

## CONSOLIDATED FINANCIAL STATEMENTS

### Independent Auditors' Report

To the Members of  
Housing Development Finance Corporation Limited

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the accompanying consolidated financial statements of Housing Development Finance Corporation Limited (hereinafter referred to as “the Holding Company” or the “Corporation”), its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”) and its associates comprising of the consolidated Balance sheet as at March 31 2022, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the Consolidated Financial Statements”).

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and associates, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013, as amended (“the Act”) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at March 31, 2022, their consolidated profit including other comprehensive loss, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

##### Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further

described in the ‘Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements’ section of our report. We are independent of the Group and its associates in accordance with the ‘Code of Ethics’ issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year ended March 31, 2022. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the ‘Auditors’ responsibilities for the audit of the Consolidated Financial Statements’ section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Consolidated Financial Statements.

**A. Key audit matters of the Holding Company**

Key audit matters	How our audit addressed the key audit matter
<b>Impairment of loans to customers, including off balance sheet elements</b>	
<b>1. Impairment of loans (expected credit losses) (refer note 3.2.5, note 3.2.6 and note 9 to the standalone financial statements)</b>	
<p>Indian Accounting Standard (Ind AS) 109 <i>Financial Instruments</i> requires the Corporation to provide for impairment of its loans using the expected credit loss (ECL) approach. ECL involves an estimation of probability weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions and other factors which could impact the credit quality of the Corporation's loans.</p> <p>In the process, a significant degree of judgement and estimates have been applied by the management for:</p> <ul style="list-style-type: none"> <li>• Staging of loans (i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories) based on past due status or qualitative assessment;</li> <li>• Grouping of borrowers (retail loan portfolio) based on homogeneity for estimating probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD') on a collective basis;</li> <li>• Estimation of PD, LGD and EAD for non-retail loan portfolio based on historical default experience and individual assessment, wherever necessary, of the borrower specific cash-flows, security and other relevant factors;</li> <li>• Estimation of losses for loan products with no/minimal historical defaults;</li> <li>• Determining macro-economic and other factors impacting credit quality of loans.</li> </ul> <p>The Corporation has also recorded a management overlay as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by the COVID-19 pandemic. Given the unique nature and scale of the economic impact of this pandemic, the management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated.</p> <p>In view of the high degree of management's judgement involved in estimation of ECL and the overall significance of the impairment loss allowance to the financial statements, it is considered as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Read and assessed the Corporation's accounting policies for impairment of financial assets considering the requirements of Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on March 13, 2020.</li> <li>• Evaluated the management estimates by understanding the process of ECL estimation and related assumptions and tested the controls around data extraction, validation and computation.</li> <li>• Assessed the criteria for staging of loans based on their past due status as per the requirements of Ind AS 109. Tested a sample of performing loans to assess whether any SICR or loss indicators were present requiring them to be classified under higher stages.</li> <li>• Involved internal experts for testing of the ECL model and computation, including factors that affect the PD, LGD and EAD considering various forward looking, micro and macro-economic factors. Involved internal valuation experts for testing the valuation of the underlying security for the non-retail loan portfolio.</li> <li>• Tested assumptions used by the management in determining the overlay for macro-economic and other factors.</li> <li>• Assessed disclosures included in the financial statements in respect of expected credit losses.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p><b>2. Valuation of Derivatives Instruments and Hedge Accounting</b> (Refer to the accounting policies in Note 3.2.11 to the standalone financial statements: Derivative financial instruments; Note 7 to the standalone financial statements: Derivative financial instruments and Note 43.6 to the standalone financial statements – Foreign currency risk)</p>	
<p>The Corporation enters into derivative financial instruments for risk management purposes. The identified risks in relation to the borrowings are foreign exchange rate risk and interest risk. The Corporation enters into cash flow hedges or fair value hedges depending on the risk being hedged.</p> <p>Derivative and Hedge accounting is considered as a key audit matter, because of its significance to the operations and complexity involved in applying formal and technical requirements to the hedge accounting and also in valuing hedge instruments.</p>	<ul style="list-style-type: none"> <li>• Understood the risk management policies and procedures adopted by the Corporation and also obtained understanding about the accounting treatment of such transactions.</li> <li>• Evaluated the design and operating effectiveness of controls over accounting of derivative transactions and controls over designating hedging relationship including authorization and related documentation.</li> <li>• Obtained understanding of ongoing monitoring and tested hedge effectiveness.</li> <li>• Tested qualifying criteria for hedge accounting and also checked that the valuation of derivative instruments is in accordance with Ind AS 109.</li> <li>• Verified hedge documentation on sample basis.</li> <li>• Reviewed valuation reports obtained from experts to assess whether the assumptions used are in line with market practice.</li> <li>• Tested reconciliation of derivative instruments with independent confirmations obtained at the year-end.</li> <li>• Considered the appropriateness of disclosures made in the financial statements relating to financial risk management, derivative financial instruments and hedge accounting.</li> </ul>
<p><b>3. IT systems and controls</b></p>	
<p>The financial accounting and reporting systems of the Corporation are fundamentally reliant on IT systems and IT controls to process significant transaction volumes. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.</p> <p>Any gaps in the IT control environment could result in a material misstatement of the financial accounting and reporting records.</p> <p>Therefore, due to the pervasive nature and complexity of the IT environment, the assessment of the general IT controls and the application controls specific to the accounting and preparation of the financial information is considered to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• The aspects covered in the assessment of IT General Controls comprised: (i) User Access Management; (ii) Program Change Management; (iii) Other related ITGCs – to understand the design and test the operating effectiveness of such controls in respect of information systems that are important to financial reporting (“in-scope applications”).</li> <li>• Tested the changes that were made to the in-scope applications during the audit period to assess changes that have impact on financial reporting.</li> <li>• Tested the periodic review of access rights, inspected requests of changes to systems for appropriate approval and authorization.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>• Performed tests of controls (including other compensatory controls, wherever applicable) on the IT application controls and IT dependent manual controls in the system.</li> <li>• Tested the design and operating effectiveness of compensating controls, where deficiencies were identified and, where necessary, extended the scope of our substantive audit procedures.</li> </ul>

**B. Key audit matters of Subsidiary Company – HDFC Life Insurance Company Limited (‘HDFC Life’) as provided by the auditor of HDFC Life**

Key Audit Matters	How our audit addressed the key audit matter
<b>1. Appropriateness of the Timing of Revenue Recognition in the proper period</b>	
<p>During the year, the Company has recognised premium revenue of ₹ 24,154.81 crore towards new business (first year premium and single premium). Out of the total revenue recognised, ₹ 14,421.26 crore was recognised during the last quarter.</p> <p>We have focused on this area because of the significant concentration of revenue during the last quarter of financial year (including cut-off at the Balance sheet date). Due to the nature of the industry, revenue is skewed towards the balance sheet date. Hence, there is possibility that policy sales of the next financial year are accounted in the current period.</p>	<ul style="list-style-type: none"> <li>• Understood and evaluated the design and operating effectiveness of process and controls relating to recognition of revenue.</li> <li>• Testing of key controls for ensuring that the revenue has been accrued in the correct accounting period.</li> <li>• Tested on a sample basis the policies at the year end to confirm if related procedural compliances with regard to acceptability of the terms of policy were completed before or after the year end to ensure appropriate accounting of revenue.</li> <li>• Relied on the certificate of the management with respect to cheques on hand as at March 31, 2022.</li> <li>• Tested on a sample basis unallocated premium to ensure that there were no policies where risk commenced prior to balance sheet but revenue was not recognized.</li> <li>• Tested the manual accounting journals relating to revenue on a sample basis so as to identify unusual or irregular items. We agreed the journals tested to corroborative evidence.</li> <li>• Tested on a sample basis cheques receipt with the time stamp in case of products like Unit Linked Insurance Plan to confirm the recognition of the revenue in correct accounting period.</li> <li>• Based on the work carried out, we did not come across any significant issue which suggests that the revenue recognition is not accounted in the correct period.</li> </ul>

Key Audit Matters	How our audit addressed the key audit matter
<b>2. Appropriateness of the classification and valuation of Investments</b>	
<p>The Company holds investments against policy holders' liabilities, linked liabilities and shareholders' funds. A significant portion of the assets of the Company is in the form of investments (total investments as at March 31, 2022 is ₹ 202,414 crore).</p> <p>As prescribed by Insurance Regulatory and Development Authority of India (the "IRDAI"), all investments including derivative instruments, should be made and managed in accordance with the Insurance Regulatory and Development Authority of India (Investment) Regulations, 2016 (the "Investment Regulations") and policies approved by Board of Directors of the Company.</p> <p>Further, investments including derivative instruments (which involves complex calculations to value such instruments) should be valued in accordance with the principle of Ind AS.</p> <p>The valuation of unlisted or not frequently traded investment involves management judgement.</p> <p>Thus, this is an area where we spend significant time.</p>	<ul style="list-style-type: none"> <li>• Understood Management's process and controls to ensure proper classification and valuation of Investment.</li> <li>• Testing of key controls over investment classification and valuation.</li> <li>• Tested on a sample basis, correct recording of investments (including derivative instruments) in accordance with Ind AS, classification and compliance with Investment Regulations, and policies approved by Board of Directors.</li> <li>• Tested on a sample basis valuation of securities which have been valued in accordance with the Ind AS and Company's accounting policies.</li> <li>• For unlisted and not frequently traded investments, we evaluated management's valuation model and assumptions and corroborated these with regulatory requirements and Company's internal policies including impairment.</li> <li>• Based on the work carried out, we did not come across any significant matter which suggests that the investments were not properly classified or valued.</li> </ul>

**C. Key audit matters of Subsidiary Company – HDFC Ergo General Insurance Company Limited ('HDFC Ergo') as provided by the auditor of HDFC Ergo**

Key Audit Matters	How our audit addressed the key audit matter
<b>1. Valuation of Investments</b>	
<ul style="list-style-type: none"> <li>• The carrying value of Investments amounting to ₹ 18,585 Crores (Policy holders and Shareholders) represents 69% of Total Assets (Financial Assets &amp; Non-Financial Assets) as disclosed in the financial statement.</li> <li>• Due to the regulatory prescriptions applicable to recognition, measurement and disclosure of Investments and the assumptions used in the valuation of Investments, (Schedule E) we have considered this as a key audit matter.</li> <li>• The valuation of all investments should be as per the investment policy framed by the Company which in turn should be in line with IRDAI Investment Regulations.</li> <li>• The Company has <i>inter alia</i> a policy framework for Valuation and impairment of Investments</li> </ul>	<p>To ensure that the valuation of investments and impairment provision considered in the financial statements is adequate, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Verified the manner in which the investments have been made by the Company to ensure that the investments are in accordance with Regulations of Investments as stated in the IRDAI guidelines.</li> <li>• Tested the management oversight and controls over valuation of investments.</li> <li>• Independently test-checked valuation of quoted and unquoted investments to be in line with the requirements of Ind AS.</li> <li>• Analysed the realised gain/loss on instruments classified as Fair Value Through Profit and Loss Account "FVTPL" and Through Other Comprehensive Income/Expense "FVTOCI" for investments.</li> </ul>

Key Audit Matters	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>The valuation of unquoted investments and thinly traded investments continues to be an area of inherent risk because of market volatility, unavailability of reliable prices and macroeconomic uncertainty.</li> </ul> <p>The Company performs an impairment review of its investments periodically and recognizes impairment charge when the investments meet the trigger/s for impairment provision as per the criteria set out in the investment policy. Further, the assessment of impairment involves significant management judgement.</p>	<ul style="list-style-type: none"> <li>Assessed the management’s view on classification of Instruments with respect to Ind AS.</li> </ul> <p>Accordingly based on our audit procedures, we noted no reportable matters regarding investments and its valuation.</p>
<p><b>2. Provision for bad &amp; doubtful debts relating to receivables from other insurance companies (Including Government Receivables), Outstanding premium and Agent balances</b></p>	
<ul style="list-style-type: none"> <li>“Dues from Other entities carrying on insurance business” is ₹ 66 Crores as at the year end.</li> <li>“Outstanding premium” amounting to ₹ 1,642 Crores (Schedule E2) net of provision of ₹ 0.69 Crores includes premium due from Central Government, State Government and others.</li> <li>Outstanding “Agent balances” as at the year end amounted to ₹ 1.02 Crores net of provision (Schedule C)</li> <li>Due to the significance of the amount and judgment involved in assessing the recoverability of dues, this has been considered as key audit matter.</li> </ul>	<p>The audit procedures performed by us included the following:</p> <ul style="list-style-type: none"> <li>Evaluation and testing of controls over the recording, monitoring and ageing of outstanding premium, Agents’ Balances and due from other entities carrying on insurance business</li> <li>Evaluating the adequacy of the process of reconciliation followed by the Company with respect to amounts due from other entities carrying on insurance business</li> <li>We have verified the historical provision for bad debts and compared it to the actual amounts written off, to determine whether management’s estimates have been prudent and reasonable.</li> <li>Verified the details of co-insurance transactions uploaded on the ETASS portal by the Company and Other Insurance Companies and reconciled with the transactions accounted by the Company.</li> <li>Sending out direct confirmations of balances to select parties on a test check basis as required under “SA 505-External Confirmations”.</li> <li>We discussed with management and reviewed correspondences, where relevant, to identify disputes, if any, on any of the recoverable balances and review the assessment of the management as to the requirement of provisioning if any on these disputed dues. Relied on the management estimates with respect to such provisions.</li> </ul> <p>Accordingly, based on our audit procedures, we noted no reportable matter.</p>



Key Audit Matters	How our audit addressed the key audit matter
<b>3. Provisions and Contingent liabilities:</b>	
<ul style="list-style-type: none"> <li>• As of March 31, 2022, the Company has disclosed pending litigations arising out of matters relating to Service tax contingent liabilities of ₹ 178 Crores and pending litigations arising out of matters relating to GST of ₹ 208 Crores (Schedule U)</li> <li>• The assessment of the existence of the present legal obligation, analysis of the probability of the related payment and analysis of a reliable estimate, requires management’s judgement to ensure appropriate accounting or disclosures.</li> <li>• Due to the level of judgement relating to recognition, valuation and presentation of provisions and contingent liabilities, this is considered to be a key audit matter.</li> </ul>	<ul style="list-style-type: none"> <li>• As part of our audit procedures, we have assessed management’s processes to identify new possible obligations and changes in existing obligations for compliance with the requirements of Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets.</li> </ul> <p>The audit procedures performed by us included the following:</p> <ul style="list-style-type: none"> <li>• Obtained listing from the management of the changes in litigation status as compared to prior year and obtained a detailed understanding of the disputes and also reviewed the analysis made by the management and assumptions used by them on how they concluded as required under IND AS 37.</li> <li>• Wherever the company had obtained external legal advice, the same were reviewed to gain an understanding of the management’s view on the matters.</li> <li>• Used internal tax experts to gain an understanding of these disputes and also obtained their views on the possible outcome based on facts and current circumstances</li> <li>• Obtained legal representation letters on the material outstanding legal cases.</li> <li>• Examined the minutes of board meetings, including the sub-committees.</li> </ul> <p>Based on the audit evidence obtained, while noting the inherent uncertainty with such legal, regulatory and tax matters, we determined the level of provisioning and disclosure of contingent liabilities as at March 31, 2022 to be appropriate.</p>

**D. Key audit matters of Subsidiary Company – HDFC Asset Management Company Limited (‘HDFC AMC’) as provided by the auditor of HDFC AMC**

Key Audit Matters	How our audit addressed the key audit matter
<b>1. Revenue Recognition: Investment Management Fee</b>	
<p>Investment Management Fee is the most significant account balance in the Statement of Profit and Loss. Investment management fees from the Mutual fund consists of fees from various schemes which invest in different categories of securities like Equity, Debt etc.</p>	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <p>Test of Design and Operating Effectiveness of controls</p> <ul style="list-style-type: none"> <li>• Understood and evaluated the design and implementation of management review controls and other key controls relating to recognition of investment management fee;</li> </ul>

Key Audit Matters	How our audit addressed the key audit matter
<p>We have identified revenue from investment management fees as a key audit matter since:</p> <ul style="list-style-type: none"> <li>the calculation of investment management fees is a percentage of the assets under management ('AUM') managed by the Company. There is a process of manual inputting of approved fee rate used for computation of Investment Management Fee income. AUM calculation is automatically done in the system.</li> <li>multiple schemes of HDFC Mutual Fund require effective monitoring over key financial terms and conditions being captured and applied accurately. Any discrepancy in such computations could result in misstatement of investment management fee recognized in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Test checked the operating effectiveness of management review controls, and other key controls over recognition of investment management fee.</li> </ul> <p>Substantive tests</p> <ul style="list-style-type: none"> <li>Evaluated the appropriateness of revenue recognition in respect of investment management fee income based on the requirements of Ind AS 115;</li> <li>Obtained and tested arithmetical accuracy of investment management fee calculations and reconciled investment management fee to amounts included in financial statements for completeness of income recognition;</li> <li>Test checked that investment management fee rates were approved by authorised personnel;</li> <li>Obtained and read the investment management fee certification reports, issued by the statutory auditors of mutual fund schemes, in accordance with generally accepted assurance standards for such work and reconciled the certified amounts with the accounting records;</li> <li>Test checked the investment management fee invoices and reconciled with the accounting records;</li> <li>Test checked the receipts of money of Investment Management fee income in the bank statements.</li> <li>Evaluated the adequacy of disclosures relating to the investment management fee earned by the Company.</li> </ul>

**E. Key audit matters of Associate Company – HDFC Bank Limited ('HDFC Bank') as provided by the auditor of HDFC Bank**

Key Audit Matters	How our audit addressed the key audit matter
<b>1. Measurement of Expected Credit Loss (ECL) on Financial Assets</b>	
<p>Recognition and measurement of impairment relating to financial assets involves significant management judgement. With the applicability of Ind AS 109 credit loss assessment is now based on ECL model which is forward looking Expected Loss Approach.</p> <p>The Bank's impairment allowance is computed based on estimates including the historical default and loss ratios. The Bank leverages the assets classification and risk estimations under Internal Rating Based (IRB) capital computation for ECL computation. Management exercises judgement in determining the quantum of loss based on a range of factors. The most significant areas are:</p> <ul style="list-style-type: none"> <li>Portfolio Segmentation</li> <li>Asset staging criteria</li> </ul>	<ul style="list-style-type: none"> <li>Examined the Board approved policy on ECL for impairment of financial assets and assessed compliance with Ind AS 109.</li> <li>Understood the process of ECL computation and tested design and operating effectiveness of key controls around data extraction and validation.</li> <li>Involved specialists to test the methodology of the computation of staging of loans, estimation of probability of default, its calibration, and estimation of loss given default.</li> <li>Reconciled the total financial assets considered for ECL estimation with the books of accounts to ensure the completeness.</li> </ul>



Key Audit Matters	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>• Calculation of probability of default / Loss given default/Credit conversion factor basis the portfolio segmentation.</li> <li>• Consideration of probability of forward looking macro-economic factors</li> </ul> <p>The Bank has Board approved policy on ECL to ensure the compliance with Ind AS 109 requirements and the basis of all assumptions for underlying inputs to ECL model.</p> <p>The Bank has a wide range of products in retail segment and exposure to various industries in wholesale segment. There is significant data input required for the computation of ECL for homogenous product in retail segment and basis model and internal grading system in wholesale segment. This increases the risk of completeness and accuracy of the data that has been used as a basis of assumptions in the model. The Management of the Bank also makes an assessment of the impact on borrowers' accounts which were restructured as per RBI Circulars issued to provide relief to the borrowers.</p> <p>We have identified the measurement of ECL as a key audit matter in view of the significant judgement and assumptions involved.</p>	<p>Performed substantive procedures for testing of ECL model and computation of ECL amount included and not limited to the following:</p> <ul style="list-style-type: none"> <li>• Performed procedures over segmentation of financial assets related to the advances in retail and wholesale as per their various products and models and risk characteristics.</li> <li>• Tested the assumptions used for and computation of probability of default, loss given default, discounting factors, credit conversion factor for different class of financial assets as per their nature and risk assessment for sample class of assets.</li> <li>• Tested the appropriate staging of assets basis their days past due and other loss indicators considering the MSME restructuring circular and Resolution Framework for Covid - 19 related stress circular for their compliance with the RBI directions on sample basis.</li> <li>• Tested the assessment performed for forward looking macro- economic factor.</li> <li>• Tested the ECL computation and ensured application of correct underlying factor like PD, LGD, CCF etc. basis the nature of products and models.</li> <li>• Tested the mathematical accuracy of the computation.</li> </ul>
<p><b>2. Evaluation of litigations included in Contingent Liabilities</b></p>	
<p>The Bank has material open tax litigations including matters under dispute which involve significant judgment to determine the possible outcome of these disputes.</p> <p>Significant management judgement is needed in determining whether an obligation exists and whether a provision should be recognised as at the reporting date, in accordance with the accounting criteria set under Indian Accounting Standard 37 - Provisions, Contingent Liabilities and Contingent Assets ('Ind AS - 37'), or whether it needs to be disclosed as a contingent liability. Further, significant judgements are also involved in measuring such obligations, the most significant of which are:</p> <ul style="list-style-type: none"> <li>• Assessment of liability: Judgement is involved in the determination of whether an outflow in respect of identified material matters are probable and can be estimated reliably;</li> <li>• Adequacy of provisions: The appropriateness of assumptions and judgements used in the estimation of significant provisions; and</li> </ul>	<p>Our Audit procedures with respect to this matter included:</p> <p>Testing the design and operating effectiveness of the Bank's key controls over the estimation, monitoring and disclosure of provisions and contingent liabilities.</p> <p>Our substantive audit procedures included and were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Bank process for determining tax liabilities, tax provisions and contingent liabilities pertaining to legal matters and taxation matters;</li> <li>• Obtained list of cases/matters in respect of which litigations were outstanding as at reporting date. <ul style="list-style-type: none"> <li>• For significant legal matters, we sought external confirmations and also corroborated with management's documented conclusions on the assessment of outstanding litigations against the Bank.</li> </ul> </li> </ul>

Key Audit Matters	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>Adequacy of disclosures of provision for liabilities and charges, and contingent liabilities</li> </ul> <p>The Bank assessment is supported by the facts of matter, their own judgment, experience, and advises from legal and independent tax consultants wherever considered necessary.</p> <p>Since the assessment of these open litigations requires significant level of judgement in interpretation of law, we have included this as a key audit matter.</p>	<ul style="list-style-type: none"> <li>For significant taxation matters, we involved our tax specialist to gain an understanding of the current status of the litigations, including understanding of various orders / notices received by the Bank and the management’s grounds of appeals before the relevant appellate authorities;</li> <li>Evaluated the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice;</li> <li>Agreed underlying tax balances to supporting documentation, including correspondence with tax authorities.</li> </ul>
<p><b>3. Information Technology (“IT”) Systems and Controls</b></p>	
<p>The Bank has a complex IT architecture to support its day-to-day business operations. High volume of transactions is processed and recorded on single or multiple applications.</p> <p>The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner.</p> <p>Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.</p> <p>We have identified ‘IT systems and controls’ as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture and its impact on the financial reporting system.</p>	<p>For testing the IT general controls, application controls and IT dependent manual controls, we involved IT specialists as part of the audit. The team also assisted in testing the accuracy of the information produced by the Bank’s IT systems.</p> <p>We gathered a comprehensive understanding of IT applications landscape implemented at the Bank. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology. Our key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access, change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed and authorized.</p> <p>In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation/record/reports, observation and re-performance. We also tested few controls using negative testing technique. We had taken adequate samples of instances for our test.</p> <p>Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period.</p>

## Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's report and Management Discussion & Analysis (MD&A) report, but does not include the Consolidated Financial Statements and our auditors' report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associates and for preventing and detecting frauds and other irregularities; selection and application

of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its associates are also responsible for overseeing the financial reporting process of the Group and of its associates.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements,

including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- The respective joint auditors obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates of which the respective joint auditors are the independent auditors and whose financial information the respective joint auditors have audited, to express an opinion on the Consolidated Financial Statements. The respective joint auditors are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the Consolidated Financial Statements of which the respective joint auditors are the independent auditors. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

The respective joint auditors communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which either of the joint auditors or one of the joint auditors, jointly with other auditors, are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the financial year ended March

31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

We did not audit the financial statements and other financial information, in respect of 18 subsidiaries, whose financial statements include total assets of ₹ 38,837 crore as at March 31, 2022, total revenues of ₹ 6,184 crore and net cash inflows of ₹ 35 crore for the year ended on that date. These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditors' reports have been furnished to us by the management. The Consolidated Financial Statements include the audited financial statements in respect of 2 subsidiaries, whose financial statements include total assets of ₹ 2,44,744 crore as at March 31, 2022, and total revenues of ₹ 84,746 crore and net cash inflows of ₹ 3,556 crore for the year ended on that date. These financial statements and other financial information have not been jointly audited by us and have been audited by one of us jointly with other auditors, which financial statements, other financial information and auditors' reports have been furnished to us by the management. The Consolidated Financial Statements also include the Group's share of net profit of ₹ 8,517 crore and other comprehensive loss of ₹ 397 crore for the year ended March 31, 2022, as considered in the Consolidated Financial Statements, in respect of 1 associate, whose consolidated financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us by the Management.

Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and the associate, and our report in terms of sub-sections (3)

of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and the associate, is based solely on the reports of such other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

The consolidated financial statements of the Holding Company for the year ended March 31, 2021, included in these Consolidated Financial Statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those financial statements on May 7, 2021.

The accompanying Consolidated Financial Statements include unaudited financial statements and other unaudited financial information in respect of an entity controlled by a subsidiary, whose financial statements and other financial information reflect total assets of ₹ 6 crore as at March 31, 2022, and total revenues of ₹ 0.02 crore and net cash inflows of ₹ 0.17 crore for the year ended on that date. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. The Consolidated Financial Statements also include the Group's share of net loss of ₹ 0.11 crore for the year ended March 31, 2022, as considered in the Consolidated Financial Statements, in respect of 2 associates, whose financial statements, other financial information have not been audited and whose unaudited financial statements and



other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of the entity controlled by a subsidiary and associates, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid entity controlled by a subsidiary, and associates, is based solely on such unaudited financial statements and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

Our opinion above on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

The auditors of HDFC Life Insurance Company Limited (“HDFC Life”), a subsidiary, have reported that the actuarial valuation of liabilities of HDFC Life for life policies in force and for policies where premium has been discontinued but liability exists as at March 31, 2022 is the responsibility of HDFC Life’s Appointed Actuary. The actuarial liabilities as on March 31, 2022 has been certified by HDFC Life’s Appointed Actuary in accordance with the applicable regulations. HDFC Life’s auditors have relied upon HDFC Life’s Appointed Actuary’s certificate for forming their opinion on the standalone financial statements of HDFC Life in this regard.

The auditors of Exide Life Insurance Company Limited (“Exide Life”), a subsidiary of HDFC Life, have reported that the actuarial valuation of liabilities of Exide Life for life policies in force and for policies where premium has been discontinued is the responsibility of Exide Life’s Appointed Actuary and have been duly certified by Exide Life’s Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with the guidelines issued by the Insurance Regulatory and Development Authority of India (“IRDAI” / “Authority”) and the Institute of Actuaries of India in concurrence

with the Authority. Exide Life’s auditors have relied upon Exide Life’s Appointed Actuary’s certificate for forming their opinion on the valuation of liabilities of Exide Life for life policies in force and for policies where premium has been discontinued but liability exists in the financial statements of Exide Life.

The auditors of HDFC ERGO General Insurance Company Limited (“HDFC ERGO”), a subsidiary, have reported that the actuarial valuation of outstanding claims Incurred But Not Reported (IBNR) including Incurred But Not Enough Reported claims (IBNER) and Premium Deficiency Reserve (“PDR”) as at March 31, 2022, that are estimated using statistical methods, PDR and IBNR Reserve, have been duly certified by HDFC ERGO’s Appointed Actuary and in his opinion, the norms and assumptions for such valuation are in accordance with the guidelines issued by the Insurance Regulatory and Development Authority of India (“IRDAI” / “Authority”) and the Institute of Actuaries of India in concurrence with the Authority. HDFC ERGO’s auditors have relied on HDFC ERGO’s Appointed Actuary’s certificate in this regard for forming their opinion on the valuation of liabilities for outstanding claim reserves and PDR contained in the standalone financial statements of HDFC ERGO.

Our opinion above on the Consolidated Financial Statements is not modified in respect of the above matters.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor’s Report) Order, 2020 (“the Order”), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of the subsidiary companies and associate companies, incorporated in India, as noted in the ‘Other Matter’ paragraph we give in the “Annexure 1” a statement on the matters specified in paragraph 3(xxi) of the Order.
2. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the



other auditors on separate financial statements and the other financial information of subsidiaries and associates, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

- (a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated Financial Statements;
- (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2022 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies and associate companies, none of the directors of the Group's companies and its associates, incorporated in India, is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiary companies and its associate companies, incorporated in India, and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries and associates, the managerial remuneration for the year ended March 31, 2022 has been paid / provided by the Holding Company, its subsidiaries and associates incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and associates, as noted in the 'Other matter' paragraph:
  - i. The Consolidated Financial Statements disclose the impact of pending litigations on its consolidated financial position of the Group and its associates in its Consolidated Financial Statements – Refer Note 44 to the Consolidated Financial Statements;
  - ii. Provision has been made in the Consolidated Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts

- Refer (a) Note 6 to the Consolidated Financial Statements in respect of such items as it relates to the Group; and (b) the Group's share of net profit/loss in respect of its associates;
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and associates, incorporated in India during the year ended March 31, 2022. Whilst the Holding Company transferred the unclaimed dividend, 2,371 underlying equity shares relating to such unclaimed dividend could not be transferred as the depository participant informed that the aforesaid equity shares were not available in the demat accounts of the respective shareholders; and
- iv. a) The respective managements of the Holding Company and its subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries and associates respectively that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries and associate to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries and associates ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- b) The respective managements of the Holding Company and its subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries and associates respectively that, to the best of its knowledge and belief, no funds have been received by the respective Holding Company or any of such subsidiaries and associate from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries and associates shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
- c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and that performed by the auditors of the subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the representations under sub-clause (a) and (b) contain any material mis-statement.
- v. The final dividend paid by the Holding Company, its subsidiaries and associate

companies incorporated in India during the year in respect of the same declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

Further, the interim dividend declared and paid by one of the subsidiaries incorporated in India, during the year and until the date of the audit report of such subsidiary is in accordance with section 123 of the Act.

As stated in note 28.8 to the Consolidated Financial Statements, the respective Board of Directors of the Holding Company, its subsidiaries and associate companies, incorporated in India have proposed final dividend for the year which is subject to the approval of the members of the respective companies at the respective ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend.

**For S. R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 301003E/E300005

**per Viren H. Mehta**

Partner

Membership No.: 048749

UDIN: 22048749AIGRAH2499

Mumbai

May 2, 2022

**For G. M. Kapadia & Co.**

Chartered Accountants

ICAI Firm registration number: 104767W

**Atul Shah**

Partner

Membership No.: 039569

UDIN: 22039569AIGQVN2646

Mumbai

May 2, 2022

## Annexure 1 referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

### Re: Housing Development Finance Corporation Limited

In terms of the information and explanations sought by us and given by the Holding Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, and based on the consideration of reports of auditors in respect of subsidiaries and associates, we state that the qualifications or adverse remarks by the respective auditors in their reports on Companies (Auditor’s Report) Order, 2020 of the companies included in the Consolidated Financial Statements are:

Sr. No.	Name	CIN	Holding Company/ Subsidiary/ Associate	Clause number of the CARO report which is qualified or is adverse
1.	Housing Development Finance Corporation Limited	L70100MH1977PLC019916	Holding Company	i (c) iii (c) iii (d) vii (a)
2.	HDFC Investments Limited	U65990MH1994PLC083933	Subsidiary	vii (a)
3.	HDFC Pension Management Company Limited	U66020MH2011PLC218824	Subsidiary	vii (a)
4.	HDFC Venture Capital Limited	U65991MH2004PLC149330	Subsidiary	xvii
5.	HDFC Ventures Trustee Company Limited	U65991MH2004PLC149329	Subsidiary	xvii
6.	HDFC Property Ventures Limited	U74140MH2006PLC165539	Subsidiary	xvii
7.	HDFC Credila Financial Services Limited	U67190MH2006PLC159411	Subsidiary	iii (c) iii (d)
8.	HDFC Sales Private Limited	U65920MH2004PTC144182	Subsidiary	vii (a)
9.	HDB Financial Services Limited	U65993GJ2007PLC051028	Subsidiary of an associate	vii (a) xi (a)

The report of the following component included in the consolidated financial statements has not been issued by its auditor till the date of our auditor’s report:

Sr. No.	Name	CIN	Subsidiary/ Associate
1.	Renaissance Investment Solutions ARC Private Limited	U65999MH2020PTC348936	Associate

#### For S. R. Batliboi & Co. LLP

Chartered Accountants  
ICAI Firm registration number: 301003E/E300005

#### per Viren H. Mehta

Partner  
Membership No.: 048749  
UDIN: 22048749AIGRAH2499

Mumbai  
May 2, 2022

#### For G. M. Kapadia & Co.

Chartered Accountants  
ICAI Firm registration number: 104767W

#### Atul Shah

Partner  
Membership No.: 039569  
UDIN: 22039569AIGQVN2646

Mumbai  
May 2, 2022

## **Annexure 2 to the Independent Auditors' Report of Even Date on the Consolidated Financial Statements of Housing Development Finance Corporation Limited**

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

In conjunction with our audit of the Consolidated Financial Statements of Housing Development Finance Corporation Limited (hereinafter referred to as the "Holding Company" or the "Corporation") as of and for the year ended March 31, 2022, we have audited the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associates, which are companies incorporated in India, as of that date.

#### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the companies included in the Group and its associates, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to Consolidated Financial Statements.

#### **Meaning of Internal Financial Controls with Reference to Consolidated Financial Statements**

A company's internal financial control with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to Consolidated Financial Statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

#### **Inherent Limitations of Internal Financial Controls with Reference to Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material

misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Financial Statements to future periods are subject to the risk that the internal financial controls with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Group and its associates, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to Consolidated Financial Statements and such internal financial controls with reference to Consolidated Financial Statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

### Other Matters

The auditors of HDFC Life Insurance Company Limited (“HDFC Life”), a subsidiary, have reported the actuarial valuation of liabilities for life policies in force and policies where premium is discontinued but liability exists as at March 31, 2022 is required to be certified by the Appointed Actuary as per the regulations, and has been relied upon by the auditors of HDFC Life. Accordingly, their opinion on the internal financial controls over financial reporting does not include reporting on the operating effectiveness of the management’s internal controls over the valuation and accuracy of the aforesaid actuarial valuation.

The auditors of Exide Life Insurance Company Limited (“Exide Life”), a subsidiary of HDFC Life, have reported that the actuarial valuation of liabilities for the life policies in force and for policies in respect of which premium has been discontinued but liability exists as at March 31, 2022, is the responsibility of Exide Life’s Appointed Actuary, (the “Appointed Actuary”). The actuarial valuation of these liabilities for life policies in force and for policies

### For S. R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration number: 301003E/E300005

#### per Viren H. Mehta

Partner

Membership No.: 048749

UDIN: 22048749AIGRAH2499

Mumbai

May 2, 2022

in respect of which premium has been discontinued but liability exists as at March 31, 2022, has been duly certified by the Appointed Actuary and in the opinion of the Appointed Actuary, the assumptions for such valuation are in accordance with the Authority. The auditors of Exide Life have relied upon the Appointed Actuary’s Certificate in this regard for forming their opinion on the financial statements on Exide Life. Accordingly, their opinion on the internal financial controls with reference to the financial statements does not include reporting on the operating effectiveness of the Management’s internal controls over the valuation and accuracy of liabilities for life policies certified by the Appointed Actuary and they have relied upon Appointed Actuary’s certificate in this regard

The auditors of HDFC ERGO General Insurance Company Limited (“HDFC ERGO”), a subsidiary, have reported that the actuarial valuation of the outstanding claims incurred but Not Reported (IBNR) and Premium Deficiency Reserve (the “PDR”) that the estimated using statistical method, PDR and IBNR reserve, as at March 31, 2022 have been duly certified by the Appointed Actuary and in the opinion of the Appointed Actuary, the norms and assumptions for such Valuation are in accordance with the guidelines issued by the Insurance Regulatory and Development Authority of India (“IRDAI”/“Authority”) and the Institute of Actuaries of India in concurrence with the Authority. The auditors of HDFC Ergo have relied upon the Appointed Actuary’s certificate in this regard for forming their opinion on the valuation of liabilities for outstanding claims reserves and PDR contained in the standalone financial statements of HDFC Ergo.

Our opinion is not modified in respect of the above matters.

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to Consolidated Financial Statements of the Holding Company, in so far as it relates to the 15 subsidiaries and 1 associate, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries and an associate incorporated in India.

### For G. M. Kapadia & Co.

Chartered Accountants

ICAI Firm registration number: 104767W

#### Atul Shah

Partner

Membership No.: 039569

UDIN: 22039569AIGQVN2646

Mumbai

May 2, 2022