



HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
TWENTY-SEVENTH ANNUAL REPORT 2003-04

HDFC

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It is the ground
beneath your feet. It is

the distance you cover.

It is from where
dreams take flight.

It is solid, unshakeable.

Hold forth your

terra firma

as the world awaits you.

Your moment has come.

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Operational Highlights

(Rs. in crores)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Cumulative
Approvals	1,494.55	2,071.46	2,521.70	3,251.27	4,071.76	5,305.15	6,879.77	9,041.25	11,731.57	15,215.56	67,082.95
Disbursements	1,211.66	1,683.55	2,100.78	2,753.61	3,424.27	4,492.74	5,803.01	7,616.56	9,950.87	12,696.82	56,217.26
Cumulative Investment made possible in the housing sector	15,137.77	19,928.88	26,207.51	32,710.05	40,540.36	50,742.57	64,502.11	82,584.61	103,734.78	134,165.90	

1 Crore = 10 Million

1 Lac = 100,000

Financial Highlights

(Rs. in crores)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Gross Income	780.33	982.18	1,265.33	1,444.68	1,752.73	2,015.56	2,382.35	2,700.15	2,975.62	3,077.85
Profit After Tax	146.15	195.69	247.89	293.36	333.90	401.81	473.65	580.01	690.29	851.78
Shareholders' Funds	874.85	1,501.82	1,662.75	1,777.24	1,971.84	2,095.97	2,371.94	2,702.84	3,043.86	3,393.79
Share Capital - Equity	101.24	119.11	119.11	119.11	119.11	119.11	120.08	121.71	244.41@	246.61
- Preference	—	50.00	50.00	—	—	—	—	—	—	—
Reserves and Surplus	773.61	1,332.71	1,493.64	1,658.13	1,852.73	1,976.86	2,251.86	2,581.13	2,799.45	3,147.18
Term Borrowings	2,583.10	2,552.34	3,035.47	3,724.66	4,571.18	6,764.69	8,219.95	10,264.67	14,130.73	19,346.39
Deposits	1,853.24	2,512.69	3,502.19	4,423.79	5,252.40	6,223.85	7,249.83	8,491.02	9,121.55	9,337.65
Loans Outstanding	3,747.55	4,740.68	5,709.32	6,944.07	8,219.26	10,063.00	13,224.66	17,207.68	21,749.91	27,974.27
Dividend (%)	32	37	45	75*	85	190**	125	250***	110@	135
Book Value per Share (Rs.)#	43	61	68	75	83	88	99	111	125	138
Earnings per Share (Rs.)#	7	8	10	12	14	17	20	24	28	35

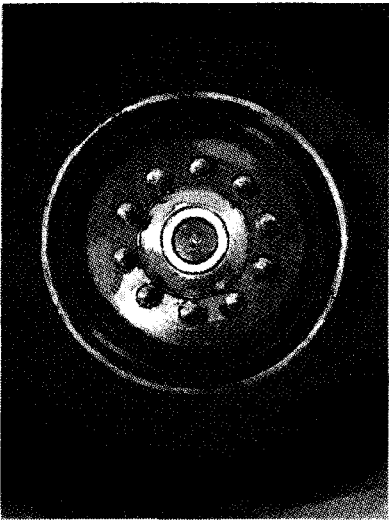
* Includes one time special dividend of 20% to mark the completion of HDFC's 20th Anniversary.

** Includes one time special millennium (interim) dividend of 100%.

*** Includes a one time special Silver Jubilee dividend of 100%.

@ The Corporation allotted bonus shares in the ratio of 1:1 in December, 2002. Dividend is for the full year on the enhanced capital post the issue of bonus shares.

Adjusted for bonus.



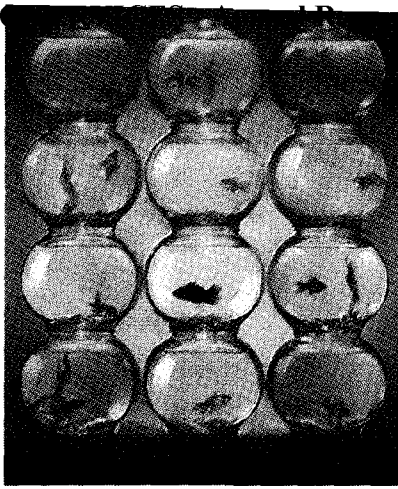
When one's quest for progress is principle-centric, no road is insurmountable.

*Hold forth your terra firma
as the world awaits you.
Your moment has come.*

It is amongst life's greatest ironies that what makes a physical structure, an organisation, a tree, or even a relationship truly enduring, is what lies at its base – the foundation. It is the strength of the foundation that determines how far it can grow, and how long it

will endure. For HDFC, this strength emanates from our intrinsic qualities. Integrity, transparency and trust as a part of our core beliefs are at the heart of all that we do. They are the basis for all growth and development. They inspire us along every path.

Truly, when the heart is in the right place, all the rest follows.



A strong understanding of individual needs helps one to provide solutions.

The winds of change....

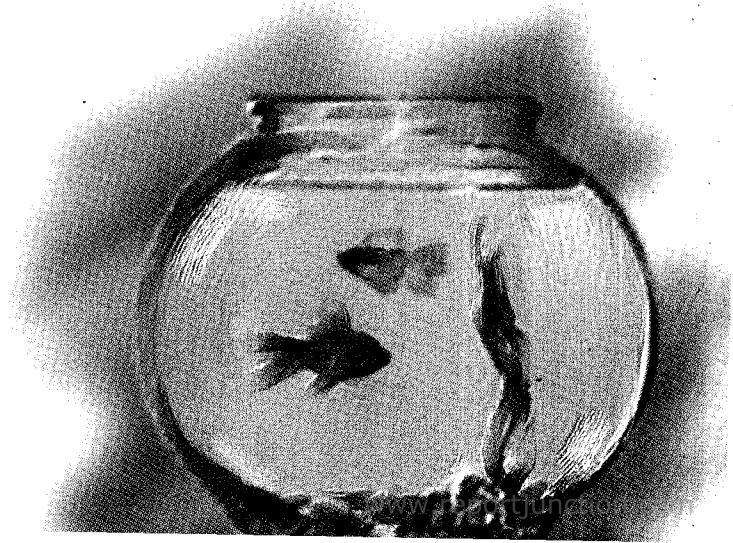
Over the last five years, the winds of change have been blowing hard at the evolving Indian middle-class. Changes in the form of incentives from the government to buy a home, improved quality of buildings and property services and above all a bouquet of financial options. For the customer, tax concessions have gone up ten-fold, marginal tax rates have declined, property prices have dipped and interest rates have touched an all-time low. Not only is housing and housing finance more pocket friendly, it's also more flexible. There's a wide array of choice at every step. Amid the optimism, new well-reputed entrants have stepped in, widening the choice even more. Of course, it's a matter of perspective. Choice can spell freedom. It can also spell confusion for the customer. The customer needs a strong hand of guidance today, a hand that he can trust.

An average middle-class Indian family is not risk-averse any longer. Unlike in the past, a loan is not just seen as 'finance' or as a stigma. Lifestyles have started changing, income levels are shooting up, the purchasing power is rising, the mall culture and mobile phones are in – there's much excitement for marketeers all around.

Change has added yet another dimension to the concept of suburbanisation. Many industries moving to smaller, peripheral towns have led to progress. Villages are turning into towns and towns to metros. From the housing viewpoint, it means that each growing village or town will give rise to greater demand, not only for housing but also for related facilities such as sanitation, transport, medical aid, electricity, water and so on. The change is rapid and real....

but the housing shortage continues to be high. That's where we at HDFC, have a major role to play. Housing for all is our *raison d'être*.

The task on hand is to bridge the gaps and to provide the common man access to resources to fulfil his basic dream.





The reassurance of
firm ground provides
for many a soft landing

Responding firmly to changing needs...

It's time to take on the challenges that change poses before us. In the face of multiple options and varied choices, it is all important to offer directions with expertise and empathy to customers – to instill order in chaos. The scene is changing fast and we need to keep in step. HDFC's pro-active role of transporting builders to the customers at their doorstep is one such initiative. Similarly analysing customer needs in developing townships for those working in large organisations and providing quick solutions of their choice at their desk with the latest technology is yet another option. We keep learning..., moving..., gaining momentum as we progress.

On solid ground

Yes, the foundation is built. It is strong, unshakeable. It has been built on the strength of our people, our values and our passion. The journey has begun. It is time to take flight from *terra firma*.

Report



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Board of Directors

Mr. Deepak S. Parekh Chairman

Mr. Keshub Mahindra Vice Chairman

Mr. S. B. Patel

Mr. B. S. Mehta

Mr. D. M. Sukthankar

Mr. D. N. Ghosh

Dr. S. A. Dave

Mr. S. Venkitaramanan

Dr. Ram S. Tarneja

Mr. N. M. Munjee

Mr. D. M. Satwalekar

Ms. Renu S. Karnad Executive Director

Mr. K. M. Mistry Managing Director

Brief Profile of the Directors of the Corporation

Mr. Deepak S. Parekh is the executive Chairman of the Corporation. He is a Fellow of the Institute of Chartered Accountants (England & Wales). Mr. Parekh joined the Corporation in a senior management position in 1978. He was inducted as a wholetime director of the Corporation in 1985 and was appointed as the Chairman in 1993. He is the chief executive officer of the Corporation.

Mr. Keshub Mahindra is the vice chairman of the Corporation. He is a graduate of Wharton – University of Pennsylvania, U.S.A. He is a renowned industrialist and is the chairman of the Mahindra & Mahindra Group of companies. He has been a director of the Corporation since its inception. He is also the chairman of the Compensation Committee of Directors.

Mr. S. B. Patel holds a Master's degree in arts from the University of Cambridge. He heads a firm of consulting civil engineers with expertise in prefabrication, mass housing, tall buildings, factories, bridges and marine works. He was one of the three original authors of the idea of New Bombay. He has been a director of the Corporation since its inception and is a member of the Compensation Committee of Directors.

Mr. B. S. Mehta is a graduate in commerce and a Fellow of the Institute of Chartered Accountants of India. Mr. Mehta is a renowned accountant in practice and is an expert on taxation, accountancy matters and mergers and acquisitions valuation. He is a director on the boards of several prominent companies in India and has been a director of the Corporation since 1988. He is also a member of the Compensation and Audit Committee of Directors.

Mr. D. M. Sukthankar was an officer of the Indian Administrative Services and was Secretary, Ministry of Urban Development, Government of India and later Chief Secretary to the Government of Maharashtra. Mr. Sukthankar is recognised as an expert urban developer and is associated with housing sector for a number of years. He has been a director of the Corporation since 1989.

Mr. D. N. Ghosh holds a Master's degree in economics. He was former chairman of the State Bank of India. He is currently the chairman of ICRA Limited. He has been a director of the Corporation since 1989 and is a member of the Audit Committee of Directors.

Dr. S. A. Dave is a Doctorate of economics and holds a Master's degree in economics from the University of Rochester. Dr. Dave was former chairman of the Securities and Exchange Board of India and the Unit Trust of India. Dr. Dave is currently the chairman of the Centre for Monitoring Indian Economy. He has been a director of the Corporation since 1990. He is also the chairman of the Audit Committee of Directors.

Mr. S. Venkitaramanan holds a Master's degree in industrial administration from the University of Pittsburgh and a Master's degree in physics from the University of Kerala. Mr. Venkitaramanan was former governor of the Reserve Bank of India. He is the chairman of Ashok Leyland Finance Limited and a director of many prominent companies. He has been a director of the Corporation since 1994.

Dr. Ram S. Tarneja holds a Doctorate in human resources from Cornell University. He also has an M. A. from the University of Delhi and University of Virginia and a B. A. Honors from Delhi. He was the former managing director of Bennett, Coleman & Company Limited. He has been a director of the Corporation since 1994. He is also the chairman of the Investors' Grievance Committee of Directors.

Mr. N. M. Munjee holds a Master's degree in economics from the London School of Economics. He is a director on the boards of several prominent companies in India. He was earlier the executive director of the Corporation and had been working with the Corporation from 1978 to 1998.

Mr. D. M. Satwalekar holds a Bachelors degree in technology from the Indian Institute of Technology, Mumbai and a Master's degree in business administration from the American University, U.S.A. He is currently the managing director and chief executive officer of HDFC Standard Life Insurance Company Limited. He was earlier the managing director of the Corporation and had been working with the Corporation from 1979 to 2000. He is also a member of the Investors' Grievance Committee of Directors.

Report

Ms. Renu S. Karnad the Executive Director of the Corporation, is a graduate in law and holds a Master's degree in economics from Delhi University. She has been employed with the Corporation since 1978 and was appointed as the Executive Director of the Corporation in 2000. She is responsible for overseeing all aspects of lending operations of HDFC.

Mr. K. M. Mistry the Managing Director of the Corporation, is a Fellow of the Institute of Chartered Accountants of India and is a member of the Michigan Association of Certified Public Accountants. He has been employed with the Corporation since 1981 and was the executive director of the Corporation since 1993. He was appointed as the deputy managing director in 1999 and the Managing Director in 2000. He is also a member of the Investors' Grievance Committee of Directors.