HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED



THIRTY FIFTH ANNUAL REPORT 2011-12



Challenges yield to commitment.
Turmoil bows down to readiness.
Storms surrender to skillful sailing.

In an ecosystem ever evolving,
our vast learning of the past
and intuitive clue of the new...
keeps us going
steady always and cruising ahead.

cruising ahead

CONTENTS

Board of Directors	8
Brief Profile of the Directors of the Corporation	9
Chairman's Statement	12
Directors' Report	17
Report of the Directors on Corporate Governance	29
Compliance Certificate on Corporate Governance	40
Review of the Chairman of the Audit Committee of Directors	41
Review of the Chairman of the Investor Relations & Grievance Committee of Directors	42
Review of the Chairman of the Nomination & Compensation Committee of Directors	42
Management Discussion and Analysis Report	43
Accounts with Auditors' Report	52
Consolidated Group Accounts with Auditors' Report	101
Social Initiatives	151
Shareholders' Information	157

ANNUAL GENERAL MEETING (AGM)

Day/Date : Wednesday July 11, 2012
Time : 3.00 p.m.
Venue : Birla Matushri Sabhagar,
19, Marine Lines,
Mumbai 400 020.

OPERATIONAL HIGHLIGHTS

(₹ in crores)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	**2011-12**	Cumulative
Approvals	11,731.57	15,215.56	19,715.33	25,633.67	33,331.93	42,520.00	49,166.00	60,611.00	75,185.00	**90,154.00**	463,400.00
Disbursements	9,950.87	12,696.82	16,206.75	20,679.20	26,177.99	32,874.99	39,650.00	50,413.00	60,314.00	**71,113.00**	373,646.00
Cumulative Investment made possible in the housing sector	103,734.78	134,165.90	173,595.90	224,863.24	291,527.10	376,568.00	474,900.00	596,122.00	746,492.00	**926,800.00**	

1 Crore = 10 Million
1 Lac = 100,000

FINANCIAL HIGHLIGHTS

(₹ in crores)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	**2011-12**
Gross Income	2,975.62	3,077.85	3,410.44	4,278.39	5,896.26	8,196.05	11,017.66	11,360.83	12,878.07	**17,354.28**
Profit After Tax	690.29	851.78	1,036.59	1,257.30	1,570.38	2,436.25	2,282.54	2,826.49	3,534.96	**4,122.62**
Shareholders' Funds	3,043.86	3,393.79	3,883.10	4,468.33	5,551.40	11,947.34	13,137.39	15,197.66	17,316.51	**19,017.58**
Share Capital - Equity	244.41	246.61	249.12	249.56	253.01	284.03	284.45	287.11	293.37	**295.39**
Reserves and Surplus	2,799.45	3,147.18	3,633.98	4,218.77	5,298.39	11,663.31	12,852.94	14,910.55	17,023.14	**18,722.19**
Term Borrowings	14,130.73	19,346.39	28,807.31	37,979.93	46,808.61	57,854.97	64,481.41	73,484.17	90,785.38	**102,834.70**
Deposits	9,121.55	9,337.65	7,840.09	8,741.42	10,384.42	11,296.25	19,374.67	23,081.14	24,326.92	**36,292.80**
Loans Outstanding	21,749.91	27,974.27	36,011.50	44,990.12	56,512.36	73,327.78	85,198.11	97,966.99	117,126.62	**140,874.58**
Dividend (%)	110	135	170	200	220	250	300	360	450	**550**
Book Value per Share (₹)^	25	28	31	36	44	84	92	106	118	**129**
Earnings per Share (₹)^	6	7	8	10	13	13†	16	20	24	**28**

^ The face value of equity shares of the Corporation was sub-divided ₹ 2 per equity share from ₹ 10 per equity share. Previous year figures have been adjusted to reflect the revised value.

† Excluding exceptional income.

Honed expertise. Improved capability.



Difficult times test character like nothing does. Our vast repository of experience held us in good stead in the face of socio-economic and political dissonance that we encountered during the course of the year. It was our composed and steadfast approach, like always, that helped us steer clear and cruise ahead.

Reach and technology, coupled with honed risk evaluation skills and human resource capabilities played a pivotal role in taking our benchmark in service excellence to the next level. Connecting with customers remained the mainstay of our business paradigm. It helped us deliver sterling service to our customers and keeps us deep-rooted to ground realties.

The most vital skill of a good navigator is to comprehend the cues of the environment. Through consistent communication with our customers and stakeholders like the sales channel partners and developers on varied processes and service requirements helped us charter our course around the tumult. Our offerings - be it expert guidance on the changing real-estate market or helping customers choose the right locations and developers or the ease of transaction through the internet and mobile technologies have helped us make a difference. Understanding and responding to the needs of the customers using results of extensive research on consumer expectations and behavior has helped us drive process innovation and keep ahead of the customer expectation curve.

The foundation of HDFC's business model robustly rests on reaching out to new customer segments and untapped markets. This ideology is aptly mirrored in our unabated efforts in leveraging our distribution channels, which include HDFC Sales Private Ltd (HSPL), HDFC Bank and third party Direct Selling Associates (DSAs). Besides local and regional DSAs, tie-ups with institutional partners having a pan-India reach, led to substantially augmenting the reach.

The recently formulated function of Policy Implementation & Process Management has granulised control by ensuring procedural compliance and measuring the efficacy of the measures taken to mitigate oversights. The initiative has emboldened us to explore newer frontiers.

Understanding and responding to the needs of the nascent Rural Housing market has been one such frontier that we have breached successfully. Our persistent efforts and focused approach have helped us make significant inroads in this market. Extensive research of the local, legal and technical environments has helped us develop extremely robust and scalable appraisal systems that will sustain us in the long run.

The establishment of the vast network of numerous marketing intermediaries has widened the sales funnel of HDFC.

Greater understanding. Higher reach.



Sharpened focus. Widened perspective.



As technology has become an inherent part of our everyday life, at HDFC we have kept abreast of the best-in-class technological advances and woven it around our customer-centric products and processes.

The growing presence of HDFC RED an on-line real estate listing portal - a destination that condenses the journey of house hunting to, proverbially, a click, has enhanced the relevance of the brand to home buyers. The year marked the rapid growth of the platform, an isthmus between the developer and the buyer that now encompasses 9,800 different properties from around 2,500 projects in over 15 cities.

HDFC Realty, our real estate advisory arm, has been instrumental in helping us engage with the customer much earlier in the entire home-purchase cycle and to assist him to sail smoothly through the choppy and tricky waters of the real estate market.

Our digital footprint has enhanced considerably and the Instant Home Loan online application has been a beacon for other players for e-commerce business in the Housing Finance industry.

The business environment that we operate in today is extremely dynamic and in a state of perpetual flux. It therefore becomes imperative that the skill and knowledge set possessed by our human resources is constantly upgraded and ameliorated.

With a multitude of suitable in-house functional and skill building programmes, we hone the capabilities which our employees and channel partners require to constantly keep pace with the ever-changing needs of our customers.

To acuminate the skills of our resources in varied fields that have a bearing on our service standards, internal training and skill proficiency development, programmes are conducted at frequent intervals to ease our journey ahead.

Individual effort.
Combined achievement.



Perceptive outlook. Practical progress.



To remain relevant in the market, it is essential to gain insights and be sensitive to the perceptions of our customers pertaining to products, policies and services. Our online Customer Feedback System for existing customers helps us measure our service levels across touch points.

By way of after-sales initiatives, our grievance redressal mechanisms address customer complaints. We also have formulated an email customer feedback mechanism with automatic time-bound escalations to the highest level.

For us, there is no better satisfaction than having happy customers and all our achievements, initiatives and plans are geared to meet this single-minded objective.

We remain committed to cruising ahead.



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

Dr. Ram S. Tarneja

Mr. N. M. Munjee

Dr. Bimal Jalan

Dr. J. J. Irani
(appointed as an Additional Director with effect from March 19, 2012)

Mr. V. Srinivasa Rangan
Executive Director

Ms. Renu Sud Karnad
Managing Director

Mr. Keki M. Mistry
Vice Chairman & Chief Executive Officer