

## Annex to Directors' Report - 4

### FORM NO. MR-3

## Secretarial Audit Report

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

*[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**  
Ramon House, 169, Backbay Reclamation,  
H. T. Parekh Marg, Churchgate, Mumbai - 400 020.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** having **CIN No. L70100MH1977PLC019916** (hereinafter called the 'Corporation') for the Financial year ended March 31, 2022 (hereinafter called the 'Audit Period'). Secretarial Audit was conducted in a manner that provided us with a reasonable basis for evaluating the corporate conducts/statutory compliances made by the Corporation during the Audit Period and for expressing our opinion thereon.

Based on our verification of the Corporation's books, papers, minute books, forms and returns filed, soft copies as provided by the Corporation and other records maintained and also the information provided by the Corporation, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Corporation has, during the above audit period complied with the statutory provisions listed hereunder and also that the Corporation has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Corporation for the audit period, pursuant to the provisions of:

(i) The Companies Act, 2013 (the 'Act') and the Rules made thereunder;

- (ii) The Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings made by the Corporation;
- (v) The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992:
  - (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 and Sweat Equity) Regulations, 2021 (being the erstwhile Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014);
  - (d) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
  - (e) The Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to the obligations of the Corporation);

- (f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (g) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (being the erstwhile The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008);
  - (h) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (i) The Securities and Exchange Board of India (Intermediaries) Regulations, 2008; and
  - (j) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.
- (vi) Other laws/Directions/guidelines specifically applicable to the Corporation are:
- (a) National Housing Bank Act, 1987 and Guidelines;
  - (b) Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 read with the relevant guidelines and circulars;
  - (c) Guidelines on Know your Customer and Anti-Money Laundering Measures;
  - (d) Guidelines for Asset Liability Management System in Housing Finance Companies;
  - (e) Pension Fund Regulatory and Development Authority (Point of Presence) Regulations, 2018;
  - (f) Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015;
  - (g) SEBI Circular on strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue;
  - (h) RBI Commercial Paper Directions, 2017 w.r.t. issuance of commercial papers and applicable Operating guidelines issued by FIMMDA

(Fixed Income Money Market and Derivatives Association of India); and

- (i) Advisory by The Institute of Company Secretaries of India (ICSI) in the manner of dealing with Unclaimed Shares of the Corporation.

We have also examined compliance by the Corporation with the applicable clauses of the Secretarial Standards on board meetings, general meetings and on dividend issued by The Institute of Company Secretaries of India during the audit period.

During the audit period, the Corporation has complied with the provisions of the Acts, Rules, Regulations and Bye-laws mentioned above subject to the following:

National Housing Bank (NHB) levied a penalty of ₹ 4,75,000 plus GST on the Corporation for technical non-compliance with NHB's circular: NHB(ND)/DRS/Pol-No.58/2013-14 dated November 18, 2013 and NHB(ND)/DRS/Policy Circular No.75/2016-17 dated July 1, 2016. The Corporation has paid the penalty on July 19, 2021 simultaneously holding on to its reservations with respect to the merit in the matters. Due disclosure has also been made by the corporation to the Stock Exchanges on the above in time.

During the period under review, provisions of the following regulations were not applicable to the Corporation:

- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; and
- (ii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

**We further report that –**

The Board of Directors of the Corporation is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors as on 31<sup>st</sup> March 2022 as under:

- I. Three Executive Directors;
- II. Five Non-Executive Independent Directors;
- III. One Woman Non-Executive Independent Director; and
- IV. Two Non-Executive Non-Independent Directors.

During the above period, the following changes in the composition of the Board of Directors were carried out

in due compliance with the provisions of the Act, Rules made thereunder and SEBI (LODR) Regulations:

- I. Mr. Keki M. Mistry (DIN:00008886) was re-appointed as the Managing Director (designated as 'Vice-Chairman & Chief Executive Officer') of the Corporation for a period of 3 years with effect from 7<sup>th</sup> May 2021, liable to retire by rotation, by the members of the Corporation at the 44<sup>th</sup> Annual General Meeting held on 20<sup>th</sup> July 2021. He was also re-appointed as a director of the Corporation at the above annual general meeting since he is liable to retire by rotation.
- II. Retirement of Mr. Nasser Munjee (DIN: 00010180) with effect from 20<sup>th</sup> July 2021 upon completion of his second term as an Independent Director of the Corporation;
- III. Retirement of Dr. J. J. Irani (DIN: 00311104) with effect from 20<sup>th</sup> July 2021 upon completion of his second term as an Independent Director of the Corporation;
- IV. Appointment of Mr. Rajesh Narain Gupta (DIN: 00229040), as an Independent Director for a term of 5 consecutive years with effect from 2<sup>nd</sup> August 2021.
- V. Appointment of Mr. P. R. Ramesh (DIN: 01915274), as a Non-executive Non-independent Director with effect from 2<sup>nd</sup> August 2021.

Adequate notices were given to all directors to schedule the Board and Committee Meetings, agenda and detailed notes on agenda of the Board of Directors and Committee meetings were sent in accordance with applicable provisions of law. A proper system exists for the directors to seek and obtain further information and clarifications on the agenda items before the meetings and to ensure their meaningful participation at the meetings.

Decisions at the meetings of the Board of Directors of the Corporation were carried through on the basis of majority. There were no dissenting views expressed by any member of the Board of Directors on any matters during the audit period.

**We further report that** there are adequate systems and processes in the Corporation which are 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, following specific events/ action have occurred:

1. The Corporation has allotted equity shares under Employee Stock Option Schemes, as follows:
  - i. First Quarter from 1<sup>st</sup> April, 2021 to 30<sup>th</sup> June, 2021 – 18,06,816 equity shares of ₹ 2/- each fully paid up.
  - ii. Second Quarter from 1<sup>st</sup> July, 2021 to 30<sup>th</sup> September, 2021 – 24,56,584 equity shares of ₹ 2/- each fully paid up.
  - iii. Third Quarter from 1<sup>st</sup> October, 2021 to 31<sup>st</sup> December, 2021 – 28,01,980 equity shares of ₹ 2/- each fully paid up.
  - iv. Fourth Quarter from 1<sup>st</sup> January, 2022 to 31<sup>st</sup> March, 2022 – 20,16,463 equity shares of ₹ 2/- each fully paid up.
2. The Corporation completed the sale of 47,75,241 equity shares of ₹ 1 each, representing 24.48% of the equity share capital of Good Host Spaces Private Limited (Good Host) to Baskin Lake Investments Limited, at a price of ₹ 452.71 per equity share, aggregating to a consideration of ₹ 216.18 crore. Post the said-sale, Good Host ceased to be an associate of the Corporation.
3. The Corporation has appointed Link Intime India Private Limited as its Registrar and Share Transfer Agent with effect from 1<sup>st</sup> April, 2022 and has also informed the stock exchanges about the above change.
4. Reserve Bank of India had directed the Corporation to reduce its shareholding in HDFC ERGO General Insurance Company Limited (HDFC ERGO) to 50% or below by May 12, 2021. Pursuant to the above, the Corporation on May 11, 2021 completed sale of 44,12,000 equity shares of HDFC ERGO to ERGO International AG, the foreign promoter of HDFC ERGO at a price of ₹ 536 per equity share, aggregating to a total consideration of ₹ 236.48 crore. Post the said sale, the shareholding of the Corporation in HDFC ERGO stands at 49.98% of its issued and paid-up capital and accordingly, HDFC ERGO has ceased to be a subsidiary of the Corporation under the Companies Act, 2013 with effect from the said date. Its audited financial

statement however continues to be consolidated with those of the Corporation as a subsidiary in terms of the applicable Indian Accounting Standards.

5. On March 10, 2022, True North Ventures Private Limited (True North) allotted equity shares on a rights basis to its existing shareholders. The Corporation did not subscribe to the said rights issue consequent upon which the shareholding of the Corporation in True North was diluted to 19.79% and accordingly, True North has ceased to be an associate of the Corporation from the said date.
6. During the Audit Period, the Corporation has allotted Secured Redeemable Non-Convertible Debentures under different series amounting to ₹ 50,000 crore and have redeemed Secured Redeemable Non-Convertible Debentures aggregating ₹ 31,930 crore.
7. During the Audit Period, the Corporation has issued commercial papers amounting to ₹ 53,460 crore and have redeemed commercial papers aggregating ₹ 54,020 crore.
8. The Corporation at its Board Meeting held on 04<sup>th</sup> April, 2022, has approved the composite scheme of amalgamation for amalgamation of : (i) HDFC Investments Limited and HDFC Holdings Limited, into and with the Corporation and (ii) The Corporation into HDFC Bank Limited, and their respective shareholders and creditors, under sections 230-232 of the Companies Act, 2013 subject to receipt of approvals from the concerned Authorities and has also made an intimation to this effect to the Stock Exchanges pursuant to the requirements of the SEBI (LODR) Regulations, 2015.

For **BNP & Associates**

Company Secretaries

[Firm Regn. No. P2014MH037400]

PR/No. 637/2019

**Kalidas Ramaswami**

Partner

FCS No.: 2440

CP No.: 22856

UDIN:F002440D000188098

MUMBAI  
April 23, 2022

**Note:** This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

## Annexure 'A'

To,

### The Members

Housing Development Finance Corporation Limited

Our Secretarial Audit Report of even date for the financial year ended March 31, 2022 is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to Housing Development Finance Corporation Limited (the 'Corporation') is the responsibility of the management of the Corporation. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Corporation. Our responsibility is to issue the Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Corporation, along with explanations where so required.
3. We have followed the audit practices and processes as were considered appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. The verification was carried out on test check basis to ensure that facts as reflected in secretarial and other records produced to us were correct. We believe that the processes and practices we followed, provide a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Corporation.
5. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and major events which occurred during the audit period.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Corporation nor of the efficacy or effectiveness with which the management has conducted the affairs of the Corporation.

For **BNP & Associates**

Company Secretaries

[Firm Regn. No. P2014MH037400]

PR/No. 637/2019

**Kalidas Ramaswami**

Partner

FCS No.: 2440

CP No.: 22856

UDIN:F002440D000188098

MUMBAI

April 23, 2022