HIGHLIGHTS

Operational Highlights

(Rs. in crores)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Cumulative
Approvals	2,071.46	2,521.70	3,251.27	4,071.76	5,305.15	6,879.77	9,041.25	11,731.57	15,215.56	**19,715.33**	**86,797.95**
Disbursements	1,683.55	2,100.78	2,753.61	3,424.27	4,492.74	5,803.01	7,616.56	9,950.87	12,696.82	**16,206.75**	**72,424.26**
Cumulative Investment made possible in the housing sector	19,928.88	26,207.51	32,710.05	40,540.36	50,742.57	64,502.11	82,584.61	103,734.78	134,165.90	173,595.90	

1 Crore = 10 Million
1 Lac = 100,000

Financial Highlights

(Rs. in crores)

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Gross Income	982.18	1,265.33	1,444.68	1,752.73	2,015.56	2,382.35	2,700.15	2,975.62	3,077.85	**3,410.44**
Profit After Tax	195.69	247.89	293.36	333.90	401.81	473.65	580.01	690.29	851.78	**1,036.59**
Shareholders' Funds	1,501.82	1,662.75	1,777.24	1,971.84	2,095.97	2,371.94	2,702.84	3,043.86	3,393.79	**3,883.10**
Share Capital - Equity	119.11	119.11	119.11	119.11	119.11	120.08	121.71	244.41@	246.61	**249.12**
- Preference	50.00	50.00	—	—	—	—	—	—	—	**—**
Reserves and Surplus	1,332.71	1,493.64	1,658.13	1,852.73	1,976.86	2,251.86	2,581.13	2,799.45	3,147.18	**3,633.98**
Term Borrowings	2,552.34	3,035.47	3,724.66	4,571.18	6,764.69	8,219.95	10,264.67	14,130.73	19,346.39	**28,807.31**
Deposits	2,512.69	3,502.19	4,423.79	5,252.40	6,223.85	7,249.83	8,491.02	9,121.55	9,337.65	**7,840.09**
Loans Outstanding	4,740.68	5,709.32	6,944.07	8,219.26	10,063.00	13,224.66	17,207.68	21,749.91	27,974.27	**36,011.50**
Dividend (%)	37	45	75*	85	190**	125	250***	110@	135	**170**
Book Value per Share (Rs.)#	61	68	75	83	88	99	111	125	138	**156**
Earnings per Share (Rs.)#	8	10	12	14	17	20	24	28	35	**42**

* Includes one time special dividend of 20% to mark the completion of HDFC's 20th Anniversary.
** Includes one time special millennium (interim) dividend of 100%.
*** Includes a one time special Silver Jubilee dividend of 100%.
@ The Corporation allotted bonus shares in the ratio of 1:1 in December, 2002. Dividend is for the full year on the enhanced cap ital post the issue of bonus shares.
# Adjusted for bonus.

Board of Directors

Mr. Deepak S. Parekh .... Chairman

Mr. Keshub Mahindra .... Vice Chairman

Mr. Shirish B. Patel

Mr. B. S. Mehta

Mr. D. M. Sukthankar

Mr. D. N. Ghosh

Dr. S. A. Dave

Mr. S. Venkitaramanan

Dr. Ram S. Tarneja

Mr. N. M. Munjee

Mr. D. M. Satwalekar

Ms. Renu S. Karnad .... Executive Director

Mr. K. M. Mistry .... Managing Director

Brief Profile of the Directors of the Corporation

Mr. Deepak S. Parekh is the executive Chairman of the Corporation. He is a Fellow of the Institute of Chartered Accountants (England & Wales).
Mr. Parekh joined the Corporation in a senior management position in 1978. He was inducted as a wholetime director of the Corporation in 1985 and was appointed as the Chairman in 1993. He is the chief executive officer of the Corporation.

Mr. Keshub Mahindra is the vice chairman of the Corporation. He is a graduate of Wharton-University of Pennsylvania, U.S.A. He is a renowned industrialist and is the chairman of the Mahindra & Mahindra Group of companies. He has been a director of the Corporation since its inception. He is also the Chairman of the Compensation Committee of Directors.

Mr. Shirish B. Patel holds a Master's degree in arts from the University of Cambridge. He founded and is now the chairman-emeritus of a firm of consulting civil engineers with expertise in prefabrication, mass housing, tall buildings, factories, bridges and marine works. He was one of the three original authors of the idea of New Bombay. He has been a director of the Corporation since its inception and is a member of the Compensation Committee of Directors.

Mr. B. S. Mehta is a graduate in commerce and a Fellow of the Institute of Chartered Accountants of India. Mr. Mehta is a renowned accountant in practice and is an expert on taxation, accountancy matters and mergers and acquisitions valuation. He is a director on the boards of several prominent companies in India and has been a director of the Corporation since 1988. He is also a member of the Compensation and Audit Committee of Directors.

Mr. D. M. Sukthankar was an officer of the Indian Administrative Services and was Secretary, Ministry of Urban Development, Government of India and later Chief Secretary to the Government of Maharashtra. Mr. Sukthankar is recognised as an expert urban developer and is associated with housing sector for a number of years. He has been a director of the Corporation since 1989.

Mr. D. N. Ghosh holds a Master's degree in economics. He was former chairman of the State Bank of India. He is currently the chairman of ICRA Limited and a director of many prominent companies. He has been a director of the Corporation since 1989 and is a member of the Audit Committee of Directors.

Dr. S. A. Dave is a Doctorate of economics and holds a Master's degree in economics from the University of Rochester. Dr. Dave was former chairman of the Securities and Exchange Board of India and the Unit Trust of India. Dr. Dave is currently the chairman of the Centre for Monitoring Indian Economy and a director of many prominent companies. He has been a director of the Corporation since 1990. He is also the Chairman of the Audit Committee of Directors.

Mr. S. Venkitaramanan holds a Master's degree in industrial administration from the University of Pittsburgh and a Master's degree in physics from the University of Kerala. Mr. Venkitaramanan is a former governor of the Reserve Bank of India. He is the chairman of Ashok Leyland Finance Limited and a director of many prominent companies. He has been a director of the Corporation since 1994.

Dr. Ram S. Tarneja holds a Doctorate in human resources from Cornell University. He also has a M. A. both from the University of Delhi and University of Virginia and a B. A. Honors from University of Delhi. He was the former managing director of Bennett, Coleman & Company Limited. He is a director of several prominent companies and has been a director of the Corporation since 1994. He is also the chairman of the Investors' Grievance Committee of Directors.

Mr. N. M. Munjee holds a Master's degree in economics from the London School of Economics. He is a director on the boards of several prominent companies in India. He was earlier the executive director of the Corporation and had been working with the Corporation from 1978 to 1998.

Mr. D. M. Satwalekar holds a Bachelors' degree in technology from the Indian Institute of Technology, Mumbai and a Master's degree in business administration from the American University, U.S.A. He is currently the managing director and chief executive officer of HDFC Standard Life Insurance Company Limited and a director of many prominent companies in India. He was earlier the managing director of the Corporation and had been working with the Corporation from 1979 to 2000. He is also a member of the Investors' Grievance Committee of Directors.

Ms. Renu S. Karnad the Executive Director of the Corporation, is a graduate in law and holds a Master's degree in economics from Delhi University. She has been employed with the Corporation since 1978 and was appointed as the Executive Director of the Corporation in 2000. She is responsible for overseeing all aspects of lending operations of HDFC.

Mr. K. M. Mistry the Managing Director of the Corporation, is a Fellow of the Institute of Chartered Accountants of India. He has been employed with the Corporation since 1981 and was the executive director of the Corporation since 1993. He was appointed as the deputy managing director in 1999 and the Managing Director in 2000. He is also a member of the Investors' Grievance Committee of Directors.

Senior Executives

SENIOR GENERAL MANAGER
Mr. K. G. Krishnamurthy

GENERAL MANAGERS
Mr. R. Anand
Mr. R. Arivazhagan
Mr. Gautam Bhagat
Mr. Conrad D'Souza
Ms. Madhumita Ganguli
Mr. Mathew Joseph
Mr. Irfan Koreishi
Mr. Suresh Menon
Mr. P. K. Mukherjee
Mr. S. N. Nagendra
Mr. M. Ramabhadran
Mr. S. Ramanath
Mr. V. S. Rangan
Mr. B. V. Sundararajan

DEPUTY GENERAL MANAGERS
Mr. Dilip Apte
Mr. P. S. Barman
Mr. B. M. Bhasin
Mr. Girish Bhatia
Ms. Mala Bhojwani
Mr. S. K. Chaudhari
Mr. Thomas Cherian
Mr. Nikhil Dwivedi
Mr. Prosenjit Gupta
Mr. C. V. Ignatius
Mr. Sudhir Kumar Jha
Mr. K. Suresh Kumar
Ms. Manju K. Malkani
Mr. M. B. Mishra
Ms. Sonal Modi
Mr. Naresh Nadkarni
Mr. N. Radhakrishnan
Ms. Premalatha Ramanathan
Mr. V. Ramkumar
Mr. Prabhat Rao
Mr. Subodh Salunke
Mr. R. Sankaranarayanan
Mr. Rajeev Sardana
Mr. Jayesh N. Shah
Mr. H. S. Shamasundara
Mr. Dilip Shetty
Mr. S. K. Vasant

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Facsimile : 22-2204 6758, 2204 6834
E-mail : info@hdfc.com
Website : www.hdfc.com

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Tilak Road Extn.,
Opp. BEST Workshop Gate No. 4,
Dadar T.T., Mumbai 400 014.
Tel. Nos.: 22-2414 6267/68
Facsimile : 22-2414 7301
E-mail : securities@hdfc.com

AUDITORS
S. B. Billimoria & Company
Chartered Accountants

BRANCH AUDITORS
Pannell Kerr Forster
Chartered Accountants

COMPANY SECRETARY
Mr. Girish V. Koliyote

DEBENTURE TRUSTEES
Central Bank of India
Debenture Trustee Section
Central Bank – MMO Bldg.,
6th Floor, 55, M. G. Road
Fort, Mumbai 400 023.

IL&FS Trust Co. Ltd.
IL&FS Financial Centre
Bandra-Kurla Complex
Bandra (E), Mumbai 400 051.

Law Debenture
Law Debenture Trust (Asia) Ltd.
Room 1904,
19/F Two International Finance
Centre, 8, Finance Street,
Central Hong Kong

IDBI Trusteeship Services Ltd.
10th Floor, Nariman Bhavan
227, Vinay K Shah Marg,
Nariman Pt., Mumbai 400 021.

SOLICITORS AND ADVOCATES
Amarchand & Mangaldas & Suresh A. Shroff & Company
Wadia Ghandy & Company

PRINCIPAL BANKERS
Central Bank of India
HDFC Bank Ltd.
State Bank of India
Bank of India
Standard Chartered Bank
Canara Bank

Chairman's Statement

Every year, as I sit down to pen this statement, I am reminded of the days when I took my first steps into the housing finance industry. And every year, I am amazed to see how far we have come. Challenges that seemed insurmountable in a particular time period have become essential parts of the system and new ideas take shape in every passing moment. It has been an eventful journey, one that continues to create new inroads at each turn. Which is why, I believe, we need to periodically stop and introspect - have we achieved what we had set out to do and what lessons have we learnt from global practices?

The answer lies in understanding the true significance of providing shelter. Integrated housing development in a country is important, since it satisfies a basic human need.

We need to go beyond statistics and profits and grasp the emotional bond that an individual shares with the place that he calls home. It is a place of refuge and comfort, a haven that protects him from the anxieties of life. It is a retreat where he can build and live his dreams and share them with his family. What is more significant is that this feeling of security ultimately percolates into an individual's dealings with society, making him not only a good citizen but one who strives to create a positive mindset in the environment around him. It is to enable this transformation of a good individual to a good citizen that affordable housing for all, needs to be a primary goal for our country.

Undoubtedly, we have come a long way in the past decade, in pursuit of our primary goal of increasing home ownership. Today we are encompassed by a conducive environment, characterised by a positive economic outlook, stable interest rates, increasing purchasing power, suburban development models and reforms in the real estate industry — all of which are contributing to double-digit growth. Encouraging signs, but we need to accept that we have only touched the tip of the iceberg.

There is a shortage of 22.4 million dwelling units at present in India, in urban and rural areas. This points to the immense opportunities that exist in the housing sector in the decades to come. As the sector develops and external factors governing growth fall into place, the time has come for us to take a fresh look.

This year, I would like to touch upon a few key issues that, if acted upon at the right time and in true spirit, are sure to provide the direction for growth in this industry.

The need for governance

Real estate forms perhaps the largest asset class of the world and is the largest source of wealth for families. Ironically, it is also the most imperfect asset — proven by the fact that different people pay different prices for the same commodity.

Keeping this in mind, one of the areas that we need to direct our attention towards, today in India, is the area of governance. Two major factors that, I believe, need immediate consideration, in this environment of fierce competition and squeezed margins, are transparency and accountability. These are the fundamental issues, which will ensure that focus never moves from long-term benefits to short-term gains.

However, it is important to remember that these factors need to encompass the entire housing sector for any progress to happen. The aim cannot revolve only around profitability and growth; it has to include housing for the masses. Red tape and bureaucratic loopholes need to be tackled, and fast. It is rightly said, "If you focus on results, you will never change. If you focus on change, you will get results." HDFC is ready to take the first steps to initiate change. We will support developers who are willing to tackle head on, issues like pricing on the basis of carpet area as this ultimately benefits consumers.

Another matter that worries me is the practice of 100 per cent upfront payments sought by developers today. While such a system is justified for projects that have been completed prior to sale, we all know that this is hardly the case. Good governance dictates that the consumer should pay for what he gets and if he invests in a building under construction, then he should be taking on only that much risk. In other words, payments to the developer must be linked to the progress of construction. I hope the building fraternity takes up this issue in the right spirit.

Furthermore, it is important to realise that though competition is necessary for progress, it needs to manifest in the right form. Advertising and sale of projects prior to finalisation of plans and building approvals is not only unfair to the consumer, but also prevents the healthy growth of the sector in the long term. A sense of responsibility towards the profession is what needs to be inculcated. In addition, we need to look at 2 to 3 years' warranties for houses, just like any other product. Since housing is by far the largest capital investment an average person makes, and the emphasis on quality is what projects are based on, the onus of providing the quality must be on the developer.

Another anomaly that exists is that, there are housing loans currently skewed in favour of the salaried class and not the self-employed community where it is difficult to gauge the extent of income. Since we are in an industry that works to fulfil a basic human need, we need to correct this and ensure that all individuals are provided the same treatment. It is such changes in mindset that will enable this sector to progress in the right direction and if implemented correctly, can only bear positive results.

A question of stability

In the midst of all these developments, one factor that becomes important is the stability of property prices. This is significant because it is probably for the first time in history that so many countries across the world are simultaneously witnessing a housing boom. In this scenario, I cannot help but be reminded of what Stephen Roach, Chief Economist, Morgan Stanley said recently, "Housing is an asset class just as prone to excess as stocks, bonds, currencies and commodities. If it feels like a bubble, acts like a bubble and looks like a bubble, it probably is one".

At the risk of sounding over-cautious, I would like to draw your attention to pointers that support the idea that housing markets could be more prone to bubbles than stock markets. One of the reasons is imperfect information. No two homes are alike nor are there exchanges where prices are recorded. There are no organised futures or options markets for properties, so it is a market with no place for short-selling. Moreover, rising property prices encourage banks and financial institutions to lend more, since collateral values increase. But when prices fall, banks pull out, amplifying the bust.

Today, warning signs are flashing in many global housing markets. Property market surveys have revealed that the ratio of house prices to average disposable incomes is touching unsustainable levels. In the US, house price inflation has been at double-digit rates since the past year. Another country feeling the pressure to curb speculation and keep the property market healthy is China. Returns of over 8 per cent have fuelled property speculation and enthusiasm for property investment, resulting in supply shortage and high housing prices. However, there was cause for concern as residential sales in April 2005 fell drastically to 3.3 billion Yuan from 7.75 billion Yuan in the previous month. These developments have led the Government to take stringent measures to stabilise property prices, such as levying a variable capital gains tax, which depends on the length of the buyer's holding period.

We have the past to draw lessons from. Japan's real estate bubble is a phenomenon not many in the housing sector are likely to forget. In the 1980s, Japan saw real estate prices increasing more than three times their original prices in a matter of two to three years. The resultant crash was a combination of a number of factors, a major one being the financial deregulation process initiated at the time that allowed high-priced real estate to serve as collateral for loans. In 1990, 75 per cent of bank lending was to small businesses that were backed by property. When the bubble burst, property prices plummeted more than 80 per cent and wiped out not only individuals' wealth but left banks with mortgage lendings that could not be repaid. This plunged the economy into 13 years of stagnation from which it is just beginning to emerge.

In India, residential property prices in some areas have recorded a growth of about 15 to 20 per cent in the last two years. This has raised concerns, and one of the questions being repeatedly highlighted is whether the escalation in demand and the resultant uptrend in prices been driven purely by low interest rates and rising levels of affluence, or whether the success story has a speculative angle attached to it?

In this situation, we need to make certain that all the stakeholders in this sector, be it Development Authorities, Regulators, Housing Finance Companies, Banks, Developers, work together to introduce sufficient checks and balances in the system that will ensure that the speculative angle is addressed and we stay abreast of any problem that may arise. This will enable us to bridge the real demand-supply gap effectively.

The role of investment

With the Indian real estate market moving towards maturity, where competition has become the norm and consumers are getting more information savvy, the immediate requirement is to create a professional and transparent environment that will help to establish real estate as a sound investment option. Worldwide, real estate represents a substantial share of fund allocations by institutional investors. The question is, where are we headed?

HDFC intends to play an active role in this area, and has commenced with the launch of the country's largest dedicated real estate fund, 'HDFC Property Fund', in association with the State Bank of India (SBI). This was made possible by the recent relaxation of rules by SEBI, allowing venture capital investment into real estate. This venture capital fund will invest in equity and equity-linked instruments of companies engaged primarily in real estate in major cities of India. We believe that HDFC's domain knowledge, will provide the real estate investor with a new investment vehicle. This step will also enable the much-awaited entry of long-term equity into property, from investors who understand the business rather than those looking for short-term gains.

The path to the future

The real estate industry has seen exceptional changes in the last 15 years—both nationally and globally. As Arthur Segel, Professor, Harvard Business School, puts it, "The business has become increasingly institutionalised, securitised and professionalised. There are over US$ 5.5 trillion of securitised home mortgages, US$ 500 billion of commercial mortgage-backed securities and US$ 200 billion of real estate investment trusts — and much of these did not exist prior to the 1990s". If changes like these can happen over a decade, then there is no barrier to future growth.

India needs to enter its next phase of development with cautious optimism. Recent estimates by PriceWaterhouseCoopers reveal that the urban housing sector in India will require investments worth US$ 25 billion over the next five-year period. The Union Government's approval to permit 100 per cent FDI through the automatic route in construction projects and the lowering of the minimum land area for development by foreign investors to 25 acres, is a welcome measure. The potential is enormous, since India draws only around 1 per cent of its GDP as FDI, compared to China, which attracts around 4 per cent. Investors from the US, Europe, Malaysia and Singapore have shown interest in real estate development including Information Technology parks, malls, healthcare and hospitals. Such international investors will bring in innovative technology and designs, apart from novel funding options like securitisation and the resultant cross-country partnerships will go a long way in improving quality and creativity in this sector.

The phenomenon of focus on brands and positioning in the real estate sector in India is also a sign of progress. Builders and developers have realised that, with customers becoming more information savvy, quality and design have become the differentiating factors. Thus, realty marketing has become more about value propositions than size and location. This is important since it not only helps in creating an image of trust and dependability but also brings in a sense of responsibility at the developer's end, with respect to factors such as uniform quality, service and security.

As new global ideas meet the Indian sense of aesthetics, another interesting phenomenon that is gaining importance in housing today is the construction of environment-friendly homes. So whether it includes homes with a green cover, energy renewable systems like solar panels for heating or efficient waste management systems, the new eco-friendly generation is ready to stretch their budgets to ensure a pollution-free environment. What is even encouraging is that a number of developers are taking the initiative to plan ‘green’ construction projects. Without doubt, initiatives like these are set to change the look of housing projects across the country.

As India emerges as an attractive destination for global real estate investments, it has become important to ensure that transaction costs are kept in check. Apart from high stamp duty rates, which need to be rationalised, we have to seriously look at the problem of delay in approvals and the corruption that goes with it. If we are to become competitive globally, these are issues that will have to be dealt with effectively.

A sense of purpose

So where does this leave us today? Time waits for no one and we will not wait for time. The Tenth Five Year Plan (2002–07) estimated a shortage of over 22.4 million dwelling units in our country. Thus, over the next 10 to 15 years, 80 to 90 million housing units will have to be constructed with a majority catering to the low income group. This will require improvements in every aspect of housing —regulations, technology, products and investments.

I am convinced that this is where our true trial begins. With every home that we help finance, it becomes more apparent to me that we are not engaging in just another business transaction; we are in the business of making an individual’s dream come true. A home is more than a structure—it is a place where families are born, ambitions are nurtured and life’s achievements and failures are experienced. In the words of J R R Tolkien, English writer and author of the epic *The Lord of the Rings*, “His house was perfect, whether you liked food, or sleep, or work, or story-telling, or singing, or just sitting and thinking, best, or a pleasant mixture of them all”. It is pictures like these that bring in a whole new sense of responsibility to our profession and fulfilling such dreams is what, I believe, will drive the next phase of growth in our industry. And HDFC will be there, at every step of the journey.

Directors' Report

TO THE MEMBERS

Your directors are pleased to present the Twenty-eighth Annual Report of your Corporation with the audited accounts for the year ended March 31, 2005.

FINANCIAL RESULTS	For the year ended March 31, 2005 (Rs. in crores)	For the year ended March 31, 2004 (Rs. in crores)
Profit before Tax	1,256.79	1,026.98
Provision for Tax	220.20	175.20
Profit after Tax	1,036.59	851.78
Appropriations have been made as under:		
Transfer to Special Reserve No. II	265.00	230.00
Transfer to General Reserve	282.83	242.19
Transfer to Shelter Assistance Reserve	5.00	4.00
Proposed Dividend (at Rs. 17 per share)	423.51	332.93
Additional Tax on Dividend	59.40	42.66
Education Cess on Dividend for 2004 paid in the current year	0.85	0.00
	1,036.59	851.78

Dividend

Your directors recommend payment of dividend for the year ended March 31, 2005 of Rs. 17 per share as against Rs. 13.50 per share for the previous year.

The dividend payout ratio for the current year inclusive of the additional tax on dividend will be 46.6% as compared to 44.1% in the previous year.

Lending Operations

Loan approvals during the year were Rs. 19,715 crores as compared to Rs. 15,216 crores in the previous year representing a growth of 30%. Loan disbursements during the year were Rs. 16,207 crores as against Rs. 12,697 crores in the previous year representing a growth of 28%.

Cumulative loan approvals and disbursements as at March 31, 2005 were Rs. 86,798 crores and Rs. 72,424 crores respectively.

Individual loan business continued to be strong despite increased competition. In value terms, individual loan approvals registered a growth of 28% over the previous year.

Mortgage-Backed Securities (MBS)

During the year, HDFC successfully concluded two issues of MBS. These issues were pursuant to the arrangement between HDFC and HDFC Bank Limited. Through the sale of loans under the MBS issue, the Corporation raised a total of Rs. 216.08 crores during the year. The issues received a rating indicating the highest degree of safety. To date loans aggregating to Rs. 1,027.29 crores have been sold by the Corporation through the issue of MBS. HDFC continues to service the loans sold under the MBS issue.

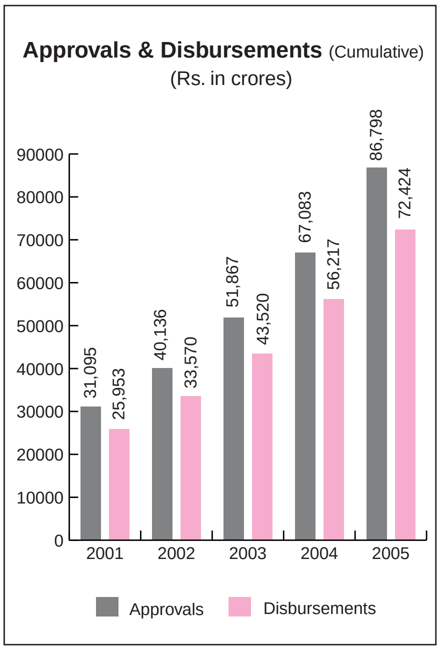
Repayments

During the year under review, Rs. 7,945 crores were received by way of scheduled repayment of principal through monthly instalments as well as redemptions ahead of schedule, as compared to Rs. 5,922 crores received last year.

Resource Mobilisation

Subordinated Debt

In June 2004, the Corporation raised Rs. 400 crores through the issue of long-term Unsecured Redeemable Non-Convertible Subordinated Debentures. The subordinated debt was for a period of 7 years and carries a coupon of 70 basis points over the one-year benchmark Government of India Bond which is reset semi-annually. The subordinated debt was assigned a 'AAA' rating from both CRISIL Limited (CRISIL) and ICRA Limited (ICRA).



The debt is subordinated to present and future senior indebtedness of the Corporation and qualifies as Tier II capital under NHB's guidelines for assessing capital adequacy.

Based on the balance term to maturity as at March 31, 2005, the entire amount of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.

Bank Loans

During the year, the Corporation raised loans amounting to Rs. 11,494 crores from commercial banks, of which Rs. 4,961 crores were under the priority sector category of commercial banks.

Despite rates firming up in the second half of the year under review, the Corporation continued its strategy of prepaying, repricing or re-negotiating its high cost bank loans in order to help reduce its overall cost of borrowing.

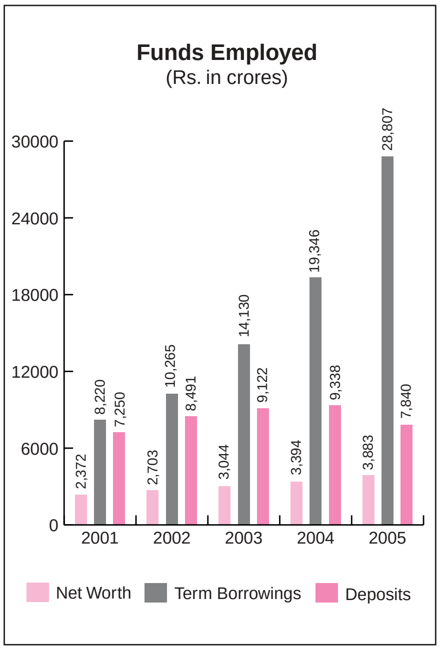
Refinance from National Housing Bank (NHB)

HDFC has drawn refinance amounting to Rs. 850 crores during the year under NHB's Refinance Scheme to Housing Finance Companies, 2003. During the year, the refinance availed from NHB pertained to loans disbursed in rural areas as defined by NHB. HDFC prepaid an amount of Rs. 135 crores availed earlier under refinance schemes.

NHB has an internal rating mechanism for housing finance companies (HFCs) and the Corporation has been assigned the highest rating for its refinance schemes by NHB.

Non-Convertible Debentures (NCD)

During the year, the Corporation raised NCDs amounting to Rs. 5,600



crores on a private placement basis. HDFC raised these funds at rates which are comparable with the lowest prevalent in the market. The Corporation bought back high cost debentures amounting to Rs. 180 crores. The entire balance premium payable on redemption of the debentures till maturity has been charged to the Securities Premium Account.

The Corporation's NCD issues have been listed on the Wholesale Debt Market segment of the National Stock Exchange of India Limited (NSE). The Corporation's NCDs have the highest rating of 'AAA' by both CRISIL and ICRA.

Deposits

As a result of higher rates of interest offered by competing savings products there has been a decline in the deposit level over the previous year. As at March 31, 2005, outstanding deposits stood at Rs. 7,840 crores. The depositor base now stands at around 1million depositors.

Public deposits constitute approximately 80% of the total deposits of the Corporation.

CRISIL and ICRA have for the tenth consecutive year, reaffirmed their 'AAA' rating for HDFC's deposits. This rating represents 'highest safety' as regards timely repayment of principal and interest.

The support of the agents and their commitment to HDFC has been instrumental in HDFC's deposit products continuing to be a preferred investment for households and trusts, despite higher rates of return being offered by alternate savings instruments.

Unclaimed Deposits

As of March 31, 2005, public deposits amounting to Rs. 110.77 crores had not been claimed by 27,885 depositors. Since then, 7,944 depositors have claimed or renewed deposits of Rs. 38.28 crores. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits.

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. Accordingly, during the year, an amount of Rs. 10.28 lacs has been transferred to the IEPF. No additional amounts are transferable to the IEPF.

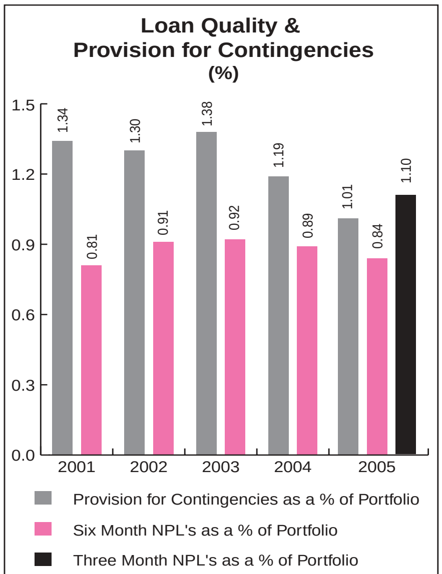
Risk Management

HDFC protects itself from foreign exchange fluctuations in respect of foreign currency borrowings availed by the Corporation through dollar denominated rupee loans and various risk management arrangements. As at March 31, 2005, out of HDFC's borrowings in foreign currency amounting to USD 948 million, the foreign currency exposure on loans net of risk management arrangements is USD 274 million.

In order to ensure matching of floating rate liabilities with floating rate assets, the Corporation has entered into swaps to convert some of its fixed rate liabilities into floating rate liabilities. The swaps are generally benchmarked off the government securities yields, MIBOR or the USD LIBOR. As at March 31, 2005, outstanding swap contracts were for amounts aggregating to Rs. 3,055 crores.

KfW Lines/Grant

The funds available under the third line from KfW of Euro 15.34 million were deployed towards financing of low-income housing and micro-finance schemes for the benefit of economically weaker section (EWS) households in urban and rural areas. Against cumulative loan approvals of Rs. 48.58 crores in respect of the EWS housing component and the micro-enterprise finance facility (MFF), HDFC has disbursed Rs. 42.57 crores as at March 31, 2005. In all, HDFC has approved 11 new projects during the year, including slum rehabilitation and infrastructure projects in Mumbai and Ahmedabad.



Portfolio includes loans and investments in preference shares, debentures and corporate deposits for financing real estate projects.

The grant funds of Euro 10.23 million under the fourth line from KfW (earthquake reconstruction programme, Gujarat) were earmarked towards rebuilding measures in rural and impoverished parts of the earthquake affected districts. HDFC has utilised a cumulative grant of Rs. 43.60 crores, as at March 31, 2005 by way of disbursements to Gujarat based non-government organisations (NGOs). These NGOs have completed the reconstruction work of over 10,000 houses across six districts, besides social infrastructure facilities such as a hostel for girl students, community centres and school teachers' housing. The unutilised funds of Euro 1.20 million will be earmarked for urban housing initiatives.

Non-Performing Loans

During the current year, NHB has revised the prudential norms for recognising non-performing assets (NPA). As per the revised norms effective from March 31, 2005, NPAs are recognised on the basis of 90 days overdue compared to six months past due (earlier norms) in the previous year.

HDFC geared itself to the movement towards the 90-day NPA norm by strengthening its recoveries workforce. Special call centres were set up all over India to arrest defaults at the preliminary stage. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) has also proved to be a useful recovery tool and the corporation has been able to successfully initiate recovery action under this Act in the case of wilful individual defaulters.

Gross non-performing loans defined as loans where the instalments are outstanding for more than 90 days as at March 31, 2005 amounted to Rs. 410.68 crores. This is equivalent to 1.10% of the portfolio comprising loans as well as preference shares and debentures issued by corporates and corporate deposits placed for financing their real estate projects. Under the earlier norms, the non-performing loans as at March 31, 2005 constituted 0.84% of the portfolio (Previous year – 0.89%). In terms of the revised prudential norms, the Corporation is required to carry a provision of Rs. 90.19 crores in respect of the non-performing assets. In order to mitigate the burden of the additional provisioning arising out of adoption of the revised norms, NHB has permitted HFCs to phase out the additional provisioning over a period of three years. The Corporation, however, has made the entire additional provisioning in the year under review.

As a prudent measure, the provision for contingencies is further being strengthened by a transfer of Rs. 64 crores, of which Rs. 14 crores is through a charge to the Profit and Loss Account and Rs. 50 crores through a transfer from Special Reserve No. I account. After taking into account these transfers the balance in the provision for contingencies account as at March 31, 2005 stood at Rs. 376.90 crores, which is equivalent to 1.01% of the portfolio.

Regulatory Guidelines/Amendments

HDFC has complied with the Housing Finance Companies (NHB) Directions, 2001 prescribed by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit and credit rating.

HDFC's capital adequacy ratio stood at 13.4% of the risk weighted assets, as against the minimum requirement of 12%. Tier 1 capital adequacy was 12.1% against a minimum requirement of 6%.

In the context of the provisions of the Prevention of Money Laundering Act, 2002 and the need to put in place systems and procedures to help mitigate and control incidence of financial frauds, identify money laundering and other suspicious activities, NHB has introduced Know Your Customer guidelines for HFCs with effect from October 1, 2004. The Corporation has complied with the said guidelines.

Marketing and Distribution

HDFC's distribution network spans 203 outlets which include 22 offices of the wholly owned distribution company, Home Loan Services India Private Limited (HLSIL). In addition, HDFC covers over 90 locations through its outreach programmes. Outreach programmes are conducted in locations where HDFC does not have a permanent presence. Capitalizing on the wide geographic distribution, HDFC's marketing efforts during the year was concentrated on developing a stronger distribution network.

HLSIL a wholly owned subsidiary of HDFC, has been formed with the intent of strengthening HDFC's marketing and sales efforts and providing HDFC with a dedicated sales force to sell home loans. HLSIL commenced operations in July 2004 and has sourced 11% of individual loans disbursed by HDFC during the year.

Home loans were also marketed through an arrangement with HDFC Bank Limited. In value terms, loans originated by HLSIL, the HDFC Bank arrangement and other third party Direct Selling Agents accounted for 38% of individual loans disbursed during the year. Third party channels only source loans for the Corporation. HDFC continues to retain control over the credit, legal and technical appraisal hence there is no compromise on the quality of the loan.

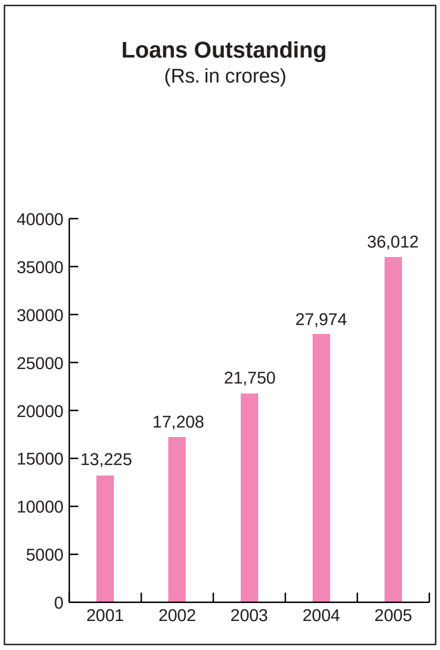
HDFC participated in various property exhibitions and fairs, entered into special tie-up arrangements with select developers and offered special festive and other bonanzas as part of various promotional measures to reach out effectively to customers.

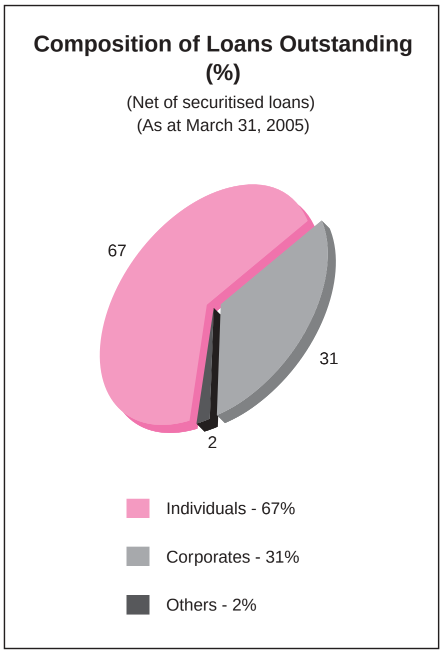
To cater to non-resident Indians (NRIs), HDFC has an office in Dubai and service associates in Bahrain, Kuwait, Oman, Qatar, Sharjah, Abu Dhabi, Al Khobar, Jeddah and Riyadh in Saudi Arabia.

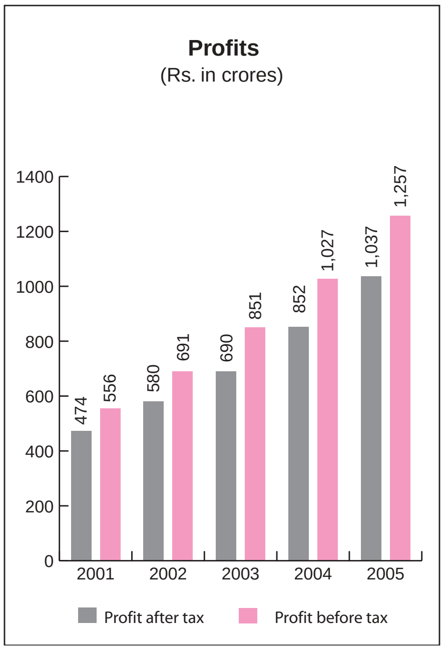
Cross Selling and Distribution of Financial Products and Services

HDFC's subsidiary companies have strong synergies with HDFC and hence efforts are channeled into cross selling so as to offer customers a wide range of financial products and services under the HDFC brand.

HDFC is a Composite Corporate Agent for HDFC Standard Life Insurance Company Limited and HDFC Chubb General Insurance Company Limited. HDFC also continues to provide







services in select locations to investors of HDFC Mutual Fund through its wide network of offices and deposit agents.

Foreign Direct Investment (FDI) in Real Estate

FDI in real estate has been permitted up to 100% under the automatic route in townships, housing, built-up infrastructure and construction-development projects. As per the guidelines, the minimum area to be developed is 10 hectares for serviced housing plots or minimum built up area of 50,000 sq. mtrs. for construction of development projects. The minimum capitalisation requirement is USD 10 million for a wholly owned subsidiary and USD 5 million for joint ventures with Indian partners and the original investment cannot be repatriated before a period of three years from completion of minimum capitalization. These amendments augur well for the real estate sector.

New Initiatives

HDFC Property Fund

In April 2004, the Securities and Exchange Board of India (SEBI) amended the SEBI (Venture Capital Funds) Regulations, 1996 to permit venture capital funds to invest in real estate. Pursuant to these amendments, HDFC has set up a venture capital company and launched a property fund called HDFC Property Fund ('Fund'). The Fund received its certificate of registration from SEBI in December 2004. A trustee company, HDFC Ventures Trustee Company Limited and an asset management company, HDFC Venture Capital Limited have been incorporated for the Fund.

The first scheme of the Fund is HDFC India Real Estate Fund (HI-REF), which is targeted at domestic institutions and high net worth individuals. The scheme will have a corpus of Rs. 1,000 crores and is a 7-year closed-ended scheme. It will invest in equity and equity-linked instruments of companies engaged primarily in real estate in major cities in India. The scheme has a minimum contribution of Rs. 5 crores per investor. The privately placed issue has been well received by the market.

An international fund will be launched shortly to cater to the demand for providing an Indian real estate investment instrument for NRIs and other overseas investors.

International Housing Finance Initiatives

Last year, HDFC Investments Limited (HIL), a wholly owned subsidiary of the Corporation signed a Shareholders' Agreement to subscribe to 10% of the equity capital of Egyptian Housing Finance Company (EHFC), Egypt's first private sector led mortgage finance company. The other shareholders of EHFC are Egyptian American Bank, IFC (W), DEG and Bank of Alexandria, Egypt. In addition, HDFC has also entered into a Technical Services Contract to provide technical assistance (TA) to EHFC for a period of two years. The company launched its operations in October 2004.

The Corporation has also entered into a TA agreement with Domenia Credit, a housing finance institution in Romania. The TA encompasses all aspects of lending, recoveries, management information systems and training.

HDFC has been invited on consultancy assignments to share its expertise on housing finance in Kenya, Pakistan, Saudi Arabia and China.

In January 2005, HDFC conducted a week-long international housing finance management programme at Centre for Housing Finance (CHF), HDFC's training centre in Lonavla, India. The programme was well received with 28 participants from nine countries from Asia, Africa and Eastern Europe. The objective of the seminar was to share best practices with international housing finance institutions.

During the year, senior management was invited to speak at the International Union for Housing Finance World Congress 2004 in Brussels and at an International Seminar on Housing Finance in Istanbul.

Development Initiatives

In February 2005, HDFC entered into an implementation agreement with

NHB and Asian Development Bank for technical assistance for a study on the development of an agency/secondary mortgage institution to facilitate issuance of residential mortgage backed securities along similar lines as Fannie Mae in USA. A substantial part of this study is being financed by the Government of Switzerland by way of a grant. The technical assistance is expected to be completed by November 2005.

Shelter Assistance Reserve (SAR)

During the year, the SAR, constituted as a development fund, continued to offer financial support to a wide range of social activities thereby achieving HDFC's developmental goals. This resulted in an overall utilisation of Rs. 4.97 crores from the reserve in the current year, through HDFC's association with over 130 NGOs, voluntary agencies and local bodies. Contributions were made towards the corpus of The Spastic Society of India, Family Planning Association of India, Population First, Deepalaya and Sharan among several others. Some of the activities and projects funded out of the reserve included a health awareness drive in municipal schools in Delhi, adoption of correct waste management techniques in Mumbai, conducting free cataract operations for senior citizens, construction of *'anganwadis'* (community centres) in Nandesari district (Gujarat) and a help-line extending emergency support for urban street children.

In the wake of the damage to life and property in the Tsunami hit coastal parts of India, HDFC extended a grant of Rs. 1 crore to the Prime Minister's National Relief Fund. In addition, the employees of HDFC made a voluntary contribution of over Rs. 13 lacs.

Training and Human Resource Management

The Corporation recognises that accelerating the learning process within the organisation is crucial to enhance competitiveness. The acquisition of knowledge and its appropriate application to structure value-added solutions at the point of interface with customers is critical. Learning initiatives are therefore designed and executed after careful identification of the needs of the frontline as well as those providing service support to the frontline. During the year, customised functional training programmes on various aspects of housing finance and servicing were conducted.

In addition, programmes on leadership development, facilitation skills for line managers, six sigma, team building, induction training and IT-related training were conducted during the year. Staff members were also nominated to attend external programmes.

In order to enhance the development of the Corporation's human resources and to align it with the strategic goal of the organisation, the Corporation is in the process of introducing a new Performance Management System which effectively measures and rewards employee performance and potential.

HDFC was ranked among the top five companies to work for in India in a study conducted by Business Today in association with Mercer Human Resource Consulting and TNS India. The survey evaluated companies based on the perception of the employees, perception of the labour market and the industry environment. The survey identified companies with strong financial performance and sustained commitment to the development of their employees. The survey acknowledged the core strength of the HDFC brand and the open-door culture of the Corporation which resulted in a low employee turnover.

Awards

In November 2004, HDFC was awarded The Economic Times Corporate Citizen of the Year Award for its long-standing commitment to community development. The Economic Times awards have evolved as a benchmark for tracking the changing cultural, social and management patterns in corporate India.

At the third Annual Outlook Money Awards, HDFC was presented the 'Dream Home' award for the best provider of housing finance in 2004.

HDFC also received the award for 'Best Presented Accounts 2003-04 by the Institute of Chartered Accountants of India in the category of banks, financial institutions and financial companies.

Subsidiary Companies

In terms of the approval granted by the Government of India the provisions contained under Section 212(1) of the Companies Act, 1956 shall not apply in respect of the Corporation's twelve subsidiaries. Accordingly, a copy of the balance sheet, profit and loss account, report of the Board of Directors and Report of the Auditors of the subsidiary companies of the Corporation - HDFC Developers Limited, HDFC Investments Limited, HDFC Holdings Limited, HDFC Asset Management Company Limited, HDFC Trustee Company

Limited, HDFC Realty Limited, HDFC Standard Life Insurance Company Limited, HDFC Chubb General Insurance Company Limited, GRUH Finance Limited, Home Loan Services India Private Limited, HDFC Ventures Trustee Company Limited and HDFC Venture Capital Limited have not been attached to the accounts of the Corporation for the year ended March 31, 2005.

The Annual Report of the Corporation, the annual accounts and the related documents of the Corporation's subsidiary companies are posted on the website of the Corporation, *www.hdfc.com.* Shareholders who wish to have a copy of the annual accounts and detailed information on any subsidiary company can download the same from the website or may write to the Corporation for the same. Further the said documents shall be available for inspection by the shareholders at the registered office of the Corporation and at the office of the respective subsidiary company.

The Corporation has not made any loans or advances in the nature of loans to any of its subsidiary or associate company or companies in which its directors are interested, other than in the ordinary course of business.

Review of Key Subsidiary and Associate Companies

HDFC Bank Limited (HDFC Bank)

HDFC and HDFC Bank continue to maintain an arm's length relationship in accordance with the regulatory framework. Both organisations, however, have capitalised on the strong synergies through a system of referrals, special arrangements and cross-selling in order to effectively provide a wide range of products and services under the HDFC brand name.

The retail banking business continued to be the fastest growing segment of the bank's businesses in 2004-05. Expansion in the distribution network was stepped up with the number of branches (including extension counters) increasing from 312 (in 163 cities) to 467 (in 211 cities).

For the year ended March 31, 2005, HDFC Bank has reported a profit after tax of Rs. 666 crores as against Rs. 510 crores in the previous year. HDFC Bank recommended a dividend of 45% (including a one-time dividend of 5% on the occasion of the bank completing 10 years of operations) for the year under review.

Subsequent to the American Depositary Receipt issue, HDFC together with its wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited holds 22.2% of the equity share capital of HDFC Bank.

HDFC Standard Life Insurance Company Limited (HDFC-SL)

Total premium income of HDFC-SL for the year ended March 31, 2005 stood at Rs. 687 crores as compared to Rs. 298 crores in the previous year – a growth of 131%. HDFC-SL increased its new business premium income to Rs. 486 crores from Rs. 209 crores last year. The cumulative sum assured in respect of policies issued increased to Rs. 30,586 crores from Rs. 14,060 crores last year.

The directors of HDFC-SL have declared the company's fifth bonus for its participating 'with profits' policy holders.

The company has a portfolio of 14 retail products and 7 group products covering saving, investment, protection and retirement needs of the customers, along with five optional rider benefits.

HDFC-SL has 104 offices in the country with over 23,600 financial consultants appointed by the company. HDFC-SL also has 204 corporate agents and 69 brokers for distribution of insurance products.

During the year, HDFC invested Rs. 63 crores in the equity of HDFC-SL. HDFC holds 79.44% of the equity share capital of HDFC-SL.

HDFC Asset Management Company Limited (HDFC-AMC)

As at March 31, 2005, HDFC-AMC managed 23 debt and equity oriented schemes of HDFC Mutual Fund. The average assets under management for the year were Rs. 14,909 crores as compared to Rs. 12,430 crores in the previous year. Equity assets account for 36% of the assets under management. The number of investor accounts increased to over 7.07 lacs as at March 31, 2005 as compared to 6.7 lacs in the previous year.

As at March 31, 2005, HDFC-AMC had Investor Service Centres in 26 cities. HDFC continues to distribute products and performs client services functions at select locations for the mutual fund on a fee basis.

For the year ended March 31, 2005, HDFC-AMC reported a profit after tax of Rs. 31.61 crores and recommended a dividend of Rs. 5 per equity share.

HDFC holds 50.10% of the equity share capital of HDFC-AMC.

Intelenet Global Services Private Limited (Intelenet)

In June 2000, Intelenet was set up by HDFC and Tata Consultancy Services (TCS), a division of Tata Sons Limited, with equal equity holdings. The company was set up to manage Business Process Outsourcing (BPO) services for organisations based in international markets.

In July 2004, an agreement was reached between HDFC and TCS wherein TCS transferred its 50% stake in Intelenet to HDFC. In August 2004, HDFC announced the partial divestment of 50% of its stake in Intelenet in favour of Barclays Bank plc.

The company's key clientele include reputed organisations from the USA and UK. In addition to providing call centre services, back office operations and e-mail management, the company also provides financial, accounting and technical helpdesk services to its clients. The company has four centres of operations – two in Mumbai and one each in Navi Mumbai and Chennai.

As at March 31, 2005, Intelenet had 4,671 employees. For the year ended March 31, 2005, total revenue was Rs. 250 crores as against Rs. 117 crores in the previous year, representing a growth of 113%. EBIDTA stood at Rs. 49.49 crores as compared to Rs. 26.60 crores in the previous year. The profit after tax for the year stood at Rs. 12.19 crores. The company recommended a maiden dividend of 7.5% for the year ended March 31, 2005.

HDFC Chubb General Insurance Company Limited (HDFC-CHUBB)

HDFC-CHUBB offers auto insurance, home insurance, group accident insurance, group travel insurance, commercial insurance and specialty insurance products.

Gross Written Premium for the year stood at Rs. 184 crores as compared to Rs. 117 crores in the previous year. While auto insurance continued to play an important role in the growth of HDFC-CHUBB, the company has diversified its business mix in favour of other products. The company's sustained monitoring of the quality of its motor portfolio has also resulted in a significant reduction in the claims ratio.

HDFC-CHUBB has created a niche for itself in the Specialty Insurance market with products like Directors and Officers Liability, Errors and Omission Liability, Professional Indemnity and Commercial Crime. During the year, the company entered the Property and Casualty market.

HDFC-CHUBB continues to leverage on HDFC's distribution capability to drive retail sales growth.

HDFC holds 74% of the equity share capital of HDFC-CHUBB.

GRUH Finance Limited (GRUH)

GRUH is a housing finance company with operations primarily in the states of Gujarat and Maharashtra.

During the year, GRUH disbursed loans amounting to Rs. 299.83 crores as against Rs. 218.13 crores in the previous year, representing a growth of 37%.

For the year ended March 31, 2005, GRUH reported a profit after tax of Rs. 16.71 crores as compared to Rs. 13.32 crores in the previous year - an increase of 25%. The company recommended a dividend of 21% as compared to 18% in the previous year.

HDFC's holding in GRUH currently stands at 61.85%.

Home Loan Services India Private Limited (HLSIL)

HLSIL has been formed with the intent of strengthening HDFC's marketing and sales efforts and providing HDFC with a dedicated sales force to sell home loans. HDFC holds 33.34% of HLSIL and the balance is held equally by HDFC's wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited.

HLSIL commenced operations in July 2004 and has a presence in 63 locations. During the period under review, HLSIL sourced loans accounting for 11% of individual loans disbursed by HDFC.

Particulars of Employees

HDFC had 1,291 employees as of March 31, 2005 (previous year 1,230). Six employees employed throughout the year and one employee employed for part of the year were in receipt of remuneration of Rs. 24 lacs or more per annum.

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the annex to the Directors' Report. In terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Corporation excluding the annex. Any shareholder interested in obtaining a copy of the said annex may write to the company secretary at the registered office of the Corporation.

Employees Stock Option Scheme (ESOS)

During the year, the Corporation has not granted any stock options. The stock options granted to the employees operate under two schemes, namely ESOS-99 and ESOS-02. The options were granted as per the pricing formula approved by the shareholders i.e. at the average of the closing price of the shares as quoted on The Stock Exchange, Mumbai during the period of one month preceding the date of grant. The number of options exercised during the year aggregated to 3,51,177 under ESOS-99 and 21,52,434 under ESOS-02 and the money realised due to exercise of the options is Rs. 69.52 crores. Consequently 25,03,611 shares of Rs. 10 each have been allotted to the concerned employees.

During the year, 89,242 options have lapsed. Options in force as at March 31, 2005 stood at 1,15,064 under ESOS-99 and 7,60,858 under ESOS-02. During 2004-05 there has been no variation in the terms of the options granted earlier.

The diluted earnings per share pursuant to issue of shares on exercise of options is Rs. 41.44.

Unclaimed Dividend

As at March 31, 2005, dividend amounting to Rs. 389.46 lacs has not been claimed by shareholders of the Corporation. The Corporation has been intimating the shareholders to lodge their claim for dividend from time to time.

Dividend amounting to Rs. 9.73 lacs that has not been claimed by the shareholders for the financial year 1996-97 has been transferred to the IEPF on August 31, 2004 in accordance with the current regulations. Dividend that has not been claimed for the financial year 1997-98 will be transferred in August 2005. This amount currently stands at Rs. 17.40 lacs. No claim would lie against the Corporation or the said Fund after the said transfer.

Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure

The particulars regarding foreign exchange earnings and expenditure appear as Item No. 15 in the Notes to the Accounts. Since HDFC does not own any manufacturing facility the other particulars relating to 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.

Directors

In accordance with the Companies Act, 1956 and the Articles of Association of HDFC, Mr. D. N. Ghosh, Dr. Ram S. Tarneja and Mr. Shirish B. Patel retire by rotation at the ensuing Annual General Meeting (AGM). They are eligible for re-appointment.

At the 24th AGM of the Corporation held on July 17, 2001, you had approved the re-appointment of Mr. K. M. Mistry as the Managing Director of the Corporation for a period of 5 years with effect from November 14, 2000. Mr. Deepak S. Parekh was re-appointed as the Managing Director (designated as Chairman) of the Corporation for a period of 3 years with effect from March 1, 2003 at the 26th AGM.

The board, subject to your approval, re-appointed Mr. K. M. Mistry as the Managing Director for a period of five years with effect from November 14, 2005. The board also, subject to your approval, re-appointed Mr. Deepak S. Parekh as the Managing Director (designated as Chairman) for a period of three years with effect from March 1, 2006.

Necessary resolutions for the re-appointment of the aforesaid directors have been included in the notice convening the ensuing AGM.

None of the directors of the Corporation are disqualified for being appointed as directors as specified in Section 274 of the Companies Act, 1956.

Auditors

Messrs S.B. Billimoria & Company, Chartered Accountants and statutory auditors of HDFC, retire at the forthcoming AGM and are eligible for re-appointment.

Messrs Pannell Kerr Foster, Chartered Accountants, were appointed as the branch auditors to audit the accounts at HDFC's branch office at Dubai. Their term expires at the end of the forthcoming AGM and they are eligible for re-appointment.

Directors' Responsibility Statement

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:

i. In the preparation of annual accounts, the applicable accounting standards have been followed;

ii. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Corporation as at the end of March 31, 2005 and of the profit of the Corporation for the year ended on that date;

iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities;

iv. The annual accounts of the Corporation have been prepared on a going concern basis.

Management Discussion and Analysis Report

In accordance with the listing agreements, the Management Discussion and Analysis Report forms a part of this report.

Acknowledgements

Your directors would like to express its sincere appreciation to all the Corporation's valued customers – shareholders, borrowers, key partners, depositors, agents, banks and financial institutions for their support and continued patronage. The directors are grateful for the co-operation of regulatory authorities including NHB, RBI, SEBI, Department of Company Affairs, Registrar of Companies, the Stock Exchanges and the Depositories.

Your directors wish to express their gratitude and appreciation to the employees of the Corporation for their hard work, loyalty and professionalism which has ensured excellent all-round performance despite the challenging environment. The employees continue to remain the Corporation's most valuable assets and their relentless efforts have enabled the Corporation to continue to be at the forefront of the financial services sector.

On behalf of the Board of Directors

MUMBAI — DEEPAK S. PAREKH
May 5, 2005 — Chairman

Report of the Directors on Corporate Governance

The concept of corporate governance is entering a phase of global convergence. The driver behind this is the recognition that companies need to attract and protect all stakeholders, especially investors – both domestic and foreign. Global capital seeks its own equilibrium and naturally flows to where it is best protected and bypasses where protection is limited or non-existent. Companies stand to gain by adopting systems that bolster investor trust through transparency, accountability and fairness.

The tide of regulation has risen to a high watermark and while there is compelling evidence of financial benefits to companies which adopt good governance practices, it has often been felt that the *ethos* of corporate governance still needs to sink in. Corporate irregularities continue to plague investors as regulators relentlessly strive to cleanse the system. Financial scandals often prompt an overhaul of regulation. But the efficacy of regulation can get negated when compliance becomes a box-ticking exercise with prohibitive costs. Again, there is no single model of good corporate governance. Principles, values and ethics cannot be typecast into a universal one-size-fits-all framework.

'Spreading the Word: Changing Rules in Asia', the title of Corporate Governance Watch 2004, an annual collaborative study of the corporate governance landscape of Asian markets undertaken by CLSA Asia Pacific Markets and the Asian Corporate Governance Association has concluded that there appears to be a clear correlation between companies and markets with strong corporate governance and superior returns over the long term. According to the study, India ranks among the top three in terms of corporate governance. With increasingly integrated capital markets, good corporate governance is of paramount importance for companies seeking to distinguish themselves in the global economy.

Corporate Governance at HDFC

HDFC, within its web of relationships with its borrowers, depositors, agents, shareholders and other stakeholders has always maintained its fundamental principles of corporate governance – that of integrity, transparency and fairness. For HDFC, corporate governance is a continuous journey, seeking to provide an enabling environment to harmonise the goals of maximising shareholder value and maintaining a customer centric focus.

HDFC maintains that efforts to institutionalise corporate governance practices cannot solely rest upon adherence to a regulatory framework. HDFC's corporate governance compass has been its business practices, its values and personal beliefs, reflected in the actions of each of its employees.

The Board of Directors fully support and endorse corporate governance practices as per the provisions of the listing agreements as applicable from time to time. The Corporation has complied with the said provisions and listed below is the Report of the Directors of HDFC on Corporate Governance.

Board of Directors

Composition

The Board of Directors comprises thirteen members, of which ten are non-executive directors. The three executive directors include the Chairman, the Managing Director and the Executive Director. Of the non-executive directors, nine are independent directors* i.e. independent of management and free from any business or other relationship, which could materially interfere with the exercise of their judgement. The directors bring to the board a wide range of experience and skills. Brief profiles of the directors are set out elsewhere in the annual report.

* As per the listing agreements, 'independent directors' have been defined as directors who apart from receiving director's remuneration and stock options do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the judgement of the board may affect independence of judgement of the director.

The composition of the board is in conformity with the listing agreements. Details of the Board of Directors in terms of their directorships/memberships in committees of other public companies (excluding HDFC) are as under:

Sr. No.	Directors	No. of Directorships	No. of Committees	
			Member	Chairperson
1	Mr. Deepak S. Parekh (Chairman)	12	10	5
2	Mr. Keshub Mahindra (Vice Chairman)	7	5	4
3	Mr. Shirish B. Patel	1	0	0
4	Mr. B. S. Mehta	14	8	5
5	Mr. D. M. Sukthankar	5	2	1
6	Mr. D. N. Ghosh	6	4	4
7	Dr. S. A. Dave	7	8	0
8	Mr. S. Venkitaramanan	4	2	0
9	Dr. Ram S. Tarneja	13	9	3
10	Mr. N. M. Munjee	13	10	2
11	Mr. D. M. Satwalekar	7	5	2
12	Ms. R. S. Karnad (Executive Director)	10	5	1
13	Mr. K. M. Mistry (Managing Director)	12	8	3

Sr. Nos. 1, 12 and 13 are whole- time directors. In the case of whole- time directors, the number of directorships include directorships in HDFC group companies.

Sr. Nos. 2 to 10 are independent directors.

Excluding the directorships mentioned above, Mr. Deepak S. Parekh and Mr. B. S. Mehta are alternate directors in 4 companies each and Dr. Ram S. Tarneja is an alternate director in 1 company.

Tenure

Ten of the directors of the Corporation are liable to retire by rotation. Of the retiring directors, at least one-third retire every year and if eligible, qualify for re-appointment.

Responsibilities

The Board of Directors represents the interests of the company's shareholders, in optimising long-term value by providing the management with guidance and strategic direction on the shareholders' behalf. The board's mandate is to oversee the Corporation's strategic direction, review corporate performance, authorise and monitor strategic investments, ensure regulatory compliance and safeguard interests of shareholders.

Role of Independent Directors

One of the principle characteristics of efficient corporate governance is the ability of independent directors to approve the overall strategy, oversee the performance of management and participate and take an independent stance on major decisions. Independent directors form the cornerstone of good corporate governance. Their key role is to provide an unbiased, independent, varied and experienced perspective to the board. The independent directors of the Corporation play an important role in the deliberations of the board meetings and bring to the Corporation their wide experience in finance, housing, management, accountancy, law, public policy, engineering and corporate strategy. The Corporation benefits immensely from their expertise in achieving its strategic direction.

The Audit Committee and Compensation Committee comprise entirely of independent directors. Each of these Committees function within defined terms of reference and the minutes of the committee meetings are circulated and discussed at the board meetings.

Board members ensure that their other responsibilities do not impinge on their responsibilities as a director of HDFC.

Board Meetings

The meetings of the Board of Directors are normally held at the Corporation's registered office in Mumbai. Meetings are generally scheduled well in advance and the notice of each board meeting is given in writing to each director. The board meets at least once a quarter to review the quarterly performance and the financial results.

The company secretary in consultation with the Chairman and the Managing Director prepares a detailed agenda for the meetings. The board papers comprising the agenda and other explanatory notes are circulated to the directors in advance. The members of the board have complete access to all information of the Corporation. The members of the board are also free to recommend inclusion of any matter in the agenda for discussion. Senior management is invited to attend the board meetings so as to provide additional inputs to the items being discussed by the board.

During the year under review, the board met six times. The meetings were held on May 7, 2004, July 19, 2004, October 25, 2004, December 16, 2004, January 25, 2005 and March 22, 2005. The attendance of each director at the said board meetings and the last Annual General Meeting along with sitting fees paid is enlisted below:

Directors	Board Meetings		Annual General Meeting
	Number of Meetings Attended	Sitting Fees Paid (Rs.)	Attendance
Mr. Deepak S. Parekh (Chairman)	6	—	Yes
Mr. Keshub Mahindra (Vice Chairman)	6	60,000	Yes
Mr. Shirish B. Patel	6	60,000	Yes
Mr. B. S. Mehta	6	60,000	Yes
Mr. D. M. Sukthankar	6	60,000	Yes
Mr. D. N. Ghosh	6	60,000	Yes
Dr. S. A. Dave	6	60,000	Yes
Mr. S. Venkitaramanan	5	50,000	Yes
Dr. Ram S. Tarneja	5	50,000	Yes
Mr. N. M. Munjee	6	60,000	Yes
Mr. D. M. Satwalekar	6	60,000	Yes
Ms. R. S. Karnad (Executive Director)	6	—	Yes
Mr. K. M. Mistry (Managing Director)	6	—	Yes

Board Committees

To enable better and more focused attention on the affairs of the Corporation, the board delegates particular matters to committees of the board set up for the purpose. These committees prepare the groundwork for decision-making and report at the subsequent board meeting.

Audit Committee

The Audit Committee comprises solely of independent directors. The members of the Audit Committee are Dr. S. A. Dave (Chairman), Mr. B. S. Mehta and Mr. D. N. Ghosh. The Audit Committee is constituted in accordance with the provisions of the listing agreements and the Companies Act, 1956. All the members of the committee are qualified and experienced in the fields of finance, accounts and company law. The quorum for the Audit Committee is two members. The company secretary is the secretary to the committee.

The terms of reference of the Audit Committee is primarily to review the systems and procedures of internal control, approve and oversee implementation of audit procedures and techniques, oversee financial reporting processes and disclosures of financial information to ensure that the financial statements are correct, sufficient and credible and ensure compliance with the listing agreements and other legal requirements. The Audit Committee also reviews with management, the quarterly financial statements before submission to the Board of Directors for its approval.

The committee is also responsible for objectively reviewing the reports of the internal auditors and statutory auditors and ensuring adequate follow-up action is taken by management on observations and recommendations made by the auditors. In addition, the committee annually reviews the performance of the Corporation's auditors (both internal and external), to ensure that an objective, professional and cost-effective relationship is being maintained.

It is the Audit Committee's prerogative to invite senior executives whom it considers appropriate to be present at the meetings. Senior management and auditors are invited to participate in the meetings of the Audit Committee, wherever necessary.

The committee met six times during the year under review. The Audit Committee also met prior to the finalisation of the accounts for the year ended March 31, 2005.

Members	Number of Meetings Attended	Sitting Fees Paid (Rs.)
Dr. S. A. Dave (Chairman)	6	60,000
Mr. B. S. Mehta	6	60,000
Mr. D. N. Ghosh	5	50,000

Compensation Committee

The Compensation Committee comprises solely of independent directors. The members of the committee are Mr. Keshub Mahindra (Chairman), Mr. Shirish B. Patel and Mr. B. S. Mehta. The terms of reference of the committee are to *inter alia* review and recommend compensation payable to the executive directors and to oversee the employee stock option schemes. The committee also ensures that the compensation policy of the Corporation provides for performance-oriented incentives to senior management.

The annual compensation of the executive directors is recommended by the Compensation Committee, approved by the board and is within the limits set by the shareholders at the Annual General Meetings. The compensation of the non-executive directors is approved by the entire board. The committee met three times during the year under review.

Members	Number of Meetings Attended	Sitting Fees Paid (Rs.)
Mr. Keshub Mahindra (Chairman)	3	30,000
Mr. Shirish B. Patel	3	30,000
Mr. B. S. Mehta	3	30,000

Investors' Grievance Committee

The members of the Investors' Grievance Committee comprises Dr. Ram S. Tarneja (Chairman), Mr. D. M. Satwalekar and Mr. K. M. Mistry. The committee oversees share transfers and monitors redressal of shareholder, depositor and investor complaints. The committee also reviews the processes and service standards adopted by the in-house share department, the complaints received by the Corporation and their resolution. The committee met twice during the year.

Members	Number of Meetings Attended	Sitting Fees Paid (Rs.)
Dr. Ram S. Tarneja (Chairman)	2	20,000
Mr. D. M. Satwalekar	2	20,000
Mr. K. M. Mistry	2	-

During the year, the Corporation received a total of eleven complaints from shareholders, through the stock exchanges, the Securities and Exchange Board of India (SEBI) and the depositories. All these complaints were resolved within the Corporation's adopted service standards. There are no pending complaints. The Corporation at present is defending five cases filed by the shareholders. Of the said five cases, four were filed by the shareholders alleging wrongful transfer of shares and one case was filed alleging non-receipt of shares. The Corporation is not in agreement with the claims / allegations of these shareholders.

Remuneration of Non-Executive Directors

The elements of the remuneration package of non-executive directors consists of annual commission, in addition to sitting fees. For the year ended March 31, 2005, the non-executive directors will be paid an amount of Rs. 3 lacs each as commission.

Remuneration of Executive Directors

All the executive directors of the Corporation have been appointed on a contractual basis pursuant to the approval of the shareholders for varying tenors of upto five years. The elements of the remuneration package of executive directors comprises salary and other allowances, commission and perquisites as approved by the shareholders at the Annual General Meetings. Annual increments are linked to performance and are decided by the Compensation Committee. Service contracts, notice periods and severance fees are as per the provisions contained in the agreement entered into by each of the executive directors with the Corporation. During the year, the managerial remuneration payable to the executive directors in aggregate, amounted to Rs. 4.79 crores. This is inclusive of commission payable in the aggregate, amounting to Rs. 2.69 crores for the year ended March 31, 2005. As per the provisions of Section 217(2A) of the Companies Act, 1956, details of the remuneration paid to executive directors are furnished in the annex to the Directors' Report.

Transactions with Non-Executive Directors

As at March 31, 2005, deposits held by non-executive directors amounted to Rs. 80.63 lacs. The interest paid on these deposits during the year amounted to Rs. 7.32 lacs. The rate of interest on these deposits is the same as applicable to public deposits. The non-executive directors of the Corporation do not have any other pecuniary relationship with the Corporation.

Employees Stock Option Scheme

During the year no new options have been granted. The disclosure as required under Clause 12.1 of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 has been made in the Directors' Report.

Share Dealing Code

The Corporation has in place a share dealing code, which is applicable to all directors and employees of the Corporation. In terms of the said code, directors/employees are restricted from dealing in the shares of the Corporation during certain periods known as “restricted period”. The said code is in line with the Model Code prescribed under SEBI (Prohibition of Insider Trading) Regulations, 1992.

In terms of the said code, directors/employees of the Corporation regularly inform their dealings in the shares of the Corporation and also disclose their shareholdings including any change thereof during the financial year and as at the end of the financial year.

Annual General Meetings

The Annual General Meetings (AGM) for the last three years were held on July 25, 2002, July 18, 2003 and July 19, 2004 respectively. All the meetings were held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020. Two special resolutions were passed at the last AGM. No resolution was passed using postal ballots.

At the last AGM, shareholders of the Corporation holding in aggregate 67.43% of the equity share capital had attended either in person or by proxy.

Communication and Relationships with Shareholders

HDFC has over 90,000 shareholders. The main channel of communication to the shareholders is through the annual report which includes *inter alia,* the Chairman’s Statement, Directors’ Report, the Report of the Board of Directors on Corporate Governance, Management Discussion and Analysis Report and the audited financial results.

The AGM is the principal forum for face-to-face communication with shareholders, where the entire board is answerable to specific queries of the shareholders. The board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders – be it individuals, corporates or foreign investors.

Regular communication with shareholders ensures that the Corporation’s strategy is being clearly understood. Shareholders are also intimated through the press and HDFC’s website, *www.hdfc.com* of the quarterly performance and financial results of the Corporation. The quarterly results are also published in leading newspapers.

In terms of Clause 51 of the listing agreements, the Corporation is required to file its annual report, quarterly results and shareholding pattern through the Electronic Data Information Filing and Retrieval system [EDIFAR] website of SEBI. The company secretary of the Corporation has been appointed as the compliance officer to ensure the correctness and authenticity of all information before its filing on the EDIFAR system.

The annual report also contains general shareholder information including *inter alia,* shareholding pattern, distribution of shareholding, list of major shareholders, voting rights and the high and low monthly averages of the equity share price of the Corporation during the year on The Stock Exchange, Mumbai and the National Stock Exchange, in accordance with the listing agreements.

The management statement on the integrity and fair presentation of the financial statements is provided as a part of the annual report in the Management Discussion and Analysis Report.

HDFC communicates with its institutional shareholders through analysts’ briefings and individual discussions between the fund managers and the management team. HDFC also participates at investor conferences from time to time. The presentation made to analysts and fund managers is posted on the Corporation’s website.

Adoption of Non-mandatory Requirements under the Listing Agreement

The Corporation has adopted the non-mandatory requirement as regards provisions relating to the Compensation Committee and it endeavours to adhere to norms relating to postal ballot as and when applicable. The quarterly results are extensively published in the financial newspapers, posted on the Corporation’s website and sent to shareholders on request.

Accounting Standards

The Corporation confirms that it has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India [ICAI] from time to time.

Related Party Transactions

There were no materially significant related party transactions with the directors, the management, subsidiaries or relatives of the directors that have a potential conflict with the interests of the Corporation at large. Details of related party transactions are included in the Notes to the Accounts.

Going Concern

The directors are satisfied that the Corporation has adequate resources to continue its business for the foreseeable future and consequently consider it appropriate to adopt the going concern basis in preparing financial statements.

On behalf of the Board of Directors

MUMBAI
May 5, 2005

DEEPAK S. PAREKH
Chairman

Auditors' Certificate

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined the compliance of conditions of corporate governance by HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED for the year ended on 31st March, 2005, as stipulated in clause 49 of the Listing Agreement of the said Corporation with the 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 Corporation for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that to the best of our information and according to the explanations given to us, no investor grievance is pending for a period exceeding one month against the Corporation as per the records maintained by the Investors' Grievance Committee, other than cases filed by five shareholders which are pending in court.

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

For S. B. BILLIMORIA & CO.
Chartered Accountants

MUMBAI
May 24, 2005

P. R. Ramesh
Partner

Review of the Chairman of the Audit Committee of Directors

The Audit Committee of Directors, comprise entirely of non-executive, independent directors qualified in the field of finance, accounts and company law; met six times during the financial year under review. The committee reviewed the financial results of the Corporation for the quarters ended on June 30, 2004, September 30, 2004 and December 31, 2004 as also the financial statements for the year 2004-05. The committee also reviewed the compliance of the said statements with accounting standards, the provisions of the listing agreements with the stock exchanges and other requirements.

The committee at each of its meeting reviewed the observations made by the internal and statutory auditors of the Corporation in relation to all areas of operations as well as adequacy of systems and procedures of internal control.

The internal audit programs were approved by the Audit Committee. The committee has, *inter alia*, been overseeing the implementation of audit procedures and techniques, reviewing financial reporting systems, management discussions and analysis report, records relating to related party transactions, compliance of regulatory guidelines, examined areas of risks associated with the business of the Corporation and analysed the measures initiated by the Corporation for mitigating these risks.

The committee has also reviewed the actions taken by the management on the observations and queries of the auditors as also the Corporations' system of reporting/disclosing financial information, in accordance with the provisions of the Companies Act, 1956 and the listing agreements with the stock exchanges.

The committee recommended to the board the appointment of Messrs. S. B. Billimoria & Co., Chartered Accountants as statutory auditors of the Corporation and Messrs. Panell Kerr Forster, Chartered Accountants as branch auditors of the Dubai branch of the Corporation for the financial year 2005-06.

S A Dave
Chairman
Audit Committee of Directors

MUMBAI
May 5, 2005

Review of the Chairman of the Investors' Grievance Committee of Directors

The Investors' Grievance Committee of Directors, comprise of three directors, majority of them being non-executive. The committee met twice during the financial year under review. The committee reviewed the activities being carried out by the in-house investor service center of the Corporation and their adherence to service standards. The committee also reviewed the steps taken by the Corporation to redress the grievances of the investors and the legal cases pending before courts against the Corporation. The committee also reviewed the initiatives taken by the share department towards better investor services.

With the objective of further improving the service standards being followed by the Corporation for servicing its investors the Corporation had sent 'Shareholders' Satisfaction Feedback' form along with annual report for 2003-04. The Corporation received responses from 1469 shareholders. The committee deliberated on the said responses and noted the feedback / suggestions made by the shareholders. The committee wishes to place on record its appreciation to all the shareholders for sparing their valuable time for filling the said form and for giving their valuable feedback/suggestions.

The committee expresses its satisfaction over the procedures and processes followed by the Corporation for servicing its shareholders, deposit holders and debenture holders.

Ram S. Tarneja
Chairman
Investors' Grievance Committee of Directors

MUMBAI
May 5, 2005

Review of the Chairman of the Compensation Committee of Directors

The purpose of the Compensation Committee of Directors is to ensure that a proper system of compensation is in place to provide performance-oriented incentives to the Corporation's wholetime directors and senior management. It also considers and approves salaries and other terms of compensation package for the wholetime directors within the overall limits approved by the shareholders.

The Compensation Committee of Directors, met three times during the financial year under review. The committee reviewed the performance of all the wholetime directors of the Corporation and approved the compensation payable to them and recommended the payment of commission to each of them for the board's approval. The committee also recommended the annual commission payable to the non-wholetime directors for the board's approval.

Keshub Mahindra
Chairman
Compensation Committee of Directors

MUMBAI
April 27, 2005

Management Discussion and Analysis Report

Macroeconomic Overview

During the year under review, the Indian economy continued on its high growth trajectory. With the growth rate expected to be 7%, the Indian economy continued to record one of the fastest growth rates in the world, being included in the 'BRIC' (Brazil, Russia, India and China) countries which is expected to drive world growth in the next 50 years. During the year under review, the growth drivers were the services sector and a buoyant manufacturing sector, while the agricultural sector recorded low growth on account of an erratic monsoon. Despite spikes in international oil prices, the inflation rate has been reined in at around 5% levels. Although interest rates firmed up in the second half of the financial year, there continued to be adequate liquidity in the system. The year-on-year growth in non-food bank credit increased by 27% as against 18% in the previous year. This growth has been on account of the increase in consumer credit – particularly housing loans, wholesale trade and real estate.

Market Scenario

The housing finance sector continued to grow rapidly. With large disbursements in housing finance, it is estimated that the mortgage to GDP ratio has increased from 2% to over 3%. This, however, still remains low compared to some of the South East Asian countries where the mortgage to GDP ratio ranges between 10% to 30% and USA where this ratio is over 50%.

According to the Reserve Bank of India's Report on Trend and Progress of Banking in India, 2003-04, during the period 1993-2004, outstanding housing loans by scheduled commercial banks and housing finance companies grew at a trend growth rate of 23% while non-food bank credit showed a trend growth rate of 14.8% during the same period. The share of housing loans in total non-food credit is expected to increase.

Despite interest rates bottoming out in the second half of the year and increases in property prices in certain pockets of the country, the demand for housing loans continued unabated. The Union Budget 2005-06 has given a boost to housing finance borrowers with the introduction of Section 80C in the Income Tax Act, 1961. Repayment of principal on housing loans up to a maximum of Rs. 1,00,000 now qualifies as one of the eligible deductions under this section (as compared to a rebate of 20% of Rs. 20,000 with limited eligibility).

Interest Rates

Debt market conditions continued to be favourable with ample liquidity in the system. As a result of hardening of interest rates, HDFC's Retail Prime Lending Rate (RPLR) was increased by 50 basis points in November 2004. There were no revisions in interest rates on retail deposits during the year.

Approvals and Disbursements

Total approvals during the year stood at Rs. 19,715 crores as against Rs.15,216 crores in the previous year, representing a growth of 30%. Disbursements during the year were Rs.16,207 crores against Rs. 12,697 crores in the previous year representing a growth of 28%.

The growth in individual loan business continued to be strong during the year with individual loan approvals registering a growth of 28% over the previous year.

With increased affordability due to higher incomes and relatively stable property prices, the average size of individual loans increased during the year to Rs. 6,00,000.

Loan Portfolio

The loan approval process of HDFC is decentralised, with varying approval limits. Approval of lending proposals beyond certain limits is referred to the committee of management (COM). Larger proposals, as appropriate, are referred to the Board of Directors.

During the year, HDFC's loan book increased to Rs. 36,011 crores from Rs. 27,974 crores in the previous year. In addition to this, the loans securitised by the Corporation and outstanding as on March 31, 2005 amounted to Rs. 586 crores.

The net increase in the loan book of Rs. 8,037 crores has been determined after taking into account loan repayments of Rs. 7,945 crores (previous year Rs. 5,921 crores), and loans written off during the year amounting to Rs. 8.31 crores (previous year Rs. 5.23 crores). The loan book, net of loans securitised has grown by 29% during the year.

The outstanding investments in preference shares, debentures and corporate deposits for financing housing and real estate projects amounted to Rs. 1,205 crores as compared to Rs. 886 crores in the previous year.

Thus the portfolio as at March 31, 2005 (inclusive of the aforesaid investment in preference shares, debentures and corporate deposits) amounted to Rs. 37,216 crores compared to Rs 28,860 crores in the previous year, an increase of 29%.

Marketing and Distribution

HDFC's distribution network spans 203 outlets which include 22 offices of the wholly owned distribution company, Home Loan Services India Private Limited (HLSIL). Capitalising on the vast geographic spread including over 90 locations covered through outreach programmes, the Corporation has now focused its marketing efforts on developing a dedicated direct sales agent (DSA) force. DSAs form an integral part of the Corporation's marketing arm as they represent the 'feet-on-the-street' workforce of the Corporation whose role is to source loans. HDFC continues to retain control over the credit, legal and technical appraisal hence there is no compromise on the quality of the loan.

Loans sourced from DSAs accounted for 38% of individual loans disbursed by HDFC during the year in value terms as compared to 20% in the previous year. One of the main reasons why loans sourced from DSAs has increased has been on account of HLSIL, which provides HDFC with an in-house dedicated sales force to sell home loans. HDFC Bank and third party DSAs also source loans for HDFC. The total commission payable to DSAs amounted to Rs. 18.05 crores. The entire income has been charged to the profit and loss account against fee income.

During the year, HDFC organised and participated in property fairs and exhibitions in different parts of the country. Property fairs and exhibitions have been successful marketing tools, giving HDFC an opportunity to give home seekers a complete solution, right from identifying a home to financing it. Some of the other marketing initiatives undertaken during the year included setting up advisory desks at select corporate locations, multi city property counselling, special tie-ups with developers including property spotlights, cell-on-sites, outstation developer promotions and the introduction of a bi-monthly e-newsletter on property related issues and trends.

As a result of the rapid pace of growth in the construction sector, HDFC also witnessed an increase in corporate loans disbursed during the year. The demand for corporate loans has primarily been driven from the information technology and business process outsourcing sectors who generally prefer to take premises on lease. HDFC has been giving loans to owners of these properties by discounting the lease rentals.

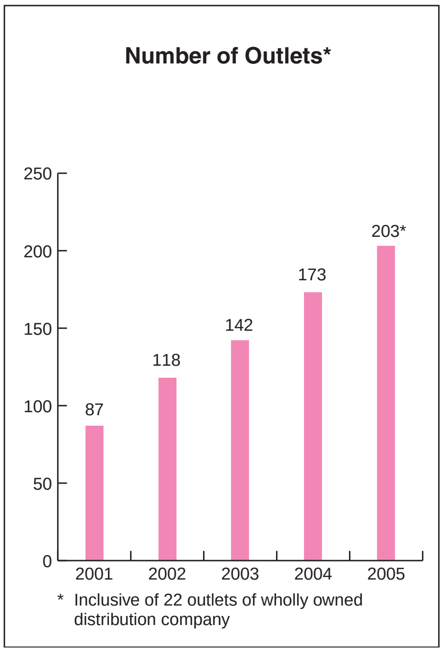
Cross-selling of financial products and services have always formed the cornerstone of HDFC's marketing strategy thereby providing a wide range of financial services and products under the 'HDFC umbrella'. HDFC has also been distributing insurance products under a referral fee programme with HDFC Standard Life Insurance Company Limited (HDFC-SL) and HDFC Chubb General Insurance Company Limited (HDFC-CHUBB). HDFC also continues to provide services in select locations to investors of HDFC Mutual Fund through its wide network of offices and deposit agents.

Investments

The Investment Committee constituted by the Board of Directors is responsible for approving investment proposals in line with the limits as set out by the Board of Directors. The Executive Directors are members of the committee.

The investment function supports the core business of housing finance. The investment mandate includes ensuring adequate levels of liquidity to support core business requirements, maintaining a high degree of safety and optimising the level of returns, consistent with acceptable levels of risk.

As at March 31, 2005, the investment portfolio stood at Rs. 3,130 crores as against Rs. 2,973 crores last year. The proportion of investments to total assets declined from 9% to 8%. Despite the increased level of investment by HDFC in equity shares of its subsidiary and associate companies, the overall level of



investments declined on account of redemptions of debentures and bonds and preference shares.

Housing Finance Companies (HFCs) are required to maintain a statutory liquidity ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.5% of public deposits. As at March 31, 2005, HDFC has invested Rs. 515 crores in bonds issued by NHB and bank deposits and Rs. 609 crores in approved securities comprising government securities and government guaranteed bonds.

As at March 31, 2005, the treasury portfolio (excluding investments in equity shares) had an average balance period to maturity of 21 months. The average yield on the non-equity portfolio for the year was 8.42% per annum.

HDFC has classified its investments into current and long-term investments. The current investments have been entirely ‘marked to market’. In respect of long-term investments, provisions have been made to reflect any permanent diminution in the value of investments. After considering the opening balance of Rs. 26.32 crores in the diminution in the value of investments, and the write back of provisions on account of investments sold, a sum of Rs. 12.47 crores has been charged to the provision for contingencies account.

The market value of quoted investments was higher by Rs. 3,862 crores (previous year Rs. 2,619 crores) as compared to the value at which these investments are reflected in the balance sheet. This unrealized gain includes appreciation in the market value of investments held by HDFC’s wholly owned subsidiaries, HDFC Investments Limited and HDFC Holdings Limited.

Subsidiaries and Associates

Though housing remains the core business, HDFC has continued to make investments in its subsidiary and associate companies. These investments are made in companies where there are strong synergies with HDFC. HDFC will continue to explore avenues for such investments with the objective of providing a wide range of financial services and products under the HDFC brand name.

During the year, the Corporation made investments in equity capital of its subsidiary companies

The shareholding of HDFC (together with its nominees) in its subsidiary and associate companies as at March 31, 2005 is as follows:

Company	Shareholding %
HDFC Developers Limited	100.0
HDFC Investments Limited	100.0
HDFC Holdings Limited	100.0
HDFC Trustee Company Limited	100.0
HDFC Realty Limited	100.0
Home Loan Services India Private Limited*	100.0
HDFC Venture Capital Limited	99.9
HDFC Ventures Trustee Company Limited	99.9
HDFC Standard Life Insurance Company Limited	79.4
HDFC Chubb General Insurance Company Limited	74.0
GRUH Finance Limited	61.9
HDFC Asset Management Company Limited	50.1
Intelenet Global Services Private Limited	50.0
Credit Information Bureau (India) Limited	40.0
HDFC Bank Limited*	22.2

*(Includes shareholding of HDFC Investments Limited and HDFC Holdings Limited)

HDFC Standard Life Insurance Company Limited (Rs. 63.04 crores), Home Loan Services India Private Limited (Rs. 0.67 crores), HDFC Venture Capital Limited (Rs. 0.05 crores) and HDFC Ventures Trustee Company Limited (Rs. 0.05 crores).

Intelenet Global Services Private Limited (Intelenet) was set up as a joint venture with Tata Consultancy Services, a division of Tata Sons Limited to manage business process outsourcing services for organisations based in the international market. In July 2004, HDFC purchased 50% of the equity of Intelenet from Tata Sons Limited for a consideration of Rs. 161 crores. With this acquisition, Intelenet became a wholly owned subsidiary of HDFC. In October 2004, HDFC sold 50% of its holding in Intelenet to Barclays (H&B Mauritius Limited), a wholly owned subsidiary of Barclays Bank PLC for a consideration of Rs. 164 crores. Intelenet ceased to be a subsidiary of HDFC. In December 2004, HDFC made an investment of Rs. 32.50 crores in the rights issue of equity of Intelenet.

Recoveries

As per the revised guidelines prescribed by NHB for recognition of non-performing assets (NPA), which came into effect from March 31, 2005, an asset is a NPA if interest or instalment is over due for 90 days as against the earlier norm where a loan was a NPA if the account was in arrears for over 6 months.

The principal loans outstanding (along with preference shares, debentures and corporate deposits for financing real estate projects), where payments were in arrears for over 90 days amounted to Rs. 410.68 crores as at March 31, 2005, constituting 1.10% of the portfolio. The principal outstanding in respect of individual loans where the instalments were in arrears for over 90 days constituted 1.49% of the individual portfolio and the corresponding figure was 0.39% in respect of the non-individual portfolio. HDFC has written-off loans aggregating to Rs. 8.31 crores during the year. The total loans written-off since inception aggregated to Rs. 26.29 crores.

Provision for Contingencies

As per the prudential norms prescribed by NHB, HDFC is required to carry a provision of Rs. 91.19 crores as at March 31, 2005 in respect of non-performing assets. As a matter of prudence, however, over the years, HDFC has been transferring additional amounts to the provision for contingencies account including transfers from Special Reserve Account No. 1.

The provision for contingencies has been strengthened during the year by a transfer of Rs. 64 crores, of which Rs. 14 crores is through a charge to the Profit and Loss Account and Rs. 50 crores through a transfer from Special Reserve Account No. 1.

During the year, HDFC has utilised Rs. 30.24 crores (net) out of the balance in provision for contingencies on account of provision in diminution of value of investments, provision for liability in respect of corporate undertaking on account of housing loans securitised and loan write-offs. After taking into account the transfer as well as the net utilisation, the balance in provision for contingencies as at March 31, 2005 stood at Rs. 376.90 crores.

Fixed Assets

Net fixed assets as at March 31, 2005 amounted to Rs. 294.85 crores (previous year Rs 437.63 crores). Gross additions to fixed assets during the year amounted to Rs. 21.31 crores.

Subordinated Debt

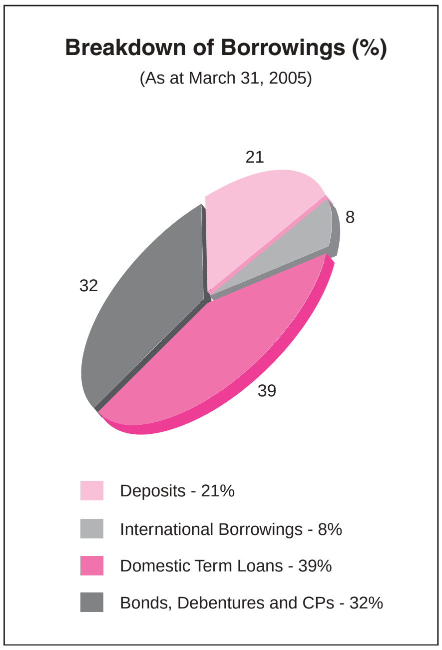
In June 2004, HDFC raised Rs. 400 crores through the issue of long-term Unsecured Redeemable Non-Convertible Subordinated Debentures. The subordinated debt was for a period of 7 years and carries a coupon of a fixed spread of 70 basis points over the one-year benchmark Government of India Bond. The subordinated debt was assigned a 'AAA' rating from both CRISIL Limited (CRISIL) and ICRA Limited (ICRA).

The debt is subordinated to present and future senior indebtedness of HDFC and qualifies as Tier II capital under NHB's guidelines for assessing capital adequacy.

Based on the balance term to maturity as at March 31, 2005 the entire amount of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.

Borrowings

Borrowings as at March 31, 2005 amounted to Rs. 36,647 crores as against Rs. 28,684 crores in the



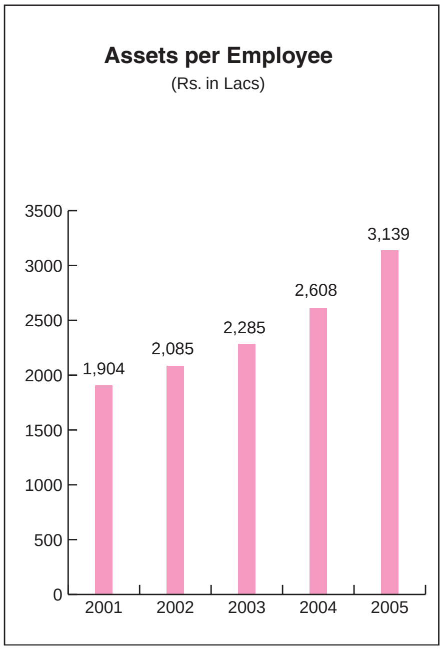
previous year - an increase of 28%. Borrowings constituted 90% of funds employed as at March 31, 2005. Deposits constituted 21%, domestic term loans 39%, bonds and debentures and commercial paper 32% and international borrowings 8% of total borrowings.

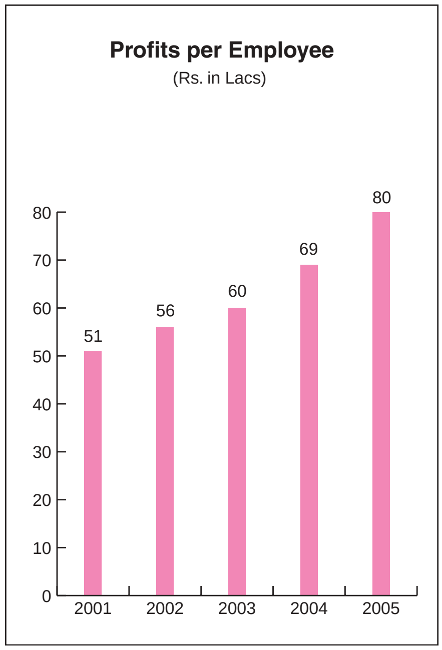
Foreign Currency Borrowings

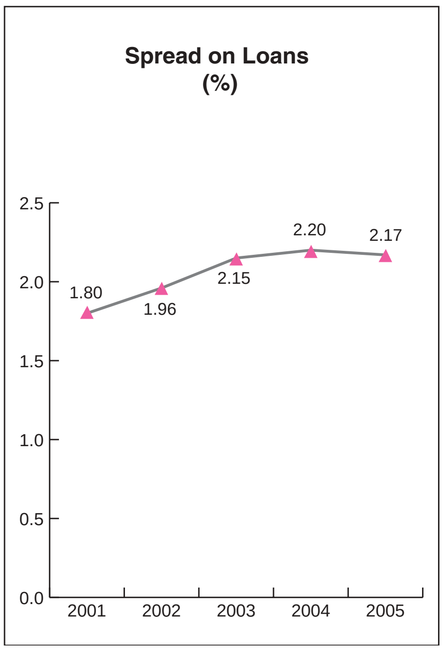
HDFC has in earlier years availed of foreign currency borrowings under the Housing Guarantee Program of the United States Agency for International Development (USAID) (USD 125 million), from Commonwealth Development Corporation (CDC), (Pounds Sterling 25 million), from ADB under the Housing Finance Facility Project - ADB II (USD 100 million), from the KfW (DM 25 million and Euro 15.33 million) two syndicated yen loans -Yen 1 (JPY 12 billion) and Yen 2 (JPY 12.05 billion), from DEG, a member of the KfW Group of Germany (USD 50 million) and from International Finance Corporation (IFC), Washington (USD 200 million of which USD 100 million is a syndicated loan).

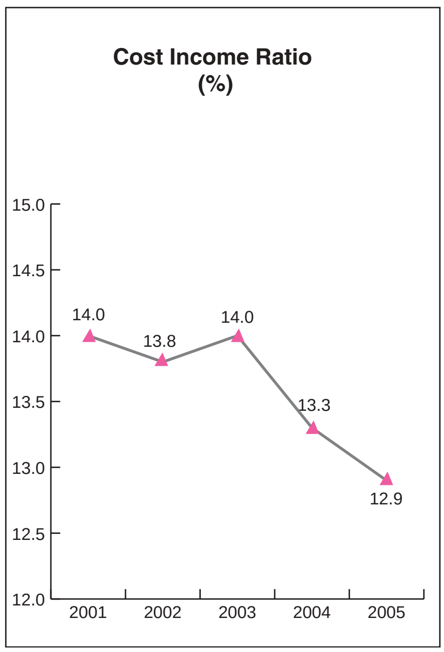
HDFC has also issued Floating Rate Notes (FRNs) (USD 100 million) redeemable in 2007 at a premium of 15 percent. In accordance with the provisions of the Companies Act, 1956, the entire balance premium payable till maturity on redemption of FRNs has been charged to the Securities Premium Account.

As at March 31, 2005 (other than the open exposure), the Corporation is









protected from exchange fluctuations in respect of its foreign currency borrowings due to :

i) exchange swap with the Government of India (in respect of the earlier KfW loans)

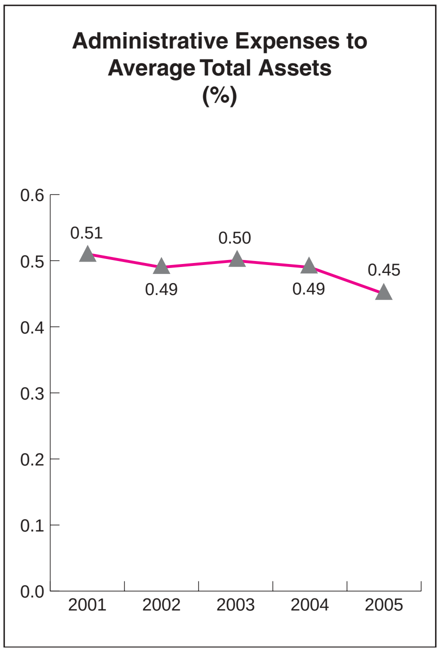
ii) exchange swap with banks and a financial institution (in respect of the USAID borrowings)

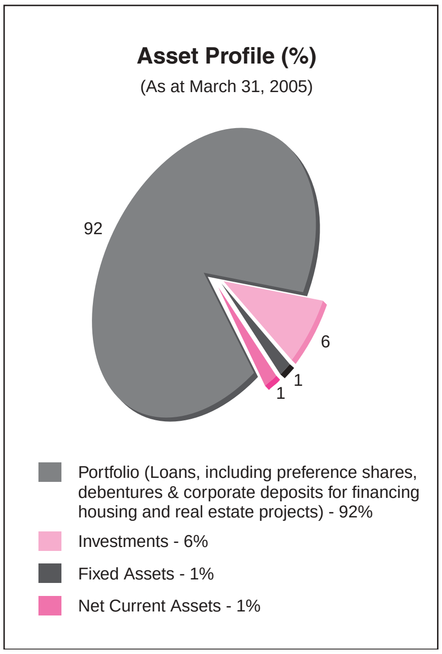
iii) dollar denominated rupee loans sanctioned to various corporates (in respect of a part of the syndicated loans and part of the IFC loan)

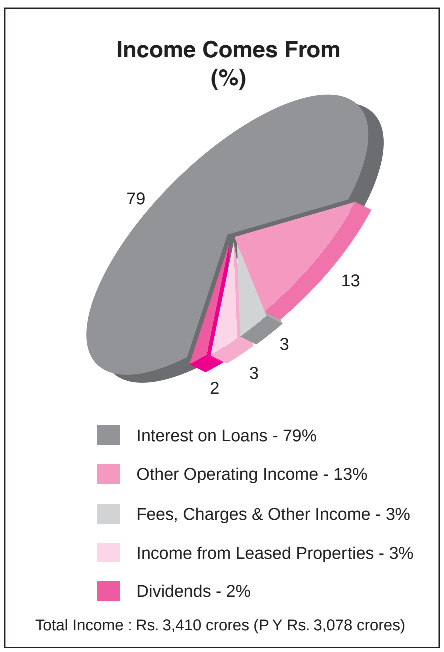
iv) risk management arrangements with a bank and a financial institution (in respect of the ADB II loan)

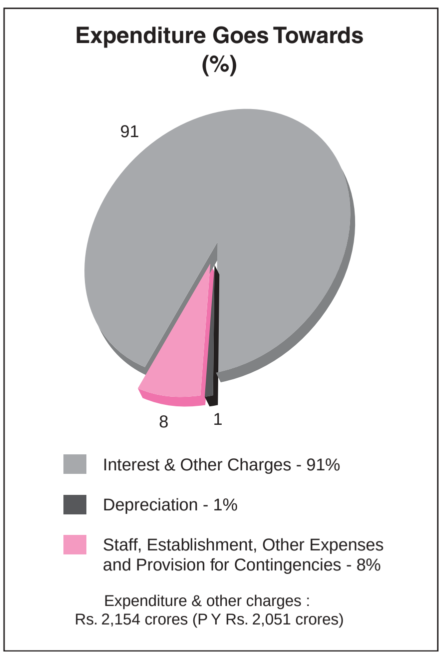
v) forward cover in respect of part of the USD/Re position on the principal on the syndicated loan and FCNR loans

vi) principal only swaps in respect of FRN 2007 and part of the IFC loan.









Assets and liabilities in foreign currencies are revalued at the rates of exchange prevailing at the year-end. The exchange gain, net of risk management arrangements, of Rs. 7.51 crores arising upon revaluation at the year end (based on the prevailing exchange rate) has been written back to the provision for contingencies account (previous year Rs. 2.68 crores).
As at March 31, 2005, HDFC's net foreign currency exposure in respect of its borrowings amounted to USD 274 million.

Deposits

As at March 31, 2005, the deposits outstanding amounted to Rs. 7,840 crores. HDFC has an agent network of over 50,000 and a depositor base of around 1 million.

Public deposits constitute approximately 80% of the total deposits of the Corporation.

Both CRISIL and ICRA have affirmed the 'AAA' rating for HDFC's deposits and bonds for the tenth consecutive year. This rating represents 'highest safety as regards timely repayment of principal and interest'.

HDFC pays brokerage to agents who mobilise retail deposits. The brokerage is linked to the amount and the period of deposit and is paid up-front for the full term of the deposit. In addition, agents who achieve certain collection targets are paid an incentive every year. In line with international accounting standards, HDFC has been amortising the brokerage, proportionately over the term of the deposit. Incentive brokerage is being fully charged to the profit and loss account in the year of payment.

Securitisation of Loans

During the year HDFC successfully concluded two issues of mortgage-backed securities (MBS). These issues were pursuant to the arrangement between HDFC and HDFC Bank Limited. Through the sale of loans under the MBS issue, HDFC raised a total of Rs. 216.08 crores during the year. The issues received a rating indicating the highest degree of safety. To date, loans aggregating to Rs. 1,027.29 crores have been sold by HDFC through the issue of MBS. HDFC continues to service the loans sold under the MBS issue.

Domestic Term Loans

HDFC continued its strategy of prepaying, repricing or re-negotiating its high cost bank loans in order to help reduce its overall cost of borrowing. During the year, HDFC raised loans from the commercial banks aggregating to Rs. 10,286 crores (previous year Rs. 6,543 crores). Out of this, loans amounting to Rs. 4,961 crores qualify for priority sector allocation. HDFC also raised Rs. 1,210 crores from the banking sector as FCNR (B) loans. HDFC also availed refinance from NHB amounting to Rs. 850 crores during the year.

As at March 31, 2005, the total loans outstanding from banks, institutions and NHB amounted to Rs. 14,065 crores as compared to Rs. 9,631 crores as at March 31, 2004.

Non-Convertible Debentures (NCDs)

During the year, HDFC issued NCDs at different points of time aggregating in to Rs. 5,600 crores on a private placement basis, for subscription by banks, mutual funds, financial institutions and provident funds. During the year, high cost NCDs amounting to Rs. 180 crores were bought back. In accordance with Section 78 of the Companies Act 1956, the premium payable on redemption of debentures was charged to the Securities Premium Account.

All the debenture issues have been rated 'AAA' by CRISIL and 'LAAA' by ICRA.

Risk Management

During the year, the Audit Committee approved the revised Financial Risk Management and Hedging Policy Document as well as set limits for exposures on currency and interest rates. HDFC manages its interest rate and currency risk in accordance with the guidelines prescribed. The risk management strategy has been to protect against foreign exchange risk, whilst at the same time exploring any opportunities for an upside, so as to keep the maximum all-in cost on the borrowing in line with or lower than the cost of a borrowing in the domestic market for a similar maturity.

HDFC manages various risks associated with the mortgage business. These risks include credit risk, liquidity risk and interest rate risk. HDFC manages credit risk through stringent credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profiles.

HDFC has from time to time entered into risk management arrangements in order to hedge its exposure to foreign currency and interest rate risks.

As part of HDFC's risk management strategy, the Corporation entered into interest rate swaps and coupon only swaps. As at March 31, 2005, HDFC has entered into such swaps whereby HDFC converted its fixed rate rupee liabilities on NCDs of a notional amount of Rs. 3,055 crores for varying maturities into floating rate liabilities linked to certain predetermined benchmarks. As a result of the swaps, HDFC pays the fixed rate and receives the floating rate. HDFC has also entered into cross currency swaps and the outstanding aggregate notional amount stood at Rs. 1,185 crores. These risk management arrangements have resulted in a substantial saving for HDFC.

Asset-Liability Management

As at March 31, 2005, assets and liabilities with maturity up to 1 year amounted to Rs. 16,951 crores and Rs. 18,007 crores respectively. Asset and liabilities with maturity of between 2 years and 5 years amounted to Rs. 18,993 crores and Rs. 16,442 crores respectively and assets and liabilities with maturity beyond 5 years amounted to Rs. 6,544 crores and Rs. 8,039 crores respectively.

HDFC does not generally take an interest rate mismatch. As at March 31, 2005, 67% of the assets and 66% of the liabilities were on a floating rate basis.

Internal Audit and Control

HDFC has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. Internal audit is carried out by independent firms of chartered accountants and cover all the offices and key areas of business. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Audit Committee comprises of three independent directors. The committee met six times during the financial year under review.

Profit and Loss Account

Key elements of the profit and loss account for the year ended March 31, 2005 are:

- Profit before tax grew by 22.4% and profit after tax grew by 21.7%.
- Income tax provision (net of deferred tax asset of Rs. 14.80 crores) for the year amounted to Rs. 220.20 crores as compared to Rs. 175.20 crores in the previous year. The effective tax rate is 17.5% as compared to 17.1% in the previous year.
- Pre-tax return on average assets was 3.5% and the post-tax return on average assets was 2.9%.
- Return on equity increased to 28.5% in the current year from 26.5% in the previous year.
- HDFC's cost to income ratio is 12.9% for the year ended March 31, 2005 as against 13.3% in the previous year. HDFC's cost income ratio continues to be among the lowest in the financial sector in Asia.
- Administrative expenses as a percentage of average assets was 0.45% as at March 31, 2005 as against 0.49% in the previous year.
- For the year ended March 31, 2005, a dividend of Rs. 17 per share is being recommended as against Rs. 13.50 per share in the previous year. HDFC would be paying the distribution tax and education cess on the dividend declared.
- The dividend payout ratio will be 46.6% as compared to 44.1% in the previous year.

Spread on Loans

The average yield on loan assets during the year was 8.64% per annum as compared to 9.97% per annum in the previous year. The average all-inclusive cost of funds was 6.47% per annum as compared to 7.77% per annum in the previous year. The spread on loans over the cost of borrowings for the year was 2.17% per annum as against 2.20% per annum in the previous year.

Prudential Norms for Housing Finance Companies (HFCs)

NHB has issued guidelines to HFCs on prudential norms for income recognition, provisioning, asset classification, provisioning for bad and doubtful debts, capital adequacy and concentration of credit/investments. HDFC's position with respect to the guidelines is as follows:

- HDFC's capital adequacy ratio stood at 13.4% of the risk weighted assets, (of which Tier 1 capital was 12.1%) as against the minimum requirement of 12%.
- HDFC is in compliance with the limits prescribed by NHB in respect of concentration of credit/ investments and on exposure to investment in real estate.

Human Resources

Human resources are HDFC's most valuable assets. The efficiency of HDFC's staff is evident from the fact that, the number of offices increased from 41 in 1998 to 181 (excluding offices of HLSIL) currently as against the number of employees which increased from 806 to 1,291 during the same period.

Total assets per employee as at March 31, 2005 stood at Rs. 31.39 crores as compared to Rs. 26.08 crores in the previous year and net profit per employee as at March 31, 2005 was Rs. 80 lacs as compared to Rs. 69 lacs in the previous year.

Audited Consolidated Accounts

In accordance with the accounting standards prescribed by the Institute of Chartered Accountants of India, the consolidated financial statements comprise the individual financial statements of the Corporation together with its subsidiaries which are consolidated on a line-by-line basis and its associates which are accounted on the equity method.

Like most insurance companies in the initial phase, HDFC-SL and HDFC-CHUBB have reported losses. This is partly due to the accounting norms applicable to these companies wherein the expenses are charged in the year in which they are incurred while the corresponding income is recognised over the entire life of the policies issued. This mismatch between expenses and income has the effect of magnifying the initial losses of these companies.

On a consolidated basis, the total income for the year ended March 31, 2005 was Rs. 3,697.54 crores as compared to Rs. 3,252.33 crores in the previous year. Profit before tax was Rs. 1,198.19 crores as compared to Rs. 1,012.93 crores in the previous year. Profit after tax was Rs. 1,123.83 crores as compared to Rs. 947.04 crores in the previous year, representing a growth of 18.7%. Consolidated return on equity was 26.6%.

Auditors' Report

TO THE MEMBERS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

1. We have audited the attached Balance Sheet of HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED as at March 31, 2005, the Profit and Loss Account and the Cash Flow Statement of the Corporation for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, (CARO) 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Corporation so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the Dubai Branch not visited by us;

(c) the report on the accounts of the Dubai Branch audited by the Branch Auditors has been forwarded to us and has been dealt with by us in preparing this report;

(d) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account and the audited Branch returns;

(e) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

(f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Corporation as at March 31, 2005;

(ii) in the case of the Profit and Loss Account, of the profit of the Corporation for the year ended on that date; and

(iii) in case of the Cash Flow Statement, of the cash flows of the Corporation for the year ended on that date.

5. On the basis of the written representations from the directors as on March 31, 2005, taken on record by the Board of Directors, and according to the information and explanations given to us, none of the directors is disqualified as on March 31, 2005 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants

P. R. Ramesh
Partner
(Membership No. 70928)

MUMBAI
May 5, 2005

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

(i) The nature of the Corporation's business/activities during the year is such that clauses (ii), (viii) and (xiii) of CARO, 2003 are not applicable.

(ii) In respect of its fixed assets:

(a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. There is also a system of periodic physical verification of leased assets by the Management, the frequency of which is reasonable. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(iii) In respect of loans, secured or unsecured, granted by the Corporation to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Corporation has granted loans to 8 parties. At the year end, the outstanding balances of such loans granted aggregated to Rs. 28,10,00,000 and the maximum amount involved during the year was Rs.162,00,00,000.

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Corporation.

(c) The receipt of principal amounts and interest during the year has been regular/as per stipulations.

(iv) In respect of loans, secured or unsecured, taken by the Corporation from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

(a) The Corporation has taken loans from 19 parties. At the year-end, the outstanding balances of such loans taken aggregated to Rs. 2,53,94,095 and the maximum amount involved during the year was Rs. 2,55,36,967.

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Corporation.

(c) The payment of principal amounts and interest in respect of such loans during the year has been regular/as per stipulations.

(v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Corporation and the nature of its business for the purchase of fixed assets and for the sale of services and we have not observed any continuing failure to correct major weaknesses in such internal controls.

(vi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements [excluding items reported under paragraph (iii) above] that needed to be entered in the Register maintained under Section 301 of the Companies Act, 1956.

(vii) In our opinion and according to the information and explanations given to us, the Corporation has complied with the provisions of Sections 58 and 58AA of the Companies Act, 1956 and the Housing Finance Companies (NHB) Directions, 2001, with regard to the deposits accepted from the public.

(viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Corporation and the nature of its business.

(ix) According to the information and explanations given to us, in respect of statutory dues:

(a) The Corporation has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth Tax, Service Tax, cess and any other material statutory dues with the appropriate authorities during the year.

(b) There are no undisputed amounts outstanding as at March 31, 2005 for a period of more than six months from the date they became payable.

(c) Details of disputed Sales-tax, Wealth Tax and Interest on lease tax which have not been deposited as on 31st March, 2005 on account of any dispute are given below:

Annexure to the Auditors' Report (Continued)

Particulars	Financial year to which the matter pertains	Forum where matter is pending	Amount (Rupees)
Sales Tax	1994-95,1999-2000, 2002-03	Commissioner of Sales Tax (Appeals)	3,53,197
Wealth Tax	1997-98,1998-99	Commissioner of Income Tax (Appeals)	9,03,852
Interest on lease tax	1999-2000	Commissioner of Sales Tax (Appeals)	2,20,794

(x) The Corporation does not have any accumulated losses. The Corporation has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Corporation has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.

(xii) In our opinion the Corporation has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Corporation is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO, 2003 are not applicable to the Corporation.

(xiv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Corporation for loans taken by others from banks are not *prima facie* prejudicial to the interests of the Corporation.

(xv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Corporation were, *prima facie*, applied by the Corporation during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

(xvi) Based on the maturity profile of assets and liabilities with a residual maturity of one year, as given in the Asset Liability Management report, the liabilities are in excess of assets by Rs.1042 crores which is within the approved gap limit. As explained to us, the liabilities are generally renewed on maturity and consequently the excess stated above does not reflect a mismatch in application of funds.

(xvii) The Corporation has a preferential allotment of shares on exercise of options granted in earlier years under the ESOP Schemes to parties covered in the Register maintained under Section 301 of the Companies Act, 1956, the prices at which such shares are allotted are consequently not *prima facie* prejudicial to the interests of the Corporation.

(xviii) According to the information and explanations given to us and the records examined by us, securities / charges have been created in respect of the debentures issued.

(xix) During the period covered by our audit report, the Corporation has not raised any money by public issues.

(xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Corporation and no material fraud on the Corporation was noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context of the size of the Corporation and the nature of its business and which have been provided for.

For S. B. BILLIMORIA & CO.
Chartered Accountants

P. R. Ramesh
Partner
(Membership No. 70928)

MUMBAI
May 5, 2005

Balance Sheet as at March 31, 2005

	Schedule	Rupees	Rupees	March 31, 2004 Rupees
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	249,11,68,170		246,61,32,060
Reserves and Surplus	2	3633,98,62,065		3147,17,57,625
			3883,10,30,235	3393,78,89,685
LOAN FUNDS	3		36647,39,55,994	28684,03,87,133
			40530,49,86,229	32077,82,76,818
APPLICATION OF FUNDS				
LOANS	4		36011,49,66,911	27974,27,23,017
INVESTMENTS	5		3130,03,63,692	2973,36,56,515
DEFERRED TAX ASSET [Note 28]			69,38,29,546	54,58,29,546
CURRENT ASSETS, LOANS AND ADVANCES	6	2982,13,27,620		2396,44,44,070
Less : CURRENT LIABILITIES AND PROVISIONS	7	1957,39,84,793		1758,47,11,167
NET CURRENT ASSETS			1024,73,42,827	637,97,32,903
FIXED ASSETS	8			
Gross Block		567,86,33,512		734,11,57,629
Less : Depreciation		273,01,50,259		296,48,22,792
Net Block			294,84,83,253	437,63,34,837
			40530,49,86,229	32077,82,76,818

Notes forming part of the Accounts	14
Significant Accounting Policies	15

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and the Profit and Loss Account.

As per our report attached.

For S. B. Billimoria & Co.
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI, May 5, 2005.

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Directors
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
S. Venkitaramanan
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee

Girish V. Koliyote
Company Secretary

Profit and Loss Account for the year ended March 31, 2005

	Schedule	Rupees	Previous Year Rupees
INCOME			
Operating Income	9	3298,88,10,688	2943,05,25,838
Fees and Other Charges		101,72,31,818	125,87,73,832
Other Income		9,83,59,219	8,98,53,859
		3410,44,01,725	3077,91,53,529
EXPENDITURE AND CHARGES			
Interest and Other Charges	10	1959,42,84,905	1873,66,31,762
Staff Expenses	11	64,89,50,919	58,15,85,302
Establishment Expenses	12	23,05,37,209	22,71,62,152
Other Expenses	13	73,58,92,173	61,81,42,425
Depreciation		18,68,79,984	23,58,32,889
Provision for Contingencies [Notes 13(i) and 20]		14,00,00,000	11,00,00,000
		2153,65,45,190	2050,93,54,530
PROFIT BEFORE TAX		1256,78,56,535	1026,97,98,999
Less : Provision for Tax [Notes 22 and 28]		220,20,00,000	175,20,00,000
PROFIT AFTER TAX AVAILABLE FOR APPROPRIATION		1036,58,56,535	851,77,98,999
APPROPRIATIONS:			
Special Reserve No. II		265,00,00,000	230,00,00,000
General Reserve		282,83,06,570	242,18,97,314
Shelter Assistance Reserve		5,00,00,000	4,00,00,000
Proposed Dividend (at Rs. 17/- per Share)		423,50,52,444	332,93,31,134
Additional Tax on Dividend		59,39,66,105	42,65,70,551
Education Cess on Dividend for 2004 paid in Current Year		85,31,416	—
		1036,58,56,535	851,77,98,999
EARNINGS PER SHARE (Face Value Rs. 10) [Note 27] :			
— Basic		41.74	34.62
— Diluted		41.44	34.21
Notes forming part of the Accounts	14		
Significant Accounting Policies	15		

Schedules 1 to 15 annexed hereto form part of the Balance Sheet and the Profit and Loss Account.

As per our report attached.

For S. B. Billimoria & Co.
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI, May 5, 2005.

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Directors
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
S. Venkitaramanan
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee

Girish V. Koliyote
Company Secretary

Cash Flow Statement for the year ended March 31, 2005

		Rupees	Previous Year Rupees
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit before tax and extraordinary items	1256,78,56,535	1026,97,98,999
	Adjustments for:		
	Depreciation (Net of Lease Equalisation adjustment)	20,06,78,322	23,99,48,358
	Provision for Contingencies	14,00,00,000	11,00,00,000
	Employee Stock Option Expense (Net of options exercised)	(92,71,001)	(50,94,710)
	Provision for Retirement Benefits	5,49,21,073	3,09,78,141
	Profit on Sale of Investments	(174,07,31,227)	(130,83,52,463)
	Profit on Sale of Fixed Assets	(73,38,60,307)	(9,51,620)
	Operating Profit before Working Capital changes	1047,95,93,395	933,63,26,705
	Adjustments for:		
	Current Assets	56,36,63,120	(24,43,59,299)
	Current Liabilities	(20,84,55,539)	(51,24,39,213)
	Cash generated from operations	1083,48,00,976	857,95,28,193
	Advance tax paid	(272,01,85,963)	(217,39,88,832)
	Net cash from operating activities	811,46,15,013	640,55,39,361
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(21,30,89,465)	(49,65,69,111)
	Sale of Fixed Assets	217,32,04,132	5,76,83,116
		196,01,14,667	(43,88,85,995)
	Investments in Subsidiaries	(63,80,59,280)	(114,16,25,870)
	Other Investments	(23400,74,16,578)	(15470,97,32,886)
	Sale proceeds of Investments :		
	— in subsidiary companies	12,52,50,000	34,00,00,000
	— in other companies	23460,87,61,132	15684,85,19,849
	Net cash used in investing activities	204,86,49,941	89,82,75,098
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Share Capital - Equity	2,50,36,110	2,20,26,290
	Share Premium	68,48,01,317	46,73,77,716
	Borrowings (Net)	7963,23,57,080	5429,18,77,968
	Loans disbursed (Net)	(8044,53,27,494)	(6226,91,44,127)
	Corporate Deposits (Net)	(643,24,97,910)	322,28,26,296
	Dividend paid	(332,93,31,134)	(268,85,59,412)
	Tax paid on Dividend	(42,65,70,551)	(34,44,71,675)
	Education Cess on Dividend	(85,31,416)	—
	Redemption Premium on NCDs and FRNs	(18,56,02,500)	(103,55,73,224)
	Shelter Assistance Reserve - utilisation	(4,97,35,659)	(3,95,74,576)
	Net cash from financing activities	(1053,54,02,157)	(837,32,14,744)
	Net Decrease in cash and cash equivalents	(37,21,37,203)	(106,94,00,285)
	Cash and cash equivalents as at the beginning of the year	764,52,91,399	871,46,91,684
	Cash and cash equivalents as at the end of the year	727,31,54,196	764,52,91,399
		(37,21,37,203)	(106,94,00,285)

As per our report attached.

For S. B. Billimoria & Co.
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI, May 5, 2005.

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Directors
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
S. Venkitaramanan
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee

Girish V. Koliyote
Company Secretary

AUDITORS' CERTIFICATE

We have verified the Cash Flow Statement of HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED derived from the audited financial statements of the Corporation for the years ended March 31, 2005 and March 31, 2004 and found the same to be drawn up in accordance therewith and also with the requirements of Clause 32 of the listing agreements with the stock exchanges.

For S. B. BILLIMORIA & CO.
Chartered Accountants

P. R. Ramesh
Partner
(Membership No. 70928)

MUMBAI, May 5, 2005.

Schedules

Annexed to and forming part of the Accounts

Schedule 1

SHARE CAPITAL

		As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
AUTHORISED			
26,00,00,000	Equity Shares of Rs 10 each	260,00,00,000	260,00,00,000
		260,00,00,000	260,00,00,000
ISSUED AND SUBSCRIBED			
24,91,20,732	Equity Shares of Rs. 10 each (Previous Year 24,66,17,121 Equity Shares of Rs. 10 each)	249,12,07,320	246,61,71,210
		249,12,07,320	246,61,71,210
PAID-UP			
24,91,20,732	Equity Shares of Rs. 10 each (Includes 12,19,60,713 Equity Shares of Rs. 10 each, allotted as fully paid-up Bonus Shares out of Securities Premium Account and Capital Redemption Reserve) (Previous Year 24,66,17,121 Equity Shares of Rs. 10 each)	249,12,07,320	246,61,71,210
Less : Allotment money due		39,150	39,150
		249,11,68,170	246,61,32,060

Schedule 2

RESERVES AND SURPLUS [Notes 18 (ii), 21 and 22]

	Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
SPECIAL RESERVE No. I			
Opening Balance	144,35,24,700		194,35,24,700
Less : Transfer to Provision for Contingencies	50,00,00,000		50,00,00,000
		94,35,24,700	144,35,24,700
SPECIAL RESERVE No. II			
Opening Balance	1059,95,00,000		829,95,00,000
Add : Transfer from Profit and Loss Account	265,00,00,000		230,00,00,000
		1324,95,00,000	1059,95,00,000
GENERAL RESERVE			
Opening Balance	1186,32,79,999		944,13,82,685
Add : Transfer from Profit and Loss Account	282,83,06,570		242,18,97,314
		1469,15,86,569	1186,32,79,999
Carried forward		2888,46,11,269	2390,63,04,699

Schedule 2 (Continued)

RESERVES AND SURPLUS [Notes 18 (ii), 21 and 22]

	Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Brought forward		2888,46,11,269	2390,63,04,699
SECURITIES PREMIUM			
Opening Balance	744,38,92,185		818,39,05,598
Add : Received during the year	68,48,01,318		46,73,77,716
	812,86,93,503		865,12,83,314
Less : Utilised during the year	78,59,96,788		120,73,91,129
		734,26,96,715	744,38,92,185
EMPLOYEE STOCK OPTION OUTSTANDING			
Opening Balance	1,43,77,167		1,94,71,877
Add : Net Charge for the year	54,05,114		1,07,20,237
	1,97,82,281		3,01,92,114
Less : Options exercised	1,46,76,115		1,58,14,947
		51,06,166	1,43,77,167
SHELTER ASSISTANCE RESERVE			
Opening Balance	10,67,69,699		10,63,44,275
Add : Transfer from Profit and Loss Account	5,00,00,000		4,00,00,000
	15,67,69,699		14,63,44,275
Less : Utilised during the year	4,97,35,659		3,95,74,576
		10,70,34,040	10,67,69,699
CAPITAL RESERVE		4,13,875	4,13,875
		3633,98,62,065	3147,17,57,625

Schedule 3

LOAN FUNDS [Notes 1 to 8 and 26 (ii)]

	Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
LOANS			
Asian Development Bank	429,02,09,499		444,06,75,400
DEG - Deutsche Investitions- Und Entwicklungsgesellschaft MbH	220,21,00,000		223,85,00,000
International Finance Corporation	893,22,25,000		902,46,25,000
Kreditanstalt für Wiederaufbau	86,61,79,576		84,69,26,998
Syndicated Loans - International	952,36,45,386		962,34,99,838
Under the Housing Guaranty Program of the United States Agency for International Development	2,40,00,000		4,80,00,000
National Housing Bank	1095,36,47,324		477,84,58,367
Scheduled Banks	11962,19,51,724		8762,67,03,001
Others (Finance Lease)	8,51,230		17,70,132
		15641,48,09,739	
Carried forward		15641,48,09,739	11862,91,58,736

Schedule 3 (Continued)

LOAN FUNDS [Notes 1 to 8 and 26 (ii)]

	Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Brought forward		15641,48,09,739	11862,91,58,736
BONDS		303,94,27,000	341,41,06,000
(Redeemable at par between 2005 and 2024)			
DEBENTURES			
Non-convertible Debentures	9184,30,00,000		4771,80,00,000
Floating Rate Notes - International (Redeemable in 2007)	479,39,25,000		484,01,25,000
		9663,69,25,000	
Under a Line from Kreditanstalt für Wiederaufbau (Unsecured)		41,17,36,192	41,17,36,192
Loans from Scheduled Banks (Unsecured)		1007,01,81,679	390,07,64,999
Commercial Paper (Unsecured)		1750,00,00,000	1455,00,00,000
Non-Convertible Subordinated Debentures		400,00,00,000	—
DEPOSITS (Unsecured)	7822,46,41,557		9320,91,53,102
Interest Accrued and Due	17,62,34,827		16,73,43,104
		7840,08,76,384	
		36647,39,55,994	28684,03,87,133

Schedule 4

LOANS [Note 9]

	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Individuals	24259,08,82,274	19158,73,88,426
Corporate Bodies	11162,24,18,488	8489,02,44,269
Others	590,16,66,149	326,50,90,322
	36011,49,66,911	27974,27,23,017

Note :

Investments in Preference Shares, Debentures and Deposits amounting to Rs. 1204,06,92,693 (Previous Year Rs. 885,49,56,083) are towards financing Real Estate Projects. The Preference Shares and Debentures are reflected in Schedule 5 and the Deposits are shown under Current Assets in Schedule 6.

Schedule 5

INVESTMENTS (At Cost)

	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Equity Shares - Subsidiaries and Associate Companies	798,40,44,598	635,10,77,809
Equity Shares - Other Companies	449,70,23,028	441,96,21,722
Preference Shares - for Financing Real Estate Projects	6,00,00,000	41,00,00,000
Preference Shares - Subsidiary and Others	58,35,39,000	104,81,08,000
Debentures and Bonds - for Financing Real Estate Projects	451,76,12,254	440,30,30,644
Debentures and Bonds - Others	158,81,88,200	264,07,41,500
Government Securities	332,80,39,000	349,35,69,000
Mutual Funds and Other Funds	791,32,65,189	707,59,53,713
Properties	117,73,78,536	15,47,91,464
	3164,90,89,805	2999,68,93,852
Less : Provision for Diminution in Value of Investments	34,87,26,113	26,32,37,337
	3130,03,63,692	2973,36,56,515

	Book Value Rupees	Market Value Rupees
Aggregate of Quoted Investments	1110,30,95,838	3418,12,45,793
Previous Year	(991,40,31,557)	(2537,15,68,208)
Aggregate of Investments listed but not quoted	478,25,39,000	
Previous Year	(463,90,74,700)	
Aggregate of Unquoted Investments	1423,73,50,318	
Previous Year	(1502,57,58,794)	
Properties	117,73,78,536	
Previous Year	(15,47,91,464)	
	3130,03,63,692	
Previous Year	(2973,36,56,515)	

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Shares	Face Value per Share Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Equity Shares - Subsidiaries and Associate Companies (fully paid)				
Subsidiaries				
GRUH Finance Ltd.*	1,63,90,604	10	23,86,12,092	23,86,12,092
HDFC Asset Management Co. Ltd.	1,26,05,661	10	53,97,62,370	53,97,62,370
HDFC Chubb General Insurance Co. Ltd.	8,88,00,000	10	88,80,00,000	88,80,00,000
HDFC Developers Ltd.	50,000	10	5,00,000	5,00,000
HDFC Holdings Ltd.	8,00,070	10	2,40,00,700	2,40,00,700
HDFC Investments Ltd.	3,26,70,500	10	81,02,30,000	81,02,30,000
HDFC Realty Ltd.	40,00,070	10	3,56,38,347	3,56,38,347
HDFC Standard Life Insurance Co. Ltd. (6,30,36,000 shares acquired)	25,42,13,000	10	254,21,30,000	191,17,70,000
HDFC Trustee Co. Ltd.	1,00,000	10	10,00,000	10,00,000
HDFC Venture Capital Ltd.	49,930	10	4,99,300	—
HDFC Ventures Trustee Co. Ltd.	49,930	10	4,99,300	—
Home Loan Services India Pvt. Ltd.	6,70,068	10	67,00,680	—
			508,75,72,789	444,95,13,509
Associate Companies				
Credit Information Bureau (India) Ltd.	1,00,00,000	10	10,00,00,000	10,00,00,000
GW Capital Pvt. Ltd. (2,40,750 shares acquired)	10,23,750	10	1,02,37,500	78,30,000
HDFC Bank Ltd.*	3,88,60,000	10	150,66,40,000	150,66,40,000
HDFC Securities Ltd.	44,25,000	10	88,50,000	88,50,000
Indian Association for Savings and Credit	2,99,930	10	29,99,300	29,99,300
Intelenet Global Services Ltd. (2,75,00,000 shares acquired and sold) (54,49,363 rights shares acquired)	3,29,49,363	10	126,75,00,009	27,50,00,000
Rockfort Estate Developers Ltd.	24,500	10	2,45,000	2,45,000
			289,64,71,809	190,15,64,300
			798,40,44,598	635,10,77,809

* listed shares

	Number of Shares	Face Value per Share Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Equity Shares - Other Companies (fully paid)				
Unlisted :				
AEC Cements and Constructions Ltd.	2,80,000	10	28,00,000	28,00,000
Appollo Fibres Ltd.	43,16,172	10	4,31,61,720	4,31,61,720
Asset Reconstruction Co. (India) Ltd.	5,30,000	10	53,00,000	53,00,000
Automartindia Ltd. (4,93,333 right shares acquired)	8,63,333	10	2,23,83,325	1,00,50,000
Bhartiya Samruddhi Finance Ltd.	5,00,000	10	50,00,000	50,00,000
Business Standard Ltd.	2,50,000	10	1,12,50,000	1,12,50,000
Chalet Hotels Ltd. (1,00,00,000 shares sold)	50,00,000	10	10,00,00,000	30,00,00,000
Colliers International (India) Property Services Pvt. Ltd.	1,50,000	10	15,00,000	15,00,000
Computer Age Management Services Pvt. Ltd. (14,40,000 bonus shares received)	28,80,000	10	3,21,60,000	3,21,60,000
Feedback First Urban Infrastructure Development Co. Ltd.	-	-	-	1,50,00,000
Feedback Ventures Pvt. Ltd.	6,68,300	10	66,83,000	66,83,000
Feminine Hygiene Products Pvt. Ltd.	50,000	10	5,00,000	5,00,000
Carried forward			23,07,38,045	43,34,04,720

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Shares	Face Value per Share Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Brought forward			23,07,38,045	43,34,04,720
GVFL Ltd.	75,000	10	9,00,000	9,00,000
IL&FS Education & Technology Services Ltd.	24,00,000	10	12,00,00,000	12,00,00,000
INCAB Industries Ltd.	76,188	10	23,24,884	23,24,884
Infrastructure Development Corporation (Karnataka) Ltd.	1,50,000	10	15,00,000	15,00,000
Infrastructure Development Finance Co. Ltd.	3,00,00,000	10	30,00,00,000	30,00,00,000
Infrastructure Leasing & Financial Services Ltd.	1,40,49,500	10	94,70,35,429	94,70,35,429
IPFonline Ltd.	1,55,560	10	4,04,45,600	4,04,45,600
Jindal South West Holdings Ltd. (received under Scheme of Demerger)	88,275	10	—	—
Kesoram Textile Mills Ltd.	22,258	2	—	—
Lafarge India Pvt. Ltd.	2,33,33,336	10	50,00,00,040	50,00,00,040
Maruti Countrywide Auto Financial Services Pvt. Ltd.	1,48,00,000	10	14,80,00,000	14,80,00,000
Monotona Tyres Ltd.	5,40,000	10	54,00,000	54,00,000
Microland Ltd.	15,00,000	1	1,31,25,000	1,31,25,000
MIEL e-Security Pvt. Ltd.	1,11,112	10	4,11,11,440	4,11,11,440
Next Gen Publishing Ltd.	5,94,000	10	59,40,000	-
Novacel Life Sciences Ltd.	7,50,000	10	75,00,000	75,00,000
Personal Hygiene & Healthcare Products Pvt. Ltd.	50,000	10	5,00,000	5,00,000
Precision Automation & Robotics India Ltd.	83,748	10	1,21,28,110	-
Prize Petroleum Co. Ltd.	9,99,900	10	99,99,000	99,99,000
Quantum Information Services Ltd.	1,42,860	1	2,89,43,436	2,89,43,436
Softcell Technologies Ltd.	4,99,702	10	2,59,84,504	2,59,84,504
SolutionNET India Pvt. Ltd.	2,64,000	10	96,00,000	96,00,000
SICOM Ltd.	6,07,200	10	4,85,76,000	4,85,76,000
Tamil Nadu Urban Infrastructure Financial Services Ltd.	1,50,000	10	15,00,000	15,00,000
Tamil Nadu Urban Infrastructure Trustee Co. Ltd.	15,000	10	1,50,000	1,50,000
			250,14,01,488	268,60,00,053
Listed :				
Andhra Bank	—	—	—	2,43,51,987
Apcotex Lattices Ltd.	1,32,750	10	1,51,51,753	1,51,51,753
APW President Systems Ltd. (23,616 shares sold)	25,784	10	8,37,980	16,05,500
Bajaj Auto Ltd.	71,700	10	3,63,05,683	3,63,05,683
Bank of India	—	—	—	3,80,45,074
Bharat Bijlee Ltd.	9,748	100	44,23,228	44,23,228
Bharat Electronics Ltd.	18,000	10	99,55,204	99,55,204
Bharat Heavy Electricals Ltd. (25,000 shares sold)	1,11,785	10	2,03,83,685	2,49,42,366
Bharat Petroleum Corporation Ltd.	26,000	10	99,39,589	99,39,589
Borax Morarji Ltd.	41,000	10	12,36,150	12,36,150
Can Fin Homes Ltd. (2,15,282 shares sold)	22,84,698	10	2,85,58,769	3,12,49,800
Chambal Fertilisers & Chemicals Ltd.	13,30,831	10	2,02,25,023	2,02,25,023
Chennai Petroleum Corporation Ltd.	3,75,000	10	3,00,00,000	3,00,00,000
Coromandel Fertilisers Ltd.	1,33,333	10	—	—
Corporation Bank (18,037 shares sold)	1,24,301	10	97,99,891	1,12,21,928
Dredging Corporation of India Ltd.	8,946	10	35,78,400	35,78,400
E.I.D. - Parry (India) Ltd.	4,00,000	10	2,55,14,100	2,55,14,100
Flextronics Software Systems Ltd. (formerly Hughes Software Systems Ltd.)	80,000	5	2,52,00,000	2,52,00,000
Carried forward			24,11,09,455	31,29,45,785

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Shares	Face Value per Share Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Brought forward			24,11,09,455	31,29,45,785
GAIL (India) Ltd.	4,01,000	10	2,99,33,676	2,99,33,676
Gujarat Ambuja Cements Ltd. (1,53,200 shares acquired)	1,83,200	10	5,95,96,942	96,05,550
Gulf Oil Corporation Ltd.	—	—	—	42,00,000
Hindustan Lever Ltd.	1,59,100	1	1,29,22,776	1,29,22,776
Hindustan Oil Exploration Co. Ltd.	62,87,222	10	14,18,32,821	14,18,32,821
Hotel Leelaventure Ltd.	15,00,000	10	22,65,00,000	—
ICICI Bank Ltd. (42,900 (net) shares sold)	3,57,100	10	8,18,32,226	7,35,07,319
IDBI Bank Ltd.	3,22,442	10	62,85,488	62,85,488
iGate Global Solutions Ltd.	15,700	4	75,36,000	75,36,000
Indian Oil Corporation Ltd.	51,500	10	1,99,24,053	1,99,24,053
Industrial Development Bank of India	14,26,161	10	4,38,57,986	4,38,57,986
Infosys Technologies Ltd. (15,000 bonus shares received)	20,000	5	3,53,95,000	3,53,95,000
Jet Airways (India) Ltd.	17,780	10	1,95,58,000	—
Jindal Vijaynagar Steel Ltd. (received under Scheme of Merger)	3,53,101	10	9,98,54,470	—
Kochi Refineries Ltd.	69,800	10	1,00,09,320	1,00,09,320
Larsen & Toubro Ltd. (received pursuant to Scheme of Demerger in lieu of 85,006 shares)	42,503	2	36,63,652	51,00,360
Mahanagar Telephone Nigam Ltd.	4,02,500	10	6,62,31,016	6,62,31,016
Mahindra & Mahindra Ltd.	3,34,200	10	7,22,12,265	7,22,12,265
Morepen Laboratories Ltd.	—	—	—	3,90,00,000
Moser Baer India Ltd.	36,000	10	99,95,425	99,95,425
National Thermal Power Corporation Ltd.	6,75,752	10	4,18,96,624	—
Oil & Natural Gas Corporation Ltd.	1,06,154	10	7,45,90,891	7,45,90,891
Oriental Bank of Commerce Ltd.	—	—	—	2,24,28,000
Polaris Software Lab Ltd.	39,000	5	26,91,780	26,91,780
Power Trading Corporation of India Ltd.	—	—	—	6,16,000
Prism Cement Ltd.	6,00,000	10	73,20,000	73,20,000
Punjab National Bank	33,006	10	1,28,72,340	—
Punjab Tractors Ltd.	49,030	10	74,08,446	74,08,446
Ranbaxy Laboratories Ltd.	—	—	—	4,13,88,429
Recron Synthetics Ltd.	43,78,600	10	4,37,86,000	4,37,86,000
Reliance Industries Ltd.	1,70,907	10	3,52,25,330	3,52,25,330
SBI Home Finance Ltd. (18,08,585 shares sold)	—	—	—	1,80,85,850
Scandent Solutions Ltd. (received under Scheme of Demerger)	30,000	10	59,39,555	—
Siemens Ltd.	2,00,000	10	6,83,72,145	6,83,72,145
SRF Ltd.	4,15,921	10	1,63,02,069	1,63,02,069
SSI Ltd.	—	—	—	1,12,50,000
State Bank of India	8,73,900	10	12,01,58,724	12,01,58,724
Tata Chemicals Ltd. (received under Scheme of Amalgamation in lieu of 1,90,000 shares of Hind Lever Chemicals Ltd.)	4,75,000	10	8,74,00,000	8,74,00,000
Tata Consultancy Services Ltd.	15,358	1	1,30,54,300	—
The Associated Cement Companies Ltd.	4,30,000	10	4,37,62,747	4,37,62,747
The Dharamsi Morarji Chemical Co. Ltd.	89,129	10	57,84,817	57,84,817
Carried forward			177,48,16,339	150,70,66,068

Schedule 5 (Continued)

INVESTMENTS (At Cost)

		Number of Shares	Face Value per Share Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
	Brought forward			177,48,16,339	150,70,66,068
The Great Eastern Shipping Co. Ltd.		24,11,253	10	9,37,83,610	9,37,83,610
The Tata Iron & Steel Co. Ltd. (1,30,798 bonus shares received)		3,92,394	10	6,27,20,191	6,27,20,191
Tube Investments of India Ltd. (2,50,000 bonus shares received)		5,00,000	10	58,03,875	58,03,875
UCO Bank		3,24,300	10	38,91,600	38,91,600
Union Bank of India		—	—	—	57,50,400
UTI Bank Ltd.		4,85,000	10	1,00,32,225	1,00,32,225
Vijaya Bank		1,32,300	10	31,75,200	31,75,200
Zee Telefilms Ltd.		50,000	1	4,13,98,500	4,13,98,500
				199,56,21,540	173,36,21,669
				449,70,23,028	441,96,21,722
Preference Shares - Cumulative Redeemable (fully paid) - for financing Real Estate Projects					
9.5%	Bharat Forge Ltd.	60,00,000	10	6,00,00,000	6,00,00,000
9.1%	EIH Ltd.	—	—	—	35,00,00,000
				6,00,00,000	41,00,00,000
Preference Shares - Cumulative Redeemable (fully paid) - Others					
—	Subsidiary				
10%	HDFC Asset Management Co. Ltd. (partly redeemed)	1,25,25,000	10	12,52,50,000	25,05,00,000
				12,52,50,000	25,05,00,000
—	Others				
9.5%	Bharat Forge Ltd.	40,00,000	10	4,00,00,000	4,00,00,000
11.5%	Bharat Forge Ltd.	-	-	-	10,00,00,000
9.5%	Chemplast Sanmar Ltd.	-	-	-	20,50,00,000
10.5%	IFCI Ltd.	1,65,28,900	10	16,52,89,000	16,52,89,000
14%	J. K. Synthetics Ltd.	-	-	-	18,19,000
6%	MCS Software Solutions Ltd.	50,000	1,000	5,00,00,000	5,00,00,000
13%	Precision Automation & Robotics India Ltd. (Optionally Convertible)	-	-	-	2,25,00,000
6%	The Arvind Mills Ltd. (partly redeemed)	20,00,000	95	19,00,00,000	20,00,00,000
12.5%	The Western India Plywoods Ltd.	1,30,000	100	1,30,00,000	1,30,00,000
				45,82,89,000	79,76,08,000
				58,35,39,000	104,81,08,000

Schedule 5 (Continued)
INVESTMENTS (At Cost)

		Number of Debentures/ Bonds	Face Value per Debenture/ Bond Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Debentures and Bonds - Redeemable					
— for financing Real Estate Projects (fully paid)					
Held as long term investments					
— Subsidiary					
9.5%	GRUH Finance Ltd.	100	10,00,000	10,00,00,000	10,00,00,000
				10,00,00,000	10,00,00,000
— Others					
13%	Apollo Infrastructure Projects Finance Co. Ltd. (Optionally Convertible)	12,80,000	100	12,80,00,000	12,80,00,000
8.55%	Konkan Railway Corporation Ltd.	-	-	-	100,00,00,000
10.5%	Konkan Railway Corporation Ltd.	3,50,000	1,000	37,64,74,000	37,64,74,000
13.2%	Maharashtra State Police Housing & Welfare Corporation Ltd. (partly redeemed)	4,000	62,500	25,00,00,000	30,00,00,000
	MBS 2002 Series I Trust (Pass Through Certificate - Class B) (partly redeemed)	1	1,28,62,864	1,28,62,864	1,94,67,528
	MBS 2002 Series II Trust (Pass Through Certificate - Class B)	-	-	-	78,10,208
	MBS 2002 Series III Trust (Pass Through Certificate - Class B) (partly redeemed)	1	17,01,411	17,01,411	18,75,468
	MBS 2003 Series I Trust (Pass Through Certificate - Class B) (partly redeemed)	1	8,08,312	8,08,312	8,08,312
	MBS 2004 Series I Trust (Pass Through Certificate - Class A2)	27	96,52,910	26,06,28,570	26,06,28,570
	MBS 2004 Series I Trust (Pass Through Certificate - Class A3)	1	2,93,103	2,93,103	2,93,103
	MBS 2004 Series II Trust (Pass Through Certificate - Class A2)	1	10,80,163	10,80,163	-
	MBS 2004 Series II Trust (Pass Through Certificate - Class B)	1	1,20,259	1,20,259	-
	MBS 2004 Series III Trust (Pass Through Certificate - Class A2)	1	10,87,050	10,87,050	-
	MBS 2004 Series III Trust (Pass Through Certificate - Class B)	1	1,21,015	1,21,015	-
5.1%	National Housing Bank	59,000	10,000	59,00,00,000	-
5.5%	National Housing Bank	32,000	10,000	32,00,00,000	32,00,00,000
8.5%	National Housing Bank	5,000	1,00,000	50,00,00,000	50,00,00,000
9.15%	National Housing Bank	540	1,00,000	5,40,00,000	5,40,00,000
11.25%	National Housing Bank	3,000	1,00,000	30,00,00,000	30,00,00,000
13.75%	National Housing Bank	5	1,00,000	5,00,000	5,00,000
	National Housing Bank Trust (Pass Through Certificate - Class B) (partly redeemed)	285	69,949	1,99,35,507	3,31,73,455
8%	West Bengal Infrastructure Development Finance Corporation Ltd.	16,000	1,00,000	160,00,00,000	-
12.5%	West Bengal Infrastructure Development Finance Corporation Ltd.	-	-	-	50,00,00,000
13.25%	West Bengal Infrastructure Development Finance Corporation Ltd.	-	-	-	50,00,00,000
				441,76,12,254	430,30,30,644
				451,76,12,254	440,30,30,644

Schedule 5 (Continued)

INVESTMENTS (At Cost)

		Number of Debentures/ Bonds	Face Value per Debenture/ Bond Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Debentures and Bonds - Redeemable - Others (fully paid)					
Held as long term investments					
11%	Gujarat Industries Power Co. Ltd.	-	-	-	2,00,00,000
11%	Maharashtra Jeevan Pradhikaran	-	-	-	15,00,00,000
11.5%	Maharashtra State Road Development Corporation Ltd.	-	-	-	5,00,00,000
8.75%	National Bank for Agriculture and Rural Development	-	-	-	20,00,00,000
8.7%	Rural Electrification Corporation Ltd.	-	-	-	88,04,77,000
6.6%	Tax Free ARS Bonds	55,80,267	100	55,80,26,700	-
				55,80,26,700	130,04,77,000
Held as current investments					
14%	Ahmedabad Municipal Corporation	-	-	-	3,34,00,000
0%	Appollo Fibres Ltd.	4,31,617	100	4,31,61,700	4,31,61,700
11.45%	Bharti Cellular Ltd. (formerly Bharti Mobile Ltd.)	10	1,00,00,000	10,00,00,000	10,00,00,000
21%	Credential Finance Ltd.	10	10,00,000	1,00,00,000	1,00,00,000
	Escotel Mobile Communications Ltd. (Floating Rate Debenture)	-	-	-	16,64,10,000
12%	Gujarat Electricity Board	50	10,00,000	5,00,00,000	5,00,00,000
9%	Hindustan Lever Ltd.	-	-	-	9,54,600
11%	HMT Ltd.	-	-	-	3,00,00,000
14.5%	Indian Petrochemicals Corporation Ltd.	600	33,333	1,99,99,800	4,00,00,200
	Infrastructure Leasing & Financial Services Ltd. (Floating Rate Debenture)	4,00,000	1,000	40,00,00,000	40,00,00,000
8.5%	Kalyani Steels Ltd.	100	10,00,000	10,00,00,000	10,00,00,000
13%	Maharashtra State Road Development Corporation Ltd.	1,500	1,00,000	15,00,00,000	15,00,00,000
12%	Maharashtra Vikrikar Rokhe Pradhikaran Pvt. Ltd.	1,000	1,00,000	10,00,00,000	10,00,00,000
14.5%	National Aluminium Co. Ltd.	-	-	-	23,38,000
12.9%	Tamil Nadu Industrial Development Corporation Ltd.	-	-	-	5,00,00,000
10.75%	Tamil Nadu Industrial Development Corporation Ltd.	500	1,00,000	5,00,00,000	5,00,00,000
11.85%	Tamil Nadu Urban Development Fund (partly redeemed)	350	20,000	70,00,000	1,40,00,000
				103,01,61,500	134,02,64,500
				158,81,88,200	264,07,41,500
Government Securities					
	Government of India Loans			332,80,39,000	349,35,69,000

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Units	Face Value per Unit Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Mutual Funds and Other Funds				
Equity Funds				
DSP Merrill Lynch India T.I.G.E.R. Fund	50,00,000	10	5,00,00,000	-
HDFC Capital Builder Fund	27,88,000	10	5,00,00,000	-
HDFC Equity Fund	-	-	-	20,44,97,706
HDFC Growth Fund	-	-	-	13,07,10,000
HDFC Top 200 Fund (34,62,691 (net) units sold)	22,72,417	10	5,00,00,000	11,34,34,705
HSBC India Opportunities Fund	1,10,18,393	10	15,00,00,000	-
Kotak MNC	58,04,841	10	10,00,00,000	-
Mastergain 1992	1,200	10	12,757	12,757
Mastershare 1986	15,156	10	1,70,204	1,70,204
Mastershare Plus 1991	400	10	6,350	6,350
Morgan Stanley Growth Fund (29,05,000 units acquired)	77,32,080	10	9,97,35,931	4,98,15,286
Principal Equity Fund	48,00,768	10	10,00,00,000	-
Reliance Growth Fund	27,61,668	10	10,00,00,000	-
Reliance Vision Fund	38,63,517	10	15,00,00,000	-
Sundaram India Leadership Fund	72,82,542	10	10,00,00,000	-
Templeton India Growth Fund	-	-	-	2,43,25,000
UTI - Master Value Unit Plan	-	-	-	10,00,00,000
UTI Growth & Value Fund (formerly IL&FS Growth & Value Fund) (61,37,728 (net) units acquired)	1,19,89,103	10	20,50,06,128	10,00,00,000
			115,49,31,370	72,29,72,008
Balanced Funds				
HDFC Balanced Fund (1,32,92,990 (net) units acquired)	1,69,72,166	10	30,00,00,000	5,00,00,000
Prudential ICICI Balanced Fund	34,29,355	10	5,00,00,000	-
			35,00,00,000	5,00,00,000
Debt Funds				
- Income Funds				
Grindlays Super Saver Income Fund	-	-	-	10,00,00,000
HDFC Fixed Investment Plan	50,00,000	10	5,00,00,000	5,00,00,000
HDFC Gilt Fund	-	-	-	20,00,00,000
HDFC High Interest Fund	-	-	-	25,00,00,000
HDFC MF Monthly Income Plan	-	-	-	100,00,00,000
UTI - Monthly Income Plan 1999	-	-	-	50,74,50,000
			5,00,00,000	210,74,50,000

Schedule 5 (Continued)

INVESTMENTS (At Cost)

	Number of Units	Face Value per Unit Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
Liquid Funds				
Grindlays Cash Fund	—	—	—	50,00,00,000
HDFC Liquid Fund (5,74,04,000 (net) units acquired)	29,16,11,266	10	386,00,00,000	295,71,93,084
HDFC Cash Management Fund	14,50,72,609	10	200,00,00,000	—
Prudential ICICI Liquid Plan	—	—	—	34,00,00,000
			586,00,00,000	379,71,93,084
Other Funds				
AIG Indian Sectoral Equity Trust (7 units redeemed)	65	10,00,000	6,46,51,014	7,23,80,933
Gujarat Venture Capital Fund - 1990 (partly redeemed)	—	—	1,70,000	2,20,000
Gujarat Venture Capital Fund - 1995 (partly redeemed)	—	—	60,00,000	64,00,000
IL&FS Venture Fund	17	10,00,000	1,68,89,389	1,68,89,389
India Value Fund - Scheme A (35,398 (net) units acquired)	1,62,685	1,000	16,11,62,117	13,52,87,000
India Value Fund - Scheme B	82,300	1,000	8,23,00,000	—
Tamil Nadu Urban Development Fund	1,672	1,00,000	16,71,61,299	16,71,61,299
			49,83,33,819	39,83,38,621
			791,32,65,189	707,59,53,713

Notes :

1) Unquoted investments include Rs. Nil (Previous Year Rs. 90,00,000) in respect of shares which are subject to a lock-in period and Rs. 75,00,000 (Previous Year Rs. 99,99,000) in respect of shares which are subject to restrictive covenant. Quoted investments include Rs. 46,51,12,092 (Previous Year Rs. 23,86,12,092) in respect of shares which are subject to restrictive covenant.

2) Market value includes Rs. 730,11,01,614 (Previous Year Rs. 627,88,96,577) [Cost : Rs. 741,49,31,370 (Previous Year Rs. 617,01,65,093)] being repurchase price of units issued by Mutual Funds and Other Funds.

3) Investments in Equity Shares, Preference Shares, Government Securities and units of Mutual Funds and Other Funds are held as long term investments. Investments in Liquid Funds are held as current investments.

4) During the year, the Corporation received under a scheme of demerger and sold 34,002 shares of UltraTech Cement Ltd. of Rs. 0.14 crore. The Corporation purchased and sold 1,22,000 shares of Bank of Maharashtra of Rs. 0.28 crore, 75,000 shares of Gesco Corporation Ltd. of Rs. 0.41 crore, 23,223 shares of UTV Software Communications Ltd. of Rs. 0.30 crore, 90,929 shares of Biocon Ltd. of Rs. 1.81 crores, 1,000 NCDs of Tata Power Ltd. of Rs. 100 crores and 250 NCDs of Tata Teleservices Ltd. of Rs. 24.21 crores.

5) During the year, the Corporation invested Rs. 22,485 crores (Previous Year Rs. 14,800 crores) and sold Rs. 22,279 crores (Previous Year Rs. 14,572 crores) of units of various cash management schemes of mutual funds invested for the purpose of deployment of overnight cash surpluses.

Schedule 6

CURRENT ASSETS, LOANS AND ADVANCES [Note 10]

	Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
CURRENT ASSETS			
Income Accrued on Investments		20,12,03,007	33,45,14,626
Interest Accrued on Deposits		40,86,95,496	27,45,90,342
Sundry Debtors (Unsecured)		1,07,52,337	49,64,349
Cash and Bank Balances :			
Cash and Cheques on Hand	157,24,16,019		91,24,82,104
With Scheduled Banks :			
Current Accounts	134,13,30,130		140,92,88,671
Deposit Accounts	435,77,22,441		532,25,15,018
With Reserve Bank of India	16,85,606		10,05,606
		727,31,54,196	
		789,38,05,036	825,93,60,716
LOANS AND ADVANCES			
Instalments due from borrowers	184,10,36,129		209,95,50,614
Advances recoverable in cash or in kind or for value to be received	517,20,65,016		511,36,09,211
Corporate Deposits	1491,44,21,439		849,19,23,529
		2192,75,22,584	
		2982,13,27,620	2396,44,44,070

Schedule 7

CURRENT LIABILITIES AND PROVISIONS [Note 11]

	Rupees	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
CURRENT LIABILITIES			
Interest Accrued but not Due	767,04,05,753		803,66,78,095
Sundry Creditors	17,46,55,109		10,21,91,732
Advance Payments	49,68,03,394		41,58,22,516
Other Liabilities	159,84,77,966		146,23,52,447
		994,03,42,222	1001,70,44,790
PROVISIONS			
Proposed Dividend	423,50,52,444		332,93,31,134
Additional Tax on Dividend	59,39,66,105		42,65,70,551
Provision for premium payable on redemption of FRNs	87,69,18,260		27,65,23,972
Provision for Contingencies	376,90,49,461		343,15,05,492
Provision for Retirement Benefits	15,86,56,301		10,37,35,228
		963,36,42,571	
		1957,39,84,793	1758,47,11,167

Schedule 8
FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2004	Additions	Deductions	As at March 31, 2005	As at March 31, 2004	For the Year	Deductions	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Land :										
Freehold	35,21,20,978	2,00,21,194	7,07,30,742	30,14,11,430	—	—	—	—	30,14,11,430	35,21,20,978
Leasehold	2,30,40,118	—	—	2,30,40,118	29,95,228	2,38,621	—	32,33,849	1,98,06,269	2,00,44,890
Buildings :										
Own Use	169,58,93,403	8,56,30,582	2,56,003	178,12,67,982	16,49,54,212	2,90,43,334	50,763	19,39,46,783	158,73,21,199	153,09,39,191
Under Operating Lease	194,12,55,864	—	138,39,62,324[*]	55,72,93,540	9,41,07,631	1,95,17,870	7,53,69,198	3,82,56,303	51,90,37,237	184,71,48,233
Leasehold Improvements	3,30,80,977	89,42,292	2,78,738	4,17,44,531	55,32,027	88,04,880	69,780	1,42,67,127	2,74,77,404	2,75,48,950
Computers :										
Hardware	36,58,27,197	2,30,39,885	1,50,64,441	37,38,02,641	29,36,07,346	4,03,71,949	1,50,02,039	31,89,77,256	5,48,25,385	7,22,19,851
Software	2,25,45,513	41,14,288	—	2,66,59,801	1,73,53,987	33,50,438	—	2,07,04,425	59,55,376	51,91,526
Furniture and Fittings, Office Equipment, etc.:										
Own Use	60,11,62,624	6,50,84,210	1,67,54,921	64,94,91,913	36,03,60,103	5,25,41,984	1,21,44,799	40,07,57,288	24,87,34,625	24,08,02,521
Under Operating Lease	1,54,53,574	—	—	1,54,53,574	50,53,209	16,56,473	—	67,09,682	87,43,892	1,04,00,365
Vehicles :										
Owned	4,06,28,206	56,43,794	29,98,191	4,32,73,809	2,19,77,075	61,71,530	25,40,771	2,56,07,834	1,76,65,975	1,86,51,131
Leased	45,00,689	6,13,220	—	51,13,909	30,94,994	12,52,857	—	43,47,851	7,66,058	14,05,695
Leased Assets :										
Plant & Machinery	170,63,65,569	—	15,55,68,222	155,07,97,347	163,35,80,554	2,39,30,049	12,00,98,086	153,74,12,517	1,33,84,830	7,27,85,015
Vehicles	30,92,82,917	—	—	30,92,82,917	30,92,82,917	—	—	30,92,82,917	—	—
Railway Sidings	23,00,00,000	—	23,00,00,000	—	23,00,00,000	—	23,00,00,000	—	—	—
Lease Terminal Adjustment					(17,70,76,491)	—	(3,37,22,918)	(14,33,53,573)	14,33,53,573	17,70,76,491
	734,11,57,629	21,30,89,465	187,56,13,582	567,86,33,512	296,48,22,792	18,68,79,985	42,15,52,518	273,01,50,259	294,84,83,253	437,63,34,837
Previous Year	705,85,71,809	49,65,69,111	21,39,83,291	734,11,57,629	288,09,91,111	23,58,32,889	15,20,01,208	296,48,22,792	437,63,34,837	417,75,80,698

Notes :

1) Buildings include Rs. 1,21,370 (Previous Year Rs. 1,21,370) being the cost of shares in Co-operative Housing Societies and Limited Companies.
2) [*] represents certain properties sold during the year for which the consideration has been received and possession parted with by the Corporation. The conveyance deeds are pending to be executed.

Schedule 9

OPERATING INCOME [Note 13]

	For the year ended March 31, 2005 Rupees	Previous Year Rupees
Interest on Loans	2681,81,51,495	2404,87,17,411
Dividends	87,19,85,061	86,62,43,528
Income from Leased Properties	96,12,58,942	27,34,87,032
Other Operating Income	433,74,15,190	424,20,77,867
(Tax deducted at source Rs. 8,06,94,902 – Previous Year Rs. 17,39,89,601)		
	3298,88,10,688	2943,05,25,838

Schedule 10

INTEREST AND OTHER CHARGES [Note 19(i)]

	For the year ended March 31, 2005 Rupees	Previous Year Rupees
INTEREST		
Loans	689,60,78,112	613,49,84,371
Deposits	713,08,22,597	866,61,85,007
Bonds and Debentures	521,19,31,232	357,17,13,932
Others	1,92,363	2,18,085
	1923,90,24,304	1837,31,01,395
OTHER CHARGES	35,52,60,601	36,35,30,367
(Includes Net of gain on Exchange Rs. 2,56,82,663 – Previous Year Rs. 70,01,262)		
	1959,42,84,905	1873,66,31,762

Schedule 11

STAFF EXPENSES [Notes 16,18 and 21 (ii)]

	For the year ended March 31, 2005 Rupees	Previous Year Rupees
Salaries and Bonus	52,36,08,874	46,03,75,649
Contribution to Provident Fund and Other Funds	7,58,93,872	7,22,25,492
Staff Training and Welfare Expenses	4,94,48,173	4,89,84,161
	64,89,50,919	58,15,85,302

Schedule 12

ESTABLISHMENT EXPENSES [Note 18]

	For the year ended March 31, 2005 Rupees	Previous Year Rupees
Rent	10,52,93,680	10,18,79,082
Rates and Taxes	2,88,98,726	3,11,80,049
Repairs and Maintenance - Buildings	2,29,09,491	2,19,91,286
General Office Expenses	1,22,39,019	1,17,84,011
Electricity Charges	5,44,38,909	5,27,06,143
Insurance Charges	67,57,384	76,21,581
	23,05,37,209	22,71,62,152

Schedule 13

OTHER EXPENSES [Note 19]

	For the year ended March 31, 2005 Rupees	Previous Year Rupees
Travelling and Conveyance	7,11,86,927	6,49,61,873
Printing and Stationery	4,77,79,752	4,78,16,909
Postage, Telephone and Fax	10,52,35,421	9,68,12,106
Advertising	22,43,64,270	16,41,03,476
Repairs and Maintenance - Other than Buildings	2,88,07,327	3,59,57,231
Office Maintenance	5,11,44,886	4,35,68,049
Legal Expenses	4,01,07,012	3,29,09,576
Computer Expenses	2,76,78,681	3,09,13,986
Directors' Fees and Commission	39,00,000	25,60,000
Miscellaneous Expenses	12,75,61,171	9,23,53,329
Auditors' Remuneration	81,26,726	61,85,890
	73,58,92,173	61,81,42,425

Schedule 14

NOTES FORMING PART OF THE ACCOUNTS

1 The Corporation has raised US $ 125 million from the US Capital Market under the Housing Guaranty Program of the United States Agency for International Development (USAID). As per the agreements entered into with scheduled banks and a financial institution, the Corporation has handed over the dollars to the banks / financial institution overseas and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of these banks / financial institution, which have provided a counter – guarantee to USAID.

2 The Corporation has availed a loan of US $ 100 million from the Asian Development Bank (Loan II). In respect of tranches 1 and 2 aggregating to US $ 60 million, as per agreements with a scheduled bank, the Corporation has handed over the dollar funds to the bank overseas and has obtained rupee funds in India amounting to Rs. 200 crores by way of a term loan and Rs. 100 crores through the issue of bonds which have been subscribed by the bank.

In respect of tranche 3 of US $ 40 million, as per an agreement with a financial institution, the Corporation has handed over the dollars to a financial institution overseas and under a back-to-back arrangement obtained rupee funds in India. All payments in foreign currency are the responsibility of the financial institution.

In terms of the agreements, the Corporation's foreign exchange liability is protected.

3 The Corporation has raised US $ 100 million in the international markets through the issue of Floating Rate Notes (FRNs). Interest payable on the FRNs is shown under the head Interest and Other Charges (Schedule 10). The FRNs are redeemable in 2007 at a premium of US $ 15 million. The Corporation has entered into risk management arrangement whereby the amount of premium has been crystallised at Rs. 84.54 crores. In accordance with the Companies Act, 1956, the premium payable on redemption of the FRNs is charged to the Securities Premium Account, including Rs. 56.04 crores charged during the year to set up the full liability for premium payable in view of the Accounting Standard on 'Provisions, Contingent Liabilities and Contingent Assets' (AS 29) issued by the Institute of Chartered Accountants of India becoming effective for the current year.

4 Gains / losses arising out of foreign exchange fluctuations in respect of foreign currency borrowings, net of risk management arrangements, are to the account of the Corporation. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. The amount of exchange difference in respect of such contracts to be recognised as expense in the Profit and Loss Account over subsequent accounting periods is Rs. 0.33 crores (Previous Year the exchange difference to be recognised as income over subsequent accounting period was Rs. 0.57 crores).

Assets and liabilities in foreign currencies are revalued at the rates of exchange prevailing at the year-end. Cross currency swaps are marked to market. The reduced liability, net of risk management arrangements, of Rs. 7.52 crores (Previous Year Rs. 2.68 crores) arising upon revaluation at the year end (based on the prevailing exchange rate) has been written back to the Provision for Contingencies Account.

5 (i) Out of the total Bonds issued by the Corporation, Bond certificates aggregating to Rs. 53.93 crores (Previous Year Rs. 29.25 crores) have been purchased under a buy-back arrangement. These certificates have been kept alive for the purpose of re-issue.

(ii) The maximum amount of Commercial Paper outstanding at any time during the year was Rs. 1,800 crores (Previous Year Rs. 1,455 crores).

6 (i) Loans are secured by Promissory Notes and/or a negative lien on all assets of the Corporation.

(ii) Bonds are in the nature of Promissory Notes and are secured by a negative lien on all assets of the Corporation.

NOTES FORMING PART OF THE ACCOUNTS

(iii) (a) Non-convertible Debentures amounting to Rs. 9,066.80 crores (Previous Year Rs. 4,586.80 crores) are secured by a negative lien on all assets of the Corporation and by a mortgage. These debentures are redeemable at par between 2005 and 2015.

(b) Non-convertible Debentures amounting to Rs. 117.50 crores (Previous Year Rs. 185.00 crores) are secured by a negative lien on all assets of the Corporation. These debentures are redeemable in 2005 at a premium of Rs.11.37 crores. In accordance with the Companies Act, 1956, the premium payable on redemption of these debentures is charged to the Securities Premium Account, including Rs. 8.78 crores charged during the year to set up the full liability for premium payable in view of the Accounting Standard on 'Provisions, Contingent Liabilities and Contingent Assets' (AS 29) issued by the Institute of Chartered Accountants of India becoming effective for the current year.

(iv) Floating Rate Notes are secured by a negative pledge on all the assets of the Corporation.

7 In June 2004, the Corporation raised Rs. 400 crores through the issue of long term Unsecured Redeemable Non-Convertible Subordinated Debentures. The debt is subordinated to present and future senior indebtedness of the Corporation and qualifies as Tier II capital under National Housing Bank's (NHB's) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2005 the entire book value of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.

8 (i) Loan Funds include Rs.1,59,70,218 (Previous Year Rs. 1,75,70,142) from Directors.

(ii) Loans from Scheduled Banks (Unsecured) include Rs. 907,01,81,679 (Previous Year Rs. 390,07,64,999) due within one year.

(iii) Deposits include Rs. 20,46,171 (Previous Year Rs. 4,33,69,591) received under the Home Loan Account Scheme of the National Housing Bank.

(iv) Deposits (Unsecured) includes Rs. 3767,95,31,851 (Previous Year Rs. 4372,93,93,576) due within one year.

9 (i) Loans granted by the Corporation are secured or partly secured by :

(a) Equitable mortgage of property and / or
(b) Pledge of shares, units, other securities, assignment of life insurance policies and / or
(c) Hypothecation of assets and / or
(d) Bank guarantees, company guarantees or personal guarantees and / or
(e) Negative lien and / or
(f) Assignment of hire purchase receivables and / or
(g) Undertaking to create a security.

(ii) In respect of loans aggregating to Rs. 133,85,94,069 (Previous Year Rs. 408,16,81,449), the Corporation has been assigned the right to future receivables along with a power of attorney authorising the Corporation, *inter-alia*, to obtain possession of the property in case of default.

10 (i) There are no Sundry Debtors which are outstanding for a period over six months.

(ii) Out of the total Loans and Advances (Schedule 6), amounts aggregating to Rs. 1140,57,56,184 (Previous Year Rs. 289,11,12,678) are secured.

(iii) Loans and Advances include Rs. Nil (Previous Year Rs. 8,363) given to an Officer of the Corporation. The aggregate maximum balance due at any time during the year, from Directors and an Officer, amounted to Rs. 4,07,372 (Previous Year Rs. 1,31,131).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

(iv) Advances recoverable in cash or in kind are net of Provision for Taxation and include Rs. 54,51,16,063 (Previous Year Rs. 62,25,87,392) towards advances of capital nature, Rs. Nil (Previous Year Rs. 86,62,500) due from a private limited company in which one of the directors of the Corporation is interested as a director and Rs. 35,06,731 (Previous Year Rs. 1,86,46,222) due from subsidiary companies.

(v) Corporate Deposits include Rs. 2.60 crores (Previous Year Rs. 3.25 crores) due from a subsidiary company.

11 (i) There are no amounts payable to any Small Scale Industrial undertaking.

(ii) As required under Section 205C of the Companies Act, 1956, the Corporation has transferred Rs. 20,00,534 (Previous Year Rs. 14,31,718) to the Investor Education and Protection Fund (IEPF) during the year. As of March 31, 2005, no amount was due for transfer to the IEPF.

(iii) Sundry Creditors include Rs. 5,82,45,204 (Previous Year Rs. Nil) due to a subsidiary company.

12 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 27.14 crores (Previous Year Rs. 105.60 crores).

13 (i) Other Operating Income includes income from investments amounting to Rs. 89,79,78,839 (Previous Year Rs. 117,27,76,170), profit on sale of investments amounting to Rs. 174,07,31,227 (Previous Year Rs. 130,83,52,463), including Rs. 69,75,00,000 on account of sale of shares of Intelenet Global Services Limited, a joint venture company, profit on securitisation of housing loans amounting to Rs. 72,92,472 (Previous Year Rs. 4,23,53,487) net of the amount of Rs. Nil (Previous Year Rs. 9,20,00,000) provided by way of corporate undertaking, other interest income amounting to Rs. 160,46,68,848 (Previous Year Rs. 163,77,90,370), and Lease Rental Income amounting to Rs. 8,67,43,804 (Previous Year Rs. 8,08,05,377).

(ii) Profit on sale of investments include Rs. 14,98,48,053 (Previous Year Rs. 6,28,88,145) relating to income on deployment of short-term surpluses in cash management schemes of mutual funds and Rs.10,86,000 (Previous year Rs. 2,78,67,364) in respect of other investments, held as current investments.

(iii) Dividend income includes Rs. 18,81,20,981 (Previous Year Rs. 14,06,11,006) received from subsidiary companies.

(iv) Income from investments include Rs. 11,44,12,746 (Previous Year Rs. 20,73,15,596) in respect of current investments.

(v) In accordance with the Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India, an amount of Rs. 1,47,17,240 (Previous Year Rs. 52,50,588) towards Lease Equalisation has been reduced from Lease Rental Income.

(vi) Income from Leased Properties includes profit on sale of properties amounting to Rs. 68,14,16,919 (Previous Year Rs. Nil).

14 Other Income includes rent of Rs. 5,16,64,744 (Previous Year Rs. 5,70,00,988), out of which Rs. 23,62,032 (Previous Year Rs. 21,84,064) is in respect of rent for certain assets given on operating lease.

15 (i) Earnings in foreign currency on cash basis :

	Current year Rupees	Previous Year Rupees
Interest on Bank Deposits	6,06,73,761	5,84,23,488
Consultancy and other fees	22,44,28,465	17,97,19,565

(ii) Expenditure in foreign currency on cash basis :

	Current year Rupees	Previous Year Rupees
Interest and Other Charges on Loans	69,51,03,483	57,22,66,899
Others	1,84,65,741	1,27,30,244

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

16 Salaries and Bonus include Rs. 4,48,80,230 (Previous Year Rs. 3,09,78,141) towards provision made as per actuarial valuation in respect of accumulated leave salary encashable on retirement, in accordance with the Accounting Standard on 'Accounting for Retirement Benefits in the Financial Statements of Employers' (AS 15), issued by the Institute of Chartered Accountants of India.

17 Managerial Remuneration :

	Current year Rupees	Previous Year Rupees
Salaries and Commission	3,55,80,000	2,75,10,000
Corporation's contribution to Provident and Superannuation Funds	23,40,900	22,03,200
Perquisites	1,00,16,055	1,48,18,054

Computation of net profit in accordance with Section 198 of the Companies Act, 1956 in respect of commission payable to Directors :

	Rupees	Rupees
Profit before Tax		1256,78,56,535
Add: Provision for Contingencies	14,00,00,000	
Managerial Remuneration	4,79,36,955	
Directors' Fees and Commission	39,00,000	
Accrued Loss on Redemption of Investments	5,16,47,096	
		24,34,84,051
		1281,13,40,586
Less: Profit on Sale of Investments	174,07,31,227	
Amounts utilised out of Shelter Assistance Reserve	4,97,35,659	
Capital Profit on sale of Leased Properties	60,60,36,722	
		239,65,03,608
Net Profit as per Section 198		1041,48,36,978

i) Commission payable to whole-time Directors :	
At 1% of net profit for each of the three whole-time Directors	31,24,45,109
Restricted to	2,69,10,000
ii) Commission payable to non whole-time Directors :	
At 1% of net profit for all non whole-time Directors	10,41,48,369
Restricted to	30,00,000

18 (i) Expenditure shown in Schedule 11 is net of recovery from subsidiary companies and a Joint Venture Company in respect of Salaries Rs. 50,12,647 (Previous Year Rs. 21,23,958) and Staff Welfare Expenses Rs. 58,711 (Previous Year Rs. 79,162). Expenditure shown in Schedule 12 is net of recovery from subsidiary companies, in respect of Rent Rs. 10,42,340 (Previous Year Rs. 10,62,300) and Electricity Charges Rs. 13,79,165 (Previous Year Rs. 18,63,964). Expenditure shown in Schedule 13 is net of recovery from subsidiary companies, in respect of Repairs and Maintenance – Other than Buildings Rs. 9,47,379 (Previous Year Rs. 12,74,795) and Office Maintenance Rs. 7,05,701 (Previous Year Rs. 9,53,701).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

(ii) Miscellaneous Expenses under Schedule 13 exclude Rs. 4,97,35,659 (Previous Year Rs. 3,95,74,576) in respect of amounts utilised out of Shelter Assistance Reserve during the year.

(iii) The utilisation out of Shelter Assistance Reserve includes an amount of Rs. 1,00,00,000 (Previous Year Rs. 10,00,000) paid to Prime Minister's National Relief Fund, an approved fund in terms of Section 293(B) of the Companies Act, 1956.

19 (i) Interest on Deposits includes Rs. 5,96,173 (Previous Year Rs. 7,40,099) paid to the Chairman of the Corporation.

(ii) Other Expenses include Provision for Wealth Tax amounting to Rs. 41,00,000 (Previous Year Rs. 38,00,000) and Securities Transaction Tax amounting to Rs.10,58,737 (Previous Year Rs. Nil).

(iii) Auditors' Remuneration :

	Current year Rupees	Previous Year Rupees
Audit Fees	41,98,875	31,44,000
Tax Matters	12,45,000	9,65,000
Other Matters	14,38,400	12,06,250
Reimbursement of Expenses	5,48,691	4,35,980
Service Tax	6,95,760	4,34,660
	81,26,726	61,85,890

Audit Fees include Rs. 1,48,875 (Previous Year Rs. 1,19,000) paid to Branch Auditors and Rs. 5,50,000 (Previous Year Rs. 5,25,000) paid as internal audit fees to a firm in which some of the partners of the Branch Auditors are also partners.

Tax Matter Fees of Rs.1,00,000 (Previous Year Rs. Nil) paid to a firm in which some of the partners of the Branch Auditors are also partners are included under Miscellaneous Expenses in Schedule 13.

Reimbursement of expenses includes Rs. 4,58,550 (Previous Year Rs. 2,51,343) paid to a firm in which some of the partners of the Branch Auditors are also partners.

The above is excluding Rs. 3,94,000 (Previous Year Rs. Nil) paid to a firm in which some of the partners of the Statutory Auditors are also partners.

20 (i) The Corporation has only one reportable segment of business viz. Housing Finance business for the purposes of paragraph 25(2) of the Housing Finance Companies (NHB) Directions, 2001 and all other activities revolve around the main business of Housing Finance.

(ii) During the current year the National Housing Bank (NHB) has revised the prudential norms for recognising non-performing assets. As per the revised norms, effective from March 31, 2005, non-performing assets are recognised on the basis of ninety days overdue compared to six months past due in the previous year. Further NHB has also reduced the time buckets for classification and provisioning of non-performing assets under the sub-standard and doubtful assets category. Accordingly, the total non-performing assets of the Corporation comprising of sub-standard and doubtful assets, as on March 31, 2005 amounted to Rs. 417.25 crores (Previous Year Rs. 265.07 crores). In view of the change in the prudential norms, the previous year figure referred to above is not comparable with the current year.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

(iii) During the year, in addition to the charge of Rs. 14 crores (Previous Year Rs. 11 crores) to the Profit and Loss Account an amount of Rs. 50 crores (Previous Year Rs. 50 crores) has been transferred from Special Reserve No. I [which includes an amount of Rs. 43 crores (Previous Year Rs. Nil) towards the initial one time charge arising out of change in the prudential norms for recognising non-performing assets] to Provision for Contingencies Account, as per industry practice and in terms of National Housing Bank circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 pursuant to Section 29C of the National Housing Bank Act, 1987.

(iv) Provision for Contingencies debited to the Profit and Loss Account includes provision for diminution in the value of investments amounting to Rs. 12.47 crores (Previous Year Rs. 10.07 crores). The balance of the provision represents provision made against non-performing assets and other contingencies.

21 (i) Special Reserve has been created over the years in terms of Section 36(1)(viii) of the Income-tax Act, 1961 out of the distributable profits of the Corporation. Special Reserve No. I relates to the amounts transferred upto Financial Year 1996-97, whereas Special Reserve No. II relates to the amounts transferred thereafter.

(ii) The Corporation has granted 21,09,088 stock options to its employees and directors. In terms of the Employee Stock Option Scheme 2002, the options can be exercised over a period of time upto October 17, 2009. The stock option discount has been amortised over the vesting period of two years. During the year, Rs. 54,05,114 (Previous Year Rs. 1,07,20,237) representing the proportionate charge for the year has been included in the Accounts, under Salaries and Bonus.

22 During the year, the Corporation utilised Rs. 78.60 crores including Rs. 40.57 crores for the subsequent period to set up the full liability (Previous Year Rs. 120.74 crores) out of the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956 towards the premium paid/payable on the redemption of Non-convertible Debentures and the Floating Rate Notes of the Corporation. The tax impact on the proportionate premium for the current year of Rs. 38.03 crores amounting to Rs. 13.91 crores (Previous Year Rs. 43.32 crores) has been recognised in the provision for current tax.

23 (i) Contingent liability in respect of guarantees provided by the Corporation aggregated to Rs. 72.57 crores (Previous Year Rs. 47.08 crores).

(ii) Contingent liability in respect of income-tax demands, net of amounts provided for and disputed by the Corporation, amounts to Rs. 164.98 crores (Previous Year Rs. 158.08 crores). The matters in dispute are under appeal. The said amount has been paid/adjusted and will be received as refunds if the matters are decided in the Corporation's favour.

(iii) Contingent Liability in respect of corporate undertakings provided by the Corporation for securitisation of receivables aggregated to Rs. 18.25 crores (Previous Year Rs. 2.03 crores).

24 The Corporation's main business is to provide loans for the purchase or construction of residential houses. All other activities of the Corporation revolve around the main business. As such, 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.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

25 As per the Accounting Standard on 'Related Party Disclosures' (AS 18), issued by the Institute of Chartered Accountants of India, the related parties of the Corporation are as follows :

A) Subsidiary Companies

HDFC Developers Ltd.
HDFC Holdings Ltd.
HDFC Trustee Company Ltd.
HDFC Standard Life Insurance Company Ltd.
GRUH Finance Ltd.
HDFC Venture Capital Ltd.
HDFC Investments Ltd.
HDFC Asset Management Company Ltd.
HDFC Realty Ltd.
HDFC Chubb General Insurance Company Ltd.
Home Loan Services India Pvt. Ltd.
HDFC Ventures Trustee Company Ltd.

B) Joint Venture

Intelenet Global Services Ltd.

C) Associate Companies

HDFC Bank Ltd.
GW Capital Pvt. Ltd.
Indian Association for Savings and Credit
Credit Information Bureau (India) Ltd.
HDFC Securities Ltd.
Rockfort Estate Developers Ltd.

D) Key Management Personnel

Mr. Deepak S Parekh
Ms. R. S. Karnad
Mr. Keki M. Mistry

i) The nature and volume of transactions of the Corporation during the year, with the above related parties were as follows :

Particulars	Subsidiary Companies		Associates & Joint Ventures		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
INCOME						
Dividend	18,81,20,981	14,06,11,006	13,60,10,000	11,65,80,000	Nil	Nil
Interest	10,11,90,205	1,55,50,541	3,74,14,191	2,03,26,489	8,190	63,366
Consultancy & Other Fees	1,74,52,992	74,26,360	24,50,159	8,04,17,363	Nil	Nil
Rent	5,11,86,140	4,74,15,876	42,20,342	56,15,482	Nil	Nil
Other Income	41,01,456	1,23,72,105	14,46,90,308	4,42,712	Nil	Nil
EXPENDITURE						
Interest	1,21,590	33,10,680	Nil	2,12,05,308	6,07,308	7,51,198
Bank and Other Charges	5,35,36,326	21,13,742	8,62,65,536	2,08,50,070	Nil	Nil
Rent Paid	Nil	1,75,645	15,50,646	Nil	Nil	Nil
Purchase of Fixed Assets	1,66,429	2,21,549	Nil	Nil	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil	4,79,36,955	4,45,25,254
ASSETS						
Investments	531,28,22,789	480,00,13,509	289,64,71,809	190,15,64,300	Nil	Nil
Loans	40,13,87,920	124,99,81,705	Nil	Nil	3,76,582	4,37,356
Deposits	2,60,00,000	3,25,00,000	Nil	24,75,00,000	Nil	Nil
Bank Balance	Nil	Nil	54,05,55,846	35,95,16,694	Nil	Nil
Others	35,06,731	2,21,41,422	10,84,726	29,51,23,042	Nil	Nil
Sale of Assets	Nil	Nil	Nil	Nil	2,14,11,000	Nil
LIABILITIES						
Term Loan	Nil	Nil	Nil	Nil	Nil	Nil
Deposits	1,22,000	5,69,34,000	4,08,692	12,42,54,769	79,07,229	70,67,902
Others	5,82,45,205	5,10,534	84,45,62,353	8,53,22,985	Nil	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

ii) The nature and volume of material transactions of the Corporation during the year, with the above related parties were as follows :

Particulars	Subsidiary Companies		Associates & Joint Ventures		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
INCOME						
Dividend						
HDFC Asset Management Co. Ltd.	7,02,91,069	3,77,41,475	Nil	Nil	Nil	Nil
HDFC Investments Ltd.	8,65,76,825	7,35,08,625	Nil	Nil	Nil	Nil
GRUH Finance Ltd.	2,95,03,087	2,43,60,906	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	13,60,10,000	11,65,80,000	Nil	Nil
Interest						
GRUH Finance Ltd.	9,93,08,670	1,29,83,527	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	55,06,761	57,65,753	Nil	Nil
Intelenet Global Services Ltd.	Nil	Nil	2,23,62,331	42,00,479	Nil	Nil
Rockfort Estate Developers Ltd.	Nil	Nil	92,98,770	89,99,863	Nil	Nil
Ms. R. S. Karnad	Nil	Nil	Nil	Nil	8,190	9,394
Consultancy and Other Fees						
HDFC Asset Management Co. Ltd.	1,05,18,562	69,96,000	Nil	Nil	Nil	Nil
HDFC Standard Life Insurance Co. Ltd.	55,81,614	Nil	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	24,50,159	8,02,86,319	Nil	Nil
Rent						
HDFC Asset Management Co. Ltd.	2,54,62,703	2,33,68,839	Nil	Nil	Nil	Nil
HDFC Chubb General Insurance Co. Ltd.	2,15,31,276	1,95,72,243	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	42,20,342	56,15,482	Nil	Nil
Other Income						
HDFC Asset Management Co. Ltd.	23,73,220	67,77,752	Nil	Nil	Nil	Nil
GRUH Finance Ltd.	16,59,916	Nil	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	14,46,90,308	4,42,712	Nil	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

Particulars	Subsidiary Companies		Associates & Joint Ventures		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
EXPENDITURE						
Interest						
HDFC Standard Life Insurance Co. Ltd.	23,986	30,73,967	Nil	Nil	Nil	Nil
HDFC Chubb General Insurance Co. Ltd.	97,603	2,36,713	Nil	Nil	Nil	Nil
Mr. Deepak S. Parekh	Nil	Nil	Nil	Nil	5,96,173	7,40,099
Bank and Other Charges						
Home Loan Services (I) Pvt. Ltd.	4,91,45,396	Nil	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	8,78,16,182	1,97,87,970	Nil	Nil
Purchase of Fixed Assets						
HDFC Developers Ltd.	1,14,751	1,24,727	Nil	Nil	Nil	Nil
HDFC Asset Management Co. Ltd.	51,678	96,822	Nil	Nil	Nil	Nil
Remuneration						
Mr. Deepak S. Parekh	Nil	Nil	Nil	Nil	1,94,92,271	1,45,71,769
Mr. Keki M. Mistry	Nil	Nil	Nil	Nil	1,51,91,079	1,13,68,661
Ms. R. S. Karnad	Nil	Nil	Nil	Nil	1,32,53,605	95,18,212

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

Particulars	Subsidiary Companies		Associates & Joint Ventures		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
ASSETS						
Investments						
HDFC Asset Management Co. Ltd.	66,50,12,370	79,02,62,370	Nil	Nil	Nil	Nil
HDFC Investments Ltd.	81,02,30,000	81,02,30,000	Nil	Nil	Nil	Nil
HDFC Standard Life Insurance Co. Ltd.	254,21,30,000	191,17,70,000	Nil	Nil	Nil	Nil
HDFC Chubb General Insurance Co. Ltd.	88,80,00,000	88,80,00,000	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	150,66,40,000	150,66,40,000	Nil	Nil
Intelenet Global Services Ltd.	Nil	Nil	126,75,00,009	27,50,00,000	Nil	Nil
Loans						
GRUH Finance Ltd.	40,13,87,920	124,99,81,705	Nil	Nil	Nil	Nil
Ms. R. S. Karnad	Nil	Nil	Nil	Nil	3,76,582	4,37,356
Deposits						
HDFC Realty Ltd.	2,60,00,000	3,25,00,000	Nil	Nil	Nil	Nil
Bank Balance						
HDFC Bank Ltd.	Nil	Nil	54,05,55,846	25,95,16,694	Nil	Nil
Others						
HDFC Venture Capital Ltd.	9,09,021	Nil	Nil	Nil	Nil	Nil
HDFC Ventures Trustee Co. Ltd.	21,96,185	Nil	Nil	Nil	Nil	Nil
Indian Association for Savings & Credit	Nil	Nil	10,00,000	10,00,000	Nil	Nil
Sale of Assets						
Mr. Keki M. Mistry	Nil	Nil	Nil	Nil	1,43,30,500	Nil
Ms. R. S. Karnad	Nil	Nil	Nil	Nil	70,80,500	Nil
LIABILITIES						
Deposits						
HDFC Standard Life Insurance Co. Ltd.	1,22,000	4,19,34,000	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	4,08,692	12,42,54,769	Nil	Nil
Mr. Deepak S. Parekh	Nil	Nil	Nil	Nil	78,71,881	69,55,924
Others						
HDFC Developers Ltd.	5,82,45,205	Nil	Nil	Nil	Nil	Nil
HDFC Bank Ltd.	Nil	Nil	84,45,62,353	8,53,22,985	Nil	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

26 In accordance with the Accounting Standard on 'Leases' (AS 19), issued by the Institute of Chartered Accountants of India, the following disclosures in respect of Operating and Finance Leases are made :

(i) Lease Rental Income includes Rs. 18,19,57,291 (Previous Year Rs. 27,31,04,002) - including Rs. 1,33,60,999 (Previous Year Rs. 1,30,35,120) towards contingent rent - in respect of properties leased out by the Corporation under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows :

Period	Current Year Rupees	Previous Year Rupees
Not later than one year	1,16,08,775	3,39,73,548
Later than one year but not later than five years	87,63,030	4,33,34,782

(ii) The Corporation had acquired, in the earlier years certain motor cars under a Finance Lease for a period of 4 years, for an aggregate fair value of Rs. 51,13,909. The total minimum lease payments (MLP) in respect thereof and the present value of the future lease payments, discounted at the interest rate implicit in the lease are :

Period	Total MLP Rupees		Interest Rupees		Principal Rupees	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	6,16,865	16,09,560	38,345	2,28,933	5,78,520	13,80,627
Later than one year but not later than five years	2,85,968	4,02,390	13,258	12,885	2,72,710	3,89,505
Total	9,02,833	20,11,950	51,603	2,41,818	8,51,230	17,70,132

(iii) The Corporation has acquired properties under non-cancellable operating leases for periods ranging from 36 months to 108 months. The total minimum lease payments for the current year, in respect thereof, included under Rent, amount to Rs. 1,11,25,582 (Previous Year Rs. 1,01,17,214).

The future lease payments in respect of the above are as follows:

Period	Current Year Rupees	Previous Year Rupees
Not later than one year	87,13,713	90,43,763
Later than one year but not later than five years	3,80,20,800	3,82,30,312
Later than five years	38,02,080	1,14,06,240

27 In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), issued by the Institute of Chartered Accountants of India :

(i) In calculating the Basic Earnings Per Share the net Profit after tax of Rs. 1036,58,56,535 (Previous Year Rs. 851,77,98,999) has been adjusted for amounts utilised out of Shelter Assistance Reserve of Rs. 4,97,35,659 (Previous Year Rs. 3,95,74,576).

Accordingly the Basic Earnings Per Share have been calculated based on the adjusted net Profit After Tax of Rs. 1031,61,20,876 (Previous Year Rs. 847,82,24,423) and the weighted average number of shares during the year of 24,71,27,836 (Previous Year 24,49,21,466).

NOTES FORMING PART OF THE ACCOUNTS

(ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

	Current Year Rupees	Previous Year Rupees
Basic Earnings Per Share	41.74	34.62
Effect of outstanding Stock Options	(0.30)	(0.41)
Diluted Earnings Per Share	41.44	34.21

(iii) The Basic Earnings Per Share have been computed by dividing the adjusted net Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share have been computed by dividing the adjusted net Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. The relevant details as described above are as follows :

	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	24,71,27,836	24,49,21,466
Diluted effect of outstanding Stock Options	17,97,939	29,36,494
Weighted average number of shares for computation of Diluted Earnings Per Share	24,89,25,775	24,78,57,960

28 In compliance with the Accounting Standard relating to 'Accounting for Taxes on Income' (AS 22), issued by the Institute of Chartered Accountants of India, the Corporation has provided Rs. 14,80,00,000 (Previous Year Rs. 12,20,00,000,deferred tax liability (net)) in the Profit and Loss Account for the year ended March 31, 2005 towards deferred tax asset (net) for the year, arising on account of timing differences.

The major components of deferred tax assets and liabilities are :

	Assets		Liabilities	
	Current Year Rupees	Previous Year Rupees	Current Year Rupees	Previous Year Rupees
a) Depreciation			58,51,41,485	36,79,66,929
b) Provision for Contingencies	128,88,19,159	99,40,96,671		
c) Lease Adjustments			4,83,52,865	6,41,80,112
d) Accrued Redemption Loss (net)	3,75,92,763	2,73,05,391		
e) Others (net)	9,11,974	—	—	4,34,25,475
Total	132,73,23,896	102,14,02,062	63,34,94,350	47,55,72,516
Net Deferred Tax Asset	69,38,29,546	54,58,29,546		

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

29 In compliance with the Accounting Standard relating to 'Financial Reporting of Interests in Joint Ventures' (AS 27), issued by the Institute of Chartered Accountants of India, the Corporation has interests in the following jointly controlled entities, which are incorporated in India :

Rupees in Crores

Names of Companies	Percentage of Shareholding	Amount of Interest based on the last Audited Accounts for the year ended March 31, 2005				
		Assets	Liabilities	Income	Expenditure	Capital Commitment & Contingent Liability
HDFC Standard Life Insurance Co. Ltd.	79.44 (74.82)	864.08 (413.77)	759.53 (296.59)	5.39 (11.47)	76.68 (29.01)	Nil (Nil)
HDFC Chubb General Insurance Co. Ltd.	74.00 (74.00)	156.81 (133.98)	96.57 (68.41)	3.53 (6.49)	9.45 (22.91)	0.40 (Nil)
Intelenet Global Services Ltd.	50.00 (50.00)	137.61 (84.17)	69.44 (55.18)	125.18 (58.61)	118.58 (53.17)	2.53 (2.11)

Figures in bracket pertains to the Previous Year.

30 Provision for Contingencies as on March 31, 2005 includes provision for non-performing assets, Standard Assets and all other Contingencies Rs. 376.91 crores (Previous Year Rs. 343.15 crores) including provisions made over and above the provision of Rs. 90.19 crores (Previous Year Rs. 45.31 crores) required in accordance with the prudential norms of National Housing Bank. The provision held against Sub-standard Assets is Rs. 27.03 crores (Previous Year Rs. 27.21 crores) and against Doubtful Assets Rs. 118.54 crores (Previous Year Rs. 43.26 crores). The Previous Year's figures are not comparable with those of the current year in view of the change in the basis of determining non-performing assets during the year.

31 Particulars of dividend payable to non-resident shareholders (including Foreign Institutional Investors) are as under :

	Current Year	Previous Year
Type of Dividend	Annual	Annual
Year to which the dividend relates	2003-04	2002-03
Number of non-resident shareholders	9	11
Number of shares held by them	3,51,25,881	4,90,67,276
Gross amount of dividend	Rs. 47,41,99,394	Rs. 93,97,40,036

32 Figures for the previous year have been regrouped wherever necessary.

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES

1 ACCOUNTING CONVENTION

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act,1956.

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

2 SYSTEM OF ACCOUNTING

The Corporation adopts the accrual concept in the preparation of the accounts.

The Balance Sheet and the Profit and Loss account of the Corporation are prepared in accordance with the provisions contained in Section 211 of the Companies Act, 1956, read with Schedule VI thereto and the approvals granted under the section by the Company Law Board.

3 INFLATION

Assets and liabilities are recorded at historical cost to the Corporation. These costs are not adjusted to reflect the changing value in the purchasing power of money.

4 INTEREST ON HOUSING LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed either on an annual rest or on a monthly rest basis.

5 INCOME FROM LEASED ASSETS

Lease rental income in respect of finance leases is recognised on the basis of the implicit rate of return, in accordance with the Accounting Standard on 'Leases' (AS 19) issued by the Institute of Chartered Accountants of India.

6 INCOME FROM INVESTMENTS

In respect of Investments in Schemes of Unit Trust of India and Other Mutual Funds with assured returns, the income is accounted on an accrual basis.

The gain/loss on account of Investments in Preference Shares, Debentures/Bonds and Government Securities held as long-term investments and acquired at a discount/premium, is recognised over the life of the security on a pro-rata basis.

7 BROKERAGE AND SERVICE CHARGES ON DEPOSITS

Brokerage, other than incentive brokerage, and service charges on deposits are amortised over the period of the deposit. Incentive brokerage, which is payable to agents who achieve certain collection targets, is charged to the Profit and Loss Account.

8 TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end, where not covered by forward contracts. Wherever the Corporation has entered into a forward contract or an instrument that is, in substance, a forward exchange contract, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract.

9 INVESTMENTS

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long Term. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard on 'Accounting for Investments' (AS 13) issued by the Institute of Chartered Accountants of India, and is recognised through the Provision for Contingencies Account.

Schedule 15 (Continued)

SIGNIFICANT ACCOUNTING POLICIES

10 FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses. Assets acquired under Finance Leases are accounted in accordance with the Accounting Standard on 'Leases' (AS 19) issued by the Institute of Chartered Accountants of India.

11 DEPRECIATION

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements, is provided for the full year in respect of assets acquired during the year. No depreciation is provided in the year of sale.

In respect of Leased Assets and Leasehold Improvements depreciation is provided on a pro-rata basis from the date of installation / acquisition.

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements, is calculated as per the straight line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets are depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers is calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases is provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5)(a) of the Companies Act, 1956, whichever is shorter. Depreciation in respect of Leasehold Improvements is provided on the straight line method over the primary period of the lease.

12 PROVISION FOR CONTINGENCIES

The Corporation's policy is to ensure that the balance in Provision for Contingencies is adequate to cover the total principal amount outstanding in respect of all non-performing assets, as also all other contingencies. All loans and other credit exposures where the instalments are overdue for more than Ninety days are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank.

13 RETIREMENT BENEFITS

The Corporation has various schemes of retirement benefits, such as Provident Fund, Superannuation Fund and Gratuity Fund. All these funds and the schemes thereunder are recognised by the Income-tax authorities and are administered by various trustees. The Corporation's contributions to these funds are charged to the Profit and Loss Account every year. The contribution to the Gratuity Fund is made, based on the actuarial valuation determined each year, except in the case of Dubai branch where the provision for gratuity is made in accordance with the prevalent local laws.

The Corporation also has a scheme which enables employees to encash the accumulated privilege leave on retirement. The Corporation's liability in respect of this leave encashment scheme is also determined on the basis of actuarial valuation, and the same is charged to the Profit and Loss Account.

14 INCOME-TAX

The accounting treatment for Income-tax in respect of the Corporation's income is based on the Accounting Standard on 'Accounting for Taxes on Income' (AS 22) issued by the Institute of Chartered Accountants of India. The provision made for Income-tax in the Accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

15 SECURITISED ASSETS

Derecognition of securitised assets in the books of the Corporation, recognition of gain or loss arising on securitisation and accounting for credit enhancement provided by the Corporation is based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

Securitised assets are derecognised in the books of the Corporation based on the principle of surrender of control over the assets. Credit Enhancement provided by the Corporation by way of investments in subordinate Class B pass through certificates is shown under Investments in Debentures and Bonds in Schedule 5.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956)

I. Registration Details

Registration No.	19916	State Code	11
Balance Sheet Date	31 3 2005		

II. Capital raised during the year (Amount in Rs '000)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL
Stock Options	
25036	

III. Position of Mobilisation and Deployment of Funds (Amount in Rs '000)

Total Liabilities	Total Assets
424878971	424878971

SOURCES OF FUNDS

Paid-up Capital	Reserves and Surplus
2491168	36339862
Secured Loans	Unsecured Loans
256091162	110382794

APPLICATION OF FUNDS

Loans	Net Fixed Assets
360114967	2948483
Investments	Net Current Assets
31300364	10247343
Deferred Tax Asset	Miscellaneous Expenditure
693830	NIL
Accumulated Losses	
NIL	

IV. Performance of the Company (Amount in Rs. '000)

Total Income	Total Expenditure
34104402	21536545
Profit Before Tax	Profit After Tax
12567857	10365857
Earnings per Share (in Rs.)	Dividend %
41.74	170

V. Generic Names of three Principal Services of the Company (as per monetary terms)

Item Code No. (ITC Code)	NIL
Product Description	HOUSING FINANCE
Item Code No. (ITC Code)	NIL
Product Description	CONSULTANCY SERVICES
Item Code No. (ITC Code)	NIL
Product Description	LEASING

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Names of the Subsidiary companies	HDFC Developers Ltd.	HDFC Investments Ltd.	HDFC Holdings Ltd.	HDFC Asset Management Co. Ltd.	HDFC Trustee Company Ltd.	HDFC Realty Ltd.	HDFC Standard Life Insurance Co. Ltd.	GRUH Finance Ltd.	HDFC CHUBB General Insurance Co. Ltd.	HDFC Venture Capital Ltd.	HDFC Ventures Trustee Co. Ltd.	Home Loan Services India Pvt. Ltd.
The financial year of the subsidiary companies ended on	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005
Number of shares of the subsidiary companies held by HDFC Limited at the above date	50,000	3,26,70,500	8,00,070	1,26,05,661	1,00,000	40,00,070	25,42,13,000	1,63,90,604	8,88,00,000	49,930	49,930	6,70,068
The net aggregate of profits of the subsidiary companies so far as these concern the members of HDFC Limited:												
(i) dealt with in the accounts of HDFC Limited amounted to:												
(a) for subsidiaries' financial year ended on March 31, 2005 - interim dividend (Rs.)	—	8,65,76,825	—	—	—	—	—	—	—			
(b) for previous financial years of the subsidiaries since these became subsidiaries of HFDC Limited (Rs.)	2,08,50,000	29,38,83,006	—	8,04,72,644	—	—	—	8,27,43,194	—			
(ii) not dealt with in the accounts of HDFC Limited amounted to:												
(a) for subsidiaries' financial year ended on March 31, 2005 (Rs.)	16,21,463	2,38,79,680	5,74,119	15,83,87,872	78,162	1,09,95,199	(71,28,53,251)	10,33,43,660	(5,91,03,800)	(9,25,551)	(6,30,326)	(1,36,28,830)
(b) for previous financial years of the subsidiaries since these became subsidiaries of HDFC Limited (Rs.)	4,19,85,716	4,45,76,418	7,11,426	12,25,35,001	267,550	(6,85,13,037)	(77,91,73,735)	2,08,98,471	(21,10,53,180)	—	—	—

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Directors
S. B. Patel
B. S. Mehta
D. N. Ghosh
S. A. Dave
D. M. Sukthankar
S. Venkitaraman
R. S. Tarneja
D. M. Satwalekar
N. M. Munjee

Girish V. Koliyote
Company Secretary

MUMBAI, May 5, 2005.

Auditors' Report

TO THE BOARD OF DIRECTORS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED AND ITS SUBSIDIARIES

1. We have examined the attached Consolidated Balance Sheet of HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED, its subsidiaries and jointly controlled entity ("the Group") as at March 31, 2005, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Accounts include investments in affiliates accounted for on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) and the jointly controlled entity accounted for in accordance with Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures). These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of two subsidiaries and the jointly controlled entity, whose financial statements reflect total assets (net) of Rs.1109.25 crores as at March 31, 2005, total revenue of Rs. 310.71 crores and net cash flows amounting to Rs. 39.19 crores for the year ended on that date. We have also not audited the accounts of one affiliate. The financial statements of these subsidiaries, jointly controlled entity and affiliate have been audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, jointly controlled entity and affiliate, is based solely on the reports of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Corporation in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), Accounting Standard 23 (Accounting for

Auditors' Report (Continued)

Investments in Associates in Consolidated Financial Statements) and Accounting Standard 27 (Financial Reporting of Interests in Joint Ventures), issued by the Institute of Chartered Accountants of India.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, jointly controlled entity and affiliate referred to in paragraph 3 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid consolidated financial statements, read together with Note 2 of Schedule 14 regarding affiliates which have not been consolidated, give a true and fair view in conformity with the accounting principles generally accepted in India :

(a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2005;

(b) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Group for the year ended on that date and

(c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

P. R. Ramesh
Partner
(Membership No. 70928)

MUMBAI
May 31, 2005

Housing Development Finance Corporation Limited
Consolidated Balance Sheet as at March 31, 2005

	Schedule	Rupees in crores	Rupees in crores	March 31, 2004 Rupees in crores
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	249.12		246.61
Reserves and Surplus	2	3,980.70		3,425.61
			4,229.82	3,672.22
POLICY LIABILITIES (Policyholders' Funds)			829.57	350.20
LOAN FUNDS	3		37,524.41	29,242.28
MINORITY INTEREST			170.00	185.35
DEFERRED TAX LIABILITY (Note 22)			0.80	2.03
			42,754.60	33,452.08
APPLICATION OF FUNDS				
LOANS	4		36,829.21	28,556.47
INVESTMENTS	5		3,868.44	3,519.52
DEFERRED TAX ASSET (Note 22)			70.63	56.05
CURRENT ASSETS, LOANS AND ADVANCES	6	3,572.63		2,600.29
Less : CURRENT LIABILITIES AND PROVISIONS	7	2,255.21		1,935.94
NET CURRENT ASSETS			1,317.42	664.35
FIXED ASSETS	8			
Gross Block		965.06		988.16
Less : Depreciation		368.65		340.35
Net Block			596.41	647.81
GOODWILL ON CONSOLIDATION			69.13	2.38
MISCELLANEOUS EXPENDITURE				
Preliminary Expenditure to the extent not written off		3.32		3.98
Deferred Revenue Expenditure		0.04		1.52
			3.36	5.50
			42,754.60	33,452.08

Notes forming part of the Accounts	14
Significant Accounting Policies	15

Schedules 1 to 15 annexed hereto form part of the Accounts.

As per our report attached.

For S. B. Billimoria & Co.
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI, May 31, 2005.

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Housing Development Finance Corporation Limited
Consolidated Profit And Loss Account for the year ended March 31, 2005

	Schedule	Rupees in crores	Rupees in crores	Previous Year Rupees in crores
INCOME				
Operating Income	9		3,578.45	3,115.86
Fees and Other Charges			110.43	131.26
Other Income			8.66	5.21
			3,697.54	3,252.33
EXPENDITURE AND CHARGES				
Interest and Other Charges	10		2,011.62	1,931.86
Staff Expenses	11		153.29	79.01
Establishment Expenses	12		33.57	24.49
Other Expenses	13		129.86	87.49
Amounts transferred to Policyholders' Account			95.33	28.80
Operating Loss from General Insurance Business			11.94	30.14
Depreciation			44.96	43.27
Preliminary expenses written off			1.28	1.09
Provision for Contingencies (Note 16)			17.50	13.25
			2,499.35	2,239.40
Profit Before Tax (before profit of associates and adjustment for minority interest)			1,198.19	1,012.93
Less : Provision for Tax (net of Deferred Tax Asset Rs. 15.82 crores) (Previous Year includes Deferred Tax Rs. 8.55 crores)			242.63	193.85
Profit After Tax (before profit of associates and adjustment for minority interest)			955.56	819.08
Add : Net share of profit of associates (Equity method)			157.93	125.21
Add : Share of loss of minority interest			(10.34)	(2.75)
PROFIT AFTER TAX ATTRIBUTABLE TO THE CORPORATION			1,123.83	947.04
LESS : APPROPRIATIONS:				
Special Reserve No. II		269.95		235.26
Special Reserve (under Section 45-IC(1) of the Reserve Bank of India Act, 1934)		0.01		0.01
General Reserve		286.60		245.23
Capital Redemption Reserve		12.53		—
Shelter Assistance Reserve		5.00		4.00
Proposed Dividend		423.51		332.93
Additional Tax on dividend		61.48		43.70
Tax on Interim Dividend		1.13		0.94
Tax on Preference Dividend		0.26		0.25
Education Cess on Dividend paid		0.87		—
			1,061.34	862.32
BALANCE CARRIED TO SCHEDULE 2			62.49	84.72
EARNINGS PER SHARE (Face Value Rs. 10) :				
— Basic (Rs.)			45.27	38.51
— Diluted (Rs.)			44.95	38.05
Notes forming part of the Accounts	14			
Significant Accounting Policies	15			

Schedules 1 to 15 annexed hereto form part of the Accounts.

As per our report attached.

For S. B. Billimoria & Co.
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI, May 31, 2005.

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Housing Development Finance Corporation Limited
Consolidated Cash Flow Statement for the year ended March 31, 2005

		Rupees in crores	Previous Year Rupees in crores
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit after tax and extraordinary items	1,123.83	947.04
	Add: Provision for tax	242.63	193.85
	Profit before tax	1,366.46	1,140.89
	Adjustments for:		
	Depreciation (Net of Lease Equalisation adjustment and amortisation of Goodwill)	42.80	36.16
	Preliminary expenses written off	1.28	1.09
	Provision for Contingencies	17.50	13.25
	Stock option discount (Net of options exercised)	(0.93)	(0.51)
	Provision for Retirement Benefits	6.16	4.69
	Profit on sale of Fixed Assets	(71.84)	(0.02)
	Operating Profit before Working Capital changes	1,361.43	1,195.55
	Adjustments for:		
	Current Assets	(232.70)	(53.82)
	Current Liabilities	72.66	(2.95)
	Cash generated from operations	1,201.39	1,138.78
	Taxes Paid	(295.93)	(242.81)
	Net cash from operating activities	905.46	895.97
B.	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets	(164.46)	(150.65)
	Sale of Fixed Assets	218.77	6.30
	Investments (Net)	(307.53)	(199.58)
	Goodwill on acquisition of a subsidiary	(66.75)	(0.42)
	Net cash used in investing activities	(319.97)	(344.35)
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	Share Capital - Equity	2.51	2.20
	Share Premium	68.48	46.74
	Borrowings (Net)	8,235.99	5,448.07
	Loans disbursed (Net)	(8,272.74)	(6,251.02)
	Corporate Deposits (Net)	(638.78)	319.75
	Dividend paid	(332.93)	(268.86)
	Tax paid on equity dividend	(44.58)	(35.40)
	Education cess on dividend paid	(0.87)	—
	Redemption premium on NCDs and FRNs	(18.56)	(103.56)
	NCD Issue expenses	(0.13)	—
	Goodwill on amalgamation	—	(149.41)
	Preliminary and deferred revenue expenses incurred	(1.43)	(2.81)
	Policy liabilities	479.37	244.27
	Increase in Minority Interest	(23.75)	137.39
	Shelter Assistance Reserve - Utilisation	(4.97)	(3.96)
	Net cash used in financing activities	(552.39)	(616.60)
	Net Increase in cash and cash equivalents	33.10	(64.98)
	Cash and cash equivalent as at the beginning of the year	853.07	918.05
	Cash and cash equivalent as at the end of the year	886.17	853.07
		33.10	(64.98)

As per our report attached.

For S. B. Billimoria & Co.
Chartered Accountants

P. R. Ramesh
Partner

MUMBAI, May 31, 2005.

Deepak S. Parekh
Chairman

K. M. Mistry
Managing Director

R. S. Karnad
Executive Director

Schedules

Annexed to and forming part of the Accounts

Schedule 1

SHARE CAPITAL

		As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
AUTHORISED			
26,00,00,000	Equity Shares of Rs. 10 each (Previous Year 26,00,00,000 Equity Shares of Rs. 10 each)	260.00	260.00
ISSUED, SUBSCRIBED AND PAID-UP			
24,91,20,732	Equity Shares of Rs. 10 each (Includes 12,19,60,713 Equity Shares of Rs. 10 each, allotted as fully paid-up Bonus Shares out of Securities Premium Account and Capital Redemption Reserve) (Previous Year 24,66,17,121 Equity Shares of Rs. 10 each)	249.12	246.61

Schedule 2

RESERVES AND SURPLUS

	Rupees in crores	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
SPECIAL RESERVE No. I			
Opening Balance	144.35		194.35
Less : Transfer to Provision for Contingencies	50.00		50.00
		94.35	144.35
SPECIAL RESERVE No. II			
Opening Balance	1,073.84		838.50
Add : Opening adjustments (Note 1(iv))	—		0.08
Add : Transfer from the Profit and Loss Account	269.95		235.26
		1,343.79	1,073.84
SPECIAL RESERVE			
Under Section 45-IC(1) of the RBI Act, 1934			
Opening Balance	0.02		0.01
Add : Transfer from Profit and Loss Account	0.01		0.01
		0.03	0.02
GENERAL RESERVE			
Opening Balance	1,451.59		1,120.18
Add : Opening Adjustments (Note 1(iv))	117.08		87.76
	1,568.67		1,207.94
Less : Deferred tax liability transferred from Reserve for Contingencies	—		1.58
	1,568.67		1,206.36
Add : Transfer from the Profit and Loss Account	286.60		245.23
		1,855.27	1,451.59
SECURITIES PREMIUM			
Opening Balance	746.13		820.07
Add : Opening adjustments (Note 1(iv))	—		0.06
Add : Received during the year	68.48		46.74
	814.61		866.87
Less : Amounts utilised (Note 3)	78.73		120.74
		735.88	746.13
Carried forward		4,029.32	3,415.93

Schedule 2 (Continued)

RESERVES AND SURPLUS

	Rupees in crores	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores	
Brought forward		4,029.32		3,415.93
EMPLOYEE STOCK OPTION OUTSTANDING				
Opening Balance	1.43		1.94	
Add : Net Charge for the year	0.54		1.07	
	1.97		3.01	
Less : Options exercised	1.47		1.58	
		0.50		1.43
CAPITAL REDEMPTION RESERVE				
Opening Balance	—		—	
Add : Transfer from the Profit and Loss Account	12.53		—	
		12.53		—
SHELTER ASSISTANCE RESERVE				
Opening Balance	10.67		10.63	
Add : Transfer from the Profit and Loss Account	5.00		4.00	
	15.67		14.63	
Less : Utilised during the year	4.97		3.96	
		10.70		10.67
CAPITAL RESERVE		0.04		0.04
CAPITAL RESERVE ON CONSOLIDATION		0.44		0.44
PROFIT AND LOSS ACCOUNT (of subsidiaries and jointly controlled entities)	62.49		84.72	
Add : Opening profit/(loss) of subsidiaries and jointly controlled entities (net)	(2.90)		16.02	
	59.59		100.74	
Less: Opening Adjustments (net) (Note 1(iv))	(132.42)		103.64	
		(72.83)		(2.90)
		3,980.70		3,425.61

Schedule 3

LOAN FUNDS [Notes 4, 5 and 6]

	Rupees in crores	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
LOANS			
Asian Development Bank	429.02		444.07
DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH	220.21		223.85
Under the Housing Guaranty Program of the United States Agency for International Development	2.40		4.80
International Finance Corporation	893.22		902.46
National Housing Bank	1,374.80		676.91
Syndicated Loans - International	952.36		962.35
External Commerical Borrowings	46.89		—
Scheduled Banks	12,226.38		8,961.78
Kreditanstalt fur Wiederaufbau	87.06		85.17
Others (Finance Lease)	0.67		0.32
		16,233.01	
BONDS		303.94	341.41
Redeemable at par between 2005 and 2024			
DEBENTURES			
Non-convertible Debentures	9,259.30		4,771.80
Floating Rate Notes - International (Redeemable in 2007)	479.39		484.01
		9,738.69	
Under a Line from Kreditanstalt fur Wiederaufbau (Unsecured)		41.17	41.17
Loans from Scheduled Banks (Unsecured)		1,040.08	391.81
Commecial Paper (Unsecured)		1,800.00	1,455.00
HDFC NCD Subordinated Issue		400.00	—
DEPOSITS (Unsecured)	7,949.86		9,478.58
Interest Accrued and Due	17.66		16.79
		7,967.52	
		37,524.41	29,242.28

Schedule 4

LOANS [Note 7]

	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
Individuals	25,070.77	19,736.26
Corporate Bodies	11,168.27	8,493.70
Others	590.17	326.51
	36,829.21	28,556.47

Schedule 5
INVESTMENTS

	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
INVESTMENT IN ASSOCIATES :		
Equity Investments in Associates by the Holding Company	162.89	190.15
Equity Investment in Associate by Subsidiaries	73.32	73.32
	236.21	263.47
Add : Goodwill on acquisition of Associates (share of pre-acquisition losses)	0.33	0.88
	236.54	264.35
Less: Capital Reserve on acquisition of an Associate (Share of pre-acquisition profit)	—	0.53
	236.54	263.82
Add : Adjustments for post-acquisition share of profit / loss of Associates (Equity method)	479.29	346.87
	715.83	610.69
OTHER INVESTMENTS :		
Other than Insurance Companies		
Equity Shares	458.39	449.62
Preference Shares	51.82	120.76
Debentures & Bonds	613.35	710.88
Government Securities	342.29	351.94
Mutual Funds and Other Funds	830.13	751.52
Properties	118.78	19.02
	2,414.76	2,403.74
Less : Provision for Diminution in Value of Investments	35.32	26.56
	2,379.44	2,377.18
Insurance Companies		
Equity Shares	236.22	39.19
Debentures and Bonds	95.97	104.39
Government and other Approved Securities	428.61	362.72
Mutual Funds	30.22	29.09
	791.02	535.39
Less : Fair Value Change	17.85	3.74
	773.17	531.65
	3,868.44	3,519.52

Notes:

Other Investments (Other than Insurance Companies)

1. Debentures and Bonds include Rs. 103.01 crores (Previous Year Rs. 134.03 crores) in respect of current investments.
2. Mutual Funds and Other Funds include Rs. 624.81 crores (Previous Year Rs. 423.65 crores) in respect of current investments.

Schedule 6

CURRENT ASSETS, LOANS AND ADVANCES [Note 8]

	Rupees in crores	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
CURRENT ASSETS			
Income Accrued on Investments		35.05	45.00
Interest Accrued on Deposits		41.28	27.87
Sundry Debtors (Unsecured)		46.71	6.34
Construction Work in Progress		—	5.98
Cash and Bank Balances :			
Cash and Cheques on Hand	181.11		105.09
With Scheduled Banks - Current Accounts	192.57		180.87
- Deposit Accounts	509.66		565.18
With Reserve Bank of India	2.81		1.93
With Non-Scheduled Banks	0.02		
		886.17	
Commercial Paper		19.18	4.90
Treasury Bills		251.68	29.51
		1,280.07	972.67
LOANS AND ADVANCES			
Instalments due from borrowers	189.21		217.38
Advances recoverable in cash or in kind or for value to be received	614.51		560.18
Corporate Deposits	1,488.84		850.06
		2,292.56	
		3,572.63	2,600.29

Schedule 7

CURRENT LIABILITIES AND PROVISIONS [Notes 9 and 10]

	Rupees in crores	As at March 31, 2005 Rupees in crores	As at March 31, 2004 Rupees in crores
CURRENT LIABILITIES			
Interest Accrued but not Due	778.07		815.76
Sundry Creditors	111.63		50.83
Advance Payments	55.97		45.77
Other Liabilities	230.65		181.90
		1,176.32	1,094.26
PROVISIONS			
Solatium Fund	0.27		1.08
Proposed Dividend - HDFC Ltd.	423.51		332.93
Additional Tax on Proposed Dividend	62.31		44.58
Provision for premium payable on FRN	87.69		27.65
Provision for Contingencies	388.18		351.19
Provision for Retirement Benefits	18.94		12.78
Provision for Others	—		3.25
Reserve for Unexpired Risk	69.60		54.65
Provision for Claims	28.39		13.57
		1,078.89	
		2,255.21	1,935.94

Schedule 8
FIXED ASSETS

Rupees in crores

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2004	Additions	Deductions	As at March 31, 2005	As at March 31, 2004	For the Year	Deductions	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Land :										
Freehold	36.16	2.02	7.07	31.11	—	—	—	—	31.11	36.16
Leasehold	2.30	—	—	2.30	0.29	0.02	—	0.31	1.99	2.01
Buildings :										
[5] Own Use	198.19	8.45	0.11	206.53	18.35	3.03	(0.37)	21.75	184.78	179.84
Under Operating Lease	194.13	—	[4] 138.40	55.73	9.41	1.95	7.54	3.82	51.91	184.72
Leasehold Improvements	6.48	9.20	0.17	15.51	1.54	3.28	(0.37)	5.19	10.32	4.94
Computers :										
Hardware	65.49	36.35	1.60	[7] 100.24	44.12	15.52	(6.80)	66.44	33.80	21.37
Software	13.30	7.13	—	20.43	6.53	0.92	(3.06)	10.51	9.92	6.77
Furniture & Fittings / Office Equipment, etc.										
Own Use	87.27	38.90	2.69	123.48	46.00	9.01	(4.29)	59.30	64.18	41.27
Under Operating Lease	1.55	—	—	1.55	0.51	0.17	—	0.68	0.87	1.04
Vehicles :										
Owned	5.58	1.62	1.00	6.20	3.09	0.99	0.78	3.30	2.90	2.49
[6] Leased	0.65	0.56	0.08	1.13	0.38	0.21	(0.04)	0.63	0.50	0.27
Leased Assets :										
Plant & Machinery	172.11	—	15.56	156.55	164.83	2.39	12.01	155.21	1.34	7.28
Vehicles	30.93	—	—	30.93	30.93	—	—	30.93	—	—
Railway Sidings	23.00	—	23.00	—	23.00	—	23.00	—	—	—
Computers	0.20	—	—	0.20	0.20	—	—	0.20	—	—
Goodwill on Amalgamation	149.41	—	—	149.41	7.47	7.47	—	14.94	134.47	141.94
Website Development	1.41	—	—	1.41	1.41	—	—	1.41	—	—
Lease Terminal Adjustment	—	—	—	—	(17.71)	—	(3.37)	(14.34)	14.34	17.71
	988.16	104.23	189.68	902.71	340.35	44.96	25.03	360.28	542.43	647.81
[1] Opening adjustments	62.35			62.35	8.37			8.37	53.98	53.98
	1,050.51	104.23	189.68	965.06	348.72	44.96	[2] 25.03	368.65	596.41	701.79
Previous Year	788.55	[3] 233.23	33.62	988.16	310.73	[3] 49.42	19.80	340.35	647.81	477.82

Notes

(1) Opening adjustments include 50% of the opening balance of the jointly controlled entity.

(2) Net of depreciation for the year amounting to Rs. 18.44 crores (Previous Year Rs. 2.27 crores) included in amounts transferred to policyholders' account.

(3) Additions and depreciation charge of the previous financial year, include Rs. 6.33 crores and Rs. 6.15 crores respectively, on account of amalgamation of HDFC AMC Services Company Private Limited (HASCPL) and HDFC AMC Mauritius Limited (HAML) with HDFC Asset Management Co. Limited (HDFC AMC).

(4) Represents certain properties sold during the year for which the consideration has been received and possession parted with by HDFC Limited. The conveyance deeds are pending to be executed.

(5) Title deed in respect of Building of the jointly controlled entity, is in the name of Maharashtra Industrial Development Corporation (MIDC).

(6) Motor cars of the jointly controlled entity, have been acquired on hire purchase basis over which vendors have a lien.

(7) Gross block as at 31st March 2005, of Computer Hardware of the jointly controlled entity, includes Rs. 6.17 crores being cost of assets over which a customer has lien, and Rs. 0.16 crores being cost of fixed assets, the title of which vests with the customer.

Schedule 9

OPERATING INCOME [Note 13]

	For the year ended March 31, 2005 Rupees in crores	Previous Year Rupees in crores
Interest on Loans	2,753.07	2,478.85
Dividends	58.03	63.33
Lease Rental Income	96.13	35.27
Management and Trusteeship Fees	97.61	93.92
Call Centre and Data Processing Charges	124.13	—
Other Operating Income	449.48	444.49
	3,578.45	3,115.86

Schedule 10

INTEREST AND OTHER CHARGES

	For the year ended March 31, 2005 Rupees in crores	Previous Year Rupees in crores
INTEREST		
Loans	722.59	649.19
Deposits	727.72	883.00
Bonds	522.05	357.17
Others	0.08	0.02
	1,972.44	1,889.38
OTHER CHARGES	39.18	42.48
	2,011.62	1,931.86

Schedule 11

STAFF EXPENSES

	For the year ended March 31, 2005 Rupees in crores	Previous Year Rupees in crores
Salaries and Bonus	127.28	64.80
Contribution to Provident Fund and Other Funds	11.47	7.99
Staff Training and Welfare Expenses	14.54	6.22
	153.29	79.01

Schedule 12

ESTABLISHMENT EXPENSES

	For the year ended March 31, 2005 Rupees in crores	Previous Year Rupees in crores
Rent	16.52	10.57
Rates and Taxes	2.98	3.20
Repairs and Maintenance - Buildings	2.63	2.45
General Office Expenses	1.24	1.18
Electricity Charges	8.05	6.02
Insurance Charges	2.15	1.07
	33.57	24.49

Schedule 13

OTHER EXPENSES

	For the year ended March 31, 2005 Rupees in crores	Previous Year Rupees in crores
Travelling and Conveyance	12.96	8.62
Printing and Stationery	7.05	6.41
Postage, Telephone and Fax	33.26	13.46
Advertising	23.53	19.33
Repairs and Maintenance - Other than Buildings	4.05	5.06
Office Maintenance	5.28	4.50
Legal Expenses	4.10	4.46
Computer Expenses	2.77	3.51
Directors' Fees and Commission	0.75	0.46
Miscellaneous Expenses (Note 15)	35.06	20.90
Auditors' Remuneration	1.05	0.78
	129.86	87.49

Schedule 14

NOTES FORMING PART OF THE ACCOUNTS

1. The consolidated financial statements comprise the individual financial statements of HDFC Ltd., its subsidiaries, jointly controlled entity and associates as on March 31, 2005 and for the year ended on that date. The Consolidated Financial Statements have been prepared on the following basis:

   - The financial statements of the Corporation and its subsidiaries have been combined on a line–by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 21 on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
   - The financial statements of the jointly controlled entity have been consolidated on a line–by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India, using the "proportionate consolidation" method.
   - The Corporation's investments in associates are accounted for under the equity method and its share of pre-acquisition losses is reflected as Goodwill in the carrying value of investments in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
   - The financial statements of the subsidiaries, the jointly controlled entity and the associates used in the consolidation are drawn up to the same reporting date as that of the Corporation, i.e. March 31, 2005.
   - The excess of cost to the Corporation, of its investment in the subsidiaries and jointly controlled entity over the Corporation's portion of equity is recognised in the financial statements as Goodwill.
   - The excess of the Corporation's portion of equity of the subsidiaries on the acquisition date over its cost of investment is treated as Capital Reserve.

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

- Minority interest in the net assets of consolidated subsidiaries consists of:
  a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
  b) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- Minority interest's share of net profit/(loss) for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.

(i) The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India :

Name of the Subsidiary	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Developers Ltd.	100.00	100.00
HDFC Investments Ltd.	100.00	100.00
HDFC Holdings Ltd.	100.00	100.00
HDFC Asset Management Co. Ltd.	50.10	50.10
HDFC Trustee Co. Ltd.	100.00	100.00
HDFC Realty Ltd.	100.00	100.00
GRUH Finance Ltd.	61.85	61.85
HDFC Venture Capital Ltd.	99.86	—
HDFC Ventures Trustee Company Ltd.	99.86	—
Home Loan Services India Private Ltd.	100.00	—

All the subsidiaries are incorporated in India.

Being the first year of operations, the financial statements of the following subsidiary companies are for the period as mentioned hereunder:

Name of the subsidiary company	Period	
	From	To
HDFC Venture Capital Ltd.	October 29, 2004	March 31, 2005
HDFC Ventures Trustee Company Ltd.	October 29, 2004	March 31, 2005
Home Loan Services India Private Ltd.	January 23, 2004	March 31, 2005

(ii) The financial statements of the following subsidiaries which are in the nature of jointly controlled entities, have been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

Name of the Subsidiary (Jointly Controlled Entity)	Proportion of Ownership Interest (%)	
	Current Year	Previous Year
HDFC Standard Life Insurance Co. Ltd.	79.44	74.82
HDFC Chubb General Insurance Co. Ltd.	74.00	74.00

These companies are incorporated in India.

(iii) During the current year, consequent to the acquisition of the balance shares by the Corporation and their subsequent divestment in favour of another party in terms of a fresh shareholder's agreement, Intelenet

Global Services Ltd (IGSL), has been consolidated as a jointly controlled entity in accordance with Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India. Upto last year, though IGSL was a jointly controlled entity, in terms of paragraph 29 of Accounting Standard 27 on 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India, the same was not considered as joint venture, but as an associate in accordance with Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

(iv) Consequent to the above change and due to changes in the ownership interest, certain opening balances have been considered based on the current ownership and accordingly the differences are reflected as 'Opening Adjustments'.

(v) The following amounts are included in the Financial Statements in respect of the jointly controlled entity referred to in Note 1(iii) above, based on the proportionate consolidation method :

	Rupees in crores Current Year
ASSETS	
Net Block	72.56
Investments	0.12
Current Assets	33.97
Loans & Advances	30.81
Miscellaneous Expenditure	0.38
	137.84
LIABILITIES	
Reserves & Surplus	32.78
Secured Loans	47.18
Unsecured Loans	7.00
Current Liabilities	15.12
Provisions	2.82
	104.90
INCOME	
Call Centre and Data Processing Fees	124.13
Other Income	0.10
	124.23
EXPENSES	
Interest and Other Charges	1.57
Staff Expenses	59.88
Establishment Expenses	7.47
Other Expenses	33.43
Depreciation	14.62
Provision for Contingencies	0.75
Taxes - Current	0.11
	117.83

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

(vi) During the year, Intelenet Global Services Ltd. (IGSL), has made investments in the following wholly owned subsidiaries, which have not been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, since they have been incorporated during the current financial year and the amounts involved in respect of the same are not material.

- Intelenet America Inc.
- Intelenet Inc.

2. HDFC Ltd. has investments in the following associates, which are accounted for, on the Equity Method, in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India :

Name of Associate	Nature of Business	Proportion of Ownership Interest (%)	
		Current Year	Previous Year
Credit Information Bureau (India) Ltd.	Credit Information Bureau	40.00	40.00
HDFC Bank Ltd.	Banking Services	22.22	24.18
HDFC Securities Ltd.	Securities Broking	29.50	29.50

The investments of HDFC Ltd. in the following associates have not been accounted for, on the Equity Method, in accordance with the Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. The amounts involved in respect of the same are not material.

Name of Associate	Nature of Business	Amount Invested Rupees in crores		Proportion of Ownership Interest (%)	
		Current Year	Previous Year	Current Year	Previous Year
GW Capital Pvt. Ltd.	Venture Capital	1.02	0.78	21.51	22.50
Indian Association for Savings and Credit	Micro Finance	0.30	0.30	49.99	49.99
Rockfort Estate Developers Ltd.	Real Estate	0.02	0.02	49.00	49.00

3. (i) During the year, Rs. 78.60 crores (including Rs. 40.57 crores for the subsequent period to set up the full liability) (Previous Year Rs. 120.74 crores) was utilised out of the Securities Premium Account in accordance with Section 78 of the Companies Act, 1956 towards the premium paid / payable on the redemption of Non-convertible Debentures and the Floating Rate Notes of HDFC Ltd. The tax impact on the proportionate premium for the current year of Rs. 38.03 crores amounting to Rs.13.91 crores (Previous Year Rs. 43.32 crores) has been recognised in the provision for current tax.

   (ii) During the year expenses incurred on Issue of Non-convertible Debentures by one of the subsidiary companies amounting to Rs. 0.13 crores (Previous Year Rs. Nil) has been charged to the Securities Premium Account.

4. In June 2004, HDFC Ltd. raised Rs. 400 crores through the issue of long term Unsecured Redeemable Non-convertible Subordinated Debentures. The debt is subordinated to present and future senior indebtedness of the Corporation and qualifies as Tier II capital under National Housing Bank's (NHB's) guidelines for assessing capital adequacy. Based on the balance term to maturity as at March 31, 2005 the entire book value of the subordinated debt is considered as Tier II capital for the purpose of capital adequacy computation.

5. (i) Loans are secured by Promissory Notes and / or a negative lien on all the assets other than refinance from National Housing Bank amounting to Rs. 10.17 crores (Previous Year Rs. 10.42 crores), availed by one of the subsidiary companies which is secured by book debts refinanced, together with the underlying securities.

(ii) Bonds are in the nature of Promissory Notes and are secured by a negative lien on all assets.

(iii) (a) Non-convertible Debentures amounting to Rs. 9066.80 crores (Previous Year Rs. 4586.80 crores) are secured by a negative lien on all assets of the Corporation and by a mortgage. These debentures are redeemable at par between 2005 and 2015.

(b) Non-convertible Debentures amounting to Rs. 117.50 crores (Previous Year Rs. 185 crores) are secured by a negative lien on all assets of HDFC Ltd. These debentures are redeemable in 2005 at a premium of Rs. 11.37 crores. In accordance with the Companies Act, 1956, the premium payable on redemption of these debentures is charged to the Securities Premium Account, including Rs. 8.78 crores charged during the year to set up the full liability for premium payable in view of the Accounting Standard 29 on 'Provisions, Contingent Liabilities and Contingent Assets' issued by the Institute of Chartered Accountants of India becoming effective for the current year.

c) Non-convertible Debentures amounting to Rs. 75 crores (Previous Year Rs. Nil) are secured by mortgage of specific immovable property and by a negative lien on the assets of one of the subsidiary companies other than the book debts specifically assigned to NHB for securing refinance.

(iv) Floating Rate Notes are secured by a negative pledge on all the assets of HDFC Ltd.

(v) Loan from Kreditanstalt fur Wiederaufbau (KfW) includes Rs. 0.45 crores (Previous Year Rs. 0.47 crores), which is secured by mortgage of dwelling units financed under Line of Credit of KfW.

(vi) The External Commercial Borrowings of Rs. 27.34 crores is secured by hypothecation of all tangible movable assets of the jointly controlled entity.

6. Loan Funds include Rs. 1.60 crores (Previous Year Rs. 1.76 crores) from Directors.

7. (i) Loans granted are secured or partly secured by :
   (a) Equitable mortgage of property and / or
   (b) Pledge of shares, units, other securities, assignment of life insurance policies and / or
   (c) Hypothecation of assets and / or
   (d) Bank guarantees, company guarantees or personal guarantees and / or
   (e) Negative lien and / or
   (f) Assignment of hire purchase receivables and / or
   (g) Undertaking to create a security.

   (ii) In respect of loans aggregating to Rs. 133.86 crores (Previous Year Rs. 408.17 crores), the Corporation has been assigned the right to future receivables along with a power of attorney authorising the Corporation, *inter-alia*, to obtain possession of the property in case of default.

8. (i) Sundry Debtors include Rs. 3.07 crores (Previous Year Rs. 0.01 crores) which are outstanding for over six months.

   (ii) Balance with Non-Scheduled Banks in the jointly controlled entity includes :

	Rupees in crores Current Year
Balance in Current account	
With Citi Bank, New York (Rupees 1,149) [Maximum balance outstanding during the year Rupees 9,411]	—
With HSBC, London [Maximum balance outstanding during the year Rs. 0.13 crores]	0.02
	0.02

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

(iii) Loans and Advances include Rs. Nil (Previous Year Rs. 8,363) given to Directors and Officers. The aggregate maximum balance due at any time during the year, in respect of the above, amounted to Rs. 0.04 crores (Previous Year Rs. 0.01 crores).

9. There are no amounts payable to any Small Scale Industrial undertaking.

10 (i) Reserve for Unexpired Risk represents proportion of premium written relating to the period of insurance subsequent to the Balance Sheet date, calculated on the basis of 1/365th method, subject to a minimum of 50% of the net premium written during the year in respect of a subsidiary company (HDFC Chubb General Insurance Company Ltd.).

(ii) Provision for claims represents estimated liability for outstanding claims in respect of direct business based on claims reported till the end of the year as well as for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) as certified by the appointed actuary of a subsidiary company (HDFC Chubb General Insurance Company Ltd.).

(iii) In accordance with the requirements of an IRDA circular dated March 18, 2003, a subsidiary company (HDFC Chubb General Insurance Company Ltd.) has provided towards contribution to Solatium Fund established by the Central Government. For the previous financial year, this was provided at 1% of gross written premium for all motor policies written during the year.

Based on the recommendations of the General Insurance Council meeting on February 4, 2005, a subsidiary company (HDFC Chubb General Insurance Company Ltd.) has decided to revise its provision at 0.10% of gross written premium for all motor policies written during the current and previous financial year.

The change in the rate of provision has reduced the losses by Rs. 1.41 crores for the year.

11. (i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. 38.75 crores (Previous Year Rs. 118.11 crores).

(ii) Uncalled liability on partly paid shares is Rs. 2.83 crores (Previous Year Rs. Nil).

12. Intelenet Global Services Ltd. (IGSL) has been granted permission for importing Capital Goods worth Rs. 95.50 crores vide letter No. STPI/MUM/VIII (A)(785)/2000(10)/4058 dated September 12, 2002 issued by the Director, Software Technology Parks of India (STPI). In lieu of this permission, IGSL is required to achieve an export turnover of Rs. 521 crores within a period of 5 years. IGSL has upto the date of Balance Sheet imported Capital Goods worth Rs. 59.08 crores and has achieved export turnover of Rs. 383.16 crores.

13. (i) Other Operating Income includes income from investments amounting to Rs. 100.82 crores (Previous Year Rs.123.92 crores), profit on sale of investments amounting to Rs. 176.31 crores (Previous Year Rs.138.68 crores), [including Rs. 69.75 crores on account of sale of shares of Intelenet Global Services Ltd. by HDFC Ltd. (Previous Year Rs. 32 crores on account of sale of shares of HDFC Asset Management Company Ltd. by HDFC Ltd.)], profit on securitisation of loans amounting to Rs. 2.19 crores (Previous Year Rs. 4.23 crores) net of amount of Rs. Nil (Previous Year Rs. 9.20 crores) provided by way of corporate undertaking, other interest income amounting to Rs. 161.49 crores (Previous Year Rs. 164.72 crores) and Lease Rental Income amounting to Rs. 8.67 crores (Previous Year Rs. 8.08 crores).

(ii) Dividend income includes Rs. 2.66 crores (Previous Year Rs. 1.52 crores) in respect of current investments.

(iii) Income from investments and profit on sale of investments include Rs. 17.88 crores (Previous Year Rs. 20.89 crores) and Rs.17.00 crores (Previous Year Rs. 11.77 crores) respectively, in respect of current investments.

(iv) Income from leased properties includes profit on sale of properties amounting to Rs. 68.14 crores (Previous Year Rs. Nil).

NOTES FORMING PART OF THE ACCOUNTS

14. Managerial Remuneration :

	Current Year Rupees in crores	Previous Year Rupees in crores
Salaries and Commission	3.56	2.75
Contribution to Provident and Superannuation Funds	0.23	0.22
Perquisites	1.00	1.48

15. Other Expenses include Provision for Wealth Tax Rs. 0.43 crores (Previous Year Rs. 0.39 crores).

16. (i) During the current year the National Housing Bank (NHB) has revised the prudential norms for recognising non-performing assets. As per the revised norms, effective from March 31, 2005, non-performing assets are recognised on the basis of ninety days overdue compared to six months past due in the previous year. Further NHB has also reduced the time buckets for classification and provisioning of non-performing assets under the sub-standard and doubtful assets category. Accordingly, the total non-performing assets of HDFC Ltd. and GRUH Finance Ltd., comprising of sub-standard and doubtful assets, as on March 31, 2005 amounted to Rs. 433.18 crores (Previous Year Rs. 274.86 crores). In view of the change in the prudential norms, the previous year figure referred to above is not comparable with the current year.

(ii) During the year, in addition to the charge of Rs. 17.50 crores (Previous Year Rs. 13.25 crores) to the Profit and Loss Account an amount of Rs. 50 crores (Previous Year Rs. 50 crores) has been transferred from Special Reserve No. I [which includes an amount of Rs. 43 crores (Previous Year Rs. Nil) towards the initial one time charge arising out of change in the prudential norms for recognising non-performing assets], to Provision for Contingencies Account, as per industry practice and in terms of National Housing Bank circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 pursuant to Section 29C of the National Housing Bank Act, 1987.

(iii) Provision for Contingencies as on March 31, 2005 includes provision for non-performing assets, standard assets, except for standard assets of GRUH Finance Ltd. amounting to Rs. 800.60 crores (Previous Year Rs. 571.83 crores) and all other Contingencies amounting to Rs. 388.18 crores (Previous Year Rs. 351.19 crores) including provisions made over and above the provision of Rs. 92.89 crores (Previous Year Rs. 47.00 crores) required in accordance with the prudential norms of National Housing Bank. The provision held against Sub-standard Assets is Rs. 30.05 crores (Previous Year Rs. 33.27 crores) and against Doubtful Assets Rs. 126.05 crores (Previous Year Rs. 45.24 crores). The Previous Year's figures are not comparable with those of the current year in view of the change in the basis of determining non-performing assets during the year.

(iv) Provision for Contingencies debited to the profit and loss account includes provision for diminution in value of Investments amounting to Rs. 12.69 crores (Previous Year Rs.10.19 crores). The balance of the provision represents provision made against non-performing assets and other contingencies.

17. (i) Contingent liability in respect of guarantees provided aggregated to Rs. 72.57 crores (Previous Year Rs. 47.08 crores).

(ii) Contingent liability in respect of income-tax demands, net of amounts provided for and disputed, amounts to Rs. 175.51 crores (Previous Year Rs. 167.63 crores). The matters in dispute are under appeal. Out of the above an amount of Rs. 164.98 crores (Previous Year Rs. 158.08 crores) has been paid/adjusted and will be received as refund if the matters are decided in the favour of HDFC Ltd.

(iii) Contingent liability in respect of Interest tax demands, net of amount provided for and disputed in respect of one of the subsidiary companies amounts to Rs. 0.23 crores (Previous Year Rs. Nil). The matter in dispute is under appeal. The company expects to succeed in the proceedings and hence no additional provision is considered necessary.

(iv) Contingent liability in respect of corporate undertakings provided by HDFC Ltd. for securitisation of receivables aggregated to Rs. 18.25 crores (Previous Year Rs. 2.03 crores).

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

18. As per the Accounting Standard 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India, the main segments and the relevant disclosures relating thereto are as follows:

Rupees in crores

	Housing		LIfe Insurance		General Insurance		Asset Management		Call Centre and Data Processing		Others		Inter-segment adjustments		Unallocated		Total	
	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY	CY	PY
Segment Revenue	3,495.98	3,162.28	6.79	15.34	4.77	8.77	100.85	98.27	124.31	-	19.63	12.35	(54.79)	(44.68)	-	-	3,697.54	3,252.33
Segment Result	1,277.46	1,042.68	(89.73)	(23.43)	(7.99)	(22.19)	49.33	44.42	6.60	-	11.21	9.73	(48.69)	(38.28)	-	-	1,198.19	1,012.93
Income–tax (Current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	258.45	185.30	258.45	185.30
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15.82)	8.55	(15.82)	8.55
Total Result	1,277.46	1,042.68	(89.73)	(23.43)	(7.99)	(22.19)	49.33	44.42	6.60	-	11.21	9.73	(48.69)	(38.28)	(242.63)	(193.85)	955.56	819.08
Capital Employed Segment Assets																		
Loans	36,828.01	28,555.89	1.20	0.58	-	-	-	-	-	-	-	-	-	-	-	-	36,829.21	28,556.47
Investments	3,152.88	2,992.21	621.50	403.49	151.67	128.16	33.27	40.52	0.12	-	88.76	84.38	(179.76)	(129.24)	-	-	3,868.44	3,519.52
Current Assets, Loans and Advances																		
(Net of Tax Assets)	3,028.16	2,217.88	380.05	98.09	51.39	44.84	16.82	12.82	65.57	-	8.80	2.65	(20.71)	(21.37)	42.55	245.38	3,572.63	2,600.29
Fixed Assets	303.13	446.33	71.09	47.35	8.83	8.04	66.87	68.44	72.56	-	0.65	0.04	73.28	77.61	-	-	596.41	647.81
Deferred Tax Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70.63	56.05	70.63	56.05
Total Assets	43,312.18	34,212.31	1,073.84	549.51	211.89	181.04	116.96	121.78	138.25	-	98.21	87.07	(127.19)	(73.00)	113.18	301.43	44,937.32	35,380.14
Segment Liabilities																		
Loan Funds	37,476.49	29,256.02	-	-	3.74	1.88	-	-	54.18	-	2.60	3.25	(12.60)	(18.87)	-	-	37,524.41	29,242.28
Current Liabilities and Provisions (Net of Tax Liabilities)	1,988.82	1,788.66	112.99	43.00	126.76	90.57	31.74	28.03	18.72	-	3.88	3.39	(27.70)	(17.71)	-	-	2,255.21	1,935.94
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80	2.03	0.80	2.03
Total Liability	39,465.31	31,044.68	112.99	43.00	130.50	92.45	31.74	28.03	72.90	-	6.48	6.64	(40.30)	(36.58)	0.80	2.03	39,780.42	31,180.25
Net Segment Assets	3,846.87	3,167.63	960.85	506.51	81.39	88.59	85.22	93.75	65.35	-	91.73	80.43	(86.89)	(36.42)	112.38	299.40	5,156.90	4,199.89
Other Information																		
Capital Expenditure	21.76	50.08	39.15	17.72	4.41	5.43	5.16	160.25	33.25	-	0.75	-	(0.25)	(0.25)	-	-	104.23	233.23
Depreciation	19.49	24.50	-	9.03	-	-	6.66	5.24	14.62	-	0.11	0.57	4.08	3.93	-	-	44.96	43.27
Non-cash expenses other than Depreciation	24.83	19.16	0.18	0.18	0.81	0.81	-	0.02	0.94	-	0.15	0.07	-	-	-	-	26.91	20.24

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

19. As per the Accounting Standard 18 on 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India, the related parties are as follows :

A) Associate Companies
HDFC Bank Ltd.
GW Capital Pvt. Ltd
Indian Association for Savings and Credit
Credit Information Bureau (India) Ltd.
HDFC Securities Ltd.
Rockfort Estate Developers Ltd.

B) Investing Party and its Group Companies
Chubb Global Financial Services Corporation
Chubb Pacific Underwriting Management Services Pte. Ltd.
Federal Insurance Company
Standard Life Assurance Company
Barclays Bank PLC
Barclays (H&B) Mauritius Ltd

C) Key Management Personnel (of the companies referred to in Note 1(i) ,1(ii) and 1(iii)
Mr Deepak S Parekh
Mr Keki M Mistry
Mr Deepak M Satwalekar
Mr Shrirang V Samant
Ms R S Karnad
Mr Milind Barve
Mr Sudhin Choksey

The nature and volume of transactions during the year with the above related parties were as follows:

Rupees in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
INCOME						
Dividend	24.10	20.66	Nil	Nil	Nil	Nil
Interest	1.68	2.39	2.58	2.26	Nil	0.01
Consultancy and Other Fees	0.31	8.10	Nil	Nil	Nil	Nil
Rent	0.75	0.84	Nil	Nil	Nil	Nil
Profit on sale of investments	Nil	Nil	Nil	32.00	Nil	Nil
Reinsurance	Nil	Nil	0.58	0.33	Nil	Nil
Miscellaneous Services	14.80	0.08	3.38	0.82	Nil	Nil
EXPENDITURE						
Interest	Nil	2.18	Nil	Nil	0.06	0.08
Bank and Other Charges	36.33	2.41	5.90	3.66	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil	7.59	6.30
Reinsurance	Nil	Nil	3.93	3.20	Nil	Nil
Preference Dividend	Nil	Nil	1.97	1.96	Nil	Nil
Miscellaneous Expenditure	Nil	Nil	Nil	0.01	Nil	Nil
ASSETS						
Investments	236.22	263.47	Nil	Nil	Nil	Nil
Loans	Nil	Nil	Nil	Nil	0.04	0.09
Deposits	10.71	39.55	Nil	Nil	Nil	Nil
Bank Balance	58.87	26.15	Nil	Nil	Nil	Nil
Sale of Assets	Nil	Nil	Nil	Nil	3.57	Nil
Others	0.14	29.54	2.11	1.88	0.04	Nil
LIABILITIES						
Term Loan	Nil	Nil	Nil	Nil	Nil	Nil
Deposits	0.21	12.59	Nil	4.94	0.79	0.71
Reinsurance	Nil	Nil	1.28	Nil	Nil	Nil
Proposed Equity Dividend	Nil	Nil	6.28	5.02	Nil	Nil
Others	99.46	8.91	1.59	Nil	0.06	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

The nature and volume of material transactions during the year with the above related parties were as follows:

Rupees in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
INCOME						
Dividend						
HDFC Bank Ltd.	24.10	20.66	Nil	Nil	Nil	Nil
Interest						
HDFC Bank Ltd.	0.73	0.93	Nil	Nil	Nil	Nil
Rockfort Estate Developers Ltd.	0.93	0.90	Nil	Nil	Nil	Nil
CHUBB Inc	Nil	Nil	2.58	2.26	Nil	Nil
Consultancy and Other Fees						
HDFC Bank Ltd.	0.31	8.10	Nil	Nil	Nil	Nil
Rent						
HDFC Bank Ltd.	0.75	0.84	Nil	Nil	Nil	Nil
Reinsurance						
Federal Insurance Company - Labuan	Nil	Nil	0.57	0.33	Nil	Nil
Miscellaneous Services						
HDFC Bank Ltd.	14.78	2.30	Nil	Nil	Nil	Nil
Barclays Bank PLC	Nil	Nil	3.38	Nil	Nil	Nil

The nature and volume of material transactions during the year with the above related parties were as follows:

Rupees in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
EXPENDITURE						
Interest						
Mr Deepak S Parekh	Nil	Nil	Nil	Nil	0.06	0.07
Bank and Other Charges						
HDFC Bank Ltd.	36.33	2.30	Nil	Nil	Nil	Nil
CHUBB Pacific Underwriting Management Services	Nil	Nil	5.90	3.66	Nil	Nil
Reinsurance						
Federal Insurance Company - Labuan	Nil	Nil	3.39	2.12	Nil	Nil
Federal Insurance Company - Hongkong	Nil	Nil	0.54	0.03	Nil	Nil
Preference Dividend						
Standard Life Investments Ltd.	Nil	Nil	1.97	1.97	Nil	Nil
Remuneration						
Mr Deepak S Parekh	Nil	Nil	Nil	Nil	1.95	1.46
Mr Keki M Mistry	Nil	Nil	Nil	Nil	1.52	1.14
Ms R S Karnad	Nil	Nil	Nil	Nil	1.33	0.95
Mr Milind Barve	Nil	Nil	Nil	Nil	1.27	0.86

NOTES FORMING PART OF THE ACCOUNTS

The nature and volume of material transactions during the year with the above related parties were as follows:

Rupees in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
ASSETS						
Investments						
HDFC Bank Ltd.	223.99	223.98	Nil	Nil	Nil	Nil
Loans						
Ms R S Karnad	Nil	Nil	Nil	Nil	0.04	Nil
Deposits						
HDFC Bank Ltd.	10.71	14.80	Nil	Nil	Nil	Nil
Bank Balance						
HDFC Bank Ltd.	58.87	26.15	Nil	Nil	Nil	Nil
Others						
HDFC Bank Ltd.	0.04	28.40	Nil	Nil	Nil	Nil
Indian Association for Savings & Credit	0.10	Nil	Nil	Nil	Nil	Nil
CHUBB Inc	Nil	Nil	0.64	0.62	Nil	Nil
Standard Life Assurance Company	Nil	Nil	1.47	0.65	Nil	Nil
Mr Sudhin Choksey	Nil	Nil	Nil	Nil	0.04	Nil
Sale of Assets						
Mr Keki M Mistry	Nil	Nil	Nil	Nil	1.43	Nil
Ms R S Karnad	Nil	Nil	Nil	Nil	0.71	Nil
Mr Milind Barve	Nil	Nil	Nil	Nil	1.42	Nil

The nature and volume of material transactions during the year with the above related parties were as follows:

Rupees in crores

Particulars	Associate Companies		Investing Party and its Group Companies		Key Management Personnel	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
LIABILITIES						
Deposits						
HDFC Bank Ltd.	0.21	12.59	Nil	Nil	Nil	Nil
Mr Deepak S Parekh	Nil	Nil	Nil	Nil	0.79	0.70
Reinsurance						
Federal Insurance Company - Labuan	Nil	Nil	0.74	Nil	Nil	Nil
Federal Insurance Company - Hongkong	Nil	Nil	0.54	Nil	Nil	Nil
Proposed Equity Dividend						
Standard Life Investments Ltd.	Nil	Nil	6.28	5.02	Nil	Nil
Others						
HDFC Bank Ltd.	99.45	8.91	Nil	Nil	Nil	Nil
CHUBB Pacific Underwriting Management Services	Nil	Nil	1.59	Nil	Nil	Nil
Mr Deepak M Satwalekar	Nil	Nil	Nil	Nil	0.06	Nil

Schedule 14 (Continued)

NOTES FORMING PART OF THE ACCOUNTS

20. In accordance with the Accounting Standard on 'Leases' (AS 19), issued by the Institute of Chartered Accountants of India, the following disclosures in respect of Operating and Finance Leases are made :

(i) Lease Rental Income includes Rs. 18.20 crores (Previous Year Rs. 27.31 crores) - including Rs. 1.34 crores (Previous Year Rs. 1.30 crores) towards contingent rent - in respect of properties leased out under Operating Leases. Out of the above, in respect of the non-cancellable leases, the future minimum lease payments are as follows :

Rupees in crores

Period	Current Year	Previous Year
Not later than one year	1.16	3.40
Later than one year but not later than five years	0.88	4.33

(ii) a) Certain motor cars have been acquired under a Finance Lease for an aggregate fair value of Rs. 1.20 crores. The total minimum lease payments (MLP) in respect thereof and the present value of the future lease payments, discounted at the interest rate implicit in the lease are :

Rupees in crores

Period	Total MLP		Interest		Principal	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Not later than one year	0.28	0.22	0.05	0.04	0.23	0.18
Later than one year but not later than five years	0.50	0.16	0.06	0.02	0.44	0.14
Total	0.78	0.38	0.11	0.06	0.67	0.32

b) The Company (HDFC Standard Life Insurance Company Limited) has taken motor vehicles on operating lease for a period of 4 years. In respect of these operating leases, the lease payments debited to the revenue account are Rs. 0.31 crores (Previous Year Rs. 0.34 crores). The minimum future lease payments payable for specified duration in respect of such lease amount to the following :

Rupees in crores

Period	Current Year	Previous Year
Not later than one year	0.08	0.29
Later than one year but not later than five years	0.11	0.04
Total	0.19	0.33

(iii) Properties under non-cancellable operating leases have been acquired, both for commercial and residential purposes. The total minimum lease payments for the current year, in respect thereof, included under Rent, amount to Rs. 22.32 crores (Previous Year Rs. 11.58 crores).

The future lease payments in respect of the above are as follows:

Rupees in crores

Period	Current Year	Previous Year
Not later than one year	21.72	12.51
Later than one year but not later than five years	61.13	27.44
Later than five years	36.23	2.64

NOTES FORMING PART OF THE ACCOUNTS

21. In accordance with the Accounting Standard 20 on 'Earnings Per Share' issued by the Institute of Chartered Accountants of India :

(i) In calculating the Basic Earnings Per Share the Net Profit After Tax of Rs. 1,123.83 crores (Previous Year Rs. 947.04 crores) has been adjusted for amounts utilised out of Shelter Assistance Reserve of Rs. 4.97 crores (Previous Year Rs. 3.96 crores).

Accordingly the Basic Earnings Per Share have been calculated based on the adjusted Net Profit After Tax of Rs. 1,118.86 crores (Previous Year Rs. 943.08 crores) and the average number of shares during the year of 24,71,27,836 (Previous Year 24,49,21,466).

(ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :

Rupees in crores

	Current Year	Previous Year
Basic Earnings Per Share	45.27	38.51
Effect of Outstanding Stock Options	(0.32)	(0.46)
Diluted Earnings Per Share	44.95	38.05

(iii) The Basic Earnings Per Share have been computed by dividing the adjusted Net Profit After Tax by the weighted average number of equity shares for the respective periods; whereas the Diluted Earnings Per Share have been computed by dividing the adjusted Net Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the outstanding Stock Options for the respective periods. The relevant details as described above are as follows :

	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	24,71,27,836	24,49,21,466
Diluted effect of outstanding Stock Options	17,97,939	29,36,494
Weighted average number of shares for computation of Diluted Earnings Per Share	24,89,25,775	24,78,57,960

22. In compliance with the Accounting Standard 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, credit has been taken for Rs. 15.82 crores (Previous Year Rs. 8.55 crores has been provided for towards deferred tax liability (net)) in the Profit and Loss Account for the year ended March 31, 2005 towards deferred tax asset (net) for the year, arising on account of timing differences.

Major components of deferred tax assets and liabilities arising on account of timing differences are :

Rupees in crores

		Assets		Liabilities	
		Current Year	Previous Year	Current Year	Previous Year
a)	Depreciation	(57. 23)	(36.60)	0.77	0.65
b)	Provision for Contingencies	128.88	99.41	(3.85)	(2.96)
c)	Lease Adjustments	(4.84)	(6.42)	-	-
d)	Accrued Redemption Loss (net)	3.76	2.88	(0.31)	(0.08)
e)	Sale of Home Loans	-	-	3.00	3.88
f)	Others (net)	0.06	(3.22)	1.19	0.54
	Total	70.63	56.05	0.80	2.03

23. Figures for the previous year have been regrouped wherever necessary.

Schedule 15

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

These accounts have been prepared in accordance with historical cost convention, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

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

2. SYSTEM OF ACCOUNTING

The Group adopts the accrual concept in the preparation of the accounts.

The Balance Sheet and the Profit and Loss Account of the Group are prepared in accordance with the provisions contained in Section 211 of the Companies Act, 1956 read with Schedule VI thereto to the extent possible (except the insurance subsidiaries), and the approvals granted under the Section by the Company Law Board.

3. INFLATION

Assets and liabilities are recorded at historical cost to the Group. These costs are not adjusted to reflect the changing value in the purchasing power of money.

4. INTEREST ON HOUSING LOANS

Repayment of housing loans is generally by way of Equated Monthly Instalments (EMIs) comprising principal and interest. Interest is calculated each year on the outstanding balance at the beginning of the financial year. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMI interest is payable every month. Interest on loans is computed either on an annual or on a monthly rest basis.

5. INCOME FROM LEASED ASSETS

Lease rental income in respect of finance leases is recognised on the basis of the implicit rate of return, in accordance with the Accounting Standard 19 on ‘Leases’ issued by the Institute of Chartered Accountants of India.

6. INCOME FROM INVESTMENTS

In respect of Investments in Schemes of Unit Trust of India and Other Mutual Funds with assured returns, the income is accounted on an accrual basis.

The gain / loss on account of Investments in Preference Shares, Debentures / Bonds and Government Securities held as long-term investments and acquired at a discount / premium, is recognised over the life of the security on a pro-rata basis.

7. BROKERAGE ON DEPOSITS

Brokerage on deposits, other than incentive brokerage, is amortised over the period of the deposit except in respect of brokerage paid by one of the subsidiary companies. Incentive brokerage, which is payable to agents who achieve certain collection targets, is charged to the Profit and Loss Account.

8. TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities in foreign currencies are converted at the rates of exchange prevailing at the year-end.

9. INVESTMENTS

(i) OTHER THAN INSURANCE COMPANIES

Investments are capitalised at cost inclusive of brokerage and stamp charges and are classified into two categories, viz. Current or Long-term. Provision for diminution in the value of investments is made in accordance with the guidelines issued by the National Housing Bank and the Accounting Standard 13 on 'Accounting for Investments' issued by the Institute of Chartered Accountants of India, and is recognised through the Provision for Contingencies Account.

(ii) INSURANCE COMPANIES

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001 and various other circulars / notifications issued by the Insurance Regulatory and Development Authority in this context from time to time.

Investments are recorded at cost, which include brokerage, stamp duty and excludes broken period interest. Investments maturing within twelve months from the balance sheet date and investment made with the specific intention to dispose of within twelve months from the balance sheet date are classified as short-term investments.

All debt securities are considered as "held to maturity" and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue account and the profit and loss account over the period of maturity / holding.

All mutual fund investments are valued at realisable net asset value.

Equity shares are valued at fair value being the lower of the last quoted closing prices on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

10. FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and / or installation expenses. Assets acquired under Finance Leases are accounted in accordance with the Accounting Standard 19 on 'Leases' issued by the Institute of Chartered Accountants of India.

11. DEPRECIATION

Depreciation on all Fixed Assets other than Leased Assets and Leasehold Improvements, is provided for the full year in respect of assets acquired during the year. No depreciation is provided in the year of sale.

In respect of Leased Assets and Leasehold Improvements, depreciation is provided on a pro-rata basis from the date of installation / acquisition.

Depreciation on Buildings, Computers, Leased Assets and Leasehold Improvements is calculated as per the straight line method; and on other assets as per the reducing balance method. All assets except Computers and Leased Assets are depreciated at rates specified by the Companies Act, 1956. Depreciation on Computers is calculated at the rate of 25 per cent per annum. Depreciation in respect of finance leases is provided on the straight line method over the primary period of lease or over the specified period, as defined under Section 205(5)(a) of the Companies Act, 1956, whichever is shorter.

In respect of jointly controlled entity, Fixed assets that are to be used exclusively for customers and over which they have a lien are depreciated over the shorter of the estimated useful life or the tenure of contract. Fixed assets acquired on hire purchase basis are amortised over the tenure of the agreement. Leasehold Improvements are amortised over the period of lease or ten years whichever is shorter.

12. PROVISION FOR CONTINGENCIES

It is ensured that the balance in Provision for Contingencies account is adequate to cover the total principal amount outstanding in respect of all non-performing assets, as also all other contingencies. All loans and other credit

Schedule 15 (Continued)

SIGNIFICANT ACCOUNTING POLICIES

exposures where the instalments are past due for more than six months are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank.

13. RETIREMENT BENEFITS

There are various schemes of retirement benefits, such as Provident Fund, Superannuation Fund and Gratuity Fund. All these funds and the schemes thereunder are recognised by the Income-tax authorities and are administered by various trustees. The contributions to these funds are charged to the Profit and Loss Account every year. The contribution to the Gratuity Fund is made, based on the actuarial valuation determined each year, except in the case of Dubai branch of HDFC Ltd. where the provision for gratuity is made in accordance with the prevalent local laws.

There is also a scheme which enables employees to encash the accumulated privilege leave on retirement. The Group's liability in respect of this leave encashment scheme is also determined on the basis of actuarial valuation, and the same is charged to the Profit and Loss Account.

14. INCOME-TAX

The accounting treatment for Income-tax is based on the Accounting Standard 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India. The provision made for Income-tax in the Accounts comprises both, the current tax and the deferred tax. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognised in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

15. POLICY LIABILITIES

These are determined by the Company's (HDFC Standard Life Insurance Co. Ltd.) appointed Actuary following his annual investigation of the Company's insurance policies.

16. MISCELLANEOUS EXPENDITURE

(i) Preliminary Expenses are being written off over a period of 5 years in accordance with the provisions of Section 35D of the Income-tax Act, 1961.

(ii) Deferred revenue expenditure comprises of brokerage paid on sale of units of Mutual Funds which is amortised over a period of 12 months or the period of investment, whichever is earlier.

(iii) In respect of jointly controlled entity, expenses incurred in connection with the recruitment, training of employees and issue of shares upto 31st March 2003, are treated as deferred revenue expenditure to be amortised over a period of 5 years.

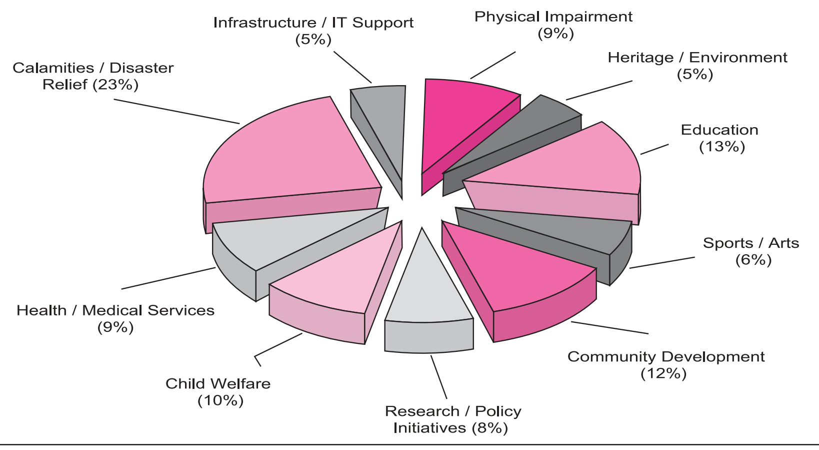
Social Initiatives

The year 2004-05 saw HDFC making renewed efforts in fulfilling its social commitment by way of several ongoing as well as new initiatives. The latter included innovative financing of slum up-gradation and low-income housing projects, dialoguing with key stakeholders on policy issues, responding to the tsunami tidal wave disaster and staff volunteering and participation in varied community development activities. HDFC also gained special recognition for its corporate social responsibility (CSR) function in the form of winning The Economic Times Corporate Citizen Award for 2003-04.

SHELTER ASSISTANCE RESERVE

During the year, the Shelter Assistance Reserve continued to play its role of participating in and supporting various meaningful development initiatives by extending grant funding to over 135 NGOs, philanthropic and voluntary agencies, local bodies and others. The overall utilisation effected out of the Reserve for the year 2004-05 stood at Rs. 497.36 lacs and its segment-wise break-up is highlighted in the chart below:

Segment-wise Utilisation for 2004-05



Cited below are a few case examples reflecting the general utilisation of the reserve:

Human Development Centre Trust

It started in 2002 with a mere 16 children, 7 teachers and 2 classrooms. Now, three years later, the Little Angels School, run by the Human Development Centre Trust has 78 children on its rolls (with another 80 on the waiting list), 35 staff and 5 classrooms. This school is for children who are differently made, yet no different from us. It caters to children facing problems such as hyperactivity, slow learning, attention deficit disorders, dyslexia and other such physical and mental handicaps.

The school takes in children from all strata of society offering pre-vocational training, speech therapy, basic education and vocational guidance to the students. Each child is offered a unique programme based on his/her current status of mental and physical development. Programmes that motivate him/her to go beyond their perceived level of competencies. The focus is on trying to make the children self-reliant, for instance to be able to operate a bank account or even to shop for essential commodities on their own. Currently the school operates from the premises of a municipal school in Bandra, Mumbai. It has classes from Kindergarten to the 10th Standard and some of the students have appeared for the Open School Examination in New Delhi.

HDFC has recently got involved with the school's activities and has funded the Trust towards improving the school's facilities and partly supporting their staff expenses.

Sense India

A glimpse into Chetna's day…

Chetna, is a 9-year old deaf-blind girl from Mekkudi village, district Trichy, Tamil Nadu. Three years back, when the field workers of Sense India found Chetna, she just lay on the floor without any demands, likes or dislikes. Her access to the external world was limited. But today, she has been integrated into the local village school with the efforts of a local field worker.

It is estimated that there are more than 400,000 deaf-blind children in India today. Sense supports the development of services for deaf-blind people throughout the country. It works in partnership with local organisations, deaf-blind children and adults, their families and professionals to ensure that everyone challenged with this disability has access to advice, opportunities and support.

HDFC has partnered with Sense India to support the deaf-blind population in the states of Tamil Nadu and Uttar Pradesh along with ten local NGOs. The aim is to reach out to the children in these states who are not getting any kind of services and to integrate them into local schools with children who have residual vision and hearing.

HelpAge India

Although ageing is an irreversible biological phenomenon, in today's times it is associated with denial, depression, loneliness and a certain degree of alienation from mainstream family life. Further, with gradual improvement in public health and standard of living, the average longevity of the people is increasing; the elderly populace is in fact one of the fastest growing sections of society in India. The major concerns, however, remain to be security, both financial and physical, access to health and support systems and incidence of violence and abuse.

Established in 1978 with support from Help the Aged in the United Kingdom, HelpAge India is working for the cause and care of senior citizens, with the ultimate aim of empowering them to take decisions pertaining to their own lives. HelpAge supports almost all the Old Age Homes in the country. It runs various programmes to make life easier for the elderly with free cataract operations performed in villages, the adopt-a-gran scheme, mobile medi-care units all over the country, encouraging economic independence measures, etc.

During the year, HDFC has partnered HelpAge India by sponsoring 200 free cataract operations in the interiors of Rajasthan and Gujarat.

In support of the elderly populace in the country, HDFC also funded Dignity Foundation, an NGO working with senior citizens, to come out with a calendar in Braille.

Population First

- India has 16.7% of the world population but only 2.45% of the world's land resources and 4% of the world's water resources.
- Over the last 10 years, India added 180,627,359 persons to its population, equivalent to the population of Brazil.
- Ninety-three out of every 1,000 children in India die in the first five years of their life.
- One in four infants in India is born with a low birth weight — less than 2.5 kilogram.

The statistics are grim and what makes it worse is that very little is known of what it makes to be a part of such horrific numbers. Population First is working to support the programmes of the Government towards population stabilisation in the country. The organisation engages corporate houses, the media and civil society on issues concerning health and population in India. The mission is to sensitise the country into accepting that population growth is a key problem facing the country today.

Population First has taken up Thane District, Mumbai as one of its project areas. The project focuses on issues relating to awareness, and seeing awareness translate into action. HDFC has been an active supporter of Population First and its activities since its inception in 2002 and is currently funding the launch of a project for the girl child called "Laadli".

Mobile Crèches

A typical day at a Mobile Crèches Centre:

The Mobile Crèches centre is located on a construction site, next to the "jhuggis" where the workers live. No gardens or playgrounds for the children are here, only gaping foundation pits, piles of bricks, and a dry, cement dust in the air. The centre is a temporary structure, about 250 square feet in size – walls of bare brick and a roof of tin sheets. The room is divided into three parts: the crèche for children under 2 years, the balwadi (pre-school) for the 3-5 year olds, and non-formal-education (NFE) for 6 years and above. Bright collages give the room an air of festivity. Modest though it is, the centre is a triumph for Mobile Crèches.

By 9:00 a.m., the mothers arrive to leave their babies for the day…

The Crèche (0 – 2 yrs old): The centre-in-charge manages the centre with the help of four other childcare workers. The time is spent feeding the crèche children and taking care of them.

The Balwadi (3 – 5 yrs old): The children in this section are kept busy in small groups. Free play, story telling, exercise etc. keeps the children occupied.

NFE (6 – 12 yrs old): The older children are taught some communication skills, basic English, mathematics, general knowledge etc.

The centre is bustling with activity up to 4.30 p.m. when the mothers start arriving to pick up their children. Over 450 such day-care centres have been set up on building sites as well as slum clusters in Delhi, Mumbai and Pune for children of migrant construction workers. HDFC has been consistently supporting Mobile Crèches with grant funds for several years, including a day-care centre in a slum at Dakshinpuri, New Delhi since 2002.

Rashtriya Gramin Vikas Nidhi (RGVN)

RGVN describes itself as an organisational innovation in support of social action. Set up in 1990 and headquartered at Guwahati, Assam, RGVN seeks to improve the quality of life of the urban, rural and tribal poor in the north-east region and other eastern states by providing financial, technical, managerial and other support services. Despite the difficult terrain, inadequate infrastructure, and the volatile socio-political and militant conditions, RGVN has been able to make its mark as a professional development support agency.

RGVN does not restrict itself to a defined area of activity. Typically, any activity that has the potential to generate surplus and raise the income levels of the poor in a self-sustaining way, is to RGVN an activity that needs to be encouraged. The principal activities undertaken over the past decade have been promoting, supporting and building the capabilities of voluntary agencies and local NGOs that are engaged in development; running a savings and credit programme; low cost housing; and more recently, initiating work in the field of education.

HDFC has been associated with RGVN since 1997 in the area of housing loans for the economically weaker section households. In response to the flood situation in Assam during July 2004, RGVN engaged in several flood-relief activities. As a long-term measure, HDFC has sponsored the construction of an emergency shelter in Morigaon District. The 1,000 sq.ft. shelter has been constructed in the premises of an educational institution and can accommodate upto a hundred flood victims in times of need. At other times, it would function as a multi-purpose community facility.

EMPLOYEE INITIATIVES

The employees at HDFC are invariably enthusiastic to participate in and in organising social activities whenever such an opportunity arises. During the year, HDFC staff at Bhubaneshwar, Aurangabad and Andheri (Mumbai) organised drawing and painting competitions under the banner of "The Little Artist Contest" for primary school children. HDFC was also the exclusive sponsor of the 'Kids World Exhibition 2004' held in Mumbai in June 2004, which included the showcasing of artefacts from the NGO Child Relief and You (CRY).

The end of the year saw an Origami workshop being conducted by the Chembur office for the students of St. Anthony Girls' High School. Origami is an art that gives life to paper and imagination and engaging in it is a well-known way to calm the mind and enhance creativity and concentration. The Bangalore office lent support to a social campaign organised by school children in association with an NGO - Buoyancee. The campaign aimed at creating awareness on the issues of environment, education and population explosion.

The Nashik office hosted a blood donation camp with eminent doctors supporting the cause by spreading awareness about blood donation myths and facts. The camp was a success and saw participation from HDFC customers as well.

Mumbai Marathon

On your mark; get set; go…

An average Mumbaikar spends much of his time running after either local trains or buses; however, January 16, 2005 gave thousands of Mumbaiites one more reason to run - the Mumbai Marathon 2005 - reflecting the zealous spirit of the city.

Not to be left behind was our enthusiastic staff from the Mumbai region. 75 HDFC employees formed the 'HDFC Team' to run for The Akanksha Foundation, an NGO involved in the education of and creating opportunities for slum and street children. The team led by our Chairman Mr. Deepak Parekh participated in the Dream Run (7 km) and finished the day in great style.

BCPT - CAP Awards for Excellence

The Bombay Community Public Trust (BCPT) and the Centre for Advancement of Philanthropy (CAP) organised the 'BCPT - CAP Awards for Excellence' in the voluntary sector on the theme of "Knowledge Sharing and Project Documentation." This award was announced to commemorate the 10th death anniversary of Shri H. T. Parekh, the founder member of both BCPT and CAP.

36 NGOs sent in entries documenting a project undertaken by them in Mumbai during the last five years. A prize distribution ceremony was held on April 26, 2005 and SAATHI and Door Step School were adjudged as the winners. A book titled 'Sharing to Empower' was released on the same day. HDFC supported this initiative by aiding BCPT and CAP in publishing the book and sponsoring prizes.

MEASURES INVOLVING CREDIT

During the year, HDFC continued to extend loan funding towards weaker-section housing and livelihood schemes. The off-take under the micro-enterprise finance facility (MFF) has allowed HDFC to tie-up with a number of new and emerging micro-finance institutions that have adopted different approaches, to eventually meet the common objective of serving the credit needs of the poor, particularly women. The following cases are illustrative of HDFC's interventions.

Livelihood Lending Activity

Vasundhara Vikas Sahakari Mandali Ltd. (Gujarat)

The Vasundhara Vriksh Vanwadi Jalsinchan Vikas Sahakari Mandali Ltd. (VVSM), or the 'Vasundhara Co-operative Society' in short, was promoted by the Dharampur Utthan Vahini (DHRUVA), an associate organisation of BAIF Development Research Foundation. DHRUVA is a community-based yet professional organisation set up in 1995 for sustained intensification of BAIF's wadi-initiative, a comprehensive rural development programme in the tribal villages of Vansda block (district Valsad) in southern Gujarat. The VVSM is a locally managed farmers' co-operative society who have come together with the aim of owning a "Wadi" (a small orchard, developed on wastelands) each and then jointly cultivating, processing and marketing their produce. Most of the farmers specialise in cultivating mangoes. They then also process the mangoes to deliver packaged products such as pickles, mango-pulp, jams and squash.

VVSM and DHRUVA initially approached HDFC in June 2000 with a proposal to finance their miscellaneous funding requirements. HDFC sanctioned a loan of Rs. 49.28 lacs under the MFF, structured flexibly with a term loan component and a working capital component having quarterly and half-yearly repayments. The loan also allowed a moratorium on principal for six months. Subsequently, HDFC advanced similar loans of Rs. 30 lacs in May 2002 and Rs. 40 lacs in April 2003. The loan funds are utilised towards bulk purchase of mangoes at standard rates from the farmers. The mangoes are then sorted for immediate processing and storage. The family members of the farmers are employed in processing of these mangoes into pickle and pulp. These by-products are then branded and sold under the banner of 'Vrindavan'. Apart from generating profits for the farmers the loans have also ensured employment during off-seasons. During the year, HDFC sanctioned and disbursed another loan of Rs. 36 lacs, taking the cumulative disbursements to the co-operative to Rs. 156 lacs.

Grameen Crafts (Uttar Pradesh)

Grameen Crafts, a Lucknow-based NGO, was set up in 1995 to offer marketing and other interrelated support services to the unorganised artisans, craftsmen and producer groups. Often such traditional home-based workers are employed at subsistence wages irrespective of their indigenous skills or buoyancy in the trade. Middle-men and private traders are known to exploit these producer groups as they do not have direct access to markets. Grameen Crafts aims to establish this crucial missing link through a self-sustaining and economically viable approach. Besides marketing support, which includes sourcing orders, packaging, shipping and exports, the agency also renders other services such as skills training, product development, design inputs, capacity building and accessing new markets to identify potential consumer groups.

Grameen Crafts first approached HDFC in early 2001 for a working capital loan of Rs. 8.17 lacs to strengthen their operations in the area of handloom and handicraft (ceramic) products. The loan tenor of three years from HDFC allowed the agency to revolve the funds for expanding these activities. With their successful marketing and sound performance in repayment as well as implementation, HDFC had no hesitation in approving a second loan of Rs. 12 lacs in December 2002 towards export orders for textile, ceramic (pottery) and leather products. The associated artisan producer groups have benefited with an average income growth ranging from 30% to 60%, besides improved and safe working conditions and insurance cover. During the year, HDFC sanctioned a third loan of Rs. 30 lacs (against project cost of Rs. 55 lacs) of which Rs. 18 lacs stood disbursed as on March 31, 2005.

Financing Slum Rehabilitation and Up-gradation

Ganesh Nagar 'D' CHS at Mahalaxmi, Mumbai

The Ganesh Nagar 'D' slum near the Arthur Road Jail at Mahalaxmi, Mumbai comprises about 390 structures that are located dangerously close to each other on either side of extremely narrow pathways, sometimes submerged by overflowing drains. The Slum Rehabilitation Society (SRS), one of Mumbai's leading NGOs working on the issues of urban up-gradation and poverty, has closely associated with the Ganesh Nagar slum-dwellers since 1989.

A number of residents are employed as Grade IV staff with the municipal corporation and some work in the private sector too. However, due to the very high densities and absence of proper sanitation and drainage infrastructure, the living conditions are rather sub-human, similar to the larger slums surrounding it. Most of the other slum-dwellers in the area and their co-operatives have decided to allow an outside builder to come and redevelop their sites under the state government's Slum Rehabilitation Scheme. The SRS on the other hand could successfully motivate the Ganesh Nagar 'D' Co-operative Housing Society (also an outcome of SRS' efforts) to put themselves into the developers' shoes and take charge of the implementation themselves.

The housing project envisages construction of three buildings with a total of 520 residential and commercial units, each admeasuring a carpet area of 225 sq.ft. Of these 416 units are meant for the members of the co-operative including the incentive area allowed to the NGO and the CHS for assuming the role of a developer. The remaining 104 units being the free sale portion, comprise shops and apartments which can be sold to subsidise the cost of construction. Due to the high density, the sale area on site was bound to be very little, and therefore transferable development rights (TDR) would form a major revenue stream for the project.

The total project cost of approx. Rs. 950 lacs is to be recovered from the sale of slum-TDR and the free-sale portion.

HDFC has been involved with this project since 2002, when the SRS and the Co-operative were doing the ground work on social mobilisation, obtaining building permissions, identifying a contractor with expertise in low-cost construction and assessing the economic feasibility of the project. In order to ease the stretched cashflows and improve the overall viability, HDFC suggested a self-help approach wherein each member would contribute an amount of Rs. 50,000-65,000 towards the construction cost – with the understanding that any surpluses at the end of the project shall be shared equally. HDFC held several rounds of discussions with SRS and the CHS managing committee to determine an acceptable implementation framework and a suitable financial plan which was finally agreed upon by all the slum residents in their general body meeting.

The construction activity has been split into three separate phases (i.e. three buildings) to be completed in an estimated 18-24 months. HDFC initially approved and disbursed a loan of Rs. 20 lacs to the SRS for the preliminary expenses of Phase I. Subsequently, HDFC sanctioned a line of credit of Rs. 100 lacs to the Ganesh Nagar 'D' CHS, funds from which can be drawn and repaid anytime during the term of 24 months. In the absence of a conventional security such as the mortgage of the land or constructed units, HDFC approached CORDAID, a Dutch donor agency to partly guarantee this line (up to Euro 1,50,000) against the payment of a guarantee commission. So far, Rs. 25 lacs has been disbursed out of the line and Phase I is now nearing completion.

SEWA's Parivartan initiative at Ahmedabad

The "Parivartan Slum Upgradation programme" of the Gujarat Mahila Housing SEWA Trust (better known as MHT, a sister organisation of the Self-employed Women's Association) was launched in 1995. Also known as a slum networking project, Parivartan brings basic infrastructure services, including water and sanitation, in an affordable and sustainable way to the slums and chawls of Ahmedabad city. The idea is to forge a tri-partite collaboration, between the Ahmedabad Municipal Corporation (AMC), the target communities (slum-residents organised with MHT facilitation) and the private sector.

This partnership envisages a cost-sharing mechanism for the provision of following basic urban services: paving internal roads, underground sewerage link and water supply to individual households, storm water drainage, street lighting and solid waste management. The core philosophy is to recognise that the community can be an informed client willing to pay for the initial costs and maintenance of these services and also participate in their design and implementation.

HDFC has been associated with SEWA, SEWA Bank and their affiliate MHT for over a decade through funding of various projects involving micro-enterprise development, low-income housing and earthquake rebuilding measures. Taking this relationship forward, in June 2004, HDFC sanctioned a line of credit of Rs. 35 lacs to the MHT, allowing flexible drawls and repayments, to finance the expansion of the Parivartan programme in five slum pockets of Ahmedabad, expected to benefit over 600 households.

The line operates similar to a bridge loan to meet the ongoing construction expenses of the MHT (which also functions as a contractor) for executing the work orders issued by the AMC. The AMC then reimburses these costs after inspecting the completed civil work, which forms the repayment to HDFC. An impact assessment study carried out by SEWA Academy highlights the overall empowerment of the residents and positive developments in the area of health and hygiene, primary education, income and productivity, social status and also a better relationship with other local authorities. HDFC is now extending this line of credit for another year, which may be useful to MHT in replicating this initiative in the cities of Surat and Vadodara.

In January 2005, the MHT together with the Ministry of Urban Employment and Poverty Alleviation organised a two-day symposium on the "National Slum Development Programme: Achievements and Opportunities." HDFC contributed a policy paper titled 'Issues in Financing Slum Infrastructure' that was published as part of the conference literature.

Responding to the Tsunami Disaster

The tsunami catastrophe of December 26, 2004 has caused unprecedented devastation in the coastal districts of India. In the immediate aftermath, HDFC made a grant contribution of Rs. one crore to the Prime Minister's National Relief Fund. Further to this, HDFC employees voluntarily decided to forego a day's salary or more, thereby raising over Rs. 13 lacs.

HDFC also extended support to its micro-finance clients, i.e. those existing MFF borrowers who became victims of the calamity, through NGO intermediaries. The agencies include Mugavai Kalanjia Mahalir Vattara Sangam, a federation of DHAN Foundation at Mandapam block, Centre for Appropriate Technology (CAT) at Kanyakumari and the Indian Association for Savings and Credit (IASC). The Overseas Private Investment Corporation (OPIC), a development agency of the United States Government has approached HDFC to explore channelling of grant-cum-loan funds for rehabilitation measures in the tsunami-hit areas.

IN CONCLUSION...

HDFC has always believed in the enduring business advantage of "doing the right thing" - having a well-defined purpose, adhering to our core values and giving back to the society - thereby gaining in terms of not only customer loyalty and employee satisfaction but also profitability.

In this context, HDFC was among the first Indian corporates to join the Global Compact - an international initiative that brings companies together with UN agencies, labour and civil society to support universal environmental and social principles. HDFC remains wholly committed to the Global Compact and strives to further its cause by upholding its ten principles in the areas of human rights, labour, the environment and anti-corruption.

As our Chairman, Mr. Deepak Parekh quoted the following words of John Wesley, the 18th century evangelist, while accepting The Economic Times Corporate Citizen Award won by HDFC for the year 2003-04:

Do all the good you can,
by all the means you can,
in all the ways you can,
in all the places you can,
at all the times you can,
to all the people you can,
as long as ever you can.

Compliance Report

The Board of Directors
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

We have examined the registers, records, books and papers of Housing Development Finance Corporation Limited (HDFC) (the Company) having its registered office at Ramon House, H T Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020 and having registration No. 19916, as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the period from April 1, 2004 to March 31, 2005. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers and records as required under the provisions of the Act and the Rules made thereunder and the entries therein have been duly recorded.

2. The Company has duly filed the forms, returns and documents with the Registrar of Companies, Maharashtra and other authorities as required under the Act and Rules made thereunder.

3. All the requirements relating to the meetings of Directors, Committee of Directors and Shareholders as well as relating to the minutes of the proceedings thereat have been complied with.

4. The Board of Directors of the Company is duly constituted and there is no appointment / re-appointment of the Managing Director, Executive Directors during the financial year.

5. The Directors of the Company have made all the required disclosures under Section 299 and 274(1)(g) of the Act. The Company has also complied with the requirements in pursuance of the disclosure made by its Directors.

6. The issue of capital and securities is in conformity with the requirement of the Act. The issues of share certificate and the transfer and transmission thereof have been registered properly.

7. The Company has obtained all the necessary approvals of Directors, Shareholders and other authorities as required under the Act.

8. The Company has complied with all the provisions of the listing agreements with The Stock Exchange, Mumbai and National Stock Exchange of India Limited.

9. The Company has transferred the dividend declared on July 19, 2004 to separate dividend account on July 20, 2004 and all the unpaid / unclaimed dividend accounts have been reconciled.

10. During the year under review, the Company has transferred to Investor Education and Protection Fund, dividend amounting to Rs. 9,72,855/- that have not been claimed by the shareholders for the financial year 1996-97 in accordance with the provisions of the Act.

11. The Company has framed an insider trading code called 'HDFC – Share Dealing Code' on the lines of model code prescribed under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended and the same has been implemented during the year under review. Mr. Girish V Koliyote, Company Secretary acts as the Compliance Officer.

12. The Company has complied with the disclosure requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992.

13. During the year under review, the Company has complied with the norms prescribed by National Housing Bank for Housing Finance Companies.

14. The Company is registered with the Securities and Exchange Board of India (SEBI) as Share Transfer Agent – Category II and has connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company has complied with SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

15. The Company has complied with the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 during the year under review.

For N L Bhatia & Associates
Company Secretaries

MUMBAI
April 27, 2005.

N L BHATIA
FCS 1176 CP 422

Shareholders' Information

This section *inter alia* offers information to the shareholders pertaining to the Corporation, its shareholding pattern, means of dissemination of information, service standards, share price movements and such other information as required under the provisions of Listing Agreements.

Annual General Meeting

Day/Date : Friday, July 15, 2005

Time : 3.30 p.m.

Venue : Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020.

The Corporation had vide letter dated May 6, 2005, also intimated the shareholders the date, time and venue of the 28th Annual General Meeting (AGM), to enable them to plan in advance to attend their meeting. With the said letter the audited results of the Corporation for the financial year ended March 31, 2005, as published in the newspapers was also sent.

Book Closure

The register of members and share transfer books of the Corporation will remain closed from Friday, July 1, 2005 to Friday, July 15, 2005 (both days inclusive).

Payment of Dividend

The Board of Directors of the Corporation has recommended payment of dividend of 170% (Rs. 17 per share), for the financial year ended March 31, 2005, for approval of the shareholders at the AGM. [Previous year 135% (Rs. 13.50 per share)].

Dividend entitlement is as follows —

(i) For shares held in physical form: shareholders whose names appear on the register of members of the Corporation as at the close of business hours on June 30, 2005.

(ii) For shares held in electronic form: beneficial owners whose names appear in the statements of beneficial position furnished by NSDL and CDSL as at the close of business hours on June 30, 2005.

As is the practice, the payment of dividend declared at the AGM will commence from the day after the AGM.

Financial Calendar Year 2005-06

The tentative schedule for holding meetings of the Audit Committee / Board of Directors and the 29th Annual General Meeting is as under:

Nature of meeting	Purpose	Probable date
Audit Committee / Board Meeting	To review and approve the financial results for the quarter ending June 30, 2005.	July 15, 2005
Audit Committee / Board Meeting	To review and approve the financial results for the quarter / half-year ending September 30, 2005.	During second week of October 2005
Audit Committee / Board Meeting	To review and approve the financial results for the quarter ending December 31, 2005.	During second week of January 2006
Board Meeting	To review Operations/Annual Budget.	During last week of March 2006
Audit Committee / Board Meeting	To review and approve the audited financial results for the financial year ending March 31, 2006.	During second week of May 2006
Audit Committee / Board Meeting 29th AGM	To review and approve the financial results for the quarter ending June 30, 2006. Adoption of annual accounts, declaration of dividend, re-appointment of directors, appointment of auditors etc.	During third week of July 2006

Listing on Stock Exchanges

HDFC's equity shares are listed on the following stock exchanges and are tradable on all recognized stock exchanges in India:

The Stock Exchange, Mumbai (BSE)
Rotunda Building,
P J Towers,
Dalal Street, Fort,
Mumbai 400 001.
Telephone : 022- 2272 1233/34
Facsimile : 022- 2272 1072/3121
Email : listing@bseindia.com
Website : www.bseindia.com

National Stock Exchange of India Ltd. (NSE)
Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
Mumbai 400 051.
Telephone : 022-2659 8100
Facsimile : 022-2659 8120
Email : cmlist@nse.co.in
Website : www.nseindia.com

Stock Exchange Codes
BSE Code: 500010
NSE Code: HDFC EQ

Reuters Code: BSE – HDFC.BO, NSE – HDFC.NS
Bloomberg Code: BSE – HDFC, NSE – NHDFC

Listing Fees

The listing fees for the financial year 2005-06 have been paid to both the stock exchanges within the prescribed time limit.

Registered Office
Ramon House,
H. T. Parekh Marg,
169, Backbay Reclamation,
Churchgate, Mumbai 400 020.
Telephone : 022-2283 6255, 2282 0282
Facsimile : 022-2204 6758, 2281 1203
Email : info@hdfc.com

Share Department
Tel Rasayan Bhavan,
Gr. Floor, Tilak Road Extn.,
Opp. BEST Workshop Gate No. 4,
Dadar T.T., Mumbai 400 014.
Telephone : 022-2414 6267 / 68
Facsimile : 022-2414 7301
Email : securities@hdfc.com

Share Department

"It is our endeavor to engage the best talent, adopt the best practices and make use of the best available technology for the benefit of our valued stakeholders."

HDFC's in-house share department is registered with the Securities and Exchange Board of India (SEBI) as a Share Transfer Agent – Category II and has VSAT connectivity with both the Depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The department is headed by Mr. Girish V. Koliyote, Company Secretary and supported by a team of well-experienced personnel including two qualified company secretaries. The share department functions as an Investor Service Centre, catering to the needs of approximately ninety thousand shareholders with a market capitalisation of Rs. 18,161 crores and debenture portfolio of Rs. 9,584 crores (as on March 31, 2005).

The share department, which is recognized for its high service standards, offers services pertaining to share transfers, transmissions, dematerialization of shares, issue of duplicate/re-validated dividend warrants, issue of duplicate/replaced share certificates, change of address and other related matters apart from providing various value added services like remittance of dividend through Electronic Clearing Service (ECS) and Direct Credit Service (DCS), periodic reminders for encashment of unclaimed dividends and sub-division of old share certificates. The feedback received from shareholders on the quality/effectiveness of the services rendered by the share department has been reproduced at the end of this section.

Shareholders may submit/send their request for any of the aforesaid services (except request for dematerialisation of shares and post demat services) to the share department or at the registered office of the Corporation.

Share Transfer System

The Board of Directors of the Corporation has constituted a Share Transfer Committee (STC) comprising of executive directors of the Corporation, *inter alia* to ratify transfer, transmission, dematerialisation of shares/debentures and to approve the issue of duplicate share certificates, from time to time.

The board has delegated the authority to approve transfer, transmission, dematerialisation of shares/debentures to the Investor Services Committee (ISC) comprising of the company secretary and senior personnel of the share department so as to ensure that the services are rendered within the adopted service standards. The ISC has also been authorized to issue replaced, split, consolidated share certificates and to recommend the issue of duplicate share certificates.
A statement of transactions approved/ratified by the STC is tabled at the subsequent meeting of the board for its ratification/noting.

Service Standards

HDFC is committed to provide its investors with effective and prompt service. Listed below are the investor service standards voluntarily adopted by the Corporation. The Investor Service Committee (ISC) has been entrusted with the responsibility of ensuring that services are rendered within the adopted service standards.

Nature of Service**	For requests received through post*	Over the counter
Transfer of shares	5 days	15 mins
Transmission of shares	5 days	15 mins
Issue of duplicate share certificates	30 days	—
Sub-division of share certificates	3 days	15 mins
Dematerialisation of share certificates	10 days	—
Rematerialisation of shares	10 days	—
Issue of duplicate dividend warrants	3 days	20 mins
Issue of re-validated dividend warrants	3 days	20 mins
Change of address/bank details	3 days	20 mins
Registration of nomination	3 days	10 mins

* days refers to working days

** subject to receipt of valid documents

The above service standards are being used as a benchmark by other corporates and registrar & share transfer agents.

Contact persons:

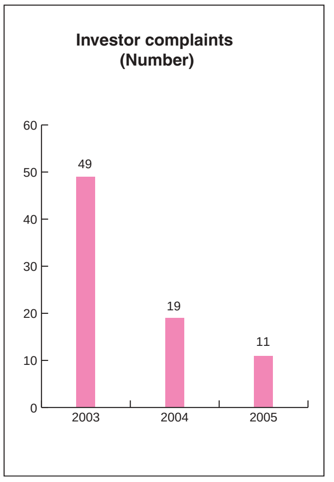
For availing any of the aforementioned services, shareholders may contact any of the personnel at the share department. In case of specific queries or any grievance, shareholders may either contact the company secretary or any one of the following personnel:

Mr. Dayanand V Shetty		Mr. Ajay Agarwal	
Telephone	: 022-5631 6286	Telephone	: 022-2410 1765
Email	: dayanands@hdfc.com	Email	: ajaya@hdfc.com

Investors' Grievances

During the year under review, the Corporation received 2,796 correspondence from shareholders requesting change of address, bank account particulars, non-receipt of dividend, re-validation of dividend warrants, non-receipt of annual reports / bonus shares, loss of share certificates etc. The details of complaints received by the Corporation and redressed during the last three financial years are as under:

Correspondence in the nature of complaints received from	No. of complaints received			No. of complaints pending as on March 31, 2005
	2002-03	2003-04	2004-05	
Stock Exchanges and SEBI	22	10	2	Nil
NHB, RBI, DCA and others	Nil	6	5	Nil
Directly received from shareholders / investors relating to:				
1. Non-receipt of share certificates	2	Nil	2	Nil
2. Non-receipt of sub-divided shares	6	Nil	Nil	Nil
3. Delay in dematerialisation of shares	Nil	2	1	Nil
4. Non-receipt of dividend warrants	12	1	1	Nil
5. Non-receipt of annual reports	4	Nil	Nil	Nil
6. Non-receipt of bonus shares	3	Nil	Nil	Nil
Total no. of complaints received	49	19	11	—



The Corporation has redressed all the complaints received from the investors within the adopted service standards and no correspondence in the nature of complaint was pending as on March 31, 2005.

The correspondence received by the Corporation in the nature of complaint accounted for 0.01% of the total number of shareholders.

Legal Proceedings

Presently, the Corporation is defending 5 (five) cases and is not in agreement with the contention of the shareholders. There are no litigations against the Corporation whose outcome will have a material adverse effect on the operations of the Corporation.

There is also no outstanding litigation launched against the Corporation or any of its directors as at March 31, 2005, for any of the alleged offences under the enactments specified in Paragraph I of Part I of Schedule XIII to the Companies Act, 1956.

Statutory Compliance

During the year under review, the Corporation has complied with all applicable provisions, filed all relevant returns / forms and furnished all the relevant particulars as required under the Companies Act, 1956 and allied acts and rules, the regulations and guidelines issued by SEBI and the listing agreements. In this connection, compliance certificate issued by Messrs. N. L. Bhatia and Associates, Company Secretaries is given elsewhere in the Annual Report.

As regards the compliance of the provision of Clause 49 of the listing agreements by the Corporation, a certificate issued by Messrs. S. B. Billimoria & Co., statutory auditors is annexed to the Directors' Report.

Control of Corporation

The Corporation is neither owned nor controlled, directly or indirectly, by any person, entity or government and also does not owe allegiance to any promoter or promoter group. The Corporation does not know of any arrangement, the operation of which might result in change in control of the Corporation.

Voting Rights

All the shares issued by the Corporation carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a company is "One Share-One Vote", if demanded, voting takes place by a poll. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands. No poll has been demanded in any general meeting of the Corporation till date. No business has been transacted at any general meeting, requiring postal ballot.

Website

Online/real time information regarding the Corporation can be accessed at HDFC's website, *www.hdfc.com.* An "Investors' Desk" on the website provides information pertinent to shareholders and also includes information required to be provided under the listing agreements. Currently, the "Investors' Desk" contains the following information:

- Quarterly / Half-yearly / Annual Financial Results;
- Shareholding pattern for the last three months in addition to quarterly patterns;
- Frequently Asked Questions (FAQs);
- Important Forms;
- Notices / disclosures under listing agreements.

All notices sent to stock exchanges under the listing agreements are posted on the website. Press releases and presentations made by the management to analysts, fund managers and investors, from time to time are also posted on the said website.

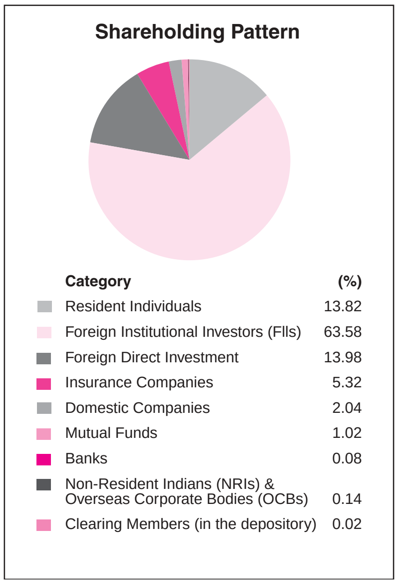
Links to BSE and NSE sites have been provided on the website to enable shareholders to view the current market price of HDFC share at the said stock exchanges.

Distribution of shareholding

Shares held by different categories of shareholders and according to the size of holdings as also city-wise distribution of shareholding, as of April 29, 2005, are given below:

According to Category:

Category	No. of Shareholders	Shares held in material form	Shares held in dematerialised form	Total no. of shares held	% to capital
Resident Individuals	88,359	94,25,062	2,50,01,747	3,44,26,809	13.82
Foreign Institutional Investors (FIIs)	314	0	15,83,83,373	15,83,83,373	63.58
Foreign Direct Investment	10	0	3,48,17,661	3,48,17,661	13.98
Insurance Companies	18	100	1,32,59,971	1,32,60,071	5.32
Domestic Companies	1,129	4,32,111	46,39,064	50,71,175	2.04
Mutual Funds	56	1,350	25,27,291	25,28,641	1.02
Banks	59	3,140	2,04,572	2,07,712	0.08
Non-Resident Indians (NRIs) & Overseas Corporate Bodies (OCBs)	567	12,660	3,50,618	3,63,278	0.14
Clearing Members (in the depository)	173	0	62,012	62,012	0.02
Total	90,685	98,74,423	23,92,46,309	24,91,20,732	100.00



According to Size:

No. of shares held	Shares held in material form		Shares held in dematerialised form		Total		
	No. of shareholders	No. of shares	No. of shareholders	No. of shares	No. of shareholders	No. of shares	% to capital
Upto 100	7,658	5,12,883	21,211	11,49,005	28,869	16,61,888	0.67
101 – 500	20,051	58,69,975	30,044	85,75,164	50,095	1,44,45,139	5.80
501-1,000	2,600	18,11,860	5,083	36,67,068	7,683	54,78,928	2.20
1,001-2,500	540	8,06,790	1,958	29,61,399	2,498	37,68,189	1.51
2,501-5,000	66	2,29,165	556	19,71,251	622	22,00,416	0.88
5,001-10,000	29	1,86,400	313	22,30,510	342	24,16,910	0.97
10,001-50,000	15	3,37,350	282	62,33,135	297	65,70,485	2.64
50,001-1,00,000	0	0	82	58,38,162	82	58,38,162	2.34
1,00,001 and above	1	1,20,000	196	20,66,20,615	197	20,67,40,615	82.99
Total	30,960	98,74,423	59,725	23,92,46,309	90,685	24,91,20,732	100.00

According to Location :

City*	No. of shareholders	% to total shareholders	No. of shares held	% to capital
Mumbai	31,032	34.22	22,37,47,550	89.82
Pune	5,650	6.23	21,52,139	0.86
Ahmedabad	4,691	5.17	15,54,773	0.62
New Delhi	4,516	4.98	30,68,333	1.23
Bangalore	3,940	4.35	23,90,945	0.96
Chennai	3,872	4.27	25,41,427	1.02
Kolkata	3,457	3.81	33,59,117	1.35
Vadodara	3,037	3.35	9,68,338	0.39
Hyderabad	1,672	1.84	6,35,920	0.26
Rajkot	817	0.90	2,01,967	0.08
Other cities	28,001	30.88	85,00,223	3.41
Total	90,685	100.00	24,91,20,732	100.00

* In case of FIIs, NRIs, OCBs & Foreign Investors who have invested directly under the FDI route, their address in India has been considered.

Major Shareholders

Details of shareholders holding more than 1% of the paid-up capital of the Corporation as on April 29, 2005 are given below:

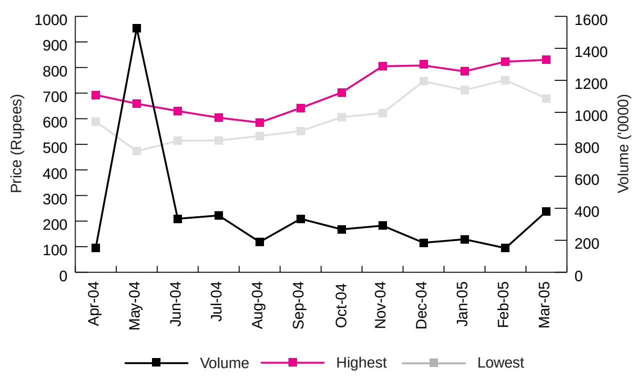
No.	Name	No. of shares	% to Capital
1	SLAC (Mauritius Holdings) Limited	2,38,20,000	9.56
2	SLAC (Mauritius Investments) Limited	1,16,86,541	4.69
3	Capital Research and Management Company A/c Europacific Growth Fund	1,16,07,500	4.66
4	Emerging Markets Growth Fund Inc.	1,12,25,397	4.51
5	Life Insurance Corporation of India	50,45,909	2.03
6	Fidelity Management and Research Company A/c Fidelity Investment Trust - Fidelity Diversified International Fund	49,29,483	1.98
7	Morgan Stanley and Co. International Limited A/c Morgan Stanley Dean Witter Mauritius Company Limited	39,91,905	1.60
8	Oppenheimer Funds Inc. A/c Oppenheimer Developing Markets Fund	39,75,000	1.60
9	Templeton Investment Counsel, Llc A/c Templeton Foreign Equity Series (A Series of Templeton Institutional Fund, Inc.)	36,68,470	1.47
10	Templeton Global Advisors Limited A/c Templeton Funds, Inc (Templeton Foreign Fund)	36,39,242	1.46
11	Capital International Emerging Markets Fund	32,98,658	1.32
12	Merrill Lynch Capital Markets Espana S.A. SVB	31,89,438	1.28
13	Templeton Global Advisors Limited A/c Templeton World Fund (A Series of Templeton Funds, Inc.)	31,88,190	1.28
14	Janus Worldwide Fund	29,42,800	1.18
15	General Insurance Corporation of India	28,08,168	1.13
16	Goldman Sachs Investments (Mauritius) I Ltd.	26,59,434	1.07
17	Fidelity Devonshire Trust-Fidelity Equity-Income Fund	25,57,300	1.03
18	Aberdeen Asset Managers Limited A/c Aberdeen International India Opportunities Fund (Mauritius) Limited	25,00,000	1.00

Stock Market Data

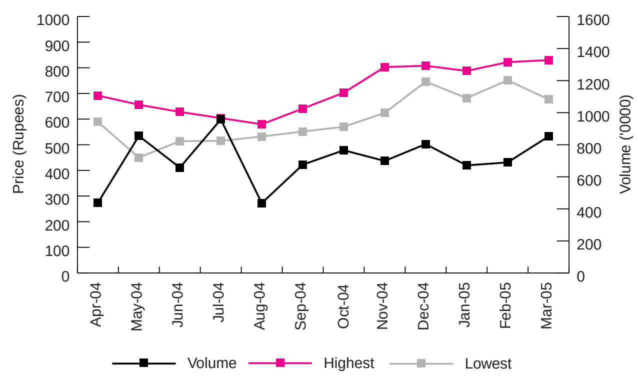
The monthly high and low price and the volume of shares traded on the BSE and NSE during the financial year 2004-05, are as under:

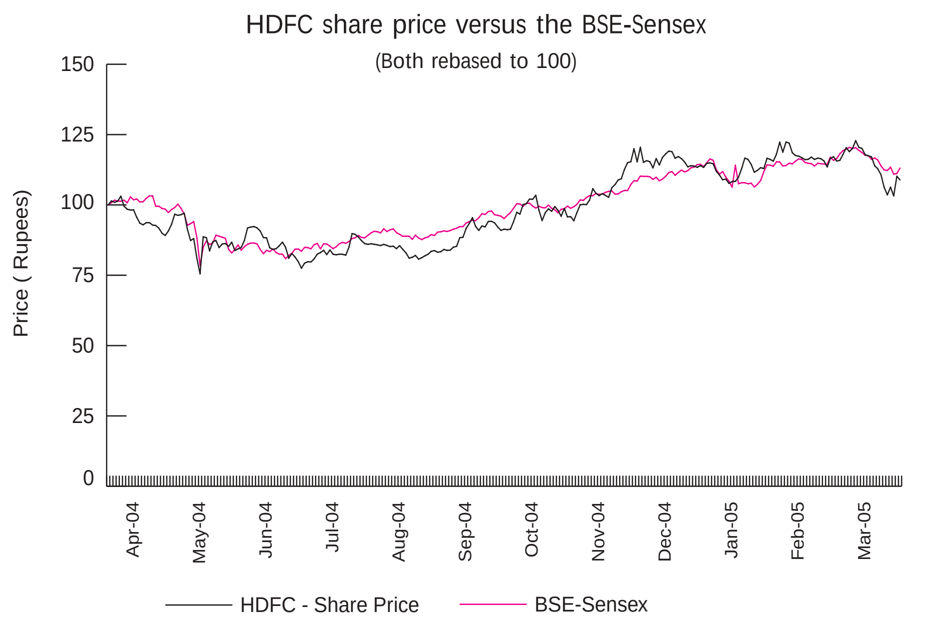
Month	Share Price on the BSE		Volume of Shares traded at BSE	Share Price on the NSE		Volume of Shares traded at NSE
	Highest (Rs.)	Lowest (Rs.)		Highest (Rs.)	Lowest (Rs.)	
Apr-04	692.75	589.10	15,36,012	691.90	589.00	43,76,036
May-04	658.70	473.00	1,52,62,822	656.00	450.00	85,49,504
Jun-04	630.00	514.00	33,46,313	628.00	514.00	65,73,438
Jul-04	603.90	514.95	35,51,688	603.90	515.05	95,78,254
Aug-04	585.00	532.50	18,95,540	579.85	532.00	43,59,598
Sep-04	642.00	551.75	33,41,891	641.00	551.50	67,56,000
Oct-04	702.25	606.00	26,84,084	702.90	570.00	76,57,534
Nov-04	805.00	622.00	29,16,414	803.00	624.00	69,88,708
Dec-04	808.00	746.10	18,45,756	807.90	745.95	80,38,639
Jan-05	785.05	712.00	20,63,981	787.90	682.00	67,12,436
Feb-05	823.00	751.00	15,10,468	822.00	751.25	68,98,310
Mar-05	830.00	679.20	38,09,758	830.00	677.10	85,16,547

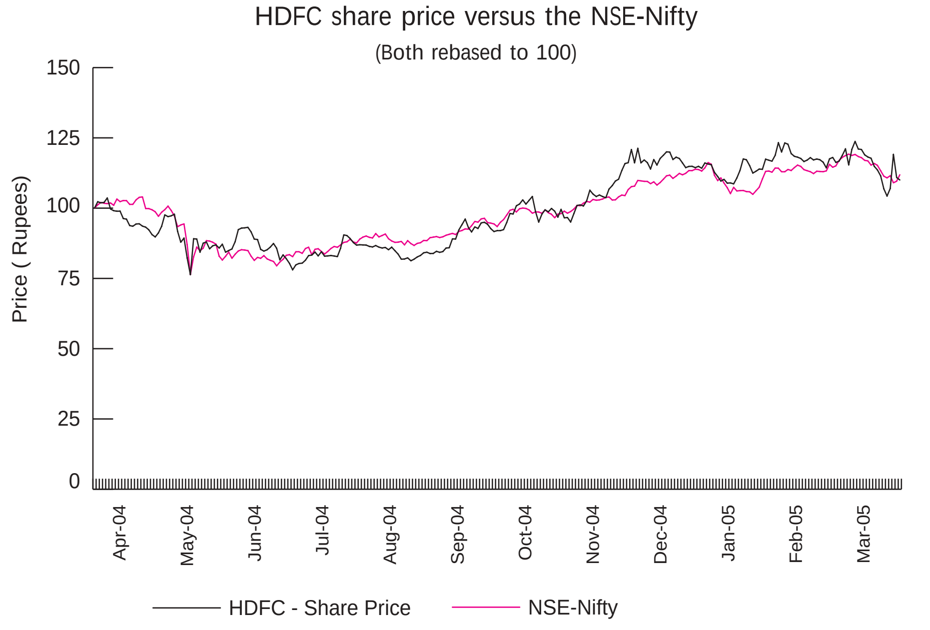
Share Price movement on the BSE during 2004-05



Share Price movement on the NSE during 2004-05







Capital appreciation

The table given below shows the opening price of HDFC equity share as quoted on the BSE, on the first day of trading for every financial year since 1995 (adjusted to the face value of Rs. 10 per share and issue of bonus shares in the ratio of 1:1) and BSE-Sensex and NSE-Nifty on the said dates.

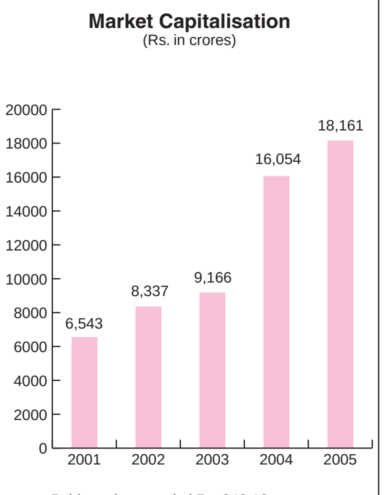
Date	HDFC Share Price (Rs.)	% of appreciation	BSE – Sensex	% of appreciation	NSE - Nifty	% of appreciation
April 1, 1995	102.50	628.10	3,287.84	97.90	990.24	105.60
April 1, 1996	161.00	363.54	3,376.64	92.69	988.33	105.99
April 1, 1997	139.00	436.91	3,339.47	94.84	931.95	118.46
April 1, 1998	161.50	362.11	3,901.44	66.77	1,117.15	82.24
April 1, 1999	114.70	550.65	3,750.22	73.50	1,082.55	88.07
April 1, 2000	205.95	262.37	5,070.50	28.32	1,528.70	33.18
April 1, 2001	266.50	180.04	3,491.41	86.36	1,148.10	77.33
April 1, 2002	342.50	117.90	3,482.94	86.81	1,129.85	80.19
April 1, 2003	330.50	125.81	3,037.54	114.21	977.40	108.30
April 1, 2004	645.00	15.71	5,599.12	16.21	1,771.45	14.93
April 1, 2005	746.30		6,506.60		2,035.90	

From the above table it can be deduced that:

- Price of HDFC share has appreciated by 628.10%, compared to appreciation of 97.90% in BSE – Sensex and 105.60% in NSE – Nifty;
- An investment of Rs. 2,050 made on April 2, 1995 in the equity share of HDFC has appreciated to Rs. 14,926 on April 2, 2005. Further the investor has earned Rs. 1,329 by way of dividend on the said investment.

Equity History

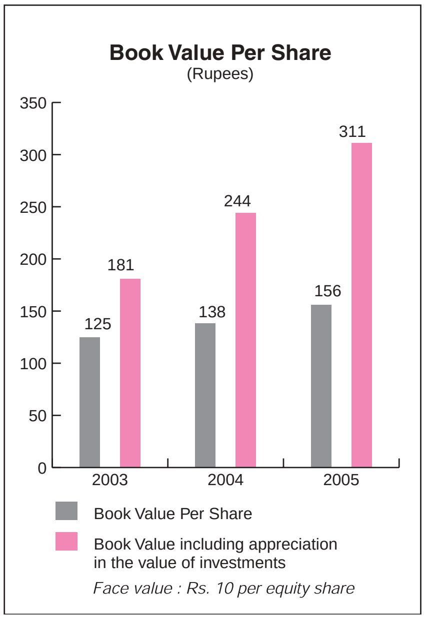
Particulars	No. of shares issued (of Rs. 10/- each)	Year / date of issue
Initial Issue	1,00,00,000	1978
Public cum Rights Issue	1,00,00,000	1987
Public cum Rights Issue	2,50,00,000	1990
Rights Issue of Fully Convertible Debenture	4,72,50,000	1992
Private Placement to Financial Institutions	90,00,000	1993
Private Placement to Foreign Investors	1,78,64,000	1995
Allotment under ESOS	28,46,713	Between March 2001 and November 2002
Bonus Issue (1:1)	12,19,60,713	December 30, 2002
Allotment under ESOS	26,95,695	Between January 2003 and March 2004
Allotment under ESOS	25,03,611	Between April 2004 to March 2005
Total	24,91,20,732	

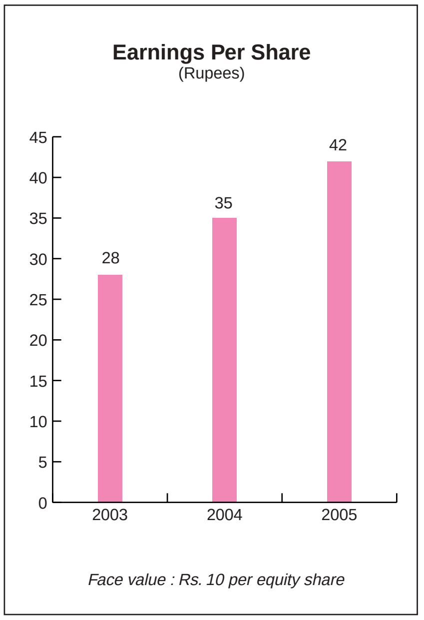


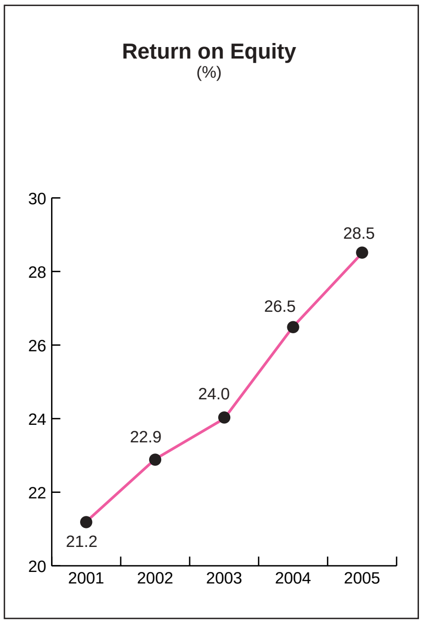
Paid-up share capital Rs. 249.12 crores (24,91,20,732 equity shares of Rs. 10 each)

Dematerialisation of Shares and Liquidity

The equity share of the Corporation is in the list of scrips specified by SEBI to be compulsorily traded in the dematerialised form. The ISIN allotted to HDFC equity share is INE 001 A01028. As on date 96.04% of the paid-up equity share capital is held in dematerialised form. However, the balance 3.96% of the paid-up equity share capital is held by 30,960 shareholders representing 34.14% of total number of shareholders.







OTHER IMPORTANT INFORMATION

Nomination Facility

Every shareholder in a company may at any time, nominate in the prescribed manner, a person to whom his shares in the company shall vest in the event of his death. Nomination can be made only by individual shareholder(s) applying/ holding shares on his/their behalf. If the shares are held jointly, all the holders may jointly nominate an individual person as their nominee. Nomination stands automatically rescinded on transfer/dematerialisation of shares.

Shareholders holding shares in single name are requested to nominate a person of their choice by submitting the prescribed nomination form i.e., Form 2B, in duplicate, to the share department. Shareholders holding shares in demat form are requested to contact their depository participant.

Unique Identification Number (UIN)

The Securities and Exchange Board of India (SEBI) has *inter alia* notified that no resident investor (not being a body corporate) shall buy, sell or deal in any securities (of value of one lakh rupees or more) which are listed on any recognized stock exchange or subscribe to securities which are proposed to be listed in any recognized stock exchange, unless he obtains a UIN, by December 31, 2005.

You are therefore requested to contact any Point of Service (POS) appointed by NSDL for obtaining UIN. For full text of the notifications / circulars issued by SEBI under SEBI (Certral Database of Market Participants) Regulations, 2003, names and addresses of the POS, please refer the SEBI website *www.sebi.gov.in* or NSDL website *http://mapin.nsdl.com.*

Unclaimed Dividend

Dividends not encashed or claimed, within seven years from the date of its transfer to the unpaid dividend account, will, in terms of the provisions of Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund (IEPF) established by the Government. In terms of the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Corporation or the said Fund after the said transfer.

The Corporation at regular intervals has individually intimated the concerned shareholders regarding the non-encashment of their dividend warrants. Despite these reminders, there are few shareholders who have not yet claimed their dividends. The due dates for transfer of unclaimed dividend amount to IEPF is as under:

Particulars	Unclaimed Dividend as on March 31, 2005 (Rs.)	Dividend unclaimed as % to total dividend paid	Date of declaration	Due date for transfer to IEPF
Dividend 1997-98	17,39,915	0.19	July 11, 1998	August 28, 2005
Dividend 1998-99	26,73,392	0.26	July 10, 1999	August 27, 2006
Special Millennium (Interim) Dividend 1999-2000	35,52,370	0.30	February 28, 2000	April 17, 2007
Interim Dividend 1999-2000	27,72,125	0.26	May 8, 2000	June 25, 2007
Dividend 2000-01	35,14,264	0.23	July 17, 2001	August 22, 2008
Dividend 2001-02	64,22,901	0.25	July 25, 2002	August 30, 2009
Dividend 2002-03	74,58,319	0.28	July 18, 2003	August 23, 2010
Dividend 2003-04	1,08,12,836	0.32	July 19, 2004	August 24, 2011

During the year, the Corporation has transferred Rs. 9,72,855 to IEPF being unclaimed dividend in respect of the financial year 1996-97.

Issue of Duplicate Dividend Warrants

A duplicate dividend warrant can be issued only after the expiry of the validity period of the original warrant. In case the original instrument is not tendered to the Corporation, such duplicate warrant will be issued after the receipt of an undertaking from the shareholder.

Particulars of Bank Account

Shareholders holding shares in physical form are requested to furnish particulars of their bank account directly to the share department for incorporation of the same on the dividend warrants in order to prevent fraudulent encashment of warrants.

Shareholders holding shares in electronic form are requested to furnish their bank account particulars to their depository participants only.

Electronic Clearing Service (ECS)

Under this system of payment of dividend, the shareholders get the credit of dividend directly in their designated bank account. This ensures direct and immediate credit with no chance of loss of warrant in transit.

Presently, HDFC is able to offer ECS facility to shareholders having bank accounts at any of the bank branches located at Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Hyderabad, Jaipur, Kanpur, Kolhapur, Kolkata, Mumbai, Nagpur, Patna, Pune, Thiruvananthapuram and Vadodara.

Shareholders holding shares in physical form and desirous of availing ECS facility are requested to furnish particulars of their bank account (including 9 digit MICR code) to the Corporation and such particulars in respect of shares held in electronic form should be furnished to their respective depository participants.

ECS in case of shares held in Electronic Form

The statements of beneficial ownership furnished by NSDL and CDSL for the purpose of payment of dividend *inter alia* includes the names, addresses, bank account particulars, 9 digit MICR code of the beneficial owners. The Corporation will arrange to remit the dividend through ECS, to those beneficial owners whose 9 digit MICR code is available and if the said MICR code pertains to a bank branch located at any of the cities mentioned above. In view of the above, shareholders holding shares in electronic form and who wish to avail of the facility of ECS, are requested to inform the 9 digit MICR code of the bank account for dividend purpose to their depository participants.

After remittance of dividend amount through ECS, the same will be intimated to the respective shareholders.

Direct Credit System (DCS)

Under DCS, the dividend amount in respect of shareholders maintaining bank account with HDFC Bank Ltd. will be credited directly to their respective bank accounts. After such credit, the Corporation will intimate the shareholders accordingly.

Sub-Division

Shareholders who have not yet surrendered their old share certificates [Face value - Rs. 100 each] in exchange of the new shares certificates [Face value - Rs. 10 each] are requested to do so at the earliest and contact the share department.

Folio Consolidation

Shareholders holding shares under more than one folio are requested to write to the share department to consolidate their folios. In case of joint holdings even if the order of names are different, shareholders can have them transposed without payment of stamp duty by sending a request letter duly signed by all the holders. Share certificates in respect of shares held under a single folio, can also be consolidated into one certificate, which will facilitate safekeeping and save cost of dematerialisation.

Shareholders Satisfaction Feedback

Along with the annual report for 2003-04, the Corporation had sent “Satisfaction Feedback” form to its shareholders seeking their feedback *inter alia* on the quality and content of annual report, adherence to service standards etc. The Corporation received 1,469 valid forms. The results of the said feedback are as under:

Areas	Excellent	Very Good	Good	Satisfactory	Poor
Adherence to service standards as published in the Annual Report	796	459	124	18	10
Quality of the design and content of the Annual Report	795	449	158	21	6
Dissemination of financial and product information about the Corporation					
a) Through Annual Reports	680	469	158	28	11
b) Through news items in papers/journals etc.	408	428	272	70	16
c) Through website	265	259	174	49	14
d) Over the telephone	230	191	166	98	62
Promptness of response to your queries/requests	533	379	201	70	43
Completeness of response to your queries/requests	504	375	224	65	44
Overall rating - your expectations vs deliverance	656	483	173	42	12

We thank the shareholders for having spared their valuable time and effort in filling the feedback form and we look forward to any suggestions that you may have to offer towards improvement of the quality and effectiveness of our service.