

CELEBRATING
Years
OF MAKING YOUR
DREAMS INTO HOMES
LIC HOUSING FINANCE LIMITED



10TH ANNUAL REPORT 1998-99

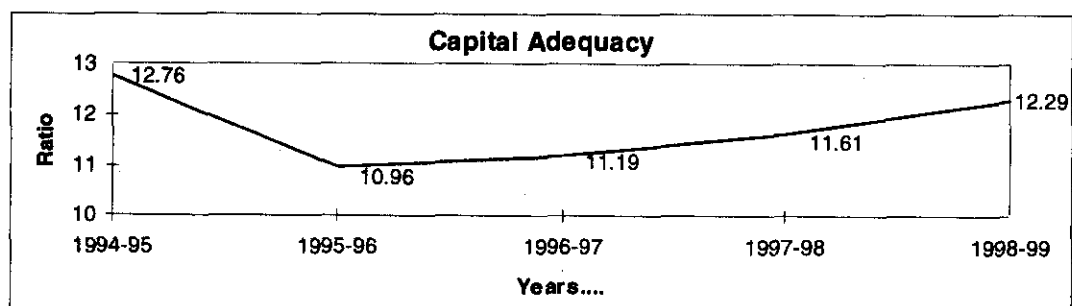
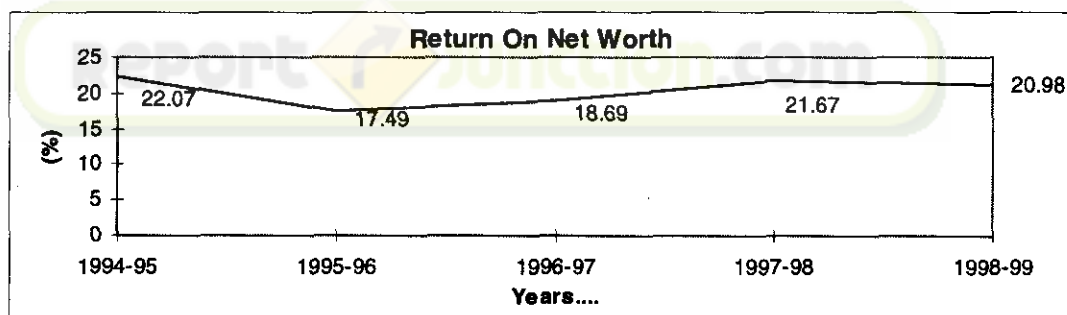
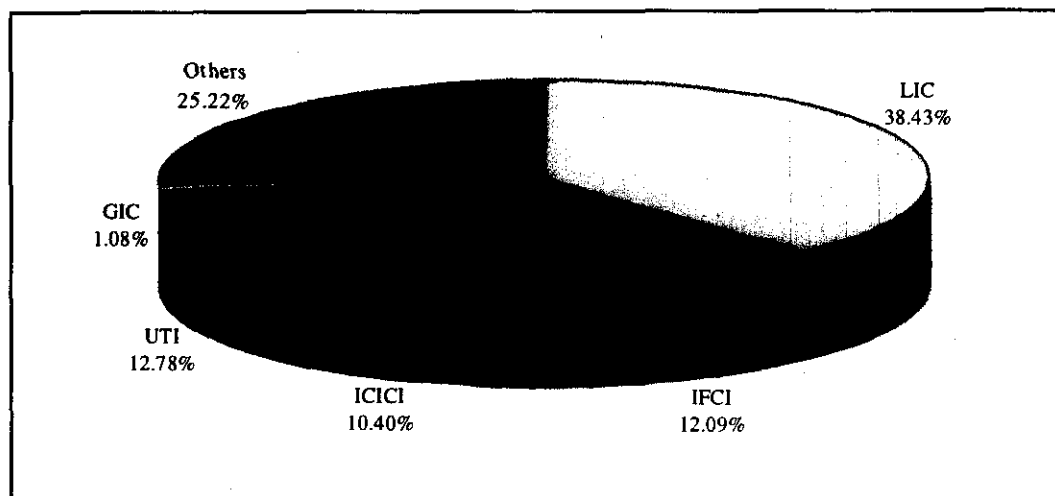


LIC Housing Finance Limited



LIC Housing Finance Limited

SHARE HOLDING PATTERN AS ON 31.3.1999 :-



10th Annual Report 1998-99**BOARD OF DIRECTORS**

G. Krishnamurthy	: Chairman
Y.P. Gupta	: Managing Director
K. Thomas Poulouse	: Director
F.M. Pardiwalla	: Director
K. Madhava Kumar	: Director
P. V. Narasimham	: Director upto 28/10/98
A. C. Ahuja	: Director from 28/10/98
Ravi Narain	: Director from 10/05/99
G. M. Ramamurthy	: Director from 10/05/99

COMPANY SECRETARY

Nitin K. Jage

SENIOR EXECUTIVES

Kranti Sinha	Chief Executive
V. R. Ramakrishnan	Chief General Manager (Human Resources)
A.K. Gangooly	General Manager (Marketing & Legal)
S. Rajagopalan	General Manager (Finance & Accounts)
B.K. Gupta	General Manager (Investment & Audit)
J.S. Moorthy	General Manager (Marketing)

REGIONAL MANAGERS

K. Sridhar	Mumbai
S.C. Sharma	New Delhi
D. Krishnan	Chennai
M.D. Chandanani	Kanpur
S. Meenakshi Sundaram	Bangalore
D.K. Chakraborty	Calcutta

AUDITORS

M/s. B.K. Khare & Company
Chartered Accountants

SOLICITORS

M/s. Little & Company

BANKERS

Andhra Bank

Central Bank

Syndicate Bank

REGISTERED & CORPORATE OFFICE

Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai - 400 001.
Phones : 204 0006, 204 9799 & 204 9919
Fax : 022 - 2049839

REGISTRAR & SHARE TRANSFER AGENT

Dynamic Superways & Exports Ltd.
Rainbow Palace, I.C. Colony,
Cross Road No. 5, Borivali (West),
Mumbai - 400 103.
Phones : 891 8257, 895 2148 & 893 7793
Fax : 022 - 8937845



NOTICE OF THE TENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting of the Members of the LIC Housing Finance Limited will be held at 'Indian Merchants Chamber', IMC Building, IMC Marg, Opp. Churchgate Station, Mumbai 400 020, on Saturday, the 19th June, 1999 at 3.00 p. m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999, the Profit and Loss Account for the year ended 31st March, 1999 and Reports of the Directors and the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri F.M. Pardiwalla, who retires by rotation, and being eligible offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT M/s. Khandelwal Jain & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company to hold the office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on a remuneration to be determined by the Board in consultation with them plus reimbursement of out-of-pocket expenses incurred by them for the purpose of audit of the Company's accounts at the Registered and Corporate Office as well as Area Offices at Mumbai and Pune."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to appoint in consultation with the Company's Auditors any person or persons qualified for appointment as Auditor or Auditors of the Company under section 226 of the Companies Act, 1956, to conduct audit of other Area Offices in India on such terms and conditions as may be mutually agreed."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:-

"RESOLVED THAT Shri A.C. Ahuja, who was appointed as an Additional Director of the Company by the Board of Directors and holds office upto the date of this meeting under section 260 of the Companies Act, 1956 and in respect of whom the company has received a Notice in writing from a member pursuant to section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT Shri Ravi Narain, who was appointed as an Additional Director of the Company by the Board of Directors and holds office upto the date of this meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a member pursuant to section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company, liable to retire by rotation."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT Shri G. M. Ramamurthy, who was appointed as an Additional Director of the Company by the Board of Directors and holds office upto the date of this meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a Notice in writing from a member pursuant to section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company, liable to retire by rotation."

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :-

"RESOLVED THAT pursuant to section 17 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), the Other Objects Clause of the Memorandum of

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Association be and is hereby altered by inserting the following sub-clause 72 as new sub-clause immediately after the existing sub-clause 71 of clause III of the Memorandum of Association of the Company :

72. "To undertake and transact at any place in India or abroad all kinds of Agency Business including Life and General Insurance Business and to carry on and promote any business, commercial or otherwise, to act as Distributors, Brokers, Agents, Representations and Indenting Agents on commission and / or allowances as may be deem fit and to appoint sub-agents, distributors for promoting the said business".

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such act, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Director(s) to give effect to the aforesaid Resolution."

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT on the Special Resolution at Item No. 8 for alteration of the Other Objects in the Object Clause of the Memorandum of Association being duly passed and becoming effective, the approval of the members of the Company be and is hereby accorded pursuant to section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, for commencing and carrying on all or any of the business and activities specified in the newly incorporated sub-clause 72 in the Other Objects of the Objects Clause of the Memorandum of Association of the Company at such time as may be deemed fit by the Board of Directors."

10. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT in supersession of the earlier resolution passed at the Extraordinary General Meeting held on 10th June, 1994, consent of the Company be and is hereby accorded pursuant to section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to borrow from time to time, all such sums of moneys as they may deem requisite, necessary or expedient, for the purpose of the business of the Company upon such terms and conditions, and with or without such securities as the Board of Directors may in their absolute discretion deem fit, provided that the moneys to be borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of paid up capital of the Company and its free reserves i.e. reserves not set apart for any specific purpose provided, however, that the total amount upto which moneys so borrowed shall not exceed the sum of Rs. 8000 Crores (Rupees Eight Thousand Crores Only) in aggregate."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such act, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Director(s) to give effect to the aforesaid Resolution."

By Order of the Board

Place : Mumbai.
Date : 10th May, 1999.

NITIN K. JAGE
COMPANY SECRETARY

Registered Office :
Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai - 400 001.

**LIC Housing Finance Limited****NOTES :**

- (1) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The proxy form should be lodged with the Company at its Registered Office atleast 48 hours before the time of the meeting.

- (2) The Explanatory Statement as required under section 173(2) of the Companies Act, 1956, in respect of item Nos. 4 to 10 of the Notice convening the Meeting is annexed hereto.

- (3) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 1st June, 1999 to Saturday the 19th June, 1999 (both days inclusive).
- (4) The dividend, if declared, will be paid to the members whose names will appear on the Register of Members of the Company on 19th June, 1999.
- (5) The Members desiring any information as regards to accounts are requested to write to the Company at an early date, so as to enable the Company to keep information ready.
- (6) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the meeting.

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10th Annual Report 1998-99**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 4**

As the Public Financial Institutions are holding more than 25% shares of the Company, the appointment of Auditors is required to be made by a Special Resolution under section 224A of the Companies Act, 1956.

The Statutory Auditors of the Company are required to be changed after every four years as per guidelines of the National Housing Bank (NHB). Accordingly, M/s. Khandelwal Jain & Co., Chartered Accountants, have been proposed for appointment as Auditors of the Company.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 5

Shri A.C. Ahuja was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th October, 1998, under section 260 of the Companies Act, 1956, and holds office upto the date of the Tenth Annual General Meeting of the Company.

Shri A.C. Ahuja is an Executive Director of Industrial Finance Corporation of India and he is having 27 years experience in Accounts, Project Finance & Investment.

As required under section 257 of the Companies Act, 1956, Notice has been received from a member proposing the name of Shri A.C. Ahuja for the office of Director.

None of the Directors, except Shri A. C. Ahuja is concerned or interested in the Resolution.

Board of Directors recommend the passing of the Resolution at Item No. 5 of the Notice.

Item No. 6

Shri Ravi Narain was appointed as an Additional Director of the Company by the Board of Directors with effect from 10th May, 1999, under section 260 of the Companies Act, 1956, and holds office upto the date of the Tenth Annual General Meeting of the Company.

Shri Ravi Narain is the Deputy Managing Director of The National Stock Exchange of India Limited and also Managing Director of National Securities Clearing Corporation Limited. He was associated with the Industrial Development Bank of India (IDBI) and was member of core team for setting up Securities and Exchange Board of India (SEBI).

As required under section 257 of the Companies Act, 1956, Notice has been received from a member proposing the name of Shri Ravi Narain for the office of Director.

None of the Directors, except Shri Ravi Narain is concerned or interested in the Resolution.

Board of Directors recommend the passing of the Resolution at Item No. 6 of the Notice.

Item No. 7

Shri G. M. Ramamurthy was appointed as an Additional Director of the Company by the Board of Directors with effect from 10th May, 1999, under section 260 of the Companies Act, 1956, and holds office upto the date of the Tenth Annual General Meeting of the Company.

Shri G. M. Ramamurthy is the Chief General Manager (Legal) of the Industrial Development Bank of India and he is having 30 years experience in Legal field. As required under section 257 of the Companies Act, 1956, Notice has been received from a member proposing the name of Shri. G. M. Ramamurthy for the office of Director.

None of the Directors, except Shri G. M. Ramamurthy is concerned or interested in the Resolution.

Board of Directors recommend the passing of the Resolution at Item No. 7 of the Notice.

Item Nos. 8 & 9

Your Directors visualise good potential for business growth in the field of Insurance with opening up of this field to private sector. Further, this business activity will be germane and conducive to the growth of existing main business of the Company.

Your Directors therefore, commend your approval to the Resolutions under Item Nos. 8 & 9 of the Notice.



LIC Housing Finance Limited

None of the Directors is concerned or interested in the Resolution.

The Memorandum of Association is open for inspection to the members at the Registered Office of the Company on any working day during 10.00 a.m. to 12.00 noon.

Item No. 10

In accordance with section 293(1)(d) of the Companies Act, 1956, it is permissible for the Board of Directors of the Company to borrow monies otherwise than on debenture, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) upto a sum not exceeding its paid up capital and free reserves.

Keeping in view the increasing activities of the Company, and need to augment the resources, the Company will be required to borrow monies in excess of the paid up capital and free reserves. Accordingly, your Directors proposed to increase the limit from Rs. 5,000 Crores as approved at the Extraordinary General Meeting held on 10th June, 1994 to Rs. 8,000 Crores.

To enable the Board of Directors of the Company to do so, approval of the members by an Ordinary Resolution is sought.

Your Directors therefore commend your approval to the above Resolution.

None of the Directors is concerned or interested in the above Resolution.

By Order of the Board

Place : Mumbai.

Date : 10th May, 1999.

NITIN K. JAGE
COMPANY SECRETARY

Registered Office :

Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai - 400 001.

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DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the Tenth Annual Report of your Company together with audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1999.

FINANCIAL RESULTS

(Rs. in Lakhs)

	For the year ended 31st March, 1999	For the year ended 31st March, 1998
Profit before tax	12974.41	11422.74
Provision for tax	2860.00	2650.00
Profit after tax	10114.41	8772.74
Add: Balance B/F	1139.21	605.64
From Last year		
	11253.62	9378.38
Appropriations :		
Special Reserve	5137.01	4467.00
General Reserve	2200.00	1500.00
Prior Period Items	00.93	208.07
Proposed Dividend	2251.74	1876.45
Tax on Dividend	225.17	187.65
Balance Carried forward to next year	1438.77	1139.21
	11253.62	9378.38

DIVIDEND

Your Directors are pleased to recommend a dividend of 25% for the year 1998-99 and a one time Tenth Anniversary Dividend @ 5% aggregating to 30% as against 25% for the year 1997-98. The total dividend payment will involve a payout of Rs.2476.91 lakhs including Tax on Dividend as against Rs. 2064.10 lakhs including Tax on Dividend during 1997-98.

PERFORMANCE

Profit before tax and after tax stood at Rs.12974.41 lakhs and Rs.10114.41 lakhs as against of Rs.11422.74 lakhs and Rs.8772.74 lakhs respectively for the previous year.

The Company earned a total income of Rs.56159.97 lakhs and registered a growth of 15.65%. Profit Before Tax has grown by 13.58% and Profit After Tax by 15.29% as compared to 1997-98. The ratio of administrative expenses

to the housing loans which was 0.54% has been reduced to 0.48% for 1998-99.

LENDING OPERATIONS

Individual Loans

The Company sanctioned 41525 loans for Rs.103448.71 lakhs and disbursed 38888 loans for Rs.94492.62 lakhs during the year 1998-99. The total sanctions and disbursements of Individual Loans since incorporation of the Company are :

Amount Sanctioned Rs. 534984 lakhs

Amount Disbursed Rs. 462357 lakhs.

Project Loans

Because of slump in the real estate market, the Company followed a conservative policy in sanctioning loans to the developers. The greater thrust was on sanctioning of loans to Individuals, Corporates/Public Bodies, Co-operative Housing Societies etc.

The Company has sanctioned Rs.5347.30 lakhs and disbursed Rs. 2083.04 lakhs during the year 1998-99. The total sanctions and disbursements of Project Loans since incorporation of the Company are:

Amount Sanctioned Rs. 63313 lakhs

Amount Disbursed Rs. 42637 lakhs.

The Company has helped in constructing around 360507 dwelling units so far under individual and project loans schemes upto 31st March, 1999.

NHB GUIDELINES

National Housing Bank (NHB) vide its circular dated 28.04.1995 had issued guidelines in respect of income recognition, provision for Non-Performing Assets and Capital Adequacy norms. Your Company is complying with guidelines issued by NHB from time to time. During the current year, as a matter of prudent business policy, the Company has made further provision of Rs.800 lakhs towards Non Performing Assets. The cumulative provision is higher by about Rs.296 lakhs as on 31st March, 1999.

We may add that the Company has also been following the income recognition norms since 1991-92 and thereby not accounting income in respect of housing loans on which interest is Past Due for more than six months. Further, the said guidelines require housing companies should achieve minimum Capital Adequacy norms of 8%. As against this your Company has achieved Capital Adequacy of 12.29% as on 31st March, 1999.



OUTLOOK FOR 1999-2000

The Finance Act, 1999-2000 contains a number of provisions to boost housing and housing finance activities following the Government's policy to provide shelter to a large number of population. Some of the important provisions are listed hereinbelow :

1. Ceiling for deduction in respect of interest paid on a loan for self occupied property has been raised from Rs. 30,000 p. a. to Rs. 75,000 p. a. w.e.f. 1.4.99 to encourage more and more people to buy houses at effectively cheaper rate of finance.
2. Hitherto the Housing Finance Companies were subject to tax on interest on loans on accrual basis. The same has now been changed to actual basis which should help the companies in reducing their tax outgoes.
3. The depreciation rate has been increased to 40% in respect of new dwelling units purchased by the companies for their employees.
4. Repeal of ULCRA is likely to release surplus land in urban areas and create better market conditions for housing construction activity.
5. Proposed changes in the foreclosure laws through amendments in the National Housing Bank Act to enable Housing Finance Companies to foreclose their bad loans and thus effectively control their NPAs.
6. The minimum requirement of 1.5% of the incremental deposits of the banks to be lend to Housing Finance, has been enhanced to 3%, thus releasing an additional Rs. 3600 crores to Housing Finance activities which will have beneficial effects in developing the market.

All the above Budget provisions alongwith the concessions given in the last budget are likely to give a greater thrust to housing construction activity and consequently for housing finance.

Y2K COMPLIANCE

The Company has a detailed plan to achieve Y2K Compliance.

- The Company's critical application software and hardware are Y2K compliant. Non compliant hardware is being replaced and this is expected to be completed by 30th June, 1999.
- The Company is in contact with its business associates and customers as to their status of Y2K readiness. The responses received by the Company indicate that they will be compliant in time. We are regularly following the matter with those who have not yet responded.
- The Company has a Comprehensive Plan to meet possible Y2K contingencies and continuously monitors the situation

to update its plan of action so as to minimise the risk of disruption to its operation due to this factor.

- The cost for remediation and other activities are estimated to be Rs. 210 lakhs which includes capital expenditure of replacing hardware. Out of this a sum of Rs. 110 lakhs has already been spent on replacement of old machines and systems.
- The Company is taking steps to obtain a certificate from a reputed Information Technology expert about its being a fully Y2K Compliant Company.

DIVERSIFICATION

The Company proposes to enter into Insurance Marketing and Brokerage activity as and when Corporate Agency system is allowed and for which a Resolution has been placed for specific amendment to its Memorandum of Association. Since this will be a non-fund based activity as also the fact that marketing of Life Insurance Policies and insisting upon Fire Insurance cover for the mortgaged property is an integral part of our Housing Schemes, the Company expects to generate additional income through this route.

SERVICE CENTERS

With the 59 Area Offices and 8 Unit Offices operating throughout the country, your Company has the widest reach amongst all housing finance companies in India.

DIRECTORS

During the year Shri K. D. Agarwal and Shri P. V. Narasimham have resigned from the Directorship of the Company. The Board places on record its appreciation and gratitude for the valuable advice, counsel and guidance rendered by them during their tenure.

Shri A. C. Ahuja, Shri Ravi Narain and Shri G. M. Ramamurthy being Additional Directors appointed by the Board, holds office till conclusion of Tenth Annual General Meeting.

In terms of Article 113 of the Articles of Association of the Company, Shri F. M. Pardiwalla, Director, will retire by rotation at the Tenth Annual General Meeting.

All the above four Directors being eligible offers themselves for re-appointment/appointments.

Your Directors recommend their appointments.

AUDITORS

As per the Guidelines issued by the National Housing Bank the Auditors can be appointed/re-appointed for a maximum term of four years. Accordingly, for the current year M/s. Khandelwal Jain & Co., Chartered Accountants are proposed to be appointed as Auditors in place of M/s. B. K. Khare & Co., Chartered Accountants, who have completed their term.