Investments	As at March 31, 2021				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	1,318.09	1,318.09	1,318.09
Government Securities and Other Approved Securities	-	6,954.98	-	6,954.98	6,954.98
Equity Shares	-	-	336.32	336.32	336.32
Preference Shares	-	-	1.70	1.70	1.70
Debentures	-	7,970.86	-	7,970.86	7,970.86
Fixed Deposits	389.53	-	-	-	389.53
Total – Gross (A)	**389.53**	**14,925.84**	**1,656.11**	**16,581.95**	**16,971.48**
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	389.53	14,925.84	1,656.11	16,581.95	16,971.48
Total (B)	**389.53**	**14,925.84**	**1,656.11**	**16,581.95**	**16,971.48**
Less: Allowance for Impairment loss (C)	-	-	-	-	-
Total – Net (D) = (A)-(C)	**389.53**	**14,925.84**	**1,656.11**	**16,581.95**	**16,971.48**
Investments of Policyholders	311.78	12,052.72	1,325.56	13,378.29	13,690.07
Investments of Shareholders	77.75	2,873.12	330.55	3,203.66	3,281.41
Total	**389.53**	**14,925.84**	**1,656.11**	**16,581.95**	**16,971.48**

₹ in Crore

Investments	As at March 31, 2020				
	Amortised cost	At Fair Value			Total
		Through Other Comprehensive Income	Through profit or loss	Sub-Total	
	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(1)+(4)
Mutual Funds	-	-	732.71	732.71	732.71
Government Securities and Other Approved Securities	-	5,759.48	-	5,759.48	5,759.48
Equity Shares	-	-	170.79	170.79	170.79
Preference Shares	-	-	2.65	2.65	2.65
Debentures	-	7,089.36	-	7,089.36	7,089.36
Fixed Deposits	50.41	-	-	-	50.41
Total – Gross (A)	50.41	12,848.84	906.15	13,754.99	13,805.40
(i) Investments outside India	-	-	-	-	-
(ii) Investments in India	50.41	12,848.84	906.15	13,754.99	13,805.40
Total (B)	50.41	12,848.84	906.15	13,754.99	13,805.40
Less: Allowance for Impairment loss (C)	-	73.57	-	73.57	73.57
Total – Net (D) = (A)-(C)	50.41	12,775.27	906.15	13,681.42	13,731.83
Investments of Policyholders	44.03	9,843.62	640.66	10,528.31	10,572.34
Investments of Shareholders	6.38	2,931.65	265.49	3,197.14	3,203.52
Total	50.41	12,775.27	906.15	13,725.45	13,775.86

Notes forming part of the Consolidated Financial Statements (Continued)

11.3 Assets of Insurance Business

₹ in Crore

Paticulars	Life Insurance		Non Life Insurance	
	As at March 31, 2021	As at March 31, 2020	**As at March 31, 2021**	As at March 31, 2020
Investments	**1,74,714.84**	1,29,605.23	**16,971.48**	13,731.83
Other Assets				
Reinsurance assets	**5,327.65**	3,970.17	**3,186.73**	2,685.68
Outstanding premium	**374.17**	208.33	**1,094.94**	1,449.71
Due from other insurance companies	**-**	-	**108.96**	141.52
RI Recovery on Claims Outstanding	**-**	-	**1,772.96**	1,554.86
Assets held for unclaimed amount of policyholders	**697.76**	714.04	**19.26**	-
Receivable for fund management charges from UL schemes	**10.64**	471.91	**-**	-
Income accrued on investments	**2,321.59**	2,362.21	**368.11**	304.64
Others	**169.89**	-	**-**	-
Total Other Assets	**8,901.70**	7,726.66	**6,550.96**	6,136.41

12. Other Financial Assets

₹ in Crore

Particulars	**As at March 31, 2021**	As at March 31, 2020
Security Deposits	**117.70**	120.41
Receivables on Securitised Loans *	**1,383.65**	1,332.09
Amounts Receivable on swaps and other derivatives	**1,459.77**	1,380.66
Inter Corporate Deposits	**64.97**	75.27
Receivables on sale of investments	**736.21**	963.50
Receivable for Ex-Gratia Interest - Government scheme (Refer Note 12.1)	**65.14**	-
Others	**100.03**	164.35
Total Gross	**3,927.47**	4,036.28
Less: Impairment loss allowance (Expected Credit Loss)	**75.77**	52.56
Total Net of ECL	**3,851.70**	3,983.72

* Retained interest and servicing assets

12.1 The Government of India, Ministry of Finance, vide its notification dated October 23, 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (Scheme), as per the eligibility criteria and other aspects specified therein and irrespective of whether the moratorium was availed or not. The Corporation has implemented the Scheme and credited an amount to the eligible borrowers loan account as per the Scheme.

13. Current and Deferred Tax Assets (Net)

13 (a) Current Tax Assets (Net)

₹ in Crore

Particulars	**As at March 31, 2021**	As at March 31, 2020
Advance Tax (Net of Provision)	**2,920.28**	3,696.51
Total	**2,920.28**	3,696.51

Notes forming part of the Consolidated Financial Statements (Continued)

13 (b) **Deferred Tax Assets / (Liabilities)**

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Deferred tax assets	**1,837.67**	1,654.91
MAT credit entitlement	**16.09**	44.77
Deferred tax liabilities	**(124.80)**	(32.46)
Total	**1,728.96**	1,667.22

Movements in deferred tax assets / (liabilities) (current year)

₹ in Crore

Particulars	As at March 31, 2020	Charge for the Current Year			Utilisations / adjustments	As at March 31, 2021
		Profit or loss (a)	Other Comprehensive Income (b)	Total (a+b)		
Property, plant and equipment	(22.60)	26.74	-	26.74	-	**4.14**
Right Of Use Asset and lease liabilities	1.82	(0.96)	-	(0.96)	-	**0.86**
Expected credit losses	2,319.13	459.34	-	459.34	-	**2,778.47**
Provisions other than those pertaining to Expected credit loss	102.93	(7.06)	-	(7.06)	-	**95.87**
Financial assets at fair value through profit or loss	(910.20)	(169.26)	-	(169.26)	-	**(1,079.46)**
Financial assets at FVOCI	605.67	(1.49)	(114.67)	(116.16)	-	**489.51**
Remeasurements of employee benefits	4.57	1.90	1.51	3.41	-	**7.98**
Adjustments pertaining to Income and expense recognition based on Expected Interest rate	(617.31)	(131.10)	-	(131.10)	-	**(748.41)**
Effect of foreign exchange transactions and translations	110.32	5.25	(1.93)	3.32	-	**113.64**
MAT Credit entitlement	44.77	(0.71)	-	(0.71)	(27.97)	**16.09**
Others	28.12	5.58	-	5.58	16.57	**50.27**
Total	**1,667.22**	**188.23**	**(115.09)**	**73.14**	**(11.40)**	**1,728.96**

Movements in deferred tax assets / (liabilities) (previous year)

₹ in Crore

Particulars	As at March 31, 2019	Charge for the Previous Year			Utilisations / adjustments	As at March 31, 2020
		Profit or loss (a)	Other Comprehensive Income (b)	Total (a+b)		
Property, plant and equipment	(52.22)	29.62	-	29.62	-	**(22.60)**
Right Of Use Asset and lease liabilities	-	(0.75)	-	(0.75)	2.57	**1.82**
Expected credit losses	1,830.26	488.89	(0.02)	488.87	-	**2,319.13**
Provisions other than those pertaining to Expected credit loss	134.89	(32.56)	0.60	(31.96)	-	**102.93**
Financial assets at fair value through profit or loss	(106.73)	(803.47)	-	(803.47)	-	**(910.20)**
Financial assets at FVOCI	14.41	0.08	591.18	591.26	-	**605.67**
Remeasurements of employee benefits	1.05	1.56	1.96	3.52	-	**4.57**
Adjustments pertaining to Income and expense recognition based on Expected Interest rate	(560.23)	(57.08)	-	(57.08)	-	**(617.31)**
Effect of foreign exchange transactions and translations	(115.22)	147.96	77.58	225.54	-	**110.32**
Income recognition on NPA cases	(265.44)	265.44	-	265.44	-	**-**
Others	(27.13)	9.28	0.72	10.00	45.25	**28.12**
Total	853.64	48.97	672.02	720.99	92.59	**1,667.22**

Notes forming part of the Consolidated Financial Statements (Continued)

14. Investment Property

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Gross carrying amount		
Opening gross carrying amount / Deemed cost	754.81	424.23
Additions	79.30	362.35
Deduction / Disposal	(13.27)	(22.26)
Transfer to Fixed Assets	(83.05)	(9.51)
Closing gross carrying amount	**737.79**	754.81
Accumulated depreciation		
Opening accumulated depreciation	23.61	15.59
Depreciation charge	12.56	9.48
Depreciation on Sale	(0.90)	(1.03)
Transfer to Fixed Assets	(4.15)	(0.43)
Closing accumulated depreciation	**31.12**	23.61
Accumulated Impairment		
Opening accumulated Impairment	21.65	13.00
Impairment charge	-	8.65
Closing accumulated Impairment	**21.65**	21.65
Investment Property - Under construction	**251.75**	271.97
Investment Property - including under construction	**936.77**	981.52

The Corporation has entered into debt assets swap, wherein the gross carrying amount of the Investment properties including properties held for sale taken over stood at March 31, 2021 stood at ₹ **910.50 Crore** (Previous Year ₹ 497.42 Crore), the properties taken over by the corporation are mix of residential and commercial properties located in key metro cities. The properties being held for capital appreciation, which the Corporation will dispose of at an appropriate time and in accordance with the applicable regulations.

14.1 **Fair Value (Level 3)**

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Investment properties	**1,211.83**	1,065.60

The fair value of the Group's investment properties as at March 31, 2021 and March 31, 2020 has been arrived at on the basis of a External / Internal Valuation respectively (Level 3).

The Group leases out its investments properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets.

Rental Income recognised by the Group during the year ended 31 March 2021 in respect of Investment Properties amount to ₹ **54.11 Crore** (Previous year ₹ 46.74 Crore).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting period.

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Less than one year	**49.55**	48.59
Between one and two years	**38.16**	44.21
Between two and three years	**32.68**	34.46
Between three and four years	**16.12**	25.16
Between four and five years	**7.54**	14.94
More than five years	**3.54**	10.68
Total	**147.60**	178.04

15. Property, Plant and Equipments

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2020	Additions	Adjustments	Deductions	As at March 31, 2021	As at March 31, 2020	For the Year	Adjustments	Deductions	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Land :												
Freehold	100.63		-		**100.63**	-		-	-	**-**	**100.63**	100.63
Right to use	355.25	1.31	0.00	(2.16)	**354.40**	28.13	10.64	-	(0.02)	**38.75**	**315.65**	327.12
Buildings :												
Own use	643.74	25.28	43.50	(0.02)	**712.50**	37.88	18.48	3.08	(0.01)	**59.43**	**653.07**	605.86
Right to use	584.25	120.00	(31.26)	(51.53)	**621.46**	202.00	134.70	(38.55)	(35.14)	**263.01**	**358.45**	382.25
Leasehold Improvements	87.26	8.87	-	(3.66)	**92.47**	31.95	16.25	-	(3.17)	**45.03**	**47.44**	55.31
Computer Hardware	207.76	60.97	16.96	(28.44)	**257.25**	88.89	58.20	24.47	(34.25)	**137.31**	**119.94**	118.87
Furniture & Fittings	80.31	12.84	6.45	(12.14)	**87.46**	23.14	12.09	8.44	(13.14)	**30.53**	**56.93**	57.17
Office Equipment etc.	96.79	14.49	4.89	(7.09)	**109.08**	31.14	18.56	5.84	(7.76)	**47.78**	**61.30**	65.65
Vehicles	45.81	7.18	3.86	(5.68)	**51.17**	14.40	11.98	4.16	(4.65)	**25.89**	**25.28**	31.41
Total	2,201.80	250.94	44.40	(110.72)	**2,386.42**	457.53	280.90	7.44	(98.14)	**647.73**	**1,738.69**	1,744.27

Notes

(1) Net of depreciation for the year amounting to ₹ **70.68 Crore** (Previous Year ₹ 63.36 Crore) included in other expenses pertaining to Insurance Business.

(2) Depreciation for the financial year excludes ₹ **12.56 Crore** (Previous Year ₹ 9.48 Crore) being depreciation charge and ₹ **Nil** (Previous Year ₹ 8.65) being impairment charge on Investment in Properties.

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2019	Additions	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2019	For the Year	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Land :												
Freehold	16.64	84.96	(0.97)	-	100.63	-	-	-	-	-	100.63	16.64
Right to use	350.78	4.47	-	-	355.25	17.76	8.88	-	(1.49)	28.13	327.12	333.02
Buildings :												
Own use	581.89	53.78	8.11	(0.04)	643.74	22.83	6.17	2.18	(6.70)	37.88	605.86	559.06
Right to use		601.21	5.99	(22.95)	584.25	-	215.33	2.43	15.76	202.00	382.25	-
Leasehold Improvements	69.90	20.92	0.03	(3.59)	87.26	18.69	16.28	0.03	3.05	31.95	55.31	51.21
Computer Hardware	124.59	83.83	12.48	(13.14)	207.76	53.76	21.92	5.15	(8.06)	88.89	118.87	70.83
Furniture & Fittings	76.50	12.37	(3.17)	(5.39)	80.31	15.55	6.54	0.09	(0.96)	23.14	57.17	60.95
Office Equipment etc.	84.48	20.56	(1.85)	(6.40)	96.79	20.36	11.42	(0.84)	(0.20)	31.14	65.65	64.12
Vehicles	40.94	12.69	1.03	(8.85)	45.81	8.75	4.22	0.38	(1.05)	14.40	31.41	32.19
Total	1,345.72	894.79	21.65	(60.36)	2,201.80	157.70	290.76	9.42	0.35	457.53	1,744.27	1,188.02

Notes forming part of the Consolidated Financial Statements (Continued)

16. Intangible Assets

A) Intangible Assets other than Goodwill on Consolidation

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2020	Additions	Adjustments	Deductions	As at March 31, 2021	As at March 31, 2020	For the Year	Adjustments	Deductions	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Computer Software	248.05	76.56	38.17	(28.21)	**334.57**	135.06	62.12	16.56	3.34	**217.08**	**117.49**	112.99
Goodwill	6.04	-	-		**6.04**	0.00	-	-	-	**-**	**6.04**	6.04
Non Compete Fees	10.92	-	-	-	**10.92**	10.92	0.00	-	-	**10.92**	**0.00**	0.00
Development Rights	350.00	0.15		-	**350.15**	0.00	0.00	-	-	**-**	**350.15**	350.00
Customer relationships	334.49	-	-	-	**334.49**	7.62	33.45	-	-	**41.07**	**293.42**	326.87
Distribution Network - Bancassurance	40.59	-	-	-	**40.59**	3.08	13.53	-	-	**16.61**	**23.98**	37.51
Distribution Network - Agency	295.99	-	-	-	**295.99**	13.48	59.20	-	-	**72.68**	**223.31**	282.51
Non-Compete Agreement	36.29	-	-	-	**36.29**	2.76	12.10	-	-	**14.86**	**21.43**	33.53
	1,322.37	76.71	38.17	(28.21)	**1,409.04**	172.92	[(1)] 180.40	16.56	3.34	**373.22**	**1,035.82**	1,149.45

₹ in Crore

	GROSS BLOCK					DEPRECIATION, AMORTISATION AND IMPAIRMENT					NET BLOCK	
	As at March 31, 2019	Additions	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2019	For the Year	Adjustments	Deductions	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer Software	174.60	46.16	27.29	0.00	248.05	79.44	33.31	7.81	(14.50)	135.06	112.99	95.16
Goodwill	6.04				6.04	-	-	-	-	-	6.04	6.04
Non Compete Fees	-	10.92	-	-	10.92	-	10.92	-	0.00	10.92	0.00	0.00
Development Rights	-	350.00	-	-	350.00	-	0.00	-	0.00	-	350.00	0.00
Customer relationships	-	334.49	-	-	334.49	-	7.62	-	0.00	7.62	326.87	0.00
Distribution Network - Bancassurance	-	40.59	-	-	40.59	-	3.08	-	0.00	3.08	37.51	0.00
Distribution Network - Agency	-	295.99	-	-	295.99	-	13.48	-	0.00	13.48	282.51	0.00
Non-Compete Agreement	-	36.29	-	-	36.29	-	2.76	-	0.00	2.76	33.53	0.00
	180.64	1,114.44	27.29	0.00	1,322.37	79.44	[(1)] 71.17	7.81	(14.50)	172.92	1,149.45	101.20

Notes

(1) Net of depreciation for the year amounting ₹ **47.82 Crore** (Previous Year ₹ 37.49 Crore) included in other expenses pertaining to Insurance Business.

B) Goodwill on Consolidation

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	**1,600.73**	625.46
Goodwill arising on acquisition of subsidiary (Refer Note 50.1)	-	975.27
Goodwill derecognised on loss of control in subsidiary	-	-
Balance at the year end	**1,600.73**	1,600.73

The recoverable amount of subsidiaries is based on its value in use. The value in use is estimated using discounted cash flows over a period of 5 years. Cash flows beyond 5 years is estimated by capitalising the future maintainable cash flows by an appropriate capitalisation rate and then discounted using pre-tax discount rate.

“Operating margins and growth rates for the five year cash flow projections have been estimated based on past experience and after considering the financial budgets/forecasts provided by the management. The values assigned to the key assumptions represent management’s assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Notes forming part of the Consolidated Financial Statements (Continued)

17. Other Non-Financial Assets

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Capital Advances - Unsecured; considered good	**142.50**	68.60
Other Advances - Unsecured; considered good	**460.41**	453.85
Prepaid Expenses - Unsecured; considered good	**139.88**	167.92
Total Gross	**742.79**	690.37
Less: Provision for Expected Credit Loss (ECL)	**0.07**	0.02
Total	**742.72**	690.35

18. Payables

18 (a) Trade Payables

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises	**8.63**	4.00
Total outstanding dues of creditors other than micro enterprises and small enterprises	**3,071.55**	2,161.19

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 Group. The amount of principal and interest outstanding during the year is given below.

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
a) Amount outstanding but not due as at year end	**8.63**	4.00
b) Amount due but unpaid as at the year end		-
c) Amounts paid after appointed date during the year	**-**	0.01
d) Amount of interest accrued and unpaid as at year end	**-**	-
e) The amount of further interest due and payable even in the succeeding year	**-**	-
Total	**8.63**	**4.01**

18 (b) Other Payables

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises	**-**	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	**295.97**	238.95

Notes forming part of the Consolidated Financial Statements (Continued)

19. Debt Securities

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Bonds	**12.40**	20.10
Non-Convertible Debentures	**1,50,058.41**	1,44,466.85
Synthetic Rupee Denominated Bonds	**2,800.00**	6,100.00
Commercial Papers	**30,850.37**	28,938.40
Less: Unamortised borrowing cost	**(10.70)**	(0.55)
Total (A)	**1,83,710.48**	1,79,524.80
Debt securities in India	**1,80,921.18**	1,73,425.35
Debt securities outside India	**2,800.00**	6,100.00
Less: Unamortised borrowing cost	**(10.70)**	(0.55)
Total (B) to tally with (A)	**1,83,710.48**	1,79,524.80

All secured debts are secured by negative lien on the assets of the Corporation and/or mortgage of property as the case may be, subject to the charge created in favour of its depositors pursuant to the regulatory requirements under section 29B of the National Housing Bank Act, 1987. Certain debts are secured by the first charge by way of hypothecation of education loan receivables of underlying portfolio of education loans of HDFC Credila Financial Services Ltd.

The Corporation had established a Medium Term Note Programme (MTN Programme) for USD 2,800 mn so as to enable the Corporation to issue debt instruments in the international capital markets, subject to regulatory approval. The Corporation has raised ₹ 11,100 Crore through Rupee Denominated Bonds to overseas investors till date, the outstanding as at March 31, 2021 is ₹ **2,800 Crore** (Previous year ₹ 6,100 Crore). The Corporation was the first Indian corporate issuer of such bonds. The bonds are listed on the London Stock Exchange. These bonds are unsecured and the currency risk is borne by the investor.

The Corporation had issued Rupee Denominated Bonds under the MTN Programme through the approval route to finance eligible projects and borrowers as permitted by the External Commercial Borrowing guidelines issued by Reserve Bank of India (RBI) regulations.

Terms of redemption of Nominal value of bonds and debentures and repayment terms as at March 31, 2021

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Debt Securities					
Bonds					
7.00% - 8.00%	8.20	4.20	-	-	12.40
Non-Convertible Debentures					
4.23% to 7.99%	22,322.18	35,122.87	17,688.03	18,018.40	93,151.49
8.01% - 9.00%	6,399.69	2,464.00	3,046.57	21,333.48	33,243.74
9.01% - 10.30%	3,454.88	4,400.00	2,080.72	13,227.58	23,163.18
Zero Coupon Bonds	500.00	-	-	-	500.00
Total	**32,676.76**	**41,986.87**	**22,815.32**	**52,579.46**	**1,50,058.41**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Synthetic Rupee Denominated Bonds					
6.73% to 8.75%	1,000.00	1,800.00	-	-	2,800.00
Commercial Papers					
3.51% to 4.00%	20,069.01	-	-	-	20,069.01
4.01% to 5.00%	9,067.50	-	-	-	9,067.50
5.01% to 7.00%	1,713.86	-	-	-	1,713.86
Total	**30,850.37**	**-**	**-**	**-**	**30,850.37**

Terms of redemption of Nominal value of bonds and debentures and repayment terms as at March 31, 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Debt Securities					
Bonds					
9.00% - 11.00%	7.70	12.40	-	-	20.10
Non-Convertible Debentures					
6.96% - 8.00%	8,490.51	26,569.64	8,245.00	7,336.06	50,641.21
8.01% - 10.00%	24,072.05	12,519.52	8,131.57	35,180.31	79,903.46
10.01% - 11.95%	6,313.00	-	-	4,683.15	10,996.15
Zero Coupon Bonds	-	500.00	-	-	500.00
Total	**38,875.56**	**39,589.16**	**16,376.57**	**47,199.52**	**1,42,040.82**
Synthetic Rupee Denominated Bonds					
6.73% to 8.75%	3,300.00	2,300.00	500.00	-	6,100.00
Commercial Papers					
5.75% - 7.00%	21,440.07	-	-	-	21,440.07
7.01% - 8.00%	7,473.79	-	-	-	7,473.79
8.01% - 9.00%	24.54	-	-	-	24.54
Total	**28,938.40**	**38.17**	**-**	**-**	**28,938.40**

Notes forming part of the Consolidated Financial Statements (Continued)

20. Borrowings (Other Than Debt Securities) - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Term Loans from Scheduled Banks - Secured	**70,658.60**	69,303.27
Term Loans from other parties		
Asian Development Bank	**117.99**	211.59
National Housing Bank	**16,202.65**	14,377.00
	16,320.64	14,588.59
	86,979.24	83,891.86
Term Loans from Banks - Unsecured		
Scheduled Banks	**7,050.00**	5,846.29
External Commercial Borrowing	**14,016.42**	18,260.55
	21,066.42	24,106.84
Loans repayable on demand from Banks	**2.31**	2.01
Less: Unamortised borrowing cost	**(56.02)**	(86.04)
Total (A)	**1,07,991.95**	1,07,914.67
Borrowings in India	**93,919.13**	89,528.57
Borrowings outside India	**14,128.84**	18,472.14
Total Borrowings	**1,08,047.97**	1,08,000.71
Less: Unamortised borrowing cost	**(56.02)**	(86.04)
Total (B) to tally with (A)	**1,07,991.95**	1,07,914.67

20.1 All secured borrowings are secured by negative lien on the assets of the Corporation and / or mortgage of property as the case may be, subject to the charge created in favour of its depositors pursuant to the regulatory requirement under section 29B of the National Housing Bank Act, 1987. Certain borrowings are secured by the first charge by way of hypothecation of education loan receivables of underlying portfolio of education loans of HDFC Credila Financial Services Pvt. Ltd.

20.2 The Corporation has availed a loan of USD 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to USD 60 million, as per the agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to ₹ 200 Crore by way of a term loan and ₹ 100 Crore through the issue of bonds which have been subscribed by the bank.

In respect of tranche 3 of USD 40 million, as per the agreement with a financial institution, the Corporation has handed over the dollars to the Bank of India, Cayman Island and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution. In terms of the agreements, the Corporation's foreign exchange liability is protected.

The loan availed from Asian Development Bank and the deposit placed with Bank of India, Cayman Island are revalued at the closing rate of exchange and are shown separately in the financial statement.

20.3 The Corporation had outstanding External Commercial Borrowing (ECBs) of USD 1,325 million and JPY 53,200 million for financing prospective owners of low cost affordable housing units as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity upto five years. In terms of the RBI guidelines, part of the borrowings have been swapped into rupees for the entire maturity by way of principal only swaps and balance borrowing has been hedged through forward / option contracts for shorter tenor. The currency exposure on the interest has been hedged by way of forward contracts for part of foreign currency borrowings.

The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

Notes forming part of the Consolidated Financial Statements (Continued)

20.4 As on March 31, 2021, the Corporation has foreign currency borrowings of **USD 1,377.45 million** and **JPY 53,200 million** (Previous Year USD 4,426.85 million and JPY 53,200 million). The Corporation has undertaken currency swaps, forward contracts and option contracts of a notional amount of **USD 1,365 million** and **JPY 53,200 million** (Previous Year USD 4,406.72 million and JPY 53,200 million) and foreign currency arrangements of **USD 12.45** million (PY USD 20.13 million) to hedge the foreign currency risk.

As a part of Asset Liability Management (ALM) 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 ₹ **93,160 Crore** (Previous Year ₹ 65,100 Crore), Coupon Only Swaps of ₹ **1,030 Crore** (Previous Year ₹ 1,059.38 Crore), USD Interest rate Swaps notional amount of ₹ **8,722 Crore** (Previous Year ₹ 12,750.40 Crore) as on March 31, 2021 for varying maturities into floating rate liabilities linked to various benchmarks.

During the previous year, HDFC Credila Financial Services Pvt Ltd, one of the subsidiary company, availed External Commercial Borrowing (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity of three years. In terms of RBI guidelines, borrowings have been swapped into rupees by way of principal only swaps. The coupon on the borrowing is hedged through interest rate swap. The currency exposure on the interest on ECB has not been hedged.

Terms of borrowings and repayment as at 31 March 2021

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Term Loans from Banks-Secured					
4.10% to 5.00%	53,398.00	5,100.00	-	-	58,498.00
5.01% to 6.00%	1,000.00	3,085.00	1,500.00	-	5,585.00
6.01% to 7.00%	818.70	2,420.14	1,585.71	67.81	4,892.36
7.01% to 8.00%	398.78	685.16	146.38	158.52	1,388.84
Fixed 2.68%-2.70%	294.40	-	-	-	294.40
Total	**55,909.88**	**11,290.30**	**3,232.09**	**226.33**	**70,658.60**
Term Loans from Other Parties					
Asian Development Bank					
USD LIBOR + 40 bps	-	117.99	-	-	117.99
National Housing Bank					
3.0% to 4.0%	222.27	592.72	592.72	536.72	1,944.43
4.01% to 5.0%	2,494.05	1,317.46	1,077.89	274.24	5,163.63
5.01% to 6.0%	804.13	1,813.12	1,786.64	669.63	5,073.52
6.01% to 7.0%	684.63	1,818.56	764.62	-	3,267.81
7.01% to 9.0%	431.78	211.76	109.73	-	753.26
Total Secured	**4,636.85**	**5,753.62**	**4,331.60**	**1,480.58**	**16,202.65**
Term Loans from Banks - Unsecured					
4.60% to 5.00%	6,950.00	-	-	-	6,950.00
5.01% to 5.15%	100.00	-	-	-	100.00
Total	**7,050.00**	**-**	**-**	**-**	**7,050.00**
External Commercial Borrowing					
1 Month LIBOR + 50 bps to 140 bps	2,760.00	9,784.42	-	-	12,544.42
3 Month LIBOR + 85 bps	-	1,472.00	-	-	1,472.00
Total	**2,760.00**	**11,256.42**	**-**	**-**	**14,016.42**

Notes forming part of the Consolidated Financial Statements (Continued)

Terms of borrowings and repayment as at 31 March 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
Term Loans from Banks-Secured					
6.65% - 7.00%	10,675.00	-	-	-	10,675.00
7.01% - 8.00%	30,959.89	3,457.12	3,073.81	42.84	37,533.65
8.01% - 9.00%	1,834.34	1,696.08	300.11	229.19	4,059.72
9.01% - 9.50%	28.18	57.14	57.14	42.84	185.31
Fixed 2.68%-5.01%	16,849.59	-	-	-	16,849.59
Total	**60,347.00**	**5,210.34**	**3,431.06**	**314.86**	**69,303.27**
Term Loans from Other Parties					
Asian Development Bank					
USD LIBOR + 40 bps	-	211.59	-	-	211.59
National Housing Bank					
4.00% - 6.00%	551.04	1,469.46	1,448.51	890.17	4,359.18
6.01% - 8.00%	1,328.33	3,264.65	2,973.56	1,366.28	8,932.82
8.01% - 10.00%	385.50	598.00	101.50	-	1,085.00
Total Secured	**2,264.87**	**5,332.11**	**4,523.57**	**2,256.45**	**14,377.00**
Term Loans from Banks - Unsecured					
6.65% - 7.00%	560.00	-	-	-	560.00
7.01% - 8.00%	2,600.00	-	-	-	2,600.00
Variable USD LIBOR + 72 bps - 225 bps	2,686.29				2,686.29
Total	**5,846.29**	**-**	**-**	**-**	**5,846.29**
External Commercial Borrowing					
1 Month Libor + 50 bps to 126 bps	3,783.50	5,099.38	9,377.67	-	18,260.55

The borrowings have not been guaranteed by the Directors or others. Also, there is no default in repayment of borrowings and interest thereon.

21. Deposits - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Deposits		
(i) Public Deposits	**93,603.87**	87,758.41
(ii) From Banks	**326.00**	219.43
(iii) From Others - Secured	**11,191.02**	8,170.19
(iv) From Others - Unsecured	**45,326.77**	36,496.84
Less: Unamortised transaction cost - Deposits	**(370.48)**	(340.07)
Total	**1,50,077.19**	1,32,304.79

Public deposits as defined in paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge and Lien in favour of the Trustee's for Depositors on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

Notes forming part of the Consolidated Financial Statements (Continued)

22. Subordinated Liabilities - At Amortised Cost

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Non-Convertible Subordinated Debentures	**4,963.17**	5,348.93
Perpetual debt	**270.48**	274.35
Total	**5,233.65**	5,623.28
Subordinated Liabilities in India	**5,233.65**	5,623.28
Subordinated Liabilities outside India	**-**	-
Total	**5,233.65**	5,623.28

Non-Convertible Subordinated Debentures

Terms of borrowings and repayment as at March 31, 2021

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.01% - 10.00%	**1,000.00**	**-**	**3,713.99**	**249.19**	**4,963.17**

Terms of borrowings and repayment as at March 31, 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.65% - 9.75%	1,000.00	1,000.00	3,000.00	348.93	5,348.93

Perpetual debt

Terms of borrowings and repayment as at March 31, 2021

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.00% - 10.00%	-	-	-	124.62	124.62
10.01% - 12.00%	-	-	95.95	49.91	145.86
Total	**-**	**-**	**95.95**	**174.53**	**270.48**

Terms of borrowings and repayment as at March 31, 2020

₹ in Crore

Particulars	0-1 year	1-3 years	3-5 years	>5 years	Total
8.00% - 10.00%	-	-	-	124.62	124.62
10.01% - 12.00%	-	-	-	149.73	149.73
Total	-	-	-	274.35	274.35

Notes forming part of the Consolidated Financial Statements (Continued)

23. Liabilities pertaining to Insurance Business

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	As at March 31, 2021	As at March 31, 2020	**As at March 31, 2021**	As at March 31, 2020
Insurance Contract liabilities	**1,38,077.99**	1,02,672.86	**-**	-
Dues to Policyholders'	**2,694.54**	2,112.64	**30.89**	26.89
Funds for future appropriation	**990.58**	883.03	**-**	-
Reserve for unexpired Risk	**-**	-	**4,323.98**	4,505.14
Investment contract liabilities	**27,307.39**	20,793.96	**-**	-
Policyholders' surplus yet to be allocated	**4,964.88**	3,303.01	**-**	-
Unallocated premium (policyholders)	**497.88**	486.04	**585.20**	652.71
Reserve for claims	**-**	-	**11,064.78**	8,718.28
Premium received in advance	**-**	-	**893.82**	757.89
Due to other insurance companies	**2.62**	55.22	**2,937.45**	2,762.40
Purchase of investments pending settlement	**844.36**	665.27	**-**	-
Deferred origination fees	**25.91**	34.71	**-**	-
Total Liabilities of Insurance Business	**1,75,406.15**	1,31,006.74	**19,836.12**	17,423.31

24. Other Financial Liabilities

₹ in Crore

Particulars	**As at March 31, 2021**	As at March 31, 2020
Interest accrued but not due on Debt Securities and Deposits	**11,146.09**	12,062.96
Amounts payable on Securitised Loans	**563.11**	453.55
Security and other deposits received	**35.51**	38.87
Financial Assistance received from Kreditanstalt für Wiederaufbau	**7.78**	7.78
Unclaimed dividend	**24.85**	24.97
Unclaimed matured deposits including interest accrued and due thereon	**1,087.18**	2,006.46
Lease Liabilities	**391.42**	406.18
Other deposits and payables	**131.88**	1,536.20
Total	**13,387.82**	16,536.97

As required under Section 124 of the Companies Act, 2013 read together with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Group has transferred unpaid dividend, underlying **65,928 equity shares** of **₹ 2** each (Previous Year: 77,370 equity shares) and **₹ 4.00 Crore** (Previous Year ₹ 3.92 Crore) being unclaimed deposits to the Investor Education and Protection Fund (IEPF). As of March 31, 2021, no amount was due for transfer to the IEPF. However, 2,148 equity shares could not be transferred as the depositories informed that the aforesaid shares were not available in the demat accounts of the respective shareholders.

25. Current Tax Liabilities (Net)

₹ in Crore

Particulars	**As at March 31, 2021**	As at March 31, 2020
Provision for Tax (Net of Advance Tax)	**469.64**	259.84
Total	**469.64**	259.84

Notes forming part of the Consolidated Financial Statements (Continued)

26. Provisions

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for Employee Benefits	**370.99**	370.22
Other provisions	**0.18**	1.87
Total	**371.17**	372.09

27. Other Non-Financial Liabilities

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Installment / Income received in advance	**542.29**	460.52
Deferred gain on fair valuation (Initial recognition)	**710.50**	1,065.75
Statutory Remittances	**699.20**	564.14
Others	**83.53**	130.11
Total	**2,035.52**	2,220.52

27.1 The Corporation had invested in 100 Crore equity shares of Yes Bank Limted at ₹ 10 each on 14 March 2020. Of these, 75% of the equity shares i.e. 75 Crore shares are locked in and not permitted to be sold within 3 years from the date of acquisition. Accordingly, the gain on initial recognition of ₹ 1,065.75 Crore, based on fair valuation of such locked in shares was deferred and amortised over the locked in period. For the purposes of subsequent measurement, these shares have been designated as Fair Value Through Other Comprehensive Income. During the year ₹ 3**55.25 Crore** has been recognised in accordance with accounting policy and Ind AS accounting standard.

28. Equity Share Capital

₹ in Crore

	As at March 31, 2020	As at March 31, 2019
AUTHORISED		
228,80,50,000 Equity Shares of ₹ 2 each (Previous Year 228,80,50,000 Equity Shares of ₹ 2 each)	**457.61**	457.61
	457.61	457.61
ISSUED, SUBSCRIBED AND FULLY PAID UP		
180,39,46,433 (As at March 31, 2020 173,20,51,189) Equity Shares of ₹ 2 each	**360.79**	346.41
	360.79	346.41

28.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	₹ in Crore	Number	₹ in Crore
Equity shares outstanding as at the beginning of the year	**173,20,51,189**	**346.41**	172,14,37,390	344.29
Shares allotted pursuant to exercise of stock options	**1,50,77,063**	**3.02**	1,06,13,799	2.12
Shares allotted pursuant to issue of shares under QIP	**5,68,18,181**	**11.36**	0	-
Equity shares outstanding as at the end of the year	**180,39,46,433**	**360.79**	173,20,51,189	346.41

Notes forming part of the Consolidated Financial Statements (Continued)

28.2 There were no shareholder holding more than 5 percent shares in the Corporation as at March 31, 2021 and March 31, 2020.

28.3 Terms and rights attached to equity shares:

The Corporation has only one class of shares referred to as equity shares having Face Value of ₹ 2 each. Each holder of equity share is entitled to one vote per share.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

28.4 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.

28.5 During the year, the Corporation issued 5,68,18,181 equity shares at a price of ₹ 1,760.00 per share and 36,930 secured redeemable non-convertible debentures of face value of ₹ 10,00,000 at par, each due on August 11, 2023, carrying a coupon rate of 5.40% payable annually, aggregating ₹ 3,693 Crore simultaneously with 1,70,57,400 warrants at an issue price of ₹ 180.00 per warrant with a right to exchange one warrant with one equity share of ₹ 2 each of the Corporation, any time before the expiry of 36 months from the date of allotment, at an exercise price of ₹ 2,165.00 per equity share, to eligible qualified institutional buyers through Qualified Institutions Placement under Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and other applicable regulations.

Expenses incurred for issuance of equity share amounting to ₹ **22.34 Crore** has been debited to securities premium account in accordance with the provisions of Companies Act, 2013.

28.6 As at March 31, 2021 **9,18,16,731 shares** (Previous year 5,42,81,394 shares) were reserved for issuance as follows:

a) **7,47,59,331 shares** of ₹ **2** each (Previous Year 5,42,81,394 shares of ₹ 2 each) towards outstanding Employees Stock Options granted / available for grant, including lapsed options [Refer Note 46].

b) **1,70,57,400** underlying warrants (Previous year: Nil) of ₹ 2 each towards outstanding warrants.

Notes forming part of the Consolidated Financial Statements (Continued)

29. Other Equity

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
Capital Reserve	**44.59**	44.59
Securities Premium	**45,140.57**	33,079.40
Retained Earnings	**61,504.20**	50,318.98
General Reserve	**29,002.69**	26,286.91
Special Reserve I	**51.23**	51.23
Special Reserve II	**18,423.91**	16,428.45
Statutory Reserve	**5,743.78**	5,243.78
Special Reserve U/s 45-IC of The Reserve Bank of India Act, 1934	**174.58**	140.25
Shelter Assistance Reserve	**0.07**	0.10
Investments through Other Comprehensive Income	**(5,113.64)**	(6,439.59)
Effective portion of Cash Flow Hedges	**(218.55)**	(180.59)
Cost of Cash Flow Hedges	**93.38**	2.45
Translation of foreign operations	**28.77**	-
Employee Stock Options Reserve	**1,274.19**	1,078.26
Translation Reserve	**(1.47)**	38.23
Capital Redemption Reserve	**23.84**	23.86
Debenture Redemption Reserve	**20.01**	15.30
Capital Reserve	**(147.34)**	1.14
Money received against Share Warrants	**307.03**	-
TOTAL	**1,56,351.84**	1,26,132.75

29.1 **Capital Reserve:** It has been created during the Business Combinations in earlier periods.

29.2 **Securities Premium:** Securities premium reserve is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of shares or debentures, write-off equity related expenses like underwriting costs, etc.

29.3 **General Reserve:** It is a free reserve which is created by appropriation from profits of the current year and/or undistributed profits of previous years, before declaration of dividend duly complying with any regulations in this regard.

29.4 **Special Reserve** has been created over the years in terms of Section 36(1 (viii) of the Income-tax Act, 1961 out of the distributable profits of the Corporation.

Special Reserve No.I relates to the amounts transferred upto the Financial Year 1996-97.

Special Reserve No.II relates to the amounts transferred thereafter.

29.5 **Statutory Reserve:** As per Section 29C of The National Housing Bank Act, 1987 (the “NHB Act”), the Corporation is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Corporation under Section 36(1)(viii) of the Income- tax Act, 1961 is considered to be an eligible transfer. The Corporation has transferred an amount of ₹ **2,000 Crore** (Previous Year ₹ 3,400 Crore) to Special Reserve No. II in terms of Section 36(1)(viii) of the Income-tax Act, 1961 and an amount of ₹ **500 Crore** (Previous Year ₹ 200.00 Crore) to “Statutory Reserve (As per Section 29C of The NHB Act)”.

Notes forming part of the Consolidated Financial Statements (Continued)

29.6 **Shelter Assistance Reserve:** It represents funding various development and grassroot level organisations for the purposes as mentioned in Schedule VI to the Companies Act, 2013 and in accordance with the Corporation's Policy.

29.7 **Other Comprehensive Income**

Employee Share Option Outstanding: The Corporation has a share option scheme under which options to subscribe for the Corporation's shares have been granted to certain employees including key management personnel. The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, as part of their remuneration.

Effective portion of Cash Flow Hedge: It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

29.8 **Employee Share Option Outstanding**

The Corporation has stock option schemes under which options to subscribe for the Corporation's shares have been granted to employees, including key management personnel. The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, as part of their remuneration.

30. Interest Income

₹ in Crore

Particulars	**For the year ended March 31, 2021**	For the year ended March 31, 2020
On Financial Assets measured at Amortised Cost		
Interest on Loans	**43,077.25**	43,982.04
Interest income from investments	**1,329.93**	36.99
Interest on deposits	**20.87**	19.88
Other interest Income	**7.11**	1,164.43
Sub-Total	**44,435.16**	45,203.34
On Financial Assets classified at fair value through profit or loss		
Interest income from investments	**25.87**	49.92
On Financial Assets classified at fair value through Other Comprehensive Income		
Interest income from investments	**0.52**	-
Total	**44,461.55**	45,253.26

31. In accordance with the RBI Circular No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021 and the methodology for calculation of interest on interest based on guidance issued by Indian Banks' Association, the Corporation has put in place a Board approved policy to refund / adjust interest on interest charged to borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020. The Corporation has estimated the said amount and made a provision in the financial statements for the year ended March 31, 2021. As on March 31, 2021, the Corporation holds a specific liability of ₹ 115 Crore which is debited to interest income to meet its obligation towards refund of interest on interest to eligible borrowers as prescribed by the RBI. Accordingly, interest income for the year ended March 31, 2021 is lower by ₹ 115 Crore.

Notes forming part of the Consolidated Financial Statements (Continued)

32. Net gain/(loss) on fair value changes

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Net gain on financial instruments at fair value through profit or loss		
- Investments	**1,922.72**	(253.99)
- Derivatives	**(3.04)**	0.07
- Others reclassified from OCI	**52.00**	71.80
Total Net gain on fair value changes	**1,971.68**	(182.12)
Fair Value changes:		
- Realised	**311.77**	(111.88)
- Unrealised	**1,659.91**	(438.54)
Total Net gain on fair value changes	**1,971.68**	(550.42)

32.1 The Corporation has derecognised loans (measured at amortised cost) on account of assignment transactions resulting in total income of ₹ **1,102.95 Crore** (Previous Year ₹ 967.87 Crore) including upfront gains of ₹ **706.72 Crore** (Previous Year ₹ 531.55 Crore).

33. Incomes pertaining to Insurance Business

₹ in Crore

Particulars	Note	Life Insurance		Non Life Insurance	
		For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Premium Income from Insurance Business		**37,659.11**	31,707.09	**12,040.24**	9,509.19
Income from Investments - Dividend		**482.27**	535.06	**3.37**	5.71
Income from Investments - Interest	33.1	**6,201.24**	5,351.51	**835.75**	688.44
Net Fair value changes on Investments	33.2	**25,333.44**	(10,286.99)	**190.03**	25.33
Income from reinsurance		**623.77**	396.28	**4,968.28**	4,177.02
Other Operating Income from Insurance Business		**275.35**	338.52	**12.61**	8.82
Total Incomes of Insurance Business		**70,575.18**	28,041.47	**18,050.28**	14,414.51

33.1 Income from Investments - Interest

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest income on Financial Assets:				
- Amortised cost	**0.02**	0.02	**10.16**	7.89
- Fair value through Profit and Loss	**1,200.31**	1,185.05	**-**	-
- Fair value through Other Comprehensive Income	**5,000.91**	4,166.44	**825.59**	680.55
Total	**6,201.24**	5,351.51	**835.75**	688.44

Notes forming part of the Consolidated Financial Statements (Continued)

33.2 Net Fair value changes on Investments

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2021	For the year ended March 31, 2020	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Net gain / (loss) on financial instruments at fair value through profit or loss				
Investments	**25,132.82**	(10,829.29)	**106.55**	(50.85)
Derivatives	**(108.95)**	(57.60)	**-**	-
Others reclassified from OCI	**309.57**	599.90	**83.48**	76.18
Total Net gain / (loss) on fair value changes	**25,333.44**	(10,286.99)	**190.03**	25.33
Fair Value changes:				
- Realised	**4,057.32**	1,769.82	**100.56**	69.54
- Unrealised	**21,276.12**	(12,056.81)	**89.47**	(44.21)
Total Net gain on fair value changes	**25,333.44**	(10,286.99)	**190.03**	25.33

34. Finance Costs

₹ in Crore

Particulars	**For the year ended March 31, 2021**	For the year ended March 31, 2020
On Financial Liabilities measured at Amortised Cost		
Interest on debt securities	**11,459.98**	14,130.96
Interest on borrowings	**6,364.26**	7,276.38
Interest on deposits	**10,447.25**	9,866.72
Interest on Subordinated Liabilities	**539.95**	595.07
Interest on Lease Liabilities	**30.60**	31.93
Other charges	**239.22**	208.39
Total Finance Costs	**29,081.26**	32,109.45

34.1 Finance cost for the year include foreign currency exchange loss of ₹ **2.48 Crore** (Previous Year ₹ 40.43 Crore), further Refer Note 49.1.6 Hedging Policy.

35. Impairment on Financial Instruments

₹ in Crore

Particulars	**For the year ended March 31, 2021**		For the year ended March 31, 2020	
	On Financial Instruments measured at OCI	**On Financial Assets measured at Amortised Cost**	On Financial Instruments measured at OCI	On Financial Assets measured at Amortised Cost
Loans	-	3,000.99	-	5,935.34
Investments	30.03	0.07	0.16	0.62
Others	-	(0.33)	-	15.00
Total	**30.03**	**3,000.73**	0.16	5,950.96
Grand Total	**3,030.76**		5,951.12	

35.1 The details relating to movement in Impairment on Loans (Expected credit loss) is disclosed in Note 8.3.

35.2 Impairment on loans excludes impairment of ₹ **469.10 Crore** (Previous Year ₹ 199.36 Crore) relating to interest on Credit Impaired Assets, which is netted off from interest income.

Notes forming part of the Consolidated Financial Statements (Continued)

36. Employee Benefits Expenses

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and Bonus	**1,231.72**	1,211.82
Contribution to Provident Fund and Other Funds	**98.76**	96.40
Staff Training and Welfare Expenses	**14.92**	32.48
Share Based Payments to employees	**355.27**	15.96
Total	**1,700.67**	1,356.66

37. Establishment Expenses

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	-	1.47
Rates and Taxes	**6.86**	7.30
Repairs and Maintenance - Buildings	**6.66**	10.83
General Office Expenses	**4.28**	4.29
Electricity Charges	**23.20**	30.52
Insurance Charges	**3.83**	2.37
Total	**44.83**	56.78

37.1 Direct operating Expenses arising from Investment Property

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Direct operating expenses arising from investment property that generated rental income	**2.39**	2.00
Direct operating expenses arising from investment property that did not generate rental income	**1.71**	1.11
Total	**4.10**	3.11

37.2 Operating Leases:

In accordance with the Indian Accounting Standard (Ind AS) 116 on ‘Leases’, the following disclosures in respect of Operating Leases are made:

The Corporation has acquired some of the office premises on operating lease basis for periods ranging from 1 year to 5 years.

Rights to use assets

Right to use assets relates to office premises obtained on leases that are presented within Property, plants and equipments.

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening Balance	**428.15**	447.97
Additions	**120.00**	159.23
Deductions	**(51.53)**	36.28
Depreciation charge (including adjustments) for the year	**(138.17)**	(215.33)
Closing Balance	**358.45**	428.15

Amount Recognised in Statement of Profit & Loss Account

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest on lease liabilities	**31.17**	31.93
Depreciation charge for the period	**134.70**	215.33
Total	**165.87**	**247.26**

Cash out flow on account of lease payment is ₹ **157.40 Crore.**

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Not later than one year	**139.22**	66.53
Later than one year but not later than three years	**128.94**	90.53
Later than three years but not later than five years	**153.21**	51.02
Later than five years	**65.98**	38.38

38. Expenses Pertaining to Insurance Business

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2021	For the year ended March 31, 2020	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Acquisition Cost	**1,627.81**	1,408.72	**975.68**	773.64
Impairment on financial instruments [Refer Note 38.1]	**19.22**	34.20	**(4.87)**	44.77
Employee Benefits Expenses [Refer Note 38.2]	**1,719.45**	1,716.95	**541.88**	441.23
Depreciation, amortisation and impairment	**56.97**	54.38	**61.54**	46.47
Other Expenses [Refer Note 38.3]	**3,134.88**	2,828.45	**1,387.55**	1,045.78
Premium on reinsurance ceded	**461.74**	470.27	**5,654.39**	4,659.55
Gross Benefits paid	**21,605.84**	17,936.43	**8,580.70**	6,923.06
Net change in insurance contract liabilities	**39,009.35**	3,729.54	**-**	-
Change in Policy holders' surplus to be allocated	**1,644.74**	(1,340.96)	**-**	-
Change in Funds for Future appropriation - Participating Fund	**107.55**	(219.97)	**-**	-
Total	**69,387.55**	26,618.01	**17,196.87**	13,934.50

Notes forming part of the Consolidated Financial Statements (Continued)

38.1 Impairment on Financial Instruments

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2021	For the year ended March 31, 2020	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Investments				
- Amortised cost	**0.98**	1.65	**-**	32.78
- Fair value through other comprehensive Income	**16.26**	0.72	**(4.87)**	11.99
Other standard and Non standard assets	**1.98**	31.83	**-**	-
Total	**19.22**	34.20	**(4.87)**	44.77

38.2 Employee Benefits Expenses

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2021	For the year ended March 31, 2020	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Salaries and Bonus	**1,608.52**	1,594.26	**495.53**	406.25
Contribution to Provident Fund and Other Funds	**69.29**	74.35	**35.63**	30.72
Share Based Payments to employees	**41.64**	48.34	**10.72**	4.26
Total	**1,719.45**	1,716.95	**541.88**	441.23

38.3 Other Expenses

₹ in Crore

Particulars	Life Insurance		Non Life Insurance	
	For the year ended March 31, 2021	For the year ended March 31, 2020	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Rent, rates & taxes	**97.75**	70.50	**44.71**	28.80
Repairs and maintenance	**5.50**	4.34	**20.45**	15.89
Communication expenses	**20.34**	25.36	**7.87**	8.66
Printing & stationery	**8.69**	12.75	**11.13**	19.23
Advertising and publicity	**1,410.11**	1,069.57	**577.97**	419.20
Legal and professional charges	**181.81**	210.50	**459.11**	295.43
Travel, Conveyance and vehicle running expenses	**5.30**	34.39	**12.37**	32.70
Auditors Remuneration	**1.24**	1.51	**1.16**	1.28
Bank charges	**18.41**	17.01	**46.61**	38.14
Information technology expenses	**139.24**	119.80	**88.60**	44.80
General office and other expenses	**77.84**	82.42	**69.85**	67.35
Training Expenses	**95.27**	115.69	**47.72**	74.30
Medical cost	**20.35**	22.05	**-**	-
Acquisition Cost for Financial Instruments designated as FVTPL	**58.55**	54.31	**-**	-
Stamp duty expense	**98.60**	132.40	**-**	-
Business Development expenses	**545.74**	509.81	**-**	-
Goods and service tax expense	**350.14**	346.04	**-**	-
Total	**3,134.88**	2,828.45	**1,387.55**	1,045.78

Notes forming part of the Consolidated Financial Statements (Continued)

39. Other Expenses

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Travelling and Conveyance	**12.69**	33.08
Printing and Stationery	**18.62**	27.76
Postage, Telephone and Fax	**45.95**	48.77
Advertising	**40.69**	52.34
Business Development Expenses	**54.53**	63.78
Brokerage and commission expenses relating to Mutual fund Schemes	**10.60**	27.31
Loan Processing Expenses	**74.89**	74.52
Manpower Outsourcing	**108.74**	104.77
Repairs and Maintenance - Other than Buildings	**18.07**	41.62
Office Maintenance	**70.06**	49.00
Legal Expenses	**43.32**	60.03
Computer Expenses	**50.09**	41.16
Directors' Fees and Commission	**15.45**	14.43
CSR expenses [Refer Note 39.2]	**250.01**	264.19
Miscellaneous Expenses	**135.52**	155.46
Auditors' Remuneration [Refer Note 39.1]	**8.89**	7.90
Total	**958.12**	1,066.12

39.1 Payments to Auditors’

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Audit Fees	**5.29**	5.63
ICFR Fees	**0.67**	0.40
Limited Reviews	**2.54**	1.89
Tax Matters	**1.09**	1.00
Other Matters and Certification	**2.80**	1.70
Reimbursement of Expenses	**0.14**	0.07
Total	**12.53**	10.69
Less: Auditors remuneration included in other expenses pertaining to Insurance business	**2.40**	2.79
Less: certification fees in respect of Qualified Institutional Placements (QIP) issue of equity shares, utilised out of Securities Premium Account	**1.24**	-
Net Auditors remuneration disclosed above	**8.89**	7.90

Auditors’ Remuneration above is excluding Goods and Service Tax.

39.2 Expenditure incurred for corporate social responsibility

As per Section 135 of the Companies Act, 2013, the Group is required to spent an amount of ₹ 225.19 Crore on CSR activities during the year.

An amount of CSR ₹ 251.22 Crore, including brought forward CSR Obligation of FY 2015-16 ₹ 20.06 Crore, which was spent during the year was approved by the Board of Directors of the Group and respective subsidiaries.

Notes forming part of the Consolidated Financial Statements (Continued)

The details of amounts spent towards CSR are as under:

Particulars	₹ in Crore
a) Construction/acquisition of any asset *	44.41
b) On purposes other than (a) above	206.81

* Includes capital assets amounting to ₹ **39.46 Crore** under construction as of 31 March, 2021.

The Corporation has paid ₹ 112.73 Crore for CSR expenditure to H T Parekh Foundation, section 8 company controlled by the Corporation.

Excess amount spent as per Section 135 (5) of the Companies Act, 2013

Particulars	₹ in Crore
Opening Balance **	20.06
Amount required to be spent during the year	225.19
Amount spent during the year	251.22
Closing Balance - Excess amount spent	5.97

**brought forward CSR obligation of FY 2015-16 ₹ 20.06 Crore.

Details of ongoing projects for financial year 2020-21

Particulars	₹ in Crore
Opening Balance	
Amount required to be spent during the year	95.40
Amount spent during the year	90.51
Closing Balance	4.89

The unspent amount, pertaining to one of the subsidiary, has been transferred to Unspent CSR Account

40. Income Taxes relating to continuing operations

40.1 Income Tax recognised in profit or loss

₹ in Crore

Particulars	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Current Tax		
In respect of the current year	**3,937.98**	3,415.75
In respect of prior years	**-**	-
Deferred Tax		
In respect of the current year	**(188.23)**	(48.97)
Deferred tax reclassified from equity to profit or loss	**-**	-
Total Income tax expense recognised in the current year relating to continuing operations	**3,749.75**	3,366.78

Notes forming part of the Consolidated Financial Statements (Continued)

40.2 **Reconciliation of income tax expense of the year can be reconciled to the accounting profit as follows:**

₹ in Crore

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Profit before tax	**17,315.83**	20,447.15
Income tax expense calculated at 25.168% (Previous Year 25.168%)	**4,358.05**	5,146.14
Effect of expenses that are not deductible in determining taxable profit	**210.29**	177.29
Effect of incomes which are taxed at different rates	**(51.52)**	(1,439.07)
Effect of incomes which are exempt from tax	**(451.21)**	(955.51)
Effect on deferred tax balances due to the changes in income tax rate	-	256.28
Deduction under section 36(1)(viii) of the Income tax Act, 1961	**(428.61)**	(363.93)
Others	**112.75**	545.58
Income tax expense recognised in statement of profit and loss	**3,749.75**	3,366.78

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2020-21 and 2019-20 payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

The evaluation of uncertain tax positions involves an interpretation of relevant tax laws which could be subject to challenge by the tax authorities and an assessment of whether the tax authorities will accept the position taken. The Group does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk resulting in a material adjustment within the next financial year. (Refer Note 44.2)

41. Other Comprehensive Income

₹ in Crore

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of FVOCI equity instruments	**1,926.34**	(7,095.99)
Remeasurements of post-employment benefit obligations	**14.64**	(54.51)
Remeasurements of post-employment benefit obligations - Pending transfer to Shareholders		
Total	**1,940.98**	(7,150.50)
Income tax relating to these items	**(162.84)**	620.12
Items that may be reclassified to profit or loss		
Changes in fair value of FVOCI debt instruments	**(156.18)**	3,236.65
Changes in fair value of FVOCI debt instruments - Pending transfer to Shareholders	**156.55**	(3,095.15)
Deferred gains/(losses) on cash flow hedges	**(19.36)**	33.85
Deferred costs of hedging	**99.42**	28.62
Total	**80.43**	203.97
Income tax relating to these items	**(20.11)**	(31.55)
Share of Other Comprehensive Income of an associate [Refer Note 9]	**(256.64)**	144.54
Other comprehensive income for the year	**1,581.82**	(6,213.42)

42. Retirement Benefits Plan

A. Defined Contribution Plans

The Corporation recognised ₹ **14.36 Crore** (Previous Year ₹ 15 Crore) for superannuation contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Corporation are at rates specified in the rules of the schemes.

Provident Fund

The fair value of the assets of the provident fund and the accumulated members' corpus is ₹ **597.96 Crore** and ₹ **583.60 Crore** respectively (Previous Year ₹ 525.10 Crore and ₹ 510.73 Crore respectively). In accordance with an actuarial valuation, there is a deficit of ₹ **Nil** in the interest cost as the present value of the expected future earnings on the fund is less than the expected amount to be credited to the individual members based on the expected guaranteed rate of interest of **8.50%.** The actuarial assumptions include discount rate of **6.82%** (Previous Year 6.84 %) and an average expected future period of **14 years** (Previous Year 14 years). Expected guaranteed interest rate (weighted average yield) is **8.83%** (Previous Year 8.62%).

B. Defined Benefits Plan

i. Characteristics of Defined Benefit Plan

The Corporation has a defined benefit gratuity plan in India for its employees (funded). The Corporation's gratuity plan requires contributions to be made to a separately administered fund. The fund is managed by a trust which is governed by the Board of Trustees. The Board of Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy.

ii. Risks Associated with Defined Benefit Plan

Gratuity is a defined benefit plan and Corporation is exposed to the following risks:

a. **Interest Rate Risk:** A fall in the discount rate which is linked to the G.Sec. Rate will increase the present value of the liability requiring higher provision. A fall in the discount rate generally increases the mark to market value of the assets depending on the duration of asset.

b. **Salary Risk:** The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than assumed level will increase the plan's liability.

c. **Investment Risk:** The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds. If the return on plan asset is below this rate, it will create a plan deficit. Currently, for the plan in India, it has a relatively balanced mix of investments in government securities, and other debt instruments.

d. **Asset Liability Matching Risk:** The plan faces the (Asset Liability Management) ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk. Mortality risk: Since the benefits under the plan is not payable for life time and payable till retirement age only, plan does not have any longevity risk.

iii. Characteristics of Defined Benefit Plans

During the year, there were no plan amendments, curtailments and settlements.

A separate trust fund is created to manage the Gratuity plan and the contributions towards the trust fund is done as guided by rule 103 of Income Tax Rules, 1962.

Notes forming part of the Consolidated Financial Statements (Continued)

C. **Other Post Retirement Benefit Plan**

The details of the Corporation's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuary and relied upon by the auditors:

The Principal Assumptions used for the purpose of the actuarial valuation were as follows:

Particulars	**As at March 31, 2021**	As at March 31, 2020
Discount Rate	**5.5 to 7%**	6.5 to 7%
Return on Plan Assets	**5.5 to 7%**	6.5 to 7%
Salary Escalation	**5 to 10%**	6-12%

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

Amount recognised in Statement of Profit and Loss in respect of these defined benefit plan are as follows.

₹ in Crore

Particulars	**For the year ended March 31, 2021**	For the year ended March 31, 2020
Service Cost:		
Current Service Cost	**50.65**	33.66
Interest Cost	**12.64**	10.99
Components of defined benefit costs recognised in profit or loss	**63.29**	44.66
Remeasurement on the net defined benefit liability:		
Actuarial (Gains)/Losses on Obligation For the Period	**(15.48)**	54.18
Return on Plan Assets, Excluding Interest Income	**(1.37)**	4.98
Components of defined benefit costs recognised in other comprehensive income	**(16.85)**	59.15
Total	**46.44**	103.81

The current service cost and the net interest expense for the year are included in the 'Employee benefits expenses' line item in the statement of profit and loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the Corporation's obligation in respect of its defined benefit plan is as follows:

₹ in Crore

Particulars	**March 31, 2021**	March 31, 2020
Present value of funded defined benefit obligation	**546.68**	507.85
Fair value of plan assets	**427.08**	358.20
Net Liability arising from defined benefit obligation	**119.60**	149.65

Notes forming part of the Consolidated Financial Statements (Continued)

Movement in the present value of the defined benefit obligation are as follows.

₹ in Crore

Particulars	March 31, 2021	March 31, 2020
Opening defined benefit obligation	**507.85**	422.92
Current Service Cost	**50.65**	33.66
Interest Cost	**34.99**	33.25
Benefits Paid	**(36.04)**	(30.90)
Actuarial Gains - Due to change in Financials Assumptions	**10.03**	35.65
Actuarial Losses - Due to Experience	**(23.80)**	21.83
Other adjustments	**3.00**	(8.56)
Closing defined benefit obligation	**546.68**	507.85

The Liability at the end of the year ₹ **348.83 Crore** (Previous Year ₹ 507.86 Crore) includes ₹ **78.46 Crore** (Previous Year ₹ 76.47 Crore) in respect of an un-funded plan.

Movement in the fair value of the plan assets are as follows.

₹ in Crore

Particulars	March 31, 2021	March 31, 2020
Opening fair value of plan assets	**358.20**	316.92
Expected Return on Plan Assets	**24.33**	21.15
Contributions	**58.86**	36.93
Actuarial loss on Plan Assets	**1.45**	(7.85)
Benefits paid	**(15.76)**	(6.19)
Other adjustments	**-**	(2.76)
Closing fair value of plan assets	**427.08**	358.20

Investment Pattern:

% Invested

Particulars	March 31, 2021	March 31, 2020
Central Government securities	**2.13%**	2.45%
State Government securities/securities guaranteed by State/Central Government	**27.80%**	23.98%
Public Sector / Financial Institutional Bonds	**6.46%**	3.23%
Private Sector Bonds	**19.88%**	21.07%
Deposits with Banks and Financial Institutions	**0.80%**	0.93%
Equity Shares	**35.45%**	40.29%
Others (including bank balances)	**7.48%**	8.05%
Total	**100.00%**	100.00%

Compensated absences

The actuarial liability of compensated absences of privilege leave of the employees of the Corporation is ₹ **205.67 Crore** (Previous Year ₹ 258.79 Crore).

Notes forming part of the Consolidated Financial Statements (Continued)

Sensitivity Analysis

₹ in Crore

Particulars	March 31, 2021	March 31, 2020
Projected Benefit Obligation on Current Assumptions	**468.22**	333.77
Delta Effect of +1% Change in Rate of Discounting	**(92.78)**	(83.83)
Delta Effect of -1% Change in Rate of Discounting	**125.79**	106.60
Delta Effect of +1% Change in Rate of Salary Increase	**125.40**	107.53
Delta Effect of -1% Change in Rate of Salary Increase	**(93.09)**	(85.12)
Delta Effect of +1% Change in Rate of Employee Turnover	**86.78**	65.37
Delta Effect of -1% Change in Rate of Employee Turnover	**(82.90)**	(68.82)

The sensitivity analysis have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented above may not be representative of the actual change in the projected benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognised in the balance sheet.

Maturity Analysis of the Benefit Payments: From the Fund

₹ in Crore

Projected Benefits Payable in Future Years From the Date of Reporting	March 31, 2021	March 31, 2020
1st Following Year	**66.22**	45.96
2nd Following Year	**48.36**	31.84
3rd Following Year	**35.29**	50.93
4th Following Year	**31.75**	26.59
5th Following Year	**40.39**	25.41
Sum of Years 6 To 10	**149.65**	140.40
Sum of Years 11 and above	**533.42**	527.16

43. Earnings per Share

In accordance with the Indian Accounting Standard (Ind AS) 33 on 'Earnings Per Share':

In calculating the Basic Earnings Per Share, the Profit After Tax of ₹ **20,487.55 Crore** (Previous Year ₹ 22,286.47 Crore) has been adjusted for amounts utilised out of Shelter Assistance Reserve of ₹ **0.03 Crore** (Previous Year ₹ 3.11 Crore).

The reconciliation between the Basic and the Diluted Earnings Per Share is as follows:

Amount in ₹

Particulars	Current Year	Previous Year
Basic Earnings Per Share	**105.59**	124.14
Effect of outstanding Stock Options	**(0.89)**	(0.95)
Diluted Earnings Per Share	**104.70**	123.19

Notes forming part of the Consolidated Financial Statements (Continued)

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	**177.48**	172.64
Diluted effect of outstanding Stock Options	**1.51**	1.34
Weighted average number of shares for computation of Diluted Earnings Per Share	**178.98**	173.98

44. Contingent Liabilities and commitments

44.1 The Corporation is involved in certain appellate, judicial and arbitration proceedings (including those described below) concerning matters arising in the normal course of business including claims from revenue authorities, customers, contingencies arising from having issued guarantees to lenders or to other entities. The proceedings in respect of these matters are in various stages. Management has assessed the possible obligations arising from such claims against the Corporation, in accordance with the requirements of Indian Accounting Standard (Ind AS) 37 and based on judicial precedents, consultation with lawyers or based on its historical experiences. Accordingly, management is of the view that based on currently available information no provision in addition to that already recognised in its financial statements is considered necessary in respect of the above.

44.2 Given below are amounts in respect of claims asserted by revenue authorities and others:

Contingent liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to ₹ **2,069.68 Crore** (Previous Year ₹ 2,078.01 Crore). The said amount has been paid/ adjusted and will be received as refund if the matters are decided in favour of the Corporation.

Contingent liability in respect of disputed dues towards wealth tax, service tax, interest on lease tax, and payment towards employers' contribution to ESIC not provided for by the Corporation amounts to ₹ **296.35 Crore** (Previous Year ₹ 112.45 Crore).

The Management is generally unable to reasonably estimate a range of possible loss for proceedings or disputes other than those included in the estimate above as plaintiffs / parties have not claimed an amount of money damages, the proceedings are in early stages and/or there are significant factual issues to be resolved.

The management believes that the above claims made are untenable and is contesting them.

44.3 Contingent liability in respect of guarantees and undertakings comprise of the following:

a) Guarantees ₹ **299.86 Crore** (Previous Year ₹ 386.10 Crore).

b) Corporate undertakings for securitisation of receivables aggregated to ₹ **1,152.68 Crore** (Previous Year ₹ 1,152.71 Crore). The outflows would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitised receivables.

In respect of these guarantees and undertaking, the management does not believe, based on currently available information, that the maximum outflow that could arise, will have a material adverse effect on the Corporation's financial condition.

44.4 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ **2,681.26 Crore** (Previous Year ₹ 3,460.97 Crore).

44.5 Claimes not acknowledged as debt and other contingent liabilities in respect of a subsidiary company amounts to ₹ **40.52 Crore** (previous year ₹ 35.53 Crore)

Notes forming part of the Consolidated Financial Statements (Continued)

44.6 **Proposed Dividend**

The Board of Directors have proposed dividend on equity shares at ₹ **23** per share at their meeting held on 7 May 2021 (Previous Year ₹ 21 per share). As per the Companies (Accounting Standard) Amendment Rules, 2016, the dividend will be recorded after the approval in the ensuing Annual General Meeting.

45. Segment Reporting

As per the Ind AS 108 dealing with 'Operating Segments', the main segments and the relevant disclosures relating thereto are as follows:

For the year ended March 31, 2021

₹ in Crore

Particulars	**Loans**	**Life Insurance**	**General Insurance**	**Asset Management**	**Others**	**Inter-segment adjustments**	**Unassociated**	**Total**
Segment Revenue	**48,889.33**	**71,742.94**	**18,289.49**	**1,982.47**	**600.16**	**(2,781.75)**	**348.60**	**1,39,071.24**
Segment Result	**15,022.87**	**2,001.62**	**890.56**	**1,380.85**	**59.68**	**(2,388.35)**	**348.60**	**17,315.83**
Share of profit of associates							**6,921.47**	**6,921.47**
Income-tax (Current)							**3,937.98**	**3,937.98**
Deferred tax							**(188.23)**	**(188.23)**
Total Result	**15,022.87**	**2,001.62**	**890.56**	**1,380.85**	**59.68**	**(2,388.35)**	**3,520.32**	**20,487.55**
Segment Assets	**5,49,816.71**	**1,86,628.82**	**26,071.39**	**5,841.81**	**758.00**		**60,238.17**	**8,29,354.90**
Segment Liabilities	**4,62,983.15**	**1,78,676.08**	**21,003.20**	**293.18**	**187.34**		**594.48**	**6,63,737.43**
Net Assets	**86,833.56**	**7,952.74**	**5,068.19**	**5,548.63**	**570.66**	**-**	**59,643.69**	**1,65,617.47**
Other Information								
Capital Expenditure	**109.98**	**59.64**	**78.43**	**60.12**	**19.48**	**-**	**-**	**327.65**
Depreciation	**148.21**	**57.86**	**179.82**	**56.12**	**31.85**	**-**	**-**	**473.86**
Non cash expenses other than Depreciation	**3,353.14**	**94.77**	**27.53**	**41.15**	**22.17**	**-**	**-**	**3,538.76**

For the year ended March 31, 2020

₹ in Crore

Particulars	Loans	Life Insurance	General Insurance	Asset Management	Others	Inter-segment adjustments	Unassociated	Total
Segment Revenue	60,396.80	28,165.41	14,793.45	2,153.95	838.92	(4,682.94)	130.31	1,01,795.90
Segment Result	20,752.37	1,283.42	691.95	1,683.47	176.53	(4,270.91)	130.32	20,447.15
Share of profit of associates							5,746.10	5,746.10
Income-tax (Current)							3,415.75	3,415.75
Deferred tax							(48.97)	(48.97)
Total Result	20,752.37	1,283.42	691.95	1,683.47	176.53	(4,270.91)	2,509.64	22,826.47
Segment Assets	5,07,046.08	1,39,676.67	23,271.49	4,830.77	880.95		54,108.97	7,29,814.93
Segment Liabilities	4,43,634.85	1,33,068.82	18,555.20	277.49	149.78		292.31	5,95,978.45
Net Assets	63,411.23	6,607.85	4,716.29	4,553.28	731.17	-	53,816.66	1,33,836.48
Other Information								
Capital Expenditure	185.69	33.37	55.21	54.83	27.04			356.14
Depreciation	182.52	55.32	46.47	41.97	30.68			356.96
Non cash expenses other than Depreciation	6,905.56	12,495.02	84.58	7.30	3.46			19,495.91

a) The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.

b) The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

c) Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

d) Revenue, expenses, assets and liabilities which relate to the Group as a whole and are not allocable to segments on reasonable basis have been included under unallocated revenue / expenses / assets / liabilities.

e) Loans segment mainly comprises of Group's financing activities for housing and also includes financing of commercial real estate and others through the Corporation and its subsidiaries GRUH Finance Limited (upto August 30, 2019) and HDFC Credila Financial Private Limited.

f) Asset Management segment includes portfolio management, mutual fund and property investment management.

g) Others includes project management, investment consultancy and property related services.

i) **Geographic information**

The geographic information analyses the Group's revenues and non-current assets by the Company's country of domicile and other countries. In presenting geographic information, segment revenue has been based on the selling location in relation to sales to customers and segment assets are based on geographical location of assets.

Revenue from external customers:

₹ in Crore

Particulars	2020-2021	2019-2020
India	**1,38,974.96**	1,01,741.34
United Arab Emirates	**78.74**	36.99
Singapore	**16.56**	15.96
Mauritius	**0.98**	1.61
Total	**1,39,071.24**	1,01,795.90

Assets other than financial instruments and tax assets:

₹ in Crore

Particulars	2020-2021	2019-2020
India	**6,234.11**	6,222.92
United Arab Emirates	**2.25**	1.84
Singapore	**0.48**	0.46
Mauritius	**-**	-
Total	**6,236.84**	6,225.22

No single customer represents 10% or more of the Group's total revenue for the year ended 31 March, 2021 and 31 March, 2020.

Notes forming part of the Consolidated Financial Statements (Continued)

46. Share-based payments

The details of the various stock options granted to employees pursuant to the Corporation's Stock Options Schemes and outstanding as on date are as under:

Particulars	ESOS-20	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Plan period	2020-24	2017-20	2014-17	2011-14	2008-11	2007-10
Quantum of Options	3,84,21,531	4,30,02,977	62,73,064	61,02,475	57,90,000	54,56,835
Equivalent number of shares of FV of ₹ 2 per share	3,84,21,531	4,30,02,977	3,13,65,320	3,05,12,375	2,89,50,000	2,72,84,175
Method of Accounting	Fair Value	Fair Value	Intrinsic value	Intrinsic value	Intrinsic value	Intrinsic value
Vesting period	1-4 years	1-3 years	1-3 years	1-3 years	1-3 years	1-3 years
Vesting condition(s)	Continued employment	Continued employment	Continued employment	Continued employment	Continued employment	Continued employment
Exercise period	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting	5 Years from date of Vesting
Grant date	04/09/2020 2/02/2021	01/06/2017 30/10/2017 29/01/2018 16/03/2018 02/08/2019	8-Oct-14	23-May-12	25-Nov-08	12-Sep-07
Grant / Exercise price (₹ per Option)	₹ 1,808.75 & ₹ 2,579.25	₹ 1,569.85 to ₹ 2,086.80	₹ 5,073.25	₹ 3,177.50	₹ 1,350.60	₹ 2,149.00
Value of Equity Shares as on date of Grant of Original Option (₹ per share)	₹ 1,808.75 & ₹ 2579.25	₹ 1,569.85 to ₹ 2,086.80	₹ 5,073.25	₹ 3,177.50	₹ 1,350.60	₹ 2,149.00

Method used for accounting for share based payment plan:

The stock options granted to employees pursuant to the Corporation's Stock options Schemes, are measured at the fair value of the options at the grant date using Black-Scholes model. The fair value of the options determined at grant date is recognised as employee compensation cost over the vesting period on straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity.

Movement during the year in the options under ESOS-17, ESOS-14, ESOS-11, ESOS-08 and ESOS-07:

Details of Activity in the options as at March 31, 2021

Number of options

Particulars	ESOS-20	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Outstanding at the beginning of the year	-	**3,68,40,914**	**17,71,361**	**839**	**4,874**	**5,287**
Granted during the year	**3,84,21,531**	-	-	-	-	-
Exercised during the year	-	**62,87,028**	**17,57,168**	**839**	-	-
Lapsed during the year	**2,31,587**	**42,943**	**216**	-	-	-
Outstanding at the end of the year	**3,81,89,944**	**3,05,10,943**	**13,977**	-	**4,874**	**5,287**
Unvested at the end of the year	**3,81,89,944**	**1,57,000**	-	-	-	-
Exercisable at the end of the year	-	**3,03,53,943**	**13,977**	-	**4,874**	**5,287**
Weighted average price per option	**1,809.25**	**1,573.22**	**5,073.25**	**3,177.50**	**1,350.60**	**2,149.00**
Weighted average remaining contractual life	**5.99**	**2.25**	**0.85**	-	-	-

Notes forming part of the Consolidated Financial Statements (Continued)

Details of Activity in the options as at March 31, 2020

Number of options

Particulars	ESOS-17	ESOS-14	ESOS-11	ESOS-08	ESOS-07
Outstanding at the beginning of the year	4,04,44,710	31,47,541	4,593	4,874	5,287
Granted during the year	1,57,000	-	-	-	-
Exercised during the year	37,20,484	13,74,909	3,754	-	-
Lapsed during the year	40,312	1,271		-	-
Outstanding at the end of the year	3,68,40,914	17,71,361	839	4,874	5,287
Unvested at the end of the year	8,57,220	-	-	-	-
Exercisable at the end of the year	3,59,83,694	17,71,361	839	4,874	5,287
Weighted average price per option	1,573.22	5,073.25	3,177.50	1,350.60	2,149.00
Weighted average remaining contractual life	3.26	0.55	-	-	-

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-2020, ESOS-2017, ESOS-2014, ESOS-2011, ESOS-2008 and ESOS-2007, as on the date of grant, are as follows:

Particulars	ESOS-2020	ESOS-2017*	ESOS-2014	ESOS-2011	ESOS-2008	ESOS-2007
Risk-free interest rate (p.a.)	4.33%	6.62%	8.28%	8.06%	6.94%	7.70%
Expected life	Upto 4 years	Upto 3 years	Upto 3 years	Upto 2 years	Upto 2 years	Upto 2 years
Expected volatility of share price	21%	16%	15%	15%	29%	19%
Expected growth in dividend (p.a.)	20%	20%	20%	20%	20%	20%
The weighted average fair value, as on the date of grant (per Stock Option)	₹ 220.18	₹ 275.40	₹ 1,035.91	₹ 474.56	₹ 238.79	₹ 307.28

Volatility is measure of the amount by which price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in Black-Scholes Model is the annualised standard deviation of the continuously compounded rates of return on stock over a period of time.

* The stock based compensation expense determined under fair value based method and charged to the statement of profit and loss is ₹ **338.42 Crore** (Previous Year ₹ 13.64 Crore).

Notes forming part of the Consolidated Financial Statements (Continued)

47. Related Party Transactions

As per Ind AS-24, Related Party Disclosure, the Group's related parties are disclosed below:

Associates
HDFC Bank Limited
Good Host Spaces Private Limited
Magnum Foundations Private Limited
(Upto February 23, 2021)
True North Ventures Private Limited
HDFC Securities Limited
(Subsidiary of HDFC Bank Limited)
HDB Financial Services Limited
(Subsidiary of HDFC Bank Limited)
Renaissance Investment Solutions ARC Pvt. Ltd
(w.e.f. 24 November 2020)
GRUH Finance Ltd
(w.e.f. 31 August 2019 to 17 October 2019)

Investing Party and its Group Companies
ERGO International AG
Munich Re
Standard Life Investments Limited
Standard Life (Mauritius Holdings) 2006 Limited

Entities over which control is exercised
H T Parekh Foundation
HDFC Employees Welfare Trust
HDFC Employees Welfare Trust 2
Maharashtra 3E Education Trust
3E Education Trust

Entities where Directors/Close family members of Directors of the Corporation have control / significant influence *(where there are transactions)*
Geetanjali Trading and Investments Private Limited

Post employment benefit plans of the Corporation or its related entities
(where there are transactions)
Housing Development Finance Corporation Limited Provident Fund
Superannuation Fund of Housing Development Finance Corporation Limited
Gratuity Fund of Housing Development Finance Corporation Limited
Gratuity Assurance Scheme
HDFC Capital Advisors Limited Gratuity Fund
HDFC ERGO General Insurance Company Limited Superannuation Fund
HDFC ERGO General Insurance Company Limited Employees Gratuity Trust

Key Management Personnel
(Whole-time Directors)
Mr. Keki M. Mistry (Vice Chairman & CEO)
Ms. Renu Sud Karnad (Managing Director)
Mr. V. Srinivasa Rangan (Executive Director)

Key Management Personnel
(Non-executive directors)
Mr. Deepak S Parekh (Chairman)
Mr. Nasser Munjee
Dr. J. J. Irani
Mr. U. K. Sinha
Ms. Ireena Vittal
Dr. Bhaskar Ghosh
Mr. Jalaj Dani

Relatives of Key Management Personnel
(Whole-time Directors)
(where there are transactions)
Mr. Singhal Nikhil
Mr. Ashok Sud
Mr. Bharat Karnad
Ms. Arnaaz K. Mistry
Ms. Tinaz K. Mistry

Relatives of Key Management Personnel
(Non-executive directors)
(where there are transactions)
Mr. Aditya D. Parekh
Mr. Siddharth D. Parekh
Ms. Harsha Shantilal Parekh
Ms. Smita D. Parekh
Mr. Malav A. Dani
Mrs. Niamat Mukhtar Munjee

Notes forming part of the Consolidated Financial Statements (Continued)

The Group's related party transactions and balances are summarised as follows:

₹ in Crore

Nature of related party	Nature of Transaction/s	March 31, 2021	March 31, 2020
Investing Party and its Group Companies	Consultancy, Fees & Other Income	**0.45**	1.31
	Reinsurance Income	**796.59**	283.97
	Other Income/ Receipts	**2.84**	3.74
	Interest Expense	**16.28**	12.95
	Other Expenses/ Payments	**2.51**	-
	Reinsurance Expenses	**1,534.42**	401.29
	Other Advances / Receivables	**0.57**	1.25
	Non-Convertible Debentures Closing balance	**210.00**	170.00
	Other Liabilities / Payables	**839.21**	228.61
	Dividend Paid	**230.08**	76.38
Associates	Dividend Income	**-**	1,195.49
	Rent Income	**1.66**	1.50
	Support cost recovered (Prorata Building Maintainance Cost)	**0.39**	0.40
	Premium Received	**144.40**	118.91
	Interest Income	**108.13**	76.88
	Reimbursement of Cost	**2.09**	2.18
	Other Income/ Receipts	**542.01**	469.76
	Interest Expense	**56.51**	89.08
	Finance Cost	**(179.72)**	(54.84)
	Bank & Other Charges	**39.58**	41.88
	Donation[@]	**-**	3.00
	Provision for Diminution in the value of Investments	**(8.02)**	2.19
	Other Expenses/ Payments	**2,370.79**	2,081.13
	Investments made during the year	**21.55**	86.71
	Investments sold / Redeemed	**13.12**	-
	Securities sold of other entities	**11.43**	487.28
	Investments - Debentures & Bonds Closing balance	**1,022.20**	911.71
	Securities purchased of other entities	**2,945.12**	2,776.11
	Loans given	**19.53**	4.52
	Loans repaid	**27.45**	-
	Loans Sold	**18,979.78**	24,127.25
	Loans Closing balance	**23.61**	31.53
	Bank Deposits placed	**2,457.11**	783.26
	Bank Deposits matured / withdrawn	**2,638.82**	268.95
	Bank Balance and Deposits Closing balance	**2,147.50**	4,865.38

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Nature of related party	Nature of Transaction/s	March 31, 2021	March 31, 2020
	Trade Receivable	**1.89**	51.64
	Other Advances / Receivables	**198.79**	165.81
	Prepaid Premium	**0.44**	1.12
	Deposits Received	**100.00**	75.00
	Deposits Closing balance	**50.00**	-
	Other Liabilities / Payables	**293.43**	784.47
	Amounts payable - Securitised Loans Closing balance	**494.75**	387.80
	Deposits Matured / Repaid	**50.00**	75.00
	Dividend Paid	**0.25**	0.02
	Guarantees	**2.83**	2.09
Entities over which control is exercised	Support cost recovered (Deputation cost recovered)	**0.06**	0.21
	Interest Expense	**8.60**	13.68
	CSR Expenditure	**112.73**	182.80
	Trade Receivable	**-**	0.02
	Deposits repaid / matured	**140.00**	21.01
	Deposits Closing balance	**11.25**	151.25
	Other Liabilities / Payables	**0.28**	0.17
	Dividend Paid	**0.12**	0.09
Entities over which Director / closed family member of director having control/ jointly control	Interest Income	**-**	20.68
	Loans repaid	**-**	300.00
Post employment benefit plans of the Corporation or its related entities	Interest Expense	**0.11**	0.17
	Contribution To PF & Other Funds	**82.37**	63.72
	Investments - Debentures & Bonds Closing balance	**59.00**	34.84
	Other Advances / Receivables	**4.02**	0.10
	Non-Convertible Debentures - Redemption	**0.80**	-
	Non-Convertible Debentures Closing balance	**1.00**	1.80
	Other Liabilities / Payables	**0.04**	24.62
Key Management Personnel (Whole-time directors)	Premium Received	**0.09**	0.03
	Interest Income	**0.00**	0.00
	Interest Expense	**1.22**	0.29
	Remuneration#	**40.42**	39.19
	Sitting Fees	**0.99**	1.47
	Share based payments	**30.71**	-
	Other Expenses/ Payments	**-**	0.00
	Consultancy, Fees & Other Charges	**0.60**	0.72
	Loans repaid	**0.02**	0.01
	Loans Closing balance	**-**	0.02
	Deposits Received	**21.01**	0.01
	Deposits repaid / matured	**3.25**	0.01
	Deposits Closing balance	**21.05**	3.28
	Other Liabilities / Payables	**1.01**	0.39
	Dividend Paid	**7.73**	6.59

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Nature of related party	Nature of Transaction/s	March 31, 2021	March 31, 2020
Key Management Personnel (Non-executive directors)	Premium Received	**10.00**	10.00
	Interest Expense	**0.05**	-
	Sitting Fees	**1.13**	1.21
	Commission^^	**4.50**	4.60
	Other Expenses/ Payments	**0.66**	0.65
	Consultancy, Fees & Other Charges	**0.20**	0.24
	Deposits Received	**1.00**	-
	Deposits Closing balance	**1.00**	-
	Dividend Paid	**2.47**	2.14
Relatives of Key Management Personnel (Whole-time directors)	Premium Received	**1.00**	1.00
	Interest Income	**0.02**	0.03
	Interest Expense	**0.09**	0.04
	Other Expenses/ Payments	**-**	0.01
	Loans repaid	**0.03**	0.03
	Loans Closing balance	**0.30**	0.32
	Other Advances / Receivables	**-**	0.01
	Deposits Received	**2.57**	-
	Deposits repaid / matured	**0.50**	-
	Deposits Closing balance	**2.57**	0.50
	Other Liabilities / Payables	**0.06**	0.05
	Dividend Paid	**1.28**	1.15
Relatives of Key Management Personnel (Non-executive directors)	Premium Received	**0.20**	0.20
	Interest Expense	**1.36**	1.56
	Other Expenses/ Payments	**0.00**	0.00
	Deposits Received	**6.28**	14.89
	Deposits repaid / matured	**5.77**	21.15
	Deposits Closing balance	**17.17**	16.66
	Other Liabilities / Payables	**1.40**	0.75
	Dividend Paid	**3.13**	2.82

Notes:-

All Related Party Transactions entered during the year were in ordinary course of the business and are on arm's length basis.

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

^^ Commission is approved by the Board of Directors within the limit as approved by the shareholders of the Corporation and will be paid post adoption of annual accounts by the shareholders.

@ Previous Year Donations includes ₹ 3 Crore, utilised out of Shelter Assistance Reserve.

'0" denotes amount less than ₹ 1 Crore.

Notes forming part of the Consolidated Financial Statements (Continued)

48. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled after factoring in rollover and prepayment assumptions.

₹ in Crore

ASSETS	As at March 31, 2021			As at March 31, 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial Assets						
Cash and cash equivalents	2,628.68	-	2,628.68	5,198.46	-	5,198.46
Bank Balance other than (a) above	329.34	77.45	406.79	230.47	72.60	303.07
Derivative financial instruments	436.59	1,755.71	2,192.30	2,134.00	3,624.06	5,758.06
Trade Receivables	172.53	69.82	242.35	342.89	-	342.89
Loans	76,981.05	4,13,966.75	4,90,947.80	70,237.32	3,75,258.84	4,45,496.16
Investments	48,906.35	61,888.07	1,10,794.42	44,684.34	55,226.69	99,911.03
Assets pertaining to Life Insurance Business	22,015.22	1,61,601.32	1,83,616.54	17,809.00	1,19,522.89	1,37,331.89
Assets pertaining to Non - Life Insurance Business	6,424.67	17,097.77	23,522.44	5,701.04	14,167.20	19,868.24
Non current assets held for sale	141.00	-	141.00	-	-	-
Other financial assets	2,460.89	1,390.81	3,851.70	2,425.48	1,558.24	3,983.72
Non-Financial Assets						
Current Tax Asset	-	2,920.28	2,920.28	-	3,696.51	3,696.51
Deferred Tax Assets (Net)	-	1,853.76	1,853.76	-	1,699.68	1,699.68
Investment property	-	936.77	936.77	-	981.52	981.52
Property, Plant and Equipment	-	1,738.69	1,738.69	-	1,744.27	1,744.27
Other Intangible assets		1,083.14	1,083.14	4.63	1,203.72	1,208.35
Other non-financial assets	726.37	16.35	742.72	238.08	452.27	690.35
Non current assets held for sale	134.79	-	134.79			
Goodwill on consolidation	-	1,600.73	1,600.73	-	1,600.73	1,600.73
Total Assets	1,61,357.48	6,67,997.42	8,29,354.90	1,49,005.71	5,80,809.22	7,29,814.93
LIABILITIES						
Financial Liabilities						
Derivative financial instruments	69.87	1,646.92	1,716.79	2.49	352.35	354.84
Trade and other Payables	3,237.79	138.36	3,376.15	2,404.14	-	2,404.14
Debt Securities	27,062.66	1,56,647.82	1,83,710.48	32,509.96	1,47,289.19	1,79,799.15
Borrowings (Other than debt securities)	17,234.61	90,757.34	1,07,991.95	25,891.10	82,023.57	1,07,914.67
Deposits	55,400.34	94,676.85	1,50,077.19	43,933.72	88,371.07	1,32,304.79
Subordinated Liabilities	1,026.67	4,206.98	5,233.65	1,000.00	4,348.93	5,348.93
Liabilities pertaining to Life Insurance Business	33,805.20	1,41,600.95	1,75,406.15	24,520.32	1,06,486.42	1,31,006.74
Liabilities pertaining to Non Life Insurance Business	11,507.33	8,328.79	19,836.12	8,908.14	8,515.17	17,423.31
Other financial liabilities	11,872.22	1,515.60	13,387.82	13,659.40	2,877.57	16,536.97
Non-Financial Liabilities						
Current tax liabilities (Net)	469.64	-	469.64	259.84	-	259.84
Deferred tax liabilities (Net)	-	124.80	124.80	-	32.46	32.46
Provisions	275.78	95.39	371.17	78.88	293.21	372.09
Other non-financial liabilities	1,386.34	649.18	2,035.52	1,172.49	1,048.03	2,220.52
Total Liabilities	1,63,348.45	5,00,388.98	6,63,737.43	1,54,340.48	4,41,637.95	5,95,978.45
Net Assets	(1,990.97)	1,67,608.44	1,65,617.47	(5,334.77)	1,39,171.26	1,33,836.47

Notes forming part of the Consolidated Financial Statements (Continued)

49. Risk disclosures pertaining to Financial instruments

49.1 Risk disclosures pertaining to Financial instruments for other than Insurance business

49.1.1 Capital Management

The Corporation maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of National Housing Bank (NHB). The adequacy of the Corporation's capital is monitored using, among other measures, the regulations issued by NHB.

The Corporation has complied in full with all its externally imposed capital requirements over the reported period.

₹ in Crore

Particulars	March 31, 2021	March 31, 2020
Net debt	**4,44,384.59**	4,20,169.08
Total equity	**1,65,617.47**	1,33,836.48
Net debt to equity ratio	**2.68 : 1**	3.14 : 1

49.1.2 Financial Risk Management

The Corporation has to manage various risks associated with the lending business. These risks include Foreign exchange risk, interest rate risk and counterparty risk.

The Board approved Financial Risk Management and ALM Policy sets out the framework and limits for management of the aforementioned risks, in accordance with which the Corporation manages them on an ongoing basis.

Liquidity risks are managed through a combination of strategies like managing tenors in line with the regulations on Asset Liability Management, and maintaining adequate liquidity cover. Interest rate risks are managed by entering into interest rate swaps. The currency risk on borrowings is actively managed mainly through a combination of principal only swaps, forward contracts, option contracts. Counterparty risk is reviewed periodically to ensure that exposure to various counterparties is well diversified and within the limits fixed by the Derivative Committee. It is also managed by entering into collateralization arrangements with banking counterparties to the extent possible.

49.1.3 Fair Valuations

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Corporation has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

₹ in Crore

Particulars	March 31, 2021			March 31, 2020		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial Assets						
Mutual funds	**21,048.82**	**-**	**-**	28,162.25	-	-
Government securities	**-**	**29.94**	**22,552.38**	-	-	14,283.47
Equity shares	**1,115.72**	**7,242.78**	**-**	621.54	5,110.90	
Preference Shares	**7.85**	**-**	**3.50**	16.68	-	70.00
Debentures	**460.09**	**32.85**	**1,537.41**	419.73	101.30	1,201.39
Pass-through Certificates	**-**	**-**	**18.33**	-	-	22.57
Security Receipts	**175.00**	**-**	**-**	176.13	-	-
Investment in Units of Venture Capital Fund	**1,174.63**	**-**	**-**	841.33	-	-

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	March 31, 2021			March 31, 2020		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Derivative financial assets	1,252.39	939.91		2,297.52	3,460.54	
Trade receivables	-	-	242.35	-	-	342.89
Loans	-	-	4,90,947.80	-	-	4,45,496.16
Other Financial Assets	86,505.87	1,04,790.92	19,693.89	60,653.35	82,633.30	17,897.20
Total Financial Assets	**1,11,740.38**	**1,13,036.40**	**5,34,995.66**	**93,188.53**	**91,306.04**	**4,79,313.68**
Financial Liabilities						
Derivative Financial Liabilities	-	1,716.79	-	-	354.83	-
Trade and other payables	-	-	3,376.15	-	-	2,404.14
Debt Securities	94,026.29	-	89,684.19	67,627.19	-	1,12,171.96
Borrowings	-	-	1,07,991.95	-	-	1,07,914.67
Deposits	-	-	1,50,077.19	-	-	1,32,304.79
Subordinated Liabilities	-	-	5,233.65	-	-	5,348.93
Other Financial Liabilities	-	-	2,08,630.09	-	-	1,64,967.02
Total Financial Liabilities	**94,026.29**	**1,716.79**	**5,64,993.22**	**67,627.19**	**354.83**	**5,25,111.51**

Note: The table above, does not include Cash and Cash Equivalents, Bank Balances and Investments in Associates.

₹ in Crore

Financial Assets and Liabilities measured at Fair Value	Level 1	Level 2	Level 3	Total
As at March 31, 2021				
Financial Assets				
Financial Investments at FVTPL				
Mutual Funds	21,048.82	-	-	21,048.82
Equity Shares	813.16	-	302.56	1,115.72
Preference Shares	-	-	7.85	7.85
Debentures	-	-	460.09	460.09
Security Receipts	-	-	175.00	175.00
Investment in Units of Venture Funds / Alternate Investment Funds / REITS	79.44	-	1,095.19	1,174.63
Other financial assets	75,158.53	10,625.94	721.39	86,505.87
Derivatives designated as hedges				
-Interest RATE Swaps	-	1,252.39	-	1,252.39
Financial Investments at FVTOCI				
Equity investments	6,338.09	-	904.69	7,242.78
Government securities	29.94	-	-	-
Debentures	-	-	32.85	32.85
Other financial assets	75,481.43	29,309.50	-	1,04,790.92
Derivatives designated as hedges				
-Forwards	-	-	-	-
-Currency swaps - Principal Only Swaps	-	939.91	-	939.91
-Options purchased (net)	-	-	-	-
Total Financial Assets	**1,78,949.41**	**42,127.74**	**3,699.63**	**2,24,746.84**
Financial Liabilities				
Debt Securities	-	94,026.29	-	94,026.29
Derivatives classified as FVOCI				
- Forward rate contracts	-	1,318.95	-	1,318.95
- Interest Rate Swaps INR	-	198.10	-	198.10
- Interest Rate Swaps USD	-	64.33	-	64.33
- Forwards	-	135.41	-	135.41
Total Financial Liabilities	**-**	**95,743.08**	**-**	**95,743.08**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Financial Assets and Liabilities measured at Fair Value	Level 1	Level 2	Level 3	Total
As at March 31, 2020				
Financial Assets				
Financial Investments at FVTPL				
Mutual Funds	27,780.95	381.30	-	28,162.25
Equity Shares	191.94	-	429.60	621.54
Preference Shares	-	-	16.68	16.68
Debentures	-	-	419.73	419.73
Security Receipts	-	-	176.13	176.13
Investment in Units of Venture Funds and Alternate Investment Funds	-	-	841.33	841.33
Other financial assets	45,206.21	12,506.05	2,941.09	60,653.35
Derivatives designated as hedges				
-Interest RATE Swaps	-	2,297.52	-	2,297.52
Financial Investments at FVTOCI				
Equity investments	3,925.87	-	1,185.03	5,110.90
Debentures	-	-	101.30	101.30
Other financial assets	54,941.85	24,143.53	3,547.92	82,633.30
Derivatives designated as hedges				-
- Forwards	-	485.00	-	485.00
- Currency swaps - Principal Only Swaps	-	2,119.23	-	2,119.23
- Options purchased (net)	-	856.31	-	856.31
Total Financial Assets	**1,32,046.82**	**42,788.94**	**9,658.81**	**1,84,494.57**
Financial Liabilities				
Debt Securities	-	67,627.19	-	67,627.19
Derivatives classified as FVOCI				-
- Forward rate contracts		13.42		13.42
- Interest Rate Swaps	-	260.56	-	260.56
- Currency swaps - Principal Only Swaps	-	80.85	-	80.85
Total Financial Liabilities	**-**	**67,982.02**	**-**	**67,982.02**

Valuation technique used to determine fair value

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Corporation determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method, market comparable method, recent transactions happened in the company and other valuation models.

The Corporation measures financial instruments, such as investments (other than equity investments in Subsidiaries, Joint Ventures and Associates) at fair value.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below.

Quoted prices in an active market (Level 1): Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, units of mutual funds (open ended) and traded bonds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Notes forming part of the Consolidated Financial Statements (Continued)

Valuation techniques with observable inputs (Level 2): The fair value of financial instruments that are not traded in an active market for example, Securities receipts, Mutual Funds (close ended) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2, this level of hierarchy includes financial assets, measured using inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets measured using inputs that are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data, this level of hierarchy includes unlisted equity instruments, venture fund units and security receipts.

Valuation Process - Equity Instrument Level 3

When the fair value of equity investments cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the Discounted Cash Flow (DCF) model, market comparable method and based on recent transactions. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is exercised in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain unquoted equity instruments insufficient more recent information is available to measure fair value and cost represents the best estimate of fair value within that range. These investments in equity instruments are not held for trading. Instead, they are held for medium or long term strategic purpose.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Particulars	Sensitivity		March 31, 2021	March 31, 2020	Significant unobservable inputs*
	Favourable	Un-favourable			
Unquoted equity shares	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 29.83 Crore in FY21.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 29.58 Crore in FY21.	**290.24**	419.66	Valuation Factor
Locked in Shares of Yes Bank Ltd	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 72.68 Crore in FY21.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 72.68 Crore in FY21.	**726.75**	1,018.50	Valuation Factor
Compulsorily Convertible Preference Shares	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 0.08 Crore in FY20.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 0.08 Crore in FY20.	**0.00**	0.78	Valuation Factor
Convertible Debentures	A positive change in the Valuation Factor by 10% increases the fair value by ₹ 6.64 Crore in FY21.	An adverse change in the Valuation Factor by 10% reduces the fair value by ₹ 6.64 Crore in FY21.	**66.42**	232.20	Valuation Factor
Venture Funds	Increase in NAV by 10% increases the fair value by ₹ 88.69 Crore in FY21.	Decrease in NAV by 10% reduces the fair value by ₹ 89.02 Crore in FY21.	**996.73**	775.21	Net Asset Value
Security Receipts	Increase in NAV by 10% increases the fair value by ₹ 0.03 Crore in FY21.	Decrease in NAV by 10% reduces the fair value by ₹ 0.03 Crore in FY21.	**0.30**	1.43	Net Asset Value

* *There were no significant inter-relationships between unobservable inputs that materially affect fair values.*

Notes forming part of the Consolidated Financial Statements (Continued)

Valuation Factor includes Discounted Cash Flows, Equity Multiples such as PE Ratio, Price to Book Value Ratio and EV/EBITDA Ratio.

Sensitivity data are calculated using a number of techniques, including analysing price dispersion of different price sources, adjusting model inputs to reasonable changes within the fair value methodology.

Fair value of the Financial Assets that are not measured at fair value ₹ in Crore

Particulars	As at March 31, 2021			As at March 31, 2020		
	Carrying Value	Fair Value	Fair Value hierarchy	Fair Value	Carrying Value	Fair Value hierarchy
Financial Assets at Amortised Cost						
Government securities	**22,552.38**	**22,632.29**	**Level 2**	14,283.47	14,531.94	Level 2
Preference shares	**3.50**	**3.50**	**Level 3**	70.00	70.00	Level 3
Debentures	**1,537.41**	**1,604.40**	**Level 3**	1,201.39	1,202.37	Level 3
Pass-through Certificates	**18.33**	**18.24**	**Level 3**	22.57	22.72	Level 3
Total Financial Assets	**24,111.62**	**24,258.43**		15,577.43	15,827.03	
Financial Liabilities						
Non Convertible Debentures	**1,49,195.95**	**1,55,050.04**	**Level 2**	1,44,466.85	1,45,279.82	Level 2
Synthetic Rupee Denominated Bonds	**2,800.00**	**2,855.55**	**Level 2**	6,100.00	6,075.28	Level 2
Deposits	**1,50,501.61**	**1,52,323.81**	**Level 2**	1,32,304.79	1,33,538.37	Level 2
Subordinated Liabilities	**4,731.73**	**5,099.75**	**Level 2**	5,348.93	5,661.49	Level 2
Total Financial Liabilities	**3,07,229.29**	**3,15,329.15**		2,88,220.57	2,90,554.96	

The Fair Value of the financial assets and financial liabilities are considered at the amount, at which the instrument could be exchanged in current transaction between willing parties, other than in forced or liquidation sale.

Loans

Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ **4,90,947.80 Crore** (As at March 31, 2020 ₹ 4,45,496.16 Crore) approximates their fair value.

Short term and other Financial Assets and Liabilities

The Financial Assets and Liabilities, such as cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivable, trade payables, commercial paper, foreign currency loans, borrowings other financial assets and liabilities approximate their carrying amounts largely due to the short term maturity of these instruments.

49.1.4 **Credit Risk**

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Corporation. In its lending operations, the Corporation is principally exposed to credit risk.

The credit risk is governed by various Product Policies. The Product Policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

Notes forming part of the Consolidated Financial Statements (Continued)

Credit Approval Authorities

The Board of Directors has delegated credit approval authority to a sanctioning committee with approval limits which is approved by the Managing Director.

Credit Risk Assessment Methodology

Corporate Portfolio

The Corporation has an established credit appraisal procedure which has been detailed in Corporate Loans Policy and Developer Loans Policy respectively. The policies outline appraisal norms including assessment of quantitative and qualitative parameters along with guidelines for various products. The policy also includes process for approval of Loans which are subject to review and approval by Sanctioning Committees.

Corporation carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. A significant portion of Corporate Finance loans are secured by a lien over appropriate assets of the borrower.

Borrower risk is evaluated by considering:

- the risks and prospects associated with the industry in which the borrower is operating (industry risk);
- the financial position of the borrower by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);
- the borrower's relative market position and operating efficiency (business risk);
- the quality of management by analysing their track record, payment record and financial conservatism (management risk); and
- the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project (project risk).

Restructuring, ECLGS and Moratorium Guidelines issued by RBI are adopted for loans on a selective basis, after assessing the impact of COVID-19 pandemic on their businesses.

Lease Rental Discounting

Loan is given against assured sum of rentals/receivables. The risk assessment procedure include:

- carrying out a detailed evaluation of terms of Lease / Leave and License Agreements such as lease rental receivables, term of the leases and periodicity of rentals.
- conducting due diligence on and appraisal of Borrowers / Lessors and Lessees including due diligence of project/property. These Loans are secured by project property and serviced from rentals/receivables.

Construction Finance

The Corporation has a framework for the appraisal and execution of project finance transactions. The Corporation believes that this framework creates optimal risk identification, allocation and mitigation and helps minimize residual risk.

The project finance approval process begins with a detailed evaluation of technical, commercial, financial, marketing and management factors and the sponsor's financial strength and experience.

As part of the appraisal process, a risk matrix is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. After credit approval, a letter of intent is issued to the borrower, which outlines the principal financial terms of the proposed facility, sponsor obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower.

After completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

Project finance loans are generally fully secured and have full recourse against the borrower. In most cases, the Corporation has a security interest and first lien on all the fixed assets. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. The Corporation also takes additional credit comforts such as corporate or personal guarantees from one or more sponsors of the project.

The Corporation requires the borrower to submit periodic reports and continue to monitor the credit exposure until loans are fully repaid.

Further since both Lease Rental Discounting and Construction Finance Facilities are mostly serviced from receivables from the projects/property financed, all the cash flows are charged to the Corporation, and are ring fenced by way of Escrow mechanism. Under this mechanism all such receivables flow into Escrow Account from where amounts are directly credited into the Corporation's account.

During the year, additional credit checks were introduced in the non-retail policy in accordance with certain regulatory measures announced by RBI to mitigate the burden of debt servicing as a result of disruptions in cash flow due to the COVID -19 pandemic.

Restructuring of Accounts

The economic fallout on account of COVID-19 pandemic has led to significant financial stress for many borrowers. Considering the above, with the intent to facilitate revival and to mitigate the impact on ultimate borrowers, Reserve Bank of India (RBI) introduced measures under the Resolution Framework for COVID-19. As per the RBI Framework, the Corporation established a policy to provide resolution for eligible borrowers having stress on account of COVID-19 in line with the RBI Guidelines.

As advised under the said circular and Corporation's policy, the eligibility of customers was assessed, so as to understand the extent of financial stress caused due to COVID-19, i.e delay in construction, sales and consequent cash flow mismatch, duly supported by the documentary evidence. In addition to assessing the impact of stress, the Resolution framework was discussed with the eligible borrower and existing lenders (in case of multiple lenders) prior to invocation of Resolution plan. The Resolution Framework offered to ensure that the servicing of the restructured loan is not likely to be impacted. The implementation of Resolution plan is under process for respective accounts in line with the time lines prescribed in the said Circular.

ECLGS

During the current year, the Government of India through Ministry of Finance, Department of Financial Services, had introduced the Emergency Credit Line Guarantee Scheme (ECLGS), for providing 100% guarantee coverage for additional working capital term loans (in case of Banks and FIs) and additional term loans (in case of NBFCs) upto 20% of their entire outstanding credit (upto limits specified under the Scheme) as on February 29, 2020.

ECLGS was offered to borrowers eligible as per the criteria specified in the scheme and Corporation's Board approved policy. The Corporation carried out credit assessment of eligible borrowers to assess the requirement of the borrower and the qualifying criteria as per criteria as specified by National Credit Guarantee Trustee Company Limited (NCGTC).

Moratorium

The RBI had announced Moratorium for 6 months on repayments for the period March 2020 to August 2020 for term loans and working capital facilities outstanding as on February 29, 2020. This was part of the regulatory measures adopted to mitigate the burden of debt servicing brought about by disruptions on account of Covid pandemic and to ensure continuity of viable businesses. As part of the scheme and as per Corporation's Board approved policy, the Corporation has provided moratorium to eligible borrowers.

Notes forming part of the Consolidated Financial Statements (Continued)

Retail Loans

Our customers for retail loans are primarily low, middle and high-income, salaried and self-employed individuals.

The Corporation's credit officers evaluate credit proposals on the basis of active credit policies as on the date of approval. The criteria typically include factors such as the borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

The various process controls such as PAN Check, CERSAI database scrubbing, Credit Bureau Report analysis are undertaken prior to approval of a loan. In addition External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes.

The Corporation analyses the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality. Retail loans are secured by the mortgage of the borrowers property.

Retail

During the current year, additional Credit Checks were introduced in the Retail Policy in accordance with certain Regulatory measures announced by RBI to mitigate the burden of debt servicing as a result of disruptions in cash flow due to the COVID -19 pandemic.

Restructuring of Accounts

The eligibility of customers was assessed to understand the extent of financial stress caused due to the COVID-19 pandemic i.e. loss of jobs, pay cut, business shut down etc. In addition, the due diligence process was further strengthened to assess the impact of stress such as appraising income documents, bank statement and visits at work place etc. and ensured that Loan to Value ratios are not negatively impacted and underlying collateral is enforceable. The borrowers were counseled as regards the Resolution Framework to minimise the risk of default, post restructuring.

Emergency Credit Linked Guarantee Scheme (ECLGs)

Since the ECLGs facility was available to customers in business segment /MSME, the regular credit checks, as already in place for such customers, were used to assess the impact of stress in the borrower's books of account. The qualifying criteria as per NCGTC was strictly adhered to. In addition, borrower's income tax return / books of account / Chartered Accountant certificate / Collection of GSTIN nos. end use certificate etc were appraised to assess and qualify under the norms. Such loans were appraised by a dedicated team to ensure that Loan to Value ratios are not negatively impacted / and underlying collateral is enforceable.

Credit Risk

The Corporation measures, monitors and manages credit risk at an individual borrower level and at the group exposure level for corporate borrowers. The credit risk for individual borrowers is being managed at portfolio level for both Housing Loans and Non Housing Loans. The Corporation has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk. The Corporation has additionally taken the following measures:-

- Lower borrower group exposure limits.
- Establishment of a separate Policy Implementation & Process Monitoring (PIPM) team to enhance focus on monitoring of process implementation at the branches and to facilitate proactive action wherever required.
- Enhanced monitoring of Retail product portfolios through periodic review.

Risk Management and Portfolio Review

The Corporation ensures effective monitoring of credit facilities through a risk-based asset review framework

Notes forming part of the Consolidated Financial Statements (Continued)

under which the frequency of asset review is determined depending on the risk associated with the product.

For both Corporate and Retail borrowers, the Operations team verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities.

The Operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and compliance with regulatory guidelines.

The Credit Risk Management team of the Corporation, regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the Credit Risk Management is submitted to the Branches & Management Team for its information.

The Policy Implementation and Process Management team reviews adherence to policies and processes, carries out audit and briefs the Audit Committee and the Board periodically.

49.1.5.a Collateral and other credit enhancements

The Corporation does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets, except credit risk associated with loans and Inter corporate deposits, which is mitigated because the loans and Inter corporate deposits are secured against the collateral. The main types of collateral obtained are, as follows:

Registered / equitable mortgage of property, Non disposal undertakings in respect of shares, pledge of shares, units, other securities, assignment of life insurance policies, Hypothecation of assets, Bank guarantees, company guarantees or personal guarantees, Negative lien, Assignment of receivables, Liquidity Support. Collateral [e.g. DSRA (Debt Service Reserve Account), Lien of Fixed Deposit].

The carrying amount of loans amount to ₹ **5,03,988.12 Crore** (as at March 31 2020 ₹ 4,56,483.40 Crore) which best represent the maximum exposure to credit risk, the related Expected credit loss amount to ₹ **13,040.32 Crore** (as at March 31, 2020 ₹ 10,987.24 Crore). The Corporation has right to sell or pledge the collateral in case borrower defaults.

49.1.5.b Maturities of financial liabilities

The tables below analyse the Corporation's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

₹ in Crore

Contractual maturities of financial liabilities 31 March 2021	0-1 year	1-3 years	3-5 years	>5 years	Total
Non-Derivatives					
Debt Securities	64,535.33	43,791.07	22,815.32	52,579.46	1,83,721.18
Borrowings (Other than Debt Securities)	70,359.04	28,418.33	7,563.69	1,706.92	1,08,047.97
Deposits	93,981.51	37,505.65	15,721.15	3,239.36	1,50,447.67
Subordinated Liabilities	1,000.00	0.00	3,809.94	423.72	5,233.65
Other Financial Liabilities	57,184.75	31,534.88	69,013.60	50,896.85	2,08,630.09
Trade payables	3,376.15	-	-	-	3,376.15
Total Non-Derivative Liabilities	**2,90,436.77**	**1,41,249.93**	**1,18,923.70**	**1,08,846.31**	**6,59,456.71**
Derivatives					
Forward rate contracts	64.33	-	-	-	64.33
Currency swaps	-	135.41	-	-	135.41
USD Interest rate swaps	5.53	149.00	-	-	154.53
Interest Rate Swaps	-	14.44	381.04	967.04	1,362.52
Total Derivative Liabilities	**5.53**	**298.85**	**381.04**	**967.04**	**1,716.79**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Contractual maturities of financial liabilities 31 March 2020	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Non-Derivatives					
Debt Securities	71,336.55	42,717.70	18,179.33	47,291.21	1,79,524.80
Borrowings (Other than Debt Securities)	72,241.66	15,853.42	17,332.30	2,571.31	1,07,998.69
Deposits	75,736.67	41,625.78	11,804.91	3,477.51	1,32,644.87
Subordinated Liabilities	1,000.00	1,000.00	3,000.00	623.28	5,623.28
Other Financial Liabilities	47,087.86	40,068.01	60,551.16	20,800.86	1,68,507.89
Trade Payables	2,404.14	-	-	-	2,404.14
Total Non-Derivative Liabilities	**2,69,806.88**	**1,41,264.91**	**1,10,867.70**	**74,764.18**	**5,96,703.67**
Derivatives					
Foreign exchange forward contracts	-	13.42	-	-	13.42
Currency Swaps - Principal Only Swaps	-	25.57	34.53	-	60.10
Options Purchased (net)	14.23	68.63	198.45	-	281.31
Total Derivative Liabilities	**14.23**	**107.62**	**232.98**	**-**	**354.83**

49.1.6 Market Risk

49.1.6.a Foreign currency risk

The Corporation operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Corporation's functional currency i.e. INR. The objective of the hedges is to minimise the volatility of the INR cash flows.

The Corporation's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings.

The Corporation uses a combination of foreign currency option contracts and foreign exchange forward contracts to hedge its exposure in foreign currency risk. The Corporation designates fair value of the forward contracts and intrinsic value of the option contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the forward contracts or change in the intrinsic value of the option contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. The changes in time value that relate to the option contracts are deferred in the costs of hedging reserve. Amortisation of forward points through cash flow hedge reserve which is pertaining to the forward contracts is recognised in the statement of profit and loss over life of the forward contracts. During the years ended March 31, 2021 and 2020, the Corporation did not have any hedging instruments with terms which were not aligned with those of the hedged items.

The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

The intrinsic value of foreign exchange option contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the spot market exchange rate is defined as the intrinsic value. Time value of the option is the difference between fair value of the option and the intrinsic value.

Notes forming part of the Consolidated Financial Statements (Continued)

Foreign Currency Risk Exposure:

The Corporation's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows:

₹ in Crore

Particulars	Currency	Financial and derivative assets		Financial liabilities	Net exposure to foreign currency risk iv= (i) + (ii)+(iii)
		Dollar Denominated loans & others (i)	Foreign exchange Derivative contracts (ii)	Foreign currency loans (iii)	
As at March 31, 2021	**USD**	**91.62**	**10,785.93**	**(10,877.93)**	**(0.38)**
	JPY	**-**	**3,528.45**	**(3,529.74)**	**(1.29)**
	SGD	**0.32**	**-**	**(0.04)**	**0.28**
	GBP	**0.97**	**-**	**(0.14)**	**0.83**
	AED	**0.57**	**-**	**(0.33)**	**0.24**
As at March 31, 2020	**USD**	153.07	34,114.02	(34,267.90)	(0.81)
	JPY	-	3,702.42	(3,703.84)	(1.42)
	SGD	19.52	-	(5.31)	14.21
	GBP	104.14	-	(27.45)	76.69
	AED	24.05	-	(7.92)	16.13

Foreign Currency Sensitivity Analysis:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts, foreign exchange option contracts designated as cash flow hedges.

₹ in Crore

Particulars	Impact on other components of equity	
	March 31, 2021	March 31, 2020
USD sensitivity		
INR/USD -Increase by 1% *	**(0.55)**	(0.85)
INR/USD -Decrease by 1% *	**0.55**	0.12
JPY sensitivity		
INR/JPY -Increase by 1% *	**0.30**	19.11
INR/JPY -Decrease by 1% *	**(0.30)**	(19.11)

** Assuming all other variable is constant*

Cash Flow Hedge

Hedging Policy

The Corporation's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant INDAS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Corporation enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Notes forming part of the Consolidated Financial Statements (Continued)

Disclosure of effects of hedge accounting on financial performance and exposure to foreign currency

₹ in Crore

Particulars	Notional amount	Carrying amount of hedging instruments assets	Carrying amount of hedging instruments liabilities	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness - (profit) / loss
March 31, 2021					
INR USD - Forward exchange contracts	**1,054.00**	**-**	**64.33**	**78.35**	**547.08**
INR JPY - Forward exchange contracts	**-**	**-**	**-**	**-**	**2.25**
INR USD - Currency Swaps	**12,540.55**	**848.50**	**17.03**	**69.05**	**937.48**
USD Interest swaps	**9,458.00**	**(14.44)**	**154.52**	**-**	**(99.76)**
INR JPY - Currency Swaps	**3,528.45**	**93.44**	**118.39**	**0.66**	**268.50**
Option purchased (net)	**-**	**-**	**-**	**-**	**856.32**
Total	**26,581.00**	**927.50**	**354.27**		**2,511.87**
March 31, 2020					
INR USD - Forward exchange contracts	10,985.44	482.75	-	74.16	(506.12)
INR JPY - Forward exchange contracts	1,405.81	2.25	-	0.64	(72.17)
INR USD - Currency Swaps (incl. EXIM swap)	15,324.16	1,841.15	25.57	67.59	(1,513.76)
USD Interest swaps	13,507.10	(20.74)	260.57	-	260.58
INR JPY - Currency Swaps	3,702.42	278.08	34.53	0.63	(257.79)
Option purchased (net)	11,007.12	856.31	-	70.67*	(734.23)
Total	**55,932.05**	**3,439.80**	**320.67**	**213.69**	**(2,823.49)**

The above amounts are forming part of derivative financial instruments as disclosed in the Balance Sheet.

* denotes strike price range for bought call and sold put (at 70.67).

Hedged Item

₹ in Crore

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve as at	Cost of hedging as at	Foreign Currency Monetary Items Translation Reserve
March 31, 2021				
FCY Term Loans	**1,196.24**	**-**	**1.52**	**-**
External Commercial Borrowings (incl. ADB loans)	**1,080.18**	**190.48**	**(125.81)**	**-**
March 31, 2020				
FCY Term Loans	(1,203.74)	104.04	4.21	-
External Commercial Borrowings (incl. ADB loans)	1,593.06	124.37	(29.08)	-

Notes forming part of the Consolidated Financial Statements (Continued)

The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income:

₹ in Crore

Particulars	Hedging gains or losses recognised in other comprehensive income		Hedge ineffectiveness recognised in statement of profit and loss	
	March 31, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
Forward exchange contracts and Currency swaps	**(92.78)**	(60.41)	**-**	-
Option purchased (net)	**-**	(5.12)	**-**	5.28

The above amounts are forming part of Finance cost as disclosed in the Statement of profit and loss.

Fair Value Hedge

The impact of the hedging instrument and hedged item on the Balance Sheet:

Hedging Instrument

₹ in Crore

Particulars	Notional amount	Carrying amount - Asset	Change in fair value used for measuring ineffectiveness for the period
Interest Rate Swap as at			
March 31, 2021	**94,585.00**	**(119.07)**	**(2,416.59)**
March 31, 2020	65,300.00	2,297.52	1,335.52

The above amounts are forming part of derivative financial instruments as disclosed in the Balance Sheet.

Hedged Item

₹ in Crore

Particulars	Notional amount	Carrying amount - Liability	Change in fair value used for measuring ineffectiveness for the period
Fixed-rate borrowing as at			
March 31, 2021	**66,525.00**	**(49.95)**	**(2,377.56)**
March 31, 2020	65,300.00	2,309.75	1,378.90

The above amounts are forming part of derivative financial instruments as disclosed in the Balance sheet.

The impact of the fair value hedges in the statement of profit and loss:

₹ in Crore

Particulars	Hedge ineffectiveness recognised in statement of profit and loss	
	March 31, 2021	March 31, 2020
Interest Rate Swap	**32.95**	43.51

The above amounts are forming part of Finance cost as disclosed in the Statement of profit and loss.

Notes forming part of the Consolidated Financial Statements (Continued)

Hedge Ratio

The foreign exchange forward and option contracts are denominated in the same currency as the highly probable future sales and purchases, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1.

49.1.6.b **Interest Rate Risk**

The Corporation's core business is doing housing loans. The Corporation raises money from diversified sources like deposits, market borrowings, term Loan, foreign currency borrowings amongst others. In view of the financial nature of the assets and liabilities of the Corporation, changes in market interest rates can adversely affect its financial condition. The fluctuations in interest rates can be due to internal and external factors. Internal factors include the composition of assets and liabilities across maturities, existing rates and re-pricing of various sources of borrowings. External factors include macro economic developments, competitive pressures, regulatory developments and global factors. The rise or fall in interest rates impact the Corporations Net Interest Income depending on whether the Balance Sheet is asset sensitive or liability sensitive.

The Corporation uses traditional gap analysis report to determine the Corporation's vulnerability to movements in interest rates. The Gap is the difference between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) for each time bucket. It indicates whether the Corporation is in a position to benefit from rising interest rates by having a positive Gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative Gap (RSL > RSA). The Corporation also fixes tolerance limits for the same as per the ALM Policy.

Interest Rate Risk Exposure

The exposure of the Corporation's borrowing to interest rate changes at the end of the reporting period are as follows:

Particulars	**March 31, 2021**	March 31, 2020
Variable rate borrowings	**74%**	70%
Fixed rate borrowings	**28%**	31%
Total borrowings	**100%**	100%

Sensitivity

The impact of 10 bps change in interest rates on financial assets and liabilities on the Profit after tax for the year ended March 31, 2021 is ₹ **31.65 Crore** (Previous year: ₹ 43.13 Crore).

49.1.6.c **Price Risk**

Exposure

The Corporation's exposure to equity securities price risk arises from investments held by the Corporation and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Corporation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Corporation.

Some of the Corporation's equity investments are publicly traded and are included in the NSE Nifty 50 index.

Sensitivity

The table below summarises the impact of increases/decreases of the index on the Corporation's equity and profit for the period. The analysis is based on the assumption that the equity index had increased by 10% or decreased by 10% with all other variables held constant, and that all the Corporation's equity instruments moved in line with the index.

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Particulars	Impact on profit before tax		Impact on OCI before tax	
	March 31, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
NSE Nifty 50 – increase 10%	**89.04**	19.15	**627.90**	391.61
NSE Nifty 50 – decrease 10%	**(89.04)**	(19.15)	**(627.90)**	(391.61)

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income.

49.2 **Risks disclosures pertaining to Life Insurance Business**

The Life Insurance business of the Group is carried by HDFC Life Insurance Co. Ltd. along with a subsidiary (together referred as "HDFC Life").

49.2.1 **Sensitivity Analysis**

(A) **Interest Rate Sensitivity**

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. (100 Bps impact on fixed income securities is in line with directions given by IRDAI vide circular number IRDA/ACTL/CIR/ALM/006/01/2012 dated January 03, 2012 on ALM and stress testing)

₹ in Crore

Particulars	Impact on Profit before Tax$		Impact on Other components of equity	
	March 31, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
Interest Rate - Increase by 100 basis points* ^	**-**	-	**(4,902.26)**	(3,278.56)
Interest Rate - Decrease by 100 basis points* &	**-**	-	**4,902.26**	3,278.56

* Holding all other variable constant

^ Impact on OCI does not include impact of ₹ **(2,070.75) Crore** for FY 21 and ₹ (1,906.39) Crore for FY 20 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

& Impact on OCI does not include impact of ₹ **2,070.75 Crore** for FY 21 and ₹ 1,906.39 Crore for FY 20 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

$ Unit linked funds being profit neutral, impact of the same is not included in the above sensitivity analysis.

(B) **Foreign Currency Sensitivity Analysis**

The sensitivity of profit and loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

₹ in Crore

Particulars	Impact on Profit before Tax		Impact on Other components of equity	
	March 31, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
AED Sensitivity		-	**-**	-
INR/AED - Increase by **1.92%** (31st March 2020 8.67%)	**0.01**	0.04	**-**	-
INR/AED - Decrease by **1.92%** (31st March 2020 8.67%)	**(0.01)**	(0.04)	**-**	-

Notes forming part of the Consolidated Financial Statements (Continued)

(C) **Equity Price Sensitivity Analysis**

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. 30% impact on equity securities is in line with directions given by IRDAI vide circular number IRDA/ACTL/CIR/ALM/006/01/2012 dated January 03, 2012 on ALM and stress testing).

The following table shows effect of price changes in equity:

₹ in Crore

Particulars	**Impact on Profit before Tax$**		**Impact on Other components of equity**	
	March 31, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
If equity prices had been 30% higher^	**976.08**	792.03	-	-
If equity prices had been 30% lower&	**(976.08)**	(792.03)	-	-

^ Impact on Profit before tax does not include impact of ₹ **2,617.34 Crore** for FY 21 and ₹ 1,240.76 Crore for FY 20 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

& Impact on Profit before tax does not include impact of ₹ **(2,617.34) Crore** for FY 21 and ₹ (1,240.76) Crore for FY 20 pertaining to Participating funds of which Shareholder's entitlement is restricted to 10% of future bonuses declared, as per IRDAI regulations.

$ Unit linked funds being profit neutral, impact of the same is not included in the above sensitivity analysis.

49.2.2. **Risk Management Framework**

HDFC Life has an Enterprise Risk Management (ERM) framework covering procedures to identify, measure and mitigate the key business risks. Aligned with the business planning process, the ERM framework covers all business risks including strategic risk, operational risks, Regulatory risk, investment risks, Subsidiary related risks and insurance risks. The key business risks identified are approved by the Board's Risk Management Committee and monitored by the Risk Management team thereafter. The ERM framework adopted is enabled by the risk oriented enterprise level culture with established risk governance framework, characterized by:

1. Risk management competency throughout the organization with a consensus that risk management is everyone's responsibility.
2. An iterative process of identifying and evaluating risks, setting risk treatment strategies, and monitoring results.
3. A dedicated Enterprise Risk Team with defined roles and responsibilities, which functions under the guidance and supervision of Chief Risk Officer ('CRO').
4. Risk oversight by Senior Management & Board of Directors, via Risk Management Council and Risk Management Committee respectively.

Risk categories addressed through the ERM Framework

- Operational Risk - Risk of loss resulting from inadequate or failed internal processes, people, systems or external events including legal risk.
- Compliance/ Regulatory Risk - Risks emanating from non-adherence to regulatory, judiciary and legislative mandates and guidelines, leading to fines and penalties.
- Strategy and Planning Risk - Risks emanating from non-achievement of strategic objectives, deviation from strategic plans, external and internal factors.
- Insurance risk – Risk arising due to adverse movement of mortality, persistency, morbidity and expense rates.
- Subsidiary related risks - Risks originating from subsidiary company actions.
- Financial Risk – Comprises of the following nature of risks:

Notes forming part of the Consolidated Financial Statements (Continued)

1. Market Risk - Risk of loss resulting from adverse movement in market prices across asset classes and investment positions.
2. Liquidity Risk - Market Liquidity Risk is inability to liquidate an asset and Funding Liquidity Risk is inability to meet obligations when due.
3. Credit Risk - Risk of loss resulting from the potential that counterparty defaults or fails to meet obligations in accordance with the agreed terms.
4. Asset Liability Mismatch Risk - Risk due to uncorrelated / unmatched movement in the asset and liability cash flows on existing business and risk of future premiums being invested at low interest rates.

HDFC Life is exposed to different types of risks emanating from both internal and external sources. The Company has in place a Risk Management team which identified, measures and mitigate risks faced by the Company. The team is guided by the Company's Risk Management Committee, Risk Management Council and the Senior Management to develop and implement Risk Assurance practices on a pan-organisational basis. Under the overall ambit of Corporate Governance, the Company has in place a Risk Management policy along with other risk related policies. The risk management framework institutionalized in the Company is supported by a "Three Lines of Defense" approach. At HDFC Life Insurance, every function has been empowered to drive Risk Management framework in their respective areas of operation and they form the first line of defense. Control functions like Risk Management and Compliance act as second line of defense and are independent from business operations which has been implemented through independent reporting mechanics. The role of the third line is performed by the Internal Audit function that provides an independent assurance to the Board on the functioning of internal controls.

Risk Policies

The following risk policies govern and implement effective risk management practices:

Business Continuity Management System (BCMS) Policy, Information Security Management System Policies, Investment Policy, Credit Risk Management Policy, Liquidity Risk Management Policy, Asset - Liability Management Policy, Underwriting Policy, Reinsurance Policy, Employee dealing Guidelines, Anti Money Laundering Policy, Whistleblower Policy, Policy of Prevention, Prohibition, & Redressed of Sexual Harassment at Workplace, Outsourcing Policy, Fraud Management Policy, Information & Cyber Security Policy, Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (""UPSI""), Code of Conduct and ethics, Corporate Governance Policy, Policy for Disclosure of Event/Information, Grievance Redressal Policy, Policy for maintenance of records, Derivatives Policy, Stewardship Policy, Voting Policy and Interest Rate Derivative Risk Management Policy.

49.2.3 **Capital Management Objectives and Policies**

HDFC Life has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

i) To maintain the required level of stability of the company thereby providing a degree of security to policyholders.

ii) To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.

iii) To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

iv) To align the profile of assets and liabilities taking account of risks inherent in the business.

v) To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

Notes forming part of the Consolidated Financial Statements (Continued)

vi) To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

HDFC Life have met all of these requirements throughout the financial year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the Insurance Regulatory and Development Authority of India (IRDAI). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written. HDFC Life's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the IRDAI directives.

The IRDAI requires life insurers to maintain a minimum Solvency Ratio of 150%. The Solvency Ratio is calculated as specified in the IRDA (Assets, Liabilities, and Solvency Margin of Insurers) Regulations, 2016. HDFC Life's Solvency Ratio, as at March 31, 2021 is 201% and as at March 31, 2020 184%.

Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that HDFC Life is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that HDFC Life maintains an appropriate solvency position to meet unforeseeable liabilities arising from economic shocks or natural disasters. The operations of HDFC Life are subject to regulatory requirements within the jurisdictions in which it operates.

Operational Risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. HDFC Life cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, HDFC Life is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through HDFC Life's strategic planning and budgeting process.

IT/ technology risks are driven through an inherent Information Security Management System, which is aligned and certified against the ISO 27001:2013 standard. Organisational data security and cybersecurity is catered to by a specialized team of full-time employees as well as contracted third-party SME's to ensure complete coverage of controls in the technology space. HDFC Life also has Business Continuity Management Policy in place to have a planned response in the event of any contingency ensuring recovery of critical activities at agreed levels within agreed timeframe, thereby complying with various regulatory requirements and minimizing the potential business impact.

Fraud Risk Management is an integral practice and is central to the ethics and value system of HDFC Life. This is directly influenced by our promises to various stakeholders be it the policyholders, shareholders, or the regulatory authorities governing the industry and law enforcement agencies of safeguarding their interests. HDFC Life also has a dedicated team (Risk Monitoring & Control Unit) to manage fraud risks under the supervision of the CRO.

Operational risks are governed through the Risk management Policy which is reviewed by the board on an annual basis. HDFC Life uses the following tools/activities to manage the various operational risks faced:

1. A well defined Fraud Management Framework.
2. Systematic periodic Operational Risk Reviews and operational risk loss data collection.
3. Control reports.

Notes forming part of the Consolidated Financial Statements (Continued)

4. RCSA (Risk & Control Self Assessment to identify risks and evaluate the controls).
5. Key Risk Indicators for proactive management of key functional risks.
6. Incident management framework is being planned to monitor the near misses and plug loopholes in the system.
7. Process level risk assessment at the pre launch stage of critical processes.
8. BCMS Governance Procedure.

COVID-19

In light of the COVID-19'outbreak and information available up to the date of approval of this special purpose financial information, HDFC Life has assessed the impact on assets including valuation and impairment of investments, liabilities including policy liability and solvency position.

Based on the evaluation, HDFC Life has made

(a) adequate impairment provisions on the investments to an extent necessary.

(b) additional COVID reserve of ₹ **165 Crore** as at the Balance Sheet date, for potential adverse mortality. This reserve is over and above the policy level liabilities calculated based on the applicable IRDAI regulations. The Covid reserve of ₹ 41 Crore set up as at 31st March 2020 has been utilised to pay Covid claims during FY 2021.

HDFC Life has also assessed its solvency position as at the Balance Sheet date and is at @ 201%, which is above the prescribed regulatory limit of 150%. Further, based on HDFC Life's current assessment of the business operations over next one year, it expects the solvency ratio to continue to remain above the minimum limit prescribed by the Insurance regulator. The impact of the global health pandemic may be different from that estimated as at the date of approval of this special purpose financial information . HDFC Life will continue to closely monitor any material changes to future economic conditions.

49.2.4 **Accounting Policy for Actuarial Liability**

I. Product Classification of Insurance Business

Contracts where the Sum Assured or benefit on death at any time during the term of the contract is guaranteed to be greater than or equal to 105% of total premiums paid till date, are considered to have significant insurance risk, and hence such policy contracts have been classified as 'Insurance Contracts'. Contracts other than insurance contracts are classified as investment contracts.

Insurance and investment contracts are classified as being either with or without discretionary participation feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

a) Likely to be a significant portion of the total contractual benefits.

b) The amount or timing of which is contractually at the discretion of the issuer.

c) That are contractually based on:

   i. The performance of a specified pool of contracts or a specified type of contract.

   ii. Realized and/or unrealized investment returns on a specified pool of assets held by the issuer.

   iii. The profit or loss of the Company, fund or other entity that issues the contract.

II. Insurance Contract Liabilities

The actuarial liabilities, for all inforce policies and policies where premiums are discontinued but a liability exists as at the valuation date, are calculated in accordance with the generally accepted actuarial principles

Notes forming part of the Consolidated Financial Statements (Continued)

and practices, requirements of Insurance Act, 1938, as amended from time to time including amendment brought by the Insurance Laws (Amendment) Act, 2015, regulations notified by the IRDAI and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDAI.

A brief of the methodology used is as given below:

1. The policy liabilities are valued on policy by policy basis, i.e. each policy is valued separately.
2. The reserves for linked business (individual and group) comprises of unit reserves and non-unit reserves. The unit reserves are determined on the basis of NAV of the units outstanding as at the valuation date and non-unit reserves are calculated using gross premium method.
3. The liabilities for individual non-linked non-participating and participating business are calculated using gross premium method and are subject to the minimum floor of surrender value. Additionally, individual non-linked participating policies also have a reference to the asset share of policies at valuation date.
4. The liabilities for one year renewable group protection business are calculated on the unexpired risk premium basis. For other than one year renewable group protection business, the liabilities are calculated using gross premium valuation method.
5. The liabilities for the group non-linked savings products are determined as the higher of policy account balances (including accrued interest/ bonuses) and reserves calculated by gross premium valuation method.
6. The liabilities in respect of rider benefits are determined as the higher of unexpired premium reserves and reserves calculated by gross premium valuation method.
7. Additional reserves are determined to:
    a. allow for the claims that may have occurred already but not yet reported (Incurred But Not Reported).
    b. allow for the servicing of existing policies if the Company were to close the new business one year from the valuation date (Closure to New Business).
    c. meet the expected liabilities that would arise on the revival of lapsed policies on the basis of the proportion of the policies expected to be revived based on the revival experience of the Company (Revival Reserve).
    d. allow for the additional amount required to be paid on account of cancellation of policies due to look in, on the basis of the proportion of the policies expected to exercise the look-in option based on the experience of the Company (Look in Reserve).
    e. allow for the cost of guarantees, wherever applicable.

III. Investment Contract Liabilities

The investment contract liabilities are recognized using the same accounting policies as those for insurance contract liabilities, taking into account the generally accepted actuarial principles and practices, requirements of Insurance Act, 1938, as amended from time to time including amendment brought by the Insurance Laws (Amendment) Act, 2015, regulations notified by the IRDAI and Actuarial Practice Standard (APS) issued by the Institute of Actuaries of India with the concurrence of the IRDAI.

IV. Reinsurance Assets

Reinsurance Asset, being net contractual rights receivable under re-insurance contract, has been recognized on the basis of Actuarial valuation involving assumption about the future. The assumptions include the determination of the discount rate, mortality rates etc. All assumptions are reviewed at each reporting date.

Notes forming part of the Consolidated Financial Statements (Continued)

V. Liability Adequacy Test

HDFC Life performs adequacy testing on its insurance liabilities to ensure that the carrying amounts of insurance contract liabilities is adequate as at the reporting dates.

VI. Insurance Risk

As an organization, HDFC Life firmly recognizes Risk Management as an integral building block to proactively manage risks and maximize opportunities related to achievement of its strategic objectives. The Enterprise Risk Management (ERM) framework within the Company operates as a feed-in system to various internal and external stakeholders, Management, and the Board of Directors.

The key insurance risks that HDFC Life is exposed to are mortality, persistency and expenses. These are described below in further detail.

i) Mortality Risk:

Mortality risk arises primarily in the conventional non par and unit-linked life segments of the business. The risk arises due to the fact that the products written provide significant levels of life cover. The risk has increased with higher levels of minimum life cover required as per the new unit linked regulations and higher proportion of protection business.

HDFC Life is exposed to mortality risk in two different ways.

1. A permanent deterioration in the mortality experience on lines of business with mortality risk would lead to reduction in the shareholder value due to higher than expected claim payouts and increased reserve requirements. A permanent deterioration in the mortality experience on lines of business with mortality risk would lead to reduction in the shareholder value due to higher than expected claim payouts and increased reserve requirements.
2. A sudden, but temporary, increase in mortality claims due to some external event. Examples would be earthquakes and epidemics, where large numbers of insured lives are affected, leading to a high number of related claims. This ‘catastrophe risk’ is more likely to impact the group protection business, due to many of the lives being concentrated in the same location, or subject to the same event at one time. This would lead to reduction in shareholder value due to higher claims than expected.

   HDFC Life manages mortality risk at a number of key stages, which are Product design, Underwriting at the proposal stage, Reinsurance, Reinsurance cover for catastrophic risks, Experience monitoring and Claims underwriting.

   The level of concentration of mortality risk is relatively low. There is no significant concentration by geographical region or industry for individual business. However, group protection business sold by HDFC Life does have concentration risk. The Cat Re-cover has been put in place primarily to help mitigate this risk.

ii) Persistency Risk:

Persistency risk arises in all segments of the business. The risk arises due to the fact that the level of future premium and charge income is reduced from expected levels if actual persistency is not in line with that assumed. HDFC Life is particularly exposed to this risk on the unit-linked business written from 1st September 2010, as the low surrender penalty in these policies results in the initial high acquisition costs not being recovered, if a policy lapses and HDFC Life does not get the expected future charges from renewal premiums. Adverse persistency experience is likely to affect the future income emerging from the business and result in potential loss/lower profits than expected.

Notes forming part of the Consolidated Financial Statements (Continued)

HDFC Life manages persistency risk in a number of ways; examples of these are Product design and Experience monitoring. HDFC Life's management has a strategy in place to limit the impact of persistency risk, as it is recognized as one of the key risks facing the industry.

iii) Expense Risk:

The nature of HDFC Life's operating model is that a large proportion of the costs are fixed in nature meaning that the risk can crystallize either through inadequate control of absolute expense levels or through sales volumes being significantly lower than expected, thus not covering the high fixed levels of expense. Failure to control expense levels could lead to adverse financial deviations from the forecasts which would lead to lower profits (or higher losses), higher capital requirements and reduction in new business profitability.

Strong controls have been implemented to reduce and contain costs which include exercising necessary caution in expenditure and exploring lower cost business model.

VII. Assumptions

The assumptions play vital role in calculating Insurance/Actuarial liabilities for the Group. Best estimate assumptions in use are based on historical and current experience, internal data and as per guidance notes/actuarial practice standards issued by the Institute of Actuaries of India. However, for the purpose of valuation an additional level of prudence has been kept on all the best estimate assumptions known as MAD (Margin for Adverse Deviation). HDFC Life keeps adequate MAD, as prescribed in APS 7 issued by the Institute of Actuaries of India, in all assumptions over the best estimate value.

Best Estimate Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions used for calculating the liability are provided below:

A) Mortality:

Assumptions are based on historical experience and for new products based on industry/re-insurers data.

Assumptions may vary by type of product, distribution channel, gender, etc.

Particulars	**Expressed as a % of IALM 2012-14, unless otherwise stated**		Expressed as a % of IALM 2012-14, unless otherwise stated	
	As at 31 March 2021		As at 31 March 2020	
	Minimum	**Maximum**	Minimum	Maximum
a) Individual business				
Participating policies	**66%**	**198%**	48%	246%
Non participating policies	**24%**	**384%**	24%	384%
Annuities	**32%**	**48%**	32%	48%
Unit linked	**30%**	**78%**	24%	126%
Health Insurance	**68%**	**83%**	48%	83%
b) Group Business (unit linked)	**36%**	**438%**	42%	438%

B) Expense and Inflation:

The values of future expenses have been determined on prudent assumptions to allow for-

i. All future maintenance expenses on an on-going basis.

ii. The future expenses that are likely to be incurred if the company were to close to new business within 12 months of the valuation date.

Notes forming part of the Consolidated Financial Statements (Continued)

The future maintenance expenses are provisioned using servicing costs per policy, claim expenses and investment expenses.

The per policy costs vary by premium frequency.

The claim expense assumption is specified as fixed amount per claim.

The per policy costs and claim expenses are increased at an inflation rate of 6.5% per annum.

In addition, investment expense of 0.036% of the fund is also reserved for.

The provision for future expenses likely to be incurred if the company were to close to new business is held as an aggregate reserve at a company level.

C) Lapse, Surrender and Partial withdrawal Rates:

The lapse, surrender and partial withdrawal rates are based on current experience of the Company. Assumptions may vary by type of product, distribution channel, duration for which policy has been in force, etc.

a) **Individual Business (Unit linked)**

The lapse/surrender, paid up or partial withdrawal rates are based on best estimate assumptions with a 20% MAD.

b) **Individual Business (non-Unit linked)**

- For the participating and non-participating savings contracts, the valuation bases incorporates lapse assumptions till the policy acquires a Guaranteed Surrender Value. Once the policy acquires Guaranteed Surrender Value, no lapses/surrenders are assumed.
- For the non-participating protection contracts, lapse assumptions are incorporated throughout the policy term.
- The lapse assumptions are based on best estimate assumptions with a 20% MAD.

D) Valuation Interest Rate:

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. The valuation interest rates are set by adjusting the derived weighted average return in compliance with minimum MAD requirements.

Assumptions on future bonus rates for participating business have been set to be consistent with valuation interest rate assumptions.

Particulars	**As at March 31, 2021**		As at March 31, 2020	
Individual Business	**Minimum**	**Maximum**	Minimum	Maximum
Life - Participating policies	**5.80%**	**5.70%**	6.50%	5.80%
Life - Non participating policies	**6.50%**	**5.20%**	6.50%	5.20%
Annuities – Participating policies	**N/A**	**N/A**	N/A	N/A
Annuities - Non participating policies	**6.45%**	**6.45%**	6.70%	6.70%
Annuities – Individual pension plan	**N/A**	**N/A**	N/A	N/A
Unit linked	**5.20%**	**5.20%**	5.20%	5.20%
Health Insurance	**6.50%**	**5.90%**	6.50%	5.90%
Group Business	**Minimum**	**Maximum**	Minimum	Maximum
Life – Non participating policies (exclude one year term policies)	**6.45%**	**5.95%**	6.55%	5.95%
Unit Linked	**5.20%**	**5.20%**	5.20%	5.20%

Notes forming part of the Consolidated Financial Statements (Continued)

VIII. **Following tables present the movement in insurance and investment contract liabilities, reinsurance assets and deferred origination cost in relation to HDFC Life Insurance Co. Ltd:**

I. Insurance Contract Liabilities

₹ in Crore

Particulars	Change in Liabilities					
	As at March 31, 2021			As at March 31, 2020		
	With DPF	Linked Business	Others	With DPF	Linked Business	Others
Gross Liability at the beginning of the year	30,148.92	45,734.95	26,733.94	28,619.41	53,609.07	17,299.02
Add/(Less)						
Premium	6,872.40	9,959.29	14,020.36	5,151.19	9,919.37	11,222.84
Unwinding of the discount /Interest credited	1,834.49	21,548.50	1,853.86	1,763.69	(9,480.01)	941.80
Changes in valuation for expected future benefits	-	23.31	-	-	30.49	-
Insurance liabilities released	(4,578.02)	(12,838.10)	(3,312.81)	(5,385.38)	(8,343.97)	(2,729.72)
Gross Liability at the end of the year	34,277.80	64,427.94	39,295.36	30,148.91	45,734.95	26,733.94
Recoverable from Reinsurance	209.43	(0.00)	4,816.55	68.31	0.08	3,890.49
Net Liability	34,068.37	64,427.94	34,478.81	30,080.60	45,734.87	22,843.45

II. Investment Contract Liabilities

₹ in Crore

Particulars	As at March 31, 2021			As at March 31, 2020		
	With DPF	Linked Business	Total	With DPF	Linked Business	Total
At the beginning of the year	11,970.10	8,823.87	20,793.96	9,761.35	10,093.87	19,855.21
Additions	4,982	989	5,970.34			
Premium	1,040.50	2,583.58	3,624.08	3,427.21	1,037.18	4,464.39
Interest and Bonus credited to policyholders	-	-	-	875.06	(702.65)	172.41
Deductions			-	-	-	
Withdrawals / Claims	(1,334.18)	(1,648.10)	(2,982.29)	-	-	-
Fee Income and Other Expenses	-	(98.70)	(98.70)	(2,093.52)	(1,509.99)	(3,603.51)
Others Profit and loss	-	-	-	-	(95)	(94.54)
At the end of the year	16,657.98	10,649.42	27,307.39	11,970.10	8,823.87	20,793.96

III. Reinsurance Assets

₹ in Crore

Particulars	As at March 31, 2021	As at March 31, 2020
At the beginning of the year	3,960.58	2,421.93
Add/(Less)		
Premium	461.20	483.29
Unwinding of the discount /Interest credited	-	154.01
Change in valuation for expected future benefits	1,067.10	1,434.27
Insurance liabilities released	(391.14)	(459.48)
Others (experience variations)	200.36	(73.44)
At the end of the year	5,298.09	3,960.58
Expected credit loss	4.89	3.91
Net reinsurance assets	5,293.20	3,956.67

Notes forming part of the Consolidated Financial Statements (Continued)

IV. Deferred Acquisition Cost

Particulars	₹ in Crore
As at 31 March 2019	6.90
Expenses deferred	
Amortisation	(2.00)
As at 31 March 2020	4.90
Expenses deferred	
Amortisation	(1.28)
As at 31 March 2021	**3.62**

49.3 **Risk disclosures pertaining to General Insurance Business**

The General Insurance business of the Group is carried by HDFC ERGO General Insurance Co. Ltd (herein referred as “HDFC Ergo General”).

49.3.1 **Risk Management Framework**

HDFC Ergo General recognizes the criticality of having robust risk management practices to meet its objectives. HDFC Ergo General is committed to an effective and robust Risk Management Framework, which addresses various risks faced by it. HDFC Ergo General has therefore formulated a comprehensive Risk Management Framework (RMF) across all operating processes for identification, management and monitoring of Entity Level Risk, Insurance Risk, Asset Risk, Operational Risk, Financial Risk and Information Security Risk.

Risk Management is a concurrent process within the Company.

Under the Risk Management Framework, risks associated with the operations of the Company are identified and prioritized based on impact and likelihood of its occurrence. Risk owners are identified for each risk for monitoring and reviewing the risk mitigation. The Company has constituted a Risk Management Committee (RMC) comprising members of the Board of Directors which is responsible for monitoring the Risk Management Framework of the Company and implementation of the Risk Management Strategy. The RMC is assisted by its Sub-Committee in the discharge of its responsibilities.

All key risks are reviewed quarterly by the Senior Management and the Sub-Committee of the Risk Management Committee of the Board at the Executive Management level.

The Risk Management Committee *inter-alia*:

a. Assists the Board in effective operation of the risk management system by ensuring performance of specialized analysis and quality reviews;

b. Advise the Board with regard to risk management decisions in relation to strategic and operational matters;

c. Reports to the Board on a quarterly basis, details of the risk exposures and the actions taken to manage the exposures; and

d. Reviews and monitors risks pertaining to the operations on a regular basis.

a. **Insurance Risk**

The risk of loss due to either inadequate pricing or inadequate claims handling or inadequate reinsurance protection or inadequate reserving. As a nature of business, there are inherent uncertainties as to occurrence, amount and timing of insurance liabilities which arises due to adverse experience in amount or frequency of claims or in their aggregation from a single occurrence or series of occurrences arising from a single originating cause.

Notes forming part of the Consolidated Financial Statements (Continued)

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

b. **Control Measures**

HDFC Ergo General has a Board approved risk management policy covering underwriting, claims and reserving for policy liabilities. HDFC Ergo General has a detailed claims processing manual in place.

Accumulation of risk is monitored at various levels – geographically, line of business wise, channel wise, etc. This approach aids the Company to adopt an enterprise level risk management approach; thus benefiting from diversification and internal price management of the risks accepted for insurance.

The Company's reserving guidelines is reviewed on a periodic basis to minimize the risks of under or over provisioning and enable the Company to proactively adjust strategy in a timely manner.

Prudent margins are built in reserves and a regular monitoring of its adequacy is done concurrently.

The reinsurance risk model is used to estimate and monitor the variation between the annual contracted reinsurance program vis-à-vis the optimal arrangement as measured by the model.

Optimal protection is ensured through well designed Reinsurance program arrangements with financially sound reinsurers.

Concentration of Insurance Risk

HDFC Ergo General uses different proprietary models to estimate HDFC Ergo General's accumulation exposure to potential natural disasters (e.g. earthquakes, tropical storms, floods etc.) and other man-made catastrophes (e.g. industrial accidents and building fires). The aggregation of losses on account of a single event constitutes the largest individual potential financial loss to HDFC Ergo General and potentially material year-to-year fluctuations in the results of operations and financial position. HDFC Ergo General actively monitors and limits the aggregate exposure to catastrophe losses in regions that are subject to high levels of natural perils.

HDFC Ergo General mitigates its exposure to concentrations of insurance risk by holding a portfolio diversified into many classes of business across different regions and by the utilisation of reinsurance, taking into account it's risk tolerance, cost of reinsurance and capital efficiency. The reinsurance cover limits HDFC Ergo General's financial exposure to a single event with a given probability and also protects capital.

In terms of exposure, Motor aggregates are monitored and given that the underlying risks are not necessarily static to a particular region, their accumulations cannot be accurately known. Likewise, there has been incidence of COVID-19 pandemic and HDFC Ergo General has witnessed higher incidence of claims due to pandemic. The increase in claims liability due to the pandemic has been offset by lower incidence of Motor claims and non-COVID hospitalization. HDFC Ergo General continues to monitor the underlying Insured risks and the ongoing COVID-19 pandemic situation in the country and its potential impact on the portfolio. Further, HDFC Ergo General has used the principles of prudence in applying judgments, estimates and assumptions to assess and provide for the impact of the COVID-19 pandemic across line of business based on internal and external sources of information. In terms of exposure, Motor aggregates are monitored and given that the underlying risks are not necessarily static to a particular region, their accumulations cannot be accurately known. Similarly, in respect of Health class of business, the biggest catastrophic exposure is in respect of Pandemic loss. HDFC Ergo General looks at the overall concentration of the risks in each geography and given the low levels of insurance penetration, this is not considered as a significant risk to HDFC Ergo General. HDFC Ergo General continues to monitor the ongoing COVID-19 pandemic situation in the country and its potential impact on the portfolio. Currently, the measures implemented by the Government of India, i.e. nationwide lockdown,

Notes forming part of the Consolidated Financial Statements (Continued)

tracking, testing and treating COVID-19 infected patients in designated hospitals, should alleviate the spread of infections amongst Individuals. The accumulation risk is evaluated on an ongoing basis and adequate risk mitigation strategies e.g. Reinsurance would be employed by HDFC Ergo General as it becomes significant.

b) **Claims Development Table**

Insurance Companies are required to establish reserves in their accounts for the unpaid portion of ultimate claims costs (including loss adjustment expenses) that have been 'incurred but not reported' (IBNR) and 'incurred but not enough reported' (IBNER) as at the end of each reporting period. The process of establishing this reserves is complex, as it takes into consideration many variables that are subject to the outcome of future events. Reserves do not represent an exact calculation of liability but rather represent estimates, generally involving actuarial projections at a given time, of what the Company expects the ultimate settlement of claims will cost.

The table provides an overview of development of Company's estimates of total claim amounts payable in relation to a given Accident year over time. A significant proportion of the Company's reserves are for motor third party liability, which tend to involve longer periods of time for the reporting and settlement of claims and are affected by economic inflation, unpredictability of court decisions, risks inherent in major litigation and legislative changes etc. This may increase the inherent risk and uncertainty associated with loss reserve estimates. Further, the Company has used the principles of prudence in applying judgments, estimates and assumptions to assess and provide for the impact of the COVID-19 pandemic across line of business based on internal and external sources of information.

Gross Paid Losses and Loss Adjustment Expenses ₹ in Crore

As at March 31, 2021	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19	AY 20	AY 21
End of First year	451.90	741.46	770.33	1,064.73	2,177.85	2,635.97	2,922.75	5,006.68	5,616.21	7,048.99	8,236.17	8,959.86
One year later	442.39	734.33	846.36	1,103.46	2,322.96	2,547.44	2,979.96	4,788.13	5,332.43	6,950.80	7,825.25	
Two years later	443.61	747.24	832.73	1,049.55	2,293.47	2,534.84	3,111.71	4,873.57	5,283.94	6,954.42		
Three years later	453.01	752.82	780.92	1,116.20	2,289.48	2,638.25	3,120.71	4,860.41	5,286.13			
Four years later	454.53	754.30	801.12	1,080.28	2,362.59	2,636.28	3,119.53	4,858.48				
Five years later	458.01	767.31	806.00	1,144.19	2,369.46	2,620.71	3,134.24					
Six years later	461.10	768.22	810.01	1,149.94	2,375.69	2,617.30						
Seven years later	464.98	779.18	818.67	1,148.51	2,317.55							
Eight years later	466.69	776.82	818.37	1,236.38								
Nine years later	470.26	782.85	826.27									
Ten years later	470.29	779.56										
Eleven years later	472.49											

Gross Unpaid Losses and Loss Adjustment Expenses ₹ in Crore

As at March 31, 2021	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19	AY 20	AY 21
End of First year	284.48	410.81	424.45	548.34	1,263.03	1,390.09	1,807.59	2,070.70	2,705.78	3,882.08	3,810.33	3,500.66
One year later	372.64	596.83	636.86	839.86	1,800.98	2,020.06	2,387.36	3,778.92	4,191.03	5,310.15	5,697.53	
Two years later	412.18	641.35	704.71	903.45	1,927.68	2,186.14	2,594.42	4,224.07	4,372.75	5,877.40		
Three years later	424.56	663.05	724.87	948.06	2,000.37	2,278.77	2,725.46	4,306.99	4,480.66			
Four years later	430.22	677.45	739.40	973.40	2,053.21	2,349.91	2,807.11	4,374.13				
Five years later	434.34	692.28	749.04	1,006.26	2,097.84	2,397.11	2,833.69					
Six years later	442.84	702.35	761.67	1,024.86	2,132.27	2,417.95						
Seven years later	445.85	712.75	771.40	1,070.73	2,150.06							
Eight years later	447.44	721.87	777.25	1,081.64								
Nine years later	449.21	726.09	781.35									
Ten years later	457.09	727.32										
Eleven years later	459.31											

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Gross Incurred Losses and Allocated Expenses (Ultimate Movement) ₹ in Crore

As at March 31, 2021	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19	AY 20	AY 21
End of First year	167.42	330.64	345.88	516.39	914.82	1,245.88	1,115.15	2,935.98	2,910.42	3,166.91	4,425.84	5,459.21
One year later	69.75	137.50	209.50	263.60	521.97	527.38	592.60	1,009.21	1,141.40	1,640.65	2,127.72	
Two years later	31.43	105.90	128.02	146.10	365.79	348.70	517.29	649.49	911.19	1,077.02		
Three years later	28.45	89.77	56.05	168.14	289.11	359.48	395.26	553.42	805.47			
Four years later	24.31	76.84	61.72	106.87	309.38	286.37	312.42	484.35				
Five years later	23.67	75.03	56.96	137.93	271.62	223.60	300.55					
Six years later	18.26	65.87	48.34	125.07	243.42	199.35						
Seven years later	19.13	66.44	47.27	77.78	167.49							
Eight years later	19.25	54.96	41.12	154.74								
Nine years later	21.04	56.76	44.92									
Ten years later	13.20	52.24										
Eleven years later	13.18											

Notes:

1. Pool claims are excluded from the above table
2. For Crop and Weather Insurance class of business, Accident Year corresponds to the year in which Premium is received.
3. The impact on the unpaid claims liability of the Company on account of landmark judgements issued by Supreme Court of India and various High Courts e.g. PranaySethi (October 2017) and other legislative changes e.g. U/s 163(A) of The Motor Vehicle Act, 1988 has been allowed for in the claims ultimate.

c. **Sensitivities**

The non–life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

The table provided below, demonstrates the impact on the Company's liabilities due to change in assumptions by 10%.

Assumptions	Change in Assumption	Increase/ (Decrease) on Gross Liabilities		Increase/ (Decrease) on Net Liabilities	
		2020-2021	2019-2020	2020-2021	2019-2020
Increase					
Average claim cost	10%	10.02%	10.02%	10.43%	10.43%
Average number of claims	10%	2.48%	2.48%	2.48%	2.48%
Decrease					
Average claim cost	(10%)	(9.99%)	(9.99%)	(10.40%)	(10.40%)
Average number of claims	(10%)	(2.48%)	(2.48%)	(2.48%)	(2.48%)

Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

Control Measures

Operational risks are governed through Risk Management Policy. The Company has also initiated a Risk Control Self Assessment process to embed the control testing as a part of day to day operations. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and periodic assessment processes.

Liabilities pertaining to General Insurance business		₹ in Crore
Particulars	**March 31, 2021**	March 31, 2020
Opening balance	**17,423.31**	11,174.31
Claims O/S including IBNR (net)	**2,057.92**	2,596.85
Reserve for Unexpired Risk	**98.71**	1,663.79
Unallocated premium	**(58.84)**	164.33
Premium received in advance	**135.93**	402.11
Due to other insurance companies	**175.10**	1,417.85
Due to Policyholders	**3.99**	4.07
Closing balance	**19,836.12**	17,423.31

Assets pertaining to General Insurance business		₹ in Crore
Particulars	**March 31, 2021**	March 31, 2020
Opening balance	**6,136.41**	4,229.64
Outstanding premium	**(354.77)**	233.46
Due from other insurance companies	**(32.66)**	(46.96)
RI Recovery on Claims Outstanding	**801.16**	1,397.46
Other accruals / receivables	**0.82**	322.81
Closing balance	**6,550.96**	6,136.41

(c) **Financial Risk Management Objectives**

HDFC Ergo General is exposed to market risk (other price risk), credit risk and liquidity risk.

(i) **Market Risk (Other Price Risk)**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. The Company is exposed to financial and capital market risk-the risk that the fair value of future cash flows of financial instrument will change because of changes or volatility in market prices.

Notes forming part of the Consolidated Financial Statements (Continued)

HDFC Ergo General is exposed to equity price risks arising from equity investments. Certain equity investments of HDFC Ergo General are held for strategic as well as trading purposes.

The Investment book of the Company largely consists of a debt portfolio and a relatively lesser exposure in equity. Consequent to the deteriorating market conditions triggered due to COVID-19 pandemic outbreak, the equity portfolio witnessed a negative impact in the Q1FY21. In the following quarters the negative impact got progressively reduced, and as at Q4FY21 the Mark-To-Market gains for equity portfolio has been positive.

HDFC Ergo General has been consistently following a conservative investment approach. Consequently a significant portion of the investments is held in GSec and AAA rated securities, more than what is mandated by regulation. Hence the credit risk exposure is largely mitigated.

HDFC Ergo General maintains adequate surplus in the assets with maturity period of fewer than 2 years to cover the short term liabilities. HDFC Ergo General has also been maintaining sufficient investments in listed equities which can be liquidated on T+2 day basis. Additionally, HDFC Ergo General has invested in Government securities with maturity period of over 2 years which can be easily liquidated if need arises.

Equity Price Sensitivity Analysis:

HDFC Ergo General has analysed, at scrip level, the sensitivity to changes in the equity prices, based on the movement of each scrip during the year. Had the equity prices moved in the range of 2% profit for the year ended March 31, 2021, would have deviated by ₹ **6.08 Crore** (Previous year ₹ 2.73 Crore).

(d) **COVID - 19**

In light of the COVID-19 outbreak and the information available upto the date of approval of these financial statements, HDFC Ergo General has assessed the impact of COVID-19 on its operations and its financial statements. The assessment includes but is not limited to valuation of investments, valuation of policy-related liabilities and solvency position of HDFC Ergo General as at March 31, 2021. Further, there have been no material changes in the controls or processes followed in the financial closing process of HDFC Ergo General. HDFC Ergo General continues to closely monitor the implications of the second wave of COVID-19 on its operations and financial statements, which are dependent on emerging uncertain developments. In light of the COVID-19 outbreak and the information available upto the date of approval of these financial statements, HDFC Ergo General has assessed the impact of COVID-19 and the subsequent lock-down announced by the Central Government, on its operations and its financial statements. The assessment includes but is not limited to valuation of investments, valuation of policy-related liabilities and solvency position of HDFC Ergo General as at March 31, 2020. Further, there have been no material changes in the controls or processes followed (except for the accounting of premium in relation to Motor third party liability cases as directed by IRDAI and as mentioned below) in the financial closing process of HDFC Ergo General. HDFC Ergo General continues to closely monitor the implications of COVID-19 on its operations and financial statements, which are dependent on emerging uncertain developments.

The IRDAI vide Circular No. IRDAI/NL/CIR/MOT/081/04/2020 dated April 3, 2020 has provided clarifications on its Circular No. IRDAI/NL/CIR/MOT/079/04/2020 dated April 2, 2020 issued in relation to accounting of premium on the Motor third party liability cases falling due for renewal during the lockdown period (25th March, 2020 to 14th April, 2020) (subsequently extended to 3rd May, 2020) as a result of COVID-19 pandemic.

50. Business Combinations

50.1 **Mergers**

During the year, the National Company Law Tribunal has sanctioned the Scheme of Amalgamation for merger of HDFC ERGO Health Insurance Limited (formerly Apollo Munich Health Insurance Company Limited) (HDFC ERGO Health) with and into HDFC ERGO General Insurance Company Limited (HDFC ERGO), subsidiaries of the Corporation and Insurance Regulatory and Development Authority of India (IRDAI) has issued final approval for the merger. Consequently, HDFC ERGO Health has been merged with HDFC ERGO from appointed date i.e. March 1, 2020. As at the end of current year, the Corporation's holding in HDFC ERGO, the merged entity is 50.56 per cent. As per the directions of RBI, the Corporation is required to reduce its shareholding in the merged entity to 50 per cent or below within 6 months post amalgamation.

50.2. **Sale of stake in HDFC Life Insurance Company Ltd**

During the year, the Corporation has sold 2,85,48,750 equity shares of HDFC Life Insurance Company Limited (HDFC Life) to comply with the RBI direction to reduce the shareholding in HDFC Life to 50 per cent or below. As a result, a pre tax adjusted gain of ₹ 1,321.17 Crore is recognised in Other equity. Consequently, the Corporation's equity shareholding in HDFC Life stood at 49.99 per cent as on March 31, 2021.

For the purpose of consolidated financial statements under Ind AS, however, HDFC Life continues to be accounted as a subsidiary as the Corporation continues to exercise control over HDFC Life, basis the evaluation parameters as stated below as per Ind AS 110.

Power - the key activities is subject to approval of the Board and the Corporation has three directors nominated on the Board of HDFC Life there by directing the activities that significantly affect the investee's returns.

Variability of return - with 49.99% equity holding in HDFC Life, this condition is satisfied.

Voting rights - the Corporation has a majority vote as compared to the other shareholders (basis analysis done on the participation of the shareholders in the annual general meeting).

Notes forming part of the Consolidated Financial Statements (Continued)

51. Additional Information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Compaines Act, 2013 (As on/for the year ended March 31, 2021)

₹ in Crore

Name of the Entity	Share of Profit / (Loss)		Share of Other Comprehensive Income		Share of Total Comprehensive Income	
	As % of consolidated Profit or loss	Amount	As % of consolidated Other Comprehensive Income	Amount	As % of consolidated Total Comprehensive Income	Amount
Parent						
Housing Development Finance Corporation Limited		12,027.30		1,734.22		13,761.52
Less: Inter Company eliminations		(1,936.71)		-		(1,936.71)
Net of eliminations	**53.85%**	**10,090.59**	**110.80%**	**1,734.22**	**58.23%**	**11,824.81**
Subsidiaries - Indian						
HDFC Life Insurance Co. Ltd.	9.86%	1,848.64	0.06%	0.95	9.11%	1,849.59
HDFC ERGO General Insurance Co. Ltd.	3.51%	658.26	2.24%	35.13	3.41%	693.39
HDFC Asset Management Co. Ltd.	7.12%	1,333.41	(0.04%)	(0.69)	6.56%	1,332.72
HDFC Trustee Co. Ltd.	0.00%	0.11	0.00%	-	0.00%	0.11
HDFC Investment Trust	(0.05%)	(9.12)	0.00%	-	(0.04%)	(9.12)
HDFC Investment Trust - II	0.05%	8.79	0.00%	-	0.04%	8.79
HDFC Venture Capital Ltd.	0.00%	(0.15)	0.00%	-	0.00%	(0.15)
HDFC Ventures Trustee Co. Ltd.	0.00%	(0.03)	0.00%	-	0.00%	(0.03)
HDFC Property Venture Ltd.	(0.31%)	(57.85)	0.03%	0.48	(0.28%)	(57.37)
HDFC Pension Management Co. Ltd.	0.00%	0.10	0.00%	0.01	0.00%	0.11
HDFC Capital Advisors Ltd	0.14%	26.63	(0.01%)	(0.12)	0.13%	26.51
HDFC Investments Ltd.	0.02%	3.71	2.86%	44.75	0.24%	48.46
HDFC Holdings Ltd.	0.11%	20.34	1.40%	21.94	0.21%	42.28
HDFC Sales Pvt. Ltd.	(2.85%)	(533.38)	(0.05%)	(0.84)	(2.63%)	(534.22)
HDFC Credila Financial Services Pvt. Ltd.	0.83%	155.71	0.17%	2.61	0.78%	158.32
HDFC Education and Development Services Pvt. Ltd.	0.00%	(0.25)	0.00%	0.02	0.00%	(0.23)
Subsidiaries - Foreign						
Griha Investments	0.00%	(0.17)	0.00%	-	0.00%	-0.17
Griha Pte. Ltd.	0.05%	8.74	0.00%	-	0.04%	8.74
HDFC International Life and Re Company Ltd	0.06%	11.99	0.00%	-	0.06%	11.99
Share of Minorities	(9.32%)	(1,747.49)	(1.06%)	(16.60)	(8.69%)	(1,764.09)
Associates (Investment as per the equity method) - Indian						
HDFC Bank Limited	37.00%	6,934.73	(16.40%)	(256.64)	32.89%	6,678.09
True North Ventures Pvt. Ltd.	0.00%	0.09	0.00%	-	0.00%	0.09
Good Host Spaces Pvt. Ltd. (Ceases to be associate)	(0.07%)	(13.17)	0.00%	-	(0.06%)	(13.17)
Renaissance Investment solutions ARC Pvt. Ltd.	0.00%	(0.17)	0.00%	-	0.00%	(0.17)
Total	**100.00%**	**18,740.06**	**100.00%**	**1,565.22**	**100.00%**	**20,305.28**

Notes forming part of the Consolidated Financial Statements (Continued)

₹ in Crore

Name of the Entity	Net assets i.e. Total Assets minus Total Liabilities	
	As % of consolidated net assets	Amount
Parent		
Housing Development Finance Corporation Limited		1,08,421.86
Less: Inter Company eliminations		(18,866.86)
Net of eliminations	**54.08%**	**89,555.00**
Subsidiaries - Indian		
HDFC Life Insurance Co. Ltd.	2.23%	3,697.43
HDFC ERGO General Insurance Co. Ltd.	1.65%	2,732.94
HDFC Asset Management Co. Ltd.	1.61%	2,672.88
HDFC Trustee Co. Ltd.	0.00%	2.02
HDFC Investment Trust	0.07%	114.79
HDFC Investment Trust - II	0.17%	281.27
HDFC Venture Capital Ltd.	0.00%	0.31
HDFC Ventures Trustee Co. Ltd.	0.00%	1.23
HDFC Property Venture Ltd.	0.00%	8.28
HDFC Pension Management Co. Ltd.	0.02%	27.09
HDFC Capital Advisors Ltd	0.02%	35.85
HDFC Investments Ltd.	0.16%	267.16
HDFC Holdings Ltd.	0.15%	247.99
HDFC Sales Pvt. Ltd.	0.00%	0.40
HDFC Credila Financial Services Pvt. Ltd.	0.72%	1,184.62
HDFC Education and Development Services Pvt. Ltd.	0.07%	123.57
Subsidiaries - Foreign		
Griha Investments	0.05%	80.10
Griha Pte. Ltd.	0.04%	63.95
HDFC International Life and Re Company Ltd.	0.13%	220.63
Share of Minorities	5.38%	8,904.84
Associates (Investment as per the equity method) - Indian		
HDFC Bank Limited	33.45%	55,393.09
True North Ventures Pvt. Ltd.	0.00%	1.70
Good Host Spaces Pvt. Ltd.	-	-
Renaissance Investment solutions ARC Pvt. Ltd.	0.00%	0.33
Total	**100.00%**	**1,65,617.47**

Notes forming part of the Consolidated Financial Statements (Continued)

52. Material partly-owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

(₹ in Crore)

Particulars (As at March 31, 2021)	HDFC Life Insurance Co. Ltd.	HDFC Ergo General Insurance Co. Ltd.	HDFC Asset Management Co. Ltd.
Proportion of interest held by non-controlling entities	**50.01%**	**49.44%**	**47.32%**
Accumulated balances of material non-controlling interest	**4,449.80**	**2,193.87**	**2,260.19**
Summarised Financial Information for the Balance Sheet			
Financial Assets	**1,86,479.34**	**24,152.09**	**4,871.71**
Non Financial Assets	**1,145.35**	**516.55**	**222.99**
Financial Liabilities	**6,716.06**	**20,961.30**	**230.01**
Non Financial Liabilities	**1,72,027.16**	**94.83**	**88.51**
Dividend paid to Non-controlling Interest	**-**	**105.54**	**282.01**
Summarised Financial Information for the Statement of Profit and Loss			
Revenue from Operations	**71,362.25**	**18,276.84**	**1,852.53**
Profit for the year	**1,678.78**	**665.57**	**1,325.76**
Other Comprehensive Income	**0.95**	**35.12**	**(0.69)**
Total Comprehensive Income	**1,679.73**	**700.70**	**1,325.07**
Summarised Financial Information for Cash Flows			
Net Cash inflows from Operating Activities	**9,703.05**	**1,863.17**	**1,085.32**
Net Cash inflows from Investing Activities	**(8,990.65)**	**(1,922.36)**	**(482.71)**
Net Cash inflows from Financing Activities	**678.29**	**(248.36)**	**(627.57)**
Net Cash inflow / (Outflow)	**1,390.69**	**(307.55)**	**(24.96)**

(₹ in Crore)

Particulars (As at March 31, 2020)	HDFC Life Insurance Co. Ltd	HDFC Ergo General Insurance Co. Ltd	HDFC Asset Management Co. Ltd
Proportion of interest held by non-controlling entities	48.56%	49.52%	47.28%
Accumulated balances of material non-controlling interest	3,442.94	1,311.85	1,905.23
Summarised Financial Information for the Balance Sheet			
Financial Assets	1,39,085.69	18,401.99	4,066.14
Non Financial Assets	1,140.87	588.19	242.46
Financial Liabilities	4,886.76	16,254.20	225.10
Non Financial Liabilities	1,28,249.42	86.74	54.24
Dividend paid to Non-controlling Interest net of Dividend Distribution tax	-	-	145.41
Summarised Financial information for the Statement of Profit and Loss			
Revenue from Operations	27,749.89	13,787.04	2,003.25
Profit for the year	1,141.24	409.31	1,262.41

Notes forming part of the Consolidated Financial Statements (Continued)

Particulars (As at March 31, 2020)	HDFC Life Insurance Co. Ltd	HDFC Ergo General Insurance Co. Ltd	HDFC Asset Management Co. Ltd
Other Comprehensive Income	92.90	205.43	(3.08)
Total Comprehensive Income	1,234.14	614.74	1,259.33
Summarised Financial information for Cash Flows			
Net Cash inflows from Operating Activities	7,360.98	2,086.83	1,284.84
Net Cash inflows from Investing Activities	(7,771.68)	(1,717.70)	(927.54)
Net Cash inflows from Financing Activities	39.52	(22.60)	(331.56)
Net Cash inflow / (Outflow)	(371.18)	346.54	25.74

HDFC Life Insurance Co. Ltd and HDFC ERGO General Insurance Co. Ltd . for the purposes of its statutory compliance prepares and presents its financial statements/ results under the historical cost convention and accrual basis of accounting in accordance with the acounting principles prescribed by the Insurance Regulatory Development Authority of India (IRDAI) (Preparation of Financial Statements and Auditors Report of Insurance companies) regulations, 2002, circulars and guidelines issued by the IRDAI from time to time, Accounting Standards ('AS') specified under Section 133 of the Companies Act, 2013, read together with relevant rules, in so far as they apply to Insurance companies. These financial statements/ results are largely referred to as the Indian GAAP ('IGAAP') financial statements/ results. The Ministry of Corporate Affairs, India, in its press release dated January 18, 2016, had issued a roadmap for implementation of IFRS converged Indian Accounting Standards ('IND-AS'). The timelines for the said implementation have since been deferred.

HDFC Life Insurance Co. Ltd and HDFC ERGO General Insurance Co. Ltd , being subsidiaries of Housing Development Finance Corporation Limited (the 'Corporation'), has prepared this consolidated financial information ('fit- for consolidation information'), in accordance with the recognition and measurement principles of IND-AS as specified under Section 133 of the Companies Act, 2013, for the purposes of preparing the consolidated financial statements/ results of the Corporation.

53. Events after the reporting period

There have been no events after the reporting date that require disclosure in these financial statements.

54. Approval of financial statements

The financial statements were approved by the Board of Directors of the Corporation on May 7, 2021.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firms' Regst. No: 101248W/W-100022

Sagar Lakhani
Partner
Membership No.:111855

MUMBAI, May 07, 2021

Deepak S. Parekh
Chairman
(DIN: 00009078)

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

Renu Sud Karnad
Managing Director
(DIN: 00008064)

Directors

J. J. Irani
(DIN: 00311104)

U. K. Sinha
(DIN: 00010336)

Bhaskar Ghosh
(DIN: 06656458)

V. Srinivasa Rangan
Executive Director &
Chief Financial Officer
(DIN: 00030248)

Nasser Munjee
(DIN: 00010180)

Jalaj Dani
(DIN: 00019080)

Ireena Vittal
(DIN: 05195656)

Ajay Agarwal
Company Secretary
(FCS: 9023)