

INDEPENDENT AUDITOR'S REPORT

The General Manager,
National Housing Bank,
Core-5A, India Habitat Centre,
Lodhi Road,
New Delhi - 110003

Report on the Project Financial Statements

We have audited the accompanying financial statements of the National Housing Bank- Low Income Housing Finance Project financed under Credit No. 5283-IN, which comprise the statement of Sources and Application of Funds and the Reconciliation of Claims to Total Applications of Funds for the period ended 30.06.2017 (01.07.2016 to 30.06.2017). These statements are the responsibility of the Project's Management. Our responsibility is to express an opinion on the accompanying financial Statements based on our audit.

We conducted our audit in accordance with the Auditing Standards promulgated by the Institute of Chartered Accountants of 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. Our Audit examines, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the sources and application of funds of National Housing Bank - Low Income Housing Finance Project for the year ended for the period ended 30.06.2017 (01.07.2016 to 30.06.2017) in accordance with Institute of Chartered Accountants of India Accounting Standards.

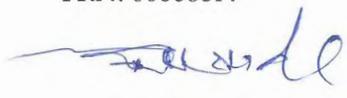
In addition, as shown by records provided to us, and to the best of our information and according to the explanations given to us:

- a) With respect of Internal Unaudited Financial Report, adequate supporting documentation has been maintained to support claims to the Government of India for the reimbursements of expenditure incurred;
- b) We have verified the Statement of Sources and Application of Funds as well as the Statement of Reconciliation of Claims to Total Application of Funds.



- c) Expenditures (including sub Loans to PLIs) shown in the PFS are eligible for financing under the legal agreements, are recorded in the books of account of NHB and no other sources of funds have been received by NHB for these expenditures;
- d) The bank funds claimed during the reported period shown in the Project Financial Statements are eligible under the agreements. However, they have received part amount by NHB. The same are recorded in the books of accounts as assets & liability. Further necessary disclosures have also been made in the notes to accounts.
- e) The accounting, and internal control systems underlying the project, including material compliance with the Project Operational Manual, and oversight over the Project funds were adequate and maintained throughout the audit period;
- f) Project funds have been provided to PLIs that meet the eligibility criteria given in the Project Operational Manual and that the aggregate of the housing loans made to beneficiaries under each category (quadrant) is within the individual limits set forth in the Project Operations Manual;
- g) Contracts for consultancy services have been provided as per the agreed procedures. During the FY 2016-17, no Contract has been given.

For S.N. Nanda & Co.
Chartered Accountants
FRN: 000685N



S. N. Nanda
Partner M. No. 005909



Date : September 14, 2017
Place New Delhi

Management Letter

The General Manager,
National Housing Bank,
Core-5A, India Habitat Centre,
Lodhi Road,
New Delhi - 110003

Respected Sir,

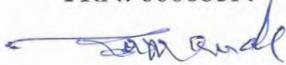
This management letter is provided in connection with your audit of the Project Financial Statements of the Low Income Housing Finance Project under Credit No. 5283- IN (the Project) for the year ended on 30.06.2017 (01.07.2016 to 30.06.2017) for the purpose of expressing an opinion on the findings of the audit and recommendations for improvement in Internal Control and other matters coming to attention of the auditor during the audit.

Our audit plan was prepared using a risk-based methodology that includes an assessment of the systems, records & control of the Bank.

The following methodology was adopted for the purpose of our review:

- Review of the agreements entered by the IDA, Government of India & National Housing Bank provided to us.
- Verification of the quarterly Internal Unaudited Financial Report along with the refinance disbursement sheet provided by the PLI to the concerned Department.
- Selection of sample cases of disbursements, in order to ensure effectiveness of disbursement methodology to achieve the end objective of the Project.
- Verification of compliance of the project with the Operation Manual, identification of key risk/weaknesses, methods for mitigation of these key risks/weaknesses.
- The bank funds claimed during the reported period shown in the Project Financial Statements are eligible under the agreements; however part amount received by NHB from the Government of India.

For S.N. Nanda & Co.
Chartered Accountants
FRN: 000685N



S. N. Nanda
Partner
M. No. 005909



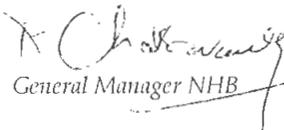
Date : September 14, 2017
Place New Delhi

NATIONAL HOUSING BANK

India: Low Income Housing Finance Project (Credit No. 5283-IN)
Statement of Reconciliation of Claims to Total Applications of Funds

Report for the year ended 30.06.2017

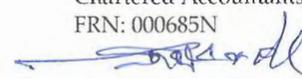
Particulars	Schedules	(In ₹)					
		Current Year					Project to date
		2016-17	2015-16	2014-15	2013-14	2012-13	
		(July to June)					
Bank Funds claimed during the reporting period (A)	I	2,979,711,258	1,483,816,674	155,343,443	491,658,453	0	5,110,529,828
Total Expenditure made during the year (B)		1,720,407,873	2,663,530,557	209,289,829	184,821,962	302,325,096	5,080,375,317
Less: Ineligible expenditures (C)		0	0	0	0	0	0
Expenditures not claimed (D)		0	0	0	184,821,962	0	0
Shortfall Amount received due to Forex Fluctuation and Capping on Quadrant I		0	0	0	18,896,635	0	18,896,635
Expenditure incurred under Component I & III, but not claimed **		2,607,873	5,430,557	4,175,190	0	0	12,213,620
Expenditure incurred during the year but not claimed till year end		0	0	0	165,925,327	0	0
Total Eligible Expenditures Claimed by NHB (E) = (B) - (C) - (D)		1,717,800,000	2,658,100,000	205,114,639	302,325,096	0	5,049,265,062
World Bank Share @ 100% of (E) above = (F)	II	1,717,800,000	2,658,100,000	205,114,639	302,325,096	0	5,049,265,062
(A) - (F)*		1,261,911,258	-1,174,283,326	-49,771,196	189,333,357		-61,264,766


General Manager NHB


Assistant General Manager NHB



For S.N. Nanda & Co.
Chartered Accountants
FRN: 000685N

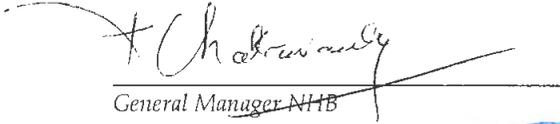

S. N. Nanda
Partner M. No. 005909



Component Wise Expenses are given as under:

Particulars	Claim in INR submitted under Component I	Claim in INR submitted under Component II	Claim in INR submitted under Component III
Expenses	Nil	5,049,265,062	12,213,620#

Expenditure incurred under Component III are not being claimed from World Bank. The figures are shown only for information.


General Manager NHB




Assistant General Manager NHB

For S.N. Nanda & Co.
Chartered Accountants
FRN: 000685N



S. N. Nanda
Partner M. No. 005909



Dated: September 14, 2017

Schedule I

Bank Funds claimed during the reporting period (As on June 30, 2017)

Date of Receipt by Govt. of India	SDR	Exch Rate (SDR-USD)	USD	Exch Rate (USD-INR)	INR
28-Sep-16	7,056,529.20	1.39910	9,872,790.00	66.6795	658,312,701
28-Sep-16	9,321,709.61	1.39910	13,042,003.91	66.6795	869,634,300
16-Jun-17	7,195,069.81	1.38088	9,935,528.00	64.2841	638,696,475
19-Jun-17	9,153,579.25	1.38249	12,654,731.78	64.2501	813,067,782
TOTAL	32,726,887.87		45,505,053.69		2,979,711,258

Schedule II

Details of IUFRR - Quarter Wise

Period ended	July-June 2013-14	July-June 2014-15	July-June 2015-16	July-June 2016-17	Cumulative
31.12.13	302,325,096	-	-	-	302,325,096
31.03.14	147,499,408	-	-	-	449,824,504
30.06.14	18,425,919	-	-	-	468,250,423
30.09.14	-	1,915,017	-	-	470,165,440
31.12.14	-	55,591,133	-	-	525,756,573
31.03.15	-	144,506,766	-	-	670,263,339
30.06.15	-	3,101,723	-	-	673,365,062
30.09.15	-	-	220,000,000	-	893,365,062
31.12.15	-	-	188,400,000	-	1,081,765,062
31.03.16	-	-	1,934,800,000	-	3,016,565,062
30.06.16	-	-	314,900,000	-	3,331,465,062
30.09.16	-	-	-	90,000,000	3,421,465,062
31.12.16	-	-	-	40,000,000	3,461,465,062
31.03.17	-	-	-	1,020,000,000	4,481,465,062
30.06.17	-	-	-	567,800,000	5,049,265,062
Total	468,250,423	205,114,639	2,658,100,000	1,717,800,000	

K. Chakravarty
General Manager NHB

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Assistant General Manager NHB



For S.N. Nanda & Co.
Chartered Accountants
FRN: 000685N

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S. N. Nanda
Partner
M. No. 005909



Dated: September 14, 2017

Name of the Project India: Low Income Housing Finance Project
Loan/Credit/Grant No. Credit No. 5283-IN

Statement of Sources and Applications of Funds
Report for the year ended June 30, 2017

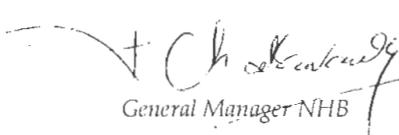
(In ₹)

Particulars	Current Year 2016-17	2015-16	2014-15	2013-14	2012-13	Project to date
Opening Balance, (if cash balances are controlled by the entity) (A)	-	-	-	-	-	-
Receipts						
National Housing Bank*	-38,214,136	763,288,891	209,289,829	165,925,327	302,325,096	1,402,615,007
Funds received from Government through Budget (These will include external assistance received by Government for the project.)	1,758,763,675	1,900,000,000	Nil	Nil	Nil	3,658,763,675
Funds received directly by Project Implementing Authority through external assistance	Nil	Nil	Nil	Nil	Nil	Nil
Beneficiary Contribution (if any)	Nil	Nil	Nil	Nil	Nil	Nil
Total Receipts (B)	1,720,549,539	2,663,288,891	209,289,829	165,925,327	302,325,096	5,061,378,682
Total Sources (C = A+B)	1,720,549,539	2,663,288,891	209,289,829	165,925,327	302,325,096	5,061,378,682
Expenditures by Component						
Component - I	Nil	Nil	Nil	Nil	Nil	Nil
Component - II	1,717,800,000	2,658,100,000	205,114,639	165,925,327	302,325,096	5,049,265,062
Component - III ** #	2,749,539	5,188,891	4,175,190	-	-	12,113,620
Total Expenditures (D)	1,720,549,539	2,663,288,891	209,289,829	165,925,327	302,325,096	5,061,378,682
Closing Balance, (if cash balances are controlled by the entity) (C-D)	-	-	-	-	-	-

* Amount includes expenditure incurred under Component I & III

** Expenditure incurred under Component III are not being claimed from World Bank. The figures are shown only for information.

excluding provision of Rs. 100,000/- made during June 2017 under Component III.



General Manager NHB



Assistant General Manager NHB

For S. N. Nanda & Co.
Chartered Accountants
FRN: 000685N



S. N. Nanda
Partner M. No. 005909



Interim Unaudited Financial Report

IFR 1

LOW INCOME HOUSING FINANCE PROJECT
Credit No. 5283-IN
Implementing Agency - National Housing Bank
Sources and Uses of Funds for the quarter ended 30.06.2017

In INR

Sr.No.	Item	Amount		
		Current Quarter (CQ) Apr 17 - Jun 2017	Year to Date (YTD) July 16 - June 17	Cummulative to Date (CTD)
1	2	3	4	5
A	SOURCES OF FUNDS			
i)	IDA	567,800,000	1,717,800,000	5,049,265,062
ii)	NHB	-	-	-
	Total Sources of Funds (A)	567,800,000	1,717,800,000	5,049,265,062
B	USES OF FUNDS			
B1	EXPENDITURE BY COMPONENTS			
I	Capacity Building of NHB and Primary Lenders	-	-	-
II	Financing Support for Sustainable and Affordable Housing			
i)	Secured Sub Financing to Formal Primary Borrowers	-	-	302,325,096
ii)	Secured Sub Financing to Informal Primary Borrowers	17,800,000	467,800,000	3,180,739,966
iii)	Loan secured alternatively, Sub Financing to Formal Primary Borrowers (including Pilots)	-	-	-
iv)	Loan secured alternatively, Sub Financing to Informal Primary Borrowers (including Pilots)	550,000,000	1,250,000,000	1,566,200,000
	Sub Total Component II	567,800,000	1,717,800,000	5,049,265,062
III	Project Implementation*	300,000	2,607,873	12,213,620
	Total Expenditure by Components (B1=I+II+III)	568,100,000	1,720,407,873	5,061,478,682
B2	Pre Financing/Prospective Disbursements (NHB)			
	Total Uses of Funds (B1 + B2)	568,100,000	1,720,407,873	5,061,478,682

[Signature]
General Manager - PIU/NHB

Date: September 14, 2017



[Signature]
Assistant General Manager



- Notes
- IFRs will be prepared on cash basis.
 - The figures should be taken from the account codes allocated to the Project.
 - Details of Qualified PLIs and housing loans to primary borrowers will be provided in the Annex to IFR 2.
 - Total Expenditure by Components should match with the details in IFR 2
- * Expenditure incurred under Component III are not being claimed from World Bank. The figures are shown only for information.

Interim Unaudited Financial Report
IFR2
LOW INCOME HOUSING FINANCE PROJECT
Credit No. 5283-IN
Implementing Agency - National Housing Bank
Project Expenditure by Component/Sub Component during the quarter ended 30.06.2017

(Amt. in INR)

	Project Expenditure	Provision as per PAD	Current Quarter (CQ) Apr 17 - Jun 2017	Year to Date (YTD) July 16 - June 17	Total Cumulative to date (CTD)
I	Capacity Building of NHB and Primary Lenders				
b.	Consultant's Services				
	-- Financial Literacy Module				
	-- Market Infrastructure (credit bureau for informal borrowers)				
	-- Pilot on underwriting unsecured lending with alternate collateral				
	<i>Add as required</i>				
	Sub Total Component I		0	0	0
II	Financing Support for Sustainable and Affordable Housing				
	Formal Dwelling- Formal Sector Income Quadrant (I)	5% of the credit	0	0	302,325,096
	Formal Dwelling- Informal Sector Income Quadrant (II)	50% of the credit	17,800,000	467,800,000	3,180,739,966
	Loan secured alternatively, Sub Financing to Formal Primary Borrowers (III)	20% of the credit	0	0	0
	Loan secured alternatively, Sub Financing to Informal Primary Borrowers (including Pilots) (IV)	25% of the credit	550,000,000	1,250,000,000	1,566,200,000
	Sub Total Component II	as above	567,800,000	1,717,800,000	5,049,265,062
III	Project Implementation*				
a.	Goods (Office Equipment, Computer, Software etc)				
b.	Consultant's Services		300,000	2,578,081	12,132,427
	-- Procurement Expert		0	50,000	1,750,000
	-- Environment Expert		300,000	1,300,415	3,220,724
	-- Social Expert		0	1,227,666	3,765,703
	-- LIHF Expert		0	0	3,396,000
	-- Impact Evaluation				
	<i>Add as required</i>				
c.	Incremental Operating Costs		0	29,792	81,193
	-- Salaries of Contractual Staff				
	-- Salaries of NHB Staff assigned to PIU				
	-- Office Expenses, Maintenance, Rent, etc				
	-- O & M and hiring of vehicles, equipment and goods				
	-- Audit Fee		0	25,000	75,000
	-- Travel				
	-- Others		0	4,792	6,193
	Sub Total Component III		300,000	2,607,873	12,213,620
	Total Expenditure (I+II+III)	as above	568,100,000	1,720,407,873	5,061,478,682

* Expenditure incurred under Component III are not being claimed from World Bank. The figures are shown only for information.

[Signature]
 General Manager - PIU/NHB
 Date: September 14, 2017



[Signature]
 Assistant General Manager



Notes: The sub totals and total should match with the corresponding items in IFR 1

Interim Unaudited Financial Report

IFR 3

LOW INCOME HOUSING FINANCE PROJECT

Credit No. 5283-IN

Implementing Agency - National Housing Bank

Forecast of Cash requirements for next 2 quarters

Expenditure	ELIGIBLE %	IN INDIAN RUPEES (million)				IN USD EQUIVALENT	
		Cash requirement for next 1st quarter (*)	Cash requirement for next 2nd quarter	Total cash requirement for the next 2 quarters	IDA Eligible cash requirement for the next two quarters	Total cash requirement for the next 2 quarters	IDA Eligible cash requirement for the next 2 quarters
1	2						
I Capacity Building of NHB and Primary Lenders							
b. Consultant's Services							
-- Financial Literacy Module							
-- Market Infrastructure (credit bureau for informal borrowers)							
-- Pilot on underwriting unsecured lending with alternate collateral							
<i>Add as required</i>							
<i>Sub Total Component I</i>							
II Financing Support for Sustainable and Affordable Housing	100%	320 Million	320 Million	640 Million			
<i>Sub Total Component II</i>							
III Project Implementation							
a. Goods (Office Equipment, Computer, Software etc)							
b. Consultant's Services							
-- Monitoring & Evaluation							
-- Impact Evaluation							
<i>Add as required</i>							
c. Incremental Operating Costs							
-- Salaries of Contractual Staff							
-- Salaries of NHB Staff assigned to PIU							
-- Office Expenses, Maintenance, Rent, etc							
-- O & M and hiring of vehicles, equipment and goods							
-- Travel							
-- Others							
<i>Sub Total Component III</i>							
Total projected Expenditure (I+II+III)							

General Manager - PIU/NHB

Date: September 14, 2017



Assistant General Manager



Interim Unaudited Financial Report

Annex to IFR 2

LOW INCOME HOUSING FINANCE PROJECT
Credit No. 5283-IN
Implementing Agency - National Housing Bank
Report for the quarter ended 30.06.2017

Part A: Financial Support for Sustainable and Affordable Housing to Qualified Primary Lending Institutions (PLI) - segregated by each line item mentioned under B1.ii of IUFRI

S.No	Name of the Qualified PLI	Nature of PLI (HFC/bank/MFI/others)	Date of Disbursement (dd/mm/yyyy)	Amount Sanctioned (INR)	Disbursement to PLIs by NHB	Rate of Interest	Tenure (Yrs)	INR							
								Disbursements to Qualified PLIs by NHB			Secured Sub-Financings		Unsecured Sub-Financings		
								Current Quarter (CQ) Apr 17 - Jun 2017	Year to Date (YTD) July 16 - June 17	Cumulative to Date (CTD)	Formal Primary Borrowers	Informal Primary Borrowers	Formal Primary Borrowers	Informal Primary Borrowers	Pilots for Informal Primary Borrowers
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1	AET Affordable IRL	HFC	07-Jun-17	28,218,764	17,800,000	7.25	10	17,800,000	17,800,000	17,800,000		17,800,000			
2	Aavas Financiers Ltd.	HFC	19 Jun-17	567,185,541	550,000,000	7.25	13	550,000,000	1,000,000,000	1,710,753,675		694,553,675		1,016,200,000	
Grand Total				595,404,305	567,800,000			567,800,000	1,017,800,000	1,728,553,675	-	712,353,675	-	1,016,200,000	-

* Formerly known as AU Housing Finance Limited

Notes:

- Total of columns 11 to 14 should match with amount in column 10.
- Please provide separate PLI-wise detailed list of the primary borrowers (name, amount of loan, location etc.) under columns 10-13.

Part B: Pre-Finance/Prospective Disbursement

S.No	Name of the Qualified PLI	Nature of PLI (HFC/bank/MFI/others)	Date of Sanction	Amount Sanctioned	O/s at the beginning of the quarter	Amount Disbursed during the quarter	Amount adjusted during the quarter	O/s at the close of the quarter	In INR	
									Amount included in Part A above	10 (out of 8)
1	2	3	4	5	6	7	8	9		
Grand Total										

It is certified that the amount shown under Component II have been made only to PLIs that have complied with the minimum eligibility criteria as given in the Project Operations Manual and is the

[Signature]
General Manager - PIU/NHB
Date: September 14, 2017



[Signature]
Assistant General Manager



Interim Unaudited Financial Report

IFR 3

LOW INCOME HOUSING FINANCE PROJECT
Credit No. 5283-IN
Implementing Agency - National Housing Bank
Schedule of Drawl from IDA for the quarter ended 30.06.2017

In INR

1	2 Category	Actual Eligible Expenditure			6 Reimbursement %age	7=3*6 Reimbursable from World Bank for Current Quarter
		3 Current Quarter (CQ) Apr 17 - Jun 2017	4 Year to Date (YTD) July 16 - June 17	5 Cumulative to Date (CTD)		
1	Goods, consultants' services, and Operating Costs under Part A of the Project					
2	Sub-Financings including pilot subfinancing under Part B of the Project	567,800,000	1,717,800,000	5,049,265,062	100%	567,800,000
3	Goods, consultants' services, and Operating Costs under Part C of the Project	0	0	0		0
	Grand Total (1+2+3)	567,800,000	1,717,800,000	5,049,265,062		567,800,000

A Chakravarty
General Manager - PIU/NHB
Date: September 14, 2017



[Signature]
Assistant General Manager



LOW INCOME HOUSING FINANCE PROJECT

In INR										
Sr.No.	Contract no./ Description of Work	WBR No. & Date of WB NOC	Supplier / Consultant	Date of Contract	Contract Amount (INR)	Commence-ment Date	Date of Completion	Amount paid - Current Quarter (CQ) Apr 17 - Jun 17	Amount paid - Year to Date (YTD) July 16 - June 17	Amount paid - Cumulative to Date (CTD)
1	2	3	4	5	6	7	8	9	10	11
1	Capacity Building (Component I)									
i)	Contract 1 : Procurement Expert **	Contract No. 01/2014 (NOC : 17.06.2014)	Individual Consultant : Mr. Ketan Mandani	26-Jun-14	1,500,000	26-Jun-14	25-Jun-17	0	50,000	1,750,000
ii)	Contract 2 : Environment Expert	Contract No. 02/2014 (NOC Not required as it comes under Post Review)	Individual Consultant : Mr. Rohit Singh	26-Nov-2014 and Nov 27, 2016	2,400,000	12-Jan-14 and 27-Nov-16	30-Nov-16 and 30-June-17	300,000	1,300,415	3,220,724
iii)	Contract 3 : Social Expert*	Contract No. 03/2014 (NOC Not required as it comes under Post Review)	Individual Consultant : Ms. Poonam Mehta	08-Jan-15	3,399,984	08-Jan-15	07-Jan-17 and 30-June-17	0	1,227,666	3,765,703
iv)	Contract 4 : Low Income Housing Finance Expert #	Contract No. 04/2014 (NOC Not required as it comes under Post Review)	Individual Consultant : Mr. Venkateshwarlu Prerepa	05-Jan-15	7,200,000	05-Jan-15	04-Jan-19	0	0	3,396,000
2	Project Implementing Unit (Component Iii)									
i)	Contract 1									
ii)	Contract 2									
Grand Total (1+2)								300,000	2,578,081	12,132,427

** PE contracted for 150 mandays over a period of 3 years. The Contract got terminated during Apr 15, since PE has completed 165 mandays. Subsequently, the services of PE availed during Nov 2015 for framing RFP.

* SE resigned from the services w.e.f. 02.03.2017

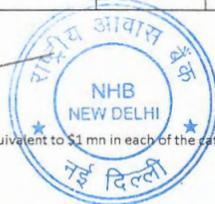
LIHF contract was terminated w.e.f. 04.03.2016

Technical Review for Component II - Financial Support for Sustainable and Affordable Housing

In INR										
Sr.No.	Name of PI	Financial Support to Qualified Primary Lending Institutions	Total Amount Disbursed	Formal Primary Borrowers	Informal Primary Borrowers	Formal Primary Borrowers	Informal Primary Borrowers	Pilots for Informal Primary Borrowers	Date of submission to World Bank for Technical Review	Date of No Objection given by World Bank
1										
2										
3										
4										
5										
Grand Total Cumulative to Date										

General Manager - PIU/NHB

Date: September 14, 2017



Assistant General Manager



Notes:

First Proposals equivalent to \$1 mn in each of the category mentioned in col 4 to 8 should be submitted to the World Bank for technical review.