



LIC HOUSING FINANCE LTD.

ANNUAL REPORT 2004-05



**Transparency and Trust,
build lasting Relationships.**

Corporate Information

A. K. Shukla	: Chairman (from 26.06.2005)
K. Sridhar	: Managing Director (from 26.10.2004)
F. M. Pardiwalla	: Director
G. M. Ramamurthy	: Director
Y. B. Desai	: Director
Dhananjay Mungale	: Director
S. Ravi	: Director (from 26.06.2005)
K. Narasimha Murthy	: Director (from 26.06.2005)
S. K. Mitter	: Director & Chief Executive (from 26.06.2005)
S. B. Mathur	: Chairman (from 31.10.2004)
R. K. Vashishtha	: Managing Director (upto 30.09.2004)
R. N. Bhardwaj	: Chairman (upto 31.05.2005)
A. K. Dasgupta	: Director & Chief Executive (upto 02.05.2005)
V. P. Singh	: Director (upto 25.04.2005)
R. K. Ahooja	: Director (upto 04.03.2005)

GENERAL MANAGER (TAXATION) & COMPANY SECRETARY

Nitin K. Jage

SENIOR EXECUTIVES

Sharad Shrivastva	General Manager (Credit Appraisal & HR)
P. K. Rath	General Manager (Mktg.)
K. Ramesh	General Manager (Finance & Accounts/IT)
K. S. Kuttu	Deputy General Manager (Default & Recoveries)
D. Y. Oke	Deputy General Manager (Audit)

REGIONAL MANAGERS

T. T. Kabui	Eastern Region
V. Satyakumar	Southern Region
S. Nallakutallam	Western Region
R. K. Sood	Northern Region
P. R. Shankara Raju	South Central Region
Satish Kaul	Central Region

AUDITORS

Price Waterhouse
Chartered Accountants, Mumbai.

SOLICITORS

M/s Little & Company

BANKERS

Andhra Bank
Central Bank of India
Corporation Bank
Syndicate Bank
UTI Bank Ltd.
HDFC Bank Ltd.

REGISTERED & CORPORATE OFFICE

Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai – 400 001.
Phones : 2204 0006, 2204 9799.
Fax : 2204 9839.
Email : lichfl@bom2.vsnl.net.in
Website : www.lichhousing.com

REGISTRAR & SHARE TRANSFER AGENT

Sharex Dynamic (India) Pvt. Ltd.
17/B, Dena Bank Building, 2nd Floor,
Horniman Circle, Fort,
Mumbai – 400 001.
Phones : 22702485, 22641376.
Fax : 22641349.
Email : sd_india@rediffmail.com



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Brief Profile of the Directors

Shri A. K. Shukla is a Chairman of LIC Housing Finance Limited and a post graduate in Science from Allahabad University. He was an active participant in NCC and is a 'B' Certificate holder with several prizes and scaled upto the level of Company Sgt. Major. He has been Editor of the University journal and has penned quite a few short stories, articles etc. and has actively participated in Cultural and Literacy activities at University and District levels. He was involved in reorganization of Northern Zone of LIC during the Organisation Restructure (OIC) and a new division – Udaipur Division was formed and progressed under his prestigious leadership. He has been conferred with 4 prestigious awards by independent organizations like – the 'Indira Gandhi Priyadarshini Award 2003', the 'Jewel of India Award', the 'National Gold Star Award 2003', and the 'Diamond of India Award'. He joined Board of the Company on 26th June, 2005.

Shri K. Sridhar is a Managing Director of LICHFL and a gold medalist in Economics (M.A. Economics) and holds a degree in Law from Mumbai University. He has participated in many conferences at national and international levels, one such being on 'Pension Reforms' conducted by the Adamsmith Institute at London. His prominent assignments includes Marketing Manager (Pune), Sr. Divisional Manager (Vishakapatnam & Coimbatore), Regional Manager – LICHFL (Western Region), Regional Manager (P& IR) – Western Zone, Chief (P&GS) and Chief Vigilance Officer (GIC & New India Assurance Co. Ltd. He is having vast experience in the field of Investment and Marketing. He joined

Board of the Company on 22nd December, 2004. He is Chairman of the Executive Committee.

Shri F. M. Pardiwalla is a graduate in Commerce and Law. He was former Senior Executive of Industrial Credit & Investment Corporation of India Ltd. (ICICI). He is having experience in Finance, Accounts, Treasury Operations, Capital Market and Law. He has been a director of the Company since 27th September, 2000. He is a Chairman of the Audit Committee and Investors' Grievance Committee. He is also a member of Executive Committee of Directors.

Shri G. M. Ramamurthy is a graduate in Science, Law and member of Institute of Company Secretaries of India and Certified Associate of Indian Institute of Bankers (CAIIB). He is also holding diploma in Labour, Company and Taxation Laws. He is the Executive Director of Industrial Development Bank of India (IDBI) and has vast legal experience. He is been on the board of the Company since 10th May, 1999. He is a member of Executive, Audit and Investors' Grievance Committees of Directors.

Shri Y. B. Desai is a Graduate in Economics and certified Associate of Indian Institute of Bankers (CAIIB). He was Managing Director of EXIM Bank and has vast experience in banking, finance, treasury operations and International Banking. He joined the Board of the Company on 24th May, 2002. He is a member of Executive, Audit and Investors' Grievance Committees of Directors.

Shri Dhananjay Mungale is a Chartered Accountant and a Law Graduate by Profession,



has spent the major part of his career in banking and investment banking in India and Europe. He is presently acting as advisor to various corporations in India and Europe. He is on the Board of Directors of various public and private Indian corporation. During his career, for 5 years, he was part of the apex Executive Committee at DSP Merrill Lynch, India's leading investment banking organization and also a Member of the Management Committee and on the Board of DSP Merrill Lynch Asset Management Limited. He is been on the board of the Company since 4th June, 2004. He is a member of Executive, Audit and Investors' Grievance Committees of Directors.

Shri K. Narasimha Murthy is a Science graduate and fellow member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He is a practicing Cost Accountant and has expertise in various areas like Cost Audit, Management Audit, Strategic Planning, Critical Analysis of Performance, SWOT Analysis, Organisation Analysis and Structure, Management Information & Control Systems Development, Productivity & Cost Reduction Programmes, Mergers & Acquisitions, Manpower Planning and Development, Recruitment Services, Designing Production Incentive Schemes, Revival of Sick Units and Other Management Support Services. He has to his credit diverse exposure in audit, investigation, cost reduction programme, management development programme and

viability study. He joined Board of the Company on 26th June, 2005.

Shri S. Ravi is a post graduate in Commerce and fellow member of Institute of Chartered Accountants of India. He is a promoter partner of M/s. Ravi Rajan & Company, Chartered Accountants, New Delhi. He has to his credit wide experience in banking and specialization in the field of accounting, auditing, financial & management consultancy, business valuation, merger, acquisition, restructuring, business advisory services etc. He was appointed as Director on 26th June, 2005. He joined Board of the Company on 26th June, 2005.

Shri S. K. Mitter, Director & Chief Executive, joined LIC of India as Direct Recruit Officer in 1978. He has a rich experience of 27 years at senior positions like Senior Divisional Manager, Kolkata Metro-1 and Kolkata Suburban Divisional Office, two of the top 10 divisions in volume of business and size.

He has attended various national and international level seminars held at Administrative Staff College of India, Hyderabad, National Law School, Bangalore, World Bank Conference on Contractual Savings at Academy of Educational Development, Washington. He was appointed as Director & Chief Executive on 26th June, 2005.



CHAIRMAN'S MESSAGE

4th July, 2005

The last decade has witnessed far-reaching changes in the Indian economy as a result of government's policies towards liberalization and the responses of the Indian economy to the global market. Radical improvements in the infrastructure of the country coupled with providing solution to the growing demands of the housing have been the priority areas of the government. This added to certain socio – economic drivers like favourable demographics, changing lifestyle, increased urbanization, increased affordability, stabilised property prices, rising income levels and the tax incentive provided by the Government has made housing a booming industry in the country.

The enormous demand scenario in housing in the country have prompted the players to stretch to the maximum to capture the market and the sector has witnessed intense competition.

The brand equity of your company not only makes it a household name but also provides the most important USP in the market. The abiding faith of the people in the brand makes it imperative for the company to be customer focussed. It has almost become impulsive for us to improve our services and efficiency levels. During last year, 2004-05, your company had undertaken a re-structuring initiative which is likely to have positive impact on the operational efficiency and therefore lead to greater customer satisfaction. Your company has continued to improve upon its product efficiency by continuously innovating and customising in tune with market expectations. Your company is proud to have 8,00,000 satisfied customers spanning over a period of 16 years.

The strength of your company has fired its aspirations to be multi-dimensional and transnational. Your company has been exposed to foreign investment. The Global Depository Shares (GDS) issue launched by your company last year has been a significant milestone. This was the first overseas issue made by any housing finance company. This again puts greater responsibility on the company to maintain higher standards of transparency and fair practices, to be acceptable to our global investors. Your company is bound to emerge as a successful transnational housing company.

A vast majority of expatriates in middle-east have their dreams of having their own dwelling unit back in India. Your company has been responsive to their dreams and is on a move to expand its operations in the Middleast. The representative office in Dubai will make its presence felt in areas like Kuwait, Oman, Qatar, Saudi Arabia and other places. A very strong economy in these countries puts the expatriates in a very comfortable financial position to enable them to invest in housing back in India. Our company has aimed to tap the middle-east market of the Indian expatriates effectively.

All in all, silhouetted in the background of a buoyant Indian economy and the vast untapped housing market in the country, the year 2005-06 is full of promises and expectations. Your company is firmly focussed on the vision to make it the Best Housing Finance Company in the country and is committed to maximise the shareholders value.

I wish you all the best and look forward to your support and guidance in the days to come.

Yours truly,

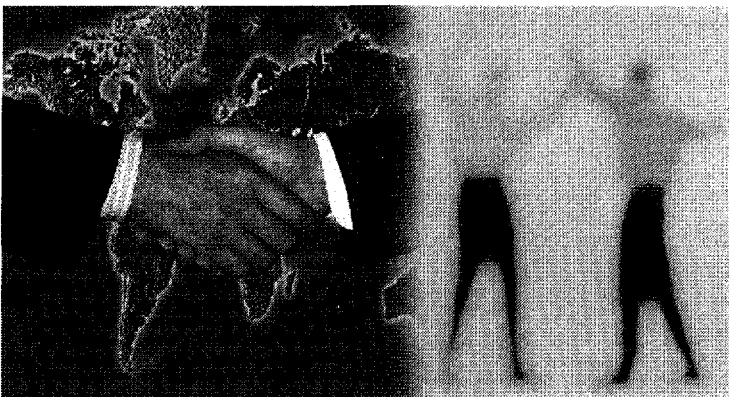
A. K. Shukla
Chairman

Concept Note:

Paradoxical as it may sound, truth is that one of India's key housing finance companies, LIC Housing Finance, has helped build, is not a home or an office. Rather, it is our wealth of lasting relationships.

For over a century, the LIC group has been building enduring and endearing bonds on the strong edifice of transparency. With commitment and empathy, we at LIC Housing Finance, have ensured that in the process of wealth creation, we keep you in the know at every single step. Our initiatives in this direction have reaped rich rewards. They have earned us the trust of over a million stakeholders. We now seek to reciprocate this trust with higher growth and returns for you in the times to come.

Our Transparency and your Trust - these two key strengths have come together to unlock growth



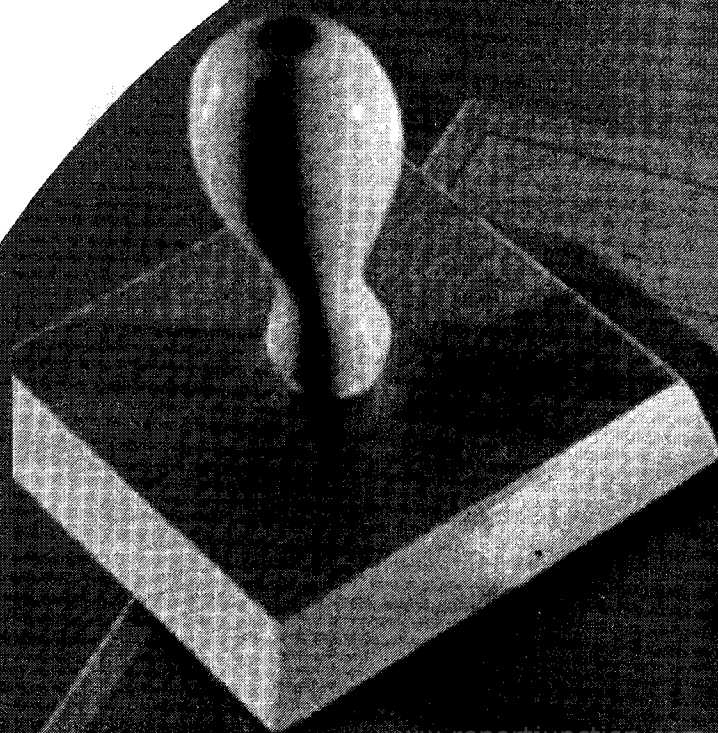
Transparency

When you are true to yourself, and to the world, it shows. Transparency sums up all that we at LIC housing Finance stand for. It is an attitude, an approach, a way of life for us. At the heart of Transparency lies our Integrity. Our core values and principles are deeply embedded within the very fabric of the corporate ethos. These manifest in initiatives such as streamlining processes, computerisation, policies on reporting, and so on. We place our stakeholders above all else, and strongly believe... Where there's Transparency, there's Trust.

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Trust

A simple little word with tremendous depth and meaning. Trust. That's what our stakeholders have awarded us with. It's what transparency brings. It's the optimism, the confidence, the promise we hold for the future. For over a century the name 'LIC' has symbolised Trust. Without as much as a whisper, trust moved to the higher plane of Faith - uncompromising, unshakeable and unaffected by the stormy winds of change. This legacy of trust is what we take forward to build lasting Relationships.





Relationships

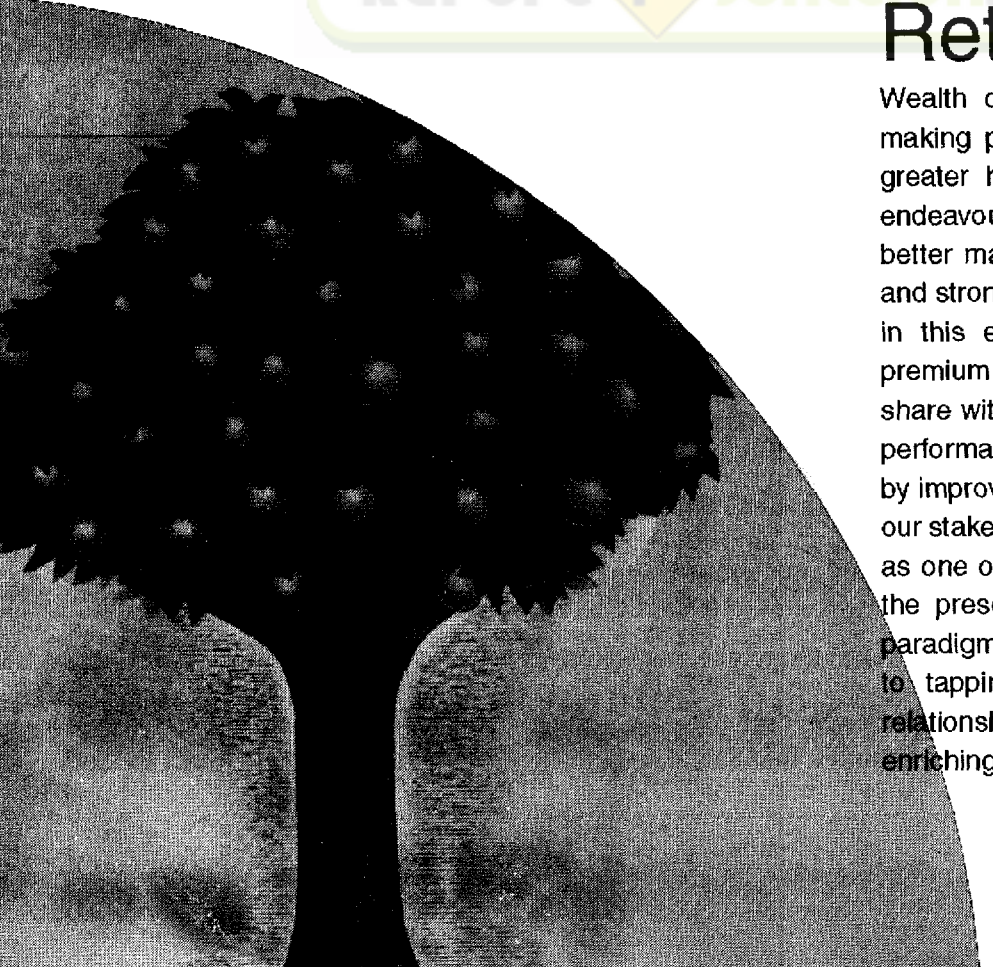
Building relationships is simple. It's maintaining them that takes some doing. We should know. We've been doing it for years now. There's something very special and unique about every single relationship we've built. It's woven with transparency and trust. We believe in not just building relationships, but in fact, strengthening them and keeping them healthy through proactive initiatives. We reach out to you and make you feel special. More than products and services, we offer *solutions that fulfil needs precisely*. We do everything we can to ensure that this relationship brings you better Returns.



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Returns



Wealth creation, to us, is not just about making profits. It's about a better life and greater happiness for you. We constantly endeavour to ensure higher returns through better management, more effective policies and stronger strategy. Our chief driving force in this endeavour is your trust, and the premium we place on the relationship that we share with you. Apart from a better financial performance, we seek to offer greater value by improving the quality of relationships with our stakeholders. We see these relationships as one of our fastest appreciating assets in the present and the future. With this new paradigm in wealth creation, we look forward to tapping new potential in making our relationships not just enduring, but in fact, enriching as well.



DIRECTORS' REPORT

To The Members,

The Directors have pleasure in presenting the Sixteenth Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

The Profit and Loss Account shows a Profit Before Tax of Rs.204.30 crore after writing off bad loans of Rs.0.10 crore and Net Provision of Rs.75.94 crore towards contingencies & Rs.4.67 crore towards diminution in investments and taking into account all expenses including depreciation. The Net Profit (after tax) for the year is Rs.143.72 crore.

Taking into account the balance of Rs.34.01 crore being brought forward from the previous year and provision for taxation (net of deferred tax) of Rs.52.05 crore and prior period items of Rs.8.52 crore, the disposable profit is Rs.177.73 crore.

	(Rs. in Crore)	
	For the year ended 31 st March, 2005	For the year ended 31 st March, 2004
Appropriations :		
Special Reserve	101.00	91.00
General Reserve	14.37	30.00
Proposed Dividend	42.46	37.47
Tax on Dividend	5.96	4.80
Balance Carried forward to next year	13.94	34.01
	<u>177.73</u>	<u>197.28</u>

DIVIDEND

Considering the performance during the year under review, your Directors have recommended a dividend of Rs.5 per equity share (50%), for the year ended 31st March, 2005, on enhanced paid-up capital pursuant to GDS Issue. The percentage of dividend is same as for previous year ended 31st March, 2004.

PERFORMANCE

Income and Profit

Profit for the year before tax and after tax stood at Rs.204.30 crore and Rs.143.72 crore respectively as against Rs.188.24 crore and Rs.167.47 crore, respectively, for the previous year.

The Company earned a total income of Rs.1048.27 crore registering an increase of 6.38%. Profit Before Tax has increased by 8.53 % and Profit After Tax and prior period items decreased by 14.18% as compared to previous year. The percentage of administrative expenses to the housing loans, which was 0.68% in previous year has increased to 0.69% in 2004-2005.

Lending Operations

Individual Loans:

The Company sanctioned 104753 Individual loans for Rs.4415.05 crore and disbursed 86057 loans for Rs.4207.22 crore during the year 2004-2005. This constitutes 84.76% of the total sanctions and 90.47% of the total disbursements.

The cumulative sanctions and disbursements since incorporation, in respect of individual loans are:

Amount Sanctioned Rs.22277.99 crore

Amount Disbursed Rs.20326.00 crore

Project Loans:

The main thrust continues to be on Individual loans, loans to Corporates / Public-bodies, Co-operative Housing Societies, etc., the Company also sanctioned / disbursed loans to select builders / developers for housing projects.

The project loans sanctioned and disbursed by the Company during the year were Rs.794.13 crore and Rs.443.20 crore respectively. These loans are generally for short durations and also give better yield as compared to Individual loans.

The Company financed construction of around 800698 number of dwelling units under Individual and Project Loan Schemes upto 31st March, 2005 since its inception.

Non Performing Assets & Provisions

Aggregate gross Non Performing Assets (NPA) as on 31st March, 2005 is Rs.549.62 crore which is equivalent to 4.42% of the Individual loan portfolio. The net NPA is Rs.346.41 crore i.e., 2.79% of the Individual loan portfolio. During the year under review, as a matter of prudent business policy, the Company has provided Rs.70.81 crore towards NPA. The cumulative provision as on 31st March, 2005 is Rs.203.21 crore. During the year, the Company has written off Rs.0.10 crore against Individual loans.

SYSTEMS AND PROCEDURES

The Company has successfully implemented score card