

DIRECTORS' REPORT

Dear Members,

The Board of Directors of your Company takes pleasure in presenting the audited financial statements both standalone and consolidated for the financial year ended 31st March, 2018.

1. FINANCIAL HIGHLIGHTS

The financial performance, for the year ended 31st March, 2018 is summarized as under:

Particulars	(₹ in crore)	
	2017-18	2016-17
Revenue from Operations	4075.42	3498.85
Other Income	97.42	85.99
Total Revenue	4172.84	3584.84
Finance cost	2267.68	1986.32
Other expenses	246.05	175.43
Provision and contingencies (Net)	569.29	297.33
Total expenditure	3083.02	2459.08
Profit before exceptional items and tax	1089.82	1125.76
Exceptional items	0.00	0.26
Prior period adjustments	0.68	48.98
Profit before tax	1090.50	1175.00
Less :		
Current Tax	441.15	389.80
Deferred tax	(149.17)	(60.41)
Prior period tax adjustments	(0.54)	3.80
Profit after tax	799.06	841.81
Add : Balance from previous year	12.14	18.50
: Transfer from General Reserve	95.00	-
Less : Final Dividend for 2016-17	10.01	-
Less : Dividend Tax for 2016-17	2.04	-
Total amount available for appropriation	894.15	860.31
Less: Appropriation		
Interim Dividend	110.10	100.01
Tax on Interim dividend	22.42	20.36
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 and u/s 29C of NHB Act, 1987	321.64	284.50
Transfer to Debenture Redemption Reserve	439.84	439.83
Transfer to Welfare Reserve	-	3.47
Surplus carried forward to next year	0.15	12.14
Proposed dividend on equity shares	-	10.01
Tax on Proposed dividend	-	2.04
Surplus available after proposed Dividend of the current year	0.15	0.09
EPS (Basic/Diluted) (in ₹)	3.99	4.21

During the period under review, despite of extremely challenging and competitive market scenario and fulfilling its social commitment towards providing affordable Housing for All in line with various flagship programmes of the Government of India, Your Company, with the prudent policies of the Management, has been able to maintain its profitability almost at the same level as that of the previous year. During the year, your Company posted profit before and after tax of ₹1090.50 crore and ₹ 799.06 crore respectively (previous year ₹ 1175 crore and ₹ 841.81 crore).

In accordance with the provisions of Section 136 of the Companies Act, 2013, the audited standalone & consolidated financial statements and all other documents required to be attached thereto are available on the company's website namely www.hudco.org. These documents shall also be available for inspection till the date of the ensuing Annual General Meeting during business hours on all working days at the Registered Office of the Company.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY AFTER CLOSE OF FINANCIAL YEAR 2017-18

There are no material changes and commitments, occurred after the close of financial year and the date of this Board's report, affecting the financial position of the company and its state of affairs except as disclosed in this Report. The major material events occurred after the close of the financial year and the date of this Board's report are as under:

- a) In the matter of one of an old NPA account namely Maharaji Educational Trust (MET), from whom an amount of ₹ 469.38 crore was recoverable by the company as on 31st March, 2018, your Company, after prolonged litigation has been able to recover an amount of ₹ 317 crore on 25th May, 2018. All efforts are being made to recover the balance amount due from the borrower as early as possible.
- b) In the matter of another NPA account namely Electrosteel Steels Limited, the Hon'ble National Company Law Appellate Tribunal (NCLAT), New Delhi vide its order dated 30th May, 2018 in Company Appeal (AT) (Insolvency) No. 175 of 2018 under the Insolvency and Bankruptcy Code, 2016 (IBC), permitted Vedanta Limited to implement the Resolution Plan dated 29th March, 2018 as approved by the Hon'ble National Company Law Tribunal (NCLT), Kolkata vide order dated 17th April, 2018 subject to final orders of NCLAT in the appeal. Accordingly, as per Resolution Plan, as approved by NCLT, HUDCO, against its admitted claim of ₹ 383.20 crore, has received an amount of ₹ 160.28 crore on 21st June, 2018 towards the sustainable debt, which has been paid upfront and has also been allotted 44,58,406 number of equity shares of Electrosteel Steels Limited of face value of ₹10/- each towards its pro-rata shares of unsustainable debt;
- c) National Housing Bank vide circular no. NHB(ND)/DRS/Policy89/2017-18 dated 14th June, 2018 reiterated that Housing Finance Companies (HFCs) are required to comply with the provisions of Ind-AS, as notified by the Ministry of Corporate Affairs (MCA), Government of India from time to time, including the date of implementation notified by the MCA vide notification no. G.S.R. 365(E) dated 30th March, 2016. HFCs are expected to adopt sound methodologies, systems/ procedures commensurate with the size, complexity, risk profile, etc., specific to them while implementing Ind-AS.

Accordingly, as per MCA notification, Indian Accounting Standards (Ind-AS) have become applicable in your Company from 1st April, 2018 and adequate steps towards its smooth implementation in HUDCO from the financial year 2018-19 onwards have been taken.

- d) National Housing Bank vide circular no. NHB(ND)/DRS/SUP/3911/2018 dated 2nd April, 2018, had inter alia advised HUDCO on credit concentration/ exposure norms for Government/Public Agencies to be restricted to 50% for Government/Public Agencies for individual exposures and upto 100% for State Government under Group Exposure. Based on HUDCO request, for restoration of exposure norms, permitted to the Company, prior to the revisions advised in its April, 2, 2018 letter, the NHB after reviewing its decision has informed vide its letter no. NHB(ND)/DRS/Policy89/2017-18 dated July 13, 2018 that *'it has been decided to allow HUDCO to continue its disbursements as per the schedule in relation to the existing sanctions made upto May 31, 2018. However, HUDCO shall be required to take suitable steps to bring down the exposure to Government/Public Agencies and State Governments (under group exposure) in the above cases also to 50% and 100% respectively by March, 2023'*.

'NHB further clarified that the exposure limit of upto 50% for Government/ Public Agencies (inclusive of the exposure limit of upto 30% for infrastructure/ non-housing related activities) and upto 100% for State Governments (under group exposure) will continue to be applicable in all other cases. The condition relating to compliance by the concerned State with the FRBM limit shall continue.'

- e) In view of the competitive environment, your Company has decided to discontinue accepting/renewing Public Deposit under the Public Deposit Scheme w.e.f. 1st July, 2019. The maximum period for which deposits shall be accepted upto 30th June, 2019 has also been curtailed to 5 years as against maximum deposit acceptance period of 7 years available earlier. However, redemption of deposits already taken shall be made on due dates.
- f) Bihar State Power Generation Company Limited (BSPGCL), on transfer of 2X250 MW Barauni Power Plant on 30 years lease basis to NTPC, has pre-paid the loan outstanding amounting to ₹ 742.01 crore in the month of June/July, 2018, which includes principal outstanding, IDCP, Pre-payment charges and GST.

- g) Your company has obtained approval of the shareholders by way of special resolution(s) on 20th May, 2018 through the process of postal ballot for borrowing funds not exceeding ₹ 40,000 crore by way of bonds/ debentures on private placement basis, etc.; increase in the borrowing limits to ₹ 1,00,000 crore; and for insertion of new clause 34A, in the Articles of Association of the Company regarding consolidation & re-issue of debt securities, the details of the same are available under the 'Report on Corporate Governance.'

2. DIVIDEND

Your Company has formulated a Dividend Distribution Policy in compliance with Regulation 43 A of Securities and Exchange Board of India (Listing Obligations and Disclosures Requirement) Regulations, 2015, which inter-alia specifies the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend.

In terms of Dividend Distribution Policy and DPE Guidelines, your Company has paid an interim dividend of ₹ 0.55 per equity share having face value of ₹ 10/- each totalling to ₹ 110.10 crore (excluding dividend distribution tax of ₹ 22.42 crore) for the financial year 2017-18, which has been approved by the Board of Directors in its meeting held on 28th February, 2018 and the same was paid to the shareholders on 14th March, 2018.

As there being no surplus available after the payment of interim dividend and after appropriations, your Directors have not recommended any final dividend for the financial year ended 31st March, 2018; hence, the interim dividend of ₹ 110.10 crore excluding dividend distribution tax of ₹ 22.42 crore paid during the year 2017-18, shall be the total payout on account of dividend. The Dividend Distribution Policy of the Company is available at <https://www.hudco.org/writereaddata/DDP.pdf>

3. SHARE CAPITAL

During the financial year under review, there has been no change in the authorized, issued, subscribed and paid up equity share capital of the Company. The Authorized share Capital of the Company as at 31st March, 2018 stands at ₹ 2500 crore divided into 2,500,000,000 number of equity shares of ₹ 10/- each. The issued, subscribed and paid up equity share capital of the Company as at 31st March, 2018 was ₹ 2001.90 crore divided into 2,001,900,000 numbers of equity shares of ₹ 10/- each.

During the year under review, President of India through the then Ministry of Housing and Urban Poverty Alleviation has divested 20,40,58,747 number of equity shares of face value of ₹ 10/- each constituting 10.19% of the total paid up equity share capital of the Company through an Initial Public Offer. After divestment, the shareholding of President of India has been reduced from 100% to 89.81% which is now held through the Ministry of Housing and Urban Affairs (MoHUA) - 69.08% and Ministry of Rural Development (MoRD) - 20.73% respectively.

Your Company has neither issued any shares with differential voting rights nor any Sweat Equity Shares during the year under review.

4. INITIAL PUBLIC OFFER

During the year under review, under the divestment programme of the Government of India, your Company came with Initial Public Offer (IPO) of 20,40,58,747 number of equity shares of face value of ₹ 10/-, in the month of May, 2017. The IPO received overwhelming response from investors, as the issue received over 20 lakh applications in number and was over-subscribed to the extent of 79.60 times.

As the offer for sale of 20,40,58,747 number of Equity Shares was by the President of India acting through the then Ministry of Housing and Urban Poverty Alleviation (i.e. Selling Shareholder), hence, the entire proceeds of ₹ 1209.78 crore collected in the offer went directly to the Selling Shareholder i.e. the then MoHUPA, as such the Company did not received any proceeds from the offer.

On divestment by the President of India through the then Ministry of Housing and Urban Poverty Alleviation, Equity Shares of your Company got listed on BSE Limited and National Stock Exchange of India Limited on 19th May, 2017.

Unclaimed Shares

Due to non-matching of investors detail(s) and accordingly, failure of Corporate Action at the time of transfer of shares to the account of successful allottees in the Initial Public Offer of the Company, 3000 number of shares of 15 shareholders were transferred to Suspense Account on 18th May, 2017, the status of the same as on 31st March, 2018 was as under:

Particulars	Records/ No. of Shareholders	Shares
Opening balance as on 1 st April, 2017	0	0
Add : shares transferred to suspense account	15	3000
Less : claims received and shares transferred	15	3000
Closing Balance as on 31 st March, 2018	0	0

As on 31st March, 2018, there were no shares, which remained unclaimed.

LISTING OF SHARES AND PAYMENT OF LISTING FEE

The Equity Shares of your Company continue to remain listed on BSE Limited and National Stock Exchange of India Limited. Further, the Company has paid the listing fee as payable to the Stock Exchanges for the financial year 2018-19 on time.

INSERTION OF ARTICLE NO. 34A IN THE ARTICLES OF ASSOCIATION

During the year under review, in order to comply with the provisions of SEBI circular dated June 30, 2017 and pursuant to and in terms of the provisions of Section 14 of the Companies Act, 2013, the Members of the Company vide Special Resolution passed by means of Postal Ballot on 20th May, 2018 approved insertion of Article No. 34A in the Articles of Association of the Company for enabling consolidation and re-issuance of securities including debentures, bonds or any other debt instruments subject to the provisions of the Companies Act, 2013 and the applicable SEBI Regulations.

5. MEMORANDUM OF UNDERSTANDING (MoU)

As in the past, your Company, in terms of applicable DPE guidelines, signed a Memorandum of Understanding (MoU) with the Administrative Ministry i.e. Ministry of Housing and Urban Affairs (MoHUA) for the financial year 2017-18 and we are pleased to inform you that your Company is likely to be accorded 'Excellent' Rating' by the Department of Public Enterprises (DPE) for seventh year in a row, for its performance on the MoU parameters.

The Company's successive 'Excellent' MoU ratings are an outcome of conscientious efforts put in terms of proactive and timely monitoring, right interventions by and guidance of the Management. The relentless and timely support provided by MoHUA from time to time aided the Company to tide over challenges faced during the year and achieve its targets and tread to a higher growth path.

6. LENDING ACTIVITIES

i) During the financial year 2017-18, HUDCO has once again demonstrated its ability to mould its efforts and activities in line with emerging market challenges and trends and registering an excellent performance consistently. During the year 2017-18, HUDCO has achieved the highest ever annual loan sanctions since inception i.e. ₹ 38,648 crore and the highest ever annual disbursement in its chequered history of 48 years i.e. ₹ 16,565 crore. Since its inception in April, 1970 and till March 2018, HUDCO has sanctioned a total of 17,168 number of housing and urban infrastructure projects with a total loan component of ₹ 1,91,905 crore and has made a cumulative disbursement of ₹ 1,35,233 crore. HUDCO has sanctioned more than 18.02 million houses in the country in both rural and urban areas so far.

a) Housing Operations

HUDCO has sanctioned a total loan assistance of ₹ 15,770 crore for the housing sector. This included 24 numbers of housing projects in various States, in addition to loans to 215 numbers individuals under its retail lending portfolio of HUDCO Niwas. Some of the major housing projects sanctioned by HUDCO to various State Governments/Agencies are:

- 1) 6.25 lakh EWS Housing units under PMAY (Gramin) in Uttar Pradesh taken up by UP Rural Housing Board (UPRHB);
- 2) 2 lakh EWS housing units under PMAY(Urban) as part of Affordable Housing in Partnership component in Andhra Pradesh taken up by Andhra Pradesh Township & Infrastructure Development Corporation Limited;
- 3) 4 lakh EWS Houses under the NTR Rural Housing Programme in Andhra Pradesh taken up by the Andhra Pradesh State Housing Corporation;
- 4) 62,500 number of EWS housing units under the State's 2 BHK housing Phase-II programme in Telangana State taken up by Telangana State Housing Corporation Limited (TSHCL); and

- 5) Housing scheme for Resettlement and Rehabilitation of HEC displaced persons (400 families) at Ranchi taken up by Building Construction Department, Government of Jharkhand.

HUDCO is one of the nominated Central Nodal Agencies of the Government of India for routing the central subsidy to beneficiaries under the Credit Linked Subsidy Scheme (CLSS) component of PMAY (Urban). During the year 2017-18, HUDCO has disbursed a total subsidy amount of ₹ 50.74 crore to 2605 number of beneficiaries of EWS, LIG and MIG categories.

b) Urban Infrastructure Lending

During the year 2017-18, HUDCO has sanctioned a total loan assistance of ₹ 22,878 crore for 92 urban infrastructure projects in various States. This included 15 for water supply, 22 for roads and bridges, 32 for social infrastructure, 5 for sewerage, 1 for drainage development, 11 for commercial projects and 6 energy sector projects.

c) Social Orientation in HUDCO's Housing Operations

A significant emphasis is laid in HUDCO operations on addressing the housing requirements of weaker sections of the society. HUDCO offers loan assistance to the State Government/State Government Agencies for fulfilling housing needs of Economically Weaker Sections (EWS) and Low Income groups (LIG) at a comparatively lower rate of interest. Such loans are offered for a longer duration as well. During the year 2017-18, of the total 15,48,387 number of housing units were sanctioned by HUDCO as part of project lending operations (excluding individual loans), about 99.94% has been for EWS and LIG category households.

During the first quarter ended 30th June, 2018 of the financial year 2018-19, your Company has sanctioned a total loan of ₹ 4072 crore and disbursed an amount of ₹ 1305 crore.

(ii) Consultancy Business Initiatives

HUDCO has a large pool of technically qualified professionals who consistently contribute to the growth of the organization in terms of showcasing various facets of consultancy services, thereby contributing to the overall image building of HUDCO. Long experience and expertise in the fields of Architecture and Planning has given a much needed impetus to the fee based consultancy.

At present, HUDCO as part of the consultancy operations is working on various projects. Keeping in view the propagation of Government of India programmes, HUDCO has been entrusted with a prestigious project - Preparation of Detailed Project Report for Housing Project under Atal Ashray Yojna (a derivative of PMAY) at Girgaon, Gwalior, Madhya Pradesh. The work on the same is going on in full swing. HUDCO is also working on projects such as preparation of a Detailed Project Report (DPR) for Vertical Housing Colony - Shehjar Apartments at Bemina, Srinagar from SDA and providing consultancy services for construction of Office Building for ASI at Tilak Marg, New Delhi, which is nearing completion.

As a part of business development initiatives, a comprehensive presentation was made to UD&HD, Government of Bihar on consultancy operations of HUDCO with specific reference to Urban and Regional Planning fields. As a result, Government of Bihar has offered a prestigious assignment of preparing 'Integrated Master Plan for Rajgir Regional Planning Area including World Heritage Site - Nalanda Mahavihara, on GIS Platform' which covers an area of 517 sq. km in the Nalanda district of Bihar. The project would give a boost to the fee based consultancy to the tune of ₹ 1.16 crore. Apart from this, some of the recent assignments also include Development Plans for Khargone and Jhabua in Madhya Pradesh, Jaigaon in West Bengal.

(iii) HUDCO Design Awards 2017

HUDCO instituted HUDCO Design Awards in 2012 to give recognition and felicitate innovative ideas and initiatives that contribute to make our cities inclusive, liveable and environmentally sustainable. In keeping with the tradition HUDCO Design Awards 2017 was announced in the month of September, 2017 which received enthusiastic participation from the professionals. The Jury Committee comprising of eminent professionals in the fields of Architecture and Planning, selected the winners who were felicitated on HUDCO Annual Day Function. A compilation of all the winning entries in the form of a publication was also released for wider dissemination, scalability and replicability.

(iv) HUDCO NASA Design Trophy 2018

HUDCO NASA Design Trophy is a unique initiative of HUDCO to engage with students of Architecture and sensitize them about the contemporary challenges of urban development by organizing design competition on relevant topic in collaboration with National Association of the Students of Architecture (NASA). The topic selected for this year's competition was 'Affordable Housing using Green and Emerging Technology'.

(v) HUDCO Build Tech 2017

HUDCO organized HUDCO Build Tech 2017 - an exposition on cost effective and environmentally friendly building materials and technologies as a part of India International Trade Fair held from 14th to 27th November 2017 at Pragati Maidan, New Delhi. The exhibition was inaugurated by Shri Hardeep S Puri Ji, the Hon'ble Union Minister of Housing and Urban Affairs, Government of India. A display was put up for visitors in around 200 Sqm area in Hall No.12, Pragati Maidan, showcasing various HUDCO activities and areas of operation. The event received much appreciation from the Hon'ble Minister and the general public at large.

(vi) Support to Government of India's Flagship Programmes

HUDCO has been integrally involved with Government of India Mission programmes. Housing for All (HFA) Cell, HUDCO being a technical arm of the Ministry of Housing and Urban Affairs is assisting the Ministry in scrutiny of PMAY-HFA (Urban) projects. Pradhan Mantri Awas Yojna - Housing For All (Urban) i.e. PMAY-HFA(Urban) comprises of 4 verticals viz. In-situ Slum Redevelopment (ISSR) (using land as a resource), Affordable Housing in Partnership (AHP), Beneficiary Led Construction(BLC) - New Construction & Enhancement Projects and Credit Linked Subsidy Scheme(CLSS). HUDCO is conducting desk & site Scrutiny of sample projects/DPRs in respect of 3 verticals except CLSS as and when required by the Ministry, as the projects are being sanctioned at the State Government level.

During 2017-18, HUDCO has undertaken site and DPR scrutiny of 136 number of projects with a total Project Cost of ₹ 18252.17 crore and Central Share of ₹ 4550.37 crore for construction of 3.09 lakh Dwelling Units in 27 States/ Union Territories. The above 136 projects undertaken include 4 AHP projects, 36 BLC (New Construction/ Enhancement) projects and 2 ISSR projects. This activity has resulted in generating a fee-based income of ₹ 2.26 crore during financial year 2017-18.

Further, PMAY also offers business opportunity to HUDCO in the form of viability-gap funding wherein HUDCO offers loan assistance to State Governments/State Implementing Institutions/Urban Local Bodies to meet the share of the State/ULB in the total project cost, where ever sought. During 2017-18, HUDCO has sanctioned viability-gap funds to 4 number of PMAY (Urban) projects with project cost of ₹ 14008.80 crore in the States of Uttar Pradesh, Telangana and Uttarakhand offering a total loan of ₹ 4,219.50 crore for construction of 2.63 lakh housing units.

HUDCO upto 31st March, 2018 has conducted site inspections of 547 number of Night Shelters under Shelter for Urban Homeless(SUH) component of Deendayal Antyodaya Yojna – National Urban Livelihood Mission (DAY – NULM) in respect of 20 States/UTs across the country.

Further, as part of fee based consultancy initiatives, HFA Cell has undertaken Third Party Inspection monitoring in respect of 10 Delhi Police projects out of the 18 Delhi Police Projects awarded.

(vii) HUDCO's role in Government of India Scheme – for promoting Housing for All & Urban Development

The Credit Linked Subsidy Scheme (CLSS) component of the Pradhan Mantri Awas Yojna (PMAY-Urban) envisages expanding institutional credit flow to the housing needs of the Urban Poor, as a demand side intervention. HUDCO has been designated as one of the Central Nodal Agencies (CNA) under CLSS to channelize the subsidy. Till March, 2018, HUDCO has signed 80 number of MoU for EWS/LIG and 74 number of MoU's for MIG category with Primary Lending Institutions (PLIs). During the Financial Year 2017-18, a total of ₹ 50.74 crore of subsidy has been disbursed to 2605 number of beneficiaries for EWS/LIG/ MIG category.

HUDCO is making all out efforts for increased level of disbursement of subsidy for a larger number of beneficiaries under the CLSS programme and subsidy of ₹ 39.97 crore to 1939 number of beneficiaries have been disbursed by HUDCO (as a CNA) during the period from 1st April, 2018 to 30th June, 2018.

7. FINANCIAL REVIEW**(i) Accounting Policies**

During the year 2017-18, your company has added one new accounting policy on 'Use of Estimates' which is clarificatory with no financial impact and has made changes in 9 accounting policies out of which 2 accounting policies (Sr. No. 3(a) and 6(a) of point no. 43(j) of Note 26 of the financial statements) resulted in financial impact of ₹ 0.01 crore and ₹ 7.10 crore respectively (refer no. 26 point no. 43(j) of the financial statements).

(ii) Income from Operations and Profitability

The total operating income of your Company for the financial year 2017-18 was reported at ₹ 4075.42 crore. While the overall Profit before Tax (PBT) for the year was ₹ 1090.50 crore, the Profit before tax (excluding other income, prior period adjustment, extraordinary and exceptional items) was ₹ 992.40 crore. The Profit after Tax(PAT) was ₹ 799.06 crore (₹ 841.81 crore in the previous year).

(iii) Non-Performing Assets

In order to comply with the prudential guidelines for Non-Performing Assets (NPA) under the Housing Finance Companies (NHB) Directions, 2010, as amended from time to time, your Company has taken various precautionary measures like regular monitoring of Default and NPA position by the management and its review by the Default Monitoring Resolution Committee (DMRC) both at Head Office and Regional Office level/ Committee of Board and Board of Directors periodically. The DMRC and Committee for Review of NPAs met for 11 and 6 times respectively during the financial year 2017-18. During meetings of Committee to Review of NPA, Regional Chief from 10 Regional Offices were invited for giving detailed presentation with respect to default/ NPA cases of their respective regions and necessary remedial steps/ actions, wherever required, are taken for resolution of default/ NPA cases.

As at the end of the financial year ended 31st March, 2018, HUDCO reported Gross NPA and Net NPA of ₹ 3127.47 crore and ₹ 674.63 crore, which constituted 6.28% to total loan portfolio and 1.42% to net loan outstanding respectively.

Further, in terms of Hon'ble Madras High Court orders, account of M/s RKM Powergen Private Limited with total outstanding amount of ₹ 482.57 crore has not been considered as NPA. The Company did not recognize any income on above account in its books of accounts during the financial year and the necessary provisioning as required under the NHB Directions has been created.

Total provisioning made towards NPA as on 31st March, 2018 stands at ₹ 2692.87 crore which includes ₹ 284 crore made as an additional provisioning to meet unforeseen contingencies (in which an amount of ₹ 193.03 crore has been earmarked with respect to RKM).

As on 31st March, 2018, HUDCO's total loan book constitutes 93% of loan to the Government Agencies and 7% to the private Sector. In the case of Government Sector, the Net NPA is 0.00% indicating reasonably good asset quality. Whereas, in Private Sector, the Net NPA is 52.95% of the net loan outstanding of the private sector. HUDCO is not making any fresh sanctions to the private sector, since, March, 2013.

During the financial year 2017-18, with the continuing prudent policies of management and its proactive approach, Project Loan defaults has been reduced to the tune of ₹ 1121.19 crore i.e. 18.45% from the level of ₹ 6078.14 crore as on 31st March, 2017. As on 31st March, 2018, loan overdue to Net Loan Assets ratio was 13.76% as against MoU target of 15%.

(iv) Resources Mobilization

During the financial year 2017-18, the company mobilized ₹ 4,655 crore through Taxable, Unsecured, Redeemable, Non-convertible bonds. HUDCO also availed refinance of ₹ 1,000 crore from National Housing Bank (NHB) under its Rural Housing Fund Scheme. The company also mobilized, one year USD denominated foreign currency loans from Indian banks, aggregating to ₹ 600.15 crore (USD 93.50 mn), in respect of which the Interest rate & Currency risks were hedged through Interest rate swap and an option structure, respectively. Further, an amount of ₹ 63.87 crore (including renewals) was also mobilized through HUDCO Public deposit scheme during the financial year 2017-18. As on 31st March, 2018, HUDCO's borrowings (long term) to Net worth, stood at 3.02 times as against 2.83 times as on 31st March, 2017. The details of long term funds mobilized by the Company during the Financial Year 2017-18, are as under:

			(₹ In Crore)	
S. No.	Source / Mode of funding	FY 2017-18	FY 2016-17	
1.	Taxable Unsecured Redeemable Non-Convertible Bonds	4655.00	3865.00	
2.	Refinance from NHB	1000.00	1000.00	
3.	FCTL/FCL from Banks	600.15	-	
4.	HUDCO Public Deposit Scheme	63.87	306.49	
Total:		6319.02	5171.49	

The Company during the financial year 2017-18, to meet its short term fund requirement from time to time, also raised an amount of ₹ 6,875 crore through Commercial Paper(s) and ₹ 1500 crore (USD 235.03 Mn) through fully hedged Foreign currency loans from Indian Banks. As on 31st March, 2018, an amount of ₹ 2500 crore and ₹ 1,500 crore was outstanding against Commercial Paper(s) and Foreign currency loans, respectively, which have since been repaid on the respective maturity date(s), as per the terms of borrowings.

As on 31st March, 2018, the Company also had approved Cash Credit/ Working Capital Demand Loan limits of ₹ 6,720 crore for availment from various banks for its day-to-day operations. Against these limits, the Cash Credit facilities/ Working Capital Demand Loan(s) availed and outstanding as on 31st March, 2018 was ₹ 2364.52 crore. With this, funds raised through short term sources aggregated to ₹ 6364.52 crore, comprising of Commercial Paper(s) of ₹ 2500 crore, Foreign currency loans of ₹ 1500 crore and Cash Credit facilities/ Working Capital Demand Loan(s) of ₹ 2364.52 crore.

Accordingly, total funds mobilized during the financial year 2017-18 from various sources amounted to ₹ 12,683.54 crore, which included ₹ 6319.02 crore through long term sources and ₹ 6364.52 crore through short term sources.

(v) Credit Rating

The domestic debt instruments of the Company continued to enjoy 'AAA' rating (stable : outlook) – the highest rating assigned by three Credit rating agencies, namely, M/s India Rating & Research Pvt. Limited (IRRPL), M/s CARE Ratings & M/s ICRA Limited.

(vi) Cost of Market Borrowings

The overall weighted average incremental cost of market borrowing for the funds raised through Taxable Bonds during the financial year 2017-18 was 7.52% p.a. The weighted average incremental cost of borrowing through taxable bonds, worked out to 1 (one) bps lower than the Reuters benchmark for 'AAA' rated Corporate Bond of equivalent maturity as on 31st March, 2018. As a result, the Company was able to provide long-term finance for various Housing and Infrastructure projects at competitive rates.

(vii) Redemption and Pre-payment (excluding the borrowings availed and repaid during the same financial year)

During the financial year 2017-18, the Company repaid a total sum of ₹ 3,433.74 crore. This included repayment of ₹ 506.30 crore on account of long term bonds, ₹ 65.64 crore on account of foreign currency loans, ₹ 1000.10 crore on account of loans from Banks and Financial Institutions, Commercial Paper(s) of ₹ 1,500 crore and Public deposits of ₹ 361.70 crore matured/paid during the year.

The company continues to maintain its impeccable track record of servicing its debt in time.

(viii) Unclaimed amount under HUDCO Bonds

Bonds amounting to ₹ 6,98,89,541.11 (inclusive of interest amounting to ₹ 4,78,89,541.11) in respect of 1935 bondholders remain unpaid as on 31st March, 2018 as the same have not been yet claimed by the investors.

The details of amount remaining unpaid are as under:

Financial Year	Principal		Interest		Total Amount (₹)
	Amount (₹)	No. of Bondholder	Amount (₹)	No. of Bondholder	
2015-16	1,40,00,000	10	2,54,59,796.12	1237	3,94,59,796.12
2016-17	1,20,00,000	9	5,11,87,255.72	1668	6,31,87,255.72
2017-18	2,20,00,000	10	4,78,89,541.11	1925	6,98,89,541.11

In respect of the above unclaimed Bonds, the Bond holder(s) have been requested from time to time through email/letter, etc., for submission of requisite documents for claiming the amount of Principal/Interest, as may be due in their respective case(s).

In respect of Bonds, the Company in terms of section 125 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 notified on 5th September, 2016 is presently transferring unclaimed principal and/ or interest, or both (if any), which are paid on due dates as per the terms of the Bonds, after 7 years from the maturity date of the Bonds to Investor Education and Protection Fund (IEPF).

During the financial year 2017-18, no amount become due for transfer to Investors Education and Protection Fund (IEPF) on account of Bonds, as per the provisions of Companies Act. Further, there were no bonds which have been claimed but remained unpaid as at end of the financial year.

(ix) HUDCO Public Deposit Scheme

HUDCO, being a Housing Finance Company registered with National Housing Bank (NHB) is governed by the provisions of Housing Finance Companies (NHB) Directions, 2010 relating to Public Deposits.

During the financial year 2017-18, HUDCO has mobilized deposits of ₹ 63.87 crore (including renewals) from 702 depositors and an amount of ₹ 361.70 crore was matured/paid to 1241 depositors. The total amount outstanding under HUDCO Public Deposit Scheme was ₹ 626.60 crore from 2569 depositors as on 31st March, 2018.

Keeping in view the competitive environment, the Company has decided to discontinue accepting/ renewing Public Deposit under the Public Deposit Scheme w.e.f. 1st July, 2019. Further, the maximum period for which deposits shall be accepted (upto 30th June, 2019) has also been curtailed to 5 years as against maximum deposit acceptance period of 7 years available earlier. However, redemption of deposits already taken shall be made on due date(s).

(x) Unclaimed amount under HUDCO Public Deposit Scheme

As on 31st March, 2018, deposit(s) amounting to ₹ 1,61,80,921/- (inclusive of Principal and Interest) from 60 depositors' remains unclaimed.

In respect of unclaimed Deposits, the Deposit holder(s) have been intimated through email/ letters regularly with a request to claim the amount matured or renew the deposits. During the financial year 2017-18, an amount of ₹ 1,19,680/- remaining unclaimed for more than seven years from the date of maturity was transferred to 'Investor Education and Protection Fund' (IEPF), as per the provisions of the Companies Act, 2013 and rules made thereunder.

(xi) Deployment of Resources at the close of the year

At the close of the financial year 2017-18, the total resources of your company stood at ₹ 48930.15 crore, which includes, Equity Share Capital amounted to ₹ 2,001.90 crore, Reserves & Surplus stood at ₹ 7819.84 crore, Loans from Financial Institutions, Commercial Banks, Multilateral Institutions and Market Borrowings through Bonds and Commercial paper accounted for ₹ 37408.02 crore, Deferred Tax Liabilities (Net) amounted to ₹ 276.09 crore and other liabilities & provisions stood at ₹ 1424.30 crore. These funds were deployed as Long/Short Term Loan & Advances of ₹ 47154.05 crore, Fixed Assets(net of depreciation) of ₹ 105.34 crore (including capital work-in-progress), Investments of ₹ 368.52 crore, Cash & Bank Balances of ₹ 222.34 crore and other assets of ₹ 1079.90 crore.

8. RISK MANAGEMENT IN HUDCO

Your Company, being a Housing Finance Company is exposed to various types of risks like credit risk, operational risk, liquidity risk, market risk and foreign currency risk. Your Company is fully committed to manage these risks in an effective and proactive manner, for which HUDCO has in place a Risk Management Policy and Operating Manual in line with its objectives covering both the internal and external environment.

With a view to minimize the impact of various risks to which your Company is exposed to, your Company has in place a Board level Committee namely 'Risk Management Committee'(RMC) headed by Chairman & Managing Director which reviews various suggestions/ recommendations/reports and action taken by three sub-committees namely:

- Assets & Liabilities Management Committee (ALCO);
- Credit Risk Management Committee (CRMC); and
- Operational Risk Management Committee (ORMC)

The Assets & Liabilities Management Committee (ALCO) and Credit Risk Management Committee (CRMC) are headed by Director (Finance) and the Operational Risk Management Committee (ORMC) is headed by Director (Corporate Planning). The recommendations of the Risk Management Committee are submitted to the Board of Directors.

HUDCO has effective Assets and Liabilities Management system. ALCO reviews the risks relating to Assets and Liabilities and ensures management of mismatches through liquidity gap analysis, interest rate sensitivity analysis as per NHB guidelines. It is ensured that the ALM risks, if any, are managed within the permissible limits. During the financial year 2017-18, 18 number of ALCO meetings were held.

The Credit Risk Management Committee (CRMC) oversees and ensures that the institution's credit policies are complied with and the procedures are being consistently applied. The Operational Risk Management Committee (ORMC) oversees and ensures the implementation of operational risk framework to explicitly manage each and every source of operational risk including Technology

risk, Employee risk, Customer risk, Capital Asset risk and External risk. During the financial year 2017-18, 4 number of CRMC and 4 number of ORMC meetings were held.

The various types of risks to which your Company is exposed to and the efforts taken towards their effective management and mitigation are as briefly described as under:

a) Credit Risk

For management of credit risks in an effective manner, Your Company has established a strong appraisal mechanism containing comprehensive appraisal techniques/ guidelines in order to ensure timely repayments of principal & interest amount.

b) Operational Risk

In order to mitigate the operational risk(s) associated with the operations of the organization both internal as well as external including technology risk, employee risk, capital asset risk, external risk, compliance risks viz. external fraud, legal risk, etc, your Company has established a strong reporting and monitoring mechanism.

Operational Risk Management framework covers managing each and every source of Operational Risk as a distinct risk to the institution's safety and soundness. The requisite information on the Operational risk is obtained through quarterly reports of 'Operational risk Factors and Key Risk Indicators (KRIs)' from Regional Offices/ departments which are further reviewed and analyzed for mitigation of operational risk.

c) Liquidity Risk

To manage the liquidity risk, your Company has in place an effective Asset Liability Management System. The liquidity risk is being monitored with the help of liquidity gap analysis. Further, the funds are mobilized at competitive rates through various strategies viz. bonds, public deposits, term loans etc.

d) Market Risk

In order to mitigate the risks arising from fluctuations in interest rates and foreign currency exchange rates, your Company periodically reviews and determines its lending rates based on its cost of funds and the market scenario. Further, the interest rate risk is being monitored with the help of interest rate sensitivity analysis under the Asset Liability Management System.

e) Foreign Currency Risk

In order to mitigate the risks associated with Foreign Currency Fluctuations, your Company has a Foreign Currency Risk Management policy. Your Company has entered into hedging transactions to cover the exchange rate and interest rate risks. As on 31st March, 2018, the total foreign currency liabilities are USD 380.923 million and JPY 2139.308 million and 92.62% of the foreign currency exchange rate risk is covered through hedging instruments.

9. JOINT VENTURE, ASSOCIATE AND SUBSIDIARY COMPANY

As on 31st March, 2018, your Company has three Joint Venture(s) namely, Pragati Social Infrastructure & Development Ltd. (PSIDL), Shristi Urban Infrastructure Development Ltd. (SUIDL), Signa Infrastructure India Ltd. (SIIL), one Associate namely Ind Bank Housing Limited' (IBHL) and do not have any Subsidiary Company.

HUDCO had invested ₹ 2.14 crore in the Joint venture Companies {PSIDL – ₹ 0.13 crore (26%), SUIDL– ₹ 2.00 crore (40%) and SIIL– ₹ 0.01 crore (26%)}. During the financial year 2015-16, HUDCO has decided to exist from joint venture companies by invoking the exit clauses, as the performance of these joint ventures was not found to be satisfactory. The Company is in the process of existing from these joint ventures.

In the case of IBHL, a associate Company, HUDCO has invested ₹ 2.50 crore, being 25% of the paid up equity share capital. The investment in HUDCO books is appearing at ₹ 1 only.

10. CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Section 129(3) of the Companies Act, 2013 and Accounting Standard 23 & 27, your Company has prepared Consolidated Financial Statement (CFS) in respect of only one Joint Venture Company namely M/s Shristi Urban Infrastructure Development Limited. However, consolidation in respect of other Joint Venture(s) namely, Pragati Social Infrastructure Development Limited (PSIDL), Signa Infrastructure India Limited (SIIL) and one Associate Company M/s Ind Bank Housing Limited'(IBHL) has not been considered during the financial year 2017-18, due to the reasons given below:

- I. In case of PSDIL (JV), the Company has decided to exit from this entity and provided for full diminution in the value of investment.
- II. In case of SIIL (JV), the Company has decided to exit from said entity and the figures not being material.
- III. In case of IBHL (Associate), the Company has provided for full diminution in the value of investment.

Statement containing salient features of Financial Statements of Joint Venture and Associate Companies

Pursuant to Section 129(3) of the Companies Act, 2013, a Statement containing salient features of financial statements of Joint Venture and Associate Companies, has been given in the prescribed form AOC – 1, forms part of this Annual Report.

11. INTERNAL FINANCIAL CONTROLS POLICY AND INTERNAL AUDIT

Pursuant to Section 143(3)(i) of the Companies Act, 2013, your Company has put in place Internal Financial Controls for ensuring the orderly and efficient conduct of its business in adherence with the laid down policies and procedures, i.e., adherence to such policies, safeguarding assets of the Company, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, which is commensurate with the operations of the Company.

Apart from, Internal Financial Controls Policy, your Company have prepared Risk Control Matrices and Flow Charts, which are helpful for the management to depict the process to initiate, authorise, process, record and report transactions; the points within the process at which misstatements could occur; and control activities that are designed to prevent or detect such misstatements, including providing greater transparency to segregation of duties. These diagrams also depict the relevant systems and Information Produced by the Entity (IPE).

The Operating efficiency of existing Internal Financial Controls have been reviewed and tested by a firm of Chartered Accountants and based on their testing and review, it has been found that IFC are working effectively and satisfactory during the year under review. As per the advice of the Chartered Accountants firm, appropriate steps have been taken for further strengthening the IFC.

Internal Audit

Your Company has a separate Internal Audit department headed by an Executive Director, who directly reports to the Chairman & Managing Director. During the year under review, an extensive internal audit of all the Regional Office(s) and major divisions of Corporate Office were carried out by in-house internal audit team and by outsourced Chartered Accountants firm.

The significant observations of the internal audit were periodically submitted to the Audit Committee and necessary action as directed by the Audit Committee is taken by the Internal Audit Department. Directions have also been issued to all concerned for adherence to the policies, guidelines and procedures and for timely compliance of the Audit Observations.

In order to give assurance to the management, Audit Committee has decided to introduce a comprehensive Risk based Audit Plan encompassing the activities carried out in the Company, so as to evaluate risks in its operations and strategic activities, for which necessary plan alongwith proposed remedial action and/ strategies based on the risks to which HUDCO is being exposed to, is being formulated.

Further, to strengthen the Internal Audit Control System and to have systematic and regular approach to evaluate and improve the controls, governance processes, risk management, etc., the Audit Committee advised, to appoint Chartered Accountants for carrying out the Audit of Regional Offices of the Company. The reports of these, Chartered Accountant firms would be analysed & scrutinized by Internal Audit Department of the Company with regard to various applicable laws, guidelines and norms of the Company. The significant observations of the Internal Audit Department would continue to be put up to the Audit Committee for its review and approval.

12. HUDCO – AN ISO 9001:2008 CERTIFIED COMPANY

HUDCO has got certified as an ISO 9001:2008 for Quality Management for its full range of activities, mainly in project and retail financing services, resource mobilisation for funding, consultancy & joint ventures and research & training through HSMI, for optimising organisational efficiency and continual improvements of systems & processes.

13. HUMAN SETTLEMENT MANAGEMENT INSTITUTE (HSMI)

HUDCO's, Human Settlement Management Institute (HSMI) is functioning as the Research & Training Wing of HUDCO and its activities are supported by a core group of qualified and experienced professionals from various disciplines. HSMI continued

its efforts to provide capacity building to the professionals engaged in the Housing and Urban Development sector including international professionals, functionaries from HUDCO's borrowing agencies as well as its own employees.

During the Financial Year 2017-18, a total of 23 Training Programmes have been conducted, imparting capacity building training to 902 professionals with a total of 4921 man-days as under:

- a) 14 Capacity Building Programmes with emphasis on strengthening and working with State Public Agencies and Urban Local Bodies and supporting them for taking-up projects funded by HUDCO, in association with HUDCO Chair Institutions covering 522 professionals from Urban Local Bodies and other agencies, imparting training of 1119 man-days.
- b) 3 fee based training programmes, 1 for Rail Land Development Authority (RLDA) Officers sponsored by NAREDCO and two international programmes fully sponsored by the Ministry of External Affairs, Government of India under its ITEC programme covering 73 officers/ professionals imparting training of 2283 man-days.
- c) 6 in-house training programmes for HUDCO officers, in the discipline of Law, Finance, and Projects with participation of 307 officials imparting training of 1519 man-days.

During the year under review, HSMI under its collaborative research & development activities organized 11 research seminars for presentation of research study reports and 5 research studies were completed. Cumulatively, out of 35 research projects sanctioned during the period from 2012-2017 under HUDCO R&D Policy, a total of 19 research projects have been completed so far. Further, as part of HUDCO Chair activities, HUDCO's HSMI supported 18 reputed institutions to undertake research and training activities in the habitat sector.

As part of HUDCO Best Practices Awards to improve the living environment in the Habitat Sector, 10 'Best Practices Awards' and 6 Certificates of Appreciation were given to agencies during the year, for undertaking unique/novel projects/schemes after recognising their potential for replication and adaptation by other agencies in the Country.

The Ministry of Housing and Urban Affairs has identified HSMI as Anchor Institution for carrying IBSA-HS activities as well as one of the Nodal Resource Centre for undertaking various training and other activities for implementing action plan programmes of the Ministry. Besides, HUDCO, being an Associate Member of CITYNET since 1993, HSMI has been engaged with CITYNET through research and training activities. HUDCO has also established an India chapter of CITYNET, so that more Indian cities could benefit from HUDCO's vast experience in the area of common interest.

14. HUMAN RESOURCES

Your Company has a high performing and engaged workforce equipped to deliver the results. To ensure their constant upgradation of skills and knowledge base, capability development programmes were organized in various strategic, functional and behavioural areas for the employees through in-house training institute as well as other institutes of prestige. The Company has an effective Performance Management System to identify and develop talent and also reward for their performance achievement through set KRAs and goals. Your Company maintains cordial relations with employees at all levels.

As on 31st March, 2018, HUDCO has a total strength of employees as 869 against 875 in the previous year.

Representation of Women Employees

As on 31st March, 2018, HUDCO had 253 women employees, representing 29 % of the total workforce. There is no discrimination of employees on the basis of gender.

Pay Revision

The Ministry of Housing and Urban Affairs vide its letter no.A-42012(12)1/2017-M-UD(E-9031298) dated 25th January, 2018 has issued the Presidential Directive to implement the Pay Revision of Board level and below Board level Executives and Non-Executives of HUDCO w.e.f. 1st January, 2017, for a period of three years as per DPE guidelines contained in its OM. Nos.W-02/0028/2017-DPE(WC)-GL-XIII/17 dated 3rd August, 2017 and W-02/0028/2017-DPE(WC)-GL-XIV/17 dated 4th August, 2017. Accordingly, pay scales of Board level and below Board level Executives and Non-Executives have been revised with effect from 1st January, 2017 as per guidelines issued by Department of Public Enterprises (DPE) and the total financial implication towards the same is ₹ 27.89 crore. It will help in boosting the morale of the employees and sustain high performance in future.

15. VIGILANCE

As per the directions of CVC from time to time, the Corporate Vigilance Department (CVD) continued to strive for improving the systems and procedures and strengthen the mechanism to ensure pre-emptive actions and advising reformatory measures in the

possible areas of corruption/financial irregularities as a part of preventive vigilance such as e-procurements; e-payments; creating general awareness amongst the officials; adoption of Integrity Pact wherever applicable; digitalisation of system/process to avoid manual intervention, etc.

Vigilance Awareness Week was observed by the Corporation from 30th October to 4th November, 2017 in the Head Office as well as at all the Regional Offices. During the week, various programmes were organized not only at the premises of 21 Regional Offices but also in schools & colleges and other prominent places in the city within jurisdiction of each Regional Office throughout the country. The programmes were the theme centric declared by the CVC i.e. "My Vision – Corruption free India". During the Week, Dr. M. Ravi Kanth, Chairman & Managing Director and Shri Ajay Mishra, Chief Vigilance Officer, released a pamphlet on 'Do's and Don'ts on preventive vigilance'. This was distributed amongst the officials of HUDCO Head Office and the Regional Offices throughout the country. During the year, routine and specific inspection of selected Regional Offices was conducted which included random check of activities of Regional Offices and specific examination of certain cases.

Shri Ajay Mishra, IDAS took over the charge of Chief Vigilance Officer, HUDCO on 4th September, 2017 and at present the main thrust of CVD is being laid on completion of long pending departmental proceedings expeditiously. The emphasis of CVD is also on prompt action on the complaints received.

16. OFFICIAL LANGUAGE

In compliance of Government of India's policy on Official Language, your Company has taken various initiatives for promotion and implementation of use of 'Hindi' as Official Language in all of its offices. Your Company has received 'Rajbhasha Kirti Puraskar' on 14th September, 2017 from the Hon'ble President of India, for outstanding work in Hindi. Your Company Celebrated 'Rajbhasha Pakhwara' in its Head Office and all Regional Offices spread throughout the country in the month of September wherein several workshops and Hindi competitions were organized.

During the year Parliamentary Committee on Official Language inspected our Ahmedabad Regional Office and appreciated the work done towards promotion of official language. Further a team of Hindi Officials from Ministry of Housing and Urban Affairs inspected HUDCO Head Office and were quite happy with the work being done for the progressive use of Hindi.

During the year under review, two meetings of the Nagar Rajbhasha Karyanvyan Samiti (NARAKAS)/Town Official Language Implementation Committee (TOLIC) were held under the Chairmanship of Chairman & Managing Director, HUDCO. 54 PSUs located at Delhi participated in these meetings. Emphasis is being given on the promotion of official language as per norms set by the Department of official language through seminars, technical Hindi training on computer, quarterly progress report, workshop, Kavi Sammelans, publication of magazines etc.

17. COMPLIANCES OF VARIOUS ACTS/ GUIDELINES

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

In line with provisions of 'Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, HUDCO has in place an 'Internal Complaints Committee' for redressal of complaint(s) against sexual harassment of women employees, which is headed by a senior level woman official of the Company and includes an NGO representative as one of its members. Anti-sexual harassment stance of the Company is also outlined in HUDCO (Conduct, Discipline and Appeal) Rules.

During the year under review, no complaint of sexual harassment was received by the Company.

Public Grievance Redressal Mechanism of HUDCO

The top management plays a leading role in creating organization wide focus for the customers. In accordance with the guidelines issued by the Government of India and National Housing Bank (NHB), HUDCO has an appropriate Grievance Redress Mechanism, which is available on HUDCO's website.

Implementation of Micro, Small & Medium Enterprises (MSME) Policy

The Government of India has notified a Public Procurement Policy for Micro and Small Enterprises vide Micro and Small Enterprises (MSEs) Order 2012, which has been duly followed in HUDCO.

During the year 2017-18, HUDCO made total procurement of ₹ 4.78 crore from MSEs (including MSEs owned by SC/ST entrepreneurs), which constitute 35.15% of total annual procurement made by HUDCO.

Right to Information Act

In order to promote transparency and accountability, Your Company has implemented the provisions of the RTI Act, 2005 in its true letter and spirit and an appropriate mechanism has been set up in the Company with a dedicated centralized RTI Cell to

provide information to the citizens under the provisions of this Act. During the year 2017-18, 593 applications and 57 appeals were received including 19 application and 3 appeals of previous years, out of which 563 application and 53 appeals were disposed off and 30 numbers of applications and 4 appeals were carried forward, which were subsequently disposed off in the financial year 2018-19 as per Act.

HUDCO has complied with all the provisions of the RTI Act, 2005 since the enactment of the Act in 2005.

18. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134 (5) of the Companies Act, 2013, it is confirmed that:

- a) in preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) such accounting policies have been selected and applied consistently (except for changes in accounting policies as disclosed in the Note to Accounts to the Financial Statements) and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with provisions of Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a 'going concern' basis;
- e) the Company has laid down Internal Financial Controls to be followed and such internal financial controls are adequate and were operating effectively; and
- f) Proper systems have been devised to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

19. MANAGEMENT DISCUSSION & ANALYSIS REPORT

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Management Discussion & Analysis Report for the year under review, is annexed and forms part to this report.

20. CORPORATE GOVERNANCE

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE's Guidelines, a separate section on 'Corporate Governance' alongwith certificate from Grover Ahuja & Associates, Company Secretaries, confirming compliance of the conditions of Corporate Governance as stipulated in the SEBI (LODR) Regulations, 2015 and DPE guidelines alongwith management reply to the observation(s) is annexed and forms part to this report. The report also includes certain sections which are required to be given as per provisions of the Companies Act, 2013.

21. SECRETARIAL AUDITORS & AUDIT REPORT

Pursuant to section 204 of the Companies Act, 2013, M/s Grover Ahuja & Associates, Company Secretaries in practice, were appointed as Secretarial Auditors to conduct Secretarial Audit for the financial year 2017-18 and they have submitted their report thereon. The copy of the Secretarial Audit Report alongwith Management reply on the observations thereon is annexed and forms part to this report.

22. BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirement) Regulations, 2015, as amended, a separate section titled 'Business Responsibility Report' is annexed and forms part to this report. The 'Business Responsibility Report' is also available on the website of the Company at www.hudco.org.

23. DIRECTORS AND KEY MANAGERIAL PERSONNEL

HUDCO, being a Government Company, the power to appoint Directors on its Board is vested with the President of India acting through the Administrative Ministry i.e. Ministry of Housing and Urban Affairs, Government of India.

The term of appointment of Shri Nand Lal Manjoka (DIN: 06560566) who was appointed as Director(Corporate Planning) on the Board of HUDCO for a period of five years w.e.f 11th April, 2013 by the Administrative Ministry vide its office order dated 10th April, 2013 has been extended by the Ministry vide orders dated 11th April, 2018 for the period with effect from 11th April, 2018 and till 30th November, 2018 i.e. till the date of his superannuation, or until further orders, whichever is the earlier.



Shri Amrit Abhijat (DIN: 03022727), Joint Secretary (HFA), Ministry of Housing and Urban Affairs has been appointed as Part-time Official Government Director vice Shri Rajiv Ranjan Mishra with effect from 1st June, 2018 on the Board of the Company by the Administrative Ministry vide order No. 42021/39/2017-AA (E-9026701) dated 1st June, 2018.

In accordance with the provisions of Section 152 of the Companies Act, 2013, and Articles of Association, Smt. Jhanja Tripathy (DIN: 06859312), Joint Secretary & Financial Advisor, Ministry of Housing and Urban Affairs, Part time official (Non Executive) Director, being longest in office among the Directors who are liable to retire by rotation, retires by rotation and being eligible, offers herself for reappointment at the ensuing Annual General Meeting.

HUDCO, being a Government Company, the appointment and performance evaluation of Directors are done by the Administrative Ministry.

All the Part-time Non-official Independent Directors have given declarations as required under Section 149(6) of the Companies Act and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as to their Independence.

None of the Directors of your Company are related to each other and based on the confirmations received from them, none of them are disqualified for being appointed/ reappointed as directors in terms of Section 164 of the Companies Act, 2013.

During the year under review, there was no change in Key Managerial Personnel and the detail of KMP was as under:

Sl. No.	Name of Key Managerial Personnel	Designation
1.	Dr. M. Ravi Kanth	Chairman & Managing Director
2.	Shri N. L. Manjoka	Director – Corporate Planning
3.	Shri Rakesh Kumar Arora	Director – Finance & Chief Financial Officer
4.	Shri Harish Kumar Sharma	Company Secretary

24. AUDITORS & AUDITORS REPORT

M/s Prem Gupta & Co., Chartered Accountants (Firm Reg. No. 000425N), New Delhi, appointed as Statutory Auditors' by the Comptroller and Auditor General of India (C&AG) under section 139 of the Companies Act, 2013 for the financial year 2017-18, had conducted the audit of the Financial Statements (both Standalone & Consolidated) and submitted their report thereon. The comments of the Statutory Auditors on the financial statement alongwith management reply thereto are annexed and forms part of the report.

The Comptroller and Auditor General of India (C&AG) vide their letter dated 24th July, 2018, has appointed M/s Prem Gupta & Co., Chartered Accountants, New Delhi as Statutory Auditors of your Company for the financial year 2018-19.

Comments of Comptroller & Auditor General of India (C&AG) of India

The Comptroller and Auditor General of India (C&AG) vide their letter(s) both dated 3rd August, 2018, has given 'NIL Comments' on the audited financial statements (standalone & consolidated) for the financial year 2017-18 under section 143 of the Companies Act, 2013 and the same are annexed hereto forming part of the Annual Report.

25. DISCLOSURES

(i) Corporate Social Responsibility Committee

Your Company has in place 'Corporate Social Responsibility' Committee of the Board in compliance with the provisions of Section 135 of the Companies Act, 2013. As on 31st March, 2018, the Committee consists of four member(s) namely: Dr. M. Ravi Kanth as Chairman, Shri Mukesh M. Arya, Prof. Chetan V. Vaidya and Shri Amarishkumar G. Patel. The CSR Committee was reconstituted on 19th April, 2018 and Dr. Sudip Kumar Nanda was appointed as a member of the Committee.

The Committee is headed by Chairman & Managing Director and the remaining four members are Part-time Non-official Independent Directors. The constitution of the Committee is in compliance with the provisions of the Companies Act, 2013.

Your Company has in place Corporate Social Responsibility Policy (CSR Policy) which inter-alia lays down the guidelines and the activities to be undertaken by the Company and the same has been put on the Company's website www.hudco.org.

The Company has not been able to spend the whole of the amount earmarked for CSR activities during the year 2017-18; the reasons for the same are given in the Annual Report on CSR activities. The Annual Report on CSR activities is annexed hereto forming part of the Annual Report.

(ii) Board and its Committees

The detailed composition of the Board and its various Committees, their scope and terms of reference, number of meetings of the Board/Committees held during the year and attended by directors/members of the Committees alongwith other particulars are given in the Report on Corporate Governance Report and the same is annexed and forms part to this report.

(iii) Particulars of Loans, Guarantee or Investments

Your Company being a Housing Finance Company, the provisions of Section 186 of the Companies Act, 2013 regarding disclosure with respect to loan made, guarantee given or securities given in the ordinary course of its business are not given, as the Housing Finance Companies are exempted from the same.

Further details of investments made by the Company covered under section 186 of the Act are disclosed in the financial statements for the year 2017-18.

(iv) Extract of Annual Return

Pursuant to Section 92(3) read with Section 134(3)(a) of the Companies Act, 2013, the extract of Annual Return as at 31st March, 2018 in the prescribed format is annexed and forms part to this report. The same is also available on the website of the Company at www.hudco.org.

(v) Energy Conservation, Technology Absorption and Foreign Exchange Earning & Outgo.

a) Conservation of Energy

Your Company being a Housing Finance Company is not engaged in any manufacturing operations and thus its present area of operations are not energy intensive.

Your Company being energy conscious has taken lot of initiatives/ steps with a view to conserve energy both at its Head Office and its Regional Offices such as replacement of high power consuming equipments with low energy consuming equipments, replacement of CFL with LED lights and maximum use of natural lights in its day to day operations. Further, Company has also installed solar panels with a view to conserve energy. All these efforts have resulted in power saving both in terms of its usage and cost.

b) Technological Absorption

Your Company being a Housing Finance Company having no manufacturing operations, therefore, has not absorbed any technology indigenous/ imported. Further, no technology was imported during the last three years.

Your Company has formulated a Research & Development (R&D) Policy in line with the guidelines issued by the Department of Public Enterprises (DPE) vide OM dated 20th September, 2011. As per R&D guidelines of DPE, an amount of ₹ 4.21 crore has been earmarked for the financial year 2017-18, out of which, an amount of ₹ 1.04 crore has been spent on R&D activities and balance amount of ₹ 3.17 crore has been kept as non-lapsable budget.

c) Foreign Exchange Earnings and Outgo

During the year under review, the inflow on account of Foreign Exchange Transaction was ₹ 2.32 crore (previous year ₹ 2.02 crore) while, Foreign Exchange outgo/ expenditure was ₹ 6.04 crore (previous year ₹ 6.06 crore).

26. GENERAL

- (i) The provisions of Section 197 read with rules on Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company as the Ministry of Corporate Affairs vide notification dated 5th June, 2015 has exempted Government Companies from compliance of Section 197 with respect to the remuneration drawn by employees/ directors, accordingly, the same have not been given;
- (ii) In compliance with the provisions of Section 188(1) of the Companies Act, 2013, details of Related Parties Transactions entered into during the year under review are given in the financial statements;
- (iii) There is no change in the nature of business of the Company during the year;
- (iv) No significant and material orders were passed by the regulators or courts or tribunals which impact the going concern status and Company's operations in future;
- (v) Board of Directors of HUDCO are appointed by the President of India through the Administrative Ministry and their performance



is being evaluated by the Ministry itself, hence the requirement of carrying out formal annual evaluation by the Board of its own performance and that of its committees and individual directors is not applicable as per Ministry of Corporate Affairs notification dated 5th June, 2015;

- (vi) Company's Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) are not applicable to your Company as per notification dated 5th June, 2015 issued by the Ministry of Corporate Affairs notification;
- (vii) No material case of frauds by the Company or on the Company by its Officers or Employees has been reported by Auditors under Section 143(12) of Companies Act, 2013, hence, disclosure under section 134(3)(ca) of the Act, is not required;
- (viii) The Board of Directors of your company has laid down Code of Conduct and Ethics for all Board members and Senior Management Personnel and the same is placed on the Company's website. All the Board members and Senior Management personnel have affirmed compliance with the Code. The copy of the declaration made by Chairman & Managing Director is annexed and forms part of this report; and
- (ix) As HUDCO, is a Housing Finance Company registered with National Housing Bank(NHB), so, maintenance of cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 is not required by the Company.

27. FUTURE OUTLOOK - MEDIUM AND LONG TERM STRATEGIES

Increasing the business volume and containing the level of NPA's/defaults within an acceptable level should form part of the core strategy of HUDCO. HUDCO may adopt a business model on the lines of-"High Volume-Low Risk-Low Margin" in respect of Government/Public Sector operations to maintain its position as the major lender for social housing. HUDCO would also accord emphasis on supporting implementation of various Missions of Government of India. In this regard, HUDCO has set a target of supporting 1 million housing units every year so that by 2022 HUDCO's total support to housing stock reaches 22 million units. Further, the main focus will be on enhancing the share of Housing sector from 40.82% in 2017-18 to 50% in 2022 so as to achieve a balance of 50%:50% for housing and infrastructure development by 2022. The strategies for promoting social housing and core infrastructure business would include propagation of HUDCO's competitive lending terms to the States. HUDCO will support the Ministry (MoHUA) by contributing to the successful implementation of Government of India flagship programmes such as PMAY, development of 100 smart cities, Swachh Bharat Mission (SBM), Atal Mission for Rejuvenation & Urban Transformation-AMRUT, National Heritage City Development and Augmentation Yojna (HRIDAY), etc., both through technical support as well as funding opportunity. HUDCO will promote 'inclusive growth' in its operations through support to various Urban and Rural Missions including developmental support to 'Aspirational Districts' identified as backward by NITI Aayog. New opportunities in the emerging sectors shall also be explored. HUDCO will make efforts to explore the scope of consultancy services which would enhance the fee-based income. Efforts are being done to implement comprehensive and integrated ERP system in HUDCO during the year 2019-20 which would help in comprehensive data management. Further, Human Settlement Management Institute (HSMI), the research and training wing of HUDCO would continue to focus on capacity building of housing and urban development personnel and also propagate the best practices in the sector.

HUDCO continues to be among the leading institutions in the public sector supporting the housing and infrastructure development initiatives in the country. With the various flagship programmes of Government of India in the Housing and Urban Development sector being in active implementation mode, it is only logical that HUDCO's role, contribution and associated financial strength would continue to strengthen in the coming years. Its ability to provide comprehensive support for technical appraisal/ scrutiny, taking up site-inspection, wherever required, and providing loan assistance as viability gap funding to States and their agencies to meet the State/ ULB share of project cost together make it a unique institution for comprehensive support for programme implementation.

28. STATUTORY AND OTHER INFORMATION REQUIREMENT

The various information, required as per the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE guidelines are annexed to this report are as under:

Particulars	Annexure
Management Discussion & Analysis Report	1
Corporate Governance Report	2
Secretarial Auditors Report and Management Reply to Corporate Governance and Secretarial Audit Report	3
Business Responsibility Report	4
Independent Auditors Report and Management Reply to the comments/ observations thereon	5
Comments of Comptroller & Auditors General of India	6
Annual Report on CSR Activities	7
Extract of Annual Return	8
Declaration of the Code of Conduct	9

29. ACKNOWLEDGEMENTS

Your Directors wish to place on record their gratitude for the co-operation, support and guidance of the Government of India, especially the Ministry of Housing and Urban Affairs, Ministry of Rural Development, Ministry of Finance, National Housing Bank, Regulatory and Statutory Authorities.

The Directors also acknowledge the support, faith reposed in the Company by all its stakeholders, bondholders, public deposit holders, the State Governments, Housing Boards, Development Authorities, Municipal/Local Bodies and other Borrowers.

Your Directors also thanks the BSE Limited, National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services Limited, Credit Rating Agencies, Registrar & Transfer Agents and other agencies for their continued cooperation and support.

The Directors also thank the Comptroller and Auditor General of India, Statutory Auditors, M/s Prem Gupta & Co., Chartered Accountants, Secretarial Auditors, M/s. Grover Ahuja & Associates, Company Secretaries, for their valued guidance and support.

The Directors also expresses their appreciation for the dedication, commitment and significant contribution made by employees at all level in maintaining consistent growth of the Company.

For and on behalf of the Board of Directors

Sd/-

Dr. M. Ravi Kanth
Chairman & Managing Director
(DIN:01612905)

Place : New Delhi
Date : 7th August, 2018