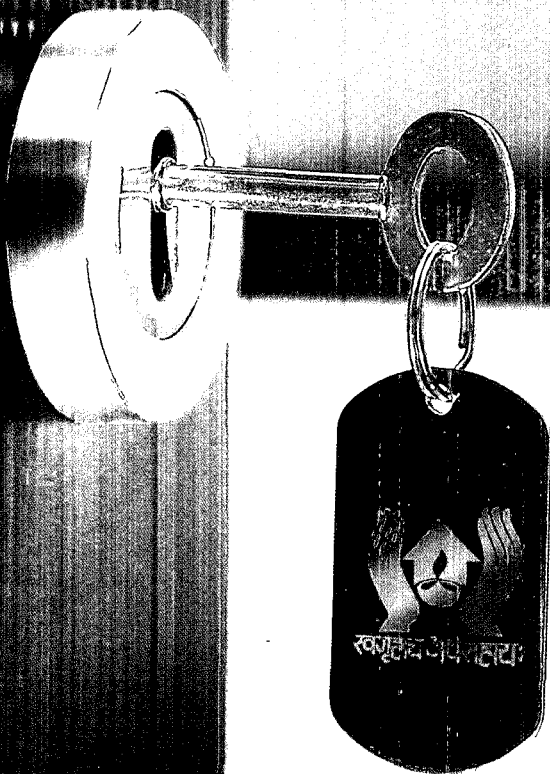


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LIC Housing Finance Limited
Annual Report 2007-08



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Corporate Information

Board of Directors

T. S. Vijayan	: Chairman
D. K. Mehrotra	: Managing Director (from 20.05.2008)
Y. B. Desai	: Director
Dhananjay Mungale	: Director
S. Ravi	: Director
K. Narasimha Murthy	: Director
B. N. Shukla	: Director
R. R. Nair	: Director & Chief Executive (from 20.05.2008)
G. M. Ramamurthy	: Director (upto 28.04.2008)
Thomas Mathew T.	: Managing Director (upto 20.05.2008)
S. K. Mitter	: Director & Chief Executive (upto 25.04.2008)

General Manager (Taxation) & Company Secretary

Nitin K. Jage

Senior Executives

V. Chandrasekaran	General Manager (Credit Appraisal)
P. K. Rath	General Manager (Marketing)
Smt. Renuka S.	General Manager (Information Technology)
K. S. Kutty	General Manager (Recoveries)
Smt. Y. V. Padmavati	General Manager (HR & Legal)
Surinder Mohan	CFO & General Manager (Risk Management)
Tapas Basu	General Manager (Accounts)
G. D. Joshi	Deputy General Manager (Internal Audit)

Regional Managers

Mahendra Kumar	Northern Region
R. Chaturvedi	Central Region
P. R. Shankara Raju	South Central Region
A. K. Mahato	Eastern Region
Sanjay Rastogi	Western Region
Vincent Saldanha	Southern Region

Auditors

P. C. Hansotia & Co.
Chartered Accountants, Mumbai.

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 & 2204 9919
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.



... LIC Housing Finance. One of the largest housing finance companies in India. Helping thousands realise their life-long dreams of owning their very own homes.

Everything

- ◆ Provides loans for homes, construction activities and corporate housing schemes.
- ◆ Around 6.39% of the loan portfolio derived from the retail segment and the rest from large corporate clients.
- ◆ Formed three new wholly owned subsidiaries in 2007-08 to manage its interests in financial services, venture fund and asset management.
- ◆ Rated 'AAA' by CRISIL for the seventh consecutive year in 2007-08; maiden fixed deposit programme received the FAAA/STABLE rating from CRISIL.

Everywhere

- ◆ An offshoot of the Life Insurance Corporation of India (LIC), came into existence in 1989.
- ◆ Headquartered in Mumbai with six regional offices and 126 marketing units across India.
- ◆ 934 direct sales agents (DSAs), 4,865 home loan agents (HLAs) and 485 customer relationship associates (CRAs) constitute its pan-India marketing network.
- ◆ Representative overseas presence in Dubai and Kuwait.
- ◆ Listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited in India and the Luxembourg Stock Exchange in the Netherlands.
- ◆ Around 940,000 satisfied customers across the country.

Every time

- ◆ Reported 38% increase in disbursements in 2007-08.
- ◆ Improved return on networth from 18% to 21% in 2007-08.
- ◆ Reduced net NPA to a record 0.64% in 2007-08.
- ◆ Enhanced PAT 39% to Rs.387.19 cr in 2007-08.
- ◆ Steady record of paying dividends every year since 1990.

Vision

To be the best housing finance company in the country.

Report

Mission

Provide secured housing finance at an affordable cost, maximising shareholders' value with higher customer sensitivity.



Values

Transformation to a knowledge organisation

The Company is committed to the growing use and sharing of knowledge as a driver of business success. All decisions are based on merit and a respect for sound judgment.

Sense of ownership

At the Company, we believe that superior performance comes from a feeling of ownership. And ownership comes from aggressive delegation and empowerment.

Quality and autonomy in operations

The Company is committed to an aggressive delegation in decision-making whereby relevant initiatives can be taken closest to the customer.

Fair and transparent business practices

Ethics and transparency form the basis of the business of LIC Housing Finance. On the macro-level, the Company complies with all the laws of the lands in which it operates; on the micro-level, the Company respects the dignity of every individual.

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Message from
the Chairman

My dear shareholders and friends

I take great pleasure in
presenting before you the performance
of LIC Housing Finance Limited for the
year 2007-08.

The year has been of robust business
growth and the success story of
charting the road map to contain
defaults and NPA levels.



Macroeconomic perspective:

The debate whether there has been a pause in the India growth story goes on as it primarily revolves around factors like sub-prime crisis and recession in the US economy, skyrocketing oil prices, high interest rates, galloping inflation, etc. The various fiscal measures initiated by the government to improve supply of primary goods, including food articles, appear to have yielded little. The pace of price increase does not appear to be moderating and the annual rate of inflation continues to rule high.

In a globalised world, it would be reasonable to assume that the ripples of this problem would extend far and wide. However, the possibility of such a crisis affecting the Indian economy is remote for various reasons.

In India, we do not have different prime and sub-prime rates based on the varied quality of assets. If a loan is perceived as high risk, it becomes the borrower's responsibility to provide a larger percentage of the value of the loan upfront. This ensures the buyer's continued interest in servicing the loan and a corresponding decline in the lender's risk.

Secondly, real estate prices in India are built on the credible edifice of economic reform, GDP growth, rising Foreign Direct Investment and stronger purchasing power. Over the last few years, the real estate industry has widened considerably, making it less vulnerable to cartelisation. Besides, the majority of residential loans provided in India represent genuine demand.

Moreover, the government on its part can easily push infrastructure investments in the pipeline to boost growth. The fundamentals of the leading financial institutions in India

continue to be strong. Therefore, the possibility of an Indian equivalent of a sub-prime crisis appears very remote.

Indian housing finance scenario:

Housing provides emotional and social bond to the individual with the family and the society. It is an economic and social need, irrespective of the financial status of the individual. Housing is the common link between retail credit, growing urbanisation and fiscal incentives. Factors like acute housing shortage, moderate interest rates, high loan to value ratio and rising income levels contributed to 38 percent CAGR in India's mortgage finance (housing loan) market over the last six years [Source: RBI third quarter review]. Housing loans as a percentage of the GDP increased from 6 percent in 2005-06 to 8.5 percent in 2007-08.

Disbursements in the housing finance sector grew at a robust 43 percent CAGR from 2000-01 to 2004-05, declining to around 10 percent in 2007-08. The initial growth was driven by a rise in income and a decline in interest rates, both of which more than compensated for an increase in housing prices. Subsequently, property prices and interest rates moved up while increase in income levels failed to match the property price increase [Source: RBI]. Loan disbursements grew by 10 percent from Rs.102,100 cr in 2006-07 to Rs.111,900 cr in 2007-08, catalysed by a focus on high-ticket financing. Nearly 49 percent of loan disbursement was estimated above Rs.50 lakhs compared to 10 percent in the lower loan slab of Rs.10-25 lakh [Source: CRISIL].

LIC Housing's stride in progress:

Performance:

Interest income from housing loans increased 35.88 percent

from Rs.1498.99 cr in 2006-07 to Rs.2036.79 cr in 2007-08.

The net interest income grew by 41.47 percent from Rs.397.53 cr in 2006-07 to Rs.562.38 cr in 2007-08.

Profit after tax surged 38.71 percent from Rs.279.14 cr in 2006-07 to Rs.387.19 cr in 2007-08.

Operations:

Funds mobilised grew 59% from Rs.4710.46 cr in 2006-07 to Rs.7489.70 cr in 2007-08.

Sanctions (Individuals and Projects) increased 41.15 percent from Rs.6105.42 cr in 2006-07 to Rs.8617.88 cr in 2007-08.

Disbursements (Individuals and Projects) grew 38.08 percent from Rs.5121.36 cr in 2006-07 to Rs.7071.48 cr in 2007-08.

Loan portfolio grew 24.90 percent from Rs.17563.44 cr in 2006-07 to Rs.21936.41 cr in 2007-08.

Margins:

Net interest margin improved by 40 basis points from 2.45 percent in 2006-07 to 2.85 percent in 2007-08.

Return on equity grew by 306 basis points from 18.08 percent in 2006-07 to 21.14 percent in 2007-08.

Net profit margin improved by 4.86 percent from 33.84 percent in 2006-07 to 38.70 percent in 2007-08.

Asset quality:

Gross NPA declined by 87 basis points from 2.57 percent in 2006-07 to 1.70 percent in 2007-08.

Net NPA levels declined 62 basis points from 1.26 percent in 2006-07 to 0.64 percent in 2007-08.

Shareholder value:

Earning per share grew 38.70 percent from Rs.32.87 in 2006-07 to Rs.45.59 in 2007-08.

Book value strengthened from Rs.181.77 in 2006-07 to Rs.215.66 in 2007-08.

It is worth mentioning here that your Company through its unceasing, untiring and proactive action brought a turnaround in arresting NPAs. The Company would continue its efforts to reduce NPAs further.

LIC Housing Finance Limited has been playing a significant part in the economic and social life of the country with its impeccable brand image and transparent policies and practices. The Company would like to remain focused on all areas that are likely to impact customers, stakeholders, employees and above all the society favourably. The Company's vision, values and philosophy has brought us together this far, making this journey extremely rewarding for each one of us. Our progress lies in our capabilities and commitment to stay on the course of a challenging strategic path. In this unfolding era of new opportunities, I look forward to your active support and good wishes to make the coming year one of greater achievements and success.

Thank you,

25th April 2008

T. S. Vijayan
Chairman