



ANNUAL REPORT 1999-2000

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11th Annual Report 1999-2000**BOARD OF DIRECTORS**

G. Krishnamurthy	: Chairman
Y.P. Gupta	: Managing Director
K. Madhava Kumar	: Director
F.M. Pardiwalla	: Director
K. Thomas Poulse	: Director
A. C. Ahuja	: Director
Ravi Narain	: Director
G. M. Ramamurthy	: Director
Kranti Sinha	: Director (from 28/07/99) & Chief Executive

COMPANY SECRETARY

Nitin K. Jage

SENIOR EXECUTIVES

V.R. Ramakrishnan	Chief General Manager
A.K. Gangooly	General Manager
S. Rajagopalan	General Manager
R.B.L. Vaish	General Manager
J. S. Moorthy	General Manager
P. Srinivasan	General Manager

REGIONAL MANAGERS

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

AUDITORS

M/s. Khandelwal Jain & 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 : 204 9839

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 : 893 7845



NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh 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 Monday, the 19th June, 2000 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, 2000, the Profit and Loss Account for the year ended 31st March, 2000 together with Reports of the Directors and the Auditors thereon.
2. To declare Final Dividend.
3. To appoint a Director in place of Shri K. Madhava Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K. Thomas Poulose, who retires by rotation and being eligible offers himself for re-appointment.
5. 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 up to the conclusion of the next Annual General Meeting, on a remuneration to be determined by the Board of Directors 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, Pune & Aurangabad."

"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 :

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

"RESOLVED THAT Shri Kranti Sinha, Chief Executive of the Company be and is hereby appointed as a Director of the Company."

"RESOLVED FURTHER THAT consent of the Company be and is hereby accorded under section 314(1) of the Companies Act, 1956 to Shri Kranti Sinha continuing to hold the position of Chief Executive of the Company on a monthly remuneration as applicable from time to time."

By Order of the Board

Place : Mumbai.

NITIN K. JAGE

Date : 11th May, 2000. **COMPANY SECRETARY**

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

11th Annual Report 1999-2000**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.**

The proxies in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the meeting.

- (2) The Explanatory Statement as required under section 173(2) of the Companies Act, 1956, in respect of items 5 & 6 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

Thursday the 1st June, 2000 to Monday the 19th June, 2000 (both days inclusive).

- (4) The Final Dividend, if declared, will be payable to those members, whose names will appear on the Register of Members of the Company on 19th June, 2000.
- (5) The Members desiring any information as regards 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.



**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****Item No. 5**

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.

M/s. Khandelwal Jain & Co. have been proposed for re-appointment of Auditors of the Company. The Board of Directors recommend their re-appointment as Auditors.

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

Item No. 6

Shri Kranti Sinha, Chief Executive was appointed as an Additional Director of the Company by the Board of Directors with effect from 28th July, 1999, under section 260 of the Companies Act, 1956, and holds office up to the date of the 11th Annual General meeting of the Company. The terms and conditions of his appointment as required under section 302(7) of the Companies Act, 1956 has already been circulated amongst the members immediately on his appointment as Director i.e.

1. His appointment is for the period from 28th July, 1999 till his retirement from services from LIC of India i.e. 31st December, 2002.
2. He will not be entitled to any salary as a Director of LIC Housing Finance Limited except what he is already getting as Chief Executive of the Company.

Members approval is also required under section 314(1) to continue Shri Kranti Sinha to hold office of Chief Executive and draw salary in that capacity.

None of the Directors, except Shri Kranti Sinha is concerned or interested in the Resolution.

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

By Order of the Board

Place : Mumbai.

NITIN K. JAGE

Date : 11th May, 2000. COMPANY SECRETARY

Registered Office :

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



DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the Eleventh Annual Report of your Company together with the audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2000.

FINANCIAL RESULTS

The Profit and Loss Account shows a Profit Before Tax of Rs. 137.58 crores after writing off Rs.2.56 crores and Provision of Rs. 6.00 crores towards contingencies, doubtful Loans, diminishing in investment and taking into account all expenses including depreciation of Rs. 1.00 crore. After making provision for taxation of Rs. 28.50 crores the Net Profit for the year is Rs. 109.08 crores.

Taking into account the balance of Rs. 14.39 crores and provision for Prior year items (Net) Rs. 0.50 crore, the disposable profit is Rs. 122.97 crores.

Appropriations :

	(Rs. in Crores)	
	For the year ended 31.3.2000	For the year ended 31.3.1999
Special Reserve	53.00	51.37
General Reserve	25.00	22.00
Prior Period Items	NIL	00.01
Interim dividend	18.76	NIL
Proposed Dividend	03.75	22.52
Tax on Dividend	02.89	02.25
Tax on Dividend pertaining to earlier year	00.23	NIL
Balance Carried forward to next year	19.34	14.39
	<u>122.97</u>	<u>112.54</u>

DIVIDEND

Your Directors have recommended a final dividend @ 5% on each equity share, which with the interim

dividend of 25% per share declared by the Board at the Meeting held on 30.3.2000, amounts to dividend of 30 % i. e. Rs. 3.00 per share of Rs. 10/- each for the year ended 31st March, 2000.

PERFORMANCE

Profit before tax and after tax stood at Rs.137.58 crores and Rs.109.08 crores as against Rs. 129.74 crores and Rs. 101.14 crores, respectively for the previous year.

The Company earned a total income of Rs. 645.42 crores and thereby registered a growth of 14.9%. Profit Before Tax has grown by 6.0% and Profit After Tax by 7.8% as compared to 1998-99. The ratio of administrative expenses to the housing loans which was 0.48% last year has reduced to 0.46% for 1999-2000.

LENDING OPERATIONS

Individual Loans :

The Company sanctioned 49605 loans for Rs. 1390.12 crores and disbursed 46672 loans for Rs. 1285.06 crores during the year 1999-2000. The cumulative sanctions and disbursements since the incorporation, under this category are :

Amount Sanctioned Rs. 6739.96 Crores

Amount Disbursed Rs. 6908.63 Crores.

Project Loans :

On account of continued slump in Real Estate market, the Company followed a conservative policy in sanctioning loans to the Developers / Builders ; instead the thrust was on sanctioning loans to Individuals, Corporates/Public-bodies, Co-operative Housing Societies etc.



The Company has helped in constructing around 4,07,417 dwelling units so far under Individual and Project loans Schemes upto 31st March, 2000.

NHB GUIDELINES

The Company has been following a prudential accounting practice in respect of 'Income Recognition' since 1991-92 and thereby not accounting income in respect of housing loans on which interest is Past Due for more than six months.

Your Company is complying with the guidelines in respect of Income Recognition, provisioning for Non Performing Assets and maintaining Capital Adequacy issued by National Housing Bank (NHB) from time to time. During the current year the Company has, as a matter of prudent business policy, made a further provision of Rs.5.10 Crores towards non performing assets. The cumulative provision is higher by about Rs.1.93 Crores as on 31st March, 2000 than required as per the guidelines. The Capital Adequacy ratio is 11.86% (as against of 8% prescribed by NHB) as on 31st March, 2000.

CUSTOMER ORIENTATION

With 67 Area Offices and a number of Extension Centers / Camp Offices operating under the supervision of 6 Regional Offices throughout the country, your Company has the widest network amongst all the Housing Finance Companies in India.

During the year under review your Company reduced the lending rates of interest twice in response to market expectations.

Your Company has been awarded "Housing Finance Company of the year 1999" by Accommodation Times a leading newspaper of the Industry published from Mumbai.

The Company is the 62nd largest organisation in India in terms of Information Technology Infrastructure as listed by MIS South Asia in its December 1999 issue.

DIRECTORS

During the year Shri Kranti Sinha, the Chief Executive of your Company was appointed as a Director of the Company.

In terms of Article 113 of the Articles of Association of the Company, Shri K. Thomas Poullose & Shri K. Madhava Kumar, Directors will retire by rotation at the Eleventh Annual General Meeting and being eligible offer themselves for re-appointment.

Your Directors recommend their appointments.

AUDITORS

The Directors recommend re-appointment of M/s. Khandelwal Jain & Co., Chartered Accountants as Auditors of the Company for the Financial Year 2000-2001.

The Company has received certificate from M/s. Khandelwal Jain & Co., Chartered Accountants stating their re- appointment, if made, will be within the prescribed limits under section 224(1B) of the Companies Act, 1956.

DEPOSITORY SYSTEM

The Company has signed agreement with Central Depository Services (India) Limited (CDSL) for transaction of its share in demat in addition to the National Securities Depository Limited (NSDL) so as to give choice to our Shareholders.

CORPORATE GOVERNANCE

Board of Directors of the Company consists of professionally qualified and highly experienced persons in the field of Finance, Marketing and Law. Of the total number of Directors, 2/3rd are Non executive Directors. Further, the Board has constituted two committees in relation to critical areas of functioning of the Company, viz. Corporate Loan Committee and

11th Annual Report 1999-2000

Share Transfer Committee. The Committees meet regularly. At the Meeting dated 9th March, 2000 the Board constituted an Audit Committee also.

The terms of reference of Audit Committee includes review of Audit procedures, financial reporting system, control procedures and ensuring compliance with Statutory Guidelines issued by Regulatory Authorities, as also review of the report of Internal Auditors and Statutory Auditors alongwith action taken reports of the management.

LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Stock Exchanges at Mumbai, New Delhi, Calcutta, Chennai, Ahmedabad & The National Stock Exchange. The Company's shares are traded in demat form only as per the instructions issued by SEBI.

Y2K COMPLIANCE

On account of pro-active steps taken, the Company did not face any problem on Y2K front and the transition was completely smooth.

NOMINATION

As per the latest amendment to the Companies Act, 1956, the shareholders of the Company can nominate their successors. Shareholders who are interested in recording the nomination for their holdings may send the prescribed Form 2A to the Registrar & Share Transfer Agent viz. Dynamic Superways & Exports Ltd.

FIXED DEPOSITS

The Company has not accepted any Deposit within the meaning of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

STATUTORY INFORMATION

Since the Company does not own any manufacturing

facility the particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable. There is no foreign exchange earning. However a sum of US \$900 was spent on foreign tour of Shri Kranti Sinha, Director & Chief Executive to Middle East to explore further business prospects amongst NRIs.

There are no employees covered by section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

OUTLOOK FOR 2000-01

The Finance Act, 2000 offers a number of concessions to boost housing and housing finance activities, following the Government's policy to provide shelter to a large number of people. Some of the most important are listed herein below.

1. Ceiling for interest on loan for self occupied property which was raised w.e.f. 1.4.99 by the Finance Act, 1999 to encourage more and more people to buy houses allowed to be continued upto 31.3.2003 from original cut off date of 31.3.2001.
2. Interest Tax Act abolished w.e.f. 1.4.2000.
3. Limit of rebate for repayment of housing loan under section 88 of the Income-tax Act, 1961 increased from Rs.10,000/- to Rs.20,000/-.
4. Limit for deduction from Income in respect of interest paid on borrowed capital for purchase / construction of house property under section 24(1)(vi) has been increased from Rs.75,000/- to Rs.1,00,000/-.
5. Proposed changes in the foreclosure laws through amendments to the National Housing Bank Act to enable Housing Finance Companies to foreclose their bad loans and thus effectively control their NPAs are also likely to improve the quality of portfolio.



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

DIVERSIFICATION

The Company has already obtained Shareholders' approval in the 10th Annual General Meeting for setting up Institutional Agency for procuring insurance business. This, however, could not be set up as the regulations in this behalf are pending finalisation with the Insurance Regulatory and Development Authority (IRDA). Since both, the life insurance policy and fire insurance policy are part of our loan schemes, the Company expects to generate additional income through this route by obtaining necessary license as soon as possible after the promulgation of the IRDA Regulations.

SECURITISATION OF DEBT PORTFOLIO

The Company has been selected by the National Housing Bank as one of the prime Housing Finance Company for launch of Mortgage Based Securitisation. For this purpose the selected Mortgaged Portfolio of your Company's Housing Loan has been rated by CRISIL as "AAA (SO)" [pronounced as Triple A Structured Obligation]. The Investment Instruments (Pass Through Certificates) are likely to be launched soon by National Housing Bank.

HUMAN RESOURCES

The Company is having qualified and trained employees who are responsive to customers' needs as well as changing economic scenario. Employees' relations were cordial and work atmosphere was congenial during the year.

ACKNOWLEDGMENTS

The Directors place on record their appreciation for the advice, guidance and support given by the Life Insurance Corporation of India, Unit Trust of India, IFCI Limited, National Housing Bank and all the Bankers of the Company.

The Directors also place on record their sincere thanks to the Company's clientele and Members for their patronage. The Directors also record their appreciation for the dedicated services of the employees and their contribution to the growth of the Company.

For and on behalf of the Board

Place : Mumbai.

Date : 11th May, 2000.

G. KRISHNAMURTHY

Chairman



AUDITORS' REPORT

TO THE MEMBERS OF

LIC HOUSING FINANCE LIMITED

We have audited the attached Balance Sheet of LIC Housing Finance Limited as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto in which have been incorporated the Returns of three Area Offices, audited by us, 41 Area Offices by other Auditors, appointed by the Company and unaudited returns in respect of 15 Area Offices and 5 Unit Offices not visited by us and we report that :

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.

2. Further to our comments in the Annexure referred to in the paragraph 1 above :

(A) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit :

(B) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(C) (i) The reports of the other Auditors in respect of the Area Offices audited by them under section 228 of the Companies Act, 1956, have been forwarded to us and have been duly considered by us in preparing our report;

(ii) proper returns from unaudited Area Offices, Unit Offices have been received and found adequate for the purpose of the audit;

(D) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;

(E) In our opinion, the Balance Sheet and the Profit and Loss Account of the Company comply with all Mandatory Accounting Standard referred to in section 211(3C) of the Companies Act, 1956.

(F) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other Accounting Policies and Notes forming part of Accounts thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000; and

(ii) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For KHANDELWAL JAIN & COMPANY
Chartered Accountants

MAHENDRA MUNDRA
Partner

Place : Mumbai

Date : 11th May, 2000.