Housing and Urban Development Corporation Ltd.

**Public Disclosure on Liquidity Risk as on 31st March, 2022,
pursuant to RBI Guidelines on Liquidity Risk Management Framework for Housing Finance Companies dated February 17, 2021**

(i) Funding Concentration based on significant counterparty[1] (both deposits* and borrowings):

Number of Significant Counterparties[1]**	Amount (Rs. In crores)	% Of Total deposits[2]	% Of Total Liabilities[3]
14	29,841.82	NA**	46.34
** Total Deposits - Rs. 22.40 crore, which includes Term deposits from public of Rs.3.90 crore and amount of Rs. 18.50 crore invested by Individuals/ HUF and Trust in the unsecured non-convertible debentures of the company with a maturity of more than one year and having subscription of less than Rs.1 crore. ** The company does not have any depositor who would be eligible as significant Counter Party[1].*			

(ii) Top 20 Large Deposits[2]:

As at 31.03.2022	
Amount (Rs. In crores)	**% Of Total deposits***
20.94**	93.48%
** Total Deposits - Rs. 22.40 crore, which includes Term deposits from public of Rs.3.90 crore and amount of Rs. 18.50 crore invested by Individuals/ HUF and Trust in the non-convertible debentures of the company with a maturity of more than one year and having subscription of less than Rs.1 crore. ** There are more than one investor with same value of investment. For proper depiction, all such investors have been clubbed together and forms part of top 20 large deposits.*	

(iii) Top 10 borrowings:

As at 31.03.2022	
Amount (Rs. In crores)	**% Of Total Borrowings**
29,236.03*	47.54%
**Based on size of bond issuance / term loans from banks.*	

(iv) Funding Concentration based on significant instrument /product[1]:

Sr. No.	Significant instrument /product[1]	As at 31.03.2022	
		Amount (crore)	**% Of Total Liabilities[3]**
1.	Debt Securities		
	- Tax- Free NCDs	14,989.79	23.28
	- Taxable NCDs	39,460.38	61.28
	Sub Total (1)	**54,450.18**	84.55
2.	Borrowings (Other than Debt Securities)		
	- Refinance Facility from NHB	1,024.92	1.59
	- Refinance facility from IIFCL	1,294.00	2.0
	- Banking facilities (Long Term + Short Term)	4,588.93	7.13
	Sub Total (2)	**6,907.85**	10.72
	Total (1+2)	**61,358.03**	95.28

(v) Stock Ratios:

Sr. No.	Particulars	Amount (Rs. In crore)	% To total public funds	% To total liabilities	% To total assets
1.	Commercial papers	-	-	-	-
2.	Non-convertible debentures (original maturity less than 1 year)	-	-	-	-
3.	Other short-term liabilities*	1819.95	2.96	2.83	2.31
* *Other Short-Term Liabilities include Financial Liabilities and non-financial liabilities payable within a year (excluding Commercial Papers and Non-convertible debentures of original maturity of less than 1 year).*					

Foot Notes:

1. *Significant counterparty/ Significant instrument/ product is defined as single counterparty/ single instrument/ product or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the total liabilities.*

2. *"Public Deposits" are as defined in the Master Directions - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016.*

3. *Total Liabilities has been computed as sum of all financial and non-financial liabilities (extracted from the audited Standalone Financial Statements prepared as per IND-AS for the period ended March 31, 2022) and does not include equities and Reserve & Surplus.*

4. *"Public Funds" are as defined in Master Directions- Non-Banking Financial Company –Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, which states that "Public funds" includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 5 years from the date of issue.*

5. *The information stated in this disclosure is based on audited Standalone Financial Statements (prepared as per IND-AS) for the period ended March 31, 2022.*

<u>Qualitative Disclosure:</u>

Institutional set-up for the Liquidity Risk Management: HUDCO has implemented an integrated risk management approach through which it reviews and assesses significant risks on a regular basis to ensure that there is a robust system of risk controls and mitigation in place. HUDCO has a well-structured robust Risk Management Policy and Operating Manual in line with its objectives to address the various risks.

In compliance with the SEBI (LODR) Regulations, 2015, HUDCO has in place a Board level Committee under the nomenclature 'Risk Management Committee' (RMC) headed by an Independent Government Nominee Director, which reviews various decisions/ recommendations of the three sub-committees namely: -

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

The Risk Management Committee (RMC), which is a committee of the Board, is responsible for evaluating and monitoring the integrated risk management system of the Company including liquidity risk. The ALCO is responsible for ensuring adherence to the liquidity risk tolerance/limits set out in the board approved Asset Liability Management (ALM) policy. The role of the ALCO with respect to liquidity risk includes, inter alia, decision on desired maturity profile for assets & liabilities, responsibilities and controls for managing liquidity risk, and overseeing the liquidity position of the company. The ALM Policy is reviewed periodically to realign the same pursuant to any regulatory changes/ changes in the economic landscape or business needs and tabled to the Board for approval.

Management regularly reviews the position of cash and cash equivalents by aligning the same with the projected maturity of financial assets and financial liabilities, economic environment, liquidity position in the financial market, anticipated pipeline of future borrowing & future liabilities and threshold of minimum liquidity defined in the ALM policy with additional liquidity buffers as management overlay

The Liquidity Coverage Ratio (LCR) is a global minimum standard to measure the Company's liquidity position. The Reserve Bank of India (RBI), vide its Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, dated February 17, 2021, introduced the LCR requirement for all non-deposit-taking HFCs with an asset size of Rs. 10,000 crore and above and all deposit taking HFCs irrespective of their asset size as per the following timeline:

From	**December 01, 2021**	**December 01, 2022**	**December 01, 2023**	**December 01, 2024**	**December 01, 2025**
Minimum LCR	50%	60%	70%	85%	100%

Hence, the company is required to maintain minimum LCR of 50% w.e.f December 01, 2021.

Further, the aforementioned Master Direction states that the guidelines on Liquidity Risk Management Framework prescribed for NBFCs by the RBI vide its Master Direction - Non-Banking Financial Company – Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016 shall apply mutatis mutandis to Housing Finance Companies (HFCs).

As per the said guidelines, the Company shall maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs for a 30 calendar-day time horizon under a significantly severe liquidity stress scenario. "HQLA" means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios. "Unencumbered" means free of legal, regulatory, contractual or other restrictions on the ability of the NBFC to liquidate, sell, transfer or assign the asset. Assets to be included in the computation of HQLAs are those that the NBFC is holding on the first day of the stress period. Such assets shall be valued at an amount not greater than their current market value for the purpose of computing the LCR. Depending upon the nature of assets, they have been assigned different haircuts, which are to be applied while calculating the HQLA for the purpose of calculation of LCR.

In order to determine HQLA, the company considers Fixed Deposits which are maintained with Scheduled Commercial Banks owing to the fact that it bears 0% haircut. As a matter of prudence for the purpose of maintenance of LCR, highest level of HQLA requirement in the forthcoming 7 days is considered on continuous basis by the company.

Liquidity Coverage Ratio (LCR) is represented by the following ratio:

$$\frac{\text{Stock of High Quality Liquid Assets (HQLAs)}}{\text{Total Net Cash Outflows over the next 30 calendar days}}$$

In order to determine Net Cash Outflows, the Company considers total expected cash outflow minus total expected cash inflows for the subsequent 30 calendar days by assigning a predefined stress percentage to the overall cash inflows and cash outflows. Total expected cash outflows (stressed outflows) are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by 115% (15% being the rate at which they are expected to run off further or be drawn down). Total expected cash inflows (stressed inflows) are calculated by multiplying the outstanding balances of various categories of contractual receivables by 75% (25% being the rate at which they are expected to under-flow). However, total cash inflows will be subjected to an aggregate cap of 75% of total expected cash outflows. In other words:

Total Net Cash Outflows over the next 30 days = Stressed Outflows – Lower of (Stressed Inflows or 75% of Stressed Outflows).

One of the components of cash outflow of this disclosure includes Other Contractual Funding Obligations, which, inter alia, includes payment of taxes and dividend paid by the company.

The Company computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review and approval.

Disclosure on Liquidity Coverage Ratio

(Rs. in Crore)

High Quality Liquid Assets		Quarter-4 (Jan-Mar 2022)	
		Total Unweighted Value (average)	Total weighted Value (average)
1	Total High Quality Liquid Assets (HQLA)	349.65	349.65
Cash Outflows			
2	Deposits (for deposit taking companies)	1.90	2.18
3	Unsecured wholesale funding	1,014.70	1,166.91
4	Secured wholesale funding	1,006.60	1,157.59
5	Additional requirements, of which,	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	1.34	1.54
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	104.56	120.24
7	Other contingent funding obligations	2.00	2.30
8	TOTAL CASH OUTFLOWS	2,131.10	2,450.76
Cash Inflow			
9	Secured lending	1,077.80	808.35
10	Inflows from fully performing exposures	-	-
11	Other cash inflows	10,670.29	8,002.71
12	TOTAL CASH INFLOWS	11,748.08	8,811.06
			Total Adjusted Value
13	**TOTAL HQLA**		**349.65**
14	**TOTAL NET CASH OUTFLOWS**		**612.69**
15	**LIQUIDITY COVERAGE RATIO (%)**		**57.07%**

Notes:

1. *Unweighted values calculated as outstanding balances maturing or callable within 30 days (for Cash Inflows and Cash Outflows).*
2. *Weighted values calculated after the application of respective haircuts (for HQLA) and stress factors (on Cash Inflow/Cash Outflow).*
3. *The average unweighted and weighted amounts are calculated taking simple averages of daily observations.*