

ELEVENTH ANNUAL REPORT 1997-98



Can Fin Homes Ltd
(Sponsor: CANARA BANK)

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Report Junction

**A DECADE OF GROWTH...
ON A FOUNDATION OF TRUST**

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HIGHLIGHTS**OPERATIONAL HIGHLIGHTS**

Rs in Crores

	1993-94	1994-95	1995-96	1996-97	1997-98	Cumulative
Loan Approvals	139.64	135.31	130.48	131.22	138.67	1093.72
Loan Disbursements	82.70	115.59	125.15	102.80	137.18	911.06

FINANCIAL HIGHLIGHTS

Rs in Crores

Gross Income	59.91	70.81	83.38	94.16	99.37
Profit After Tax	7.71	10.84	11.56	12.10	11.12
Shareholders Funds	40.04	46.91	54.62	62.12	68.28
Deposits	208.38	232.67	261.81	316.81	357.85
Borrowings	147.26	180.09	206.29	202.39	207.01
Housing loan outstanding	326.02	385.36	452.62	483.70	538.43
Dividend(%)	18	20	20	20	22

**BOARD OF DIRECTORS****MR. T R SRIDHARAN***Chairman
(from January 29, 1998)***MR. R J KAMATH***Vice-Chairman***MR. DEEPAK M SATWALEKAR***(upto July 04, 1997)***MR. SATISH AJMERA***(upto August 01, 1997)***MR. MANU CHADHA****MS. I T VAZ***(Nominee Director -
Unit Trust of India)***MR. A ABDUL HUQ****MRS. SAVITA SEHGAL****MR. R V VERMA***(Nominee Director - National Housing Bank)***MR. R V S RAO***(from November 17, 1997)***MR. M N SHENOY***(upto January 29, 1998)***MR. U J KAMATH***Managing Director
(from January 29, 1998)***EXECUTIVES AND SECTION HEADS
AT REGISTERED OFFICE****General Manager**

Mr K P Kamath

Asst General ManagersMr J N Shetty
Mr K Suresh Rao**Company Secretary**

Mr K S Sathya Prakash

Chief Manager - Accounts

Mr R Jairam

Chief Manager - Credit

Mr N V Rangaswamy

Chief Manager - EDP

Mr P Aravindhnan

**Senior Manager -
Personnel & Administration**

Mr A R Gopal

Senior Officer - Development

Mr B M Sudhakar

Registered Office :"Shanti Kutir", No. 32, II Floor,
Race Course Road,
Bangalore- 560 001

Tel nos: 226 7229, 228 1209, 225 8860

Fax: 228 1208 P. B. No.5128

e mail: canfin@bgl.vsnl.net.in

PRINCIPAL BANKERS

Canara Bank

AUDITORSK P Rao & Company
Chartered Accountants**REGISTRARS & SHARE TRANSFER AGENTS**

Canbank Computer Services Ltd.,

R & T Centre,

Hotel Broadway Complex

19, Kempegowda Road,

Bangalore - 560 009

Tel : 287 2461, 287 2462, 287 2521

Fax : 287 2804

LEGAL ADVISOR

Mr Kalasa Shamanna

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NOTICE

NOTICE is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of the Members of CAN FIN HOMES LTD will be held on Thursday, the August 27, 1998 at 11.30 A.M. at the Chowdalah Memorial Hall, Vyalikaval, Bangalore 560 003 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 1998 and the Profit and Loss Account for the year ended that date together with the Directors' and Auditors report thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mrs.Savita Sehgal who retires by rotation and being eligible, offers herself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification/s, the following as a Special Resolution pursuant to Section 224A of the Companies Act, 1956:

*RESOLVED THAT Messers K P Rao & Company, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at such remuneration as may be fixed by the Board of Directors in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of audit of accounts of the Company".

*RESOLVED FURTHER THAT the following firms of Chartered Accountants mentioned in column two below, be and are hereby appointed as the Auditors to carry out the audit of Company's branches given in column three below, at such remuneration as may be fixed by the Board of Directors in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting audit of branch accounts:

Sl. No.	Name of the firms of Chartered Accountants	Name of the Branches authorised for auditing
(i)	M/s K P Rao & Company Bangalore	Branches in the States of Karnataka, Kerala, Goa, Gujarat, Maharashtra and branches to be opened by the Company in future.
(ii)	M/s L U Krishnan & Co. Chennai	Branches in the State of Tamil Nadu and Union Territory of Pondicherry.
(iii)	M/s K P Rao Associates Hyderabad	Branches in the States of Andhra Pradesh and Orissa.
(iv)	M/s H K Chaudhury & Co. New Delhi	New Delhi, Noida, Jaipur, Lucknow, Chandigarh, Bhopal and Patna branches".

**SPECIAL BUSINESS**

To consider and if thought fit, to pass, with or without modification/s, the following resolutions **as Ordinary Resolutions** :

5. "RESOLVED THAT Mr.T.R.Sridharan be and is hereby appointed a Director of the Company."
6. "RESOLVED THAT Mr.U.J.Kamath be and is hereby appointed a Director of the Company."

"FURTHER RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded for the appointment of Mr. U.J. Kamath, General Manager, Canara Bank, as the Managing Director of the Company for the period from January 29, 1998 to January 30, 1999, including the period of extension of service, if any, by Canara Bank, at the remuneration he is entitled to in accordance with the Service Regulations of Canara Bank and any modifications, revisions thereof that may take place from time to time and payable by way of reimbursement to Canara Bank subject to the ceiling limits prescribed by Schedule XIII to the Companies Act, 1956."

7. "RESOLVED THAT Mr.R.V.S.Rao be and is hereby appointed a Director of the Company liable to retire by rotation.

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BY ORDER OF THE BOARD

Bangalore
June 16, 1998

K S Sathya Prakash
Company Secretary

Registered Office:
No.32, Shantl Kutir
II Floor, Race Course Road
Bangalore 560 001.

1. MEMBERS ARE REQUESTED TO BRING THEIR COPIES
OF THE ANNUAL REPORT TO THE MEETING
2. GIFTS/MEMENTOS ARE NOT BEING DISTRIBUTED.

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NOTES

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE ATTENDANCE SLIP-CUM-PROXY FORM IS PLACED WITH THIS ANNUAL REPORT. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting.**
- (b) Members/Proxies are requested to bring their Attendance Slip sent herewith duly filled in, for attending the Meeting.
- (c) Member Companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorising their representative to attend and vote at the Annual General Meeting.
- (d) The relative Explanatory Statements, pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business under Item nos.5 to 7 are annexed hereto.
- (e) The Register of Members and Share Transfer Books of the Company will remain closed from July 16, 1998 to July 30, 1998, both days inclusive.
- (f) Payment of Dividend for the financial year 1997-98, if declared, will be made on or after August 28, 1998 to those members whose names appear in the Register of Members of the Company as on July 15, 1998.
- (g) Members are requested to notify immediately any change in their address to the Registrars and Share Transfer Agents of the Company viz., M/s.Canbank Computer Services Ltd., R & T Centre, Hotel Broadway Complex, No.19, Kempegowda Road, Bangalore-560 009 so as to enable the Company to despatch dividend warrants and any future communication to their correct address.
- (h) In terms of Provisions of Section 205-A(5) of the Companies Act, 1956 and Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the Company has already transferred dividend declared but unclaimed for the year ended March 31, 1994, to the General Revenue Account of the Central Government.
- (i) Members who have not encashed their dividend warrants relating to dividend for the years ended March 31, 1995 to March 31, 1997, are requested to approach the Company or the Registrars and Share Transfer Agents of the Company for revalidating the warrants or obtaining cheques in lieu of warrants.
- (j) The shareholders desirous of obtaining any information with regard to the audited annual accounts of the company for the financial year 1997-98 or any other related matters are requested to write to the company at an early date so as to enable the company to keep the information ready.



ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

In respect of Item No.5.

The Board of Directors of the Company at their Meeting held on January 29, 1998, appointed Mr.T.R.Sridharan as an Additional Director of the Company. Pursuant to Article 22 of the Articles of Association of the Company ("Articles"), read with Section 260 of the Companies Act, 1956 ("the Act"), Mr.T.R.Sridharan holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Act from Canara Bank signifying its intention to propose the appointment of Mr.T.R.Sridharan as its "Nominee Director", in exercise of the powers available to it under Article 17 of the Articles. M/s.Canara Bank are also one of the promoters and shareholders of the Company.

Mr.T.R.Sridharan, was the Managing Director of State Bank of India European Bank PLC, London, prior to his assuming the charge as Chairman and Managing Director of Canara Bank. He has a wide and rich banking experience and has served State Bank of India in different capacities. He has also served the Chicago branch of State Bank of India as its Chief Executive Officer. Mr.T.R.Sridharan, was also the Executive Director of SBI Capital Markets Ltd., Mumbai.

Mr.T.R.Sridharan is willing to act as a Director of the Company, if so appointed and has filed with the Company his consent pursuant to Section 264 (1) of the Act. Your Directors feel that his appointment would be in the best interest of the Company and accordingly recommend the passing of the resolution proposed at Item No.5 of the Notice.

No Director other than Mr.T.R.Sridharan is in any way concerned or interested in the said resolution.

In respect of Item No.6.

The Board of Directors of the Company at their meeting held on January 29, 1998 appointed Mr.U.J.Kamath, General Manager, Canara Bank as a Director and then as the Managing Director of the Company for the period from January 29, 1998 to January 30, 1999 at the remuneration he is entitled to as per the Service Regulations of Canara Bank and any modifications, revisions thereof that may take place from time to time and payable by way of reimbursement to Canara Bank and subject to the ceiling limits prescribed by Schedule XIII to the Companies Act, 1956 ("the Act"). Pursuant to Article 22 of the Articles of Association of the Company ("Articles"), read with Section 260 of the Companies Act, 1956 ("the Act"), Mr.U.J.Kamath holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from Canara Bank under Section 257 of the Act signifying its intention to propose the appointment of Mr.U.J.Kamath as a Director of the Company. M/s.Canara Bank are also one of the promoters and shareholders of the Company.

As mentioned earlier, Mr.U.J.Kamath, holds the rank of General Manager in Canara Bank and possess a wide and varied developmental and administrative experience over a period of 35 years in the Bank. Mr.U.J.Kamath is willing to act as a Director of the Company, if so appointed and has filed his consent pursuant to Section 264(1) of the Act.

In compliance with the applicable provisions of the Act, approval of the members to the appointment of Mr.U.J.Kamath as a Director and Managing Director for the period mentioned above, including extension in the period of service, if any, by Canara Bank

and at the remuneration payable as mentioned above is now being sought. Your Directors feel that his appointment would be in the best interest of the Company and accordingly recommend the passing of the resolutions proposed at Item No.6 of the Notice.

This explanatory statement may be treated as an abstract of the terms and conditions governing the appointment of Mr.U.J.Kamath pursuant to Section 302 of the Companies Act, 1956.

No Director other than Mr.U.J.Kamath is in any way concerned or interested in the said resolution.

In respect of Item No.7.

The Board of Directors of the Company at their meeting held on November 17, 1997 appointed Mr.R.V.S.Rao, as an Additional Director of the Company. Pursuant to Article 22 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 ("the Act"), Mr.R.V.S.Rao, holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Act, from M/s.Housing Development Finance Corporation Ltd.,(HDFC) who are also one of the co-sponsors and shareholders of the Company, signifying their intention to propose the appointment of Mr.R.V.S.Rao as a Director of the Company.

Mr.R.V.S.Rao, is presently the General Manager (Southern Region) of M/s.HDFC Ltd. He is a Commerce and Law Graduate and a Fellow of Indian Institute of Bankers, Mumbai. He is also a Life Member of the All India Management Association, New Delhi, Executive Committee Member of Bangalore Management Association and Greater Mysore Chamber of Industry. He is a Patron Member of FKCCI, Bangalore. He has served Central Bank of India for about 16 years in different capacities. He has specialised in International Trade and Foreign Exchange. He joined M/s.HDFC Ltd., in 1983 as a member of the senior management team and subsequently became the General Manager. Presently he is in charge of affairs of M/s.HDFC Ltd., in all the Southern States and Goa.

Mr.R.V.S.Rao is willing to act as a Director of the Company, if so appointed and has filed with the Company his consent pursuant to Section 264 (1) of the Act. Your Directors feel that his appointment would be in the best interest of the Company and accordingly recommend the passing of the resolution proposed at Item No.7 of the Notice.

No Director other than Mr.R.V.S.Rao is in anyway concerned or interested in the said resolution.

BY ORDER OF THE BOARD

Bangalore
June 16, 1998

K S Sathya Prakash
Company Secretary

Registered Office: No.32, Shanti Kutir
II Floor, Race Course Road
Bangalore 560 001.

CHAIRMAN'S STATEMENT



ENTRY INTO THE SECOND DECADE

CanFin Homes Ltd., is entering its second decade of operation, when there are upheavals in the real estate market and major developments in the housing sector. Can Fin Homes is strengthening its roots in the industry by achieving alround growth through upgrading its product portfolio, employees' skills, network and technology. During the second decade, Can Fin Homes will be operating in a challenging environment of stiff competition, liberalized regulations and high demand for housing & housing finance. At the end of the second decade, your Company aims to emerge as one of the most preferred and healthy housing finance companies.

THE INDUSTRY SCENARIO

Market Condition

The real estate market witnessed continued sluggishness during 1997-98. Impact of the sluggishness had many aspects, most important being movement of housing finance companies towards the end users.

The builders group went through the liquidity crunch as the demand for high value apartments dwindled with the exit of investors from the market. The property developers of all the metros felt the pinch of stagnation of sales with the anticipation of further fall in prices. This made housing finance companies to adopt a cautious approach in taking further exposure to this bulk loan segment.

The sluggishness of Real estate market brought in cheer to the actual users. The declining property prices and lowered interest rates on housing finance suited the pockets of the actual users. This trend activated the retail housing finance market raising the demand for individual loans.

At present, prices in the real estate market is getting stabilised as only actual buyers are operating with the exit of investors.

Support from Budget 1998-99

The Budget proposals for 1998-99 envisages to extend several incentives to augment the housing stock in the country like :

- The proposal of raising limit of deduction for interest on borrowed capital in case of self occupied property from Rs 15,000/- to Rs 30,000/- makes the cost of housing finance cheaper by way of saving on taxes.

- Repealing of URBAN LAND CEILING ACT will increase supply of land for construction of houses and land prices is likely to come down due to addition of usable land to existing stock of land for house construction purposes.
- The proposal to exempt the excise duty on blocks and bricks containing more than 25% of flyash and ready mixed concrete will reduce the price of the basic ingredients of the construction industry, thus reducing construction costs.
- The approved housing projects have been given tax holiday allowing deduction to the extent of 100% for the first five years and 30% deduction for the subsequent five years. This measure will not only increase the housing stock with many private companies taking up housing projects but will also reduce the final cost of residential projects.
- In case of property being rented out, the budget provides for increase in the grant of deduction in respect of repairs to property and collection charges from the existing level of 1/5th of annual value of the property to 1/4th the amount thereof. This entitles home owners tax relief to certain extent inducing them to have a home of their own.
- The budget has allowed carry forward of losses from the house property against future income under the same head for 8 years which enables the home owner to save on taxes.

The above proposed measures will not only induce home ownership but also reduce the cost of acquisition of a house to considerable extent due to saving of taxes.

Also, the National Agenda, identifies housing as a priority area and intends to tackle the country's enormous housing shortage problem through partnership among Government, Housing Finance Institutions and the Private sector.

Impact of proposed repeal of Urban Land Ceiling and Regulation Act

The proposed repeal of Urban Land Ceiling and Regulation Act increases the supply of usable urban land for house construction and thus has far reaching impact on the supply side of housing stock. Consequently, it is expected that over two lakh hectares of land in 64 cities across the country will be available for housing purposes.

COMPETITIVE ENVIRONMENT

The support from the budget and the proposed amendments to certain related regulations are expected to give a fillip to housing finance industry inducing more institutions to enter this business. The industry will become more competitive with the entry of banks with a distinct advantage. With Reserve Bank of India giving more freedom to banks by relaxing norms of structuring of housing loans, banks will have distinct competitive advantage with their access to low cost funds. In the absence of level playing field with respect to cost of funds, the housing finance companies will have to gear up themselves by new and innovative schemes to withstand the competition and improve the efficiency to keep up their spread. Their focus on business, expertise, trained manpower and service quality will give the required competitive edge to ensure growth.

PERFORMANCE OF THE COMPANY

During the year, your Company gave a higher thrust to individual housing loans. In addition, to encourage the individuals to own a house/flat, your Company reduced the interest rate three times during the year. This down ward revision has resulted in your Company showing a growth of 32% and 45% under individual loan sanctions and disbursements