

LIC Housing Finance Limited
Annual Report for Shareholders 2001-02

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Corporate Information

BOARD OF DIRECTORS

A. Ramamurthy, *Chairman (from 21st March, 2002)*
 N. C. Sharma, *Managing Director*
 K. Thomas Poullose, *Director*
 K. Madhava Kumar, *Director*
 F. M. Pardiwalla, *Director*
 G. M. Ramamurthy, *Director*
 Kamal Kishore, *Director*
 Y. B. Desai, *Director (from 24th May, 2002)*
 Kranti Sinha, *Director & Chief Executive*
 G. N. Bajpai, *Chairman (upto 21 February, 2002)*

GENERAL MANAGER (TAXATION) & COMPANY SECRETARY

Nitin K. Jage

SENIOR EXECUTIVES

S. Rajagopalan, *General Manager (Finance & Accounts)*
 D. Krishnan, *General Manager (Marketing)*
 R. B. L. Vaish, *General Manager (H.R., Investment & Audit)*
 K. S. Kutty, *Deputy General Manager (Law)*
 R. Parmeswaran, *Deputy General Manager (information Technology)*

REGIONAL MANAGERS

C. R. Aithal, *Bangalore*
 S. N. Bhattacharya, *Mumbai*
 N. Chhetty, *Kolkata*
 S. Nallakuttalam, *Chennai*
 S. Srivastava, *Lucknow*
 Usha Sangwan, *Delhi*

AUDITORS

M/s Khandelwal Jain & Company
 Chartered Accountants, Mumbai.

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 2040006
 fax 2049839
 e mail: lichfl@born2.vsnl.net.in
 Website: www.lichousing.com

REGISTRAR & SHARE TRANSFER AGENT

Dynamic Superways & Exports Ltd.
 Rainbow Place, I C Colony,
 Cross Road No. 5, Borivali (West)
 Mumbai 400 013.
 Phones 8918257, 895 2148, 893 7793
 Fax 893 7845.

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How did LIC
Housing Finance Ltd
become the second
largest housing
finance company in
possibly the largest
under-penetrated
housing market in
the world?

Through a change



in the mindset.

For years we conducted business in a predictable manner. We borrowed from the same kind of people. And we disbursed to the same segment of customers.

In 2001-02, we gently put the rule-book through the paper-shredder.

For years, we raised debt on the strength of our balance sheet only. In 2001-02, for the first time, we strengthened our credentials through a credit rating.

For years, we borrowed religiously from institutional bodies only. In 1999-2000, for the first time we raised debt from the market.

For years, we had borrowed either above the Indian prime-lending rate or at that level. In 2001-02, we raised a large quantum of funds at below this benchmark.

During the year, the company initiated the conversion of its accounts in accordance with the US GAAP.

Through

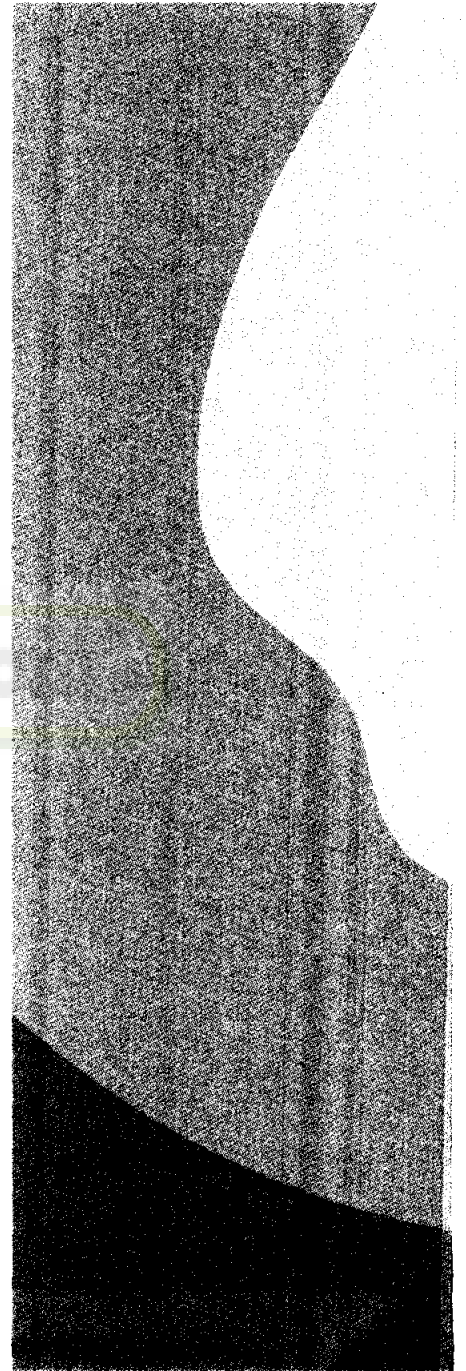
In 2001-02, Crisil, India's premier credit rating agency, confirmed what people at LIC Housing Finance had known for years.

That in the responsible business of finance, where the company is continuously required to fund people's dreams for better housing, the company possessed just what it takes to succeed.

Report A strong financial foundation. A prudent method of customer appraisal. An intelligent insight into the management of large funds.

As a result, Crisil accorded LIC Housing Finance an 'AAA' rating. The highest that is awarded to any company.

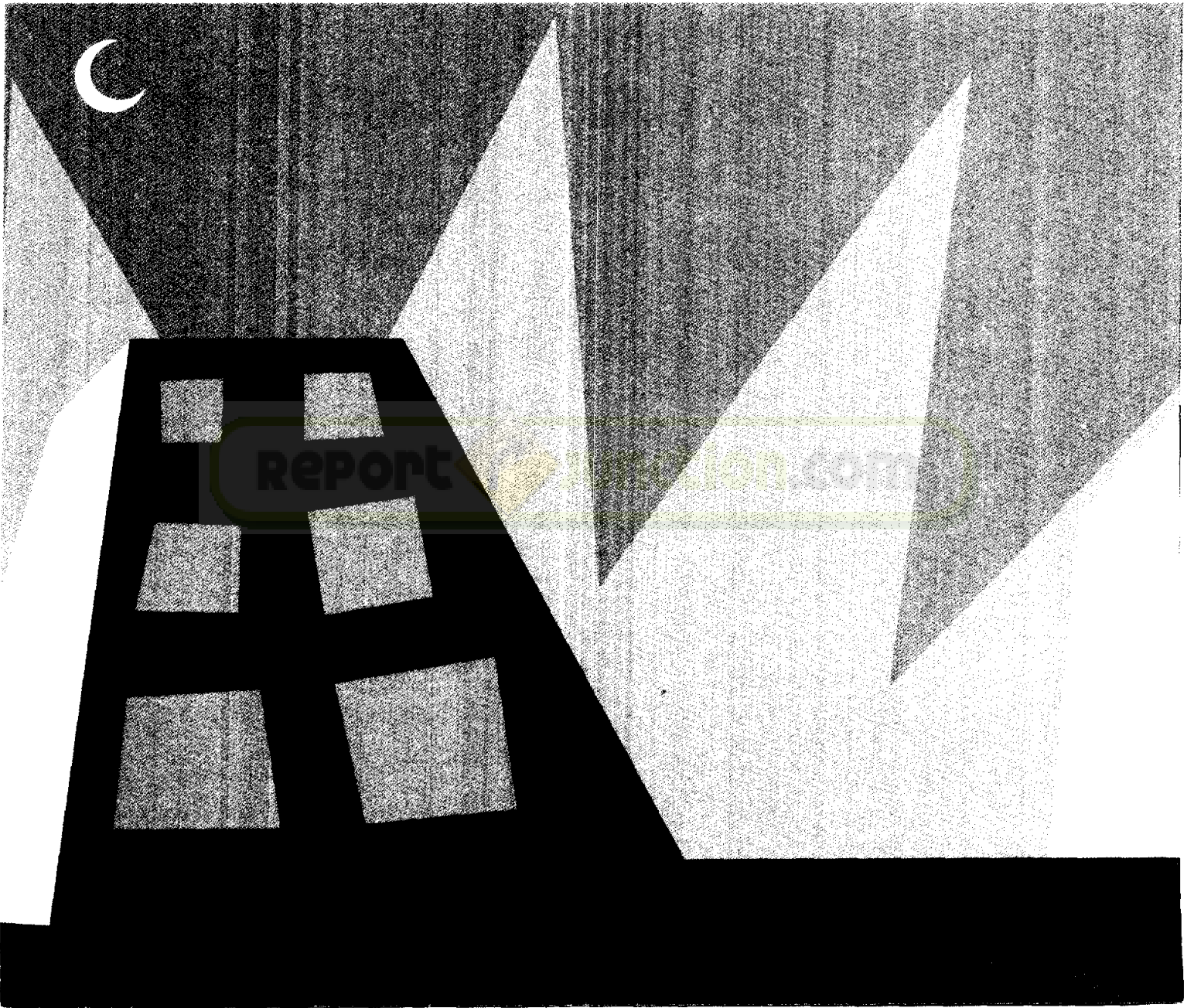
Indicating that loans made to the company enjoyed the highest safety with regard to the ability to service interest and repay the principal.



sound judgement.



By capitalising on



Through

To most, the strength in LIC Housing Finance's accounts lies largely in its topline and bottomline.

To get the real picture you might need to 'read between the lines.'

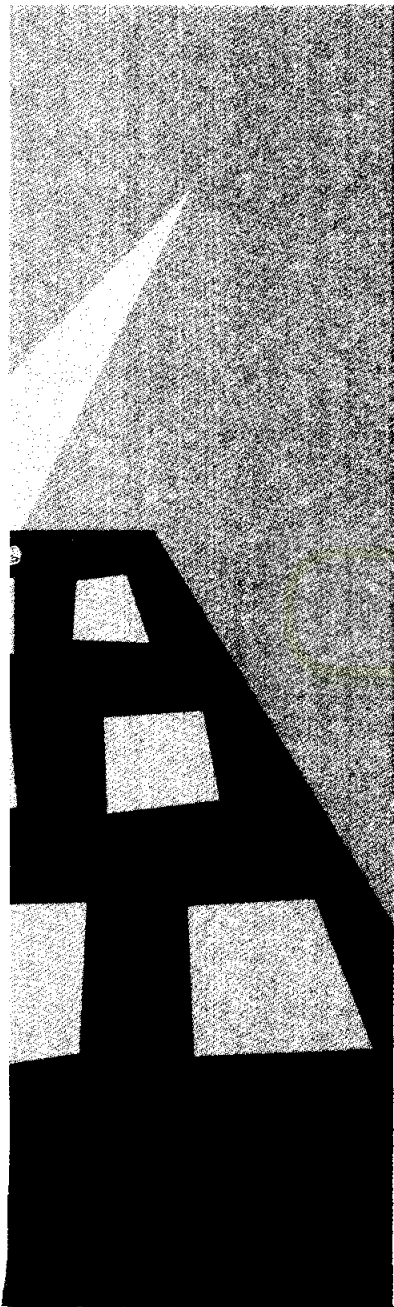
For instance, the company's working was audited by 67 different auditors across various locations over India. Not a single auditor qualified the company's accounts in 2001-02.

As a measure of prudence, income was recorded in the company's books only after it had been received, not accruals, except where it is allowed as per the NHB guidelines.

In line with the strict guidelines laid down by the National Housing Bank, the company made a provision for NPAs in its Profit & Loss Account 2001-02.

And at a time when many housing finance companies in India struggled to meet the capital adequacy requirements of the National Housing Bank, LIC Housing Finance fulfilled the requirement - 12.76 per cent against a 12 per cent requirement by the NHB.

opportunities with speed.



Crisil's AAA credit rating was not a citation that was framed on the walls at LIC Housing Finance.

It was an opportunity to strengthen the company's competitiveness in the marketplace.

Which is exactly what LIC Housing Finance did.

Within 5 weeks of this assessment, LIC Housing Finance leveraged its value and raised Rs 625 cr of debt via non-convertible debentures from the market. The company also raised another Rs 240 cr from LIC against the rating assigned, taking the total amount raised through the AAA rating to Rs 865 cr. The issue was oversubscribed and the company exercised the greenshoe option, indicating that there was a greater demand for the company's paper than it could supply.

The company raised debt at an average cost of 9.50 percent per annum, 300 basis points below the country's prime lending rate and the lowest-ever cost in its history. Taking a cue from this, the company reached out to all its lenders and re-negotiated all rates of interest on loans previously taken.

Saving the company an estimated Rs 19 cr in a full year's working.