

NIT FOR APPOINTMENT OF CONSULTANT FOR DEVELOPING HEDGE ACCOUNTING FRAMEWORK OF HUDCO



HUDCO LIMITED

CORE 7A, HUDCO BHAWNA, INDIA HABITAT CENTER, LODHI ROAD, NEW DELHI-110003



Housing & Urban Development Corporation Limited

(A Govt. of India Enterprise)

An ISO 9001:2015 Certified Organisation

CIN: L74899DL1970GOI005276 Website: www.hudco.org
REGISTERED OFFICE: HUDCO BHAWAN, CORE 7A, INDIA HABITAT CENTRE,
LODHI ROAD, NEW DELHI -110003
GSTIN: 07AAACH0632A1ZF

Notice Inviting Limited Tender

Sub.: Limited Tender for Appointment of Consultant for developing Hedge Accounting framework of HUDCO

HUDCO is a premier techno-financing company owned by the Government of India, was setup in 1970 to accelerate the pace of housing and urban development in the country. Apart from the financial operations, HUDCO offers consultancy services, promotes research and studies and help propagate use of local building materials, cost-effective and innovative construction technologies. HUDCO is a public sector company under the Ministry of Housing & Urban Affairs (MoHUA). The company operates through a strong and multi-disciplinary work force placed over its nationwide network of regional and development offices.

HUDCO Corporate Office is located at New Delhi. As of 29th February, 2024, Company has 21 Regional Offices and 11 development offices located at different state capitals and Research and Training Wing (HSMI) in New Delhi in addition to the Corporate Office.

HUDCO's income consists of interest on Loans, processing charges, consultancy services, projects taken by HUDCO on behalf of Ministry and funded by Ministry, rental income from HUDCO owned properties, construction services, architectural services etc.

HUDCO wants to avail the services of professional Chartered Accountant/ Cost & Management Accountant (CMA) Firm for developing and implementing Hedge Accounting framework of HUDCO comprising of Hedge effectiveness testing and calculations as per Ind AS- 109 Financial Instruments, as amended from time to time, for the accounting of foreign currency borrowings of HUDCO in terms of Ind-AS system of accounting applicable on HUDCO.

The consultant shall be providing consultancy for Initial setup of the framework for the March 2024 quarter and for four quarters of FY 2024-25. Thereafter, the consultancy assignment is renewable for another financial year on the same annual fees for the Financial Year and similar other terms and conditions. The consultant will be operating from HUDCO Corporate Office, Delhi. For this purpose, sealed quotations are invited for appointment of consultant for developing and implementing Hedge Accounting framework of HUDCO Limited.

Timelines

Date of Release of Tender	13th April 2024
Last Date for Submission of Bid digitally on GEM Portal	19th April 2024, up to 1400 Hours (IST)
Date of Opening of Bid digitally on GEM Portal	19th April 2024, at 1530 Hours (IST)
Earnest Money Deposit (EMD) Refundable	Rs. 25000
Cost of Tender Document	NIL
EMD: Bidder are required to submit EMD in the following bank account: - Name: HUDCO LTD. Account Number: 00030350017801 IFSC Code: HDFC00000003 Branch Name & Address: B-3-4, Suryakiran Building 19, K G Marg New Delhi	Proof of transfer of Rs. 25,000/- towards EMD

SCOPE OF WORK

HUDCO believes in highest standards of Corporate Governance and recognises that its financial statements are an important source of information to the stakeholders. HUDCO is committed to prepare its financial statements as per the applicable INDAS system of accounting with all required disclosures to enable the stakeholders make informed decisions. As part of Cost reduction strategies HUDCO has recently raised Borrowings to the tune of USD 480 million through the 5 deals in FCNR and JPY 15 billion through ECB route. These Borrowings are outstanding in the books as on 31st March, 2024 and have been hedged through Seagull structures.

The detailed scope of work of the Consultant for the assignment is as given below:

A Initial Setup:

Review of the Hedging policy of HUDCO and suggestion for improvements, if any. Preparation of hedge accounting documentation as required by Ind-AS 109 for each instrument designated in hedging relationship for the contracts existing as on date and for new derivative contracts entered during the year. Hedge documentation shall include:

1. Linkage with risk management objective and strategy of the Company;
2. Identification of type of hedging relationship (i.e. cash flow hedge or fair value hedge);
3. Identification of hedged item;
4. Identification of hedging instrument;
5. Hedge designation strategy for hedge accounting;
6. Hedge effectiveness testing as described below.

Hedge effectiveness testing (Economic relationship, hedge ratio and quantitative testing) as on designation date/ reporting date as the case may be, including:

1. Valuation of actual and hypothetical interest rate swap instruments (IRS) for hedge effectiveness testing purposes;
2. Bifurcation of intrinsic and time value of seagull structure derivatives instruments etc. for hedge designation;
3. Scenario based analysis for change in value of seagulls etc. for hedge effectiveness testing purposes;

B Recurring for each quarter:

- Hedge effectiveness testing (Economic relationship, hedge ratio and quantitative testing) for each quarter reporting date, including but not limited to:
- Valuation of actual and hypothetical interest rate swap instruments (IRS) for hedge effectiveness testing purposes

- Scenario based analysis for change in value of seagulls etc. for hedge effectiveness testing purposes
- Computation and preparation of accounting adjustment entries for each quarter reporting dates falling within the year.
- Computation and preparation of adjustment entry for amounts to be reclassified from cash flow hedge reserve on settlement of hedged item/hedging instruments.
- The Consultant will be required to provide complete Hedge Effectiveness Testing report as at each quarter end in addition to the hedge accounting documentation as may be required. The timelines for each milestone will be decided by the Company after discussion with the Consultants and the Consultant will adhere to such timelines.
- Soft copy of all reports, format or any other document shall be provided to the company, including reports in respect of effectiveness testing and other such documents that will be required by the Company to document the derivative accounting requirement.
- The consultant shall treat all matters in connection with the assignment as strictly confidential. The consultants and their personnel shall not at any time disclose any proprietary or confidential information relating to the assignment of PFC's business or operations, except that available in the public domain, without the prior written consent of PFC.

C. Closure of Financial year:

Providing inputs in respect of disclosures pertaining to hedge accounting as required under Ind AS 107 on quarterly basis and Schedule III Division III to the Companies Act 2013 any other law /regulations/ guidelines as applicable from time to time and attending to the queries of Internal/ Statutory/ Govt. Auditors pertaining to hedge accounting.

D. Guidance on various guidelines of RBI w.r.t. derivatives

RBI from time to time issue various guidelines with regard to derivatives. The consultant would be required to provide opinion/guidance on all the matters for implementation of RBI guidelines i.e. calculation of its financial impact, finalization of accounting approach including entries to be passed, presentation to be made in the financial statements, updation of financial disclosures, etc.

Deployment of Staff

The Consulting team shall be required to be available to HUDCO in person, if required, for discussions on matter related to hedge accounting with auditors/other parties/ for making presentation to the senior management of the company or the Board of Director of the Company, as and when required.

TECHNICAL ELIGIBILITY CRITERIA FOR CONSULTANT

Since, it's a limited tendering process and bids have only been called from the reputed Consultants and the minimum eligibility criterion has not been specified. However, it is mandatory that the bidder should have prior experience in Consultation of Hedge accounting framework or Effectiveness Testing and Calculation as per Ind AS -109 Financial Instrument for the last three financial years (2021-22, 2022-23, 2023-24) of any company/client (at least one of them should be a peer group Public Sector undertaking NBFC's /enterprise with net worth of at least Rs.5000 crores, as per audited financial statement).

Following Documents are also required to be submitted by the bidder/Consultant

S. No.	Particulars	Documents required
1	The bidder to produce a PAN / GST Registration.	Copy of Proof of Registration Certificate duly signed by authorised signatory.
2	Declaration whether any partner of the firm has any relation with any employee working in HUDCO then the name of the employee and the relationship may be given and whether partners have a relationship within the meaning of Section 2 (77) of the Companies Act, 2013 with any of the Directors of HUDCO and also, with the present Statutory Auditors (A P R A & Associates LLP, 379, Aggarwal Millenium Tower-II, Netaji Subhash Place, Near TV Tower, Pitampura, Delhi-110034) of Hudco, then such relations details be given.	Declaration to be signed by Authorised signatory
3	<p>The bidder to provide the following declaration: -</p> <ul style="list-style-type: none"> a) There has not been any disciplinary action Initiated by ICAI/ICWAI or any regulatory authority against the firm during last five years. b) None of the partners/employees has been convicted of any offence/economic offence. c) No appeal / unresolved dispute / suit / case is pending at any court in India regarding the right to carry on practice. d) Confidentiality: Consultant shall during the tenure of the Contract and at any time thereafter keep all information relating to the work in full confidence and shall not, unless so authorized in writing by HUDCO, divulge or grant access to any information about the work or its results and shall prevent anyone becoming acquainted with either through Consultant or its personnel or agents. Any monetary penalty / loss levied by any authority due to breach of the above clause will be the sole responsibility of the firm. e) Others: Consultant is required to certify that it will not indulge in any fraudulent activity or allow anybody else working in our organization to indulge in fraudulent activities and would immediately apprise HUDCO of the fraud/suspected fraud as soon as it comes to their notice. 	Declaration to be signed by Authorised signatory on the letterhead of the firm.

FINANCIAL BID (TO BE FILLED IN EXCEL FORM ONLY)

The bidder is required to quote FEE for the entire scope of work as per following:

Particulars	Amount in figures (Rs.)	Amount in Words
Initial Set up fee for the first quarter of March 2024		
Annual Fee for subsequent 4 quarters FY 2024-25 on per quarter basis.		
Fees for each new deals in foreign currency equivalent to say USD 100 million. For the purpose of evaluation of bids number of such deals shall be notionally taken as 5 deals. (Fee shall be payable on each deal basis on the actual new deals entered by HUDCO)		
Total		

Note:

1. GST and other statutory taxes, if any, shall be payable as applicable over and above quoted fees.
2. Payment shall be made after deduction of TDS/applicable taxes, if any.
3. Quoted fees should be all inclusive. Out of pocket expenses and other incidental charges will not be paid extra.
4. Rates are required to be quoted in figures as well as in words. In case of any difference between quotes in figures and words, the quotes in words shall prevail.
5. Bidders are required to quote financial proposal / fees structure strictly as sought above.
6. The bidder should quote rate for the entire scope of work.
7. No additional payment will be admissible on any account except the GST or other applicable taxes on fees as applicable from time to time.
- 8. Estimated BID Value is expected to be Rs. 15 lakh per annum approximately excluding applicable taxes.**

General Terms and Conditions for submission of bids

1. HUDCO reserves the right to call for supportive documents / papers from bidders.
2. Any modification in Technical / Financial bid/Offer after the date of opening will not be considered.
3. Bidders should ensure that bid is delivered before schedule date, time at the GEM portal. Late bids will not be considered. HUDCO will not be responsible for any delay whatsoever.
4. HUDCO may amend the tender document by issuing corrigendum / addendum at any time prior to deadline for submission of bid. Therefore, the bidders are advised to visit the site regularly before the deadline for submission of bid.
5. The bid shall remain valid for a period of 30 days from the date of opening.
6. Bidders desirous of attending the tender opening may depute the authorised representative on the scheduled date and time of bid opening.
7. HUDCO reserves the right to cancel the tendering process at any time before award a work without assigning any reason thereof.
8. HUDCO reserves the right to reject any or all bids without assigning any reason.
9. In case any issue requires interpretation / clarification regarding the process of selection of firm through open bidding, HUDCO's interpretation shall be final and binding
10. The Consultant will be appointed for a period of one year and appointment will be renewal on yearly basis on satisfactory services for further 3 years.
11. The assignment can be terminated by either side by giving three-month notice.
12. Payment of the annual fee quoted by bidder shall be paid on quarterly basis for which bill for each quarter along-with quarterly progress report indicating works undertaken during the quarter shall be submitted by consultant. Further, Initial setup fee shall be payable 50% after completion of Stat audit and balance 50% after the completion of CAG audit for FY 23-24. Quarterly fees for 24-25 shall be payable after completion of Stat/CAG audit pertaining to respective quarter. 10% of the bill amount will be retained as security deposit which will be released after six months of satisfactory completion of the assigned work.
13. The payment will be released to the consultants through ECS/NEFT modes. TDS as applicable shall be deducted. No advance payment shall be made under any circumstances.
14. The Bidder is required to comply with all the terms and conditions as contained in tender strictly.
15. The Consultant will hand over all the related files / papers to HUDCO at the end of the Contract.
16. Technical and financial bid/Offer should be submitted on GEM Portal as per GEM Portal guidelines by 2.00 PM on 19th April, 2024.