



With you, for your dream home

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# Corporate Information

## BOARD OF DIRECTORS

D. K. Mehrotra	: Chairman
Sushobhan Sarker	: Managing Director (from 06.03.2012)
Dhananjay Mungale	: Director
S. Ravi	: Director
K. Narasimha Murthy	: Director
B. N. Shukla	: Director
Jagdish Capoor	: Director (from 25.05.2012)
Savita Singh	: Director (from 25.05.2012)
V. K. Sharma	: Director & Chief Executive
Y. B. Desai	: Director (till 20.07.2011)
Thomas Mathew T	: Managing Director (till 05.03.2012)
A. S. Narayanamoorthy	: Director (till 23.05.2012)

## GENERAL MANAGER (TAXATION) & COMPANY SECRETARY

Nitin K. Jage

## SENIOR EXECUTIVES

Rajeev Chaturvedi	: General Manager
Naveen Koul	: General Manager
S. N. Mokashi	: General Manager
A. K. Anand	: General Manager
N.K. Mittal	: General Manager
Surinder Mohan	: General Manager
M. R. Ankolekar	: General Manager
S. T. Samtani	: Chief Financial Officer
P. Singh	: Chief Manager

## REGIONAL MANAGERS

P. B. Roy	Eastern Region
R. J. Rajaraman	South Central Region
Ratikanta Singh	Central Region
T. R. Chowdury	South Eastern Region
Ajay Grover	Northern Region
Deepak Kumar	Western Region
S. Ramasamy	Southern Region

## AUDITORS

### Joint Statutory Auditors:

M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai  
 M/s. Shah Gupta & Co., Chartered Accountants, Mumbai

## BANKERS

Andhra Bank  
 Axis Bank Ltd.  
 Corporation Bank  
 HDFC Bank Ltd.  
 State Bank of India  
 Union Bank of India

## REGISTERED & CORPORATE OFFICE

Bombay Life Building, 2nd Floor,  
 45/47, Veer Nariman Road,  
 Mumbai - 400 001.  
 Phones : 022- 2204 0006, 2204 9799  
 & 2204 9919 Fax : (022) 2204 9839.  
 email : lichousing@lichousing.com  
 website: www.lichousing.com.

## REGISTRAR & SHARE TRANSFER AGENT

Sharex Dynamic (India) Pvt. Ltd.  
 Unit No.1, Luthra Industrial Premises,  
 Andheri Kurla Road, Safed Pool,  
 Andheri - East, Mumbai - 400 072.  
 Phones : 022 - 28515606, 28515644.  
 Fax : (022) 22641349.  
 email: sharexindia@vsnl.com  
 Website : sharexindia.com

## APPEAL TO SHAREHOLDERS

*The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies through electronic mode. The Companies can now send various notices / documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. To support this green initiative of the Government in full measure, shareholders are requested to register their e-mail addresses at lichsggogreen@sharexindia.com, in respect of electronic holdings with the Depository through their concerned Depository Participants.*

# Profile & Progress..... At A Glance.....

- ❖ Provides loans for homes, construction activities, corporate housing schemes.
- ❖ Around 94.92% of the loan portfolio derived from the retail segment and the rest from large corporate clients.
- ❖ Rated 'AAA' by CRISIL for the 11th consecutive time in 2011-12; Fixed Deposit scheme rated as FAAA/stable by CRISIL.
- ❖ Promoted by world's premier financial institution, LIC of India, incorporated as Company in June 1989.
- ❖ Registered & Corporate Office at Mumbai with 7 Regional Offices, 13 Back Offices, 188 Marketing Offices and 1 Customer Service Points.
- ❖ Apart from wide marketing network comprising Direct Selling Agents (DSAs), Home Loan Agents (HLAs) and Customer Relationship Associates (CRAs), a wholly owned subsidiary also distributing the company's product.
- ❖ Representative overseas presence in Dubai and Kuwait.
- ❖ Listed on the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and was the first Indian housing finance company to be listed overseas i.e., on Luxembourg Stock Exchange.
- ❖ Has been a profit making and consistently dividend paying company since 1990 – its first year of operation.
- ❖ The concept of a life insurance linked mortgage product was first introduced in the country by the Company.
- ❖ Participated in the pilot issue of mortgage backed securities launched in August 2000 by National Housing Bank.
- ❖ Attractive and competitive product to withstand the fierce competition in the market.
- ❖ Awarded the 'Best Housing Finance Company 2011' trophy by MCX CNBC TV18.
- ❖ Developed and adopted a New Logo for the Company reflecting the Dynamism and for better visibility.
- ❖ Competitive Advantage for LIC Housing Finance lies in
  - Strong parentage and Brand Recall,
  - Transparent systems and procedure &
  - Competitive Interest Rates
- ❖ More than 13.3 lakh satisfied customers across the country since inception.
- ❖ Reported 17.5 percent increase in disbursements in 2011-12.
- ❖ Balance sheet size increased to 64429.73 crore from 52537.38 crore.
- ❖ Recommended increased dividend over previous year i.e., from 175 percent to 180 percent.



## Vision

To be the best housing finance company in the country.

## Mission

Provide secured housing finance at an affordable cost, maximizing 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 Judgement.

### **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.

# Management Discussion and Analysis Report

## MACRO-ECONOMIC & MONETARY DEVELOPMENTS IN 2011-12.

### Overview

Monetary policy was strongly anti-inflationary until October 2011. Subsequently, decelerating growth and declining inflation momentum prompted monetary policy to move to a neutral stance since December 2011. Some easing in liquidity was effected through a total of 125 basis points reduction in the Cash Reserve ratio (CRR) during January – March 2012. Going forward, the policy stance will need to ensure that inflationary tendencies remain under control, even as a growth adjusts to its trend.

Growth in Q3 of 2011-12 dropped to 6.1 percent as investment and external demand contracted and private consumption decelerated. Growth is likely to improve moderately in 2012-13, supported mainly by a pickup in industry on the back of consumption demand and some improvement in investment. However, the depleted investment pipeline and depressed new investment may keep the pace of recovery slow.

Inflation has fallen in Q4 of 2011-12, but is likely to remain sticky at about current levels during 2012-13. Price pressures persists with considerable suppressed inflation in oil, electricity, coal and fertilizers, the incomplete pass-through of rupee depreciation, slow supply responses and increase in indirect taxes as well as demand of large government transfers.

## GLOBAL ECONOMIC CONDITIONS

### Global growth likely to remain moderate in 2012.

The recovery in Advanced Economies (AEs) that seemed to be shaping well at the start of 2011 lost steam towards the fag-end of the year and is clouding the prospects for global growth during 2012. It lost momentum as the protracted debt crisis in the euro area and fiscal fragilities dampened business and consumer confidence. However, contrary to fears that came to the fore time and again during 2011-12, global growth did not stall.

Going into 2012, the global economy appears to be in a continuing phase of multi-speed growth. Most recent assessment indicates that the euro area is entering into a mild recession, while growth and employment condition in the US are improving. Growth in emerging markets, especially China and India, is slowing beyond what was anticipated but these two economies are still likely to provide some support for global recovery. In sum, in spite of a dip in growth, the world economy is unlikely to lapse into another recession.

### Financial Market stress eases

Global financial market stress eased significantly during Q1 of 2012 after the ECB made a large liquidity injection. However,

stability and structured improvements in the euro area still remain the unfinished agenda. The recovery and financial stability can still be derailed by global inflation engendered by liquidity infusion and high crude oil prices.

## INDIAN ECONOMY: DEVELOPMENTS AND OUTLOOK

### OUTPUT

Early indicators suggest that growth may have bottomed out in Q3 of 2011-12 but recovery may be slow during 2012-13. Lower global demand, domestic policy uncertainties and the cumulative impact of monetary tightening lowered the growth rate to below seven per cent over the last two quarters. Industrial growth remains subdued due to supply side bottlenecks, particularly in the mining sector and moderation in investment demand. With measures being taken to remove supply-side bottlenecks, progress in fiscal consolidation could create conditions for a more favorable growth-inflation dynamic.

### AGGREGATE DEMAND

#### Investment downturn extends, speeding of public investment could crowd in private investment

The growth slowdown has been driven by a sharp fall in investment, some moderation in private consumption and fall in net external demand. The drag from investment is likely to continue in the near term. Corporation investment intentions continued to drop during Q3 of 2011-12. Consultation with industry and banks suggest that new project investment continue to be sluggish. However, if increased capital outlays in the latest budget are speedily translated into government capital expenditure, it could crowd in private investment.

## EXTERNAL SECTOR DEVELOPMENTS

### BoP Risks accentuate

The balance of payment (BoP) came under significant stress during Q3 of 2011-12 as the current account deficit (CAD) widened substantially and capital inflows declined. This resulted in a drawing down of foreign exchange reserve. The wider CAD, increase in external debt, weakening net international investment position (NIIP) and deteriorating vulnerability indicators underscore the need for more prudent external sector management and demand management policies to limit the absorption impact, that is keeping import demand high. While capital inflows have revived somewhat in

2012, BoP risks remain due to high oil prices and uncertainties in the global economy.

## **MONETARY AND LIQUIDITY CONDITIONS**

### **Reserve Bank responds to tight liquidity conditions by injecting primary liquidity**

With falling inflation and growth, the Reserve Bank shifted gears to a more neutral policy, preparing to ease ahead if inflation trends down further. Amidst increasing structural and frictional liquidity deficits during Q4 of 2011-12, the Reserve Bank injected large amounts of primary liquidity through Open Market operations (OMOs) and Cash Reserve Ratio (CRR).

Liquidity conditions have eased substantially in April 2012 with large government spending. Going forward, barring shocks to autonomous drivers, liquidity conditions may stay comfortable in Q1 of 2012-13.

## **FINANCIAL MARKETS**

### **Financial market stress ease but risks remain**

With reduced stress in global financial markets and revival of capital inflows, financial conditions improved in India. However, tight liquidity conditions saw money market rates firm up. G-sec yields also firmed up post-budget in response to the large market borrowing programme. Going forward, there are risks of disruptive movements from euro area and financialisation of commodities

### **Price Situation**

#### **Inflation path for 2012-13 likely to be sticky**

Inflation has moderated in recent months to fewer than 7 percent, in line with the Reserve Bank's projections. However, the path of inflation in 2012-13 could remain sticky with high oil prices, large suppressed inflation, and exchange rate pass through, impact of tax hikes, wages pressure and structural impediments to supply response. The pricing power of companies has waned with moderation in demand as also lower non-oil commodity prices. This should help keep inflationary pressures under control in 2012-13.

### **Macroeconomic Outlook**

#### **Macroeconomic challenge warrant careful calibration of monetary policy**

Various surveys suggest that growth is likely to be slightly higher in 2012-13 than in 2011-12. Alongside, inflation is likely to remain within a relatively narrow range during the year with probability of further significant moderation being small. The output gap is unlikely to be closed. Recent experiences suggest that the non-inflationary growth rate for India may have somewhat declined from the Pre-Lehman crisis period. Monetary policy would, therefore, need to support growth without risking external balance or inflation by excessively

fuelling demand. Fiscal policy has a key role to speed up public investment to crowd in private investment awhile staying on monetary actions will need to be calibrated to evolving growth-inflation dynamics and the fiscal response.

(source RBI's statement on macroeconomic & monetary development – 18.04.2012)

## **HOUSING FINANCE INDUSTRY STRUCTURE & DEVELOPMENT**

India's housing finance industry comprises banks and housing finance companies. Given India's rapid population growth, increasing urbanisation and rising affordability the housing finance market will continue to grow. However, given increasing competition in the sector from banks, Housing Finance Companies which have access to low cost funds, better operational and credit cost control, and better service quality will continue to grow.

Housing constitutes over 70% of the real estate sector and is amongst the three basic necessities of life viz. food, clothing and shelter. However, it is largely ignored. The estimated shortage in dwelling units during the period 2007-12 is 24.71 million approx.

With increase in urbanisation and improving affordability, the demand for mortgage loans will continue to grow at a healthy pace. Further, steady prices and continuation of tax concessions to self-occupied residential home borrowers, are contributors to the growth of the industry. The average age of borrowers has declined over the years, while the number of double-income households has grown significantly which enabled them to borrow higher loan amount due to higher repaying capacity.

The agenda of housing for all is a key component of the government's strategy for making Indian cities inclusive and productive. The shortage in housing is estimated to be around 27 million units, of which a large part pertains to the economically weaker section and the middle class. According to projections by the McKinsey Global Institute, the shortage would increase to 38 million units by 2030 unless there is radical change.

India's population is estimated to increase to 1.38 billion by 2020, with 500 million (36% approx) of urban population, which is estimated to generate unprecedented demand for quality real estate and infrastructure. Approximately 123 million of additional urban population by 2020 is likely to require professional assistance for construction of houses. This will lead to a whopping 95 billion square feet of potential demand of real estate space across residential, retail, commercial, industrial and civil amenities over 2010-20. This would mean an average demand of 8.7 billion square feet which potentially needs to be built every year.

The expansion of housing finance institution in the country and regulatory support, including fiscal incentives, have seen mortgage interest rates for housing decline from a high of 16% in the middle and late 1990s to 8-10% in recent years.

The average growth of housing portfolio of banks has been close to 40%, which is amongst the highest of any asset class. Much of the increase in housing stock however continues to be limited to the higher end, and the challenge is to get these markets working for the common man.

For markets to work, two appeals are critical, the availability of land at affordable rates, and the creation of an enabling environment that would make affordable housing a viable proposition for private players. The strategy is to catalyze planning and land-use reforms to drive down land costs through programmes like Jawaharlal Nehru National Labour Renewal Mission and Rajiv Awas Yojana. It also promotes Public Private Partnership (PPP) and private sector initiatives through a combination of financial and non financial incentives. Financial incentives at the national level include capital subsidy for PPP initiatives, tax incentives for affordable housing developers, priority sector credit for home loans up to ₹ 25 Lakh and viability gap funding.

Demand side measures include addressing entry barriers for low income borrowers through measures such as the Credit Guarantee Fund, creation of affordable rental option for urban migrants and professionals, simplified procedures for housing loan credit appraisals, tax incentives for ordinary home buyers and interest subsidy for weaker sections.

A sound regulatory environment is an indispensable condition for the development of a robust housing market. The Government of India has drawn up a draft Real Estate (Regulation and Development Regulation), 2011 Bill. It aims to establish a uniform regulatory environment and enforce transparency and fair practices in the sector. It is also expected to pave the way for the planned and orderly growth of housing and facilitate large scale institutional inflows, including greater venture funding into the sector. A welcome sign that the market is beginning to respond to these measures is the emergence of a new category of players targeting low income consumers with homes priced between Rs 4 Lakh and Rs.15 Lakh. If Indian cities are to achieve their true potential as the engines of growth, every Indian must be able to aspire to a home. To achieve this goal, it is important to ensure that the current momentum is not merely maintained but accelerated.

### Looking ahead:

It is estimated that the housing finance industry will be able to maintain a higher growth in fresh origination of residential home loans over next three to five years mainly due to increased affordability of the borrowers i.e. mainly due to demand for affordability housing projects.

The evolution of the Indian real estate sector has been phenomenal since 2000, propelled by a growing economy, liberalized foreign direct investment policy and the higher yields the sector is offering. The Information Technology boom also had a huge impact on the real estate sector. Over the next few years, the sector will grow at the rate of 25 per cent approx. The change is across the board- in the players who define the market and the customer who are driving demand.

Thanks to the IT boom and rising disposable income, among other things, home buyers have become younger and more discerning; a new generation of builders has come in, adding an international outlook to the traditional wisdom and experience of their elders, and the real estate players have begun to realize the value of unity, professionalism and transparency. Even, the nomenclature has changed. With the word 'builders' having acquired a slightly disreputable air in previous decades, industry players now prefer to be known as developers. After all, these are the people who are building the new India, its township, its infrastructure, its schools, shopping malls and multiplexes- the whole gamut that defines and expands the way we live today.

When the recession hit the real estate sector in 2008, it also saw the emergence of a new buzz word 'AFFORDABILITY'. This was to be the key for the revival of the real estate sector especially in the residential sector. This was because it was felt that demand for affordable homes was recession proof and would lead to faster turnaround of stock.

Demand also comes up with attractive offers during festivals, which give further boost to this sentiment. Even though buyers are in the wait and watch mode, festivals such as Gudi Padwa, Akshaya Tritiya could prove to be the turning point as there are many bookings around this festival. Indians are traditional by nature and even younger buyers who are influenced by the older generation do believe in this being a good time to buy. There are new launches of projects as everyone considers this an auspicious time to buy. A lot of developers tend to offer sops, freebies or discounts to prospective buyers, booking a property around this time.

There is no doubt that the second homes wave is here to stay. The ever growing size of homes buyers in the country is poised to drive the phenomenon well into the future. In fact, there is now an established trend of home buyers looking at options beyond the ordinary for their second home purchasers both by geography as well as by residence formats. Looking ahead, it is anticipated that the depth and size of the second home market would improve further owing to the sophistication of buyers as well as pro-activeness of developers to meet burgeoning demand for such products across the country.

The India shining story with sustained Gross Domestic Product of more than 7.5 percent in the last few years and burgeoning middle-class has thrown up a new set of buyers whose aspirations for good living is matched by their ability to pay for the convenience. Investors will continue to focus on alternate investment like real estate, one of the most lucrative investment options, as it has continued to yield 18-20% CAGR over the last decade better than precious metals or other options. Indian real estate is being perceived as a better bet for long term future investment.

### Competition:

The Housing Finance Industry is one of the most keenly competitive segments of the Economy, with the Banking sector having a significant presence. However, Housing Finance

Companies with a dedicated focus on the industry and better understanding of the underlying real estate markets stand on a better footing when it comes to understanding the needs of the customers as also assessing the risks in the industry.

With few signs of interest rates easing, high demand for loans and the likelihood of many infrastructure projects getting delayed due to tightening liquidity, banks may have to settle for lower profits and revenue growth.

Some banks have cut by half the processing fee on loans when competitors were contemplating to raise it to offset losses on waiver of pre-payment penalty. The decision taken by some banks is aimed at creating goodwill when retail customers are increasingly suspicious of charges that banks levy for various services. Borrowers in metropolitan cities, where deal values are substantially higher than rest of the nation, would be spared a huge one-time payment.

Despite efficiency, interest rates have been one of the key differentiators. Every borrower, corporate or individual is sensitive to interest rates.

One of the key concerns emerging among developers is about banks getting a little more cautious about lending to the realty sector. Banks are reluctant to lend money to realty companies as RBI made it tougher for banks to provide high value loans to properties costing over Rs.75 lakh. The RBI had also raised the provision requirement for loans.

This move by RBI gives more space for HFCs to capitalize and consolidate its market share by providing loans at very competitive rate to enable the developers come up with affordable housing project and be part of the Government's objective of providing housing for all.

### **Opportunities:**

The aspiration to own a home remains a basic concern for anyone and everyone. In fact, developers remain positive that it's this 'need-based concern' which would ultimately help them to tide over the present lull phase. And catering to this basic concern are several housing companies or banks that extend various loan schemes.

Despite the compulsive economic and political climate, added with the fact that real estate is predominantly a state subject, the Union Budget 2012-13 has atleast shown the intent to accept the real estate and infrastructure as a priority sector. Allowance of External Commercial Borrowing (ECB) for the affordable housing, extension of one percent tax subvention on home loans up to Rs.15 lakh where the cost of the house is upto Rs.25 lakh and increased funding on highways and infrastructure, are steps that could go a long way in reviving the realty market. The doubling of allocation in the infrastructure debt fund through allocation to NHDP, IIFCL, NHB and SIDBI coupled with full exemption from basic custom duty for equipment for road and highway construction are likely to boost infrastructure and construction sector.

One year's extension of sunset clause on tax incentives for

infra projects under section 80IA is also a welcome step. The withholding tax on ECBs for affordable housing has been reduced from 20 percent to 5 percent for three years and this move will help ease the liquidity in the sector. Investment linked deduction of capital expenditure incurred in businesses like Cold Chain Facility, warehouses for storage of food grains, hospitals, fertilisers and affordable housing is proposed to be provided at the rate of 150 percent, as against the current rate of 100 percent. This will decrease tax liability of the firms involved in above mentioned business and further boost the investments in logistics, hospitality and affordable housing. All these measures will encourage supply of low cost housing. Exempting proceeds from the sale of a residential property from capital gains tax if they are invested in equity investments of an SME definitely provides home owners with more re-investment options. Previously, the only route for exemption was purchase of another property or tax saving bonds.

In a bid to promote affordable housing, the Maharashtra government has suggested building 20% of the flats in residential projects for EWS/LIG housing, thus offering a mix of affordable housing in premium residential projects.

Buying or investing in a property would continue to remain a lucrative option. Besides building an asset, a buyer ends up reaping the benefits of investment made already. Moreover, with an organized finance sector and with the increase in transparency levels, it has become easier to create financing vehicle. Home loans are being offered by HFCs at 10-12 percent depending on the profile of a customer.

India is a country that is challenging the limits of aspirations and possibilities every day. If there is one sector that reflects the changing aspirations and growing needs of this new India, it is the residential sector. Strong economic growth has led to rising incomes, better availability of attractive home loan options, wide range of supply and growing aspirations. All these factors have made buying an attractive proposition.

In fact, in metropolitan cities, it is not uncommon to see young professional aspiring to own more residence than the one they reside in, thus leading to a 'Second Home Wave' in the country.

### **Demand Drivers**

Since real estate price in metros are increasing day by day, more and more people are buying second home as an investment option. On auspicious occasion like 'Gudi Padwa day', there is positivity associated with buying a second home. It has effectively become a symbol of success for the people these days. Last few years have witnessed a sea-change, with alternative real estate option like plots of lands in new developing areas or weekend-second home.

Second home in India is a relatively new phenomenon that gained steam in the mid-1990s as the country went through its first real estate upswing. No single factor can be attributed as the driver of the second home wave; rather it was combination of a host of converging factors that led Indian home buyers to

explore second home purchases. Some of the factors include:

1. Real estate as an attractive investment option
2. Improved real estate transparency levels
3. Wider option to choose from.
4. Availability of high- quality residential formats.
5. Competitive home loan rates.
6. Flexible home loan financing-EMI holiday by developers.
7. Increased NRI buyer interests

Urban home or suburban homes present an option beyond the limited inner-city residence options. Suburbs across the country have emerged as a preferred location for home buyers for premium residence, given the better land availability in these areas as compared to city centers, yet away from its hustle and bustle. Growing market maturity has ensured that a wide range of top-end housing projects which are closer to nature are now available. This category includes residence options along beaches, hill-side homes, and riverside resorts and in other natural surroundings. What is interesting is not only the geographical diversity of these homes, but also the significant range of formats in which such projects are being developed in planned communities across the country including villas, townhouse, row-house and even apartments.

A subset within this category includes wellness homes, which allow-buyers to rejuvenate themselves from demanding careers and stressful lifestyles. Such homes offer relaxation and wellness centers that offer yoga, meditation and other rejuvenation avenues.

There has been noticeable trend among home buyers exploring the options of buying second homes in pilgrimage centers as trips to such places tend to be periodic. Homes in pilgrimage centers serve the dual need of being a holiday home and a good investment.

### Threats (bottlenecks)

The increase in the service tax rate from 10 percent to 12 percent will increase the cost of production for developers, thereby making houses costlier. The postponement of a firm decision on the FDI in multi brand retail also reflects a regressive step. The increase in excise duty also has a snowball effect. It will cause cement prices to go up by ₹ 4 to ₹ 5 per bag, which will adversely affect the profitability of construction companies and have a negative impact on the affordability of home buyers.

Some things, however, have not changed, and it is high time the government should look into. There is a need to curtail the number of permissions needed to develop a property and bring in single window clearance. Even as the Govt. has spoken of giving a boost to affordability housing, land prices still remain high, availability is restricted, FSI especially in a densely populated, land starved city like Mumbai is shackled, prices of raw material keep going up, and interest rates and

taxes are on the rise.

In the best of States, one needs a minimum of 17 Govt. approvals to get a project started and they are Metropolitan Regional Development Authority, Department of Minor Irrigation, Department of Civil Aviation, Fire Department, Water & Sewage Board, Electricity Board, Department of Town Planning, District Collector's office, Panchayat Office and several other agencies need to approve. And none of them work in parallel. Each approval is sequential. Very few States have transparent published rules.

### Segment wise Reporting

Segment has been identified in line with the Accounting Standard on segment reporting, taking into account the organization structure as well as the differential risk and returns of these segments. The Company is exclusively engaged in the Housing Finance business and revenues are mainly derived from this activity.

### Outlook

Realty consultants, developers, investors, bankers, HFCs, end-users have expressed guarded optimism that the year 2012 will be comfortable one, for Indian realty.

With India being a safe investment option, long term investments like pension funds will come into realty sector. With the economy expected to grow by 7.5 percent to 8 percent and an average increase of 20 percent in salary levels being projected by HR surveys, the realty sector is expected to do much better than it did in 2011.

With the Indian economy improving and global markets also strengthening, all segments of Indian real estate will improve in 2012. Since global market conditions are much better today, as against the last two years, India stands out as the best investment opportunity in this segment. There is tremendous shortage of housing in this country and until the gap is narrowed down, there is only one way price will go and that is up.

Homes are evolving and so is consumer's aspiration. Having seen the world, literally Indians are finally realizing that homes can be developed to be more than just a roof to sleep under. While a home is all about the things that stimulate happiness and contentment such as family, love, care, leisure and play, the core concept of home has far evolved from being a basic 'need' to being 'desired'.

And exactly for such reasons residential offerings have evolved to accommodate concepts of themed projects, designer homes, green homes etc. Today people want to live, work, play entertain, be entertained, flaunt, relax, rejuvenate, study, exercise when it comes to 'where' they stay.

In order to bring the construction quality at par with the global standards, developer, have introduced contemporary technologies such as Mivan and PERT to their construction. The advanced technologies have not only reduced the cost of