

Rich Legacy.  
Promising Future.

25 YEARS  
1989-2014



LIC HOUSING FINANCE LTD  
ANNUAL REPORT 2013-14

*“Having somewhere to go is home.  
Having someone to love is family.  
Having both is happiness.”*

*- Anonymous*

**For the last 25 years, we have been fulfilling people’s dreams of home ownership. Yes, we are a housing finance company by design, but our objectives are aspirational.**

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## **Forward Looking Statements**

Statements in this report, describing the Company’s objectives, projections, estimations, expectations are “forward looking statements” within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions in respect of future events and the Company assumes no responsibility in case the actual results differ materially due to change in internal or external factors.

# Rich Legacy. Promising Future.

Everyone dreams of having a home. There was a time that one had to wait an entire lifetime to muster up the savings to afford one. Today, the ability to finance a home purchase has broken this barrier. At LIC Housing Finance, we believe that getting onto the property ladder doesn't have to be difficult. For 25 years, we have brought a range of innovative mortgage options, both for first time home buyers and for people who already own a home. Over the years, we have merely been a helpful catalyst for more than 16 lakh happy customers in making them proud homeowners.

We crossed our first 25 years scored by a rich history of highly prolific and dynamic growth. We have consistently been a well-run retail housing finance company. After 25 years, we have a lot to show for it. Today, LICHFL has proved to be a leader amongst its peers. With the strength of our business model allowing us to thrive, to build our market share and to deliver consistent long-term value to our stakeholders, we feel very confident about the future. Together, let's step into the next 25 years with confidence and strength.



25 years

## Key Features of our 25 Year Legacy

- Solid track record of profit making & dividend paying since 1990
- High quality asset book with one of the lowest NPA ratio in the industry
- Highly driven towards customer convenience in terms of products, services, pricing
- Strong reputation on the strength of doorstep service through marketing intermediaries

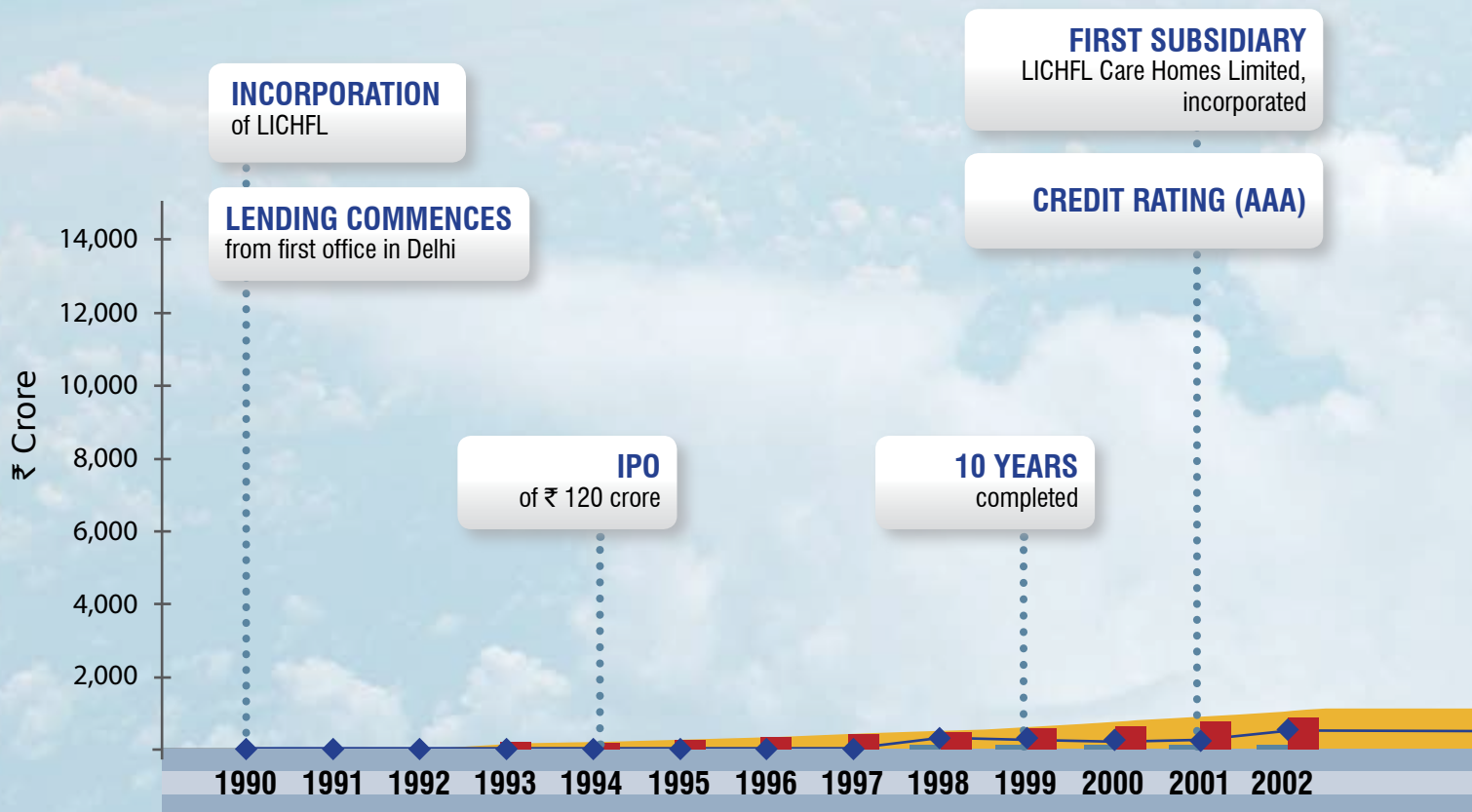
### APPEAL TO MEMBERS

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](mailto:lichsggogreen@sharexindia.com), in respect of holdings in dematerialised mode with the Depository through their concerned Depository Participants. Those holding shares in physical forms are requested to send their email address directly to the Company or to Registrar & Transfer Agent where various notices / documents can be sent through electronic mode.





## Our Rich Legacy



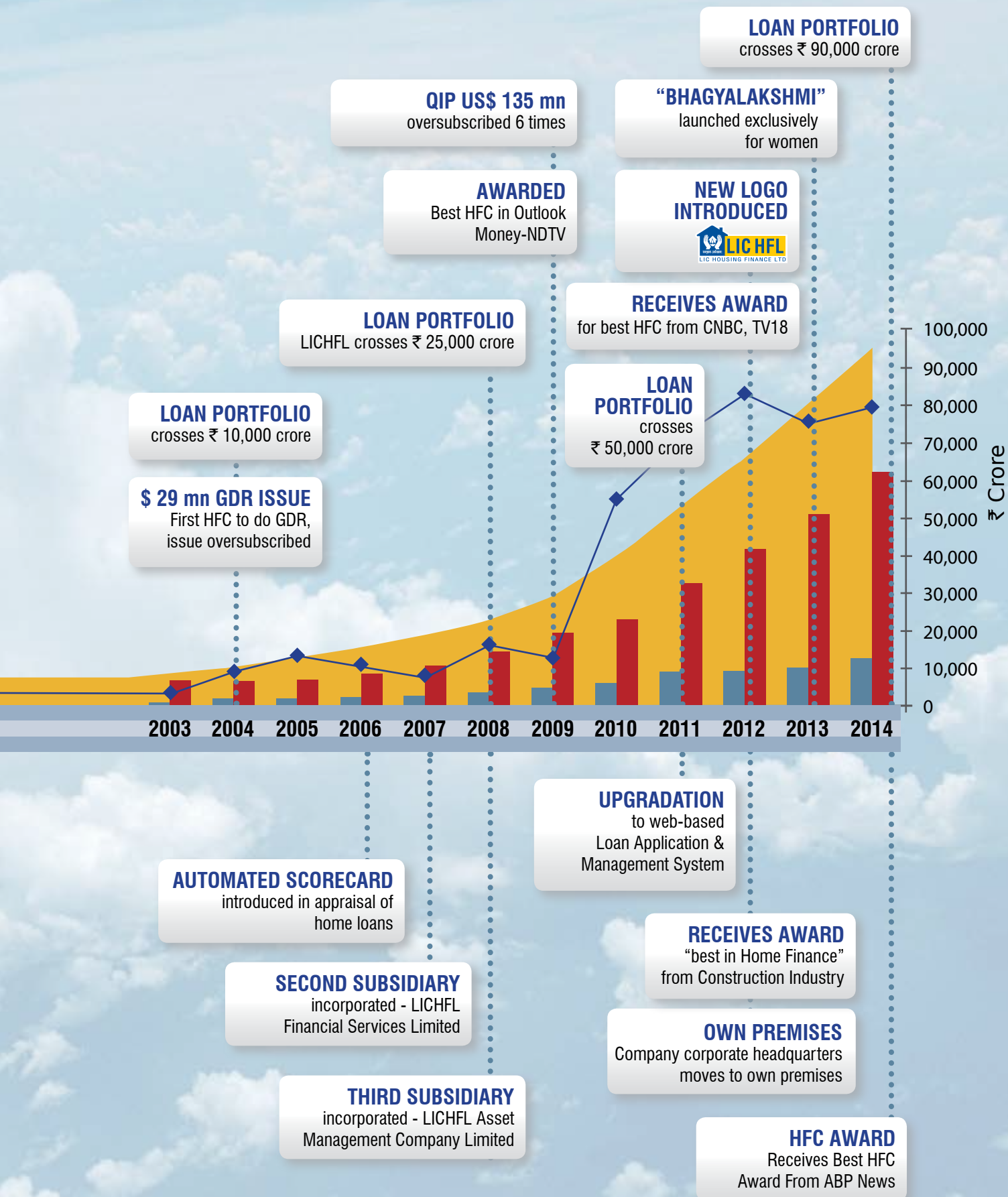
## 25 YEARS OF VALUE CREATION

In FY2014, we completed our first 25 years since our inception in 1989. Over the years, we have had the privilege of being well served by inspired leaders and managers that have allowed us to emerge as a front-runner amongst peers. They have also kept us in a robust shape to face the future full of growth opportunities. Over the years, we have built a robust business model that allows us to deliver consistent long-term value to our stakeholders. We now look forward to the next 25 years with conviction and excitement.

**PARTICIPATED** in the first MBS transaction in India

**DUBAI OFFICE** opened, our first overseas presence

**MAIDEN ECB** launched





## ABOUT US

LIC Housing Finance Limited is one of the largest Housing Finance companies in India. Incorporated on 19<sup>th</sup> June, 1989 under the Companies Act, 1956, the Company was promoted by LIC of India and went public in the year 1994. The Company launched its maiden GDR issue in 2004. The Company is registered with National Housing Bank and listed on the National Stock Exchange (NSE) & Bombay Stock Exchange Limited (BSE) and its shares are traded only in

Demat format. The GDRs are listed on the Luxembourg Stock Exchange.

The main objective of the Company is providing long term finance to individuals for the purchase or construction of a house or a flat for residential purpose. The Company also provides finance on an existing property for business or personal needs and also gives loans to professionals for buying their office space and equipment. The

***LIC Housing Finance Limited possesses one of the industry's most extensive marketing network in India with 204 marketing offices. In addition, it has appointed nearly 10,500 intermediaries to extend its marketing reach.***



Company also provides finance to persons engaged in the business of construction and sale of residential properties.

LIC Housing Finance Limited possesses one of the industry's most extensive marketing network in India with 204 marketing offices. In addition, it has appointed nearly 10,500 intermediaries to extend its marketing reach. Sixteen Back Offices spread across the country

conduct the credit appraisal and administrative functions. The Company has set up a Representative Offices in Dubai and Kuwait to cater to the Non-Resident Indians in the GCC countries covering Bahrain, Dubai, Kuwait, Qatar and Saudi Arabia. Today, the Company has a proud group of over 16 lakh prudent house owners who have enjoyed the Company's financial assistance.

- Promoted by the LIC of India in 1989
- IPO in 1994, GDR in 2004
- Listed on BSE, NSE & Luxembourg SE
- Profit making & dividend paying since 1990
- Highest credit ratings (AAA) since 2002
- More than 16 lakh customers serviced till date
- Market capitalisation more than ₹ 16,000 crore
- Total loan assets more ₹ 91,000 crore
- 97% of loan assets in retail category
- Cumulative disbursements ₹ 1.40 lakh crore since inception
- Gross NPAs in retail loans at 0.27%





# PROMISING FUTURE

India is hopeful of transformative change and vibrant growth. Its favourable demographics and burgeoning Tier 2 and 3 cities and new urban centres along with evolving face of rural India are key drivers fuelling the growth of home ownership. In addition, low mortgage penetration; rural to urban migration and the creation of new townships and cities are also complementing this growth. Most significantly, India has the highest working

age population in the world, which has strong desires and expectations both as citizens and as consumers. The country's need for aspirational and affordable homes is going to be vast. In this milieu, all players in the sector will stand to gain. As one of the largest HFCs with deep penetrated presence across India, LIC Housing Finance is bound to benefit from this sector's vitality and growth.

## Our Focus for the next 25 years...

- Striving for Growth with Profits, while maintaining the highest quality of assets
- Ensuring that Customer Satisfaction remains at the centre of our attention
- Leveraging the expected growth wave of home ownership to create shareholder value
- Placing great importance on using technology to enhance our service levels
- Developing capacities and capabilities of our Human Resources
- Expanding our footprint within and outside India
- Be a good corporate citizen by responsibly assisting the growth of the realty sector and the mass employment it generates



Success is not a matter of chance; it is a matter of choice. It is not to be waited for, it is to be achieved. At LICHFL, we believe that we've reached where we are through concerted actions and perseverance. We believe that we are at the tipping point between a rich legacy and promising future. With more than 97% of lending in the retail segment, we are a Finance Company that is squarely focussed on financing personal residential assets. Consequently we have the best asset quality with the lowest NPA amongst the top five players in retail mortgage space in India. This regimented approach will ensure that we will attain our pole position that destiny has in store for us.



## FINANCIAL HIGHLIGHTS FY2014

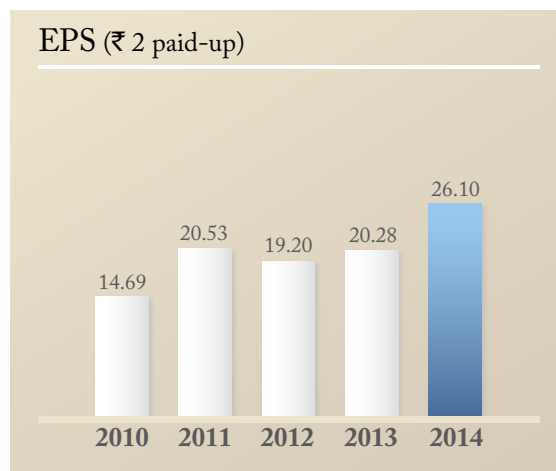
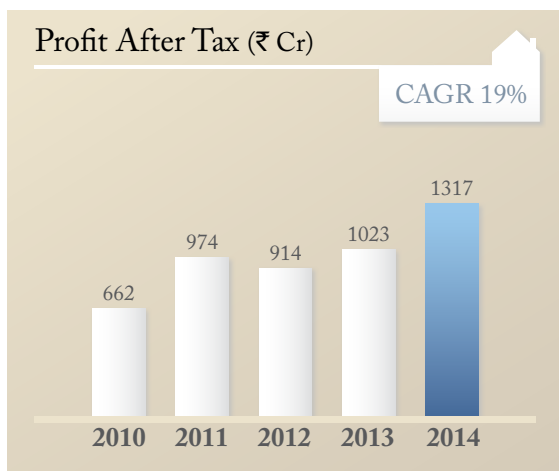
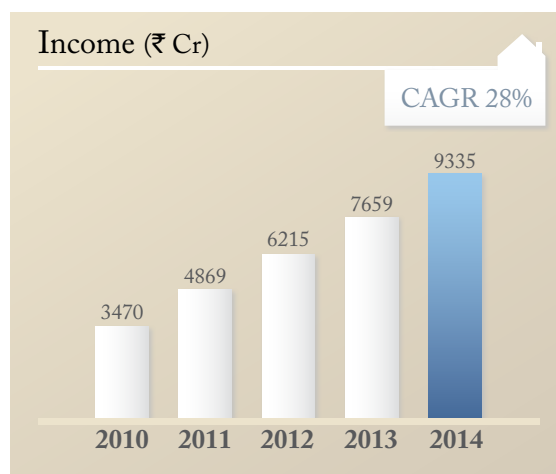
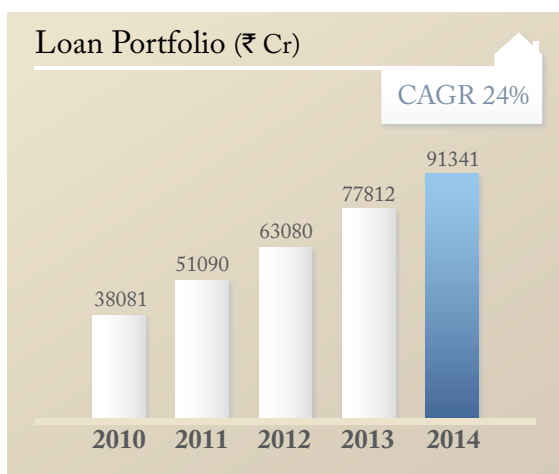
Net Profits ₹ 1,317.19 crore, up by 29%

Total Loan portfolio up by 17% to ₹ 91,341 crore

Individual Loan Portfolio up by 18% to ₹ 88,559 crore

NIMs 2.25% as against 2.18%

Total Gross NPAs 0.67%

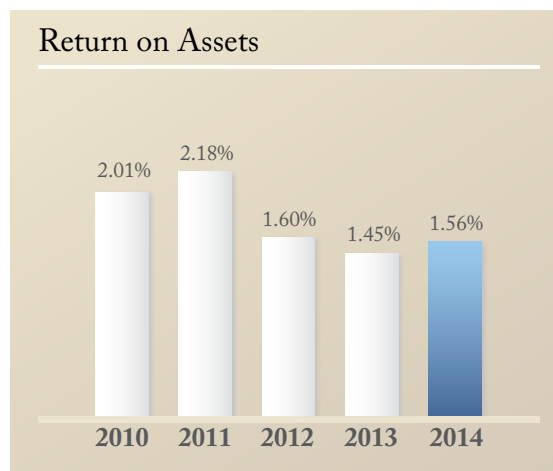
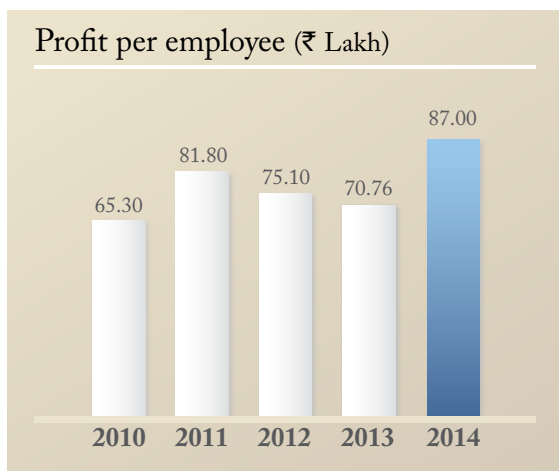
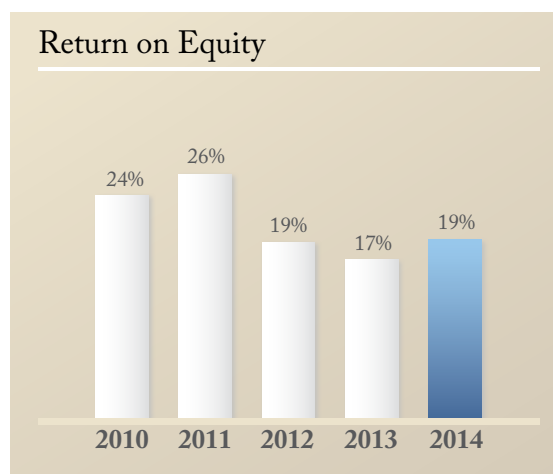
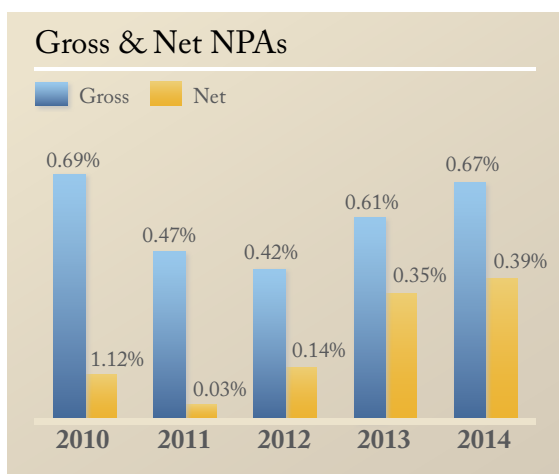


Net NPAs 0.39%

Gross NPAs in individual loan portfolio 0.27%  
down from 0.32%

Dividend for the year 225% as against 190%

Cost to NII 16.5% down from 18.4%







## CHAIRMAN'S LETTER TO THE SHAREHOLDERS

*“During FY2014, our outstanding Loan Portfolio grew by 17% to ₹ 91,341 crore. We have achieved this level of performance by concentrating on the needs of our customers, aiming to provide ongoing good value and exceptional service at all times.”*



Dear Shareholders,

It gives me great pleasure to write to you at a time when your Company has crossed a major milestone. As you would be aware on 19<sup>th</sup> June 2014, your Company has completed twenty five years in operation. 25 years that was scored a rich history of highly prolific and dynamic growth. Over this period, we delivered steady and solid progress and growth, even during challenging episodes of sluggish economic activity and slow growth, as we have witnessed during the last few years in particular. We have consistently been a well-run housing finance focused business, based on a model that allows us to take a long term view. Over the years, we have had the privilege of being well served by stable, high quality executive teams that have steered us

through the highs and lows and have allowed us to maintain ourselves in a fit shape for the future. In all, LICHFL has proved to be a leader among peers, with the strength of our business model allowing us to thrive, to build our market shares and to deliver consistent long term value to our shareholders.

The next 25 years will, no doubt, also have its ups and downs, but we look forward to it with great zeal and heightened anticipation of India truly realising its promise. With this transformation, a greater section of our society will aspire to fulfil their goals of home ownership. This will no doubt continue to keep us busy and growing.



## STRONG FINANCIAL PERFORMANCE

FY2014 was a year full of uncertainties and volatilities. Towards the beginning of the year there was a sharp depreciation in the currency that led RBI to take unprecedented measures on interest rates and liquidity. The economy continued on a rough patch with GDP growth less than 5% and with elections round the corner put everyone in wait and watch mode. Globally, the tapering of Quantitative Easing also had its impact on liquidity. All of this impacted the housing sector along with the rest of the economy.

Despite macroeconomic challenges and a slowdown in GDP growth, LICHFL managed to turn out good performance. Our performance over the past year continues to be in line with our strategy of being a modern home finance institution: looking after the needs of savers, home owners and providing a whole range of financial services and products. Our outstanding loan portfolio grew by 17% to ₹ 91,341 crore. We have achieved this level of performance by concentrating on the needs of our customers, aiming to provide ongoing good value and exceptional service at all times. Most significantly, despite steep challenges, we increased our NIMs, grew our assets by over 17% and lowered our NPAs even further. At the end of the year, the Board was pleased to declare a dividend for the year at 225% as against 190% for FY2013.

## HELPING FIRST TIME HOME BUYERS

As a housing finance business it is imperative that we are able to deliver ongoing, long term benefit to both new and existing customers. I am proud of our record over the past year, during which we have focused on providing mortgages to first time buyers and making our best mortgage deals available to existing borrowers. During the year we have helped more than 176,000 families take their first steps into home ownership. Our approach allows us to fulfil our core aim of helping people to buy their homes and to deliver sustainable value to our loyal customers.



*We have always come out on top through many cyclical ups and downs faced during our 25 year history.*

## DEDICATION OF OUR EMPLOYEES

At LIC Housing Finance we are proud of our people and the manner in which they bring our brand to life for our customers. It is vital that our people are fully engaged in the aims of LIC Housing Finance and are provided with the tools to allow them to provide exceptional customer service. The provision of an exceptional customer experience at all times and through all of our business channels, including digital channels, is central to our purpose. I am immensely proud to see our success being recognised through both internal and external surveys, and would like to put on record my thanks to our people for their continued dedication and focus on the needs of our customers. We expect a lot from our people, and consequently invest heavily in creating a working environment where our people can flourish.

I look forward to the continued support of all our stakeholders in taking your Company forward on this journey of sustainable and profitable growth.

With best wishes,

**S. K. Roy**  
Chairman



## AN INTERVIEW WITH THE MANAGING DIRECTOR & CEO Ms. Sunita Sharma

*“Alongside our strong financial performance, we have high levels of liquidity and have made significant strides in ensuring that our business is amongst the best capitalised housing finance companies in India, delivered through superior profitability.”*



### HOW HAS LICHFL FARED IN TERMS OF PERFORMANCE DURING FY2014?

Over the past 12 months we have played a major role in providing finance to the Indian housing market, with gross and net lending both increased year on year. Amidst challenging environment, we performed well, primarily due to a balanced strategy focussing both on growth and risk management.

Given the macro-economic scenario, asset quality challenges intensified during the year. We enhanced our monitoring of the portfolio to enable us to take proactive action and focussed on improving our core operating parameters. As a result, we were able to contain the NPA ratio to 0.67% at March 31, 2014 and grow our profit after tax by 29% in FY2014 to reach ₹ 1317.19 crore. Our prudent approach to mortgage lending is evident in our NPA ratio,

which is the lowest amongst the top five industry players. The level of profit after tax represents a return on average assets (RoA) of 1.56%, an improvement of 11 basis points compared to the RoA of 1.45% in FY2013.

We continued to focus on efficiency and productivity and further reduced the cost-to-income ratio to 16.5%. We improved our net interest margin from 2.18% in FY2013 to 2.25% in FY2014. We achieved our objective of accelerating the momentum in retail lending. Our retail disbursements also grew, translating into an overall year-on-year portfolio growth of 17%.

On our subsidiaries front, LICHFL AMC's first fund offering-URBAN DEVELOPMENT FUND started deploying their fund in various investment opportunities.

## HOW WELL IS LICHFL CAPITALISED TO SUSTAIN ITS GROWTH TRAJECTORY?

Our business continues to be well supported by the strength of our balance sheet. In line with our status and focus on the provision of mortgages and savings to our customers, over 97% of our lending is secured on residential property. Delivering strong financial performance consistently underpins our promise to be safe and secure. As a Housing Finance Company, we aim to optimise profit, retaining sufficient earnings to support future growth, sustain strong capital ratios and to allow us to invest in the business to provide the services that our customers demand. Our performance this year is in line with this aim and helps us to deliver a long term, sustainable business that operates purely in the interests of our customers, employees and shareholders.

Alongside our strong financial performance, we have high levels of liquidity and have made further significant strides in ensuring that our business is amongst the best-capitalised housing finance companies in India, delivered through superior profitability. During the year, we continued to strengthen our funding profile, mobilising approximately ₹ 700 crore of deposits in FY2014.

## WHAT ROLE DO YOU SEE TECHNOLOGY PLAYING IN THE FUTURE?

We remain committed to home financing, providing outstanding retail financial services to a growing customer base and expanding our complimentary products and services that are very much relevant and needed by our customers. Customer behaviour and expectations are changing with an increasing use of internet and mobile channels, and we will ensure that we respond accordingly. Whilst our current online applications have improved customer service and increased technical resilience, it is likely that over the next few years the pace of change will speed up, with an increasing number of initiatives to enable LIC Housing Finance to operate in an

ever evolving digital society. At the same time we will not lose sight of the fact that some customers prefer branches and face-to-face channels to digital services, and we will continue to operate and maintain these channels to ensure that we meet the needs of all of our customers. Apart from this, there is ample scope of using better and new software systems that can improve our internal workings and relationship management. I expect much effort will be placed in improving our productivity and quality of customer engagement.

## WHAT IS YOUR OUTLOOK FOR LICHFL IN THE NEAR TERM?

Going forward, I sincerely hope that there will be structural reforms that will impact our sector positively, such as an increased limit of interest/principal deduction on home loans; recognition of Housing as an Industry; a mechanism that facilitates faster approvals for realty projects and finally, the introduction of a regulatory body to oversee customer rights.

In the medium term, we expect the Indian economy to continue to improve over the coming years. The health of the Indian housing market has been the subject of much study and commentary in recent months. All regions are now experiencing some growth, but the big increases are mainly centred on Tier 1 and Tier 2 cities and there are few signs of affordability being stretched in other Indian regions. Our business performance is strong, and we believe it will improve further over the coming year, with a further increase in margins and a continued growth in our various products. The future is not without challenges; the whole industry needs to evolve its approach to delivering compliant solutions in a fast moving digital world in line with customer expectation. However, we are very confident that we are in an excellent position to deliver more value to more customers in the coming years.



## AWARDS & ACCOLADES



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2009 Outlook Money  
NDTV Profit Awards:  
Runner Up in the  
category of  
Best Home Loan provider



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2012- Outstanding  
in Home Finance -  
Construction Industry  
Awards 2012





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2012 - Best Housing  
Finance Company by  
CNBC TV18  
IBFA Awards



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February 2014 Best  
Housing Finance Company  
by ABP News

# INNOVATIVE PRODUCTS PIONEERED FOR CUSTOMER CONVENIENCE

*We have disbursed  
₹ 140,000 Cr. in home loans, over  
the last 25 years.*

*It's that sense of confidence they feel that  
makes it all worthwhile.*

We listen to customers carefully and try to understand their precise and differentiated needs. Each group of customers have their own set of unique conditions and we strive to serve them better through innovative products that are designed to suit their requirements more precisely. During our history of 25 years, we have introduced several path-breaking and new products to the marketplace. Some of these include Bhagyalakshmi designed specially for women. This product created an entirely new category and redefined home

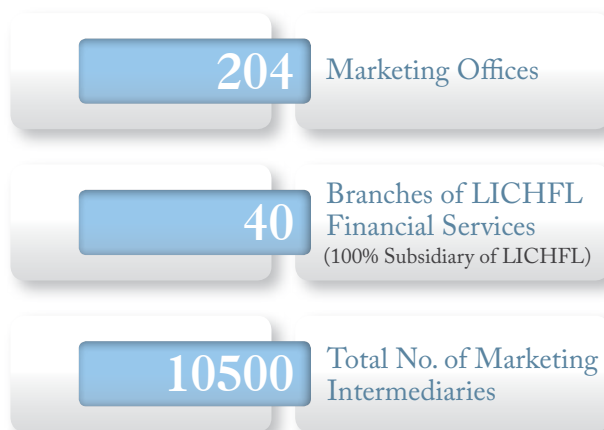
ownership by making women first owners of the property from being a mere co-borrower to the loan. Another example of our out-of-the-box thinking is the Freedom product, where the interest rate is floating with an option to fix it in order to insulate a borrower from interest rate volatility. Such innovative products were designed with our customers' special needs in minds and are testament to our creativity and passion to satisfy our customers. Our loan products truly represent a Peace of Mind.







## BEING CLOSER TO OUR CUSTOMERS



*More than 16 lakh families own homes with our support, over the last 25 years.*

*It's that sense of security they feel that makes us firm in our resolve.*

In today's vast India, individuals and businesses need to travel and pursue all corners of the country. We have a vast network that is built to deliver customer convenience. With a wide matrix of highly trained agents serving through over 204 offices across almost all States within India, our customers will always find an LICHFL expert in close proximity. With face-to-face interaction within a short notice, our customers are able to complete a transaction with full knowledge and transparency. In fact, more often than not,

our representative visit our customers' doorsteps and handhold them through the process and documentation smoothly and efficiently. Our trained field force provides with the most essential "Last Mile Connectivity". Going forward, we are determined to expand our access to different sections of society. India's progress is inextricably linked to the progress of our multiple tiered areas. Its vast opportunity and potential to generate value will be a key priority for us.

## ASSISTING BUYERS CHOOSE THEIR DREAM HOME

*Our representatives have been  
helping Indians own homes, over  
several years.*

*It's that sense of comfort they feel that  
keeps us ticking.*

Buying a house can be time-consuming and stressful experience, from the initial search for the perfect property, negotiating price and timescales, right through to registering with utilities and notifying everyone of your change of address. Our Property Services Division assist prospective home buyers and makes this process less stressful. Helping on every level and at every stage of the process, we

try to understand our clients' requirements in terms of property, location, budget and timescales. Our experts can provide area advice to suit budgets, apply for a well matched loan and offer previews of all suitable properties. Our own loan documents are customer friendly and are completely transparent without any fine prints to worry about.









## LEVERAGING TECHNOLOGY TO SERVE OUR CUSTOMERS

*We have made our home loan  
processes simple and transparent,  
over the last 25 years.*

*It's that sense of freedom people feel with their own  
homes that inspires us to do better.*

At LIC Housing Finance, we make it our business to bring convenience to our customers' doorsteps and nothing delivers our way of service better than the internet. With the world-wide-web at the fingertips of most people, dealing with us around the clock has become a real possibility for our homeowners. As daily life gets busier by the minute, our state of the art internet channel allows our customers to access and keep their account with us under control with great convenience. In the choice of their time and place, they can ask for something as simple as a statement with latest figures; monitor their account balances and apply for a loan with a quick turnaround.

To strengthen our relationship with our customers, we have begun leveraging the full power of a Customer Relationship

Management system. This allows us to carefully track the entire life cycle of our relationships - right from introductions to closure of a loan. Through this tool, we keep in close touch with our customers and anticipate their requirements throughout our relationship with them.

Financing home purchases is a document intensive process. We have also begun using secure document storage solutions with specialised warehouses that are secure and can facilitate quick turnaround times for accessing archived original documents. This allows us to speed up our service levels with our customers, while giving them total peace of mind on the safety of their ownership deeds.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS (as on 03.07.2014)

S. K. Roy	: Chairman (from 01.08.2013)
S. Ravi	: Director
K. Narasimha Murthy	: Director
B. N. Shukla	: Director
Jagdish Capoor	: Director
Savita Singh	: Director
T. V. Rao	: Director (from 01.08.2013)
S. B. Mainak	: Director (from 03.07.2014)
Sunita Sharma	: Managing Director & CEO (from 05.11.2013)
D. K. Mehrotra	: Chairman (upto 31.05.2013)
Dhananjay Mungale	: Director (upto 03.06.2013)
V. K. Sharma	: Managing Director & CEO (upto 01.11.2013)
Sushobhan Sarker	: Director (upto 31.05.2014)

## GENERAL MANAGER (TAXATION) & COMPANY SECRETARY

Nitin K. Jage

## SENIOR EXECUTIVES (as on 03.07. 2014)

Ajith Kumar L	: General Manager
N.K. Mittal	: Chief Financial Officer
L. C. Meena	: General Manager
S. T. Samtani	: General Manager
Purnendu Shekhar	: General Manager
P. Narayanan	: General Manager
S. R. Sharma	: Chief Manager
Purti Samant	: Chief Manager
N Mahesh	: Associate Chief Manager

## REGIONAL MANAGERS (as on 03.07.2014)

Rajaraman R J	South Central Region, Bangalore
Pramod Kumar Gupta	Central Region, Lucknow
Mahendra Kapoor	Northern Region, New Delhi
Mallikharjuna Rao P	South Eastern Region, Hyderabad
Arup Dasgupta	Eastern Region, Kolkata
Karuppaiah M K	Southern Region, Chennai
Ashwani Kumar Raina	Western Region, Mumbai

## 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 OFFICE

Bombay Life Building, 2<sup>nd</sup> Floor,  
45/47, Veer Nariman Road,  
Mumbai - 400 001.  
**Phones :** 022- 2204 0006, 2204 9682 & 2204 9919  
**Fax :** (022) 2204 9839.  
**CIN :** L65922MH1989PLC052257

## CORPORATE OFFICE

131 Maker Tower, "F" Premises,  
13<sup>th</sup> Floor, Cuffe Parade,  
Mumbai – 400 005.  
**Phones:** 022-22178600, 22178700 & 22178611  
**Fax:** (022) 22178777  
**CIN:** L65922MH1989PLC052257

**Email:** [lichousing@lichousing.com](mailto:lichousing@lichousing.com)  
**Website:** [www.lichousing.com](http://www.lichousing.com)

## REGISTRAR & 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](mailto:sharexindia@vsnl.com)  
**Website:** [sharexindia.com](http://sharexindia.com)

## DEBENTURE TRUSTEE

### IDBI Trusteeship Services Limited

Asian Building, Ground Floor,  
17, R. Kamani Marg,  
Ballard Estate, Mumbai 400 001.  
**Phones:** 022- 40807000  
**Fax:** 022 – 66311776 / 40807080  
**Email:** [itsl@idbitrustee.com](mailto:itsl@idbitrustee.com)  
**Website:** [www.idbitrustee.co.in](http://www.idbitrustee.co.in)

### IL&FS Trust Company Limited

Plot C-22, G-Block,  
Bandra-Kurla Complex,  
Bandra East, Mumbai – 400051.  
**Phones:** 022-26533333  
**Fax:** 022- 26593038  
**Email:** [info@ilfsindia.com](mailto:info@ilfsindia.com)  
**Website:** [www.ilfsindia.com](http://www.ilfsindia.com)

# BOARD OF DIRECTORS



**S. K. ROY,**  
*Chairman*



**S. RAVI,**  
*Director*



**K. NARASIMHA MURTHY,**  
*Director*



**B. N. SHUKLA,**  
*Director*



**JAGDISH CAPOOR,**  
*Director*



**SAVITA SINGH,**  
*Director*



**T. V. RAO,**  
*Director*



**S. B. MAINAK,**  
*Director*



**SUNITA SHARMA,**  
*Managing Director & CEO*



## 1. SHRI S. K. ROY

### Director

Shri S. K. Roy took charge as, Chairman, Life Insurance Corporation of India, on 29.06.2013. He began his career in LIC of India as a Direct Recruit Officer of the 11<sup>th</sup> batch, in 1981. He did his MA and LLM from University of Delhi and University of Warwick, respectively. He then acquired his Ph.D from University of Burdwan, on International Labour Migration.

In a prolific career spanning more than three decades, he has gained vast experience by working in several assignments in various departments of LIC like Personnel, Legal, Estates, LIC Housing Finance Ltd., Bancassurance, and International Operations. He has held the distinguished position of being Zonal Manager (In Charge) of two Zones, viz., North Central Zone and Eastern Zone, one of the premier Zones of the Corporation.

He has been on Boards of Companies as a Nominee Director from LIC and is associated with insurance education, training and research through prominent positions held in Insurance Institute of India, Mumbai and National Insurance Academy, Pune.

Interested in reading and sports, he firmly believes that human resources are the prime assets of the organisation and the key to success is unleashing their potential. His passion is to spread life insurance to all the insurable people and further strengthening LIC's position as the premier financial institution.

## 2. SHRI S. RAVI

### Director

Shri S. Ravi, aged 55 years, was inducted as an Independent Director on the Board of LIC Housing Finance Ltd on 26.06.2005. He is a Fellow Member of the Institute of Chartered Accountants of India and holds a Masters Degree in Commerce.

His experience includes holding a number of positions on the Board of Banks, Financial Institutions and Asset Management Companies in the financial sector. As the Promoting and Managing Partner of RRCA & Associates, Chartered Accountants and Ravi Rajan & Co, Chartered Accountants, he supervises the entire gamut of audit and accounting activities of both the firms and offers Financial and Management Consultancy in specialised areas comprising of Business Valuations, Brand Valuation, Mergers and Acquisitions, Rehabilitation, Restructuring and Turnaround Strategies.

- Currently, serving as Director on the Boards of IDBI Bank Limited and appointed by Government of India as a Part-time Non-official Director of Oil & Natural Gas Corporation Limited (ONGC).
- He is also on the boards of IDBI Capital Market Services Ltd, SBI-SG Global Securities Services Pvt Ltd, SMERA Ratings Limited, STCI Finance Ltd, STCI Primary Dealer Ltd, Tourism Finance Corporation of India Ltd and UTI Trustee Company Pvt Ltd.
- In the past, have served on the Boards of Union Bank of India, UCO Bank, Dena Bank and Corporation Bank. Also, during tenure of Directorship, was part of the Strategic Revival Group of UCO Bank, Strategic Revival Committee of Dena Bank.
- Has also served as a Trustee on the Board of Governors of Management Development Institute (MDI).
- Was appointed by RBI and Government of India as Chairman of Technical Experts Committee of Punjab & Sind Bank for Strategic Revival of the Bank.
- Past experiences also include serving as Director on the boards of Bharat Heavy Electricals Limited (BHEL) – appointed by Government of India – was Lead Independent Director and Chairman of



the Audit Committee, IFCI Limited (was part of the Revival Committee), Hindustan Aeronautics Limited, Principal Mutual Fund Trustee Company Pvt Ltd and Trustee of PNB Mutual Fund etc.

- Member of Panel of Experts on MoU of Department of Public Enterprises (DPE), Insurance Advisory Committee of IRDA, Mutual Funds Advisory Committee of SEBI, Working Group constituted by the Government of India for institutionalising Corporate Social Responsibility in Public Sector Enterprises and jury member for the ICAI's Awards for Excellence in Financial Reporting 2014.
- Was a member of Professional Development Committee of ICAI.

### 3. **SHRI K. NARASIMHA MURTHY** **Director**

K. Narasimha Murthy (56), having brilliant academic record, getting ranks in both CA & ICWA courses entered the Profession of Cost & Management Accountancy in 1983. He is associated with the development of Cost & Management Information Systems for more than 150 Companies covering more than 45 Industries. In addition, he is closely associated with turning around of many large Corporates, focusing on systems improvement with Cost Reduction approach.

He is closely involved with several National level Institutions, presently on the Boards of Oil and Natural Gas Corporation Ltd., LIC Housing Finance Ltd., STCI Finance Ltd., (Formerly Securities Trading Corporation of India Ltd.) Infiniti Retail Limited (Subsidiary of Tata Sons Ltd.), Max Life Insurance Company Ltd., Max Healthcare Institute Ltd., Max Bupa Health Insurance Co.Ltd., In addition, he is associated as Board of Supervision NABARD, Tirumala Tirupathi Devasthanams Internal Audit Committee & Investment Committee.

Earlier he was associated as a Director with IDBI Bank Ltd.(2001-'11), UTI Bank Ltd., (presently AXIS Bank)(1999-2004), Unit Trust of India (UTI)(2002-'03), IFCI Ltd.(2008-'09), APIDC Ltd., Bombay Stock Exchange etc. As Chairman of Expert Committee on Urban Co-op. Banks (UCBs)(2002) in A.P., analysed the performance of more than 140 UCBs. Recommendations of the Committee are well received / accepted, being implemented by the concerned agencies.

He has been associated with more than 28 High Level Committees as Chairman / Member both at National & State Level, which include Prasara Bharati Restructuring Committee, Expert Committee on Common Wealth Games, Restructuring Committee of State Level PSUs, Expert Committee on Co-op. Credit Institutions, Fiscal Reforms Implementation Committee, TTD Investment Committee – Tirupati etc.

He is also associated with the development of Cost Accounting Record Rules for many Industries as a member of Informal Advisory Committee, Dept. of Corporate Affairs, Govt. of India. His efforts in the furtherance of Costing & Management Accounting Profession in India were recognised by the Institute of Cost & Works Accountants of India (ICWAI) which has honoured him by giving citation in October 2007. Recently, he is nominated as a Member Convener on the Implementation & Monitoring Committee on Audit Reforms in Public Sector Banks by the Govt. of India.

### 4. **SHRI B. N. SHUKLA** **Director**

Dr. B.N. Shukla is a B.A. Honours with Economics, Master's Degree in Personnel Management and Industrial Relations, Ph.D Degree in Industrial Relations from Patna University. He worked as a Research Scholar in Shree Ram Centre For Industrial Relations, New Delhi for two years in various Research Projects. Joined Patna University as a Lecturer in 1966, and



became University Professor and Head of the Department, Department of Personnel Management and Industrial Relations. He was also a Visiting to the Department of Industrial Relations, Sydney University, Australia; Department of Management Studies, Queens University, Montreal, Canada; and to the School of Industrial Relations, Cornell University, USA.

He also worked as a Functionary in International Labour Organisation (ILO), Geneva and as a Consultant in the ICATVT, Turin, Italy. Was Member, Banking Service Recruitment Board (BSRB), Patna from 1990 to 1996. Worked as a Professor in Industrial Relations and then became the Director for a short period of L.N.Mishra Institute of Economic Development and Social Change, Patna. He was also Member Zonal Advisory Board, Eastern Zone, LIC; Former Member of Consumer's Affairs Committee LIC of India. Presently he is also Member of Bihar Central Standing Labour Advisory Board and Member, Bihar Minimum Wages Advisory Board. He is also Member, Board of Governors, Chandragupt Institute of Management, Patna.

## **5. SHRI JAGDISH CAPOOR**

### **Director**

Mr. Jagdish Capoor joined Reserve Bank of India in 1962 as a Junior Officer and held various positions across different Departments of the Bank. He was appointed Executive Director in 1995. He was appointed Deputy Governor of the Bank in Jan 1997 and held charge of Industrial & Export Credit, Foreign Exchange, Currency Management, Cooperative banking sector, Administration, HRD and Training and retired in July 2001.

While in Reserve Bank he was deputed to Unit Trust of India to take over as Chairman temporarily for a year in 1996.

During his tenure as Deputy Governor at RBI, he was appointed Chairman of Deposit

Insurance and Credit Guarantee Corporation and also Chairman of Reserve Bank of India Note Mudran Limited (currency printing). These were concurrent charges.

During his service with RBI, he was also appointed on the Boards of several banks such as Bank of Baroda, National Housing Bank, Export Import Bank of India, Infrastructure Development and Finance Co, State Bank of India and National Bank for Agriculture and Rural Development.

After retirement from RBI, he was appointed Chairman of HDFC Bank (2001-10), Chairman, Agriculture Finance Corporation (2002-05) and on the Board of Bombay Stock Exchange (2003-10) initially as member and later as Chairman. These were non-executive positions.

Presently he is serving on the boards of several companies – prominent among them being Indian Hotels Company Limited (Taj Group), Manappuram Finance Ltd, Thrissur LIC Pension Fund Ltd, LIC Housing Finance Ltd and a newly licensed bank in Mauritius.

He is also a member of the Board of Governors of the Indian Institute of Management, Indore.

## **6. MS. SAVITA SINGH**

### **Director**

Ms. Savita Singh is a partner with the Real Estate team of the Firm Kahitan & Co. and is experienced in all kinds of property transactions, litigations arising out of property transactions and allied matters. She is a Masters of Arts and an LLB from Mumbai University (2001). She also has professional affiliations with the Bar Council of Maharashtra and Goa.

Her experience includes drafting real estate transactional documents of all kind of general Real Estate advisory work; due diligence of properties; handling litigations arising out of property transactions; and allied matters.

Savita has advised various owners, buyers, developers, corporate houses, individuals, domestic investors and foreign investors' regarding transactions related to immovable properties and various issues related thereto including structuring. In addition to drafting the documents, she is also experienced in negotiating the same. She has also advised on Real Estate transactions in respect of commercial/retail complexes, multiplexes, hotel premises, redevelopment projects, serviced apartments, Special Economic Zones, Information Technology, IT Enabled Services Parks and also Integrated Township Projects. She is experienced in Foreign Direct Investments in immovable property and has also advised as to Indian Law during the offer for subscription of units representing a Business Trust by way of an Initial Public Offering (IPO) in Singapore.

## 7. SHRI T. V. RAO

### Director

Mr. T. V. Rao is an Associate Member of Indian Institute of Bankers and is a career Banker with specialisation in Corporate Finance, Treasury Management and Mortgage backed Securitisation.

In his career spanning over three decades, he has experience in general banking, corporate finance and Treasury Management. He has headed the Treasuries of National Housing Bank, SIDBI and Exim Bank.

In his present assignment, he spearheads Exim Bank's activities related to capacity building and value addition in international trade through focussed seminars/ programmes on a gamut of issues; net working with National and International agencies connected with foreign trade.

Mr. Rao has widely travelled representing the institutions he was working from time to time and participated in various international

seminars on topics like Mortgage backed Securitisation, Derivative Products, Structured Finance etc. He is a member of the International Trade Committee of the Federation of Karnataka Chambers of Commerce and Industry and also the EXIM Bank's nominee on the Board of NATCO Pharma Ltd., Indus Medicare Ltd., Hyderabad, BMM Ispat Ltd., Bangalore, Independent Director on the Boards of LIC Housing Finance Ltd., Mumbai, Electronica Finance Ltd., Pune, Canfin Homes Ltd., Bangalore and Public Representative Director on the Board of BgSE Financial Services Ltd., Bangalore.

## 8. SHRI S.B. MAINAK

### Director

Shri S. B. Mainak, Managing Director of Life Insurance Corporation of India, is a Chartered Accountant. Prior to his joining as Managing Director, he was Executive Director (Investment Operations) managing LIC's funds of more than 14 lakh crore. He joined LIC as a Direct Recruit Officer (CA batch) in the year 1983.

During his stint in LIC he has acquired a wide range of experience working not only in Finance and accounts, but also in Marketing assignment as Sr/Branch Manager, Divisional Manager of Pension & Group Superannuation and in various capacities in Investment department and in Academics during a stint in National Insurance Academy (NIA), Pune as Professor (Life Insurance) and Head of Finance Department of NIA where he has been instrumental in creating new teaching programs relating to finance and investment for officials of Insurance Companies.

He was instrumental in setting up LIC Pension Fund Company Pvt. Ltd. During his recent stint in Investment department as Executive Director (Investment Operations) there has been an appreciable increase in profits generated by churning of Securities, including Debt and Equities and niftier investment of funds generating improved Investment yields.



Currently he is the Chairman of LIC Nomura Mutual Fund Trustee Co. Pvt. Ltd. Also he is on the Board of National Stock Exchange of India Limited, Mahindra & Mahindra Limited, ITC Limited, LIC Cards Services Limited, LIC (Nepal) Limited. Further, he is Dy. President of Insurance Institute of India and Member of Governing Board of National Insurance Academy, Pune. He was also appointed by the Government of India on the Board of Satyam Computer Services Ltd. as Independent Director for restructuring the company. He was on the Board of Stock Holding Corporation of India Limited.

He has been earlier conferred with "NDTV Profit Business Leadership Award" 2009, "CNN-IBN Indian of the Year Award" 2009 and "Dataquest IT Persons of the Year" 2009.

## 9. **MS. SUNITA SHARMA MD & CEO, LICHL**

As the first woman to head LIC Housing Finance Ltd, the country's second-largest mortgage lender in its 25<sup>th</sup> year, Sunita Sharma has the responsibility of guiding the organisation to its next level of growth.

A Masters Degree in Science from Delhi University, she joined the Life Insurance Corporation as Direct Recruit Officer of 11<sup>th</sup> batch in 1981. A person who always enjoys taking on challenging assignments, her career with LIC of India spans across various functions like Investments, Marketing, Personnel etc. She prides herself as a Team Player and believes in the power of human potential that is required to scale up any business. She has shown initiative, courage and conviction when it comes to decision making and taking things to a logical end while always leading from the front. Her intellect, energy and integrity are integral to her personality counted by her colleagues. Her dynamic personality is her main strength and she does not hesitate when it comes to reaching out and convincing people within the organisation and outside. These

qualities foster loyalty with many in her team volunteering to work with her.

In her illustrious career of over three decades with LIC of India,

- She headed its Investments Department in the rank of Executive Director looking after equity research and risk management in 2013
- As Head of Pension & Group Schemes in the rank of Executive Director of LIC of India, during her span of 4 years, premium income more than trebled to ₹ 46,000 Cr from ₹ 10,549 Cr between 2008 & 2012
- As Chief (Personnel) in LIC of India, she was responsible for conceptualising and designing HR strategies for LIC of India.
- As Regional Manager (Estates & Office Services) she played a key role in LIC acquiring property worth more than ₹ 2000 Cr
- As Regional Manager (Northern Region) of LIC Housing Finance covering the states of Delhi NCR, Rajasthan, Chandigarh, Punjab and Himachal Pradesh, she played a pivotal role in establishing new business model of separating sales and credit functions.

In December, 2013 the Institute of Economic Studies (IES), New Delhi conferred her with "UDYOG RATTAN AWARD" for excellence. Besides her present role as MD & CEO of LIC Housing Finance Ltd, she is also the Managing Director of LICHL care Homes Ltd and is on the Boards of LICHL Financial Services Ltd, LICHL Asset Management Company Ltd, LIC Nomura Mutual Fund Asset Management Company Ltd & Bhushan Steel Ltd.



# MANAGEMENT DISCUSSION & ANALYSIS

## MACRO-ECONOMIC & MONETARY DEVELOPMENTS IN 2013-14.

### Global Economy

Since January 2014, global outlook remained broadly unchanged though initial data to some extent cloud optimism. Global economic activity had strengthened during the second half of 2013. On the current reckoning, global growth is likely to be in the vicinity of 3.5 percent in 2014, about 0.5 percent higher than in 2013. The expansion in global output is expected to be led by advanced economies, especially the US. However, downside risks to growth trajectory arise from ongoing tapering of quantitative easing in the US, continuing deflation concerns and weak balance sheets in the euro area and, inflationary pressures in the emerging market and developing economies. Weakening growth and financial fragilities in China that have arisen from rapid credit in recent years pose a large risk to global trade and growth.

Growth also picked up in the emerging market and developing economies during the second half of 2013, but the momentum looks weaker than in advanced economies and it faces new risks. Improved emerging market and developing economies growth emanated largely from external demand on the back of currency depreciation in these countries. Going forward, drag on its sustainability may emerge from tightening monetary and financial conditions that can intensify further in case of a faster than anticipated withdrawal of monetary accommodation by advanced economies. Recent sovereign rating downgrade for Brazil and downward revision in rating outlook for Russia has also added to the growth risks for emerging market and developing economies.

Global inflation remains benign with activity levels staying below potential in the advanced economies as well as in some large emerging market and developing economies and a softer bias for global commodity prices continuing into 2014. However, inflation in many emerging market and developing economies remains high, though actions in tightening monetary policy and slack in output are expected to help generate some disinflationary momentum. The divergent trends in inflation between advanced economies and emerging market and developing economies pose an added risk of global growth.

After the unexpected shock from the May 2013 tapering indication by the US Fed, global financial markets have weathered the initial dose of actual tapering of the quantitative easing quite well. However, the global interest rate cycle has just begun to turn. Moreover, a large part of the withdrawal of monetary accommodation by advanced economies remains to play out. Consequently, capital flows to emerging market and developing economies could remain volatile, even if they do not retrench. Also, with corporate leverage rising in many

emerging market and developing economies, capital flow volatility could translate into liquidity shocks impacting asset prices.

### The Indian Economy

While the global environment remains challenging, policy action in India has rebuilt buffers to cushion it against possible spillovers. These buffers effectively bulwarked the Indian economy against the two recent occasions of spillovers to emerging market and developing economies – the first, when the US Fed started the withdrawal of its large scale asset purchase programme and the second, which followed escalation of the Ukraine crisis. On both these occasions, Indian markets were less volatile than most of its emerging market peers. Much more efforts in terms of removing structural impediments, building business confidence and creating fiscal space to support investments will be needed to secure growth.

Annual average CPI inflation has touched double digits or stayed just below for the last six years. This has had a debilitating effect on macro-financial stability through several channels and has resulted in a rise in inflation expectations and contributed to financial disintermediation, lower financial and overall savings, a wider current account gap and a weaker currency. A weaker currency was an inevitable outcome given the large inflation differential with not just the advanced economies, but also emerging market and advanced economies. High inflation also had adverse consequences for growth. The withdrawal of the fiscal stimulus following the global financial crisis was delayed considerably longer than necessary and may have contributed to structural increases in wage inflation through inadequately targeted subsidies and safety net programmes.

Since second half of 2012-13, demand management through monetary and fiscal policies has been brought in better sync with each other with deficit targets being largely met. The Reserve Bank cut policy rates by 75 basis points during April 2012 and May 2013 for supporting growth, delayed fiscal adjustment materialized only in second half of 2012-13, by which time the current account deficit (CAD) had widened considerably. The easing course of monetary policy was disrupted by 'tapering' fears in May 2013 that caused capital outflows and exchange rate pressures amid unsustainable CAD, as also renewed inflationary pressures on the back of the rupee depreciation and a vegetable price shock. The Reserve Bank resorted to exceptional policy measures for further tightening the monetary policy. As a first line of defence, short-term interest rates were raised by increasing the marginal standing facility rate by 200 basis points and curtailing liquidity available under the liquidity adjustment facility since July 2013. As orderly conditions were restored in the currency market by September 2013, the Reserve Bank



quickly moved to normalize the exceptional liquidity and monetary measures by lowering the marginal standing facility rate by 150 basis points in three steps. However, with a view to curtailing inflation that was once again rising, the policy repo rate was hiked by 75 basis points in three steps.

Recent tightening, especially the last round of hike in January 2014, was aimed at containing the second round effects of the food price pressures felt during June-November 2013. Since then, inflation expectations have somewhat moderated and the temporary relative price shock from higher vegetable prices has substantially corrected along with a seasonal fall in these prices without further escalation in food and fuel CPI inflation.

Against this background there are three important considerations for the monetary policy ahead. First, the disinflationary process is already underway with the headline inflation trending down in line with the glide path envisaged by the Urjit Patel committee, though inflation stays well above comfort levels. Second, growth concerns remain significant with GDP growth staying sub-5 percent for seven successive quarters and index of industrial production (IIP) growth stagnating for two successive years. Third, though a negative output gap has prevailed for long, there is clear evidence that potential growth has fallen considerably with high inflation and low growth. This means that monetary policy needs to be conscious of the impact of supply-side constraints on long-run growth, recognizing that the negative output gap may be minimal at this stage.

(Source: RBI Macroeconomic & Monetary Developments 2014-15 (An Update) – 1<sup>st</sup> April, 2014)

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

India's housing finance industry comprises banks and housing finance companies. India's Urban Population has grown over the past 4 decades from 109 million in 1971 to 377 million in 2011 and is expected to grow to almost 600 million by 2030.

The agenda of housing for all is a key component of the government's strategy for making Indian cities inclusive and productive. While rapid urbanization and growing cities provide various opportunities, there is fallout in terms of proliferation of slums, high prices of land and building materials which render houses unaffordable for the segment at the bottom of the pyramid. The technical committee constituted by the Ministry of Housing and Urban Poverty Alleviation has estimated housing shortage at 18.78 million during the 12th Five Year Plan period of which over 95 percent of this housing shortage is estimated in the Economically Weaker Sections (EWS) and Low Income Group (LIG) categories. In this direction, Ministry has been implementing Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Rajiv Awas Yojana as supply side interventions to tackle the problem of slums. The scheme of Affordable Housing in Partnership aims to encourage private sector participation in creation of affordable housing stock recognizing that mere efforts of Government would be

insufficient to address the housing shortage.

With increasing urban population it is estimated that it would generate unprecedented demand for quality real estate and infrastructure. Approximately 123 million of urban population by 2020 is likely to require professional assistance for construction of houses. This would 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.

Housing Finance Companies which have access to funds, at moderate cost, better operational and credit control, and better service quality will continue to grow. The housing finance sector is set to see higher growth in the next few years, with an increase in the demand and supply of housing projects. According to estimates, the total housing credit outstanding in India as of 30<sup>th</sup> June, 2013, was over ₹ 7.99 lac crore, against ₹ 7.59 lac crore on 31<sup>th</sup> March, 2013.

Although, there was a slight decline in net interest margins and stability on the non-performing-loan front, overall, declining net interest margins and increasing credit provisions may lead to a 20-30 basis point reduction in profitability for housing finance companies. However, profits could still be reasonable. According to a leading credit rating agency, disbursements of home loans are projected to grow by 19 percent in the next financial year.

According to estimates of leading research agency, banks would record growth in the range of 16 to 17 percent, while housing finance companies and non-banking finance companies could see growth in the range of 23 to 26 percent. Experts believe housing supply is increasing and prices will come down with new projects coming up in major metros and tier-II cities. Presently, India's ratio of housing loans to GDP is seven percent, which is lowest in the world. Most purchases of homes are still made out of savings.

The shortfall of dwelling units has been growing and is now estimated at over 25 million units. Bridging this gap, entails the creation of the quantum of housing that currently exists in Mumbai, Delhi, Kolkata and Chennai together. This adds to the assurance that the housing industry will get a boost, making it easier for borrowers and lenders to meet their demands for housing and loans, respectively.

Despite weak home sales in many cities, prices continued to rise in 16 property markets including Delhi, Bangalore, Chennai and Pune in the quarter ended December 2013 according to the National Housing Bank's housing prices index, NHB Residex. Further according to NHB, prices in Mumbai, India's most expensive property market remained stagnant. The highest rise of 8 percent was in Nagpur, followed by Guwahati, Pune and Surat that saw prices rising 6-7 percent higher, according to the index that tracks pricing trends across 26 cities. Demand is firm in tier II and III cities. Prices showed a declining trend in eight cities with the maximum drop in

Vijayawada at 3.6 percent. This was followed by Lucknow, Meerut, Coimbatore, Jaipur and Chandigarh, where prices fell 2-3 percent. Prices fell 1 percent in Kolkata and Kochi. NHB Residex has been tracking home prices on a quarterly basis since 2007.

### 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 demand for affordable housing projects.

For markets to work, two things are very important, one, the availability of land at affordable rates, and the other, 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 Lac 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 introduced The Real Estate (Regulation and Development Regulation), Bill, 2013 which aims at establishing a regulatory authority, for enforcing fair practice and accountability norms and fast track dispute resolution mechanism in real estate transactions.

The Indian real estate sector has been on a growth mode in the last three years. The sentiment by and large has been that the sector has weathered the crisis, post the global slowdown. The PE investment in Indian realty has already registered a 26 percent increase in the first three quarters of 2013. The prospects of the Real Estate Investment Trust (REIT) becoming a reality in the coming months would open up another funding option for the sector and also benefit the retail investors who otherwise cannot afford to buy property. If REIT is allowed in the country without additional taxation issues defeating the purpose, it will also help the sector become more transparent and professional in its functioning. The Land Acquisition Act aims to ensure fair market compensation to the land owners and to put an end to the trust-deficit, protest and in some cases, judicial intervention, leading to stalling of the project. The real estate market has an underlying demand especially for first home buyers and surprisingly starting from a range of ₹ 25 lac and going upto ₹ 5 crore.

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 purchases 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.

Integrated townships are clusters of housing and commercial businesses with associated infrastructure such as roads, schools, hospitals, convenience shopping, water treatment plants and drainage and sewage facilities and they are the format of the future when it comes to city development, as they provide a more holistic living environment and prevent the mushrooming of unplanned urban villages.

### 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 whereas housing finance companies were contemplating to raise it to offset losses on waiver of pre-payment penalty. Borrowers in metropolitan cities, where deal values are substantially higher than rest of the nation, would be spared a huge one-time payment.

Banks taking cue from product aimed at catering to the needs of women folks, launched by housing finance company, introduced similar product. However, the rate of interest for the product offered by the lender remains a critical factor for the borrowers while availing the loan.

Besides efficiency, interest rates have been one of the key differentiators among housing finance entities. 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 ₹ 75 lac. 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 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. Catering to this basic concern several housing finance companies and banks extend various loan schemes.

With real estate investments turning out to be a proven and time – tested asset appreciation mechanism, any time can be considered a good time for investment in property. However, purchase behaviours are often affected by auspicious dates, as defined by the Indian calendar. "This is particularly so, in the case of individuals buying homes for their own use, where the emotional reasons to buy on an auspicious date, assume greater importance". After all, a home is one of the most significant investments of a lifetime.

For the last few quarters, developers have been gearing up in order to buck the market trend and devise various measures to incentivise their property sales to prospective buyers. As buyers are getting more price sensitive, developers are also offering discounts on the rates per square feet charged from the customers.

To support affordable housing, an additional benefit for first-home buyers which was introduced in the last Union Budget continues in terms of section 80EE of the Income-tax Act, 1961.

There are several tax advantages that can be availed by investing in a second home. These include:

1. The rent received from the second home (Less 30 percent for repairs & maintenance) can be set off against the interest paid on the home loan taken for purchase of the said home. If the rent received is less than the interest paid, then the resultant "Loss from House property" can be set off against income from any other source/ heads. Thus, there is a tax hedge provided by the property till it begins to pay for itself.
2. When the flat is sold, the acquisition cost (adjusted for indexation) is deducted from the sale proceeds and only the balance is taxable.

Further, the incentives provided in the Union Budget for FY 2012-13 continues such as Allowance of External Commercial Borrowing (ECB) for the affordable housing, extension of one percent tax subvention on home loans up to ₹15 lac where the cost of the house is upto ₹25 lac and increased funding on highways and infrastructure, are steps that could go a long way in reviving the realty market. The withholding tax on ECBs for affordable housing which has been reduced from 20 percent to 5 percent for three years could go a long way in easing 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, fertilizers and affordable housing is provided at the rate of 150 percent, as against the rate of 100 percent

provided earlier. This would 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 would 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 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.

A house is a stable asset and is not bought and sold frequently. There is no greed or desire to cash in when the prices are high and there is no panic when prices do not rise. An important psychological factor is that real estate prices do not fluctuate on a daily basis and there is no mark to market that is available on a daily basis. This makes the house a comfortable asset to hold.

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.

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 professionals aspiring to own additional home than the one they reside in, thus leading to a 'Second Home Wave'.

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.

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)**

Unavailability of land, delays in project approvals and low floor space index norms are constraining the supply in certain markets, thereby affecting the ability of prices to settle at a more rational level.

Residential real estate is defying the conventional wisdoms of economics where a constant price hike is not benefitting the real estate companies either. With pressure on both, the demand and supply side, residential real estate has gone into a vicious cycle of ever increasing cost, falling demand, liquidity crunch and last but not the least, delay in approvals adding to the woes of the developers. Home sales have slowed down, private equity has dried up, the primary market is subdued and banks have been reluctant to lend to builders. A combination of consumer activism, agitation by farmers, bureaucratic delays, labour shortage and legal wrangles, have contributed to the holding up of projects.

Land acquisition complexities could put off investors. The core issues that surround the acquisition of land are more complex than those related to built-up property. Also, there are issues of multiple approval requirements for any housing project varying from State to State.

### **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**

Rising inflation, rupee depreciation and increasing cost of capital added to the woes that affected demand as well as future supply dynamics of real estate in the country. However, in the last quarter, the government has tried to ease sluggishness in the market by announcing a few reforms to revive the sentiment. The revival in the sector has brought hope as we move towards the New Year.

Despite the sluggish trend, the residential real estate market witnessed good demand. Residential was the only sector that witnessed moderate growth, compared to the commercial sector that includes office, retail and industrial that saw limited

or no growth.

There has been good demand for luxury and super luxury residential apartments. The new generation of home buyers are looking for innovation in design and technology as well as world class amenities. Luxury homes have caught the market's fancy with nearly 2 billion (over ₹ 10,000 crore) worth of such house launched across the country last year, this at a time, when there is a general slowdown in the housing segment.

According to estimates, close to 5000 homes priced above ₹ 3 crore (above ₹ 5 crore in Mumbai) were launched across major metros during the year as absorption beat supply in many of the markets. The super-rich clientele prefers to put their money into these hard assets than any intangible service or instruments. Sales of luxury homes across big cities such as Mumbai, Bengaluru, Gurgaon, Chennai and Pune have been moving up along with 6-23 percent year on year price rise in this segment, reaffirming the upward movement. Mumbai, for instance, sold 789 units against 652 new launches; Gurgaon sold 792 compared with new launches of 726 units, while Chennai saw sales overtaking new launches by 17 percent. Although cities like Bengaluru and Pune have seen sales numbers lower than new launches, prices here too have risen by around 10 percent from a year ago.

Real estate continues to be the most preferred asset class with rich Indians due to higher returns. Luxury home is the reflection of social status and life-style for the rich, which they can flaunt to friends and family.

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'.

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.

Apart from above, the government has eased its import policies for the construction industry besides introducing amendments to bring in more transparency. Now a developer can import more material than before. So glasses and specialized fittings are generally imported. At the same time, there has been improvement in the quality of materials being produced by Indian companies offering better volumes and satisfaction to the buyers.

Housing helps to provide a stable platform for future development of a democratic society. Globally, there is a strong correlation between economic development and housing and housing quality. It is said that alleviating the urban housing shortage could potentially raise the rate of



growth of GDP and have a decisive impact on improving the basic quality of life.

### **Risks and concerns**

Risk is inherent part of the Company's business. Effective Risk management is critical to any Housing Finance Company for achieving financial soundness. In view of this, aligning Risk management to Company's organisational Structure and business strategy has become an integral part in Company's business. Over a period of year, LIC Housing Finance Ltd has taken various initiatives for strengthening risk management practices.

The risks associated with the company's operations have become complex and large, requiring strategic management. The management has to base their business decisions on a dynamic and integrated risk management system and process, driven by corporate strategy. The company is exposed to several major risks in the course of their business - credit risk, interest rate risk, liquidity risk and operational risk. LIC HFL's strategy in optimizing business opportunities within the aforesaid constraints is assisted by a robust asset liability management. The objective can be summarized as below:

- Reduce potential costs of financial distress by making LIC Housing Finance less vulnerable to adverse movements in liquidity, interest rates, exchange rates (wherever applicable);
- Create a stable planning environment, by ensuring that the business plan is not adversely impacted during the financial year due to any adverse liquidity situations, interest rate and currency fluctuations by using tools such as time-bucket wise liquidity statements, duration gap and Forex exposure reports. In other words, it is aimed at ensuring that the Net Interest Income (NII) is not adversely affected irrespective of adverse changes in the above risks as far as possible.
- Minimise the credit risk by adopting scientific techniques for credit evaluation, prescribing exposure limits, portfolio composition and periodic review of the portfolio; LIC Housing Finance operates in the mid-market end-user segment where the delinquency rates have been lower. A large chunk of borrowers are in the salary group. The Company has been following stringent credit assessment processes like adoption of the application scoring system (scorecard), compulsory CIBIL checks, field checks, legal and technical due diligence, etc. which have helped to reduce incremental delinquencies.

The average loan to value is in the range of 50-60 percent (as against the regulatory limit of 90 percent for loans upto ₹ 20 lac and 80 percent for loans above ₹ 20 lac and upto ₹ 75 lac and 75 percent for loans above ₹ 75 lac)

and its instalment to income ratio ranges between 30-40 percent, both being amongst the lower ones in the industry. The low average ticket size of ₹ 18.5 lac and pan India spread of business adequately disperses the risk.

The Company has one of the best recovery machineries in its category, which has addressed NPAs, supported by legislations such as SARFAESI Act.

- Minimise the operational risk by strengthening the internal control procedures and making systemic corrections to address the deficiencies reported by the Internal Auditors.

### **Internal Control Systems & their Adequacy**

The Company has internal audit system which is effective and commensurate with the size of its operations. Adequate records and documents are maintained as required by law from time to time. Internal audits and checks are regularly conducted and internal auditor's recommendations are seriously considered for improving systems and procedures. The company's audit committee reviews the internal control system and looks into the observations of the statutory and internal auditors. During the year, various guidelines / circulars were issued on the operational side to ensure better credit appraisal, as a result of which quality of loans should further improve during the years to come.

### **Discussion of Financial Performance with respect to Operational Performance**

#### **Financial / Fund Management**

The Company's borrowing is planned taking into consideration ALM gaps, interest rate mismatches. But, this depends on the prevailing market conditions. LIC Housing Finance has got highest rating for bank borrowings, non convertible debentures, commercial paper and public deposit scheme from CRISIL / CARE rating agencies, which has helped the Company to procure funds at very competitive rates. The Company is selectively entering into derivative contracts with sole objective of managing risk associated with the interest rate movement, balance sheet management, converting fixed / floating coupon of the underlying liabilities, switching from the existing benchmark to favourable benchmark so as to prevent cost escalation on account of unfavourable benchmark and also as a tool to manage the asset liability mismatch.

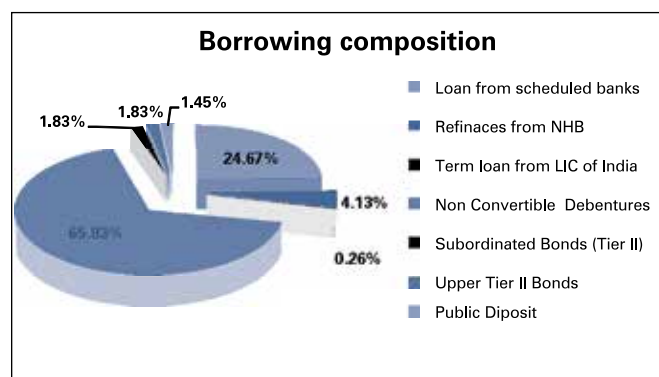
As derivative transactions are linked with risk, the status of each and every transaction is regularly monitored and the Company unwinds transactions at the appropriate time to mitigate the risk associated with it.

The prime lending rate of the Company is regularly reviewed and revised as it is a benchmark for asset pricing. Since more than 85 percent of the asset portfolio is on the floating/ fix-o-floating rate, the Company re-prices the loan assets consequent upon the revision in prime lending rate of the company at specified intervals.

The Company also reviews the fund position on daily basis and parks surplus funds in liquid mutual fund schemes, fixed deposits, certificate of deposits as per the Board approved policy with an objective of reducing the negative carry to the extent possible.

The composition of outstanding borrowings as on 31<sup>st</sup> March, 2014 & the ratings assigned by rating agencies is as under:

Particulars	% to total Borrowing	Rating
Loans from Scheduled Banks	24.67%	CRISIL AAA/Stable \ CRISIL A1 +
Refinances from NHB	4.13%	----Not Applicable----
Term loans from LIC of India	0.26%	----Not Applicable----
Non Convertible Debentures	65.83%	CRISIL AAA /Stable \ CARE AAA
Subordinated Bonds (Tier II)	1.83%	CRISIL AAA /Stable \ CARE AAA
Upper Tier II Bonds	1.83%	CRISIL AAA /Stable \ CARE AAA
Public Deposit	1.45%	CRISIL FAAA /Stable
<b>Total</b>	<b>100.00%</b>	

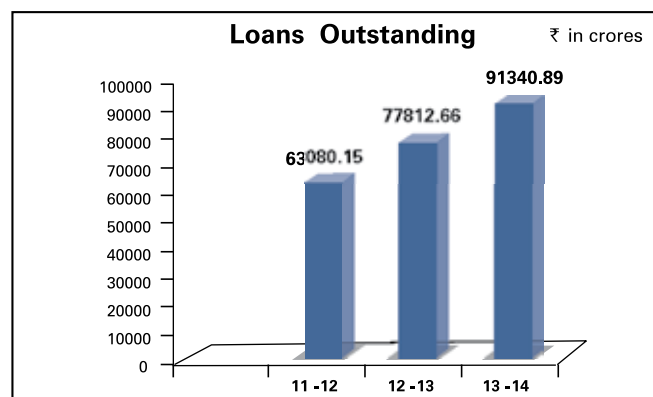
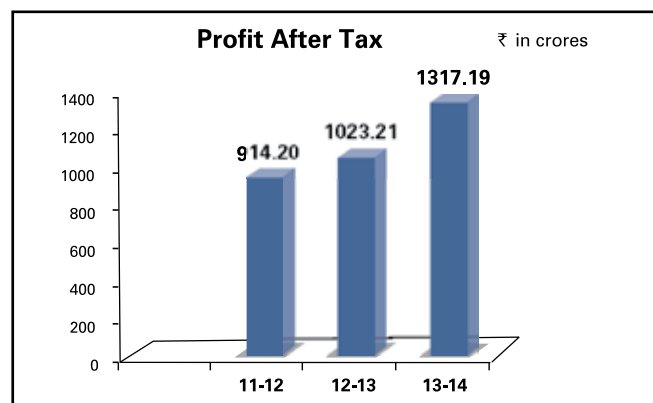


### Performance / Operation Highlights

During the year, the Company sanctioned ₹ 26,708.30 crore and disbursed ₹ 25,271.23 crore registering a growth of 0.87 percent in sanctions and growth of 3.75 percent in disbursements over the last year. For the year ended 31<sup>st</sup> March, 2014, the Company's total income from operations was ₹ 9,181.38 crore as against ₹ 7,575.92 crore of previous year. Net profit for year ended 31<sup>st</sup> March, 2014 was ₹ 1,317.18 crore when compared to ₹ 1,023.21 crore of the previous year, showing a growth of 29 percent. The outstanding mortgage portfolio as at 31<sup>st</sup> March, 2014 was ₹ 91,340.89 crore as against ₹ 77,812.66 crore as at 31<sup>st</sup> March, 2013 thus registering a growth of 17.39 percent.

### Key Elements of statements of profit and loss account for the year ended 31<sup>st</sup> March, 2014

- Profit before tax grew by 32.90 percent and Profit after tax grew by 28.73 percent on year to year basis.
- Net interest margin for the year was 2.25 percent.
- Tax provision for the year amounted to ₹ 508.32 crore as compared to ₹ 350.36 crores in the previous year. The effective tax rate is 27.85 percent as compared to 25.51 percent in the previous year.
- Net interest income grew by 23.75 percent on year to year basis.
- For the year ended March 31<sup>st</sup> March 2014 dividend @ 225 percent (including silver jubilee dividend @ 25 percent) is being recommended as against dividend @ 190 percent in the previous year.



### Marketing

LIC Housing Finance is one of the largest housing finance companies in India having one of the widest networks of 204 marketing offices as on 31<sup>st</sup> March, 2014 across the country and representative offices in Dubai and Kuwait. The Company continues to serve the customers at their door step through Home Loan Agents, Direct Selling Agents and Customer Relation Associates. During the year, the Company also



participated in property exhibitions in various parts of the country and the same has been an impetus for successful marketing.

### **Recovery Management**

The gross non performing assets (NPA) as on 31<sup>st</sup> March, 2014 stood at ₹ 609 crore as against ₹ 471.22 crore as on 31<sup>st</sup> March, 2013 registering an increase of 29.24 percent. The gross NPA ratio of the company stood at 0.67 percent as on 31<sup>st</sup> March, 2014 as against 0.61 percent as on 31<sup>st</sup> March, 2013. Net NPAs excluding provision on standard assets as per NHB norms as at 31<sup>st</sup> March, 2014 stood at 0.39 percent (₹ 353.58 crore) as against 0.36 percent (₹ 275.94 crore) on the corresponding dates last year. The provision cover on the NPAs stood at 41.94 percent (excluding provision on standard loans as per NHB norms) as on 31<sup>st</sup> March, 2014. The net interest margin for the year stood at 2.25 percent.

### **Human Resources Development**

The Company has dedicated staff strength of 1514 persons who have been contributing to the progress and growth of

the Company. The manpower requirement of the offices of the company is assessed and recruitment is conducted accordingly. Personal skills of the employees are fine tuned and knowledge is enhanced by providing them internal and external training keeping in views the market requirement from time to time. Outstanding performers are rewarded by way of elevation to the higher cadre. Apart from fixed salary and perquisites, the employees are paid performance linked incentives which motivates them to perform better.

Loan assets per employee as at 31<sup>st</sup> March, 2014 was ₹ 60.33 crore and net profit per employee ₹ 87 lac.

### **Conclusion with Caution**

Statements in this report, describing the Company's objectives, projections, estimations, expectations are "forward looking statements" within the meaning of applicable securities, laws and regulations. These statements are based on certain assumptions in respect of future events and Company assumes no responsibility in case the actual results differ materially due to change in internal or external factors.



# DIRECTORS' REPORT

## To the members of LIC Housing Finance Limited.

Your Directors are pleased to present the Twenty Fifth Annual Report together with the audited financial statements for the year ended 31<sup>st</sup> March, 2014.

## Financial results

(₹ in crore)

	For the year ended 31 <sup>st</sup> March, 2014	For the year ended 31 <sup>st</sup> March, 2013
Profit before Tax	1,825.50	1,373.56
Tax Expense	508.32	350.36
Profit after Tax	1317.18	1023.21
<b>Appropriations:</b>		
Special reserve & Statutory reserve u/s 29C of NHB Act	370.00	270.00
General reserve	200.00	400.00
Proposed dividend	227.10	191.77
Tax on dividend	38.48	32.35
Balance carried forward to next year	481.60	129.09
	1317.18	1023.21

## Silver Jubilee Year

On 20<sup>th</sup> June, 2013 LIC Housing Finance Limited commenced its Silver Jubilee Year. The Company has over these years demonstrated the viability and importance of retail housing finance withstanding various ups and downs in the business cycle. LIC HFL has been one of the major players in the retail housing finance market in India and despite a number of new entrants in the industry, your Company continues to be one of the key player.

The Board of Directors sincerely acknowledges and appreciates the valuable support and guidance given by the shareholders, customers, financiers, employees and every other stakeholder who has been supporting the Company over the successful twenty-five years.

## Dividend

Considering the performance during the year 2013-14, your Directors recommend payment of dividend for the financial year ended 31<sup>st</sup> March, 2014 of ₹ 4.50 per equity share of face value of ₹ 2/- per share (225 percent including special dividend of 25 percent, being commemoration of stepping into 25th illustrious year of operation), as against ₹ 3.80 per equity share of face value of ₹ 2/- per share for the previous

year. The total dividend outgo for the current year would amount to ₹ 265.58 crore including Dividend Distribution Tax of ₹ 38.48 crore, as against ₹ 224.12 crore including dividend distribution tax of ₹ 32.35 crore, for the previous year.

## Performance

### Income and profit

The Company earned total revenue of ₹ 9,334.66 crore, registering an increase of 21.88 percent. The percentage of administrative expenses to the housing loans, which was 0.36 percent in the previous year, has come down to 0.34 percent during the year 2013-14.

Profit before tax and after tax stood at ₹ 1,825.50 crore and ₹ 1,317.18 crore respectively as against ₹ 1,373.56 crore and ₹ 1,023.21 crore, respectively, for the previous year. Profit before tax increased by 33 percent over the previous year while profit after tax showed same growth of 29 percent as compared to that of previous year.

### Lending operations

#### Individual loans:

The main thrust continues on individual housing loans with a disbursement growth of 4.56 percent during the year mainly due to overall slowdown in the economy. During the year, the Company sanctioned 1,37,753 individual housing loans for ₹ 25,437.20 crore and disbursed 1,41,107 loans for ₹ 24,289.73 crore. Housing loan to Individual i.e., retail loans constitute 95.24 percent of the total sanctions and 96.12 percent of the total disbursements for the year 2013-14 as compared to 93.82 percent and 95.36 percent respectively during the year 2012-13. The gross retail loan portfolio grew by over 17.85 percent from ₹ 75,147.46 crore as on 31<sup>st</sup> March, 2013 to ₹ 88,558.58 crore as on 31<sup>st</sup> March, 2014.

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

Amount sanctioned : ₹ 1,52,349.37 crore

Amount disbursed : ₹ 1,39,594.86 crore

More than 16.80 lac customers have been serviced by the Company up to 31<sup>st</sup> March, 2014 since its inception.

### Project loans:

The project loans sanctioned and disbursed by the Company during the year were ₹ 1,271 crore and ₹ 981.50 crore respectively. These loans are generally for short durations, giving better yields as compared to individual loans. The project loan which had shown a positive growth of 24.03 percent in the previous year has achieved a negative growth of 13 percent in the year under review.



## Marketing and Distribution

During the year under review, efforts were undertaken to further strengthen the distribution network. The distribution network of the Company consists of 131 Area Offices (AO), 72 Business Centres (BC), 1 Extension Counter (EC) and 40 offices of LICHFL Financial Services Ltd., wholly owned subsidiary company engaged in distribution of various financial products including housing loan. The Company has representative offices in Dubai and Kuwait.

## Repayments

During the F.Y. 2013-2014, ₹ 10,884.43 crore was received by way of schedule repayment of principal through monthly instalments as well as prepayment of principal ahead of schedule, as compared to ₹ 7,978.99 crore received last year.

## Non-Performing Assets and Provisions

The amount of gross Non-Performing Assets (NPA) as at 31<sup>st</sup> March, 2014 was ₹ 609.00 crore, which is 0.67 percent of the housing loan portfolio of the Company, as against ₹ 471.22 crore i.e. 0.61 percent of the housing loan portfolio as at 31<sup>st</sup> March, 2013. The net NPA as at 31<sup>st</sup> March 2014 was ₹ 353.58 crore i.e. 0.39 percent of the housing loan portfolio vis-à-vis ₹ 275.94 crore i.e. 0.36 percent of the housing loan portfolio as at 31<sup>st</sup> March, 2013. The total cumulative provision towards housing loan portfolio as at 31<sup>st</sup> March, 2014 is ₹ 706.81 crore as against ₹ 694.55 crore in the previous year. During the year, the Company has written off ₹ 0.00385 crore of housing loan portfolio as against ₹ 31.37 crore during the previous year.

## Resource Mobilisation

The Company raised funds aggregating to ₹ 29,931.27 crore through term loans from banks, Non-Convertible Debentures (NCD), NHB refinance and Public Deposits.

## Non Convertible Debentures (NCD)

During the year, the Company issued NCD amounting to ₹ 21,000/- crore on a private placement basis which have been listed on Wholesale Debt Segment of National Stock Exchange of India Ltd. The NCDs have been assigned highest rating of 'CRISIL AAA/Stable' by CRISIL & 'CARE AAA' by CARE. As at 31<sup>st</sup> March, 2014, NCDs amounting to ₹ 54,004/- crore were outstanding. The Company has been regular in making payment of principal and interest on the NCDs.

As at 31<sup>st</sup> March, 2014, there are no NCDs which have not been claimed by the Investors or not paid by the Company after the date on which the said NCDs became due for redemption. Hence the amount of NCD remaining unclaimed or unpaid beyond due date is Nil.

## Subordinate Bonds & Upper Tier II Bonds

During the year, the Company has not issued any Subordinate Bonds and Upper Tier II Bonds. As at 31<sup>st</sup> March, 2014, the outstanding Subordinate Bonds and Upper Tier II Bonds

stood at ₹ 3,000/- crore. Considering the balance term of maturity as at 31<sup>st</sup> March, 2014, ₹ 2,500/- crore of the book value of the Subordinate Bond and Upper Tier II Bonds is considered as Tier II Capital as per the Guidelines issued by NHB for the purpose of Capital Adequacy.

## Term Loan from Banks / LOC, Refinance from NHB

The total loans / LOC outstanding from the Banks as at 31<sup>st</sup> March, 2014 are ₹ 20,241.41 crore as compared to ₹ 20,482.14 crore as at 31<sup>st</sup> March, 2013. The Refinance from NHB as at 31<sup>st</sup> March, 2014 stood at ₹ 3,384.72 crore as against ₹ 2,470.18/- crore as at 31<sup>st</sup> March, 2013. During the year, the Company has availed ₹ 1,458.70 crore Refinance from NHB under Golden Jubilee Rural Housing Scheme, Rural Housing Fund, Energy Efficient Housing Refinance Scheme, Urban Housing Fund and Refinance for Women.

The Company's long term loan facilities have been assigned the highest rating of 'CRISILAAA/STABLE' and short term loan has been assigned rating of 'CRISIL A1+' signifying highest safety for timely servicing of debt obligations.

## Public deposits

As at 31<sup>st</sup> March, 2014, the outstanding amount on account of public deposits was ₹ 1193.97 crore as against ₹ 773.60 crore in the previous year. The deposit base has increased from 10,038 to 16,401.

CRISIL has for the eighth consecutive year, re-affirmed a rating of "CRISIL FAAA/Stable" for the company's deposits which indicates highest degree of safety regarding timely servicing of financial obligations and carries the lowest credit risk.

The support of the agents and their commitment to the Company has been vital in mobilization of deposits and making the product most preferred investment for individual households and others.

158 deposits amounting to ₹ 4.52 crore which were due for repayment on or before 31<sup>st</sup> March, 2014 were not claimed by the depositors till that date. Since then, 29 depositors have claimed or renewed deposits of ₹ 1.01 crore. Depositors were intimidated through Company's agency for Public Deposits namely Link Intime India Pvt. Ltd., regarding the maturity of deposits with a request to either renew or claim their deposits. Where the deposit remains unclaimed, reminder letters are sent to depositors periodically and follow up action is initiated through the respective agent.

As per the provisions of Section 205C of the Companies Act, 1956, deposits remaining unclaimed for a period of seven years from the date they became due for payment have to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government, though as on date no amount has become due for transfer to IEPF. The depositors are requested to claim their deposit amount and interest thereon as and when due or renew the same without delay.

### Exemption from provision of Section 73(1) of the Companies Act, 2013.

In exercise of the powers under sub-section 1 of Section 73 of the Companies Act, 2013, read with Companies (Acceptance of Deposits) Rules, 2014, the Central Government has granted exemption to the public deposit scheme of a Housing Finance Company registered with the National Housing Bank established under the National Housing Bank Act, 1987 (No. 53 of 1987).

### **Regulatory Compliance**

The Company has been following guidelines, circulars and directions issued by National Housing Bank (NHB) from time to time.

Your Company has been maintaining capital adequacy as prescribed by the NHB. The capital adequacy was 16.38 percent (as against 12 percent prescribed by the NHB) as at 31<sup>st</sup> March, 2014 after considering the loan to value ratio for deciding risk weightage.

The Company has adopted Know Your Customer (KYC) Guidelines, Anti Money Laundering Standards, Fair Practices Code, Model Code of Conduct for Direct Selling Agents and Guidelines for Recovery Agents engaged by HFCs as prescribed by NHB from time to time. During the year NHB has prescribed that HFCs shall provide 'Most Important Terms and Conditions' of housing loans which the Company has implemented with the objective of ensuring a better understanding of the major terms and conditions of the loan agreed upon between the Company and its borrowers.

The Company also has been following directions / guidelines / circulars issued by SEBI from time to time applicable to a listed company.

### **Auditors**

Joint Statutory Auditors M/s. Chokshi & Chokshi, Chartered Accountants, Mumbai having Registration No.101872W and M/s. Shah Gupta & Co., Chartered Accountants, Mumbai having Registration No.109574W hold office until the conclusion of the forthcoming Annual General Meeting (AGM) and are eligible for appointment. The Company has received a confirmation from them to the effect that their appointment, if made at the ensuing AGM would be in terms of Section 139 and 141 of the Companies Act, 2013 and Rules made thereunder.

The Board proposes to appoint M/s. Chokshi & Chokshi and M/s. Shah Gupta & Co. as Joint Statutory Auditors of the Company for financial year 2014-15.

### **Directors**

Shri Dhananjay Mungale, Director resigned from the Board of Directors of the Company with effect from 1<sup>st</sup> August, 2013 on completion of directorship for nine years in terms of Code of Conduct for Board of Directors and Senior Management, adopted by the Company. The Board places on record its

appreciation of his valuable contributions, commitment and guidance made during his tenure.

Ms. Savita Singh, Director, retires by rotation at the ensuing AGM and is eligible for reappointment.

Shri S. K. Roy was appointed as Chairman of the Company by the Board with effect from 1<sup>st</sup> August, 2013 consequent upon Shri D. K. Mehrotra relinquishing his Directorship and Chairmanship on attaining superannuation. The Board places on record its appreciation of valuable contributions, commitment and guidance made by Shri D. K. Mehrotra during his tenure.

Shri V. K. Sharma on being elevated to the post of Managing Director of LIC of India, relinquished the post of Managing Director & CEO of the Company. The Board places on record its appreciation of his valuable contributions, commitment and guidance made during his tenure.

Ms. Sunita Sharma was appointed by the Board of the Company as Additional Director and Managing Director & CEO with effect from 5<sup>th</sup> November, 2013 for a period of three years in terms of nomination received from Life Insurance Corporation of India, subject to approval of shareholders at the forthcoming Annual General Meeting. As required under section 160 of the Companies Act, 2013, a Notice has been received from a Member proposing the name of Ms. Sunita Sharma for the office of a Director.

Shri T. V. Rao was appointed as Additional Director of the Company by the Board with effect from 1<sup>st</sup> August, 2013. As required under section 160 of the Companies Act, 2013, a Notice has been received from a member proposing the name of Shri T. V. Rao for the office of a Director. Shri T. V. Rao has submitted a declaration under Section 149(7) of the Companies Act, 2013 confirming that he meets the criteria prescribed for Independent Director under Section 149(6) of the said Act. In the opinion of the Board, Shri T. V. Rao fulfils the conditions specified in the Act, for such appointment.

Shri S. B. Mainak was appointed as Additional Director of the Company by the Board with effect from 3<sup>rd</sup> July, 2014 in terms of nomination received from Life Insurance Corporation of India, subject to approval of shareholders at the forthcoming AGM. As required under section 160 of the Companies Act, 2013, a Notice has been received from a Member proposing the name of Shri S. B. Mainak for the office of a Director.

All the above Directors of the Company have confirmed that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013.

### **Corporate Governance**

A certificate from the Joint Statutory Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Equity Listing Agreement with Stock Exchanges is attached to the Corporate Governance Report.



Your Company has been complying with the principles of good Corporate Governance over the years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

### **Corporate Social Responsibility**

In accordance with the provision of Section 135 of the Companies Act, 2013, the Company is required to constitute a Corporate Social Responsibility (CSR) Committee of Directors comprising atleast three Directors including an Independent Director.

The Board at its meeting held on 16<sup>th</sup> January, 2014 constituted the CSR Committee. The CSR Committee will monitor the implementation of the CSR Policy and apprise the Board accordingly.

The Company has identified the fields it would like to focus its energy on Education Health, Livelihood, Infrastructure development and Social Development.

### **Management Discussion and Analysis Report**

Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of Equity the Listing Agreement with Stock Exchanges is presented in a separate section forming part of the Annual Report.

### **Business Responsibility Report**

In accordance with the provisions of Clause 55 of the Equity Listing Agreement, the Business Responsibility Report (BRR) is presented in a separate section forming part of the Annual Report.

### **Depository system**

The Company has an agreement with the Central Depository Services (India) Limited (CDSL) for transactions of its shares in dematerialised form, in addition to the National Securities Depository Limited (NSDL), to give a choice to its shareholders in selecting depository participant. As at 31<sup>st</sup> March, 2014, 10,558 members of the Company continue to hold shares in physical form. As per the Securities and Exchange Board of India's (SEBI) instructions, the Company's shares have to be transacted in dematerialised form and therefore, members are requested to convert their holdings to dematerialised form.

### **Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The Company does not own any manufacturing facility. Hence the particulars relating to the conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable. The particulars of foreign currency expenditure and foreign currency earnings during 2013-14 are given at item No.12 and No.13 in the Notes to the Accounts. There are no employees covered by Section 217 (2A) of the Companies Act, 1956, read with

the Companies (Particulars of Employees) Rules, 1975, as amended.

### **Auditors' observations**

No adverse remark or observation has been given by the Joint Statutory Auditors.

The Company has an in-house internal audit system for Back Offices conducted by the Audit department and a reputed firm of Chartered Accountants as internal auditor for Corporate Office. Continuous efforts are made to further strengthen the internal audit system to make it commensurate with the size and the nature of business.

Systems and procedures are being upgraded from time to time to provide checks and alerts for avoiding fraud arising out of misrepresentation made by borrower/s while availing the housing loans.

### **Outlook for 2014-15**

The initiatives taken by the Company during the year are expected to improve its operational and financial performance. During F.Y. 2014-15, the Company proposes:

- To grow business qualitatively by consolidating our position and strengthening the competitiveness on service delivery.
- To create brand LIC HFL as a source of trusted partner exuding consumer confidence.
- Understand the inherent risks to our business and managing it effectively.
- Focus on winning and retaining customers.
- Pursue new skills and expand knowledge in other departments or on competition without being limited by past practices.
- Expand its operations by establishing new business centres.
- Increase its distribution by appointing new agents and activating more agents.
- Incentivising and motivating the marketing intermediaries systematically for improving productivity.
- Raising funds through loans at attractive rates of interest and terms.
- Making efforts towards reducing overall cost of funds.
- Steps to improve the recovery ratio and ensuring lowest NPA level. Improving receivable management through support system.
- Timely review of credit appraisal system to improve the loan asset quality.
- Continuous efforts to upgrade Information Technology platform to ensure prompt and effective service to the clientele.



- Swift, appropriate and competitive pricing of its existing loan schemes to attract new customers.

### **The management perspective about future of the Company**

In view of the huge shortage in urban housing units in the country, the Union government has been providing continued support to make the sector attractive and giving it due recognition. The technical committee constituted by the Ministry of Housing and Urban Poverty Alleviation has estimated housing shortage at 18.78 million during the 12th Five Year Plan period of which over 95 percent of housing shortage is estimated in the Economically Weaker Sections and Low Income Group categories. Therefore, the management reasonably foresees good potential for growth in the business of the Company.

### **Directors' Responsibility Statement pursuant to Section 217 (2AA) of the Companies Act, 1956**

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, and based on the information provided by the management, your Directors state that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- Accounting policies were applied consistently. Reasonable and prudent judgement and estimates were made so as to give true and fair view of the state of affairs of the Company as at the end of 31<sup>st</sup> March, 2014 and of profit of the Company for the year ended on that date.
- Proper and sufficient care has been taken for maintenance of accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities.
- The annual accounts are prepared on a going concern basis.

### **Human resources**

The Company aims to align HR practices with business goals, motivate people for higher performance and build a competitive working environment. Productive high performing employees are vital to the Company's success. The Board values and appreciates the contribution and commitment of the employees towards performance of your Company during the year. To create the leadership bench and for sustainable competitive advantage, the company inducted / promoted employees during the year. In pursuance of the Company's commitment to develop and retain the best available talent, the Company had organised various training programmes for upgrading skill and knowledge of its employees in different operational areas. Apart from fixed salaries and perquisites, the Company also has in place performance-linked incentives which reward outstanding performers who meet certain performance targets. It has been sponsoring its employees for training programmes / seminars / conferences organised

by reputed professional institutions.

Employee relations remained cordial and the work atmosphere remained congenial during the year.

### **Subsidiaries and group companies**

The Consolidated financial statements incorporating the results of the Company's subsidiaries namely LICHFL Care Homes Limited, LICHFL Financial Services Limited, LICHFL Trustee Company Private Limited and LICHFL Asset Management Company Limited for the year ended 31<sup>st</sup> March, 2014, are attached along with the statement pursuant to Section 212 of the Companies Act, 1956, with respect to the said subsidiaries. The review of performance of the subsidiaries is as under:

#### **1. LICHFL Care Homes Limited:**

LICHFL Care Homes Limited, a wholly owned subsidiary of LIC Housing Finance Limited, was incorporated on 11<sup>th</sup> September, 2001 with an authorised capital of ₹ 25 crore. The basic purpose of promoting the Company was to establish and operate assisted community living centers for the senior citizens.

The Company had a brief turnaround in the financial year 2011 - 12 making a profit of ₹ 241.71 lac. Though for the fiscal 2013-14, there was a loss of ₹ 276.43 lac. However the Company is confident of posting profit during financial year 2014-15.

The project in Bangalore Phase II has been completed and handing over of the keys for Phase II was done on 12<sup>th</sup> August, 2013. The Bhubaneswar project is going ahead at full stream and we expect its completion within a year.

With life expectancy going up and number of elderly citizens rising year after year, it is expected that demand for care-homes would also increase. As a result, the Company is set on a growth trajectory keeping LIC & LIC HFLs' vision for fulfillment of Corporate Social Responsibility at the main focus.

#### **2. LICHFL Financial Services Limited :**

LICHFL Financial Services Limited, a wholly owned subsidiary of LIC Housing Finance Limited was incorporated on 31<sup>st</sup> October 2007, for undertaking non fund based activities like marketing of housing loans, insurance products (life insurance and general insurance), credit cards, mutual funds, fixed deposits etc. It has become operational in March 2009 and at present has got 40 offices all over the country spread over 10 states.

"SARVESHAM POORNAM BHAVATU" – the vision of the company is to provide complete financial solutions to Customers. Towards this, the company began distribution of Life Insurance products of LIC of India, Housing Loans



of LIC Housing Finance Limited, Mutual Funds of all fund houses, General Insurance of United India Insurance Company Limited, Credit Cards of LIC Cards Services Limited and Fixed Deposits of LIC Housing Finance Limited. More business verticals will be added depending on market opportunities and customer needs.

LIC HFL FSL has forayed into the field of Pension after The Pension Fund Regulatory Authority of India (PFRDA) on 23<sup>rd</sup> July, 2013 granted the Certificate of Registration and Commencement of Business as Points of Presence (POP) for NPS, i.e., National Pension System. This new vertical started operations on 11<sup>th</sup> October, 2013.

The Company is a Corporate Agent for LIC of India and earned revenue of ₹ 56.02 Lac from it. As a Corporate Agent for LIC HFL for the Home Loan products, it earned revenue of ₹ 473.13 Lac from it. The revenue from General Insurance Business was ₹ 14.25 lac. The retail income from Mutual Funds, Public Deposits, Credit cards and NPS was ₹ 10.25 lac.

The company provides complete financial solution to secure not only the present but also the future of the customer and his family. In this endeavour the marketing officials assist at every step – from financial planning to manage every aspect of right investment, both for the short term and for longer terms.

The Company has earned a Profit after Tax of ₹ 2.27 Crore for the financial year 2013-14 and recommended dividend @ 7 percent for FY 2013-14, for the fifth straight year. The Company during the year under review consolidated its operations in 40 locations across the country. The systematic approach along with the new initiatives taken during the earlier years are expected to drive the revenues in a positive direction and improve the operational and financial performance.

The Company has plans to expand on a selective basis and concentrate on strengthening the strong areas in the area of distribution of Home Loans and Life Insurance. The Company has started to make an impact in certain locations in the generation of revenue from the Home Loans. The Company will also focus on expanding the client base in the other verticals. The Company would evaluate the right opportunities for growth, profitability and value addition to its share holders.

### **3. LICHFL Trustee Company Private Limited :**

LICHFL Trustee Company Private Limited was incorporated on 5th March, 2008 for undertaking the business of trusteeship. In the year 2010, the Company has registered LIC HFL Fund with SEBI as Venture Capital Fund (VCF) under the SEBI (Venture Capital Funds) Regulations, 1996. The Fund launched its maiden Scheme viz. LIC HFL Urban Development Fund (Fund) and 30<sup>th</sup> March, 2013 was declared as Final Closure Date

of the Fund after successfully garnering fund raising of ₹ 529.35 crore as against the target of ₹ 500 crore. The Fund is managed by LICHFL Asset Management Company Ltd. as Investment Manager. The Fund has started investing in the Investee Companies at the project level.

### **4. LICHFL Asset Management Company Limited:**

LICHFL Asset Management Company Limited was incorporated on 14<sup>th</sup> February, 2008 for undertaking the business of managing, advising, administering venture/mutual funds, unit trusts, investment trusts etc. set up, formed or established in India or abroad and to act as financial and investment advisor.

The Company has been appointed as Investment Manager to raise and manage the maiden Fund viz. LICHFL Urban Development Fund. The Company has successfully raised total commitments of ₹ 529.35 crore to LICHFL Urban Development Fund through Banks, Financial Institutions, Corporates and HNIs as against the targeted size of ₹ 500 crore. 30<sup>th</sup> March, 2013 was announced as Final Closure Date of the Fund. Investment proposals of ₹ 136 crore have been approved so far and based on milestone achievement ₹ 86 crore has been invested till 31<sup>st</sup> March, 2014 across four portfolio companies in Bangalore and Pune. The second drawdown of ₹ 46.04 core (8.70 percent of aggregate capital commitment) has been drawn during 2013-14.

### **Acknowledgments**

The Directors place on record their appreciation for the advice, guidance and support given by the Life Insurance Corporation of India and the NHB and all the bankers of the Company. The Directors express their sincere thanks to the Company's clientele, lenders 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

Chairman

Place : Mumbai

Date : 3<sup>rd</sup> July, 2014

# REPORT OF DIRECTORS ON CORPORATE GOVERNANCE

Corporate Governance is a set of systems and practices ensuring commitment to values, ethical business conduct, accountability, transparency and compliance of laws and acceptance by management of the inalienable rights of shareholders as the true owners of the Company. At LIC Housing Finance, the Corporate Governance structure assigns responsibilities and entrusts authority amongst different participants namely, Board of Directors, senior management and employees. It also involves building and maintaining relationships with lenders, borrowers, agents, depositors, shareholders and other stakeholders through higher levels of accountability, transparency, responsibility and fairness across all operations. The Company has been following best Corporate Governance and disclosure practices even before these were made mandatory under legislation.

The Company's Board follows ethical standards of Corporate Governance and adheres to the norms and disclosures mentioned in the Clause 49 of the Equity Listing Agreement with Stock Exchanges. Listed below is the Directors' Report on the compliance of Corporate Governance Code.

## Board of Directors

### Composition

The Board of Directors as on 31<sup>st</sup> March, 2014 comprised of nine members — eight Non-Executive and one Executive Director. Ms. Sunita Sharma, Managing Director & CEO is an Executive Director. The Executive and Non-Executive Directors are competent and knowledgeable personalities in their respective fields. All the Non-Executive Directors except Shri S. K. Roy, Chairman and Shri Sushobhan Sarker, Director are Independent Directors.

The Independent Directors take part in the proceedings of the Board and Committee meetings which enables qualitative decision-making. They receive sitting fees for attending the meetings and do not have any other material or pecuniary relationship or transaction with the Company, its promoters, its directors, management, subsidiaries or associates. In 2013-14, the composition of the Board was in conformity with clause 49 of the Equity Listing Agreement. Details of Board meetings attended by Directors, attendance at the last Annual General Meeting, number of other Directorships / Committee membership (viz. Audit Committee and Stakeholders Relationship Committee as per SEBI's Corporate Governance Code) held by them during the year 2013-14 are tabulated below:

Sr. No.	Directors	Category of Directorship	Attendance at 24 <sup>th</sup> Annual General Meeting	Attendance at the Board meetings (No. of meetings held – 7)	No. of Directorships in other Public Companies	No. of Committees (as per Clause 49) Membership (other than LIC Housing Finance Ltd.)	
						Member	Chairperson
1.	Shri S. K. Roy*	Non Executive Chairman	Not Applicable	4	9	-	5
2.	Shri S. B. Mainak #	Non Executive	Not Applicable	Not Applicable	8	1	1
3.	Shri K. Narasimha Murthy	Independent and Non- Executive	Present	7	7	7	4
4.	Shri S. Ravi	Independent and Non- Executive	Not Present	7	7	9	4
5.	Shri B.N. Shukla	Independent and Non- Executive	Present	7	-	-	-
6.	Shri Jagdish Capoor	Independent and Non- Executive	Present	5	9	7	3
7.	Ms. Savita Singh	Independent and Non- Executive	Present	5	1	-	-
8.	Ms. Sunita Sharma ^	Executive	Not Applicable	3	5	1	1
9.	Shri T. V. Rao*	Independent and Non-Executive	Not Applicable	4	6	2	-
10.	Shri D. K. Mehrotra <sup>s</sup>	Non Executive Chairman	Not Applicable	2	13	-	-
11.	Shri V. K. Sharma**	Executive	Present	4	4	1	1
12.	Shri Dhananjay Mungale##	Independent and Non Executive	Not Applicable	2	8	7	2
13.	Shri Sushobhan Sarker ^^	Non Executive	Present	6	7	4	2

\* w.e.f. 01.08.2013 Non Executive Director      # w.e.f 03.07.2014      ^ w.e.f 05.11.2013 Executive Director

<sup>s</sup> upto 31.05.2013

\*\* upto 01.11.2013

## upto 03.06.2013

^^ upto 31.05.2014



Shri S. B. Mainak, Non Executive Director has been appointed as Additional Director of the Company w.e.f. 3rd July, 2014.

### Tenure

Not less than two thirds of the total number of Directors (excluding Independent Directors) shall be liable to retire by rotation. One third of the number of directors liable to retire by rotation will retire by rotation every year. Accordingly, Ms. Savita Singh, Director retires by rotation, and being eligible, offers herself for re-appointment. There is no relationship between Directors of the Company inter-se.

### Responsibilities

The Board of Directors provide direction / guidance to the management, review performance and ensure ongoing compliances to protect long-term interest of the shareholders. Apart from its primary role of setting corporate goals and monitoring corporate performance, it directs and guides the activities of the Management towards the set goals and seeks accountability with a view to ensure that the corporate philosophy and mission viz., to provide secured housing finance at an affordable cost, maximizing shareholders' value with higher customer sensitivity, is accomplished. The Board members ensure that their other engagements and preoccupations do not adversely affect their responsibilities as Directors of the Company.

The items placed at the meetings of the Board include the following:

- business plan, budgets (sanction & disbursement) and updates / reviews thereof;
- revenue and capital budgets and updates / reviews thereof;
- status of NPA and updates / reviews thereof;
- fund raising programme of the Company;
- status of swap trades / transactions;
- outstanding term loan / borrowings;
- risk management review;
- asset liability management updates / reviews thereof;
- the unaudited quarterly and the audited financial annual accounts of the Company on both stand alone and consolidated basis;
- internal control systems, compliance of all laws applicable to the Company including the requirement of the Equity Listing Agreement with the Stock Exchanges;
- delegation of financial powers to the management;
- productivity linked incentive, recruitment etc;
- future plans and other decisions / changes of significant importance of price sensitive nature;
- status report on the implementation of decisions taken at the Board meetings;

- report on investor grievances, shareholding pattern and secretarial audit reports;
- Review of subsidiary companies performance.
- Significant changes in policies and internal controls.

The Directors take active part in every deliberation to enable the Company to take informed decisions. The Company benefits from their expertise and experience in respective fields.

All the members of the Audit Committee are Independent Directors. The members of Nomination & Remuneration Committee, except Shri Sushobhan Sarker, are Independent Directors. Majority of the Members of Stakeholders Relationship Committee are Independent Directors. The roles / functions of the committees are well defined and the minutes of the committee meetings are circulated and noted at the Board meetings.

### Board meetings

The meetings of the Board of Directors are scheduled in advance. The Company Secretary prepares the agenda for the meetings in consultation with the Chairman and Managing Director & CEO. The detailed agenda and other relevant notes are circulated to the Directors well in advance. The Directors are allowed to suggest additional item for deliberation. Members of the senior management team also attend the meetings to provide additional information and clarification. During 2013-14, seven Board meetings took place and they are listed below:

Serial No.	Dates on which the Board meetings were held	Total strength of the Board	No. of Directors present
1	26.04.2013	9	7
2	30.05.2013	9	8
3	14.08.2013	9	8
4	30.10.2013	9	8
5	21.11.2013	9	8
6.	16.01.2014	9	9
7.	19.03.2014	9	8

Sitting fee is being paid to the Directors (other than Shri S. K. Roy, Chairman, Shri Sushobhan Sarker, Director, Shri V. K. Sharma, Ex-Managing Director & CEO and Ms. Sunita Sharma, Managing Director & CEO) for every Board and Committee meetings they attend. Remuneration is being paid to Ms. Sunita Sharma as applicable to an officer in the cadre of Executive Director of Life Insurance Corporation of India.



## Membership of Committees

As per the disclosure received by the Company from the Directors, none of them is member in more than ten committees, nor as Chairman of more than five committees across all companies in which they are Directors, in compliance with clause 49 of the Equity Listing Agreement. The Directors intimate the Company about the committee positions they occupy in other companies and also notify changes from time to time.

Based on the reports received from the Company's functional heads, the Managing Director and CEO periodically informs the Board about compliance with respect to laws applicable to the Company.

## Board committees

The Board has constituted three committees to facilitate a more focused attention on important issues.

## Audit Committee

The Committee comprises three Non-Executive, Independent Directors with expertise in finance, accounts, treasury and law. During the year, six Audit Committee meetings were held. The composition of Audit Committee, the dates on which the Audit Committee meetings were held and the attendance of the members at the said meetings are as under:

## Composition

•	Shri S. Ravi	Chairman	Independent Director
•	Shri B. N. Shukla	Member	Independent Director
•	Shri T. V. Rao ^	Member	Independent Director
•	Shri Dhananjay Mungale*	Member	Independent Director

^ from 01.08.2013 \*upto 03.06.2013

Dates of Audit Committee Meetings & Attendance Record of Members:

Serial No.	Dates on which Audit Committee meetings were held	Attendance record of the Audit Committee Members			
		S. Ravi	Dhananjay Mungale	B. N. Shukla	T.V. Rao
1	26.04.2013	Attended	Attended	Attended	Not Applicable
2	14.08.2013	Attended	Not Applicable	Attended	Not Attended
3	30.10.2013	Attended	Not Applicable	Attended	Attended
4	16.01.2014	Attended	Not Applicable	Attended	Attended
5	25.02.2014	Attended	Not Applicable	Attended	Attended
6	19.03.2014	Attended	Not Applicable	Attended	Attended

Shri Nitin K. Jage, General Manager (Taxation) and Company Secretary, acts as Secretary to the Committee.

The Audit Committee possesses adequate powers and its terms of reference enable it to play an effective role as mentioned in Clause 49 of the Equity Listing Agreement.

## Role and powers of Audit Committee

The terms of reference of the Audit Committee comprise:

## Role

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation for appointment, remuneration, and terms of appointment of auditors of the company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause(c) of sub-section 3 of section 134 of the Companies Act, 2013;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgement by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions;
  - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency on utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Review and monitor the auditor's independence and performance and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the company with related parties.



- ix. Scrutiny of inter-corporate loans and investments.
- x. Valuations of undertakings or assets of the company wherever it is necessary.
- xi. Evaluation of internal financial controls and risk management systems.
- xii. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- xiii. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xiv. Discussion with the internal auditors of any significant findings and follow up thereon;
- xv. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- xvi. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xvii. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- xviii. To review the functioning of the Whistle Blower Mechanism;
- xix. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate;
- xx. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

*(The term related party transactions shall have the same meaning as provided in clause 49(VII) of the Equity Listing Agreement).*

#### **Powers**

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### **The Audit Committee mandatorily reviews the following:**

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions submitted by management;

3. Management letters / letters of internal control weakness issued by the statutory auditors;
4. Internal audit reports relating to internal control weakness;
5. The appointment, removal and terms of remuneration of the Chief Internal auditor shall be subject to review by the Audit committee.

Meetings are scheduled well in advance. The Audit Committee considers and recommends quarterly and yearly financial results for approval by the Board. The Joint Statutory Auditors and Internal Auditor of the Corporate Office are invited to attend the meeting. The head of the internal audit function attends the Audit Committee meetings; the Committee also invites senior executives to be present.

#### **Executive Committee**

The Executive Committee formed by the Board has been empowered with the following:

- 1) To frame the norms, policies, guidelines, conditions, parameters for all housing loan schemes including Project Finance schemes.
- 2) To relax / waive / alter the norms/ guidelines/ condition of the housing loan schemes including Project Finance schemes on case to case basis.
- 3) To sanction loan to Builders and Developers under Project Loans beyond the limits delegated to Managing Director & CEO as per Financial Power Standing Order, 1990 (as amended upto 25<sup>th</sup> April, 2012 (FPSO) on recommendation of the Project Finance Committee. The Project Finance Committee would be constituted by the Managing Director & CEO from time to time.
- 4) To sanction loan under Rental Securitization of beyond the loan amount delegated to Managing Director & CEO as per FPSO.
- 5) To sanction loan under Individual loan schemes beyond the loan amount delegated to Managing Director & CEO as per FPSO.
- 6) To approve any new loan scheme that Company may launch.
- 7) To revise the interest rate in the existing schemes & new schemes of Individual/ Project loans.
- 8) To modify/ restructure existing & new schemes for Individual / Project loans.
- 9) To revise terms and conditions of the existing & new Individual/ Project loans.
- 10) To take over the portfolio of the Housing Loans subject to the limits as specified by the Board from time to time.
- 11) To waive Interest, Additional Interest, and other charges beyond the limits delegated to Managing Director & CEO in respect of the One Time Settlement under FPSO.

- 12) To waive principal amount irrespective of the waiver amount involved in respect of One Time Settlement beyond the limits delegated to Managing Director & CEO under FPSO.
  - 13) To approve the Reserve price under SARFAESI Act, 2002 beyond the limits delegated to Managing Director & CEO under FPSO.
  - 14) To approve LIC HFL - PLR and to review & revise the same from time to time.
  - 15) To approve the purchase / construction of the property for office building / staff quarters beyond the limits delegated to Managing Director & CEO generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as they may believe or may be advised to be reasonably satisfactory.
  - 16) To borrow money for the purpose of the business of the Company subject to the limit specified by the Board from time to time.
  - 17) To approve the payment for arrangers for fund mobilization.
  - 18) To approve the payment of processing or any other fees payable to Banks/Fls.
  - 19) To approve the availing of re-finance from National Housing Bank.
  - 20) To delegate its powers to Managing Director & CEO any or all of the powers listed above for a specific period.
  - 21) Approve / ratify relaxation/ waiver/ refund of processing fees, administrative fee, prepayment charges in respect of project finance (including at the time of revalidation).
  - 22) Approve / ratify restructuring / reschedulement of project loan.
  - 23) Approve revision of rate of interest in respect of project loans on case to case basis.
  - 24) Approve/ ratify issue of NOC, release of charge in respect of project loan.
  - 25) Approve the cases under Consortium/ Joint financing.
  - 26) Approve take over of existing project loan/ term loan of other institution/s.
- The Executive Committee meets as and when required for considering and approving loan proposals / offers within the power delegated to them. During the year, ten Executive Committee meetings were held. The composition of Executive Committee and the dates on which meetings were held and the attendance of the members at the said meetings are as under:

#### Composition of the Executive Committee:

•	Shri S. B. Mainak #	Chairman	Director
•	Shri K. Narasimha Murthy	Member	Independent Director
•	Shri Jagdish Capoor	Member	Independent Director
•	Ms. Sunita Sharma ^	Member	Executive Director
•	Shri V. K. Sharma **	Member	Executive Director
•	Shri Sushobhan Sarker ^^	Chairman	Director

# from 03.07.2014 ^ from 05.11.2013

\*\* upto 01.11.2013 ^^ upto 31.05.2014

#### Dates of Executive Committee Meetings & Attendance Record of Members :

Serial No.	Dates on which Executive Committee meetings were held	Attendance record of the Executive Committee Members				
		Sushobhan Sarker	K. Narasimha Murthy	Jagdish Capoor	V. K. Sharma	Sunita Sharma
1	30.05.2013	Not Attended	Attended	Attended	Attended	Not Applicable
2	12.07.2013	Attended	Attended	Not Attended	Attended	Not Applicable
3	14.08.2013	Attended	Attended	Attended	Attended	Not Applicable
4	30.09.2013	Attended	Attended	Attended	Attended	Not Applicable
5	21.11.2013	Attended	Attended	Attended	Not Applicable	Attended
6	24.12.2013	Attended	Attended	Attended	Not Applicable	Attended
7	01.02.2014	Attended	Attended	Attended	Not Applicable	Attended
8	03.03.2014	Attended	Attended	Not Attended	Not Applicable	Attended
9	19.03.2014	Attended	Attended	Attended	Not Applicable	Attended
10	28.03.2014	Attended	Attended	Not Attended	Not Applicable	Attended

As Shri S. B. Mainak has been appointed as Director on 3rd July, 2014, the above table does not include his attendance.



### Stakeholders Relationship Committee

The Stakeholders Relationship Committee looks into issues related to shareholders, like transfer / transmission of shares, issue of duplicate shares, non-receipt of dividend, annual report and other related matters. The Committee also advises to improve investor services and to provide prompt and adequate information. Further, to expedite share transfer in physical form, the Board has delegated power for approving the share transfer to the Committee of Officers of the Company. During the year, one Stakeholders Relationship Committee meeting was held on 25th February, 2014 and was attended by all the Members.

### Composition of the Stakeholders Relationship Committee is as follows:

•	Shri S. Ravi	Chairman	Independent Director
•	Shri B. N. Shukla	Member	Independent Director
•	Ms. Sunita Sharma <sup>^</sup>	Member	Executive Director

<sup>^</sup> From 05.11.2013

The Board has delegated power for issue of duplicate share certificate/s to the Committee of Directors so as to expedite the process of issuing Duplicate Share Certificate from time to time to the shareholders in case original share certificate is lost, upon receipt of necessary documents required for the purpose. Further, the Committee is also empowered to issue Demat / Remat / Transmission / Transfer of Shares.

### Other Committees:

#### Debenture Allotment Committee

In order to facilitate timely, effective and smooth operation and administration of fund raising for the Company, Debenture Allotment Committee was formed on 24<sup>th</sup> July, 2012 with a power to allot the Non Convertible Debentures to the successful applicant from time to time in different tranches.

### Composition of the Debenture Allotment Committee is as follows:

•	Shri S. B. Mainak <sup>#</sup>	Chairman	Director
•	Shri Jagdish Capoor	Alternate Member	Independent Director
•	Ms. Sunita Sharma <sup>^</sup>	Member	Director
•	Shri V. K. Sharma <sup>**</sup>	Member	Executive Director
•	Shri Sushobhan Sarker <sup>^^</sup>	Chairman	Director

<sup>#</sup> from 03.07.2014      <sup>^</sup> from 05.11.2013

<sup>\*\*</sup> upto 01.11.2013      <sup>^^</sup> upto 31.05.2014

During the year Twenty Six Debenture Allotment Committee meetings were held and the dates of the meetings held were 10.4.2013, 03.05.2013, 06.05.2013, 22.05.2013, 28.05.2013, 11.06.2013, 13.06.2013, 21.06.2013, 05.07.2013, 15.07.2013,

30.8.2013, 06.09.2013, 16.09.2013, 19.09.2013, 10.10.2013, 14.10.2013, 25.10.2013, 01.11.2013, 26.11.2013, 02.12.2013, 12.12.2013, 22.01.2014, 28.01.2014, 28.02.2014, 10.3.2014, & 26.3.2014.

### Attendance at Debenture Allotment Committee meetings

Name of the Director	No. of meetings attended
Shri Sushobhan Sarker	19
Shri V. K. Sharma	17
Shri Jagdish Capoor	8
Ms. Sunita Sharma	8

As Shri S. B. Mainak has been appointed as Director on 3<sup>rd</sup> July, 2014, the above table does not include his attendance.

### Banking Licence Committee

The Banking License Committee was formed on 15<sup>th</sup> July, 2010 for exploring the possibility of applying for Banking License as per the final guidelines issued by Reserve Bank of India (RBI) for entry of new private sector bank. The composition of Banking Licence Committee and the date on which the meeting was held and the attendance of the members at the said meeting are as under:

### Composition of the Banking Licence Committee:

•	Shri S. Ravi	Chairman	Independent Director
•	Shri K. Narasimha Murthy	Member	Independent Director
•	Shri. Jagdish Capoor	Member	Independent Director

During the year, one Banking Licence Committee meeting was held on 24<sup>th</sup> June, 2013. All Members attended the said meeting.

### Nomination & Remuneration Committee

In keeping with Company's philosophy on code of governance. Nomination & Remuneration Committee was formed comprising of three directors, all of whom are Non-Executive Directors, the Chairman being an Independent Director as per clause 49 of the Equity Listing Agreement, with following terms of reference:

- ✓ To determine the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;
- ✓ To approve remuneration payable to all managerial personnel including the Executive Directors;
- ✓ To determine the elements of remuneration package of Executive Directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
- ✓ To determine details of fixed component and performance linked incentives, alongwith the performance criteria;
- ✓ Service contracts, notice period, severance fees;
- ✓ Stock options details, if any.



### Composition of the Nomination & Remuneration Committee is as follows:

• Shri Jagdish Capoor	Chairman	Independent Director
• Shri B. N. Shukla	Member	Independent Director
• Shri S. B. Mainak #	Member	Director
• Shri Sushobhan Sarker^^	Member	Director

# from 03.07.2014 ^^ upto 31.05.2014

During the year one Nomination & Remuneration Committee meeting was held and the date of the meeting held was 30<sup>th</sup> May, 2013.

Attendance at Nomination & Remuneration Committee meeting	
Name of the Director	Attendance
Shri Jagdish Capoor	Attended
Shri Sushobhan Sarker	Not attended
Shri B. N. Shukla	Attended

As Shri S. B. Mainak has been appointed as Director on 3<sup>rd</sup> July, 2014, the above table does not include his attendance.

### Risk Management Committee

With the objective of ensuring that the risk impacting the business of the Company are identified and appropriate measures are taken to mitigate the same, the Company has setup a Risk Management Committee whose terms of reference shall comprise:

Review of risk management policy, review of the current status on the outer limits in the Risk Management Policy and Report to the Board, review the matters on Risk Management and review and monitor types of risks the Company is exposed to.

### Subsidiary companies

The Company has four subsidiaries, namely LICHL Care Homes Limited, LICHL Financial Services Limited, LICHL

Asset Management Company Limited and LICHL Trustee Company Private Limited.

LIC Housing Finance Limited does not have a 'material non-listed Indian subsidiary'. During the year, the Audit Committee once reviewed the financial statements of its unlisted subsidiary companies, in particular the investment made by them.

The minutes of the Board meeting of subsidiary companies were placed before the Board of LIC Housing Finance Limited for information. The management also brought to the attention of the Board of Directors, the statement of significant transactions entered into by the unlisted subsidiaries of the company.

### Compliance Officer

Shri Nitin K. Jage, General Manager (Taxation) and Company Secretary, acts as the Compliance Officer.

### Details of shareholders' complaints

During 2013-14, 255 complaints / request for revalidation were received from investors and the same were replied/resolved to their satisfaction. As on 31<sup>st</sup> March, 2014, no complaints were pending unattended.

During the year, 407 dematerialisation requests for 2,19,100 shares and 48 requests for transfer involving 24,500 shares were received. The requests for dematerialisation and transfer were promptly attended and there were no request pending for approval as on 31<sup>st</sup> March, 2014. As on that date, 49,89,51,677 equity shares, i.e. 98.868% of the Company's share capital were dematerialised.

### Criteria of making payments to Non-Executive Directors:

The Directors except Shri S. K. Roy, Chairman, Shri Sushobhan Sarker, Director, Ms. Sunita Sharma Managing Director & CEO and Shri V. K. Sharma, Ex-Managing Director & CEO were paid sitting fees for Board / Committee meetings attended.

The details of sitting fees paid to the Directors during the period from 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014 is mentioned below:

Names of Non-Executive Directors	No. of Board meetings attended	No. of Executive Committee meetings attended	No. of Audit Committee meetings attended	No. of Stakeholders Relationship Committee meetings attended	No. of Debenture Allotment Committee meetings attended	No. of Remuneration Committee meetings attended	No. of Banking License Committee meetings attended	Sitting fees (in ₹)
Shri K. Narasimha Murthy	7	10	N.A.	N.A.	N.A.	N.A.	1	2,65,000/-
Shri S. Ravi	7	N.A.	6	1	N.A.	N.A.	1	2,15,000/-
Shri B. N. Shukla	7	N.A.	6	1	N.A.	1	N.A.	2,15,000/-
Shri Dhananjay Mungale	2	N.A.	1	N.A.	N.A.	N.A.	N.A.	45,000/-
Ms. Savita Singh	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	75,000/-
Shri Jagdish Capoor	5	7	N.A.	N.A.	8	1	1	3,20,000/-
Shri T. V. Rao	4	N.A.	4	N.A.	N.A.	N.A.	N.A.	1,20,000/-
Total								12,55,000/-



The remuneration paid to Managing Director & CEO of the Company for F.Y. 2013-14 is as under:

Shri V. K. Sharma, Ex-Managing Director & CEO (from 01.04.2013 to 31.10.2013)

Particulars	Rupees
Gross Salary, Food coupons and Productivity Linked Incentive* (PLI), PL encashment, medical lumpsum	20,40,024/-
Contribution to pension and gratuity funds	84,937/-
Perquisites in cash or in kind	9,516/-
<b>Total</b>	<b>21,34,477</b>

Ms. Sunita Sharma (w.e.f 05.11.2013), was paid remuneration as under:

Particulars	Rupees
Gross Salary, Food coupons and Productivity Linked Incentive* (PLI), PL encashment, medical lumpsum	6,30,598/-
Contribution to pension and gratuity funds	62,226/-
Perquisites in cash or in kind	11,090/-
<b>Total</b>	<b>7,03,914/-</b>

\* It may be mentioned here that Performance linked incentive for financial year 2012-13 was paid during the F.Y. 2013-14 calculated as per the performance criteria (like growth in portfolio, recovery ratio, NPA ratio and Profit after Tax) approved by the Board.

#### Number of shares and convertible instruments held by Directors:

None of the Directors of the Company are holding any equity shares or any convertible instruments issued by the Company. The Company has not issued any convertible instruments as on date.

#### General Body Meetings

##### Annual General Meeting

The details of the location and time of the last three Annual General Meetings are given below:

Year	Location	Date	Time
2010-11	"M. C. Ghia Hall", Bhogilal Hargovindas Building, 2 <sup>nd</sup> Floor, 18/20 Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001	20 <sup>th</sup> July, 2011	3.00 p.m.
2011-12	"M. C. Ghia Hall", Bhogilal Hargovindas Building, 4 <sup>th</sup> Floor, 18/20 Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001	24 <sup>th</sup> July, 2012	3.00 p.m.

Year	Location	Date	Time
2012-13	"M. C. Ghia Hall", Bhogilal Hargovindas Building, 4 <sup>th</sup> Floor, 18/20 Kaikhushru Dubash Marg, behind Prince of Wales Museum, Mumbai – 400 001	25 <sup>th</sup> July, 2013	3.00 p.m.

#### Special resolution passed at the three previous Annual General Meetings

2011 : Appointment of Statutory Auditors and Auditors for Back Offices u/s 224A of the Companies Act, 1956.

2012 : Appointment of Statutory Auditors and Auditors for Back Offices u/s 224A of the Companies Act, 1956.

2013 : Appointment of Statutory Auditors and Auditors for Back Offices u/s 224A of the Companies Act, 1956.

No Special Resolution was passed through Postal Ballot during last three years.

#### Financial calendar for 2014-15 (provisional)

a.	Unaudited Financial Result for the first quarter ending 30 <sup>th</sup> June, 2014	In the month of July, 2014
b.	Unaudited Financial Result for the second quarter ending 30 <sup>th</sup> September, 2014	In the month of October, 2014
c.	Unaudited Financial Result for the third quarter ending 31 <sup>st</sup> December, 2014	In the month of January, 2015
d.	Audited Financial Result for the fourth quarter & for the year ending 31 <sup>st</sup> March, 2015	In the month of April, 2015
e.	Annual General Meeting for the year ending March, 2015	In the month of July, 2015

#### Means of communication

The channels of communication include informative Annual Report containing Directors' Report, Report on Corporate Governance, Management's Discussion and Analysis and the audited Financial Results (stand alone & consolidated).

The Company also communicates with shareholders through its website, [www.lichousing.com](http://www.lichousing.com). The quarterly and annual financial results as well as shareholding pattern and Memorandum and Articles of Association of the Company, Code of Conduct for Board of Directors and senior management and Code of Conduct for Insider Trading are hosted on the Company's website for information of its shareholders.

The audited/ unaudited financial results were published in leading newspapers namely Business Standard-English (all editions), Business Line (all editions), The Free press Journal (all editions), Navshakti (all editions) and Business Standard-Hindi (all editions).

The audited financial statements viz., Balance sheet, Profit and Loss Account, Cash-Flow Statement, including schedules and notes thereon, press releases and presentations made to analysts were hosted on the Company's website. All material information about the Company, including quarterly and yearly financial results, limited review reports, shareholding pattern are promptly sent through facsimile to the stock exchanges where the Company's shares are listed. Besides, the Company disseminates information through press and investors' meet.

### General shareholder information

The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L65922MH1989PLC052257.

a) Annual General Meeting :

Date and time: 19<sup>th</sup> August, 2014 at 3.00 pm.

Venue: "M.C. Ghia Hall", Bhogilal Hargovindas Building, 4<sup>th</sup> Floor, 18 / 20 Kaikhushru Dubash Marg, Behind Prince of Wales Museum, Mumbai – 400 001.

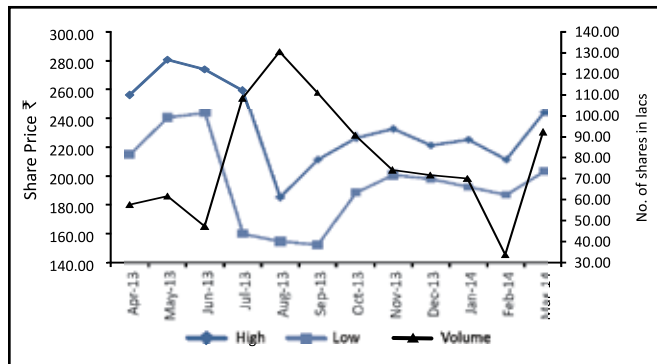
- b) Financial year: 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014
- c) Book closure : From 9<sup>th</sup> August, 2014 to 19<sup>th</sup> August, 2014 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend, if approved by the Members.
- d) Dividend payment date: On or after 20<sup>th</sup> August, 2014
- e) The shares of the Company are listed on the Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and the Luxembourg Stock Exchange.
- f) Stock Code:  
Trading symbol  
BSE 500253  
NSE LICHSGFIN EQ
- g) ISIN Number of NSDL / CDSL: INE115A01026
- h) Market price data: The monthly high and low stock quotations during the last financial year on BSE and NSE were:

Month	BSE			BSE Sensex		NSE		
	Company's share price (₹)		Volume of shares (Nos.)			Company's share price (₹)		Volume of shares (Nos.)
	High	Low		High	Low	High	Low	
April 2013	255.95	214.40	57,59,513	19,622.68	18,144.22	256.50	214.00	4,65,99,102
May 2013	280.50	240.00	61,71,095	20,443.62	19,451.26	280.60	240.15	5,41,89,239
June 2013	273.85	243.30	47,19,505	19,860.19	18,467.16	273.90	243.00	4,71,60,616
July 2013	259.20	159.60	1,08,22,007	20,351.06	19,126.82	259.40	159.90	9,10,28,055
August 2013	184.70	154.40	1,30,47,558	19,569.20	17,448.71	184.60	154.35	10,68,22,475
September 2013	210.90	152.00	1,10,86,761	20,739.69	18,166.17	211.00	152.80	8,15,14,921
October 2013	225.65	187.95	90,57,053	21,205.44	19,264.72	225.45	187.80	6,16,39,821
November 2013	232.00	200.00	73,96,195	21,321.53	20,137.67	232.10	199.75	4,92,06,087
December 2013	220.75	197.25	71,78,058	21,483.74	20,568.70	220.90	196.35	6,80,36,306
January 2014	224.65	191.75	70,06,214	21,409.00	20,343.78	224.65	191.75	5,48,86,653
February 2014	210.90	186.55	33,86,598	21,140.51	19,963.12	211.00	187.00	3,49,33,793
March 2014	243.65	202.55	92,15,884	22,467.21	20,920.98	243.65	202.00	8,01,02,672

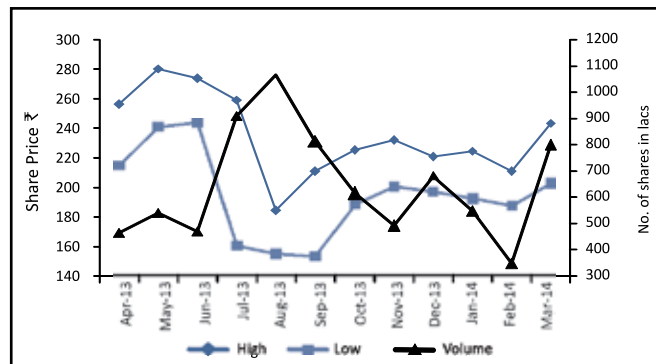
As required under clause 49(iv)(G)(i) of the Equity Listing Agreements entered into with the Stock Exchanges, brief profile of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting are given in the Notes / Statement and elsewhere in the Annual Report.



Share price movement on BSE during 2013-2014



Share Price movement on NSE during 2013-2014



i) Details of Shareholders holding more than 1% of the share capital of the Company as at 31<sup>st</sup> March, 2014 are given below:

Sr. No.	Name of the shareholders	No. of shares held	% to share capital
1.	ABU DHABI INVESTMENT AUTHORITY-PEACOCK	77,32,890	1.532
2.	BANK MUSCAT SAOG A/C BANK MUSCAT INDIA FUND	1,14,96,000	2.278
3.	EASTSPRING INVESTMENT (SINGAPORE) LIMITED A/C THE PRUDENTIAL ASSURANCE COMPANY LIMITED.	82,91,053	1.643
4.	EASTSPRING INVESTMENTS-ASIA PACIFIC EQUITY FUND	58,44,218	1.158
5.	FID FUNDS (MAURITIUS) LIMITED	53,41,462	1.058
6.	HSBC GLOBAL INVESTMENT FUNDS A/C HSBC GIF (M) LTD	1,51,41,769	3.000
7.	LIFE INSURANCE CORPORATION OF INDIA	20,34,42,495	40.313
8.	MORGAN STANLEY ASIA (SINGAPORE) PTE	82,75,445	1.640
9.	MORGAN STANLEY MAURITIUS COMANY LIMITED	67,52,233	1.338
10.	TEMPLETON GLOBAL INVESTMENT TRUST - TEMPLETON GLOBAL BALANCED FUND	55,23,565	1.095
11.	THE NEW INDIA ASSURANCE COMPANY LTD	62,86,608	1.246

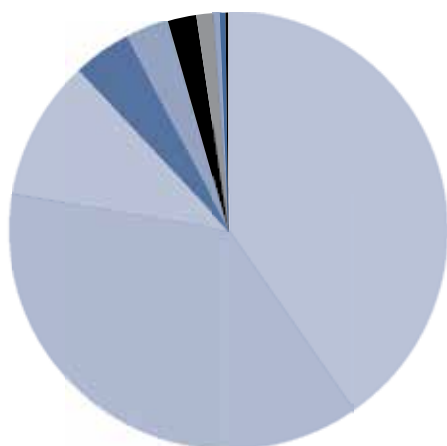
Distribution of share holding as at 31<sup>st</sup> March, 2014

No. of equity shares held	Folio / Shareholders		Shares	
	Number	Percentage	Number	Percentage
Up to 5,000	1,83,038	98.63	7,61,87,870	7.56
5,001 - 10,000	1277	0.69	95,40,442	0.95
1,0001 - 20,000	544	0.29	80,76,074	0.80
2,0001 - 30,000	174	0.09	44,64,726	0.44
3,0001 - 40,000	100	0.05	35,70,758	0.35
4,0001 - 50,000	61	0.03	28,59,220	0.28
5,0001 - 1,00,000	138	0.07	1,00,14,944	0.99
1,00,001 and Above	285	0.15	89,46,11,966	88.63
<b>Total</b>	<b>1,85,617</b>	<b>100.00</b>	<b>1,00,93,26,000</b>	<b>100.00</b>



**Details of Shareholding based on category as on 31<sup>st</sup> March, 2014**

	Physical Form		Demat Form		Total		% to total Capital
	No. of Shares holders	No. of Shares	No. of Shares holders	No. of Shares	No. of Shares holders	No. of Shares	
Promoter-LIC of India	0	0	1	20,34,42,495	1	20,34,42,495	40.31
Foreign Institutional Investors	10	25,000	288	18,84,89,403	298	18,85,14,403	37.35
Public	10,474	55,63,323	1,70,111	4,68,70,786	1,80,585	5,24,34,109	10.39
Banks & Financial Institutions	3	11,000	7	10,25,263	10	10,36,263	0.21
Non Resident Indians	2	1,000	2,878	21,03,171	2,880	21,04,171	0.42
Mutual Funds	5	12,000	24	2,11,92,637	29	2,12,04,637	4.2
Private Corporate Bodies	62	90,500	1,282	1,65,21,522	1,344	1,66,12,022	3.29
Other Insurance Companies	0	0	3	1,06,26,608	3	1,06,26,608	2.11
Global Depository Receipts	0	0	1	27,33,078	1	27,33,078	0.54
Others	2	8,500	464	59,46,714	466	59,55,214	1.18
<b>TOTAL</b>	<b>10,558</b>	<b>57,11,323</b>	<b>1,75,059</b>	<b>49,89,51,677</b>	<b>1,85,617</b>	<b>50,46,63,000</b>	<b>100</b>

**Shareholding as on 31<sup>st</sup> March, 2014**


- Promoter - LIC of India
- Foreign Institutional Investors
- Public
- Mutual Funds
- Private Corporate Bodies
- Other Insurance Companies
- Others
- Global Depository Receipts
- Non Resident Indians
- Banks & Financial Institutions

**j) Global Depository Shares (GDS):**

Of the total 50,00,000 GDS issued by the Company, 7,250 GDSs were outstanding as on 31<sup>st</sup> March, 2014.

**k) Plant location:** The Company is mainly engaged in providing housing finance and as such is not having any manufacturing plant.

**l) Address for correspondence:**

Investors and shareholders can correspond with

**A) the Company at following address:**

The Company Secretary  
 LIC Housing Finance Limited  
 Corporate Office,  
 131 Maker Tower, "F" Premises,  
 13th Floor, Cuffe Parade,  
 Mumbai - 400 005.  
 Phones: (91-22) 22178600 / 22178700 / 22178611  
 Fax: (91-22) 22178777.  
 CIN : L65922MH1989PLC052257

And / Or

**B) the Registrar and Transfer Agent of the Company at their following address:**

Sharex Dynamic (India) Pvt. Limited  
 Unit 1, Luthra Industrial Premises,  
 Andheri Kurla Road, Safed Pool,  
 Andheri(E), Mumbai – 400 072.  
 Phones : (91-22) 28515606 / 28515644  
 Fax : (91-22) 28512885.

**m) Share transfer system:**

All the transfers are processed by the Registrar and Transfer agent, namely, Sharex Dynamic (India) Pvt. Limited and approved by the Committees of the executives of the Company constituted for the said purpose.



The Committee meets as and when required to approve share transfer received in physical form.

**n) Dematerialisation of shares and liquidity:**

The shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the Depository Systems-National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31<sup>st</sup> March, 2014, 49,89,51,677 equity shares constituting 98.868% of the Company's share capital were dematerialised.

**Other useful information for shareholders**

1. Considering the advantages of scrip-less trading, shareholders are requested to consider dematerialisation of their shareholding to avoid inconvenience. The Company's shares have been selected for trading in a dematerialised form. The Company's shares can be dematerialised through NSDL and CDSL.
2. As per the Companies Act, 1956, a nomination facility is available to shareholders for which Form 2B duly filled is required to be sent to the Company. Nomination forms can be obtained from the Company's Registrar and Transfer Agent – SDIL on request or can be downloaded from their website – [www.sharexindia.com](http://www.sharexindia.com).
3. In terms of Section 205A of the Companies Act, 1956, unclaimed dividends for the financial year(s) up to 2005-06 and Interim Dividend for the F.Y. 2006-07 have been transferred to the Investors' Education and Protection Fund maintained by the Central Government.
4. Share transfer request is acted upon within 15 days from the date of its receipt at the Registered Office / Registrar and Transfer Agent's Office. In case no response is received from the Company within 15 days of lodgement of transfer request, the lodger may write to the Company with full details so that necessary action can be taken to safeguard interest of the concerned shareholder against any possible loss/interception during postal transit.
5. Dematerialisation requests duly completed in all respects are normally processed within 3-5 days from the date of their receipt at the Registrar and Transfer Agent's Office.
6. Members/beneficial owners are requested to quote their Folio No. / DP and Client ID Numbers, as the case may be, in all their correspondence with the Company.
7. Members holding shares in physical form are requested to notify promptly any change in address/pin code and bank account details to Registrar & Transfer Agent namely Sharex Dynamic (India) Pvt. Ltd. Beneficial owners of shares in dematerialised form are requested to send their instructions regarding change of address, bank details, nomination, power of attorney etc. directly to their DP as the same are maintained by the DPs.
8. To prevent the fraudulent encashment of dividend

warrants, members are requested to provide their bank account details (if not provided earlier) to the Company (if shares are held in a physical form) or to the depository participant (if the shares are held in a dematerialised form), as the case may be, for printing the same on the dividend warrants.

9. Non-resident members are requested to immediately notify:
  - Change in residential status on return to India for permanent settlement.
  - Particulars of Non-Resident External Account, if not furnished earlier.
10. In the case of loss/misplacement of shares, investors should immediately lodge a First Information Report (FIR)/complaint with the police and inform the Company along with original or certified copy of the FIR/acknowledgement copy of complaint.
11. For the expeditious transfer of shares, shareholders should fill complete and correct particulars in the transfer deed. Wherever applicable, the registration number of power of attorney should also be quoted in the transfer deed at the appropriate place.
12. Members are requested to keep a record of their specimen signature before the lodgement of the shares with the Company to obviate the possibility of a difference in signatures at a later date.
13. Member(s) of the Company who have multiple accounts in identical name(s) or hold more than one share certificate in the same name under different ledger folio(s) are requested to apply for the consolidation of such folio(s) and send the relevant share certificates to the Company.
14. Members are requested to quote their e-mail IDs. / telephone numbers / fax numbers for prompt reply to their communication.

**Disclosures**

- (a) Disclosures on materially significant related-party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large:

None of the transactions with any of the related parties were in conflict with the interests of the Company.

The details of all transactions with related parties in the manner required to be tabled before the Audit Committee as per the Clause 49 of the Equity Listing Agreement, were placed before the Audit Committee on quarterly basis during 2013-14.

- (b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related

to capital markets, during the last three years:

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

(c) **Disclosure of risk management:**

The Company has laid down the procedures to inform Board members about the risk assessment and minimization procedures and the Board reviews the risk management report on quarterly basis.

(d) **LIC HFL Code of Conduct to prevent insider trading:**

The Company has a Code of Conduct for prevention of insider trading known as LIC HFL Code of Conduct for Prevention of insider trading in the shares and securities of the Company by its Directors and designated employees.

(e) **Code of Conduct for Directors and senior management:**

The Company has a Code of Conduct for its Directors and the senior management, which, inter alia, includes the maximum tenure for Independent Director as nine years with extension of one year.

The above Codes are hosted on the Company's website [www.lichousing.com](http://www.lichousing.com) and has been circulated to all the members of the Board and senior management and the compliance of the same has been affirmed by them. A declaration confirmed by Managing Director and CEO is given below:

As provided under Clause 49 of the Listing Agreement with stock exchanges, all Board and senior management personnel affirmed compliance with LIC Housing Finance Limited — Code of Conduct for Board of Directors and senior management for the year ended 31<sup>st</sup> March, 2014.

For LIC Housing Finance Limited  
**Sunita Sharma**  
**Managing Director & CEO**

Mumbai, 21<sup>st</sup> April, 2014

- (f) **Whistleblower policy:** The Company has whistleblower policy – a mechanism for employees to report to the management any concerns about unethical behaviour, actual or suspected fraud or violation of the rules and regulations. The Board confirms that no personnel were denied access to the Audit Committee.
- (g) **Employee Stock Option Scheme:** The Company does not have Employee Stock Option Scheme.
- (h) **Accounting Standards:** In the preparation of financial statements no treatment materially different from that prescribed in the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 has been followed.
- (i) **Directors confirm that the Company has adequate resources to continue its business and, therefore, financial statements are prepared on a going concern basis.**

**CEO / CFO certification**

As required by Clause 49 of the Equity Listing Agreement, the Managing Director & CEO / CFO certificate is appended in the Annual Report.

**Auditors' Certificate on Corporate Governance:**

As required by Clause 49 of the Equity Listing Agreement, the Auditors' certificate on compliance of the conditions of Corporate Governance is appended in the Annual Report.

**Mandatory / Non-Mandatory requirements**

During 2013-14, the Company has duly complied with all mandatory requirements of Clause 49 of the Equity Listing Agreement.

In respect of non-mandatory requirements the details are as under:

**1. Chairman of the Board:**

Chairman of our Board is Non-Executive Chairman and is also the Chairman of LIC of India. The term of office of Non-Executive Director will not exceed nine years in three terms of three year each, running continuously with one year extension.

**2. Remuneration Committee:**

Keeping in view Company's philosophy on code of governance, Nomination & Remuneration Committee was formed on 26<sup>th</sup> April, 2013 as per clause 49 of the Equity Listing Agreement to determine the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

Amongst the Directors, remuneration is paid only to the Managing Director & CEO.

**3. Shareholder Rights:**

Half-yearly financial results including summary of significant events are presently not being sent to the shareholders. However, the quarterly as well as the annual results are well published in the newspapers.

**4. Audit Qualification:**

There is no qualification on any of the financial statements for the financial year 2013-14 of the Company.

**5. Training of Board Members:**

During the year under review, the Company has provided with the necessary documents / brochures, reports and internal policies to the newly appointed Director.

**6. Mechanism of evaluating Non-Executive Board Members:**

At present there is no formal performance evaluation of Non-Executive Directors of the company.

**7. Whistle Blower Policy:**

The Company has whistleblower policy and adheres to norms relating to the same.



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of LIC Housing Finance Limited

We have examined the compliance of the conditions of Corporate Governance by LIC Housing Finance Limited ('the Company'), for the year ended March 31, 2014, as stipulated in the Clause 49 of the Equity Listing Agreements of the Company with relevant stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the aforesaid Clause 49.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SHAH GUPTA & CO.**

*Chartered Accountants*

FRN - 109574W

**Heneel K Patel**

*Partner*

M.No.114103

For **CHOKSHI & CHOKSHI**

*Chartered Accountants*

FRN - 101872W

**Mitil Chokshi**

*Partner*

M.No.47745

Place : Mumbai

Date : April 21, 2014



The Board of Directors  
LIC Housing Finance Limited  
Corporate Office  
131 Maker Tower "F" Wing,  
13<sup>th</sup> Floor, Cuffe Parade,  
Mumbai - 400 005.

Date: 21<sup>st</sup> April, 2014

## ANNUAL CERTIFICATION

We the undersigned Sunita Sharma, Managing Director & CEO and N.K. Mittal, Chief Financial Officer hereby certify that for the financial year ended 31<sup>st</sup> March 2014, we have reviewed Annual accounts, financial statement and the cash flow statement and that to the best of our knowledge and belief:

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
3. There are no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's code of conduct;
4. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of some internal control system of the Company and we have disclosed to the auditors and the Audit Committee the deficiencies, of which we are aware, in the design or operation of the internal control systems and we have taken the steps to rectify these deficiencies.
5. We further certify that:
  - (a) there have been no significant changes in internal control during this year.
  - (b) there have been no significant changes in accounting policies during this year except as mentioned in Note. 27 (Significant Accounting Policies and Notes to Accounts).
  - (c) there have been some instances of fraud though not significant. There were no involvement of management and there would not have been involvement of employees having a significant role in the Company's internal control system.

*Managing Director & CEO*

*Chief Financial Officer*



# BUSINESS RESPONSIBILITY REPORT

## Section A: General Information about the Company

- Corporate Identity Number (CIN) of the Company:**  
L65922MH1989PLC052257
- Name of the Company:** LIC Housing Finance Limited
- Registered Address:** Bombay Life Building, 2<sup>nd</sup> Floor, 45/47, Veer Nariman Road, Fort, Mumbai 400001.
- Website:** www.lichousing.com
- E-mail id:** lichousing@lichousing.com
- Financial Year Reported:** 1<sup>st</sup> April, 2013 to 31<sup>st</sup> March, 2014
- Sector that the Company is engaged in (Industrial activity code-wise):**  
Housing Finance
- List three key products/ services that the Company manufactures/ provides (as in Balance Sheet):**  
Housing loan to Individuals, Housing loan to Builders/ Developers, Loan against Property
- Total number of locations where business activity is undertaken by the Company:**  
Number of National Locations: LIC HFL is spread across the entire nation with 7 Regional Offices, 15 Back Offices, 131 Area Offices, 72 Business Centers, 7 Extension Counters and 7 Property Service Division.  
Number of International Locations: LIC HFL has overseas representative office at Dubai and Kuwait.
- Markets served by the Company:**  
India, UAE (Dubai & Kuwait)

## Section B: Financial Details of the Company

- Paid up Capital:** ₹ 100.93 crore
- Revenue from Operations:** ₹ 9181.38 crore
- Profit after Taxes:** ₹ 1317.19 crore
- Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):** 0.82 percent.
- List of activities in which expenditure in 4 above has been incurred:** The said amount has been spent in respect of loans sanctioned for environment concerned Energy Efficiency Housing Scheme of National Housing Bank.

## Section C: Other Details

- Does the Company have any Subsidiary Company/ Companies?**  
Yes

- Do the Subsidiary Company/ Companies participate in the BR Initiatives of the Parent Company? If yes, then indicate the number of such subsidiary company(s).**

Yes, the subsidiary company also participates in the Business Responsibility initiatives of LIC HFL. One subsidiary company namely, LICHFL Care Homes Limited, participate in the BR initiatives.

- Do any other entity/ entities (e.g. suppliers, distributors etc) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30 percent, 30-60 percent, More than 60 percent]**

The Company encourages the suppliers and distributors to participate in the Company's BR initiatives but does not mandate them to participate.

## Section D: BR Information

- Details of Director/ Directors responsible for BR**

- Details of the Director/ Directors responsible for implementation of the BR policy/ policies:**

The Board of the Company is collectively responsible for the implementation of the BR policies of the Company.

- Details of the BR head:**

Sr no.	Particulars	Details
1.	DIN Number	02949529
2.	Name	Ms. Sunita Sharma
3.	Designation	Managing Director & CEO
4.	Telephone number	022-22189214
5.	e-mail id	pa.mdceo@lichousing.com

- Principle – wise (as per NVGs) BR Policy/ policies (Reply in Y/N):**

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These briefly are as follows:

P1	Business should conduct and govern themselves with ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Business should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sr. no.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy / policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/ international standards?	All the policies are in comparison with the best practices in the industry.								
4.	Has the policy been approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	www.lichousing.com								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	The policies have been communicated to concerned stakeholders. The company ensures to keep the communication as an on-going process.								
8.	Does the company have in-house structure to implement the policy / policies?	Yes, the company has an in-house structure to implement the policy / policies and the Board of Directors review the same.								
9.	Does the company have a grievance redressal mechanism related to the policy / policies to address stakeholder grievances related to the policy / policies?	The company has a full fledged grievance redressal mechanism to address grievances of different stakeholders at different level.								
10.	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	The company is yet to carry out independent audit / evaluation by an internal / external agency.								



### 3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**

Annually

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Company is yet to publish a BR or Sustainability Report.

### Section E: Principle-wise performance

#### Principle 1

Business should conduct and govern themselves with Ethics, Transparency and Accountability

1. **Does the policy relating to ethics, bribery and corruption cover only the company?**

No

**Does it extend to the Group / Joint Ventures / Suppliers / Contractors/ NGOs/ Others?**

All companies in LIC HFL group are covered by the policy.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

6,137 complaints were received during the year 2013-14, from various stakeholders. 5,962 complaints working out to 97.15 percent were satisfactorily resolved.

#### Principle 2

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

The biggest social responsibility of helping people to have their own shelter is the main objective of the Company. To facilitate the same, LIC HFL has been providing loans to home buyers at competitive rates of interest through its various products.

1. **List upto 3 products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities.**

- a. Bhagyalakshmi Plus and New Bhagyalakshmi

To bring about the advancement, development and empowerment of women, LIC HFL advances housing loan to women applicants who are the sole owner of the property or the first owner in a jointly owned property. LIC HFL has succeeded in empowering 47,401 women to own a house in their name.

- b. Loan against property

Housing is a basic need for any human being and each individual strives to own a house of his / her own. LIC HFL not only helps an individual in fulfilling his / her dream by providing loan for purchase / construction of house but also provides financial support for meeting other personal/ business needs through its scheme of Loan against property.

- c. Energy Efficiency Housing Scheme

LIC HFL has been financing individual loans in the projects approved under energy efficiency housing units in urban areas. The scheme contributes to reduction in emission of green house gases etc. and in helping towards mitigation of climate change for a sustainable economic development.

2. **For each product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional)**

Since the Company is not involved in any manufacturing activity, the reporting on use of energy, water, raw material etc. is not applicable. However, while considering financing housing project these factors are given due importance.

3. **Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**

Since the Company is not involved in any manufacturing activity, the reporting on sustainable sourcing is not applicable. The only raw material required is the fund for which possible sources have been trapped at appropriate time to enable the company raise the required fund at competitive interest rates.

4. **Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

LIC HFL wherever practically possible and feasible, has tried to improve the capacity and capability of local and small vendors by patronizing them to supply / provide different services required by the Company for its day to day administration / operation.

5. **Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5 percent, 5-10 percent, >10 percent). Also, provide details thereof, in about 50 words or so.**

Since the Company is not involved in any manufacturing activity, the reporting on recycle mechanism is not applicable.



### Principle 3

Businesses should promote the well being of all employees

**1. Please indicate the total number of employees:**

Total number of employees as on 31<sup>st</sup> March, 2014 was 1,514.

**2. Please indicate the total number of employees hired on temporary/ contractual/ casual basis:**

127 are hired on a contractual basis.

**3. Please indicate the number of permanent women employees:**

459 were permanent women employees employed by the company as on 31<sup>st</sup> March, 2014, which constitute 30.32 percent of the total permanent employee strength of the company.

**4. Please indicate the number of permanent employees with disabilities:**

4 permanent employees with disabilities were engaged by the company as on 31<sup>st</sup> March, 2014.

**5. Do you have an employee association that is recognized by management?**

There is no employee association. However mechanisms are in place for employees to represent their issues, if any, and the same is resolved amicably.

**6. What percentage of your permanent employees is members of this recognized employee association?**

Not applicable.

**7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

Sl No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1.	Child labour / forced labour / involuntary labour	LIC HFL does not hire child labour, forced labour or involuntary labour – No reported case	Nil
2.	Sexual harassment	None	Nil
3.	Discriminatory employment	None	Nil

**8. What safety & skill up-gradation training was provided in the last year?**

- Permanent employees
- Permanent Women employees
- Casual / Temporary / Contractual employees
- Employees with disabilities

Internal training for updates and new schemes etc. was given to different categories of employees consisting of 7 sessions covering 195 employees. External training, in association with NHB, FICCI etc. was provided to 73 employees in 19 sessions.

### Principle 4

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

**1. Has the company mapped its internal and external stakeholders?**

Yes.

**2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalised stakeholders?**

Yes

**3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.**

A proper and effective redressal mechanism is available at different level for the stakeholders to take up their issues, if any. Formal and informal consultations / meetings are held with the different stakeholders at different management level to obtain their ideas, views and opinions for better handling of their interests.

### Principle 5

Businesses should respect and promote human rights

**1. Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?**

The policy is applicable to LIC HFL, its subsidiaries and vendors. LIC HFL is committed to developing a culture where it implements a policy of respect and support for human rights. The big picture of Company, its employees, all stakeholders and society at large is being considered for recognition of human rights.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

None



## Principle 6

Business should respect, protect, and make efforts to restore the environment

1. **Does the policy related to Principle 6 cover only the company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others.**

LIC HFL is fully aware of the direct and indirect environmental impacts of its operations and considers it as a major criterion in all its decisions. The Company being in the business of granting housing loans encourages housing projects which are environmentally safe and secure.

2. **Does company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.?**

Not applicable since the company is engaged in providing finance for construction / purchase of house / flat.

3. **Does the company identify and assess potential environmental risks?**

Yes. LIC HFL is fully aware of the direct and indirect environmental impacts of its operations and considers it as a major criterion in all its decisions. The Company being in the business of granting housing loans encourages housing projects which are environmentally safe and secure.

4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?**

Not applicable.

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc? Y/N. If yes, please give hyperlink for web page, etc.**

Not applicable.

6. **Are the Emissions / Waste generated by the company within the permissible limits given by CPSB/ SPCB for the financial year being reported?**

Not applicable.

7. **Number of show cause/ legal notices received from CPSB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

Not applicable.

## Principle 7

Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. **Is your company a member of any trade and chamber or association?**

The Company presently is not a member of any trade and chamber or association but is contemplating to associate itself soon.

2. **Have you advocated/ lobbied through above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

Not applicable.

## Principle 8

Businesses should support inclusive growth and equitable development

1. **Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes, details thereof:**

LIC HFL functions on the principles of inclusive growth and equitable development. By opening offices throughout the length and breadth of the country, including rural areas, the Company is trying in its own way to contribute to the overall development of the country. The Company has implemented rural housing scheme of NHB for development of the rural areas. The Company has been offering appropriate products especially for vulnerable and marginalized sections of the society.

2. **Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ Government structures/ and any other organisation?**

LIC HFL had floated a subsidiary company LICHFL Care Homes Limited, whose main objective is to build assisted living centres for the elderly and providing them with a roof at a competitive price, for a peaceful and enjoyable retired life.

3. **Have you done any impact assessment of your initiative?**

No assessment of impact of the initiative has been done yet.

4. **What is your company's direct contribution to community development projects – Amount in INR and the details of the project undertaken?**

The Company has not directly contributed in community development projects. However through its subsidiary LICHFL Care Homes Limited, the Company is engaged in Community Development Project. The main objective of LICHFL Care Homes Limited is to establish & operate assisted community centres for senior citizens in major

cities across India. The said Company has been working towards ensuring comfort, privacy and security to the elderly citizens along with their dignity and independence. LICHFL Care Homes Limited had taken up two projects, one in Bangalore and another in Bhubaneswar. The project at Bangalore is an eco-friendly campus promoting Shelter & Freedom from routine chores, social interaction and harmonious companionship among residents and also providing comprehensive services. The project is consisting of 98 cottage and 144 flats divided into 4 blocks of 2BHK and 3BHK at economical prices. The project included on-campus amenities and cost-effective independent cottages fully structured and self-contained with library, community centre, home theatre, meditation centre and ambulance on campus. The project in Bhubaneswar consists of 240 flats of 1BHK, 2BHK and 3BHK and is in full swing, expected to be completed soon. All the 240 flats have been sold out. During the financial year 2013-14, ₹ 21.93 crore have been spent towards development of Bangalore and Bhubaneswar Care Homes project of the Company.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.**

This community development initiative is being welcomed and has been successfully adopted by the community mainly because of increase in life expectancy and increase in number of senior citizens year after year. The concept of nucleus family has become prevalent almost throughout India. Parents prefer to maintain their own privacy and enjoy their social life amongst their peer group. Also children employed out of India and their parents not willing to shift out of India prefer such community homes for their parents wherein the senior citizens' social needs,

medical needs and emotional needs are taken care of. This fact is confirmed by the response to the project in both Bangalore and Bhubaneswar wherein the projects were fully sold out within a short period.

**Principle 9**

Businesses should engage with and provide value to their customers and consumers in a responsible manner

**1. What percentage of customer complaints/ consumer cases are pending as on the end of the financial year?**

Percentage of customer complaints pending as on 31<sup>st</sup> March, 2014 – 6.76 percent.

**2. Does the company display product information on the product label, over and above what is mandated as per local laws?**

LIC HFL is a housing finance company and hence this question is not applicable. However, features of housing loan schemes have been disclosed to the applicant before financing.

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.**

There is no such instance.

**4. Did your company carry out any consumer survey/ consumer satisfaction trends?**

The Company has not carried out any consumer survey/ consumer satisfaction trends.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LIC HOUSING FINANCE LIMITED Report on the Financial Statements

We have audited the accompanying financial statements of LIC Housing Finance Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, in which are incorporated the returns from the five Back Offices (Bhopal, Chandigarh, Chennai, Kolkata, and Patna), audited by the Back Office auditors and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - 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 appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the five Back Offices not visited by us. The report on these five Back Offices audited by the back office auditors have been forwarded to us and have been dealt with by us in preparing this report;
  - bb. The reports on the accounts of the Back Offices audited under section 228 by back office auditors have been forwarded to us as required by clause (c) of sub-section (3) of section 228 and have been dealt with in preparing our report in the manner considered necessary by us;
  - c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns received from the five back office not visited by us;
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated September 13, 2013 issued by the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
  - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **SHAH GUPTA & CO.**  
Chartered Accountants  
FRN – 109574W

**Heneel K Patel**  
Partner  
M No. 114103

Place : Mumbai  
Date : April 21, 2014

For **CHOKSHI & CHOKSHI**  
Chartered Accountants  
FRN – 101872W

**Mitil Chokshi**  
Partner  
M No. 47745



# ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- |   |  |
|---|--|
| <p>(i) Having regard to the nature of the Company's business/activities/results during the year, clauses 4 (ii), (viii) and (xiii) of the Order are not applicable to the Company.</p> <p>(ii) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>(b) The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. According to the information and explanations given to us, no material discrepancies were noticed on such verification.</p> <p>(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.</p> <p>(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, sub-clause (b), (c) and (d) are not applicable.</p> <p>(b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, sub-clause (f) and (g) are not applicable.</p> <p>(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for sale of services. The nature of the Company's business is such that it does not involve purchase and sale of goods. During the course of our audit, we have not observed any major weaknesses in the aforesaid internal control system.</p> <p>(v) According to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly, sub-clause (b) is not applicable.</p> | <p>(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Act, to the extent applicable to the Housing Finance Company and the Housing Finance Companies (NHB) Directions, 2010 (as amended) with regard to the deposits accepted from the public. We are informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.</p> <p>(vii) In our opinion, the internal audit functions carried out during the year by the Company's internal audit department for the back offices and by a firm of Chartered Accountants appointed by the management for the corporate office have been commensurate with the size of the Company and nature of its business.</p> <p>(viii) (a) In our opinion and according to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, service tax, custom duty, cess and any other material statutory dues where applicable, with the appropriate authorities during the year.</p> <p>(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.</p> <p>(c) According to the records of the Company, there are no dues of income tax, wealth tax, service tax, customs duty and cess which have not been deposited on account of any dispute.</p> <p>(ix) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year under report and in the immediately preceding financial year.</p> <p>(x) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.</p> <p>(xi) The Company has maintained adequate documents and records for the loans and advances granted by it on the basis of security by way of residential houses</p> |
|---|--|



and properties and other securities. The Company has not granted loans and advances by way of pledge of shares and debentures during the year.

- (xii) In our opinion and according to the information and explanations given to us, the Company has not dealt/traded in shares, debentures and investments other than mutual fund. The Company has maintained proper records of the transactions and contracts in respect of investments in mutual funds and timely entries have been made therein. All the investments have been held by the Company in its own name.
- (xiii) According to the information and explanations given to us, the Company has not given any guarantee for the loans taken by others from banks or financial institutions during the year.
- (xiv) In our opinion and according to the information and explanations given to us, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xv) According to the information and explanations given to us and on the basis of review of Asset Liability Management report prepared for submission to the Board of Directors of the Company, giving utilisation of funds on overall basis, we report that funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (xvi) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act during the year.
- (xvii) According to the information and explanations given to us and the records examined by us, in respect of

debentures issued by the Company during the period covered by our report, security / charge have been created on the immovable properties of the Company and are further supplemented by a negative lien on all other assets of the company.

- (xviii) The Company has not raised any money by public issue during the year.
- (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing standards in India and as per the information and explanations given to us, we have not come across any instance of fraud, either noticed or reported during the year, on or by the Company, except that there have been instances of misappropriation of funds by way of sanction and disbursement of non-tenable loans or use of deception to obtain housing loans by some of the customers involving an aggregate amount of ₹ 354.21 lacs (Previous Year ₹ 598.62 lacs) However, as informed to us, such instances are inherent in the nature of business of the Company and adequate provision in respect thereof has been made in the accounts for the year.

For **SHAH GUPTA & CO.**  
Chartered Accountants  
FRN – 109574W  
**Heneel K Patel**  
Partner  
M No. 114103

For **CHOKSHI & CHOKSHI**  
Chartered Accountants  
FRN – 101872W  
**Mitil Chokshi**  
Partner  
M No. 47745

Place : Mumbai  
Date : April 21, 2014

## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF DIRECTORS LIC HOUSING FINANCE LIMITED

#### Report on Compliance with the Housing Finance Companies (NHB) Directions, 2010

Pursuant to the Paragraph 33 of Chapter IV of the Housing Finance Companies (NHB) Directions, 2010 (the "Directions"), we have examined the matters specified in the Paragraph 34 of the Directions in respect of LIC Housing Finance Ltd. (the "Company") for the year ended March 31, 2014.

#### Management's Responsibility

The Management is responsible for the design and implementation of the internal procedures, systems, processes and controls to ensure compliance with the Directions on an ongoing basis. This responsibility also includes reporting non-compliances, if any, to the National Housing Bank, Board of the Company and its Audit Committee.

#### Auditors' Responsibility

Our responsibility is to report on the matters specified in Paragraph 34 of the Directions based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether there are any identified non-compliances. An audit involves performing procedures to obtain audit evidence about the compliance with the Directions. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the information and records, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's compliance with the Directions in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our certificate.

We conducted our examination in accordance with the Guidance Note on Special Purpose Audit Reports and Certificates issued by the Institute of Chartered Accountants of India.

#### Conclusion

Based on our examination of the books and records of the Company as produced for our examination and the information & explanations provided to us, we report that:

1. The Company had applied for registration as required under Section 29A of the National Housing Bank Act, 1987 and has been granted the certificate of registration dated 31<sup>st</sup> July, 2001.
2. The Company has complied with the liquidity requirements as specified under Section 29B of the National Housing Bank Act, 1987 and has kept the securities with the

designated bank.

3. The Company has complied with Section 29C of the National Housing Bank Act, 1987.
4. The Company has complied with the provisions of the Directions.
5. The capital adequacy ratio as disclosed in the return submitted to the National Housing Bank has been correctly determined and such ratio is in compliance with the minimum capital to risk weighted asset ratio as prescribed by the National Housing Bank in the Directions.
6.
  - a) Public deposits accepted by the Company are within admissible limits.
  - b) Total borrowings of the Company i.e. deposits inclusive of public deposits together with the amounts referred to in sub-clauses (iii) to (vii) of sub-section (bb) of Section 45 I of the Reserve Bank of India Act, 1934 and loans or other assistance from the National Housing Bank are within the limit prescribed in the Directions.
  - c) There are no deposits in excess of the admissible limits.
  - d) The credit rating for deposits i.e. FAAA/Stable, reaffirmed by the credit rating agency viz., CRISIL on April 8, 2013 is in force. There are no limits of public deposit specified by the rating agency.
  - e) The Company has not defaulted in paying to its depositors the interest and/or principal amounts of deposits after such interest and/or principal became due during the year.
  - f) During the year, the Company has not opened / closed any branch / office for acceptance of public deposits.

#### Restriction of use

This report is issued pursuant to the requirement as per Paragraph 33 of the Directions and should not be used by any other person or for any other purpose. We neither accept nor assume any duty or liability for any other purpose or to any other party to whom our report is shown or into whose hands it may come without our prior consent in writing.

For **SHAH GUPTA & CO.**

Chartered Accountants

FRN – 109574W

**Heneel K Patel**

Partner

M No. 114103

For **CHOKSHI & CHOKSHI**

Chartered Accountants

FRN – 101872W

**Mitil Chokshi**

Partner

M No. 47745

Place : Mumbai

Date : April 21, 2014



# BALANCE SHEET

## as at March 31, 2014

(₹ in Lacs)

	Note No.	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	10,099.63	10,099.63
Reserves and Surplus	2	743,189.99	638,029.43
		753,289.62	648,129.06
<b>Non Current Liabilities</b>			
Long Term Borrowings	3	6,771,232.88	5,626,793.67
Other Long Term Liabilities	4	8,941.08	4,721.37
Long Term Provisions	5	70,599.00	68,744.37
		6,850,772.96	5,700,259.41
<b>Current Liabilities</b>			
Short Term Borrowings	6	373,811.08	243,724.47
Trade Payables	7	2,559.52	2,318.60
Other Current Liabilities	8	1,560,204.56	1,431,883.67
Short Term Provisions	9	37,064.63	29,708.45
		1,973,639.79	1,707,635.19
<b>Total</b>		<b>9,577,702.37</b>	<b>8,056,023.66</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	10		
- Tangible Assets		7,149.45	5,746.15
- Intangible Assets		411.12	491.14
Non Current Investments	11	19,908.25	18,439.62
Deferred Tax Asset (Net)	12	25,657.29	24,889.45
Long Term Loans & Advances	13	14,447.43	17,183.92
Other Non Current Assets	14	4.37	155.48
		67,577.91	66,905.76
<b>Loans</b>	15		
Non Current Loans		8,588,195.31	7,324,810.55
Current Loans		545,893.59	456,455.63
		9,134,088.90	7,781,266.18
<b>Current Assets</b>			
Current Investments	16	23.10	23.34
Trade Receivables	17	6,828.62	6,063.00
Cash and Bank Balances	18	302,237.62	146,555.91
Short Term Loans and Advances	19	4,489.89	869.47
Other Current Assets	20	62,456.33	54,340.00
		376,035.56	207,851.72
<b>Total</b>		<b>9,577,702.37</b>	<b>8,056,023.66</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	27		

The Notes referred to above form an integral part of the Financial Statements

As per our attached report of even date

**For Shah Gupta & Co.**      **For Chokshi & Chokshi**  
Chartered Accountants      Chartered Accountants  
FRN 109574W                      FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
Partner  
M.No. 114103

**Mitil Chokshi**  
Partner  
M.No. 47745

**S.K. Roy**  
Chairman

**Sushobhan Sarker**  
Director

**S.Ravi**  
Director

**Sunita Sharma**  
Managing Director &  
Chief Executive Officer

**Nitin K. Jage**  
General Manager (Tax.)  
& Company Secretary

**N.K.Mittal**  
CFO

**Venkata Subramanian B**  
Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014

# STATEMENT OF PROFIT & LOSS

## for the year ended March 31, 2014

(₹ in Lacs)

	Note No.	March 31, 2014	March 31, 2013
<b>Income</b>			
Revenue from Operations	21	918,138.22	757,592.03
Other Income	22	15,328.23	8,296.27
<b>Total Revenue</b>		<b>933,466.45</b>	<b>765,888.30</b>
<b>Expenses</b>			
Finance Costs	23	717,443.55	592,459.63
Employee Benefits Expense	24	10,383.38	9,040.64
Depreciation and Amortisation Expense	10	762.59	753.38
Establishment and Other Expenses	25	20,179.48	18,390.56
Provisions / Write offs (Net)	26	2,146.97	7,887.22
<b>Total Expenses</b>		<b>750,915.97</b>	<b>628,531.43</b>
<b>Profit before Tax</b>		<b>182,550.48</b>	<b>137,356.87</b>
Tax expense			
- Current Tax [Refer Note 27(22)]		51,599.69	37,843.15
- Deferred Tax [Refer Note 27(23)]		(767.84)	(2,806.94)
<b>Profit for the Year</b>		<b>131,718.63</b>	<b>102,320.66</b>
<b>Earnings per equity share</b> [Refer Note 27(21)]			
- Basic and Diluted		<b>26.10</b>	<b>20.28</b>
[Face value of ₹ 2/- each]			
<b>Significant Accounting Policies and Notes to Accounts</b>	27		

The Notes referred to above form an integral part of the Financial Statements

As per our attached report of even date

**For Shah Gupta & Co.**  
 Chartered Accountants  
 FRN 109574W

**For Chokshi & Chokshi**  
 Chartered Accountants  
 FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
 Partner  
 M.No. 114103

**Mitil Chokshi**  
 Partner  
 M.No. 47745

**S.K. Roy**  
 Chairman

**Sushobhan Sarker**  
 Director

**S.Ravi**  
 Director

**Sunita Sharma**  
 Managing Director &  
 Chief Executive Officer

**Nitin K. Jage**  
 General Manager (Tax.)  
 & Company Secretary

**N.K.Mittal**  
 CFO

**Venkata Subramanian B**  
 Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014





## CASH FLOW STATEMENT

### for the year ended March 31, 2014

(₹ in Lacs)

Particulars	March 31, 2014	March 31, 2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
<b>Net Profit Before Tax</b>	182,550.48	137,356.87
<b>Add / (Less) : Adjustment for</b>		
Depreciation and Amortisation Expenses	762.59	753.38
Provisions/ Write offs	2,148.16	7,885.63
Interest Income on housing loans	(907,333.66)	(745,908.67)
Interest Expenses	713,975.85	588,498.99
Interest Received on housing loans	899,857.33	731,632.39
Interest Paid	(652,597.33)	(525,536.04)
Loss on sale of fixed assets (Net)	5.13	4.42
Fixed assets Written off	2.38	0.72
Old and unclaimed amounts written back	(138.83)	(129.32)
(Reversal) / Provision for diminution in value of Current investment	(1.36)	1.46
(Profit) / Loss on sale of long term investment	-	8.96
Income from investments	(44.35)	(0.06)
Other Income from long term investment	-	(15.97)
Dividend Income from current and long term investment	(142.69)	(120.62)
Share Issue Expenses	-	0.74
	56,493.22	57,076.01
<b>Operating Profit before Working Capital Changes</b>	<b>239,043.70</b>	<b>194,432.88</b>
Adjustment for:		
(Increase) / Decrease in Other Current Assets	(4,592.39)	(869.31)
(Increase) / Decrease in Loans & Advance	(519.84)	106.90
Increase / (Decrease) in Liabilities & Provisions	19,311.01	61,953.99
	14,198.78	61,191.58
<b>Cash generated from Operations</b>	<b>253,242.48</b>	<b>255,624.46</b>
Direct taxes Paid	(51,008.87)	(38,038.06)
<b>Net Cash from operations</b>	<b>202,233.61</b>	<b>217,586.40</b>
Increase in Housing Loans	(1,352,489.69)	(1,476,137.67)
<b>Net Cash used in operating activities (A)</b>	<b>(1,150,256.08)</b>	<b>(1,258,551.27)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Investments	21.59	27.27
Purchase of Investments	(1,527.94)	(2,098.05)
Purchase of Fixed Assets	(748.67)	(779.12)
Sale of Fixed Assets	5.29	6.84
Dividend Income from current and long term investment	142.69	120.62
Income/(Loss) from investments	44.35	0.06
Other Income from long term investment	-	15.97
<b>Net Cash used in Investing Activities (B)</b>	<b>(2,062.69)</b>	<b>(2,706.41)</b>

# CASH FLOW STATEMENT

## for the year ended March 31, 2014

(₹ in Lacs)

Particulars	March 31,2014	March 31,2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Issue Expenses Paid	-	(0.74)
Proceeds from Secured Loans (Net)	1,285,349.86	1,244,109.97
Proceeds from Unsecured Loans (Net)	41,799.47	23,572.02
Dividend Paid	(19,071.19)	(18,071.21)
Transfer to Investor Protection Fund	(29.47)	(27.85)
Dividend Tax Paid	(3,234.95)	(2,941.60)
<b>Net Cash generated from Financing Activities (C)</b>	<b>1,304,813.72</b>	<b>1,246,640.59</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>152,494.95</b>	<b>(14,617.09)</b>
Cash and cash equivalents at the beginning of the year	140,608.83	155,225.92
Cash and cash equivalents at the end of the year	293,103.78	140,608.83
<b>Net Increase in Cash and Cash Equivalents</b>	<b>152,494.95</b>	<b>(14,617.09)</b>
<b>Notes:</b>		
<b>1 Cash &amp; Cash Equivalent includes :</b>		
Balance with banks*	44,043.01	34,548.75
Cheques,drafts on hand	14,119.14	14,791.97
Cash on hand	454.77	495.39
Investment in Mutual Fund Units (Highly liquid)	234,486.86	90,772.72
<b>Total Cash &amp; Cash Equivalent</b>	<b>293,103.78</b>	<b>140,608.83</b>
*Balance with Banks includes unclaimed dividend of ₹ 520.00 Lacs (Previous Year ₹ 443.47 Lacs)		

**2** The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements notified under Companies (Accounting Standards) Rules, 2006

As per our attached report of even date

For and on behalf of the Board of Directors

**For Shah Gupta & Co.**  
 Chartered Accountants  
 FRN 109574W

**For Chokshi & Chokshi**  
 Chartered Accountants  
 FRN 101872W

**Heneel K. Patel**  
 Partner  
 M.No. 114103

**Mitil Chokshi**  
 Partner  
 M.No. 47745

**S.K. Roy**  
 Chairman

**Sushobhan Sarker**  
 Director

**S.Ravi**  
 Director

**Sunita Sharma**  
 Managing Director &  
 Chief Executive Officer

**Nitin K. Jage**  
 General Manager (Tax.)  
 & Company Secretary

**N.K.Mittal**  
 CFO

**Venkata Subramanian B**  
 Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014



# NOTES FORMING PART OF BALANCE SHEET as at March 31, 2014

## NOTE 1

(₹ in Lacs)

SHARE CAPITAL	As at March 31, 2014	As at March 31, 2013
<b>Authorised</b>		
750,000,000 Equity Shares of ₹ 2/- each (Previous year 750,000,000 Equity Shares of ₹ 2/- each)	15,000.00	15,000.00
<b>Issued, Subscribed and Paid-up</b>		
504,663,000 Equity Shares of ₹ 2/- each ( Previous Year 504,663,000 Equity Shares of ₹ 2/- each) fully paid up		
Add: Forfeited shares as per Note.1(d) below	10,093.26	10,093.26
	6.37	6.37
	<b>10,099.63</b>	<b>10,099.63</b>

**Note.1(a): Reconciliation of no. of shares outstanding at the beginning and at the end of the reporting period**

Equity Shares	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	₹ in Lacs	No. of Shares	₹ in Lacs
Shares outstanding at the beginning of the year	504,663,000	10,093.26	504,663,000	10,093.26
Add: Issued during the year	-	-	-	-
Less: Bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<b>504,663,000</b>	<b>10,093.26</b>	<b>504,663,000</b>	<b>10,093.26</b>

**Note.1(b): Rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 2/- per share. Each shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amount, in proportion to their shareholdings.

**Note.1(c): Shares in the company held by each shareholder holding more than 5 percent shares**

Name of Shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Life Insurance Corporation of India	203,442,495	40.31	203,442,495	40.31

(₹ in Lacs)

Note.1(d): Forfeited Shares	As at March 31, 2014	As at March 31, 2013
Amount received on forfeited shares	6.37	6.37
	<b>6.37</b>	<b>6.37</b>

# NOTES FORMING PART OF BALANCE SHEET

as at March 31, 2014

## NOTE 2

(₹ in Lacs)		
RESERVES AND SURPLUS	As at March 31, 2014	As at March 31, 2013
<b>(a) Capital Reserve</b>		
As per last Balance Sheet	47.93	47.93
<b>(b) Securities Premium Account</b>		
As per last Balance Sheet	170,528.55	170,528.55
<b>(c) Special Reserve - I</b>		
In terms of section 36(1)(viii) of Income-Tax Act, 1961 and Section 29C of National Housing Bank Act, 1987 (Upto financial year 1996-97)		
As per last Balance Sheet	3,898.00	3,898.00
<b>(d) Other Statutory Reserves including Special Reserve- II</b>		
<b>Balance at the beginning of the year</b>		
(i) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	9.00	8.00
(ii) Amount of special reserve u/s 36(1)(viii) of Income-Tax Act, 1961 taken into account for purposes of Statutory Reserve Under Section 29C of the NHB Act, 1987	196,940.01	169,941.01
(iii) Total	196,949.01	169,949.01
<b>Addition / Appropriation / Withdrawal during the year</b>		
<b>Add :</b>		
(i) Amount transferred u/s 29C of the National Housing Bank Act, 1987	1.00	1.00
(ii) Amount of special reserve u/s 36(1)(viii) of Income-Tax Act, 1961 taken into account for purposes of Statutory Reserve Under Section 29C of the NHB Act, 1987	36,999.00	26,999.00
<b>Balance at the end of the year</b>		
(i) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	10.00	9.00
(ii) Amount of special reserve u/s 36(1)(viii) of Income-Tax Act, 1961 taken into account for purposes of Statutory Reserve Under Section 29C of the NHB Act, 1987	233,939.01	196,940.01
(iii) Total	233,949.01	196,949.01
<b>(e) General Reserve</b>		
Opening Balance	184,804.00	144,804.00
Add: Current Year Transfer	20,000.00	40,000.00
Closing Balance	204,804.00	184,804.00
<b>(f) Surplus in the Statement of Profit and Loss</b>		
Opening balance	81,801.94	68,893.42
Add: Net Profit for the current year	131,718.63	102,320.66
Less: Appropriations		
Proposed Dividend	22,709.84	19,177.19
Tax on Dividend	3,848.23	3,234.95
Transfer to General Reserve	20,000.00	40,000.00
Transfer to Special Reserve - II	36,999.00	26,999.00
Transfer to Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1.00	1.00
Closing Balance	129,962.50	81,801.94
	743,189.99	638,029.43



# NOTES FORMING PART OF BALANCE SHEET as at March 31, 2014

## NOTE 3

(₹ in Lacs)

LONG TERM BORROWINGS	As at March 31, 2014		As at March 31, 2013	
	Non Current	Current	Non Current	Current
<b>Secured</b>				
<b>(a) Non-Convertible Debentures</b> (Refer Note - 3.1)	4,516,000.00	764,300.00	3,364,300.00	760,100.00
<b>(b) Zero Coupon Debentures</b> (Refer Note - 3.2)	65,100.00	-	15,100.00	28,500.00
<b>(c) Term loans</b> (Refer Note - 3.3)				
From banks	1,555,712.42	175,928.57	1,686,098.14	137,116.09
<b>(d) Loans and advances from related parties:</b>				
Life Insurance Corporation of India (Refer Note - 3.3)	12,575.00	9,024.87	21,599.87	14,431.27
<b>(e) Other loans and advances</b>				
National Housing Bank (Refinance) (Refer Note - 3.3)	267,614.65	70,857.55	185,437.27	61,580.56
<b>Security :</b>				
Loans from banks and other loans and advances (including loans and advances from related party) are secured by a negative lien on all assets of the Company and an irrevocable power of attorney given by the company for creation of Mortgage on the properties of the borrowers of Housing Loans and for recovery of monies directly from the borrowers of Housing Loans.				
<b>Unsecured</b>				
<b>(a) Bonds:</b>				
(i) Subordinate Bonds (Refer Note - 3.4)	150,000.00	-	150,000.00	-
(ii) Upper Tier II Bonds (Refer Note - 3.5)	150,000.00	-	150,000.00	-
<b>(b) Deposits:</b>				
Public Deposit (Refer Note - 3.6)	54,230.81	38,403.25	54,258.39	4,162.82
	<b>6,771,232.88</b>	<b>1,058,514.24</b>	<b>5,626,793.67</b>	<b>1,005,890.74</b>

### Note - 3.1

The NCD are redeemable at par. The NCD are secured by way of a pari passu mortgage and charge in favour of the Debenture trustees on the Company's immovable property to the extent of ₹ 24.29 Lacs and are further supplemented by a negative lien on all other assets.



# NOTES FORMING PART OF BALANCE SHEET as at March 31, 2014

The details of Non Convertible Redeemable Debentures (NCD) are as under:

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
<b>Non Current :</b>				
10000 NCD's of ₹ 1,000,000 each	19-Mar-24	9.80%	-	100,000.00
9000 NCD's of ₹ 1,000,000 each	21-May-23	8.37%	-	90,000.00
5000 NCD's of ₹ 1,000,000 each	25-Apr-23	8.89%	-	50,000.00
5250 NCD's of ₹ 1,000,000 each	09-Apr-23	9.00%	-	52,500.00
5000 NCD's of ₹ 1,000,000 each	12-Mar-23	9.13%	-	50,000.00
7500 NCD's of ₹ 1,000,000 each	01-Jan-23	9.25%	-	75,000.00
5000 NCD's of ₹ 1,000,000 each	17-Dec-22	9.30%	-	50,000.00
2000 NCD's of ₹ 1,000,000 each	13-Dec-22	9.23%	-	20,000.00
4000 NCD's of ₹ 1,000,000 each	12-Nov-22	9.25%	-	40,000.00
3350 NCD's of ₹ 1,000,000 each	25-Oct-22	9.05%	-	33,500.00
5000 NCD's of ₹ 1,000,000 each	14-Sep-22	9.30%	-	50,000.00
5000 NCD's of ₹ 1,000,000 each	24-Jul-22	9.35%	-	50,000.00
2000 NCD's of ₹ 1,000,000 each	10-Feb-22	9.43%	-	20,000.00
3000 NCD's of ₹ 1,000,000 each	30-Jan-22	9.45%	-	30,000.00
2000 NCD's of ₹ 1,000,000 each	11-Nov-21	9.90%	-	20,000.00
5000 NCD's of ₹ 1,000,000 each	19-Sep-21	9.40%	-	50,000.00
5000 NCD's of ₹ 1,000,000 each	07-Jun-21	9.80%	-	50,000.00
5000 NCD's of ₹ 1,000,000 each	11-May-21	9.40%	-	50,000.00
2500 NCD's of ₹ 1,000,000 each	07-Mar-21	9.60%	-	25,000.00
10000 NCD's of ₹ 1,000,000 each	18-Jan-21	9.00%	-	100,000.00
1070 NCD's of ₹ 1,000,000 each	04-Jan-21	9.35%	-	10,700.00
3660 NCD's of ₹ 1,000,000 each	23-Nov-20	9.00%	-	36,600.00
4650 NCD's of ₹ 1,000,000 each	13-Oct-20	8.88%	-	46,500.00
6300 NCD's of ₹ 1,000,000 each	10-Aug-20	8.90%	-	63,000.00
2960 NCD's of ₹ 1,000,000 each	31-May-20	8.60%	-	29,600.00
5000 NCD's of ₹ 1,000,000 each	25-Mar-19	9.65%	26-Mar-15	50,000.00
8000 NCD's of ₹ 1,000,000 each	08-Mar-19	9.7624%	10-Jun-15	80,000.00
2810 NCD's of ₹ 1,000,000 each	26-Feb-19	9.7705%	26-Mar-15	28,100.00
5000 NCD's of ₹ 1,000,000 each	22-Jan-19	9.60%	23-Jan-15	50,000.00
3700 NCD's of ₹ 1,000,000 each	22-Jan-19	9.63%	-	37,000.00
7000 NCD's of ₹ 1,000,000 each	16-Jan-19	9.73%	-	70,000.00
2730 NCD's of ₹ 1,000,000 each	01-Nov-18	9.65%	-	27,300.00
7750 NCD's of ₹ 1,000,000 each	25-Oct-18	9.55%	25-Apr-15	77,500.00
5000 NCD's of ₹ 1,000,000 each	21-Oct-18	9.60%	-	50,000.00
5000 NCD's of ₹ 1,000,000 each	25-Aug-18	9.60%	-	50,000.00



## NOTES FORMING PART OF BALANCE SHEET

as at March 31, 2014

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
3000 NCD's of ₹ 1,000,000 each	13-Aug-18	11.08%	-	30,000.00
2050 NCD's of ₹ 1,000,000 each	04-Jul-18	8.83%	-	20,500.00
285 NCD's of ₹ 10,000,000 each	27-Jun-18	7.00%	-	28,500.00
6600 NCD's of ₹ 1,000,000 each	20-Jun-18	8.60%	-	66,000.00
3520 NCD's of ₹ 1,000,000 each	11-Jun-18	8.40%	-	35,200.00
8500 NCD's of ₹ 1,000,000 each	28-May-18	8.34%	-	85,000.00
3000 NCD's of ₹ 1,000,000 each	22-May-18	8.31%	-	30,000.00
6000 NCD's of ₹ 1,000,000 each	09-Apr-18	9.11%	-	60,000.00
1500 NCD's of ₹ 1,000,000 each	24-Mar-18	9.75%	-	15,000.00
1750 NCD's of ₹ 1,000,000 each	13-Feb-18	9.16%	12-Dec-14	17,500.00
2000 NCD's of ₹ 1,000,000 each	11-Feb-18	9.12%	11-Sep-14	20,000.00
2000 NCD's of ₹ 1,000,000 each	16-Jan-18	9.14%	-	20,000.00
100 NCD's of ₹ 10,000,000 each	25-Nov-17	7.50%	-	10,000.00
5000 NCD's of ₹ 1,000,000 each	22-Oct-17	9.80%	-	50,000.00
10000 NCD's of ₹ 1,000,000 each	07-Sep-17	9.57%	-	100,000.00
3000 NCD's of ₹ 1,000,000 each	27-Aug-17	9.75%	-	30,000.00
6000 NCD's of ₹ 1,000,000 each	11-Jun-17	9.70%	-	60,000.00
2500 NCD's of ₹ 1,000,000 each	05-Jun-17	9.75%	-	25,000.00
1500 NCD's of ₹ 1,000,000 each	28-May-17	8.33%	-	15,000.00
3000 NCD's of ₹ 1,000,000 each	16-May-17	9.70%	-	30,000.00
2000 NCD's of ₹ 1,000,000 each	14-May-17	10.25%	-	20,000.00
2000 NCD's of ₹ 1,000,000 each	13-Apr-17	8.50%	-	20,000.00
7000 NCD's of ₹ 1,000,000 each	27-Mar-17	9.69%	-	70,000.00
5000 NCD's of ₹ 1,000,000 each	23-Feb-17	9.60%	-	50,000.00
3000 NCD's of ₹ 1,000,000 each	08-Feb-17	9.62%	-	30,000.00
2500 NCD's of ₹ 1,000,000 each	24-Jan-17	9.56%	-	25,000.00
2000 NCD's of ₹ 1,000,000 each	19-Jan-17	9.56%	-	20,000.00
2650 NCD's of ₹ 1,000,000 each	15-Jan-17	9.10%	-	26,500.00
8000 NCD's of ₹ 1,000,000 each	11-Jan-17	9.69%	-	80,000.00
4000 NCD's of ₹ 1,000,000 each	20-Dec-16	9.50%	-	40,000.00
3000 NCD's of ₹ 1,000,000 each	16-Dec-16	9.55%	-	30,000.00
3500 NCD's of ₹ 1,000,000 each	07-Dec-16	9.70%	-	35,000.00
2500 NCD's of ₹ 1,000,000 each	30-Nov-16	9.75%	-	25,000.00
6000 NCD's of ₹ 1,000,000 each	29-Nov-16	9.84%	-	60,000.00
6000 NCD's of ₹ 1,000,000 each	14-Oct-16	9.45%	-	60,000.00
4000 NCD's of ₹ 1,000,000 each	14-Oct-16	9.30%	14-Oct-14	40,000.00
10000 NCD's of ₹ 1,000,000 each	19-Sep-16	10.18%	-	100,000.00

# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
7650 NCD's of ₹ 1,000,000 each	06-Sep-16	10.60%	-	76,500.00
2400 NCD's of ₹ 1,000,000 each	30-Aug-16	10.57%	-	24,000.00
2000 NCD's of ₹ 1,000,000 each	29-Jul-16	10.045% (5Yr INBMK + 1.20% annualised)	-	20,000.00
4000 NCD's of ₹ 1,000,000 each	15-Jul-16	9.74%	-	40,000.00
4250 NCD's of ₹ 1,000,000 each	17-Jun-16	9.90%	-	42,500.00
9750 NCD's of ₹ 1,000,000 each	03-May-16	8.64%	-	97,500.00
2000 NCD's of ₹ 1,000,000 each	11-Apr-16	9.50%	-	20,000.00
7500 NCD's of ₹ 667,000 each ***	13-Mar-16	10.00%	-	25,000.00
5000 NCD's of ₹ 1,000,000 each	16-Mar-16	9.74%	16-Mar-15	50,000.00
5000 NCD's of ₹ 1,000,000 each	09-Mar-16	8.15%	-	50,000.00
7000 NCD's of ₹ 1,000,000 each	26-Feb-16	9.40%	-	70,000.00
2000 NCD's of ₹ 1,000,000 each	27-Jan-16	9.60%	-	20,000.00
1500 NCD's of ₹ 1,000,000 each	05-Jan-16	9.10%	-	15,000.00
1100 NCD's of ₹ 1,000,000 each	20-Dec-15	9.35%	-	11,000.00
4100 NCD's of ₹ 1,000,000 each	02-Dec-15	9.39%	-	41,000.00
4000 NCD's of ₹ 1,000,000 each	06-Nov-15	8.60%	-	40,000.00
2100 NCD's of ₹ 1,000,000 each	06-Nov-15	9.38%	-	21,000.00
6000 NCD's of ₹ 1,000,000 each	18-Oct-15	9.75%	-	60,000.00
5000 NCD's of ₹ 1,000,000 each *	27-Sep-15	11.15%	-	50,000.00
5950 NCD's of ₹ 1,000,000 each	11-Sep-15	9.75%	-	59,500.00
5000 NCD's of ₹ 1,000,000 each **	05-Sep-15	9.60%	-	50,000.00
7500 NCD's of ₹ 1,000,000 each	03-Aug-15	9.62%	-	75,000.00
3150 NCD's of ₹ 1,000,000 each	20-Jul-15	9.60%	-	31,500.00
3000 NCD's of ₹ 1,000,000 each	15-Jul-15	9.02%	-	30,000.00
1500 NCD's of ₹ 1,000,000 each	08-Jul-15	8.26%	-	15,000.00
4000 NCD's of ₹ 1,000,000 each	29-Jun-15	8.28%	-	40,000.00
1200 NCD's of ₹ 1,000,000 each	28-May-15	9.75%	-	12,000.00
2000 NCD's of ₹ 1,000,000 each	14-May-15	9.6960%	-	20,000.00
3000 NCD's of ₹ 1,000,000 each	08-May-15	9.21%	-	30,000.00
5000 NCD's of ₹ 1,000,000 each	04-May-15	8.76%	-	50,000.00
3000 NCD's of ₹ 1,000,000 each	30-Apr-15	9.62%	-	30,000.00
3900 NCD's of ₹ 1,000,000 each	27-Apr-15	9.8713%	-	39,000.00
4000 NCD's of ₹ 1,000,000 each	08-Apr-15	9.90%	-	40,000.00
2900 NCD's of ₹ 1,000,000 each	07-Apr-15	9.8463%	-	29,000.00
				<b>4,516,000.00</b>



## NOTES FORMING PART OF BALANCE SHEET

### as at March 31, 2014

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
<b>Current :</b>				
2490 NCD's of ₹ 1,000,000 each	27-Mar-15	9.50%	-	24,900.00
7500 NCD's of ₹ 667,000 each ***	13-Mar-15	10.00%	-	25,000.00
2300 NCD's of ₹ 1,000,000 each	12-Mar-15	9.80%	-	23,000.00
2100 NCD's of ₹ 1,000,000 each	04-Mar-15	9.80%	-	21,000.00
4050 NCD's of ₹ 1,000,000 each	26-Feb-15	9.39%	-	40,500.00
2000 NCD's of ₹ 1,000,000 each	23-Jan-15	9.70%	-	20,000.00
5100 NCD's of ₹ 1,000,000 each	09-Jan-15	9.80%	-	51,000.00
5150 NCD's of ₹ 1,000,000 each	11-Dec-14	9.76%	-	51,500.00
8250 NCD's of ₹ 1,000,000 each	30-Nov-14	9.37%	-	82,500.00
1000 NCD's of ₹ 1,000,000 each	26-Nov-14	9.80%	-	10,000.00
2040 NCD's of ₹ 1,000,000 each	23-Nov-14	9.35%	-	20,400.00
2000 NCD's of ₹ 1,000,000 each	6-Nov-14	9.37%	-	20,000.00
5000 NCD's of ₹ 1,000,000 each	17-Oct-14	9.80%	-	50,000.00
4000 NCD's of ₹ 1,000,000 each	29-Sep-14	9.96%	-	40,000.00
5000 NCD's of ₹ 1,000,000 each	26-Aug-14	9.75%	-	50,000.00
6100 NCD's of ₹ 1,000,000 each	10-Aug-14	9.80%	-	61,000.00
2750 NCD's of ₹ 1,000,000 each	30-Jul-14	9.59%	-	27,500.00
2000 NCD's of ₹ 1,000,000 each	23-Jul-14	9.64%	-	20,000.00
3650 NCD's of ₹ 1,000,000 each	07-Jun-14	10.20%	-	36,500.00
2250 NCD's of ₹ 1,000,000 each	5-Jun-14	9.95%	-	22,500.00
1600 NCD's of ₹ 1,000,000 each	25-May-14	10.15%	-	16,000.00
2500 NCD's of ₹ 1,000,000 each	17-May-14	9.90%	-	25,000.00
2600 NCD's of ₹ 1,000,000 each	3-May-14	9.85%	-	26,000.00
				<b>764,300.00</b>

\*Redeemable @ ₹ 2.50 Lacs each on 27-Sep-15, 27-Sep-16, 27-Sep-17 and 27-Sep-18

\*\*Redeemable @ ₹ 2.50 Lacs each on 05-Sep-15, 05-Sep-16, 05-Sep-17 and 05-Sep-18

\*\*\*Redeemable @ ₹ 3.33 Lacs each on 13-Mar-14, 13-Mar-15 and 13-Mar-16

#### Note - 3.2

##### Zero Coupon Debentures (ZCB):

The ZCB are redeemable at par. The ZCB are secured by way of a pari passu mortgage and charge in favour of the Debenture trustees on the Company's immovable property to the extent of ₹ 24.29 Lacs and are further supplemented by a negative lien on all other assets.

The details of zero Coupon Debentures are as under:

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
<b>Non Current</b>				
1510 NCD's of ₹ 1,000,000 each	29-Jul-15	*	-	15,100.00
5000 NCD's of ₹ 1,000,000 each	26-Nov-18	**	26-May-15	50,000.00
				<b>65,100.00</b>

\* Issued at Par maturity value of ₹ 11.53 Lacs per debenture includes interest.

\* Issued at Par maturity value of ₹ 16.00 Lacs per debenture includes interest.

# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

**Note - 3.3**
**Maturity Profile of Term Loans**
**Description**

(₹ in Lacs)

Non Current:	As at March 31, 2014		
	Term Loans Banks (ROI 8% - 11.00%)	Life Insurance Corporation of India (ROI 6.71%)	National Housing Bank (Refinance) (ROI 6% - 10.70%)
Over 1 year to 3 years	554,088.00	10,800.00	100,419.00
Over 3 to 5 years	484,175.00	1,775.00	70,766.00
Over 5 to 7 years	513,325.00	-	52,587.00
Over 7 Years	4,124.00	-	43,842.00
<b>Total</b>	<b>1,555,712.00</b>	<b>12,575.00</b>	<b>267,614.00</b>

**Notes - 3.4**
**The details of Subordinate Bonds are as under:**

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
<b>Non Current :</b>				
5000 Bonds of ₹ 1,000,000 each	24-Oct-15	7.50%	-	50,000.00
5000 Bonds of ₹ 1,000,000 each	01-Jul-18	10.35%	-	50,000.00
5000 Bonds of ₹ 1,000,000 each	15-Sep-20	8.95%	-	50,000.00
				<b>150,000.00</b>

**Note - 3.5**
**The details of Upper Tier II Bonds are as under:**

(₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
<b>Non Current :</b>				
5000 Bonds of ₹ 1,000,000 each*	31-Mar-25	8.70%	31-Mar-20	50,000.00
5000 Bonds of ₹ 1,000,000 each*	26-Oct-25	8.90%	26-Oct-20	50,000.00
5000 Bonds of ₹ 1,000,000 each*	29-Nov-25	9.00%	29-Nov-20	50,000.00
				<b>150,000.00</b>

\*Redemption and call option exercisable with prior approval of National Housing Bank.

**Note - 3.6**

The Company has designated the following liquid assets amounting to ₹ 20,804.85 Lacs (Previous Year ₹ 16,804.85 Lacs) for the purpose of maintaining Statutory Liquid Ratio and floating charge on fixed deposits with banks has been created in favour of the Trustees for Depositors.

(₹ in Lacs)

	As at March 31, 2014	As at March 31, 2013
Government Securities	12,154.55	11,154.55
Fixed Deposits with Banks	8,650.30	5,650.30
	<b>20,804.85</b>	<b>16,804.85</b>





# NOTES FORMING PART OF BALANCE SHEET

as at March 31, 2014

## NOTE 4

(₹ in Lacs)

OTHER LONG TERM LIABILITIES	As at March 31, 2014	As at March 31, 2013
(a) Unamortized Gain		
Unamortized one time gain on termination of SWAP contracts	894.64	1,286.71
(b) Sundry Deposit Repayable	33.82	39.38
(c) Interest Accrued but not due on Borrowings	8,012.62	3,395.28
	<b>8,941.08</b>	<b>4,721.37</b>

## NOTE 5

(₹ in Lacs)

LONG TERM PROVISIONS	As at March 31, 2014	As at March 31, 2013
(a) Provision for Employee Benefits [Refer Note 27(17)]	1,583.21	1,599.02
(b) Others		
(i) Provision for Contingencies [Refer Note 27(6)]	1,142.12	1,162.18
(ii) Provision for Housing loans [Refer Note 27(24)]	66,643.74	65,969.37
(iii) Provision for Dimunition in the value of Investment [Refer Note 11 & 27(24)]	1,229.93	13.80
	<b>70,599.00</b>	<b>68,744.37</b>

## NOTE 6

(₹ in Lacs)

SHORT TERM BORROWINGS	As at March 31, 2014	As at March 31, 2013
<b>Secured</b>		
(a) Loans repayable on demand:		
Line of Credit from Banks	292,500.00	225,000.00
<b>Security :</b>		
Loans from banks are secured by a negative lien on all assets of the Company and an irrevocable power of attorney given by the Company for creation of Mortgage on the properties of the borrowers of Housing Loans and for recovery of monies directly from the borrowers of Housing Loans.		
(b) Non Convertible Debentures (Refer Note - 6.1)	55,000.00	-
<b>Unsecured</b>		
(a) Public Deposit	26,311.08	18,724.47
	<b>373,811.08</b>	<b>243,724.47</b>

# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

### NOTE 6.1

The NCD are redeemable at par. The NCD are secured by way of a pari passu mortgage and charge in favour of the Debenture trustees on the Company's immovable property to the extent of ₹ 24.29 Lacs and are further supplemented by a negative lien on all other assets.

**The details of Non Convertible Redeemable Debentures (NCD) are as under:** (₹ in Lacs)

Description	Date of Redemption	Rate of Interest	Earliest Put/ Call Option Date	As at March 31, 2014
4000 NCD's of ₹ 1,000,000 each	10-Oct-14	9.65%	-	40,000.00
1500 NCD's of ₹ 1,000,000 each	16-Sep-14	10.50%	-	15,000.00
				<b>55,000.00</b>

### NOTE 7

(₹ in Lacs)

TRADE PAYABLES	As at March 31, 2014	As at March 31, 2013
(a) Micro, Small and Medium Enterprises [Refer Note 27(15)]	-	-
(b) Others*	2,559.52	2,318.60
	<b>2,559.52</b>	<b>2,318.60</b>

\*includes payable to a related party ₹ 81.92 Lacs (Previous Year ₹ 57.85 Lacs)

### NOTE 8

(₹ in Lacs)

OTHER CURRENT LIABILITIES	As at March 31, 2014	As at March 31, 2013
(a) Current maturities of Long-Term Debt (Refer Note 3)	1,058,514.24	1,005,890.74
(b) Interest accrued but not due on loans and public deposits	278,508.48	221,747.31
(c) Unamortized Gain		
Unamortized one time gain on termination of SWAP contracts	392.07	401.75
(d) Payable on account of Swap		
Floating interest rate payable on Swap	11,100.51	10,975.77
Fixed interest rate receivable on Swap	(9,936.40)	(9,829.73)
	1,164.11	1,146.04
(e) Unpaid Dividends*	520.00	443.47
(f) Unpaid Deposits	465.48	228.29
(g) Statutory Dues Payable	567.55	311.75
(h) Payable to related parties [Refer Note 27(19)]	3,292.45	3,279.28
(i) Other Payables	9,676.10	9,753.69
(j) Temporary Book Overdraft [Refer Note 27(10)]	207,104.08	188,681.35
	<b>1,560,204.56</b>	<b>1,431,883.67</b>

\*The Company has transferred ₹ 29.47 Lacs (Previous year ₹ 27.85 Lacs ) to Investor Education and Protection Fund during the year. There was no amount due for transfer to Investor Education and Protection Fund as at March 31, 2014.



# NOTES FORMING PART OF BALANCE SHEET

as at March 31, 2014

## NOTE 9

(₹ in Lacs)

SHORT TERM PROVISIONS	As at March 31, 2014	As at March 31, 2013
(a) Provision for Employee Benefits [Refer Note 27(17)]	1,884.94	1,379.87
(b) Others		
(i) Provision for Taxation	4,495.35	2,341.56
(ii) Proposed Dividend	22,709.84	19,177.19
(iii) Tax on Dividend	3,848.23	3,234.95
(iv) Provision for Housing Loans [Refer Note 27(24)]	4,037.42	3,486.03
(v) Provision for Contingencies [Refer Note 27(6)]	88.85	88.85
	<b>37,064.63</b>	<b>29,708.45</b>

# NOTES FORMING PART OF BALANCE SHEET

as at March 31, 2014

## Note 10 - FIXED ASSET

( ₹ in lacs)

	GROSS BLOCK (AT COST)					DEPRECIATION/AMORTISATION					NET BLOCK	
Particulars	As at April 01, 2013	Additions / Adjustments	Deductions / Adjustments	As at March 31, 2014	Upto March 31, 2013	For the Year	Deductions / Adjustments	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013		
Tangible Assets												
Land	4.32	-	-	4.32	-	-	-	-	4.32	4.32		
Buildings	4,067.95	1,685.97	1.25	5,752.67	227.52	83.27	0.14	310.65	5,442.02	3,840.43		
Leasehold Improvements	1,277.88	94.01	52.89	1,319.00	966.13	116.91	52.84	1,030.20	288.80	311.75		
Furniture & Fixtures	1,030.04	48.24	6.98	1,071.30	715.17	56.79	6.58	765.38	305.92	314.87		
Vehicles	30.75	31.93	20.00	42.68	17.87	9.58	15.31	12.14	30.54	12.88		
Office Equipments	815.56	50.52	20.10	845.98	357.37	39.06	13.56	382.87	463.11	458.19		
Others												
Computers	2,776.44	53.34	54.90	2,774.88	1,972.73	242.31	54.90	2,160.14	614.74	803.71		
Total	10,002.94	1,964.01	156.12	11,810.83	4,256.79	547.92	143.33	4,661.38	7,149.45	5,746.15		
Previous Year	9,480.63	962.08	439.77	10,002.94	3,795.02	519.49	57.72	4,256.79	5,746.15			
Intangible Assets												
Software	1,521.93	134.67	-	1,656.60	1,030.79	214.69	-	1,245.48	411.12	491.14		
Total	1,521.93	134.67	-	1,656.60	1,030.79	214.69	-	1,245.48	411.12	491.14		
Previous Year	1,334.83	187.10	-	1,521.93	796.90	233.89	-	1,030.79	491.14			
Grand Total	11,524.87	2,098.68	156.12	13,467.43	5,287.58	762.61	143.33	5,906.86	7,560.57	6,237.29		
Previous Year	10,815.46	1,149.18	439.77	11,524.87	4,591.92	753.38	57.72	5,287.58	6,237.29			



# NOTES FORMING PART OF BALANCE SHEET

as at March 31, 2014

## NOTE 11

(₹ in Lacs)

NON CURRENT INVESTMENTS		As at March 31, 2014	As at March 31, 2013
<b>Other Non-trade Investments</b> (Refer Note 11.1)			
<i>(Long Term Investments)(At Cost)</i>			
(a) Investments in Equity instruments		2,971.59	2,904.16
(b) Investments in Government Securities		12,134.55	11,154.55
(c) Contribution to Trust		0.10	0.10
(d) Investments in Debentures		-	13.80
(e) Other non-current investments			
(i) Real Estate Venture Fund		4,802.01	4,367.01
		<b>19,908.25</b>	<b>18,439.62</b>
Aggregate amount of quoted investments	At Cost	12,134.55	11,154.55
	At Market Value	10,506.90	11,166.12
Aggregate amount of unquoted investments	At Cost	7,773.70	7,285.07
Aggregate provision for diminution in value of investments (Refer Note 5)		1,229.93	13.80

### Note 11.1

(₹ in Lacs)

OTHER NON TRADE INVESTMENTS	No. of Shares / Units		As at March 31, 2014	As at March 31, 2013
	March 31, 2014	March 31, 2013		
<b>(a) Investments in Equity Instruments - Unquoted, Fully paid up</b>				
<b>In Subsidiaries</b>				
LICHFL Care Homes Limited (Face Value ₹ 10/- each)	8,550,000	8,550,000	855.00	855.00
LICHFL Financial Services Ltd. (Face Value ₹ 10/- each)	9,500,000	9,500,000	950.00	950.00
LICHFL Trustee Company Private Ltd. (Face Value ₹ 10/- each)	90,000	90,000	9.00	9.00
LICHFL Asset Management Company Ltd. (Face Value ₹ 10/- each)	8,700,000	8,700,000	870.00	870.00
<b>In Associate</b>				
LIC Nomura Mutual Fund Asset Management Company Ltd. ( Face Value ₹ 10,000/- each)	2,200	2,200	220.00	220.00
<b>Others</b>				
LIC Nomura Mutual Fund Trustee Company Private Ltd. ( Face Value ₹ 10/- each)	1,600	1,600	0.16	0.16
Goods and Service Tax Network (Face Value ₹ 10/- each)	674,367	-	67.43	-
			<b>2,971.59</b>	<b>2,904.16</b>



# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

(₹ in Lacs)

OTHER NON TRADE INVESTMENTS	No. of Shares / Units		As at	As at
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>(b) Investments in Government Securities - Quoted, Fully paid up *</b>				
7.37 % Government of India Stock 2014	-	20,000	-	20.00
8.33 % Government of India Stock 2036	30,000	30,000	30.00	30.00
8.28 % Government of India Stock 2032	828,000	828,000	789.90	789.90
8.07 % Government of India Stock 2017	100,000	100,000	100.00	100.00
7.35% Government of India Stock 2024	1,600,000	1,600,000	1,592.50	1,592.50
7.59% Government of India Stock 2016	500,000	500,000	500.00	500.00
8.14% Maharashtra SDL 2019	150,000	150,000	150.00	150.00
8.24% Government of India Stock 2027	1,100,000	1,100,000	1,092.45	1,092.45
8.28% Government of India Stock 2027	500,000	500,000	498.05	498.05
7.80% Government of India Stock 2020	6,500,000	6,500,000	6,381.65	6,381.65
8.12% Government of India Stock 2020	1,000,000	-	1,000.00	-
* Kept with designated bank for repayment to depositors.			<b>12,134.55</b>	<b>11,154.55</b>
<b>(c) Contribution to Trust</b>			<b>0.10</b>	<b>0.10</b>
<b>(d) Investments in Debentures or Bonds-Un quoted, Fully paid up</b>				
17% Ganesh Benzoplast Limited*	-	42,000	-	13.80
17% Real Value Appliances Limited	-	200,000	-	₹1
* Provision for dimunition in the value of invest ments @ ₹13.80 Lacs				
			<b>-</b>	<b>13.80</b>
<b>(e) Other non-current investments-Unquoted, Fully paid up</b>				
<b>(i) Real Estate Venture Fund:**</b>				
Kotak India Real Estate Fund -1 (Face Value ₹ 100,000/- each) ***	2,367.01	2,367.01	2,367.01	2,367.01
CIG Reality Fund - 1 (Face Value ₹ 10/- each)	10,000,000	10,000,000	1,000.00	1,000.00
			<b>3,367.01</b>	<b>3,367.01</b>
<b>(f) Other non-current investments-Unquoted, Partly paid up</b>				
<b>(i) Real Estate Venture Fund:**</b>				
LICHFL Urban Development Fund (Face Value ₹ 10,000/- each)	50,000	50,000	<b>1,435.00</b>	<b>1,000.00</b>
			<b>19,908.25</b>	<b>18,439.62</b>

\*\* These are close ended schemes subject to lock in till the closure of the Scheme

\*\*\* Provision for dimunition in the value of investments @ ₹1229.93 Lacs



# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

### NOTE 12

(₹ in Lacs)

DEFERRED TAX ASSETS (NET) [Refer Note 27(23)]	As at March 31, 2014	As at March 31, 2013
(a) Deferred tax assets	25,962.42	25,185.70
(b) Deferred tax liabilities	(305.13)	(296.25)
	<b>25,657.29</b>	<b>24,889.45</b>

### NOTE 13

(₹ in Lacs)

LONG TERM LOANS AND ADVANCES	As at March 31, 2014	As at March 31, 2013
Unsecured, considered good		
(a) Capital Advance	179.49	1,465.90
(b) Security Deposits	544.29	479.54
(c) Loan against Public Deposit	41.25	5.40
(d) Advances to employees*	347.67	383.48
(e) Share Application Money Pending Allotment	42.56	-
(f) Advance tax and tax deducted at source (Net of provision for tax)	4,803.73	3,240.76
(g) Tax Paid under Protest	8,488.44	11,608.84
	<b>14,447.43</b>	<b>17,183.92</b>

\* Secured by lien over Provident Fund balances and/or hypothecation of vehicles

### NOTE 14

(₹ in Lacs)

OTHER NON CURRENT ASSETS	As at March 31, 2014	As at March 31, 2013
(a) Fixed Deposit with Bank [Refer Note 27(7)]*	-	150.30
(b) Interest Accrued on Fixed Deposits with Banks	-	4.11
(c) Interest Accrued on Advance against Public Deposit	4.37	1.07
	<b>4.37</b>	<b>155.48</b>

\*Fixed Deposits with Banks with maturity of more than twelve months towards maintaining SLR for public deposits.

### NOTE 15

(₹ in Lacs)

LOANS (SECURED) [Refer Note 27(3) & 27(24)]	As at March 31, 2014		As at March 31, 2013	
	Non Current	Current	Non Current	Current
(a) Individuals	8,393,074.22	462,784.07	7,120,990.32	393,755.21
(b) Others	195,121.09	83,109.52	203,820.23	62,700.42
	<b>8,588,195.31</b>	<b>545,893.59</b>	<b>7,324,810.55</b>	<b>456,455.63</b>

# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

### NOTE 16

(₹ in Lacs)

CURRENT INVESTMENTS <i>At Lower of cost or market value</i>	No. of Shares / Units		Amount As At	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
<b>(a) Investment in Equity instruments</b>				
Aptech Limited ( Face Value of ₹ 10/- each)	4,134	4,134	3.10	1.74
<b>(b) Investment in Mutual Funds - Highly liquid investments</b>			234,486.86	90,772.72
Less: Considered as cash and cash equivalents (Refer Note 18 & Note 16.1)			(234,486.86)	(90,772.72)
<b>(c) Investment in Government Securities *</b>				
7.37 % Government of India Stock 2014	20,000	-	20.00	-
<b>(d) Other current investments</b>				
Mortgage Backed Pass Through Certificates - Class B	-	1	-	21.60
			<b>23.10</b>	<b>23.34</b>
* Kept with designated bank for repayment to depositors.				
Aggregate amount of quoted investments		At Cost	28.47	8.47
		At Market Value	23.07	1.74

### NOTE 16.1

(₹ in Lacs)

Mutual Funds (Highly Liquid)	No. of Units		Amount As at	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Axis Liquid Fund -CFGP	493,447.47	308,153.85	7,012.03	4,005.80
Baroda Pioneer Liquid Fund Plan - Plan A	818,439.46	298,589.53	12,036.17	4,014.03
Birla Sun Life Cash Plus- Regular	2,831,759.71	3,199,190.33	5,827.76	6,011.89
Birla Sun Life Floating Rate Fund Short term Plan -Regular	6,458,801.25	-	11,025.42	-
BNP Paribas Overnight Fund	45,691,335.97	8,320,713.58	9,009.37	1,500.39
Canara Robeco Liquid - Regular	513,794.20	-	8,011.69	-
L & T Liquid Fund Growth	423,054.03	217,961.26	7,440.29	3,506.52
DSP Blackrock Liquidity Fund - Institutional Plan	218,319.04	358,388.53	4,005.45	6,016.19
DWS Insta Cash Plus Fund - Super Institutional Plan	-	1,825,915.39	-	2,780.67
HDFC Cash Mgmt Fund - Savings Plan	11,232,279.70	-	3,008.69	-
HDFC Liquid Fund	-	10,822,510.82	-	2,500.83
ICICI Prudential Liquid - Regular	3,624,933.46	865,655.97	6,880.52	1,501.49
ICICI Prudential Money Market Fund-Regular	11,296,890.22	-	20,030.45	-
IDBI Liquid Fund - Regular	583,375.57	366,195.73	8,017.52	4,609.69
IDFC Cash Fund - Regular	257,132.91	351,559.22	4,008.21	5,014.03
JM High Liquidity Fund	27,771,226.62	11,903,455.28	9,718.71	3,806.56



## NOTES FORMING PART OF BALANCE SHEET

### as at March 31, 2014

#### NOTE 16.1

(₹ in Lacs)

Mutual Funds (Highly Liquid)	No. of Units		Amount As at	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
JP Morgan India Liquid Fund Super Inst.Plan	66,290,110.59	26,018,381.12	11,019.74	3,953.83
Kotak Floater Short Term	142,938.38	-	3,005.27	-
Kotak Liquid Plan A	269,412.12	260,723.91	7,011.57	5,007.36
LIC Nomura MF Liquid Fund -LICLF	430,557.53	117,640.05	10,010.71	2,503.48
Pramerica Liquid Fund	-	240,240.01	-	3,008.24
Principal CMF Regular Plan	527,387.21	439,134.74	6,572.68	5,007.95
Reliance Liquid Fund - Treasury plan - LFIG	573,043.58	161,818.63	17,896.62	4,623.57
Reliance Liquidity Fund -LQGP	200,783.29	-	3,879.33	-
Religare Invesco Liquid Fund	795,629.51	155,329.27	14,031.73	2,505.16
SBI Premier Liquid Fund - Regular	198,868.28	325,944.09	4,008.65	6,009.29
Sundaram Money Fund - Regular	11,104,242.93	8,424,563.71	3,003.73	2,083.55
Tata Liquid Fund - Plan -A	296,266.72	-	7,012.56	-
Templeton India Tma - Super Institutional Plan	261,819.73	-	5,007.63	-
Taurus Liquid Fund - Existing Plan- Super Institutional Plan	1,272,006.07	457,866.39	17,613.82	5,794.72
UTI Liquid Cash Plan-Institutional Plan	95,528.04	260,368.43	2,007.41	5,007.48
UTI Money Market Fund- Institutional Plan	443,869.52	-	6,373.13	-
			<b>234,486.86</b>	<b>90,772.72</b>

#### NOTE 17

(₹ in Lacs)

TRADE RECEIVABLES <i>Secured, considered good</i>	As at March 31, 2014	As at March 31, 2013
(a) For a period exceeding six months	-	-
(b) Others		
Interest Accrued and Due on Housing Loans	6,828.62	6,063.00
	<b>6,828.62</b>	<b>6,063.00</b>

#### NOTE 18

(₹ in Lacs)

CASH AND BANK BALANCES	As at March 31, 2014	As at March 31, 2013
(a) Cash and Cash Equivalents		
Balance with Banks*	44,043.01	34,548.75
Cheques, drafts on hand	14,119.14	14,791.97
Cash on hand	454.77	495.40
Mutual Fund - Highly Liquid Investments (Refer Note 16)	234,486.86	90,772.72

# NOTES FORMING PART OF BALANCE SHEET

## as at March 31, 2014

	(₹ in Lacs)	
<b>CASH AND BANK BALANCES</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>(b) Other Bank Balances</b>		
Fixed Deposits with Banks**	9,133.84	5,947.07
	<b>302,237.62</b>	<b>146,555.91</b>

\* Balance with Banks includes unclaimed dividend of ₹ 520.00 Lacs (Previous Year ₹ 443.47 Lacs)

\*\* Fixed Deposits with Banks includes earmarked deposits created in favour of trustees for depositors towards maintaining Statutory Liquid Ratio amounting to ₹ 8650.30 Lacs (Previous Year ₹ 5500.00.00 Lacs) and ₹ 483.54 Lacs (Previous Year ₹ 447.07 Lacs) created for excess sale proceeds recovered under SARFAESI

### NOTE 19

	(₹ in Lacs)	
<b>SHORT-TERM LOAN AND ADVANCES</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>a) Advances to Subsidiaries (Related Party)</b>		
Unsecured, considered good	56.84	20.71
<b>(b) Others</b>		
(i) Loans and advances to Employees*	192.25	189.33
(ii) Advances recoverable in cash or kind or for value to be received		
Unsecured, considered good	1,118.00	659.43
Doubtful	24.63	24.47
Less : Provision for Doubtful	(24.63)	(24.47)
	1,118.00	659.43
(iii) Loan against Public Deposit	2.40	-
(iv) Tax paid under protest to be received	3,120.40	-
	<b>4,489.89</b>	<b>869.47</b>

\* Secured by lien over Provident Fund balances and/or hypothecation of vehicles

### NOTE 20

	(₹ in Lacs)	
<b>OTHER CURRENTS ASSETS</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>(a) Interest Accrued but not due on</b>		
(i) Housing loan	60,607.20	53,896.49
(ii) Investments	308.56	292.53
(iii) Fixed Deposits with Banks	181.58	150.98
(iv) Public deposit	1.43	-
<b>(b) Others</b>	1,357.56	-
	<b>62,456.33</b>	<b>54,340.00</b>





# NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS for the year ended March 31, 2014

## NOTE 21

(₹ in Lacs)

REVENUE FROM OPERATIONS	March 31, 2014	March 31, 2013
<b>a) Interest Income:</b>		
Interest on Housing Loans (Tax deducted at source ₹ 3494.24 Lacs Previous year ₹ 3931.85 Lacs)	907,333.66	745,908.67
<b>(b) Other Financial Services:</b>		
Processing Fees and other charges received	16,513.72	15,486.15
Less: Processing fees and other charges paid	(5,709.16)	(3,802.79)
	10,804.56	11,683.36
	<b>918,138.22</b>	<b>757,592.03</b>

## NOTE 22

(₹ in Lacs)

OTHER INCOME	March 31, 2014	March 31, 2013
<b>(a) Other Interest Income</b>		
(i) Interest received on Fixed Deposits with Banks (Tax deducted at source ₹ 74.42 Lacs Previous Year at source ₹ 34.93 Lacs)	703.28	315.64
(ii) Interest on Long Term Investments	990.59	860.92
	1,693.87	1,176.56
<b>(b) Dividend</b> [Includes Dividend on Current Investments & Dividend from Subsidiary amounting to ₹ 0.19 Lacs & ₹142.50 Lacs respectively (Previous Year 0.12 Lacs & ₹ 120.50 Lacs )]	142.69	120.62
<b>(c) Profit on sale of Investments ( Net) *</b>	10,129.72	5,858.53
<b>(d) Others Non Operating Income</b>		
(i) Residual Income on PTC B	-	0.06
(ii) Miscellaneous Income (Tax deducted at source ₹ 21.76 Lacs Previous year ₹ 18.13 Lacs) [Refer Note 27(8)]	3,361.95	1,140.50
	3,361.95	1,140.56
	<b>15,328.23</b>	<b>8,296.27</b>
<b>*Profit on sale of Investments</b>		
Highly Liquid Investments	10,129.72	5,867.49
Long Term Investments	-	(8.96)
	<b>10,129.72</b>	<b>5,858.53</b>

# NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS

for the year ended March 31, 2014

## NOTE 23

(₹ in Lacs)

FINANCE COSTS	March 31, 2014	March 31, 2013
<b>(a) Interest Expense</b>		
(i) On Term Loans	231,910.91	210,855.21
(ii) On Commercial Papers	-	150.76
(iii) On Debentures / Bonds	471,110.00	372,689.44
(iv) On Public Deposits	10,954.94	4,803.58
<b>(b) Other Borrowing cost</b>		
(i) Other Finance Charges	845.57	721.95
(ii) Interest payable from Swaps (Net)	2,622.13	3,238.69
	<b>717,443.55</b>	<b>592,459.63</b>

## NOTE 24

(₹ in Lacs)

EMPLOYEE BENEFITS EXPENSE	March 31, 2014	March 31, 2013
(a) Salaries and Bonus	7,853.98	7,056.79
(b) Contributions to Provident & Other Funds	1,517.27	1,100.93
(c) Staff Welfare Expenses	1,012.13	882.92
	<b>10,383.38</b>	<b>9,040.64</b>

## NOTE 25

(₹ in Lacs)

ESTABLISHMENT AND OTHER EXPENSES	March 31, 2014	March 31, 2013
(a) Rent, rates and taxes	2,373.64	2,109.91
(b) Repairs and maintenance - building	34.88	28.82
(c) Repairs and maintenance - others	162.65	137.84
(d) Travelling and conveyance	555.08	527.76
(e) Directors sitting fees	12.25	10.89
(f) Advertisement & Publicity expenses	1,956.79	1,396.73
(g) Competition Prizes & Conference Expenses	686.57	354.01
(h) Printing and stationery	412.47	368.96
(i) Postage, telephones and telex	790.47	757.36
(j) Computer Expenses	410.49	308.30
(k) Legal and professional fees:		
(i) Payment to Auditors	54.21	51.35
(ii) Other Professional fees	117.04	46.41
(l) Electricity Expenses	473.22	431.38



## NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS for the year ended March 31, 2014

(₹ in Lacs)		
<b>ESTABLISHMENT AND OTHER EXPENSES</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
(m) Insurance	10.55	10.72
(n) Loss on sale of Fixed Assets (Net)	5.13	4.42
(o) Fixed Assets written off	2.38	0.72
(p) Miscellaneous expenses	554.08	197.83
(q) Service Charges for Safe Custody of Documents	434.06	265.99
(r) Listing Fees and Payment to Share Transfer Agents	26.57	23.99
(s) Commission and Brokerage	11,384.64	11,616.31
(t) Recovery Expenses (Net)	(277.71)	(265.45)
(u) Prior Period Items (Net) [Refer Note 27(9)]	0.02	6.31
	<b>20,179.48</b>	<b>18,390.56</b>

### NOTE 26

(₹ in Lacs)		
<b>PROVISIONS / WRITE OFFS (NET)</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
(a) Housing loans written off	0.39	3,137.00
(b) Provision for diminution in value of current & long term investment	1,214.78	1.46
(c) Provision for Housing Loans	1,225.76	8,129.17
(d) Long term investment written off (Non Trade)	39.30	-
(e) Provisions for Contingency	0.17	0.13
Less :		
(f) Housing loans written off recovered	(333.43)	(250.31)
(g) Provisions for Housing Loans written back	-	(3,130.23)
	<b>2,146.97</b>	<b>7,887.22</b>

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## Note: 27

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The Financial Statements comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

All the assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing & their realisation in cash & cash equivalents, the company had ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

#### b. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

#### c. Revenue Recognition

##### Interest on Housing Loans

Repayment of Housing Loans is by way of Equated Monthly Installments (EMI) comprising of principal and interest or by way of proceeds of Life Insurance Policies where interest is collected in monthly installment. Necessary appropriation is made out of these EMI collections to principal and interest. Interest income is recognized on accrual basis except in case of Non Performing Assets (NPA) where interest is accounted on realization.

Fees and additional interest income on delayed EMI/Pre-EMI are recognized on receipt basis.

##### Income from Investments

Interest income on debt investments like Non convertible Debentures (NCD), Inter Corporate Deposits (ICD), Bank Deposits, Government Securities is recognized on accrual basis and Dividend income is accounted for in the year in which the same is declared in Annual General Meeting and Company's right to receive payment is established.

##### Other Income

In other cases, income is recognized when there is no significant uncertainty as to determination and realization.

#### d. Fixed Assets

Fixed Assets are stated at cost of acquisition, or construction inclusive of expenses incidental thereto less accumulated depreciation and impairment loss, if any.

#### e. Depreciation

Depreciation on Fixed Assets except Vehicles is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on vehicle is calculated @ 20% per annum. Cost of leasehold improvements is amortized over the period of the lease. Depreciation on assets whose cost individually does not exceed upto ₹ 5,000/- is fully provided in the year of purchase.



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

### **f. Impairment Loss**

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

### **g. Intangible Assets**

Intangible assets are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less amortization over estimated useful life. Software License is amortized on straight line basis over five years.

### **h. Investments**

In accordance with the Guidelines issued by National Housing Bank (NHB), current investments are carried at lower of cost and fair value and long term investments are carried at cost. However, provision is made to recognize decline other than temporary in the carrying amount of long term investments. Unquoted investments in the units of mutual funds in the nature of current investments are valued at the net asset value declared by mutual funds in respect of each particular scheme as per the guidelines issued by the NHB.

### **i. Employee Benefits**

#### **Provident Fund**

Contribution as required by Statute paid to the Government Provident Fund as also contribution paid to other recognized Provident Fund Trust is debited to the Statement of Profit and Loss.

#### **Gratuity**

- Gratuity liability is a defined benefit obligation for employees. The Company has taken Group Gratuity-cum-Life Insurance Policy from Life Insurance Corporation of India (LIC) for employees other than those are under deputation from LIC. Accordingly, the Company accounts for liability for future gratuity benefits based on actuarial valuation carried out at the end of each financial year and the Contribution paid to LIC is charged to the Statement of Profit and Loss. Actuarial gain or losses arising from changes in actuarial assumptions are immediately recognized in the Statement of Profit and Loss in the period in which they arise.
- In respect of employees under deputation from LIC, an amount equal to five percent of aggregate of basic salary and dearness allowance of such employees, paid / payable to LIC is charged to the Statement of Profit and Loss and is treated as a defined contribution obligation.

#### **Leave Benefits**

Leave Benefits for both short term and long term in the form of vesting and non vesting compensated absences are accounted for on actuarial valuation determined as at the year end.

### **j. Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transactions.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognized as income or expense.

At the year end, monetary assets and liabilities denominated in foreign currency are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expense in the relevant year.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## **k. Derivative Transactions**

SWAP transactions are considered off-balance sheet items and the outstanding SWAP trades are disclosed at the fair value on the reporting date. The carrying amount (difference between coupon rate liability and SWAP contract rate) is accounted on an accrual basis and the same is adjusted against the interest cost of the underlying liability. Gain realized on early termination of SWAP is amortized over the balance tenure of the SWAP or underlying liability whichever is less. Loss if any on early termination is charged to the Statement of Profit and Loss in the same year.

## **l. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

## **m. Zero Coupon Instrument**

The difference between the discounted amount mobilized and redemption value of Commercial Papers/ Zero Coupon Bond/ NCD is apportioned on time basis over the life of instrument and charged as interest expense in the Statement of Profit and Loss.

## **n. Income Tax**

Taxes on income are accounted for in accordance with Accounting Standard (AS-22) – “Accounting for taxes on income”, notified under the Companies (Accounting Standards) Rules, 2006. Income tax comprises both current and deferred tax.

Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using substantially enacted tax rates and tax regulations as of the Balance Sheet date.

In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized, only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

## **o. Provision on Standard and Non Performing Loans**

The provision on Standard and Non Performing Loans is made as per the prudential norms prescribed in the Housing Finance Companies (NHB) Directions, 2010 as amended. Additional provisions (over and above the prudential norms) if required is made as per the Guidelines approved by the Board of Directors from time to time.

## **p. Provisions and Contingencies**

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

## **q. Leases**

Assets acquired on lease where significant portions of the risks and rewards incidental to the ownership are retained by the lessors are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis.

## **r. Securitised Assets**

Derecognition of Securitised assets in the books of the Company, recognition of gain or loss arising on Securitisation and accounting for credit enhancement provided by the company is based on the extant guidelines issued by the Institute of Chartered Accountants of India.

Securitised Assets are derecognized in the books of the Company based on the principal of surrender of control over the assets. Credit Enhancement provided by the Company by way of investments in subordinate Class B Pass Through Certificates is included as other current investments for the previous year.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## NOTES TO ACCOUNTS

1. a) Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances) are ₹ 1,564.20 Lacs (Previous year ₹ 363.64 Lacs).
- b) Other Commitments: Uncalled liability of ₹ 3,565 Lacs (Previous Year ₹ 4,000 Lacs) in respect of commitment made for contribution to LICHFL Urban development fund by subscription of 50,000 units (previous year 50,000 units) of ₹ 10,000/- face value each, paid up value being ₹ 2,870/- (previous year ₹ 2,000/-) each.
2. **Contingent liabilities in respect of :**
  - a) Corporate Undertaking Nil (Previous year ₹ 1,435.00 Lacs) for Securitization transactions.
  - b) Claims against the Company not acknowledged as debts ₹ 35.44 Lacs (Previous Year ₹ 23.38 Lacs).
  - c) The Company has received a demand of ₹ 1,145.56 Lacs, ₹ 1,122.06 Lacs (including interest of ₹ 88.99 Lacs), ₹ 347.76 Lacs (including interest of ₹ 20.39 Lacs), ₹ 2,217.31 Lacs (including interest of ₹ 721.90 Lacs), ₹ 3,571.94 Lacs (including interest of ₹ 667.94 Lacs), ₹ 2,385.58 Lacs (including interest of ₹ 138.71 Lacs) and ₹ 1,503.40 Lacs (including interest of ₹ 633.94 Lacs) on completion of income tax assessment for the assessment year 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 respectively. The said amounts are disputed and the Company has preferred an appeal against the same. The amounts for the respective years have been paid to the credit of the Central Govt. under protest.
3. (i) Retail / Project Loans are secured by any or all of the following as applicable, based on their categorisation :
  - a) Equitable / Registered Mortgage of Property.
  - b) Assignment of Life Insurance Policies, NSC, KVP, FD of Nationalized Bank.
  - c) Assignment of Lease Rent Receivables.
  - d) Company guarantees or personal guarantees.
  - e) Negative lien.
  - f) Undertaking to create a security.
- (ii) Loans to employees other than for Housing are secured by lien over Provident Fund balances and / or Hypothecation of Vehicles.
4. Housing Loans include loans amounting to ₹ 2,378.65 Lacs (Previous year ₹ 1,757.68 Lacs) against which the company has taken possession of the properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and held such properties for disposal. The fair value of assets possessed against the loan is ₹ 3,819.28 Lacs (Previous year ₹ 2,727.79 Lacs), being lower of the fair value of the asset possessed and the outstanding due under the loans as at March 31, 2014.
5. Details with regard to securitization deals of the Company. The trustees to the deals have issued Pass through Certificates (PTC) to the investors:

(₹ in Lacs)

Year of deal	Particulars	Amount securitized	Trustee	Balance of PTC as at March 31, 2014
2003-2004	Individual Housing Loans - India MBS 2003 Series III	0.00 (19,634.93)	IL&FS Trustee Company	0.00 (90.67)

Figures in bracket are in respect of the previous year.

## 6. Provision for contingencies includes:

- a) Provision for untapped corporate undertaking given for securitization of housing loans. The outflows in respect of untapped corporate undertaking would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitized receivables.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

- b) Provision for probable loss on account of bank reconciliation differences.

The movement in provisions is as below:

(₹ in Lacs)

Particulars	Provision for untapped corporate undertaking	Provision for probable loss on account of Bank Reconciliation differences
Opening balance	1,162.19 (1,177.07)	88.85 (88.85)
Add: Top up of Corporate Undertaking	0.00 (2.96)	- (-)
Less: Amounts utilized during the year	(-)20.06 (-17.84)	- (-)
<b>Closing balance</b>	<b>1,142.13</b> <b>(1,162.19)</b>	<b>88.85</b> <b>(88.85)</b>

Figures in bracket are in respect of the previous year.

7. Fixed Deposits with Banks include ₹ 8,650.30 Lacs (Previous Year ₹ 5,650.30 Lacs) kept with designated banks for repayment to Public Deposit Holders. The Company has beneficial interest on the income earned from these deposits.
8. Miscellaneous income includes nil (Previous Year ₹ 15.97 Lacs) being management fee from Kotak India Real Estate Venture Fund, ₹ 3.91 Lacs (Previous Year ₹ 3.68 Lacs) being interest income on staff loans/advances, ₹ 401.75 Lacs (Previous Year ₹ 432.11 Lacs) being gain on unwinding of Interest rate SWAP, ₹ 138.83 Lacs (Previous Year ₹ 129.32 Lacs) being old outstanding and unclaimed amounts written back, ₹ 1,947.09 Lacs (Previous year Nil) being interest on income tax refund.

9. **Prior Period items:**

(₹ in Lacs)

Particulars	Current Year	Previous Year
<b>Income</b>	Nil	Nil
<b>Expenditure</b>		
Miscellaneous Expenses	(0.02)	(6.31)
<b>Net Income</b>	<b>(0.02)</b>	<b>(6.31)</b>

10. Temporary Book Overdraft of ₹ 207,104.08 Lacs (Previous Year ₹ 188,681.35 Lacs) represents cheques issued towards disbursements to borrowers for ₹ 206,213.92 Lacs (Previous Year ₹ 187,799.45 Lacs) and cheques issued for payment of expenses of ₹ 890.16 Lacs (Previous Year ₹ 881.90 Lacs), but not encashed as at March 31, 2014.

11. **Auditor's Remuneration\*:**

(₹ in Lacs)

Particulars	Current Year	Previous Year
As auditor including ₹ 4.40 lacs (Previous Year ₹ 4.40 lacs) to Back Office Auditors	30.15	30.15
As advisor or in any other capacity in respect of tax audit	5.00	4.00
For Quarterly Limited Reviews	15.00	14.00
In any other manner (Certification work)	3.63	2.88
For Reimbursements of expenses to Back Office Auditors	0.43	0.32
<b>Total</b>	<b>54.21</b>	<b>51.35</b>

\* Excluding Service Tax



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

### 12. Expenditure in Foreign Currencies:

(₹ in Lacs)

Particulars	Current Year	Previous Year
Travelling Expenses	5.81	3.12
Professional Fees	3.45	1.81
Fees for filing returns and Trade License fees	3.74	4.00
Salary to Overseas Staff	40.69	30.54
Rent for Overseas Staff Residence	10.17	8.08
Commission	43.95	45.51
Other Expenses	5.60	3.70

### 13. Earnings in Foreign Currencies:

(₹ in Lacs)

Particulars	Current Year	Previous Year
Processing Fees	43.95	45.51

### 14. Remittance in Foreign Currencies on Account of Dividend

The particulars of remittances in foreign currencies on account of dividends to the Non-resident Shareholders are as under:

Particulars	Current Year	Previous Year
No. of Non-Resident Shareholders*	2	2
No. of equity Shares held	881,878	124,536
Amount of Dividend Paid (₹ in Lacs)	33.51	4.48
Year to which dividend relates	2012-13	2011-12

\* includes 7250 equity shares (previous year 7,250 equity shares) held by the custodian, which is the registered shareholder for all the owners of Company's GDR.

15. The Company had requested its suppliers to confirm the status as to whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006. The disclosure relating to unpaid amount as at the year end together with interest paid / payable as required under the said Act have been given to the extent such parties could be identified on the basis of the information available with the company regarding the status of suppliers under MSMED Act, 2006. No interest has been paid/payable by the Company during the current year to the parties covered under the Micro, Small and Medium Enterprises Development Act, 2006.

### 16. Derivative Instruments:

- Interest Rate Swaps for hedging underlying liability aggregate to ₹ 119,600.00 Lacs (Previous year ₹ 119,600.00 Lacs).
- For underlying liability of ₹ 65,000.00 Lacs (Previous Year ₹ 65,000.00 Lacs), Coupon Swap has been entered into which remains unhedged in respect of movement in respective currencies affecting the coupon amount.
- The Company as on March 31, 2014 had outstanding interest rate and coupon swaps covering the underlying liability aggregating to ₹ 184,600.00 Lacs (Previous year ₹ 184,600.00 Lacs). The Mark to Market value of all such Swaps as at March 31, 2014 was negative to the extent of ₹ 14,503.79 Lacs (Previous Year ₹ 13,160.70 Lacs).

### 17. Disclosure in respect of Employee Benefits:

In accordance with the Accounting Standard on Employee Benefits (AS-15) (Revised 2005) notified by Companies (Accounting Standards) Rules, 2006, the following disclosure have been made :

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## Provident Fund and Pension Fund Liability

The Company has recognised ₹ 649.37 lacs (Previous year ₹ 533.75 lacs) in the Statement of Profit and Loss towards contribution to Provident fund in respect of company employees. In respect of LIC employees on deputation who have opted for pension, ₹ 23.31 lacs (Previous year ₹ 21.94 lacs) have been contributed towards LIC of India (Employees) Pension Rules, 1995.

<b>Gratuity Liability</b>					( ₹ in Lacs)
<b>Changes in the Benefit Obligation</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the Beginning of the year	2,238.21	1,517.00	1,309.88	915.83	655.66
Interest Cost	184.65	125.15	104.79	73.27	54.68
Current Service Cost	164.53	108.11	94.53	83.17	56.11
Past Service Cost	-	-	-	101.74	-
Benefit Paid	(44.52)	(27.14)	(74.60)	(18.71)	(12.56)
Actuarial Loss on obligations	529.60	515.09	82.40	154.58	161.94
Liability at the end of the year	3,072.47	2,238.21	1,517.00	1,309.88	915.83

<b>Fair Value of the Plan Assets</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Fair Value of Plan Asset at the beginning of the year	2,138.61	1,686.87	1,385.61	639.78	570.86
Expected Return on Plan Assets	186.06	134.95	110.85	51.18	47.45
Contributions	409.78	318.70	247.18	699.33	28.56
Benefit paid	(44.52)	(27.14)	(74.60)	(18.71)	(12.56)
Actuarial Gain / (Loss) on Plan Assets	15.18	25.23	17.84	14.03	5.47
Fair value of Plan Assets at the end of the year	2,705.11	2,138.61	1,686.87	1,385.61	639.78
Total Actuarial Loss to be Recognized	514.42	489.86	64.56	(140.55)	(156.48)

<b>Actual Return on Plan Assets:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Expected Return on Plan Assets	186.06	134.95	110.85	51.18	47.45
Actuarial Gain / (Loss) on Plan Assets	15.18	25.23	17.84	14.03	5.47
Actual Return on Plan Assets	201.24	160.18	128.69	65.21	52.92

<b>Amount Recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the end of the year	(3,072.47)	(2,238.22)	(1,517.00)	(1,309.88)	(915.83)
Fair Value of Plan Assets at the end of the year	2,705.11	2,138.61	1,686.87	1,385.61	639.78
Amount recognized in the Balance Sheet	(367.36)	(99.61)	169.87*	75.73*	(276.05)

\*Restricted to NIL

<b>Expense Recognized in the Statement of Profit and Loss :</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Current Service Cost	164.53	108.11	94.53	83.17	56.11
Interest Cost	184.65	125.15	104.79	73.27	54.68
Expected Return on Plan Assets	(186.06)	(134.95)	(110.85)	(51.18)	(47.45)
Net Actuarial Loss to be recognized	514.42	489.86	64.56	140.55	156.48
Past Service Cost	-	-	-	101.74	-
Expense recognized in the Statement of Profit and Loss under staff expenses	677.54	588.18	153.03	347.55	219.81



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

(₹ in Lacs)

<b>Reconciliation of the Liability recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Opening Net Liability	99.61	(169.87)	(75.73)	276.05	84.80
Expense recognized	677.54	588.18	153.03	347.55	219.81
Contribution by the Company	(409.78)	(318.70)	(247.18)	699.33	28.56
Amount recognized in the Balance Sheet under "Provision for Retirement Benefits"	367.36	99.61 *	(169.87) *	(75.73)*	276.05

\*Restricted to NIL

<b>Experience Adjustments</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
On Plan liability (Gains)/Losses	235.30	285.88	124.29	234.38	214.97
On Plan Assets (Losses)/Gains	15.18	25.23	17.84	14.03	5.47

<b>Plan Assets</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Insurer Managed Funds*	2,705.11	2,138.61	1,686.87	1,385.61	639.78
*% to the total fair value of plan assets	100%	100%	100%	100%	100%

<b>Assumptions</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Discount Rate	9.31%	8.25%	8.25%	8.25%	8.00%
Rate of Return on Plan Assets	8.70%	8.70%	8.00%	8.00%	8.00%
Salary Escalation	8.00%	6.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%
Mortality Table	Indian Assured lives mortality (2006-08) Ultimate		LIC (1994-96) Ultimate		

Gratuity Contribution is paid to LIC of India under Gratuity Scheme of LIC.

The Company's best estimate of contributions expected to be paid to the plan during the annual period beginning after March 31, 2014 is ₹ 481.51 Lacs (Previous Year ₹ 264.13 Lacs).

## Leave Encashment

(₹ in Lacs)

<b>Changes in the Benefit Obligation</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the Beginning of the year	1,667.28	1,163.06	1,007.68	857.44	548.47
Interest Cost	137.55	101.77	83.13	68.59	45.57
Current Service Cost	103.82	68.10	68.96	57.93	39.48
Benefit Paid	-	-	-	-	-
Actuarial (Gain) / Loss on obligations	(266.08)	334.35	3.28	23.72	223.93
Liability at the end of the year	1,642.57	1,667.28	1,163.06	1,007.68	857.44

<b>Amount Recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the end of the year	1,642.57	1,667.28	1,163.06	1,007.68	857.44
Fair Value of Plan Assets at the end of the year	-	-	-	-	-
Amount recognized in the Balance Sheet*	(1,642.57)	(1,667.28)	(1,163.06)	(1,007.68)	(857.44)



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

(₹ in Lacs)

<b>Expense Recognized in the Statement of Profit and Loss:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Current Service Cost	103.82	68.10	68.96	57.93	39.48
Interest Cost	137.55	101.77	83.13	68.60	45.57
Expected Return on Plan Assets	-	-	-	-	-
Net Actuarial (Gain) / Loss to be recognized	(266.08)	334.35	3.28	23.72	223.93
Expense recognized in the Statement of Profit and Loss under staff expenses	(24.71)	504.22	155.38	150.24	308.98

<b>Reconciliation of the Liability recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Opening Net Liability	1,667.28	1163.06	1,007.68	857.44	548.47
Expense recognized	(24.71)	504.22	155.38	150.24	308.97
Contribution by the Company	-	-	-	-	-
Amount recognized in the Balance Sheet under "Provision for Retirement Benefits"	1,642.57	1,667.28	1,163.06	1,007.68	857.44

<b>Experience Adjustments:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
On Plan Liability (Gains)/Losses	(454.61)	155.57	49.80	53.76	278.22
On Plan Assets (Losses)/Gains	-	-	-	-	-

<b>Assumptions:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Retirement Age	58Years	58Years	58Years	58Years	58Years
Discount Rate	9.31%	8.25%	8.75%	8.25%	8.00%
Salary Escalation	8.00%	6.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%
Mortality Table	Indian Assured Lives mortality (2006-08) Ultimate		LIC (1994-96) Ultimate		

The estimates of future salary increases, considered in actuarial valuation, include inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The above information is certified by the actuary and relied upon by the Auditors.

\* Exclusive of Amount ₹ 23.21 Lacs ( previous year ₹ 19.83 Lacs) towards additional provision made for LIC employees.

## 18. Segment Reporting:

The Company is engaged in the business of providing loans for purchase, construction, repairs and renovation etc. of houses to Individuals, Corporate Bodies, Builders and Co-operative Housing Societies and has its operations within India. Accordingly, there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' (AS 17) issued by the Institute of Chartered Accountants of India / notified under the Companies (Accounting Standards) Rules, 2006.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## 19. Related Party Disclosure:

a) Names of related parties where control exists:

Name of the related party	
<b>(i) Subsidiaries</b>	
	LICHFL Care Homes Ltd.
	LICHFL Financial Services Ltd.
	LICHFL Asset Management Company Ltd. (Formerly known as LICHFL Asset Management Company Private Ltd.)
	LICHFL Trustee Company Private Ltd.
<b>(ii) Entities over which control is exercised</b>	
	LICHFL Urban Development Fund

b) Details of other related parties with whom transactions have taken place:

Name of the related party	
<b>(i) Enterprise having significant influence</b>	
	Life Insurance Corporation of India
<b>(ii) Associate</b>	
	LIC Nomura Mutual Fund Asset Management Company Limited (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.)
<b>(iii) Key Management Personnel</b>	
	Ms. Sunita Sharma , Managing Director and Chief Executive Officer (since November 2013)
	Mr. V.K. Sharma, Managing Director and Chief Executive Officer (upto October 2013)

c) Details of transactions with related parties:

(₹ in Lacs)

Nature of transactions	Current Year	Previous Year
<b>Life Insurance Corporation of India:</b>		
Issue of non-convertible debentures	100,000.00	188,500.00
Repayment of non convertible debentures	75,000.00	24,100.00
Unsecured loans taken	-	3,131.07
Unsecured Loan Repaid	-	25,000.00
Repayment of Secured loan	14,431.27	17,463.58
Takeover of Housing Loan Portfolio of LIC Employees	-	2,530.13
Interest expenses on Secured and Unsecured loans	102,393.24	99,633.78
Dividend Payment	7,730.81	7,323.93
Rent Expenses	383.36	369.50
Reimbursement of Municipal Taxes, etc.	15.32	69.39
Reimbursement of Electricity Expenses	32.32	30.00
Payment for Staff training, Conference, etc.	3.85	1.79
Payments towards Renovation & Repairs	106.85	118.82
Reimbursement of Gratuity for staff on deputation from LIC	26.47	22.46
Year-end Balance (Credit)	1,208,358.70	1,207,574.46

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended March 31, 2014

(₹ in Lacs)

Nature of transactions	Current Year	Previous Year
<b>LIC Nomura Mutual Fund Asset Management Co. Ltd.:</b>		
Interest expenses on NCD	-	394.39
Repayment of NCD	-	5,000.00
Year-end Balance (Credit)	-	3,249.83
<b>LICHFL Care Homes Ltd.:</b>		
Dividend Income	85.50	85.50
Payment of Expenses	40.07	20.72
Reimbursement of Expenses	(4.06)	-
Advances repaid	-	500.00
Year-end Balance (Debit) - towards Reimbursement of Expenses	56.73	20.72
<b>LICHFL Financial Services Ltd.:</b>		
Investment in Equity Shares	-	600.00
Dividend Income	57.00	35.00
Commission Expenses on Loan Business	474.41	368.78
Commission Expenses on Public Deposit	0.93	0.19
Payment of Expenses	4.38	3.05
Reimbursement of Expenses	(4.38)	(3.05)
Year-end Balance (Credit)	81.92	57.85
<b>LICHFL Asset Management Co. Ltd.:</b>		
Payment of Expenses	14.07	8.77
Reimbursement of Expenses	(13.96)	(8.77)
Year-end Balance (Debit)	0.11	-
<b>LICHFL Urban Development Fund</b>		
Investment	435.00	1,000.00
Income from investment	44.35	-
<b>Ms. Sunita Sharma</b>		
Managerial remuneration*	7.04	-
<b>Mr. V. K. Sharma</b>		
Managerial Remuneration*	21.34	23.99

\*As the Provision for Performance Linked Incentive and Leave Encashment is accrued for the Company as a whole and not decided individually, hence not included. However payment made during the year is included in the above figures.

## 20. Operating Leases:

The Company has taken various offices and residential premises on cancelable operating lease basis for periods which range from 11 to 120 months with an option to renew the lease by mutual consent on mutually agreeable terms. Lease payments recognized in the Statement of Profit and Loss for such premises are ₹ 1,854.29 Lacs (Previous year ₹ 1,717.49 Lacs).



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

### 21. Earnings per share:

Earnings per share is calculated by dividing the profit attributable to the equity shareholder's by the weighted average number of equity shares outstanding during the year as under:

Particulars		Current Year	Previous Year
Profit after tax attributable to equity shareholders	(₹ in Lacs)	131,718.63	102,320.65
Weighted average number of equity shares outstanding during the year	Nos.	504,663,000	504,663,000
Basic and Diluted Earnings per share	₹	26.10	20.28
Face value per equity share	₹	2/-	2/-

### 22. Current tax:

Provision for current tax is made on the basis of accounting practices consistently followed by the Company, including method of accounting for interest on housing loans and is after availing deduction under section 36(1)(viii) of the Income Tax Act, 1961. For the purpose of determining the quantum of deduction available under section 36(1)(viii), the methodology applied for the bifurcation of income and expenses for long term housing finance has been relied upon by the auditors.

### 23. The Components of Deferred Tax Assets and Liabilities are as under:

(₹ in Lacs)

Particulars	Current Year	Previous Year
<b>Deferred Tax Assets:</b>		
Provisions for Housing & Non Housing loans	24,024.53	23,607.89
Provisions for Contingencies	8.37	8.32
Provision for Tapping Corporate Undertaking	388.21	395.03
Unamortized One Time Gain	437.35	573.91
Provision for Employee Benefits	691.06	600.56
Provision for diminution in value of long term investment	412.90	-
<b>(A)</b>	<b>25,962.42</b>	<b>25,185.70</b>
<b>Deferred Tax Liabilities:</b>		
Related to Fixed Assets	305.13	296.25
<b>(B)</b>	<b>305.13</b>	<b>296.25</b>
<b>Net Deferred Tax Assets [(A)-(B)]</b>	<b>25,657.29</b>	<b>24,889.45</b>

### 24. Disclosure regarding provisions made for substandard, doubtful and loss assets and depreciation in investments as per the Prudential Norms contained in the Housing Finance Companies (NHB) Directions, 2010 as amended.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## i. HOUSING BUSINESS

Housing Loans: (₹ in Lacs)

Asset Classification	Current Year		Previous Year	
	Year-end balance	Provisions	Year-end balance	Provisions
Standard assets	8,721,490.06	44,657.05	7,421,483.53	49,050.28
Sub-standard assets	16,197.62	2,429.65	12,338.86	1,850.83
Doubtful assets	28,238.32	16,398.55	18,574.16	13,086.41
Loss assets	1,338.38	1,338.38	1,049.29	1,049.29
<b>Total</b>	<b>8,767,264.38</b>	<b>64,823.63</b>	<b>7,453,445.84</b>	<b>65,036.81</b>

## ii. NON HOUSING BUSINESS

a. Non Housing Loans: (₹ in Lacs)

Asset Classification	Current Year		Previous Year	
	Year-end balance	Provisions	Year-end balance	Provisions
Standard assets	351,698.63	1,634.06	312,660.46	1,583.99
Sub-standard assets	164.95	24.74	14,327.75	2,149.16
Doubtful assets	14,943.02	4,180.81	793.79	647.10
Loss assets	17.92	17.92	38.34	38.34
<b>Total</b>	<b>366,824.52</b>	<b>5,857.53</b>	<b>327,820.34</b>	<b>4,418.59</b>

b. Non Convertible Debentures: (₹ in Lacs)

Asset Classification	Current Year		Previous Year	
	Year-end balance	Provisions	Year-end balance	Provisions
Loss assets	0.00	0.00	13.80	13.80
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>13.80</b>	<b>13.80</b>

c. Investment in Kotak Real Estate Venture fund (₹ in Lacs)

Asset Classification	Current Year		Previous Year	
	Year-end balance	Provisions	Year-end balance	Provisions
Standard Assets	2,367.01	1,229.93	2,367.01	0.00
<b>Total</b>	<b>2,367.01</b>	<b>1,229.93</b>	<b>2,367.01</b>	<b>0.00</b>



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

25. Disclosure as per Clause 32 of the Listing Agreement :

Loans and advances in the nature of Loans given to Subsidiaries and Associates: - (₹ in Lacs)

Name of the Company	Relationship	Year-end balance as at March 31, 2014	Maximum balance during the year
LICHFL Care Homes Ltd.	Wholly owned subsidiary	0.00 (0.00)	0.00 (500.00)

Figures in bracket are in respect of the previous year.

- Since the above loan is repayable on demand, there is no repayment schedule for the loan.
- No interest is charged on the above loan. However, the provisions of section 372A of the Companies Act, 1956 are not applicable to above loan in view of the loan being given to the subsidiary of the company.
- Loans and Advances to employees / customers and investments by such employees / customers in the shares of the Company, if any, are excluded from the above disclosure.

26. Disclosure regarding provisions made for Asset Liability Management (ALM) System for the Housing Finance Companies as per NHB Circular dated October 11, 2010.

### I. Capital to Risk Assets Ratio (CRAR)

Items		Current Year	Previous Year
i.	CRAR (%)	16.38%	16.54%
ii.	CRAR - Tier I capital (%)	12.19%	11.54%
iii.	CRAR - Tier II Capital (%)	4.19%	5.00%

### II. Exposure to Real Estate Sector (₹ in Lacs)

Category		Current Year	Previous Year
a)	<b>Direct exposure</b>		
(i)	Residential Mortgages –		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
	Housing loans up to ₹15 Lacs	3,263,389.06	3,013,948.57
	Housing loans more than ₹15 Lacs	5,272,499.51	4,242,642.28
(ii)	Commercial Real Estate –		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	278,230.60	266,520.64
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	(a) Residential (PTC-B)	0.00	21.59
	(b) Commercial Real Estate	-	-
b)	<b>Indirect Exposure</b>		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended March 31, 2014

## III. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(₹ in Lacs)

	1 day to 30-31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 to 7 years	Over 7 to 10 years	Over 10 years	Total
<b>Liabilities</b>											
Borrowings from banks	30,000	7,143	14,215	238,596	17,8475	5,54,088	484,175	513,325	14,124	0	2,024,141
Market Borrowings	17,304	68,525	74,073	234,836	569,158	2,175,833	1,550,858	413,987	924,843	150,000	6,179,417
<b>Assets</b>											
Advances*	37,959	54,328	38,276	122,063	293,268	1,135,043	1,093,359	1,080,009	1,597,494	3,611,609	9,063,408
Investments**	20	0	0	0	3	500	100	6,532	4,572	6,974	18,701

\* Net of Provisions

\*\* Net of Investment diminutions

27. Disclosure regarding penalty or adverse comments as per Housing Finance Companies (NHB) Directions, 2010. During the current year, the Company has:

- a. neither been imposed any penalty by National Housing Bank
- b. nor received any adverse comments in writing from National Housing Bank on regulatory compliances.

28. The additional Information pursuant to revised Schedule VI to the Companies Act, 1956 are either Nil or Not Applicable.

29. The previous year figures have been reclassified / regrouped / restated to conform to current year's classification.

Signatures to Notes 1 to 27

As per our attached report of even date

**For Shah Gupta & Co.** **For Chokshi & Chokshi**  
 Chartered Accountants Chartered Accountants  
 FRN 109574W FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
 Partner  
 M.No. 114103

**Mitil Chokshi**  
 Partner  
 M.No. 47745

**S.K. Roy**  
 Chairman

**Sushobhan Sarker**  
 Director

**S.Ravi**  
 Director

**Sunita Sharma**  
 Managing Director &  
 Chief Executive Officer

**Nitin K. Jage**  
 General Manager (Tax.)  
 & Company Secretary

**N.K.Mittal**  
 CFO

**Venkata Subramanian B**  
 Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014



## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary Company	LICHFL Care Homes Limited	LICHFL Financial Services Limited	LICHFL Trustee Company Private Limited	LICHFL Asset Management Company Limited
1. Financial year of the Subsidiary Company ended on	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2014	31 <sup>st</sup> March, 2014
2. (a) Issued, subscribed and paid up capital of Subsidiary Company	85,50,000 Equity Shares of ₹10/- each	95,00,000 Equity Shares of ₹10/- each	90,000 Equity Shares of ₹10/- each	91,94,400 Equity Shares of ₹10/- each
(b) Extent of Interest of LIC Housing Finance Limited in the capital of Subsidiary	85,50,000 Equity Shares of ₹10/- each (100%)	95,00,000 Equity Shares of ₹10/- each (100%)	90,000 Equity Shares of ₹10/- each (100%)	87,00,000 Equity Shares of ₹10/- each (94.62%)
3. The Net Aggregate Amount of Profits / Losses of the Subsidiary so far as it concern the Members of LIC Housing Finance Limited and is not dealt with in the Accounts of LIC Housing Finance Limited.				
(a) for the Financial Year ended 31 <sup>st</sup> March, 2014	(₹2,76,43,778/-) (Loss)	₹2,27,82,340/- (Profit)	₹4,33,492/- (Profit)	₹6,10,19,693/- (Profit)
(b) for the previous Financial years of the Subsidiary since it became Subsidiary of LIC Housing Finance Limited	₹18,12,80,054/- (Profit)	₹ 1,32,72,515/- (Profit)	₹ 4,48,163/- (Profit)	₹ 12,49,71,024/- (Profit)
4. Net Aggregate amount of Profits/ Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of LIC Housing Finance Limited				
(a) for the Financial Year ended 31 <sup>st</sup> March, 2014.	Nil	Nil	Nil	Nil
(b) for the previous Financial years of the Subsidiary since it became Subsidiary of LIC Housing Finance Limited	Nil	Nil	Nil	Nil

For and on behalf of the Directors

**S. K. Roy**  
Chairman

**Sushobhan Sarker**  
Director

**S. Ravi**  
Director

**Sunita Sharma**  
Managing Director & CEO

**Nitin K. Jage**  
General Manager &  
Company Secretary

**N. K. Mittal**  
Chief Financial Officer

**Venkatasubramanian B.**  
Chief Manager (Accounts)

Mumbai  
21<sup>st</sup> April, 2014.

# CONSOLIDATED INDEPENDENT AUDITORS' REPORT

## TO THE BOARD OF DIRECTORS OF LIC HOUSING FINANCE LIMITED

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of LIC Housing Finance Limited (the "Company") and its four subsidiaries and an associate (the "LIC Housing Finance Limited Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according

to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- In the case of the Consolidated Balance Sheet, of the state of affairs of LIC Housing Finance Limited Group as at March 31, 2014
- In the case of the Consolidated Statement of Profit and Loss, of the profit of the LIC Housing Finance Limited Group for the year ended on that date, and
- In the case of the Consolidated Cash Flow Statements, of the cash flows of the LIC Housing Finance Limited Group for the year ended on that date.

### Other Matters

We did not audit the financial statements of four subsidiaries viz. LICHFL Care Homes Ltd., LICHFL Financial Services Ltd., LICHFL Trustee Company Pvt. Ltd. and LICHFL Asset Management Company Ltd. whose financial statements reflect total assets of ₹ 9,120.10 lacs (Previous Year ₹ 9,394.53 lacs) as at March 31, 2014, total revenue of ₹ 4,454.55 lacs (Previous Year ₹ 9,237.88 lacs), and net cash flows amounting to ₹ (-)111.32 lacs (Previous Year ₹ 807.16 lacs), for the year ended on that date, as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion in so far as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

In the case of associate, viz. LIC Nomura Mutual Fund Asset Management Company Ltd. which has been accounted for based on the equity method, which reflect the Group's share of profits upto March 31, 2014 of ₹ 1,986.81 lacs (Previous Year ₹ 2,274.89 lacs) and the Group's share of profits for the year then ended of ₹ (-)288.08 lacs (Previous Year ₹ (-)581.38 lacs) as considered in the consolidated financial statements. These financial statements have been prepared by the management of LIC Nomura Mutual Fund Asset Management Company Ltd., and our opinion is based solely on the unaudited separate financial statements prepared and certified by the Management of associate. Our opinion is not qualified in respect of this matter.

### For **SHAH GUPTA & CO.**

Chartered Accountants  
FRN – 109574W

### **Heneel K Patel**

Partner  
M No. 114103

Place : Mumbai

Date : April 21, 2014

### For **CHOKSHI & CHOKSHI**

Chartered Accountants  
FRN – 101872W

### **Mitil Chokshi**

Partner  
M No. 47745



# CONSOLIDATED BALANCE SHEET

## as at March 31, 2014

	Note No.	As at March 31, 2014	As at March 31, 2013
(₹ in Lacs)			
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	10,099.63	10,099.63
Reserves and Surplus	2	748,488.38	643,237.34
		758,588.01	653,336.97
<b>Minority Interest</b>		108.53	75.70
<b>Non Current Liabilities</b>			
Long Term Borrowings	3	6,771,232.88	5,626,793.67
Deferred Tax Liabilities (Net)	4	7.79	8.84
Other Long Term Liabilities	5	9,806.15	5,511.48
Long Term Provisions	6	70,630.92	68,771.86
		6,851,677.74	5,701,085.85
<b>Current Liabilities</b>			
Short Term Borrowings	7	373,811.08	243,724.47
Trade Payables	8	2,511.81	2,354.88
Other Current Liabilities	9	1,562,168.21	1,433,722.97
Short Term Provisions	10	37,145.79	30,417.59
		1,975,636.89	1,710,219.91
<b>Total</b>		<b>9,586,011.17</b>	<b>8,064,718.43</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets	11		
- Tangible Assets		8,202.97	6,806.37
- Intangible Assets		412.48	492.66
- Capital Work In Progress		24.54	24.54
Goodwill on Consolidation		20.52	20.52
Non Current Investments	12	19,216.25	18,035.70
Deferred Tax Asset (Net)	13	25,657.29	24,889.45
Long Term Loans & Advances	14	14,625.07	17,203.37
Other Non Current Assets	15	1,285.01	160.96
		69,444.13	67,633.57
<b>Loans</b>	16		
Non Current Loans		8,588,195.31	7,324,810.55
Current Loans		545,893.59	456,455.63
		9,134,088.90	7,781,266.18
<b>Current Assets</b>			
Current Investments	17	192.17	1,462.35
Inventories	18	-	24.89
Trade Receivables	19	7,180.97	6,415.61
Cash and Bank Balances	20	307,422.23	152,345.65
Short Term Loans and Advances	21	5,100.32	1,049.72
Other Current Assets	22	62,582.45	54,520.46
		382,478.14	215,818.68
<b>Total</b>		<b>9,586,011.17</b>	<b>8,064,718.43</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	29		

The Notes referred to above form an integral part of the Consolidated Financial Statements

As per our attached report of even date

**For Shah Gupta & Co.** **For Chokshi & Chokshi**  
Chartered Accountants Chartered Accountants  
FRN 109574W FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
Partner  
M.No. 114103

**Mitil Chokshi**  
Partner  
M.No. 47745

**S.K. Roy**  
Chairman

**Sushobhan Sarker**  
Director

**S.Ravi**  
Director

**Sunita Sharma**  
Managing Director &  
Chief Executive Officer

**Nitin K. Jage**  
General Manager (Tax.)  
& Company Secretary

**N.K.Mittal**  
CFO

**Venkata Subramanian B**  
Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014

# CONSOLIDATED STATEMENT OF PROFIT & LOSS

for the year ended March 31, 2014

(₹ in Lacs)

	Note No.	March 31, 2014	March 31, 2013
<b>Income</b>			
Revenue from Operations	23	921,471.41	765,960.18
Other Income	24	15,832.81	8,676.54
<b>Total Revenue</b>		<b>937,304.22</b>	<b>774,636.72</b>
<b>Expenses</b>			
Finance Costs	25	717,442.43	592,459.44
Employee Benefits Expense	26	11,269.23	9,815.67
Depreciation and Amortisation Expense	11	780.33	770.97
Establishment and Other Expenses	27	22,279.66	21,881.72
Provisions / Write offs (Net)	28	2,146.97	7,904.93
<b>Total Expenses</b>		<b>753,918.62</b>	<b>632,832.73</b>
<b>Profit before Tax</b>		<b>183,385.60</b>	<b>141,803.99</b>
Tax expense			
- Current Tax [Refer Note 29(15)]		52,013.27	39,209.19
- Deferred Tax [Refer Note 29(16)]		(768.99)	(2,805.07)
<b>Profit after Tax (before adjustment of Profit/Loss of associate and minority interest)</b>		<b>132,141.32</b>	<b>105,399.87</b>
Share of Profit / (Loss) of Associate		(288.08)	(581.38)
Share of Profit / (Loss) of Minority Interest		32.83	67.23
<b>Profit for the Year</b>		<b>131,820.41</b>	<b>104,751.26</b>
<b>Earnings per equity share</b> [Refer Note 29(14)]			
- Basic and Diluted		<b>26.12</b>	<b>20.76</b>
[Face value of ₹ 2/- each]			
<b>Significant Accounting Policies and Notes to Accounts</b>	29		

The Notes referred to above form an integral part of the Consolidated Financial Statements

As per our attached report of even date

**For Shah Gupta & Co.** **For Chokshi & Chokshi**  
 Chartered Accountants Chartered Accountants  
 FRN 109574W FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
 Partner  
 M.No. 114103

**Mitil Chokshi**  
 Partner  
 M.No. 47745

**S.K. Roy**  
 Chairman

**Sushobhan Sarker**  
 Director

**S.Ravi**  
 Director

**Sunita Sharma**  
 Managing Director &  
 Chief Executive Officer

**Nitin K. Jage**  
 General Manager (Tax.)  
 & Company Secretary

**N.K.Mittal**  
 CFO

**Venkata Subramanian B**  
 Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014



## CONSOLIDATED CASH FLOW STATEMENT

### for the year ended March 31, 2014

(₹ in Lacs)

Particulars	March 31, 2014		March 31, 2013	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
<b>Net Profit After Tax , Share of Associate &amp; Minority Interest</b>	131,820.41		104,751.26	
Add : Provision for tax	51,244.28	183,064.69	36,404.12	
<b>Add / (Less) : Adjustment for</b>				141,155.38
Depreciation and Amortisation Expenses	780.33		770.97	
Provisions/ Write offs	2,148.16		7,903.34	
Interest Income on housing loans	(907,333.66)		(745,908.67)	
Interest Expenses	713,975.85		588,498.99	
Interest Received on housing loans	899,857.33		731,632.39	
Interest Paid	(652,597.33)		(525,536.04)	
Loss on sale of fixed assets (Net)	5.16		4.47	
Fixed assets Written off	2.70		2.89	
Old and unclaimed amounts written back	(138.83)		(129.32)	
Provision / (Reversal) of Provision for diminution in value of Current investment	(1.36)		1.46	
(Profit) / Loss on sale of long term investment	(44.35)		8.96	
(Income) / Loss from investments	-		(0.06)	
Profit on sale of current investment	(59.36)		(12.91)	
Other Income from long term investment	-		(15.97)	
Dividend Income from current and long term investment	(0.19)		(0.12)	
Interest on deposit	(447.32)		(398.61)	
Asset Charged to Profit & Loss	-		81.47	
Preliminary Expenses	3.49		2.41	
Share Issue Expenses	3.60		11.94	
		56,154.22		56,917.59
<b>Operating Profit before Working Capital Changes</b>		<b>239,218.91</b>		<b>198,072.97</b>
<b>Adjustment for:</b>				
(Increase) / Decrease in Other Current Assets	(4,019.37)		(600.62)	
(Increase) / Decrease in Loans & Advance	(1,796.01)		(282.11)	
Increase / (Decrease) in Liabilities & Provisions	19,434.31		59,939.07	
		13,618.93		59,056.34
<b>Cash generated from Operations</b>		<b>252,837.84</b>		<b>257,129.31</b>
Direct taxes Paid		(52,632.65)		(38,802.88)
<b>Net Cash from operations</b>		<b>200,205.19</b>		<b>218,326.43</b>
Increase in Housing Loans		(1,352,489.69)		(1,476,137.67)
<b>Net Cash used in operating activities (A)</b>		<b>(1,152,284.50)</b>		<b>(1,257,811.24)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Sale of Investments		2,467.14		1,072.14
Purchase of Investments		(2,356.09)		(3,392.94)
Purchase of Fixed Assets		(759.95)		(782.27)
Sale of Fixed Assets		5.34		6.98
Dividend Income from current and long term investment		0.19		0.12
Income/(Loss) from investments		44.35		0.06
Other Income from long term investment		-		15.97
Interest on Deposits		447.32		398.61
(Increase) / Decrease in CWIP		-		(0.03)
<b>Net Cash used in Investing Activities (B)</b>		<b>(151.70)</b>		<b>(2,681.36)</b>



# CONSOLIDATED CASH FLOW STATEMENT

## for the year ended March 31, 2014

(₹ in Lacs)

Particulars	March 31, 2014	March 31, 2013
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Secured Loans (Net)	1,285,349.86	1,244,109.97
Proceeds from Unsecured Loans (Net)	41,799.47	23,572.02
Dividend Paid	(19,071.19)	(18,071.21)
Transfer to Investor Protection Fund	(29.47)	(27.85)
Dividend Tax Paid	(3,258.07)	(2,961.15)
Minority Interest	32.83	67.23
Share Issue Expenses Paid	(3.60)	(11.94)
<b>Net Cash generated from Financing Activities (C)</b>	<b>1,304,819.83</b>	<b>1,246,677.07</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>152,383.63</b>	<b>(13,815.53)</b>
Cash and cash equivalents at the beginning of the year	142,091.29	155,906.82
Cash and cash equivalents at the end of the year	294,474.92	142,091.29
<b>Net Increase in Cash and Cash Equivalents</b>	<b>152,383.63</b>	<b>(13,815.53)</b>
<b>Notes:</b>		
<b>1 Cash &amp; Cash Equivalent includes :</b>		
Balance with banks*	44,250.98	34,880.96
Cheques,drafts on hand	14,119.14	14,791.97
Cash on hand	454.87	495.51
Investment in Mutual Fund Units (Highly liquid)	235,649.93	91,922.85
<b>Total Cash &amp; Cash Equivalent</b>	<b>294,474.92</b>	<b>142,091.29</b>
*Balance with Banks includes unclaimed dividend of ₹ 520.00 Lacs (Previous Year ₹ 443.47 Lacs)		
<b>2</b> The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements notified under Companies (Accounting Standards) Rules, 2006		

As per our attached report of even date

**For Shah Gupta & Co.** **For Chokshi & Chokshi**  
 Chartered Accountants Chartered Accountants  
 FRN 109574W FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
 Partner  
 M.No. 114103

**Mitil Chokshi**  
 Partner  
 M.No. 47745

**S.K. Roy**  
 Chairman

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 Managing Director &  
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**Nitin K. Jage**  
 General Manager (Tax.)  
 & Company Secretary

**N.K.Mittal**  
 CFO

**Venkata Subramanian B**  
 Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014



## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 1

(₹ in Lacs)

SHARE CAPITAL	As at March 31, 2014	As at March 31, 2013
<b>Authorised</b>		
750,000,000 Equity Shares of ₹ 2/- each (Previous year 750,000,000 Equity Shares of ₹ 2/- each)	15,000.00	15,000.00
<b>Issued, Subscribed and Paid-up</b>		
504,663,000 Equity Shares of ₹ 2/- each ( Previous Year 504,663,000 Equity Shares of ₹ 2/- each) fully paid up	10,093.26	10,093.26
Add: Forfeited shares as per Note.1(b) below	6.37	6.37
	<b>10,099.63</b>	<b>10,099.63</b>

#### Note.1(a): Reconciliation of no. of shares outstanding at the beginning and at the end of the reporting period

Equity Shares	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	₹ in Lacs	No. of Shares	₹ in Lacs
Shares outstanding at the beginning of the year	504,663,000	10,093.26	504,663,000	10,093.26
Add: Issued during the year	-	-	-	-
Less: Bought back during the year	-	-	-	-
Shares outstanding at the end of the year	<b>504,663,000</b>	<b>10,093.26</b>	<b>504,663,000</b>	<b>10,093.26</b>

(₹ in Lacs)

Note.1(b): Forfeited Shares	As at March 31, 2014	As at March 31, 2013
Amount received on forfeited shares	6.37	6.37
	<b>6.37</b>	<b>6.37</b>

### NOTE 2

(₹ in Lacs)

RESERVES AND SURPLUS	As at March 31, 2014	As at March 31, 2013
<b>(a) Capital Reserve</b>		
As per last Balance Sheet	47.93	47.93
<b>(b) Securities Premium Account</b>		
As per last Balance Sheet	172,108.55	172,108.55
<b>(c) Special Reserve - I</b>		
In terms of section 36(1)(viii) of Income-Tax Act, 1961 and Section 29C of National Housing Bank Act, 1987 (Upto financial year 1996-97)		
As per last Balance Sheet	3,898.00	3,898.00

# NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

(₹ in Lacs)

RESERVES AND SURPLUS	As at March 31, 2014	As at March 31, 2013
<b>(d) Other Statutory Reserves including Special Reserve- II</b>		
<b>Balance at the beginning of the year</b>		
(i) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	9.00	8.00
(ii) Amount of special reserve u/s 36(1)(viii) of Income-Tax Act, 1961 taken into account for purposes of Statutory Reserve Under Section 29C of the NHB Act, 1987	196,940.01	169,941.01
<b>(iii) Total</b>	<b>196,949.01</b>	<b>169,949.01</b>
<b>Addition / Appropriation / Withdrawal during the year</b>		
Add :		
(i) Amount transferred u/s 29C of the National Housing Bank Act, 1987	1.00	1.00
(ii) Amount of special reserve u/s 36(1)(viii) of Income-Tax Act, 1961 taken into account for purposes of Statutory Reserve Under Section 29C of the NHB Act, 1987	36,999.00	26,999.00
<b>Balance at the end of the year</b>		
(i) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	10.00	9.00
(ii) Amount of special reserve u/s 36(1)(viii) of Income-Tax Act, 1961 taken into account for purposes of Statutory Reserve Under Section 29C of the NHB Act, 1987	233,939.01	196,940.01
<b>(iii) Total</b>	<b>233,949.01</b>	<b>196,949.01</b>
<b>(e) General Reserve</b>		
Opening Balance	183,418.26	143,393.26
Add: Current Year Transfer	20,000.00	40,025.00
Closing Balance	<b>203,418.26</b>	<b>183,418.26</b>
<b>(f) Surplus in the Statement of Profit and Loss</b>		
Opening balance	86,815.59	71,524.58
Add: Net Profit for the current year	131,820.41	104,751.26
Less: Appropriations		
Proposed Dividend	22,709.84	19,177.19
Tax on Dividend	3,859.53	3,258.07
Transfer to General Reserve	20,000.00	40,025.00
Transfer to Special Reserve - II	36,999.00	26,999.00
Transfer to Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	1.00	1.00
Closing Balance	<b>135,066.63</b>	<b>86,815.59</b>
	<b>748,488.38</b>	<b>643,237.34</b>



## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 3

(₹ in Lacs)

LONG TERM BORROWINGS	As at March 31, 2014		As at March 31, 2013	
	Non Current	Current	Non Current	Current
<b>Secured</b>				
(a) Non-Convertible Debentures	4,516,000.00	764,300.00	3,364,300.00	760,100.00
(b) Zero Coupon Debentures	65,100.00	-	15,100.00	28,500.00
(c) Term Loans :				
From banks	1,555,712.42	175,928.57	1,686,098.14	137,116.09
(d) Loans and advances from related parties:				
Life Insurance Corporation of India	12,575.00	9,024.87	21,599.87	14,431.27
(e) Other loans and advances:				
National Housing Bank (Refinance)	267,614.65	70,857.55	185,437.27	61,580.56
<b>Security :</b>				
Loans from banks and other loans and advances (including loans and advances from related party) are secured by a negative lien on all assets of the Company and an irrevocable power of attorney given by the company for creation of Mortgage on the properties of the borrowers of Housing Loans and for recovery of monies directly from the borrowers of Housing Loans.				
<b>Unsecured</b>				
(a) Bonds:				
(i) Subordinate Bonds:	150,000.00	-	150,000.00	-
(ii) Upper Tier II Bonds:	150,000.00	-	150,000.00	-
(b) Deposits:				
Public Deposits	54,230.81	38,403.25	54,258.39	4,162.82
	<b>6,771,232.88</b>	<b>1,058,514.24</b>	<b>5,626,793.67</b>	<b>1,005,890.74</b>

### NOTE 4

(₹ in Lacs)

DEFERRED TAX LIABILITIES	As at March 31, 2014	As at March 31, 2013
Deferred Tax on account of Depreciation	7.79	8.84
	<b>7.79</b>	<b>8.84</b>

## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 5

(₹ in Lacs)		
OTHER LONG TERM LIABILITIES	As at March 31, 2014	As at March 31, 2013
(a) Unamortized Gain		
Unamortized one time gain on termination of SWAP contracts	894.64	1,286.71
(b) Sundry Deposit Repayable	898.89	829.49
(c) Interest Accrued but not due on Borrowings	8,012.62	3,395.28
	<b>9,806.15</b>	<b>5,511.48</b>

### NOTE 6

(₹ in Lacs)		
LONG TERM PROVISIONS	As at March 31, 2014	As at March 31, 2013
(a) Provision for Employee Benefits [Refer Note 29(10)]	1,587.64	1,599.02
(b) Others		
(i) Provision for Contingencies [Refer Note 29(6)]	1,142.12	1,162.18
(ii) Provision for Housing loans	66,643.74	65,969.37
(iii) Provision for Diminution in the value of Investment [Refer Note 12 ]	1,229.93	13.80
(iv) Provision for Property tax	27.49	27.49
	<b>70,630.92</b>	<b>68,771.86</b>

### NOTE 7

(₹ in Lacs)		
SHORT TERM BORROWINGS	As at March 31, 2014	As at March 31, 2013
<b>Secured</b>		
(a) Loans repayable on demand:		
Line of Credit from Banks	292,500.00	225,000.00
(b) Non Convertible Debentures	55,000.00	-
<b>Unsecured</b>		
(a) Public Deposits	26,311.08	18,724.47
	<b>373,811.08</b>	<b>243,724.47</b>

### NOTE 8

(₹ in Lacs)		
TRADE PAYABLES	As at March 31, 2014	As at March 31, 2013
(a) Micro, Small and Medium Enterprises	-	-
(b) Others	2,511.81	2,354.88
	<b>2,511.81</b>	<b>2,354.88</b>



## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 9

(₹ in Lacs)		
OTHER CURRENT LIABILITIES	As at March 31, 2014	As at March 31, 2013
(a) Current maturities of Long-Term Debt (Refer Note 3)	1,058,514.24	1,005,890.74
(b) Interest accrued but not due on loans and public deposits	278,508.48	221,747.31
(c) Unamortized Gain		
Unamortized one time gain on termination of SWAP contracts	392.07	401.75
(d) Payable on account of Swap		
Floating interest rate payable on Swap	11,100.51	10,975.77
Fixed interest rate receivable on Swap	(9,936.40)	(9,829.73)
	1,164.11	1,146.04
(e) Unpaid Dividends	520.00	443.47
(f) Unpaid Deposits	465.48	228.29
(g) Statutory Dues Payable	568.20	325.22
(h) Payable to related parties [Refer Note 29(12)]	3,293.67	3,283.57
(i) Other Payables	11,637.88	11,575.23
(j) Temporary Book Overdraft	207,104.08	188,681.35
	<b>1,562,168.21</b>	<b>1,433,722.97</b>

### NOTE 10

(₹ in Lacs)		
SHORT TERM PROVISIONS	As at March 31, 2014	As at March 31, 2013
(a) Provision for Employee Benefits [Refer Note 29(10)]	1,954.80	1,446.16
(b) Others		
(i) Provision for Taxation	4,495.35	2,961.29
(i) Proposed Dividend	22,709.84	19,177.19
(ii) Tax on Dividend	3,859.53	3,258.07
(iii) Provision for Housing Loans	4,037.42	3,486.03
(iv) Provision for Contingencies [Refer Note 29(6)]	88.85	88.85
	<b>37,145.79</b>	<b>30,417.59</b>



# NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

## Note 11 - FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 01, 2013	Additions/ Adjustments	Deductions/ Adjustments	As at March 31, 2014	As at April 01, 2013	For the Year	Deductions / Adjustments	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
<b>Tangible Assets</b>										
Land	4.32	-	-	4.32	-	-	-	-	4.32	4.32
Freehold Land	537.42	-	-	537.42	-	-	-	-	537.42	537.42
Building	4,598.32	1,685.97	1.25	6,283.04	287.29	91.92	0.14	379.07	5,903.97	4,311.02
Leasehold Improvements	1,281.08	94.01	52.89	1,322.20	967.57	117.15	52.84	1,031.88	290.32	313.52
Furniture & Fixtures	1,059.34	48.60	7.40	1,100.54	723.38	58.51	6.69	775.20	325.34	335.96
Vehicles	47.00	31.93	20.00	58.93	22.28	11.12	15.31	18.09	40.84	24.72
Office Equipment	824.12	52.23	20.20	856.15	359.89	39.59	13.58	385.90	470.25	464.23
<b>Others</b>										
Computers	2,801.64	62.15	56.33	2,807.46	1,986.46	246.81	56.32	2,176.95	630.51	815.18
<b>Total</b>	<b>11,153.24</b>	<b>1,974.89</b>	<b>158.07</b>	<b>12,970.06</b>	<b>4,346.87</b>	<b>565.10</b>	<b>144.88</b>	<b>4,767.09</b>	<b>8,202.97</b>	<b>6,806.37</b>
Previous Year	10,666.00	965.16	477.92	11,153.24	3,868.60	536.08	57.81	4,346.87	6,806.37	
<b>Intangible Assets</b>										
Software License	1,524.71	135.07	-	1,659.78	1,032.05	215.25	-	1,247.30	412.48	492.66
<b>Total</b>	<b>1,524.71</b>	<b>135.07</b>	<b>0.00</b>	<b>1,659.78</b>	<b>1,032.05</b>	<b>215.25</b>	<b>0.00</b>	<b>1,247.30</b>	<b>412.48</b>	<b>492.66</b>
Previous Year	1,340.48	187.19	2.96	1,524.71	797.96	234.88	0.79	1,032.05	492.66	
<b>Capital Work In Progress</b>	24.54	-	-	24.54	-	-	-	-	24.54	24.54
<b>Total</b>	<b>24.54</b>	<b>0.00</b>	<b>0.00</b>	<b>24.54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24.54</b>	<b>24.54</b>
Previous Year	68.15	0.03	43.64	24.54	-	-	-	-	24.54	
<b>Grand Total</b>	<b>12,702.49</b>	<b>2,109.96</b>	<b>158.07</b>	<b>14,654.38</b>	<b>5,378.92</b>	<b>780.35</b>	<b>144.88</b>	<b>6,014.39</b>	<b>8,639.99</b>	<b>7,323.57</b>
Previous Year	12,074.63	1,152.38	524.52	12,702.49	4,666.56	770.96	58.60	5,378.92	7,323.57	



## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 12

		(₹ in Lacs)	
<b>NON CURRENT INVESTMENTS</b>		<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Other Non-trade Investments</b>			
<i>(Long Term Investments)(At Cost)</i>			
(a) Investments in Equity Instruments		67.59	0.16
(b) Investments in Government Securities		12,134.55	11,154.55
(c) Investment in Associate			
LIC Nomura Mutual Fund Asset Management Company Ltd.		220.00	220.00
Add: Adjustment for post-acquisition share of profit		1,986.81	2,274.89
		2,206.81	2,494.89
(d) Investments in Debentures		-	13.80
(e) Other non-current investments			
(i) Real Estate Venture Fund		4,807.30	4,372.30
		<b>19,216.25</b>	<b>18,035.70</b>
Aggregate amount of quoted investments			
	At Cost	12,134.55	11,154.55
	At Market Value	10,506.90	11,166.12
Aggregate amount of unquoted investments			
	At Cost	7,081.70	6,881.15
Aggregate provision for diminution in value of investments (Refer Note 6)		1,229.93	13.80

### NOTE 13

		(₹ in Lacs)	
<b>DEFERRED TAX ASSETS (NET) [Refer Note 29(16)]</b>		<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
(a) Deferred tax assets		25,962.42	25,185.70
(b) Deferred tax liabilities		(305.13)	(296.25)
		<b>25,657.29</b>	<b>24,889.45</b>

### NOTE 14

		(₹ in Lacs)	
<b>LONG TERM LOANS AND ADVANCES</b>		<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Unsecured, considered good			
(a) Capital Advance		179.49	1,466.42
(b) Security Deposits		608.25	498.47
(c) Loan against Public Deposit		41.25	5.40
(d) Advances to employees*		347.66	383.48
(e) Share Application Money Pending Allotment		42.56	-
(f) Advance tax and tax deducted at source (Net of provision for tax)		4,859.96	3,240.76
(g) Tax Paid under Protest		8,488.44	11,608.84
(h) Deposit for Office		57.46	-
		<b>14,625.07</b>	<b>17,203.37</b>

## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 15

(₹ in Lacs)

OTHER NON CURRENT ASSETS	As at March 31, 2014	As at March 31, 2013
(a) Fixed Deposit with Bank *	1,200.00	150.30
(b) Interest Accrued on Fixed Deposits with Banks	57.74	4.11
(c) Interest Accrued on Advance against Public Deposit	4.37	1.07
(d) Preliminary Expenses	2.28	5.48
(e) Others	20.62	-
	<b>1,285.01</b>	<b>160.96</b>

\*Fixed Deposits with Banks includes deposits with maturity of more than twelve months towards maintaining SLR for public deposits Nil (Previous Year ₹150.30 lacs).

### NOTE 16

(₹ in Lacs)

LOANS (SECURED) [Refer Note 29(3)]	As at March 31, 2014		As at March 31, 2013	
	Non Current	Current	Non Current	Current
(a) Individuals	8,393,074.22	462,784.07	7,120,990.33	393,755.21
(b) Others	195,121.09	83,109.52	203,820.22	62,700.42
	<b>8,588,195.31</b>	<b>545,893.59</b>	<b>7,324,810.55</b>	<b>456,455.63</b>

### NOTE 17

(₹ in Lacs)

CURRENT INVESTMENTS <i>At Lower of cost or market value</i>	No. of Shares / Units		As at March 31, 2014	As at March 31, 2013
	March 31, 2014	March 31, 2013		
(a) Investment in Equity instruments				
Aptech Limited	4,134	4,134	3.10	1.74
(b) Investment in Mutual Funds - Highly liquid investments			235,819.00	92,211.73
Less: Considered as cash and cash equivalents (Refer Note 20)			(235,649.93)	(90,772.72)
(c) Investment in Government Securities				
7.37 % Government of India Stock 2014	20,000	-	20.00	-
(d) Other current investments				
Mortgage Backed Pass Through Certificates - Class B	-	1	-	21.60
			<b>192.17</b>	<b>1,462.35</b>
Aggregate amount of quoted investments		At Cost	28.47	8.47
		At Market Value	23.07	1.74



## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

### NOTE 18

(₹ in Lacs)		
INVENTORIES	As at March 31, 2014	As at March 31, 2013
Work In Progress	-	24.89
	-	24.89

### NOTE 19

(₹ in Lacs)		
TRADE RECEIVABLES	As at March 31, 2014	As at March 31, 2013
Secured, considered good		
(a) For a period exceeding six months	-	-
(b) Others		
(i) Interest Accrued and Due on Housing Loans	6,828.62	6,415.61
(ii) others	352.35	-
	<b>7,180.97</b>	<b>6,415.61</b>

### NOTE 20

(₹ in Lacs)		
CASH AND BANK BALANCES	As at March 31, 2014	As at March 31, 2013
(a) Cash and Cash Equivalents		
Balance with Banks*	44,250.98	34,880.96
Cheques, drafts on hand	14,119.14	14,791.97
Cash on hand	454.87	495.51
Mutual Fund - Highly Liquid Investments (Refer Note 17)	235,649.93	91,922.85
(b) Other Bank Balances		
Fixed Deposits with Banks**	12,947.31	10,254.36
	<b>307,422.23</b>	<b>152,345.65</b>

\*Balance with Banks includes unclaimed dividend of ₹ 520.00Lacs (Previous Year ₹ 443.47 Lacs)

\*\*Fixed Deposits with Banks includes earmarked deposits created in favour of trustees for depositors towards maintaining Statutory Liquid Ratio amounting to ₹ 8650.30 Lacs (Previous Year ₹ 5500.00 Lacs) and ₹ 483.54 Lacs (Previous Year ₹ 447.07 Lacs) created for excess sale proceeds recovered under SARFAESI

### NOTE 21

(₹ in Lacs)		
SHORT TERM LOANS AND ADVANCES	As at March 31, 2014	As at March 31, 2013
(a) Loans and advances to Employees	193.57	190.07
(b) Advances recoverable in cash or kind or for value to be received		
Unsecured, considered good	1,198.12	697.54
Doubtful	42.34	42.17
Less: Provision for Doubtful	(42.34)	(42.17)
	<b>1,198.12</b>	<b>697.54</b>

## NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET as at March 31, 2014

(₹ in Lacs)

<b>SHORT TERM LOANS AND ADVANCES</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
(c) Loan against Public Deposit	2.40	-
(d) Advance tax and tax deducted at source (Net of provision for tax)	583.87	49.52
(e) Tax paid under protest to be received	3,120.40	-
(f) Security Deposits (Secured, considered good)	1.96	112.59
	<b>5,100.32</b>	<b>1,049.72</b>

### NOTE 22

(₹ in Lacs)

<b>OTHER CURRENT ASSETS</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
(a) Interest Accrued but not due on		
(i) Housing loan	60,607.20	53,896.49
(ii) Investments	308.56	292.53
(iii) Fixed Deposits with Banks	305.68	329.12
(iv) Public deposit	1.43	-
(b) Others	1,357.56	-
(c) Preliminary Expenses	2.02	2.32
	<b>62,582.45</b>	<b>54,520.46</b>



## NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2014

### NOTE 23

	(₹ in Lacs)	
REVENUE FROM OPERATIONS	March 31, 2014	March 31, 2013
<b>(a) Interest Income:</b>		
Interest on Housing Loans (Tax deducted at source ₹ 3494.24 Lacs Previous year ₹ 3931.85 Lacs)	907,333.66	745,908.67
<b>(b) Other Financial Services:</b>		
(i) Processing Fees and other charges received	16,513.72	15,486.15
Less: Processing fees and other charges paid	(5,709.16)	(3,802.79)
	10,804.56	11,683.36
(ii) Other Operating income	3,333.19	8,368.15
	<b>921,471.41</b>	<b>765,960.18</b>

### NOTE 24

	(₹ in Lacs)	
OTHER INCOME	March 31, 2014	March 31, 2013
<b>(a) Other Interest Income</b>		
(i) Interest received on Fixed Deposits with Banks (Tax deducted at source ₹108.65 Lacs Previous Year ₹ 74.78 Lacs)	1,150.60	714.25
(ii) Interest on Long Term Investments	990.59	860.92
	2,141.19	1,575.17
<b>(b) Dividend on Current Investment</b>	0.19	0.12
<b>(c) Profit on sale of Investments (Net)*</b>	10,295.67	5,922.52
<b>(d) Other Non Operating Income</b>		
(i) Residual Income on PTC B	-	0.06
(ii) Miscellaneous Income (Tax deducted at source ₹ 21.76 Lacs Previous year ₹ 26.54 Lacs)	3,380.33	1,153.24
(iii) Interest Received on Mobilisation of advance	15.43	25.43
	<b>15,832.81</b>	<b>8,676.54</b>
<b>*Profit on sale of Investments</b>		
Highly liquid and current Investments	10,295.67	5,931.48
Long Term Investments	-	(8.96)
	<b>10,295.67</b>	<b>5,922.52</b>

### NOTE 25

	(₹ in Lacs)	
FINANCE COSTS	March 31, 2014	March 31, 2013
<b>(a) Interest Expense</b>		
(i) On Terms Loan	231,910.91	210,855.21
(ii) On Commercial Papers	-	150.76
(iii) On Debentures / Bonds	471,110.00	372,689.44
(iv) On Public Deposits	10,954.94	4,803.58
<b>(b) Other Borrowing cost</b>		
(i) Other Finance Charges	844.45	721.76
(ii) Interest payable from SWAPS (Net)	2,622.13	3,238.69
	<b>717,442.43</b>	<b>592,459.44</b>



## NOTES FORMING PART OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2014

### NOTE 26

(₹ in Lacs)

<b>EMPLOYEES BENEFITS EXPENSE</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
(a) Salaries and Bonus	8,653.98	7,768.80
(b) Contributions to Provident & Other Funds	1,558.79	1,140.44
(c) Staff Welfare Expenses	1,056.46	906.43
	<b>11,269.23</b>	<b>9,815.67</b>

### NOTE 27

(₹ in Lacs)

<b>ESTABLISHMENT AND OTHER EXPENSES</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
(a) Rent, rates and taxes	2,628.55	2,392.53
(b) Repairs and maintenance - building	34.88	28.82
(c) Repairs and maintenance - others	175.90	148.87
(d) Travelling and conveyance	584.72	550.26
(e) Directors sitting fees	14.95	13.37
(f) Advertisement & Publicity expenses	1,957.23	1,402.02
(g) Competition Prizes & Conference Expenses	696.44	355.62
(h) Printing and stationery	420.27	376.21
(i) Postage, telephones and telex	799.09	766.72
(j) Computer Expenses	410.49	308.30
(k) Legal and professional fees:		
(i) Payment to Auditors [Refer Note 29(8)]	58.31	53.98
(ii) Other Professional fees	130.81	137.59
(l) Electricity expenses	478.21	436.59
(m) Insurance	13.86	11.25
(n) Loss on sale of Fixed Assets (Net)	5.47	4.47
(o) Fixed Assets written off	2.38	2.89
(p) Miscellaneous expenses	573.79	245.44
(q) Service Charges for Safe Custody of Documents	434.06	265.99
(r) Listing Fees and Payment to Share Transfer Agents	26.57	23.99
(s) Commission and Brokerage	10,911.50	11,247.53
(t) Share issue Expenses Perferetial issue / Expenses for split of shares	3.60	11.20
(u) Recovery Expenses (Net)	(277.71)	(265.45)
(v) Prior Period Items (Net) [Refer Note 29(7)]	0.02	6.31
(w) Construction / Project Expenses	2,192.78	3,354.81
(x) Preliminary Expenses written off	3.49	2.41
	<b>22,279.66</b>	<b>21,881.72</b>



# **NOTES FORMING PART OF** **CONSOLIDATED STATEMENT OF PROFIT AND LOSS** for the year ended March 31, 2014

## **NOTE 28**

(₹ in Lacs)

<b>PROVISIONS / WRITE OFFS (NET)</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
(a) Housing loans written off	0.39	3,137.00
(b) Provision for diminution in value of current & long term investment	1,214.78	1.46
(c) Provision for Housing Loans	1,225.76	8,129.17
(d) Long term investment written off (Non Trade)	39.30	-
(e) Provisions for Contingency	0.17	17.84
Less :		
(f) Housing loans written off recovered	(333.43)	(250.31)
(g) Provisions for Housing Loans written back	-	(3,130.23)
	<b>2,146.97</b>	<b>7,904.93</b>

# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

## NOTE 29

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### PRINCIPLES OF CONSOLIDATION:

1. The consolidated financial statements relate to LIC Housing Finance Limited ("the Company") and its subsidiaries and associate, which together constitute the Group. The consolidated financial statements have been prepared on the following basis :
  - a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006.
  - b) In case of associate, where the Company directly or indirectly through subsidiaries holds more than 20% of equity or exercises significant influence over the investee, investments are accounted for using equity method in accordance with Accounting Standard (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006.
  - c) The difference between the cost of investment in the associate / subsidiaries and the share of net assets at the time of acquisition of shares in the associate / subsidiaries is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
  - d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and appropriate adjustments are made to the financial statements of subsidiaries when they are used in preparing the consolidated financial statements that are presented in the same manner as the Company's separate financial statements except for accounting policy followed by the three subsidiaries namely, LICHFL Care Homes Limited, LICHFL Asset Management Company Ltd. and LICHFL Trustee Company Private Ltd. for amortization of preliminary expenses incurred by the said subsidiaries after April 1, 2003 over a period of ten years as against charging off of such expenses to the Statement of Profit and Loss by the Company.
  - e) The audited financial statements of the subsidiaries and unaudited financial statements of associate are considered for the purpose of consolidation and are drawn upto March 31, 2014. The reporting period of these financial statements is same as the reporting period of the company.
  - f) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary Companies and further movements in their share in the equity, subsequent to the dates of the investments as stated above.
2. As required by Accounting Standard (AS-23) "Accounting for Investments in Associates in Consolidated Financial Statements" notified under the Companies (Accounting Standards) Rules, 2006, the carrying amounts of investments in Associates is adjusted for post-acquisition change in the Company's share in the net assets of the associates after eliminating unrealized profits or losses, if any.
3. The consolidated financial statements of LIC Housing Finance Limited, its subsidiaries and associate company are prepared in accordance with Accounting Standard (AS-21) 'Consolidated Financial Statements' and Accounting Standard (AS-23) - 'Accounting for Investments in Associates in Consolidated Financial Statements' notified under the Companies (Accounting Standards) Rules, 2006.



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

The details of such enterprises are as under:

Name of the company	Nature of relationship	Proportion of ownership interest / voting power		Country of Incorporation
		Current Year	Previous Year	
LICHFL Care Homes Ltd.	Subsidiary	100.00%	100.00%	India
LICHFL Financial Services Ltd.	Subsidiary	100.00%	100.00%	India
LICHFL Asset Management Company Ltd. (Formerly known as LICHFL Asset Management Company Private Ltd.)	Subsidiary	94.62%	94.62%	India
LICHFL Trustee Company Private Ltd.	Subsidiary	100.00%	100.00%	India
LIC Nomura Mutual Fund Asset Management Company Ltd. (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.)	Associate	20.00 %	20.00 %	India

### SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India. The Financial Statements comply in all material aspects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, the relevant provisions of the Companies Act, 1956, the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 2010 as amended.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.

All the assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash & cash equivalents, the company had ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

#### b. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

#### c. Revenue Recognition

##### Interest on Housing Loans

Repayment of Housing Loans is by way of Equated Monthly Installments (EMI) comprising of principal and interest or by way of proceeds of Life Insurance Policies where interest is collected in monthly installment. Necessary appropriation is made out of these EMI collections to principal and interest. Interest income is recognized on accrual basis except in case of non-performing assets where interest is accounted on realization.

Fees and additional interest income on delayed EMI/Pre-EMI are recognized on receipt basis.

##### Income from Investments

Interest income on debt investments like Non convertible Debentures (NCD), Inter Corporate Deposits (ICD), Bank Deposits, Government Securities is recognized on accrual basis and Dividend income is accounted for in the year in which the same is declared in Annual General Meeting and Company's right to receive payment is established.

##### Revenue from property development / construction projects

Revenue is recognized based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

- Income from services is recognized on completion of the works/contract.
- Revenue from property development / construction projects activity is recognized by applying percentage of

# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

completion method of the contract value basis when reasonable expectation of collection of the sale consideration from the customers exists. Percentage of completion is determined as a proportion of the cost of work performed to date to the total estimated contract costs and the project so determined has been accounted for proportionate to the percentage of the actual work done.

- c) Interest on delayed payment from customers is booked on cash basis.

## **Other Income**

In other cases, income is recognized when there is no significant uncertainty as to determination and realization.

## **d. Fixed Assets**

Fixed Assets are stated at cost of acquisition, or construction inclusive of expenses incidental thereto less accumulated depreciation and impairment loss, if any.

## **e. Depreciation**

Depreciation on Fixed Assets except vehicles is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on vehicle is calculated @ 20% per annum. Cost of leasehold improvements is amortized over the period of the lease. Depreciation on assets whose cost individually does not exceed upto ₹ 5,000/- is fully provided in the year of purchase.

## **f. Impairment Loss**

Impairment loss is provided to the extent the carrying amount of assets (including goodwill on consolidation) exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

## **g. Intangible Assets**

Intangible assets are stated at cost of acquisition, including any cost attributable for bringing the same to its working condition, less amortization over estimated useful life. Software License is amortized on straight line basis over five years.

## **h. Investments**

In accordance with the Guidelines issued by National Housing Bank (NHB), current investments are carried at lower of cost and fair value and long term investments are carried at cost. However, provision is made to recognize decline other than temporary in the carrying amount of long term investments. Unquoted investments in the units of Mutual Funds in nature of current investment are valued at the Net Asset Value declared by Mutual Funds in respect of each particular scheme as per the guidelines issued by the NHB.

## **i. Employee Benefits**

### **Provident Fund**

Contribution as required by statute paid to the Government Provident Fund as also contribution paid to other recognized Provident Fund Trust is debited to the Statement of Profit and Loss.

### **Gratuity**

- Gratuity liability is a defined benefit obligation for employees. The Company has taken Group Gratuity-cum-Life Insurance Policy from Life Insurance Corporation of India (LIC) for employees other than those are under deputation from LIC. Accordingly, the Company accounts for liability for future gratuity benefits based on actuarial valuation carried out at the end of each financial year and the Contribution paid to LIC is charged to the Statement of Profit and Loss. Actuarial gain or losses arising from changes in actuarial assumptions are immediately recognized in the Statement of Profit and Loss in the period in which they arise.
- In respect of employees under deputation from LIC, an amount equal to five percent of aggregate of basic salary and dearness allowance of such employees, paid / payable to LIC is charged to the Statement of Profit and Loss and is treated as a defined contribution obligation.

### **Leave Benefits**

Leave Benefits for both short term and long term in the form of vesting and non-vesting compensated absences are accounted for on actuarial valuation determined as at the year end.



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

**j. Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transactions.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognized as income or expense.

At the year end, monetary assets and liabilities denominated in foreign currency are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expense in the relevant year.

**k. Derivative Transactions**

SWAP transactions are considered off balance sheet items and the outstanding SWAP trades are disclosed at the fair value on the reporting date. The carrying amount (difference between coupon rate liability and SWAP contract rate) is accounted on an accrual basis and the same is adjusted against the interest cost of the underlying liability. Gain realized on early termination of SWAP is amortized over the balance tenure of the SWAP or underlying liability whichever is less. Loss if any on early termination is charged to the Statement of Profit and Loss in the same year.

**l. Borrowing costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss.

**m. Zero Coupon Instrument**

The difference between the discounted amount mobilized and redemption value of Commercial Papers / Zero Coupon Bond/ NCD is apportioned on time basis over the life of instrument and charged as interest expense in the Statement of Profit and Loss.

**n. Income Tax**

Taxes on income are accounted for in accordance with Accounting Standard (AS - 22) – “Accounting for taxes on income”, notified under the Companies (Accounting Standards) Rules, 2006. Income tax comprises both current and deferred tax. Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reverse all in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using substantially enacted tax rates and tax regulations as of the Balance Sheet date.

In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized, only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. Deferred tax assets on account of other timing differences are recognized only to the extent there is a reasonable certainty of its realization.

**o. Provision on Standard and Non Performing Loans**

The provision on Standard and Non Performing Loans is made as per the prudential norms prescribed in the Housing Finance Companies (NHB) Directions, 2010 as amended. Additional provisions (over and above the prudential norms) if required is made as per the Guidelines approved by the Board of Directors from time to time.

**p. Provisions and Contingencies**

Provisions are recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

**q. Leases**

Assets acquired on lease where significant portions of the risks and rewards incidental to the ownership are retained by the lessors are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis.



# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

## r. Securitised Assets

Derecognition of Securitised assets in the books of the Company, recognition of gain or loss arising on Securitisation and accounting for credit enhancement provided by the company is based on the extant guidelines issued by the Institute of Chartered Accountants of India.

Securitised Assets are derecognized in the books of the Company based on the principle of surrender of control over the assets. Credit Enhancement provided by the Company by way of investments in subordinate Class B Pass Through Certificates is included as current investment for the previous year .

## NOTES TO ACCOUNTS

1. a) Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advance) are ₹ 4,529.81 Lacs (Previous Year ₹ 5,431.64 Lacs).
- b) Other Commitments: Uncalled liability of ₹ 3,565.00 Lacs (Previous Year ₹ 4,000.00 Lacs) in respect of commitment made for contribution to LIC HFL Urban development fund by subscription of 50,000 units (previous year 50,000 units) of ₹ 10,000/- face value each, paid up value being ₹ 2,870/- (previous year ₹ 2,000/-) each.
2. **Contingent liabilities in respect of :**
  - a) Corporate undertaking Nil (Previous year ₹ 1,435.00 Lacs) for Securitization transactions.
  - b) Claims against the group not acknowledged as debts ₹ 35.44 Lacs (Previous Year ₹ 23.38 Lacs).
  - c) The Company has received a demand of ₹ 1,145.56 Lacs, ₹ 1,122.06 Lacs (including interest of ₹ 88.99 Lacs), ₹ 347.76 Lacs (including interest of ₹ 20.39 Lacs), ₹ 2,217.31 Lacs (including interest of ₹ 721.90 Lacs), ₹ 3,571.94 Lacs (including interest of ₹ 667.94 Lacs), ₹ 2,385.58 Lacs (including interest of ₹ 138.71 Lacs) and ₹ 1,503.40 Lacs (including interest of ₹ 633.94 Lacs) on completion of income tax assessment for the assessment year 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 respectively. The said amounts are disputed and the Company has preferred an appeal against the same. The amounts for the respective years have been paid to the credit of the Central Govt. under protest.
  - d) Bank Guarantee outstanding of ₹ 31.78 Lacs (Previous Year ₹ 31.78 Lacs) against the Bhuvneshwar Project of LICHFL Care Homes Ltd.
3. (i) Retail / Project Loans are secured by any or all of the following as applicable, based on their categorization:
  - a) Equitable / Registered Mortgage of Property
  - b) Assignment of Life Insurance Policies, NSC, KVP, FD of Nationalized Bank
  - c) Assignment of Lease Rent Receivables
  - d) Company guarantees or personal guarantees
  - e) Negative lien
  - f) Undertaking to create a security
- (ii) Loans to employees other than for Housing are secured by lien over Provident Fund balances and / or Hypothecation of Vehicles.
4. Housing Loans include loans amounting to ₹ 2,378.65 Lacs (Previous year ₹ 1,757.68 Lacs) against which the company has taken possession of the properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and held such properties for disposal. The fair value of assets possessed against the loan is ₹ 3,819.28 Lacs (Previous year ₹ 2,727.79 Lacs), being lower of the fair value of the asset possessed and the outstanding due under the loans as at March 31, 2014.
5. Details with regard to securitization deals of the Company. The trustees to the deals have issued Pass through Certificates (PTC) to the investors:

(₹ in Lacs)				
Year of deal	Particulars	Amount securitized	Trustee	Balance of PTC as at March 31, 2014
2003-2004	Individual Housing Loans - India MBS 2003 Series III	(0.00) (19,634.93)	IL&FS Trustee Company	Nil (90.67)

Figures in bracket are in respect of the previous year.



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

**6. Provision for contingencies includes:**

- a) Provision for untapped corporate undertaking given for securitization of housing loans. The outflows in respect of untapped corporate undertaking would arise in the event of a shortfall, if any, in the cash flows of the pool of the securitized receivables.
- b) Provision for probable loss on account of bank reconciliation differences.

The movement in provisions is as below:

(₹ in Lacs)

Particulars	Provision for untapped corporate undertaking	Provision for probable loss on account of Bank Reconciliation differences
Opening balance	1,162.19 (1,177.07)	88.85 (88.85)
Add: Top up of Corporate Undertaking	0.00 (2.96)	- (-)
Less: Amounts utilized during the year	(-)20.06 (-17.84)	- (-)
<b>Closing balance</b>	<b>1,142.13</b> <b>(1,162.19)</b>	<b>88.85</b> <b>(88.85)</b>

Figures in bracket are in respect of the previous year.

**7. Prior period items include:**

(₹ in Lacs)

Particulars	Current Year	Previous Year
<b>Income</b>		
Interest Income on Housing Loans	Nil	Nil
<b>Expenditure</b>		
Miscellaneous Expenses	(0.02)	(6.31)
<b>Net Income</b>	<b>(0.02)</b>	<b>(6.31)</b>

**8. Auditor's Remuneration:**

(₹ in Lacs)

Particulars	Current Year	Previous Year
As auditor including ₹ 4.40 lacs (Previous Year ₹ 4.40 lacs ) to Back Office Auditors	32.94	31.85
As advisor or in any other capacity in respect of tax audit	6.22	4.88
For Quarterly Limited Reviews	15.00	14.00
In any other manner (Certification work)	3.65	2.88
For Reimbursements of expenses	0.50	0.37
<b>Total</b>	<b>58.31</b>	<b>53.98</b>

**9. Derivative instruments:**

- a) Interest Rate Swaps for hedging underlying liability aggregate to ₹ 119,600.00 Lacs (Previous year ₹ 119,600.00 Lacs).
- b) For underlying liability of ₹ 65,000.00 Lacs (Previous Year ₹ 65,000.00 Lacs), Coupon Swap has been entered into which remains unhedged in respect of movement in respective currencies affecting the coupon amount.
- c) The Company as on March 31, 2014 had outstanding interest rate and coupon swaps covering the underlying liability aggregating to ₹ 184,600.00 Lacs (Previous year ₹ 184,600.00 Lacs). The Mark to Market value of all such Swaps as at March 31, 2014 was negative to the extent of ₹ 14,503.79 Lacs (Previous Year ₹ 13,160.70 Lacs).

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

### 10. Disclosure in respect of Employee Benefits:

In accordance with the Accounting Standard on Employee Benefits (AS-15) (Revised 2005) notified by Companies (Accounting Standards) Rules, 2006, the following disclosure have been made :

#### Provident Fund and Pension Fund Liability

The Company has recognised ₹ 679.28 lacs (Previous year ₹ 560.47 lacs) in the Statement of Profit and Loss towards contribution to Provident fund in respect of company employees. In respect of LIC employees on deputation who have opted for pension, ₹ 26.88 lacs (previous year ₹ 25.74 lacs) have been contributed towards LIC of India (Employees) Pension Rules, 1995.

(₹ in Lacs)					
<b>Gratuity Liability</b>					
<b>Changes in the Benefit Obligation</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the Beginning of the year	2,238.21	1,517.00	1,309.88	915.83	655.66
Interest Cost	184.65	125.15	104.79	73.27	54.68
Current Service Cost	164.53	108.11	94.53	83.17	56.11
Past Service Cost	-	-	-	101.74	-
Benefit Paid	(44.52)	(27.14)	(74.60)	(18.71)	(12.56)
Actuarial Loss on obligations	529.60	515.09	82.40	154.58	161.94
Liability at the end of the year	3,072.47	2,238.21	1,517.00	1,309.88	915.83
<b>Fair Value of the Plan Assets</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Fair Value of Plan Asset at the beginning of the year	2,138.61	1,686.87	1,385.61	639.78	570.86
Expected Return on Plan Assets	186.06	134.95	110.85	51.18	47.45
Contributions	409.78	318.70	247.18	699.33	28.56
Benefit paid	(44.52)	(27.14)	(74.60)	(18.71)	(12.56)
Actuarial Gain / (Loss) on Plan Assets	15.18	25.23	17.84	14.03	5.47
Fair value of Plan Assets at the end of the year	2,705.11	2,138.61	1,686.87	1,385.61	639.78
Total Actuarial Loss to be Recognized	514.42	489.86	64.56	(140.55)	(156.48)
<b>Actual Return on Plan Assets:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Expected Return on Plan Assets	186.06	134.95	110.85	51.18	47.45
Actuarial Gain / (Loss) on Plan Assets	15.18	25.23	17.84	14.03	5.47
Actual Return on Plan Assets	201.24	160.18	128.69	65.21	52.92
<b>Amount Recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the end of the year	(3,072.47)	(2,238.22)	(1,517.00)	(1,309.88)	(915.83)
Fair Value of Plan Assets at the end of the year	2,705.11	2,138.61	1,686.87	1,385.61	639.78
Amount recognized in the Balance Sheet	(367.36)	(99.61)	169.87*	75.73*	(276.05)
*Restricted to NIL					
<b>Expense Recognized in the Statement of Profit and Loss :</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Current Service Cost	164.53	108.11	94.53	83.17	56.11
Interest Cost	184.65	125.15	104.79	73.27	54.68
Expected Return on Plan Assets	(186.06)	(134.95)	(110.85)	(51.18)	(47.45)
Net Actuarial Loss to be recognized	514.42	489.86	64.56	140.55	156.48
Past Service Cost	-	-	-	101.74	-
Expense recognized in the Statement of Profit and Loss under staff expenses	677.54	588.18	153.03	347.55	219.81



# NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

<b>Gratuity Liability</b>					(₹ in Lacs)
<b>Reconciliation of the Liability recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Opening Net Liability	99.61	(169.87)	(75.73)	276.05	84.80
Expense recognized	677.54	588.18	153.03	347.55	219.81
Contribution by the Company	(409.78)	(318.70)	(247.18)	699.33	28.56
Amount recognized in the Balance Sheet under "Provision for Retirement Benefits"	367.36	99.61 *	(169.87) *	(75.73)*	276.05
*Restricted to NIL					
<b>Experience Adjustments</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
On Plan liability (Gains)/Losses	235.30	285.88	124.29	234.38	214.97
On Plan Assets (Losses)/Gains	15.18	25.23	17.84	14.03	5.47
<b>Plan Assets</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Insurer Managed Funds*	2,705.11	2,138.61	1,686.87	1,385.61	639.78
*% to the total fair value of plan assets	100%	100%	100%	100%	100%
<b>Assumptions</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Discount Rate	9.31%	8.25%	8.25%	8.25%	8.00%
Rate of Return on Plan Assets	8.70%	8.70%	8.00%	8.00%	8.00%
Salary Escalation	8.00%	6.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%
Mortality Table	Indian Assured lives mortality (2006-08)Ultimate		LIC (1994-96) Ultimate		

Gratuity Premium is paid to LIC of India under Gratuity Scheme of LIC.

The Company's best estimate of contributions expected to be paid to the plan during the annual period beginning after March 31, 2014 is ₹ 481.51 Lacs (Previous Year ₹ 264.13 Lacs).

<b>Leave Encashment</b>					(₹ in Lacs)
<b>Changes in the Benefit Obligation</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the Beginning of the year	1,667.28	1,163.06	1,007.68	857.44	548.47
Interest Cost	137.55	101.77	83.13	68.59	45.57
Current Service Cost	103.82	68.10	68.96	57.93	39.48
Benefit Paid	-	-	-	-	-
Actuarial (Gain) / Loss on obligations	(266.08)	334.35	3.28	23.72	223.93
Liability at the end of the year	1,642.57	1,667.28	1,163.06	1,007.68	857.44
<b>Amount Recognized in the Balance Sheet:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Liability at the end of the year	1,642.57	1,667.28	1,163.06	1,007.68	857.44
Fair Value of Plan Assets at the end of the year	-	-	-	-	-
Amount recognized in the Balance Sheet*	(1,642.57)	(1,667.28)	(1,163.06)	(1,007.68)	(857.44)
<b>Expense Recognized in the Statement of Profit and Loss:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Current Service Cost	103.82	68.10	68.96	57.93	39.48
Interest Cost	137.55	101.77	83.13	68.60	45.57
Expected Return on Plan Assets	-	-	-	-	-
Net Actuarial (Gain) / Loss to be recognized	(266.08)	334.35	3.28	23.72	223.93
Expense recognized in the Statement of Profit and Loss under staff expenses	(24.71)	504.22	155.38	150.24	308.98

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

Leave Encashment					(₹ in Lacs)
Reconciliation of the Liability recognized in the Balance Sheet:	2013-14	2012-13	2011-12	2010-11	2009-10
Opening Net Liability	1,667.28	1163.06	1,007.68	857.44	548.47
Expense recognized	(24.71)	504.22	155.38	150.24	308.97
Contribution by the Company	-	-	-	-	-
Amount recognized in the Balance Sheet under "Provision for Retirement Benefits"	1,642.57	1,667.28	1,163.06	1,007.68	857.44
<b>Experience Adjustments:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
On Plan Liability (Gains)/Losses	(454.61)	155.57	49.80	53.76	278.22
On Plan Assets (Losses)/Gains	-	-	-	-	-
<b>Assumptions:</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Retirement Age	58Years	58Years	58Years	58Years	58Years
Discount Rate	9.31%	8.25%	8.75%	8.25%	8.00%
Salary Escalation	8.00%	6.00%	5.00%	5.00%	5.00%
Attrition Rate	2.00%	2.00%	2.00%	2.00%	2.00%
Mortality Table	Indian Assured Lives mortality (2006-08)Ultimate		LIC (1994-96) Ultimate		

The estimates of future salary increases, considered in actuarial valuation, include inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The above information is certified by the actuary and relied upon by the Auditors.

\*Exclusive of Amount ₹ 23.21 Lacs (previous year ₹ 19.83 Lacs) towards additional provision made for LIC employees.

### 11. Segment reporting:

- The company is engaged in the business of providing loans for purchase, construction, repairs and renovation etc., of houses / flats to individuals, corporate bodies, builders and co-operative housing societies.
- LICHFL Care Homes Limited, a wholly owned subsidiary is engaged in the business of setting up, running and maintaining assisted living community centre/ care homes for senior citizens.
- LICHFL Financial Services Limited, a wholly owned subsidiary is engaged in the business of marketing various financial products and services.
- LICHFL Asset Management Company Limited (Formerly Known as LICHFL Asset Management Company Private Limited), a subsidiary with 94.62% shareholding is engaged in business of managing, advising, administering mutual funds, unit trusts, investment trusts and to act as financial and investment advisors and render financial advisory services.
- LICHFL Trustee Company Private Limited, a wholly owned subsidiary acts as a trustee to venture capital trusts and funds.
- LIC Nomura Mutual Fund Asset Management Company Limited (Formerly Known as LIC Mutual Fund Asset Management Company Ltd.), an associate acts as asset manager for LIC Nomura Mutual Fund.

Further, the Group has its operations primarily within India. The scale of operations of the Company far exceeds those of the subsidiaries and associates and the business segments as mentioned above, do not meet the criteria of reportable segments as defined in Accounting Standard (AS-17), 'Segment Reporting' notified under the Companies (Accounting Standards) Rules, 2006, and hence, segment information for business and geographical segments has not been disclosed.



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

### 12. Related party disclosure:

#### a) Details of related parties:

Sr. No.	Name of the related party	Nature of relationship
1.	Life Insurance Corporation of India	Enterprise having significant influence
2.	LIC Nomura Mutual Fund Asset Management Company Limited	Associate
3.	LICHL Urban Development Fund	Entities over which control is exercised
4.	Ms. Sunita Sharma, Managing Director and Chief Executive Officer (since November 2013)	Key Management Personnel
5.	Mr. V. K. Sharma, Managing Director and Chief Executive Officer (upto October 2013)	Key Management Personnel

#### b) Details of transactions with related parties:

(₹ in Lacs)

Nature of transactions	Current Year	Previous Year
<b>Life Insurance Corporation of India:</b>		
Issue of non convertible debentures	100,000.00	188,500.00
Repayment of non convertible debentures	75,000.00	24,100.00
Unsecured loans taken	-	3,131.07
Unsecured Loan Repaid	-	25,000.00
Repayment of Secured loan	14,331.27	17,463.58
Takeover of Housing Loan Portfolio of LIC Employees	-	2,530.13
Interest expenses on Secured and Unsecured loans	102,393.24	99,633.78
Dividend Payment	7,730.81	7,323.93
Advertisement Income received	2.92	2.92
Consultancy Charges	81.84	109.29
Rent Expenses	383.36	369.50
Reimbursement of Municipal Taxes, etc.	15.32	69.39
Reimbursement of Electricity Expenses	32.32	30.00
Payment for Staff training, Conference, etc.	3.85	1.79
Payments towards Renovation & Repairs	106.85	118.82
Reimbursement of Expenses	4.89	5.27
Reimbursement of Gratuity for staff on deputation from LIC	26.47	22.46
Year-end Balance (Credit)	1,208,359.92	1,207,578.63
<b>LIC Nomura Mutual Fund Asset Management Co. Ltd.:</b>		
Interest expenses on NCD	-	394.39
Repayment of NCD	-	5,000.00
Year-end Balance (Credit)	-	3,249.83



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

(₹ in Lacs)

Nature of transactions	Current Year	Previous Year
<b>LICHFL Urban Development Fund</b>		
Investment	435.00	1,000.00
Trusteeship Fees	5.00	5.00
Income from investment	44.35	-
<b>Ms. Sunita Sharma</b>		
Managerial remuneration*	7.04	-
<b>Mr. V. K. Sharma</b>		
Managerial Remuneration*	21.34	23.99

\*As the Provision for Performance Linked Incentive and Leave Encashment is accrued for the company as a whole and not decided individually, hence not included. However payment made during the year is included in the above figures.

### 13. Operating Leases:

The Company has taken various offices and residential premises on cancelable operating lease basis for periods which range from 11 to 120 months with an option to renew the lease by mutual consent on mutually agreeable terms. Lease payments recognized in the Statement of Profit and Loss for premises are ₹ 2,000.87 Lacs (Previous year ₹ 1,873.05 Lacs). Future minimum rentals payable under non-cancellable operating lease is as follows :

(₹ in Lacs)

	March 31, 2014	March 31, 2013
Office premises	122.57	94.14
After one year but not more than five years	199.47	-
More than five years	-	-
<b>Total</b>	<b>322.04</b>	<b>94.14</b>

### 14. Earnings per share:

Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:

Particulars		Current Year	Previous Year
Profit after tax attributable to equity shareholders	₹ in Lacs	131,820.41	104,751.26
Weighted average number of equity shares outstanding during the year	Nos.	504,663,000	504,663,000
Basic and Diluted Earnings per share	₹	26.12	20.76
Face value per equity share	₹	2/-	2/-

### 15. Current tax:

Provision for current tax is made on the basis of accounting practices consistently followed by the Company, including method of accounting for interest on housing loans and is after availing deduction under section 36(1)(viii) of the Income Tax Act, 1961. For the purpose of determining the quantum of deduction available under section 36(1)(viii), the methodology applied for the bifurcation of income and expenses for long term housing finance has been relied upon by the auditors.



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2014

**16. The Components of Deferred Tax Assets and Liabilities are as under:**

(₹ in Lacs)

Particulars	Current Year	Previous Year
<b>Deferred Tax Assets:</b>		
Provisions for Housing & Non Housing loans	24,024.53	23,607.89
Provisions for Contingencies	8.37	8.32
Provision for Tapping Corporate Undertaking	388.21	395.03
Unamortized One Time Gain	437.35	573.91
Provision for Employee Benefits	692.98	600.56
Provision for diminution in value of long term investment	412.90	-
<b>(A)</b>	<b>25,964.34</b>	<b>25,185.70</b>
<b>Deferred Tax Liabilities:</b>		
Related to Fixed Assets	314.84	305.09
<b>(B)</b>	<b>314.84</b>	<b>305.09</b>
<b>Net Deferred Tax Assets [(A)-(B)]</b>	<b>25,649.50</b>	<b>24,880.61</b>

**17. The previous year figures have been reclassified / regrouped / restated to conform to current year's classification.**

Signatures to Notes 1 to 29

As per our attached report of even date

**For Shah Gupta & Co.**      **For Chokshi & Chokshi**  
Chartered Accountants      Chartered Accountants  
FRN 109574W                  FRN 101872W

For and on behalf of the Board of Directors

**Heneel K. Patel**  
Partner  
M.No. 114103

**Mitil Chokshi**  
Partner  
M.No. 47745

**S.K. Roy**  
Chairman

**Sushobhan Sarker**  
Director

**S.Ravi**  
Director

**Sunita Sharma**  
Managing Director &  
Chief Executive Officer

**Nitin K. Jage**  
General Manager (Tax.)  
& Company Secretary

**N.K.Mittal**  
CFO

**Venkata Subramanian B**  
Chief Manager Accounts

Place : Mumbai

Date : April 21, 2014

## NOTES

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## NOTES

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## NOTES

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## NOTES

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## OUR PAN INDIA PRESENCE



This map is not to scale. The information represented above is purely indicative and cannot be construed to be accurate.

## ANNUAL REPORT 2013-14



### CORPORATE OFFICE

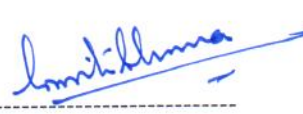




LIC HOUSING FINANCE LIMITED

131 Maker Tower, "F" Premises,  
13<sup>th</sup> Floor, Cuffe Parade,  
Mumbai – 400 005.

[www.lichousing.com](http://www.lichousing.com)

**FORM A**

Format of covering letter of the annual audit report to be filed with the stock exchanges  
(as on date of adoption of accounts – 21.04.2014)

1.	Name of the Company	LIC Housing Finance Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March 2014
3.	Type of Audit observation : During the course of our examination of the books of account carried out in accordance with the generally accepted auditing standards in India and as per the information and explanations given to us, we have not come across any instance of fraud, either noticed or reported during the year, on or by the Company, except that there have been instances of misappropriation of funds by way of sanction and disbursal of non-tenable loans or use of deception to obtain housing loans by some of the customers involving an aggregate amount of Rs.354.21 lakh (Previous Year Rs.598.62 lakh) However, as informed to us, such instances are inherent in the nature of business of the Company and adequate provision in respect thereof has been made in the accounts for the year.	Unqualified
4.	Frequency of observation	Repetitive since previous years
5.	<p>To be signed by –</p> <ul style="list-style-type: none"> <li>Managing Director &amp; CEO Ms. Sunita Sharma</li> <li>Chief Financial Officer Shri N. K. Mittal</li> <li>Joint Statutory Auditors of the Company</li> </ul> <p>For Shah Gutpa &amp; Co., Chartered Accountants FRN – 109574W</p> <p>Heneel K Patel, Partner, M.No.114103</p>	    

**Corporate Office :** LIC Housing Finance Ltd., 131 Maker Tower "F" Premises, 13th Floor, Cuffe Parade, Mumbai - 400 005.  
Tel.: + 91 22 2217 8600 Fax : +91 22 2217 8777 Email : lichousing@lichousing.com

**Registered Office :** LIC Housing Finance Ltd., Bombay Life Bldg., 2nd Floor, 45/47 Veer Nariman Road, Mumbai - 400 001.  
Tel.: + 91 22 2204 9682/9799/0006 Fax : +91 22 2204 9682 Email : lichousing@lichousing.com

- Joint Statutory Auditors of the Companyv

For Chokshi & Chokshi, Chartered Accountants FRN – 101872W

Mitil Chokshi, Partner, M.No.47745

- Audit Committee Chairman  
Shri S. Ravi



**Corporate Office :** LIC Housing Finance Ltd., 131 Maker Tower "F" Premises, 13th Floor, Cuffe Parade, Mumbai - 400 005.  
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