

Annex to Directors' Report - 5

FORM NO. MR-3

Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

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

To,

The Members,

Housing Development Finance Corporation Limited

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

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

We have examined the books, papers, minute books, forms and returns filed

and other records maintained by the Company for the financial year ended on March 31, 2020, according to the provisions of:

1. The Companies Act, 2013 ('the Act') and the rules made thereunder including any re-enactment thereof;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings;
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), to the extent applicable:
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange

Board of India (Share Based Employee Benefits) Regulations, 2014;

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

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

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

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

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

6. Specific laws applicable as mentioned hereunder:

a. National Housing Bank Act, 1987;

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

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

d. Returns to be submitted by Housing Finance Companies;

- e. Guidelines for Asset Liability Management System in Housing Finance Companies;
- f. Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;
- g. Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016;
- h. Housing Finance Companies – Auditor’s Report (National Housing Bank) Directions, 2016;
- i. Guidelines on Fair Practices Code for Housing Finance Companies;
- j. Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies;
- k. Information Technology framework for HFCs – Guidelines;
- l. Miscellaneous Circulars;
- m. Policy Circulars;
- n. Pension Fund Regulatory and Development Authority (Point of Presence) Regulations, 2018;
- o. Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015;
- p. SEBI Circular on strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue; and
- q. RBI Commercial Paper Directions, 2017, effective from 10th August, 2017 (as amended from time to time) w.r.t. issue of commercial papers and applicable Operating Guidelines issued by FIMMDA (Fixed Income Money Market and Derivatives Association of India).

We have also examined compliance with the applicable clauses of the

Secretarial Standards 1, 2 and 3 issued by the Institute of Company Secretaries of India.

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

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

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

Management Responsibility:

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

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

processes and practices we followed provide a reasonable basis for our opinion;

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

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

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

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

Recommendations as a matter of best practice:

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

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

We further report that:

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

Directors that took place during the period under review.

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

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

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

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

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

During the audit period, the

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

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

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

iii. Redemption of NCDs:

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

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

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

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

During the audit period, the Corporation acquired 1,14,70,000 (One Crore Fourteen lakhs Seventy thousand) equity shares of INR 10 each, representing 9.12% of

the equity share capital of HDFC Credila Financial Services Private Limited (**HDFC Credila**) on a fully diluted basis, from its promoters Mr. Ajay Bohora and Mr. Anil Bohora. Pursuant to the said acquisition, HDFC Credila has become a wholly-owned subsidiary of the Corporation.

vi. Acquisition of equity stake in Yes Bank Limited:

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

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

Vinita Nair
Senior Partner
Membership No.: F10559
CP No.: 11902
MUMBAI
May 20, 2020 UDIN: F010559B000259291