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AUDITOR'S

REPORT

FOR

THE YEAR

2007-2008

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हाउसिंग एण्ड अर्वन डेवलपमेंट कॉर्पोरेशन लिमिटेड, (भारत सरकार का उपक्रम), हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली - 110 003
दूरभाष : 24648160 फैक्स : 011 - 24625308

Housing & Urban Development Corporation Ltd., (A Govt. of India Enterprise), HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi - 110 003
Tel. : 24648160 Fax : 011 - 24625308

आई.एस.ओ 9001 : 2000 प्रमाणित कम्पनी

AN ISO 9001 : 2000 CERTIFIED COMPANY

अध्यक्ष एवं निदेशकगण
हाउसिंग एण्ड अर्वन डेवलपमेंट कॉर्पोरेशन लिमिटेड

सं. सचिव/वी मीटिंग/2008
6 सितम्बर, 2008

सूचना

विषय: निदेशक मंडल की 444^{वीं} बैठक

महोदय/महोदया,

हाउसिंग एण्ड अर्वन डेवलपमेंट कॉर्पोरेशन लिमिटेड के निदेशक मंडल की 444^{वीं} बैठक निम्नलिखित 'कार्यक्रमानुसार' होगी:-

दिन एवं दिनांक : बुधवार, 17 सितम्बर, 2008
समय : अपराह्न 5.30 बजे
स्थान : हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली-110 003

कार्यसूची बाद में भेज दी जाएगी।

भवदीय,

एच वर्मा
कंपनी सचिव

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| 1. श्री के एल ढींगड़ा
अध्यक्ष एवं प्रबंध निदेशक, हडको,
हडको भवन, भारत पर्यावास केन्द्र,
लोधी रोड, नई दिल्ली. | 2. श्री एस के सिंह
निदेशक, हडको एवं संयुक्त सचिव (आवास)
आवास और शहरी गरीबी उपशमन मंत्रालय,
निर्माण भवन, नई दिल्ली. |
| 3. डॉ. आर के वत्स
निदेशक, हडको एवं संयुक्त सचिव
एवं वित्तीय सलाहकार, शहरी विकास तथा
आवास और शहरी गरीबी उपशमन मंत्रालय,
निर्माण भवन, नई दिल्ली. | 4. श्री राजपाल सिंह मोलंकी
निदेशक, हडको,
जी-7, अशोक प्लाजा बिल्डिंग,
12ए/14, डब्ल्यूईए, करोल बाग,
नई दिल्ली - 110 005. |
| 5. श्री दिनेश महाजन
निदेशक, हडको,
"उपशमन" प्रथम तल, मेन बाजार,
पटानकोट - 145 001 (पंजाब). | 6. श्रीमती निर्मला सामंत प्रभावकर
निदेशक, हडको,
13, नुजता निवास, एस वी रोड,
वांझा (पश्चिम), मुम्बई - 400 050 |
| 7. श्री टी प्रभाकरन
निदेशक (वित्त), हडको, हडको भवन,
भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली. | 8. श्री एस के त्रिपाठी
निदेशक (कार्पोरेट प्रशासन), हडको, हडको भवन,
भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली. |

प्रतिलिपि सूचनार्थ:-

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| 1. अवर सचिव (आवास),
आवास और शहरी गरीबी उपशमन मंत्रालय,
निर्माण भवन, नई दिल्ली. | 2. सचिव के निजी सचिव
शहरी रोजगार एवं गरीबी उपशमन मंत्रालय,
निर्माण भवन, नई दिल्ली. |
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हडको गृहनिर्माण बाजार पर वैधान्तिक आवास तृष्ण उपलब्ध कराना है।

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हाउसिंग एण्ड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड, (भारत सरकार का उपक्रम), हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली - 110 003

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आई.एस.ओ 9001 : 2000 प्रमाणित कम्पनी

AN ISO 9001 : 2000 CERTIFIED COMPANY

The Chairman & Directors
Housing and Urban Development
Corporation Limited

No. CoSec/B.Meeting/2008
September 6, 2008

NOTICE

Sub: 444th meeting of the Board of Directors

Sir/Madam,

The 444th meeting of the Board of Directors of Housing and Urban Development Corporation Limited will be held as per the following schedule: -

Day & Date : Wednesday, the 17th September, 2008
Time : 5.30 p.m.
Place : HUDCO Bhawan, India Habitat Centre, Lodhi Road,
New Delhi - 110003.

The agenda will follow.

Yours faithfully,

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H. Verma

Company Secretary

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|--|---|
| 1. Shri KL Dhingra
Chairman & Managing Director,
HUDCO Bhawan, India Habitat Centre, Lodhi Road,
New Delhi-110003 | 2. Shri SK Singh
Director HUDCO and JS (Housing), Ministry of
Housing and Urban Poverty Alleviation, Nirman
Bhawan, New Delhi -110001 |
| 3. Dr. RK Vats
Director HUDCO and JS&FA, Ministry of Urban
Development & Housing and Urban Poverty
Alleviation, Nirman Bhawan, New Delhi -110001 | 4. Shri Rajpal Singh Solanki
Director HUDCO, G-7, Ashok Plaza Building, 12A/14,
W.E.A, Karol Bagh, New Delhi-110005 |
| 5. Shri Dinesh Mahajan
Director HUDCO, Nasheman, 1 st floor, Main Bazaar,
Pathankot -145001, (Punjab). | 6. Smt. Nirmala Samant Prabhavalkar
Director HUDCO, 13 Sujata Niwas, SV Road
Bandra (West), Mumbai - 400 050. |
| 7. Shri T Prabakaran
Director Finance,
HUDCO Bhawan, India Habitat Centre, Lodhi Road,
New Delhi-110003 | 8. Shri SK Tripathi
Director (Corporate Planning),
HUDCO Bhawan, India Habitat Centre, Lodhi Road,
New Delhi-110003 |

Copy for information to:

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|--|---|
| 1. Under Secretary (H),
Ministry of Housing and Urban Poverty Alleviation,
Nirman Bhawan, New Delhi -110001 | 2. PS to Secretary
Ministry of Housing and Urban Poverty Alleviation,
Nirman Bhawan, New Delhi |
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भारत सरकार द्वारा स्थापित नगर विकास एवं आवास विभाग
HUDCO Offers Lowest Cost Individual Housing Loans

S.N. DHAWAN & CO.

Chartered Accountants

AUDITORS' REPORT**To the Members of****HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED**

1. We have audited the attached Balance Sheet of **Housing & Urban Development Corporation Limited**, as at 31st March, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) *The Company has not complied with the assets classification and provisioning requirement as per the Housing Finance Companies (NHB) Directions, 2001. The amount of short provisioning has not been ascertained. [refer Note 5(c) of Schedule-T]*
 - ii) *The Company has made an additional provision on loans amounting to Rs.315 Crores beyond National Housing Bank's norms. As a result, the profit for the year is lower by Rs.315 Crores. [refer Note 5(d) of Schedule-T]*
 - iii) *The Company has not given effect to the opinion given by the Expert Advisory Committee of the Institute of Chartered Accountants of India on treatment of Deferred Tax Liability (DTL) amounting to Rs.120.97 Crores created on the special reserve under Section 36(1)(viii) of the Income Tax Act, 1961 for the period 2001-02 to 2003-04 on 31st March 2005. The committee is of the view that DTL created out of the reserves in respect of the aforesaid years should be treated as "Prior Period Item" by charging the same to the Profit and Loss Account & crediting to General Reserve. As a result, the profit for the year is higher by Rs.120.97 Crores. [refer Note 12 of Schedule-T]*



iv) Attention is further invited to the following :

- a) Non-reconciliation of outstanding balances in banking sector loans. [refer Note 3(b) of Schedule-T]
- b) The balances shown under loans, advances and other debits/credits have not been confirmed are subject to reconciliation and consequential adjustments, if any. [refer Note 5(a) & 5(b) of Schedule-T]
- c) Non-implementation of Default Resolution Package by Cochin International Airport Ltd (CIAL). [refer Note 5(f) of Schedule -T]
- d) In respect of disputes relating to Andrews Ganj Project undertaken by the Company on behalf of the Ministry of Urban Development, the ministry has intimated the Company that it cannot pass on the financial liability to the Government Account on account of various disputes. The Company on its part has refused to accept any liability on account of disputes. We are unable to comment upon the financial implication, if any. [refer Note 7(a) of Schedule-T]
- e) The Company is not able to comply with National Housing Bank's norms: i) credit concentration norms in respect of lending to some State Governments / State Governments Agencies and ii) creation of a floating charge in terms of Paragraph 14A of the Housing Finance Company (NHB) Directions, 2001. [refer Note 10(a) & 10(b) of Schedule-T]

5. We further report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, except Accounting Standard (AS) 9 "Revenue Recognition" regarding accounting of application fees, front-end-fees, administration fees and processing fees on loans on realisation basis instead of accrual basis. [refer Significant Accounting Policy 2 (b) of Schedule-S].
- e) The requirements of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 relating to disqualification of directors are not applicable to the Company, being a Government Company, in terms of Notification No.G.S.R.829 (E) dated 21.10.2003 issued by Ministry of Finance, Department of Company Affairs.



We further report that, without considering the observations made in paragraphs 4(i) the effect of which has not been ascertained and 4(iv)(a) to 4(iv)(e) the effect of which could not be determined, had the observations made by us in paragraphs 4(ii) & 4(iii) above been considered, the Profit for the year would have been Rs.567.76 Crores (as against the reported figure of Rs.373.73 Crores), Reserves & Surplus would have been Rs.2382.82 Crores (as against the reported figure of Rs.2188.79 Crores). Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes to Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
- b) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

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For S.N.Dhawan & Co.
Chartered Accountants

 Suresh Seth
Partner
(M.No.-10577)

Place: New Delhi
Date: 25th August, 2008

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2008

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 (b) As per information and explanations given to us, all the fixed assets were physically verified by the Company during the year. No material discrepancies were noticed on such verification.
 (c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) (a), (b) & (c) of the Order, are not applicable.
- iii) As informed to us, the Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (a) to (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets. The Company's operations do not involve purchase of inventory and sale of goods. *In our opinion, monitoring mechanism in regional offices regarding loan schedule implementation, site inspection, reviewing of financial/ technical appraisal of the schemes and non-receipt of utilization certificates in respect of various grants and subsidies were inadequate and needs to be strengthened.*
- v) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered in the register required to be maintained under section 301 of the Companies Act, 1956.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA and other relevant provisions of the Companies Act, 1956, the Companies (Acceptance of Deposits) Rules, 1975 and Housing Finance Companies (NHB) Directions with regard to deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or NHB or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vii) According to the information and explanations given to us, the Company has an internal audit system; however, to make it commensurate with its size and nature of its business, it requires to be further strengthened. In our opinion, the



coverage of Internal Audit should be enlarged and submission of replies/compliances needs to be expedited.

- viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
- ix) (a) According to the information and explanations given to us and according to the records produced before us for verification, the Company is generally regular in depositing, with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax and any other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax and any other statutory dues were in arrears as at 31st March 2008 for a period of more than six months from the date the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax and Service Tax which have not been deposited on account of any dispute except the following:

Name of the statute	Nature Of Dues	Financial Year to which the matter pertains	Forum where Matter is pending	Amount (Rs. in Lacs)
Income Tax Act, 1961	Income Tax	1999-2000	Additional Commissioner of Income Tax	1.71
Income Tax Act, 1961	Income Tax	2000-2001	Additional Commissioner of Income Tax	1.27
Income Tax Act, 1961	Income Tax	2003-2004	Deputy Commissioner of Income Tax	52.49

- x) The Company has no accumulated losses as at 31st March, 2008 and it has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.



- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii) We are of the opinion that the Company has maintained adequate documents and records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a Chit Fund or Nidhi /Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv) In our opinion the Company is not dealing or trading in shares, securities, debentures or other investments. Therefore, the provisions of clause 4 (xiv) of the Order are not applicable.
- xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Order are not applicable.
- xvi) According to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that, prima facie, no funds raised on short-term basis have been used for long- term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, the Company has not issued any debentures, during the year. Therefore, the provisions of clause 4(xix) of the Order are not applicable.
- xx) The Company has not raised any money through public issue during the year.



- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company was noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context of the size of the Company and the nature of its business and which have been provided for.



For S. N. Dhawan & Co.
Chartered Accountants

Suresh Seth
Partner
(M.No.10577)

Place: New Delhi
Date: 25th August, 2008

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