

## 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 30.06.2016 (01.07.2015 to 30.06.2016). 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 30.06.2016 (01.07.2015 to 30.06.2016) 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 2015-16, no Contract has been given.

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



S. N. Nanda  
Partner  
M. No. 005909



Date : September 28, 2016  
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 30.06.2016 (01.07.2015 to 30.06.2016) 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 28, 2016  
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 30.06.2016

Particulars	Schedules	(In ₹)				
		Current Year				Project to date
		2015-16	2014-15	2013-14	2012-13	
		(July to June)	(July to June)	(July to June)	(July to June)	
Bank Funds claimed during the reporting period (A)	I	1,483,816,674	155,343,443	491,658,453	0	2,130,818,570
Total Expenditure made during the year (B)		2,663,530,557	209,289,829	184,821,962	302,325,096	3,359,967,444
Less: Ineligible expenditures (C)			0	0	0	0
Expenditures not claimed (D)		0	0	184,821,962	0	0
Shortfall Amount received due to Forex Fluctuation and Capping on Quadrant 1			0	18,896,635	0	18,896,635
Expenditure incurred under Component I & III, but not claimed **		5,430,557	4,175,190	0	0	9,605,747
Expenditure incurred during the year but not claimed till year end		0	0	165,925,327	0	0
Total Eligible Expenditures Claimed by NHB (E) = (B) - (C) - (D)		2,658,100,000	205,114,639	302,325,096	0	3,331,465,062
World Bank Share @ 100% of (E) above = (F)	II	2,658,100,000	205,114,639	302,325,096	0	3,331,465,062
(A) - (F)*		-1,174,283,326	-49,771,196	189,333,357		-1,200,646,492

\*The negative balance is on account of non-filing of claim for quarter ending March 2016 to Controller of Aid Accounts & Audit (CAAA) by Department of Financial Services, Ministry of Finance and approval sought from Team Task Leader, WB for June 2016 quarter.

\*\* Expenditure incurred under Component I & III, but not claimed overstated by Rs. 6.00 during 2014-15 was adjusted during the current year 2015-16

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	3,331,465,062	9,605,747#

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

General Manager NHB

General Manager NHB

Dated: September 28, 2016



Schedule I

Bank Funds claimed during the reporting period (As on June 30, 2016)

Date of Receipt by Govt. of India	SDR	Exch Rate (SDR-USD)	USD	Exch Rate (USD-INR)	INR
23-Mar-16	15,965,211.17	1.39815	22,321,760	66.4740	1,483,816,674
<b>TOTAL</b>	<b>15,965,211.17</b>		<b>22,321,760</b>		<b>1,483,816,674</b>

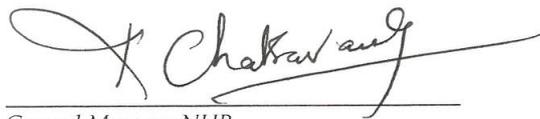
Schedule II

Details of IUFR - Quarter Wise

Period ended	July-June 2013-14	July-June 2014-15	July-June 2015-16	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
<b>Total</b>	<b>468,250,423</b>	<b>205,114,639</b>	<b>2,658,100,000</b>	



General Manager NHB



General Manager NHB

Dated: September 28, 2016



**Example of a Statement of Sources and Application of Funds  
(projects implemented by core government departments)**

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 June30, 2016**

(In ₹)

Particulars	Current Year 2015-16	2014-15	2013-14	2012-13	Project to date
Opening Balance, (if cash balances are controlled by the entity) (A)					
<b>Receipts</b>					
National Housing Bank**	763,288,891	209,289,829	165,925,327	302,325,096	1,440,829,143
Funds received from Government through Budget (These will include external assistance received by Government for the project.)	1,900,000,000	Nil	Nil	Nil	1,900,000,000
Funds received directly by Project Implementing Authority through external assistance		Nil	Nil	Nil	Nil
Beneficiary Contribution (if any)		Nil	Nil	Nil	Nil
<b>Total Receipts (B)</b>	<b>2,663,288,891</b>	<b>209,289,829</b>	<b>165,925,327</b>	<b>302,325,096</b>	<b>3,340,829,143</b>
<b>Total Sources (C = A+B)</b>	<b>2,663,288,891</b>	<b>209,289,829</b>	<b>165,925,327</b>	<b>302,325,096</b>	<b>3,340,829,143</b>
<b>Expenditures by Component</b>					
Component - I					
Component - II	2,658,100,000	205,114,639	165,925,327	302,325,096	3,331,465,062
Component - III ** #	5,188,891	4,175,190	-	-	9,364,081
<b>Total Expenditures (D)</b>	<b>2,663,288,891</b>	<b>209,289,829</b>	<b>165,925,327</b>	<b>302,325,096</b>	<b>3,340,829,143</b>
<b>Closing Balance, (if cash balances are controlled by the entity) (C-D)</b>					

\* 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 provisions of Rs. 241,666/- made during June 2016 under Component III.

  
General Manager NHB

  
General Manager NHB

Dated: September 28, 2016



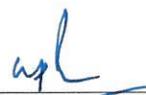
## Interim Unaudited Financial Report

IFR 1

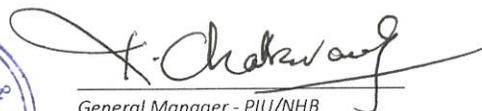
LOW INCOME HOUSING FINANCE PROJECT  
Credit No. 5283-IN  
Implementing Agency - National Housing Bank  
Sources and Uses of Funds for the quarter ended 30.06.2016

In INR

Sr.No.	Item	Amount		
		Current Quarter (CQ) Apr-June 2016	Year to Date (YTD) July 15 - June 16	Cummulative to Date (CTD)
1	2	3	4	5
A	<b>SOURCES OF FUNDS</b>			
i)	IDA	314,900,000	2,658,100,000	3,331,465,062
ii)	NHB	-	-	-
	<b>Total Sources of Funds (A)</b>	<b>314,900,000</b>	<b>2,658,100,000</b>	<b>3,331,465,062</b>
B	<b>USES OF FUNDS</b>			
B1	<b>EXPENDITURE BY COMPONENTS</b>			
I	<b>Capacity Building of NHB and Primary Lenders</b>	-	-	-
II	<b>Financing Support for Sustainable and Affordable Housing</b>			
i)	Secured Sub Financing to Formal Primary Borrowers	-	-	302,325,096
ii)	Secured Sub Financing to Informal Primary Borrowers	230,200,000	2,341,900,000	2,712,939,966
iii)	Loan secured alternatively, Sub Financing to Formal Primary Borrowers (including Pilots)			-
iv)	Loan secured alternatively, Sub Financing to Informal Primary Borrowers (including Pilots)	84,700,000	316,200,000	316,200,000
	<b>Sub Total Component II</b>	<b>314,900,000</b>	<b>2,658,100,000</b>	<b>3,331,465,062</b>
III	<b>Project Implementation*</b>	724,998	5,430,557	9,605,747
	<b>Total Expenditure by Components (B1=I+II+III)</b>	<b>315,624,998</b>	<b>2,663,530,557</b>	<b>3,341,070,809</b>
B2	<b>Pre Financing/Prospective Disbursements (NHB)</b>			
	<b>Total Uses of Funds (B1 + B2)</b>	<b>315,624,998</b>	<b>2,663,530,557</b>	<b>3,341,070,809</b>

  
General Manager - NHB  
Date: September 28, 2016



  
General Manager - PIU/NHB



- 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 30.06.2016**

(Amt. in INR)

	Project Expenditure	Provision as per PAD	Current Quarter (CQ) Apr-June 2016	Year to Date (YTD) July 15 - June 16	Total Cumulative to date (CTD)
<b>I Capacity Building of NHB and Primary Lenders</b>					
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>					
<b>Sub Total Component I</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>II Financing Support for Sustainable and Affordable Housing</b>					
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		230,200,000	2,341,900,000	2,712,939,966
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		84,700,000	316,200,000	316,200,000
<b>Sub Total Component II</b>	<b>as above</b>		<b>314,900,000</b>	<b>2,658,100,000</b>	<b>3,331,465,062</b>
<b>III Project Implementation*</b>					
a. Goods (Office Equipment, Computer, Software etc)					
b. Consultant's Services			<b>724,998</b>	<b>5,405,557</b>	<b>9,554,346</b>
-- Procurement Expert			0	50,000	1,700,000
-- Environment Expert			300,000	1,303,018	1,920,309
-- Social Expert			424,998	1,844,539	2,538,037
-- LIHF Expert			0	2,208,000	3,396,000
-- Impact Evaluation					
<i>Add as required</i>					
c. Incremental Operating Costs			<b>0</b>	<b>25,000</b>	<b>51,401</b>
-- 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	50,000
-- Travel					
-- Others			0	0	1,401
<b>Sub Total Component III</b>			<b>724,998</b>	<b>5,430,557</b>	<b>9,605,747</b>
<b>Total Expenditure (I+II+III)</b>			<b>315,624,998</b>	<b>2,663,530,557</b>	<b>3,341,070,809</b>

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

*apl*  
 General Manager - NHB  
 Date: September 28, 2016

*Chakravarty*  
 General Manager - PIU/NHB

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

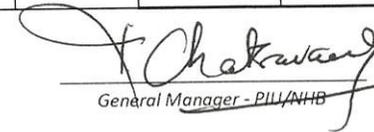
Forecash of Cash requirements for next 2 quarters

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						
<b>I Capacity Building of NHB and Primary Lenders</b>							
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>							
<b>II Financing Support for Sustainable and Affordable Housing</b>	100%	100 Million	200 Million	300 Million			
<i>Sub Total Component II</i>							
<b>III Project Implementation</b>							
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>							
<b>Total projected Expenditure (I+II+III)</b>							



General Manager - NHB

Date: September 28, 2016

General Manager - PIU/NHB



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 30.06.2016

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)	Disbursements to Qualified PLIs by NHB			Lending by Qualified PLIs to Primary Borrowers (cumulative out of column 10)				
								Disbursements to Qualified PLIs by NHB			Secured Sub-Financings		Unsecured Sub-Financings		
								Current Quarter (CQ) Apr-June 2016	Year to Date (YTD) July 15 - June 16	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	Edelweiss Housing Finance Ltd.	HFC	10-05-2016	24,137,167	22,500,000	8.5	12	22,500,000	22,500,000	22,500,000		22,500,000			
2	AU Housing Finance Ltd	HFC	24-06-2016	171,739,861	165,300,000	8.4	12	165,300,000	458,400,000	710,753,675		444,553,675	266,200,000		
			24-06-2016	89,379,500	84,700,000	8.4	12	84,700,000							
3	Equitas Housing	HFC	24-06-2016	49,180,756	42,400,000	8.5	7	42,400,000	42,400,000	63,577,373		63,577,373			
<b>Grand Total</b>					334,437,284	314,900,000		314,900,000	523,300,000	796,831,048	-	530,631,048	-	266,200,000	-

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

In INR

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	Amount included in Part A above
1	2	3	4	5	6	7	8	9	10 (out of 8)
<b>Grand Total</b>									

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

  
General Manager NHB  
Date: September 28, 2016

  
General Manager - PIU/NHB



Interim Unaudited Financial Report

IFR 3

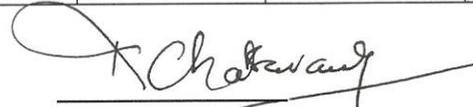
LOW INCOME HOUSING FINANCE PROJECT  
Credit No. 5283-IN  
Implementing Agency - National Housing Bank  
Schedule of Drawl from IDA for the quarter ended 30.06.2016

In INR

1	Category	Actual Eligible Expenditure			Reimbursement %age	Reimbursable from World Bank for Current Quarter
		Current Quarter (CQ) Apr-June 2016	Year to Date (YTD) July 15 - June 16	Cumulative to Date (CTD)		
	2	3	4	5	6	7=3*6
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	314,900,000	2,658,100,000	3,331,465,062	100%	314,900,000
3	Goods, consultants' services, and Operating Costs under Part C of the Project	0	0	0		0
	<b>Grand Total (1+2+3)</b>	<b>314,900,000</b>	<b>2,658,100,000</b>	<b>3,331,465,062</b>		<b>314,900,000</b>



General Manager NHB  
Date: September 28, 2016



General Manager - PIU/NHB



## LOW INCOME HOUSING FINANCE PROJECT

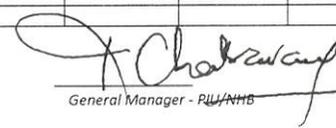
In INR										
Sr.No.	Contract no./ Description of Work	WBR No. & Date of WB NOC	Supplier / Consultant	Date of Contract	Contract Amount (INR)	Commence-ment Date	Date of Completion	Amount paid - Current Quarter (CQ) Apr - June 16	Amount paid - Year to Date (YTD) July 15 - June 16	Amount paid - Cumulative to Date (CTD)
1	2	3	4	5	6	7	8	9	10	11
1	Capacity Building (Component 1)									
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	1,700,000
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-14	2,400,000	01-Dec-14	30-Nov-16	300,000	1,303,018	1,920,309
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	424,998	1,844,539	2,538,037
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	2,208,000	3,396,000
2	Project Implementing Unit (Component III)									
i)	Contract 1									
ii)	Contract 2									
	<b>Grand Total (1+2)</b>							724,998	5,405,557	9,554,346

\*\* 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.  
# LHF 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 PLI	Financial Support to Qualified Primary Lending Institutions						Date of submission to World Bank for Technical Review	Date of No Objection given by World Bank
1	2	3	4	5	6	7	8	9	10
		Total Amount Disbursed	Formal Primary Borrowers	Informal Primary Borrowers	Formal Primary Borrowers	Informal Primary Borrowers	Pilots for Informal Primary Borrowers		
1									
2									
3									
4									
5									
		<b>Grand Total Cumulative to Date</b>							

  
General Manager NHB  
Date: September 28, 2016

  
General Manager - PU/NHB

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.

