



*L*ife is what you make of it.

It's rewarding enough, if you accept all that it throws at you.

But more fulfilling if you know how to catch all that it does.

And add value to it.

Question fate.

And challenges will convert themselves into opportunities.

Horizons will widen beyond imaginations.

Goals will walk closer to posts.

Success will pursue ambitions for a change.

Go on...

Because there is nothing in this world that ever comes to an end.

Go beyond...

Because there's a world hidden behind the obvious.

Because it's the only way to

Make a difference

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Operational Highlights

(Rs. in crores)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Cumulative
Approvals	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	19,715.33	86,797.95
Disbursements	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	16,206.75	72,424.26
Cumulative Investment made possible in the housing sector	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	173,595.90	

1 Crore = 10 Million

1 Lac = 100,000

Financial Highlights

(Rs. in crores)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Gross Income	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	3,410.44
Profit After Tax	195.69	247.89	293.36	333.90	401.81	473.65	580.01	690.29	851.78	1,036.59
Shareholders' Funds	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	3,883.10
Share Capital - Equity	119.11	119.11	119.11	119.11	119.11	120.08	121.71	244.41@	246.61	249.12
- Preference	50.00	50.00	—	—	—	—	—	—	—	—
Reserves and Surplus	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	3,633.98
Term Borrowings	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	28,807.31
Deposits	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	7,840.09
Loans Outstanding	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	36,011.50
Dividend (%)	37	45	75*	85	190**	125	250***	110@	135	170
Book Value per Share (Rs.)#	61	68	75	83	88	99	111	125	138	156
Earnings per Share (Rs.)#	8	10	12	14	17	20	24	28	35	42

* 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.

Board of Directors

Mr. Deepak S. Parekh Chairman

Mr. Keshub Mahindra Vice Chairman

Mr. Shirish 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 wholtime 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. Shirish B. Patel holds a Master's degree in arts from the University of Cambridge. He founded and is now the chairman-emeritus of 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 and a director of many prominent companies. 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 and a director of many prominent companies. 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 is a 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 a M. A. both from the University of Delhi and University of Virginia and a B. A. Honors from University of Delhi. He was the former managing director of Bennett, Coleman & Company Limited. He is a director of several prominent companies and 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 and a director of many prominent companies in India. 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.

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. 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.

Senior Executives

SENIOR GENERAL MANAGER

Mr. K. G. Krishnamurthy

GENERAL MANAGERS

Mr. R. Anand
Mr. R. Arivazhagan
Mr. Gautam Bhagat
Mr. Conrad D'Souza
Ms. Madhumita Ganguli
Mr. Mathew Joseph
Mr. Irfan Koreishi
Mr. Suresh Menon
Mr. P. K. Mukherjee
Mr. S. N. Nagendra
Mr. M. Ramabhadran
Mr. S. Ramanath
Mr. V. S. Rangan
Mr. B. V. Sundararajan

COMPANY SECRETARY

Mr. Girish V. Koliyote

DEBENTURE TRUSTEES

Central Bank of India
Debenture Trustee Section
Central Bank – MMO Bldg.,
6th Floor, 55, M. G. Road
Fort, Mumbai 400 023.

IL&FS Trust Co. Ltd.

IL&FS Financial Centre
Bandra-Kurla Complex
Bandra (E), Mumbai 400 051.

Law Debenture
Law Debenture Trust (Asia) Ltd.
Room 1904,
19/F Two International Finance
Centre, 8, Finance Street,
Central Hong Kong

IDBI Trusteeship Services Ltd.
10th Floor, Nariman Bhavan
227, Vinay K Shah Marg,
Nariman Pt., Mumbai 400 021.

DEPUTY GENERAL MANAGERS

Mr. Dilip Apte
Mr. P. S. Barman
Mr. B. M. Bhasin
Mr. Girish Bhatia
Ms. Mala Bhojwani
Mr. S. K. Chaudhari
Mr. Thomas Cherian
Mr. Nikhil Dwivedi
Mr. Prosenjit Gupta
Mr. C. V. Ignatius
Mr. Sudhir Kumar Jha
Mr. K. Suresh Kumar
Ms. Manju K. Malkani
Mr. M. B. Mishra
Ms. Sonal Modi
Mr. Naresh Nadkarni
Mr. N. Radhakrishnan
Ms. Premalatha Ramanathan
Mr. V. Ramkumar
Mr. Prabhat Rao
Mr. Subodh Salunke
Mr. R. Sankaranarayanan
Mr. Rajeev Sardana
Mr. Jayesh N. Shah
Mr. H. S. Shamasundara
Mr. Dilip Shetty
Mr. S. K. Vasant

SOLICITORS AND ADVOCATES

Amarchand & Mangaldas & Suresh
A. Shroff & Company
Wadia Ghandy & Company

PRINCIPAL BANKERS

Central Bank of India.
HDFC Bank Ltd.
State Bank of India
Bank of India
Standard Chartered Bank
Canara Bank

REGISTERED OFFICE

Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Churchgate, Mumbai 400 020.
Tel. Nos. : 22-2283 6255, 2282 0282
Facsimile : 22-2204 6758, 2204 6834
E-mail : info@hdfc.com
Website : www.hdfc.com

SHARE DEPARTMENT

Tel Rasayan Bhavan, Ground Floor,
Tilak Road Extn.,
Opp. BEST Workshop Gate No. 4,
Dadar T.T., Mumbai 400 014.
Tel. Nos.: 22-2414 6267/68
Facsimile : 22-2414 7301
E-mail : securities@hdfc.com

AUDITORS

S. B. Billimoria & Company
Chartered Accountants

BRANCH AUDITORS

Pannell Kerr Forster
Chartered Accountants

Chairman's Statement

Every year, as I sit down to pen this statement, I am reminded of the days when I took my first steps into the housing finance industry. And every year, I am amazed to see how far we have come. Challenges that seemed insurmountable in a particular time period have become essential parts of the system and new ideas take shape in every passing moment. It has been an eventful journey, one that continues to create new inroads at each turn. Which is why, I believe, we need to periodically stop and introspect - have we achieved what we had set out to do and what lessons have we learnt from global practices?

The answer lies in understanding the true significance of providing shelter. Integrated housing development in a country is important, since it satisfies a basic human need.

We need to go beyond statistics and profits and grasp the emotional bond that an individual shares with the place that he calls home. It is a place of refuge and comfort, a haven that protects him from the anxieties of life. It is a retreat where he can build and live his dreams and share them with his family. What is more significant is that this feeling of security ultimately percolates into an individual's dealings with society, making him not only a good citizen but one who strives to create a positive mindset in the environment around him. It is to enable this transformation of a good individual to a good citizen that affordable housing for all, needs to be a primary goal for our country.

Undoubtedly, we have come a long way in the past decade, in pursuit of our primary goal of increasing home ownership. Today we are encompassed by a conducive environment, characterised by a positive economic outlook, stable interest rates, increasing purchasing power, suburban development models and reforms in the real estate industry — all of which are contributing to double-digit growth. Encouraging signs, but we need to accept that we have only touched the tip of the iceberg.

There is a shortage of 22.4 million dwelling units at present in India, in urban and rural areas. This points to the immense opportunities that exist in the housing sector in the decades to come. As the sector develops and external factors governing growth fall into place, the time has come for us to take a fresh look.

This year, I would like to touch upon a few key issues that, if acted upon at the right time and in true spirit, are sure to provide the direction for growth in this industry.

The need for governance

Real estate forms perhaps the largest asset class of the world and is the largest source of wealth for families. Ironically, it is also the most imperfect asset — proven by the fact that different people pay different prices for the same commodity.

Keeping this in mind, one of the areas that we need to direct our attention towards, today in India, is the area of governance. Two

major factors that, I believe, need immediate consideration, in this environment of fierce competition and squeezed margins, are transparency and accountability. These are the fundamental issues, which will ensure that focus never moves from long-term benefits to short-term gains.

However, it is important to remember that these factors need to encompass the entire housing sector for any progress to happen. The aim cannot revolve only around profitability and growth; it has to include housing for the masses. Red tape and bureaucratic loopholes need to be tackled, and fast. It is rightly said, "If you focus on results, you will never change. If you focus on change, you will get results." HDFC is ready to take the first steps to initiate change. We will support developers who are willing to tackle head on, issues like pricing on the basis of carpet area as this ultimately benefits consumers.

Another matter that worries me is the practice of 100 per cent upfront payments sought by developers today. While such a system is justified for projects that have been completed prior to sale, we all know that this is hardly the case. Good governance dictates that the consumer should pay for what he gets and if he invests in a building under construction, then he should be taking on only that much risk. In other words, payments to the developer must be linked to the progress of construction. I hope the building fraternity takes up this issue in the right spirit.