



A company in chrysalis

27th  
Annual Report  
2010-11





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A company that truly reflects the society it serves is always in a state of chrysalis. Continuous evolution is critical to staying relevant to the myriad communities we serve. As their aspirations develop and spread wings so must our products and services. Our late Chairman's founding vision of 'A home for every Indian' still inspires and energizes our actions. However the challenges posed by our nation have multiplied manifold. While a vast majority of our consumers are still searching for the security of their first home, a significant number are searching for greater self-actualization through financial expression. Financial access and security for them now has many dimensions. DHFL has stayed true to its core vision while metamorphosing into a larger more diversified enterprise that anticipates and serves its consumer with passion and commitment.





## Inspiring the nesting instinct

For over 27 years, DHFL has been encouraging Indians to buy their own homes. For consumers on the fringes of financial access, we have created pathways where none existed. Our research has proven beyond doubt that when a family owns a home, their sense of self and their expectations of the future are dramatically increased. DHFL prides itself on being close to the consumer. Market intelligence is one of our most important business tools. It is through this ear to the ground that we are able to anticipate and fulfill the people's needs. What we have discovered in recent times makes us proud of our country and aware of the immense responsibility that we carry. Indians are dreaming bigger. They don't just want a roof over their heads, they want their homes to be landmarks. This aspiration is not only in the bigger cities, but in the hinterland as well. DHFL has increased its sway over the market by increasing branch offices and spreading its service footprint. As is our practice, we continually fine-tune our processes to shorten the time it takes for the finance to be in the customer's account. We have continued to sharpen our evaluation process so we strike the perfect balance between financial prudence and including the widest range of consumer profiles in our asset base. Using the power of the internet, we have made buying a home more convenient to our higher income group customers. DHFL is serving all strata of Indian society with great discipline and devotion.





## **Powering the wings of dreams**

Wealth creation is the best way to encourage people to fulfill their potential. By extending the financial access agenda from home loans to investment opportunities, DHFL has created the next level of financial engagement for many Indians. A well planned cluster of fixed deposit schemes allow investors to enjoy equitable returns with a high degree of safety. Senior citizens and women are encouraged to invest by the fact that their offerings earn them a higher rate of interest. On another level, by encouraging people who have never invested to experience the earning potential of the financial markets, DHFL is playing an important role in educating people about the importance of putting money to work and not leaving it idle.





## **Spreading the cocoon of security**

A home is the anchor of life. This truism would apply to almost any family in the world. But it is particularly relevant to India. For many Indians, a whole lifetime is spent working towards making the dream of owning a home come true. At DHFL we not only help make that dream come alive, we also help them protect it. We have created many insurance products that offer our consumer security through all the vagaries of life. Our interactions with our consumers for our mortgage finance products has given us a keen insight into their needs and their fears. DHFL helps people find their own level of comfort. Creating the quantum of security cover that they feel comfortable with. When we say we walk in step with our customers, we don't do it for a minute or a day. We do it for a life time.





## **Creating communities of trust**

DHFL's founding vision of 'A home for every Indian, cannot be fulfilled without engaging with the challenge holistically. It isn't sufficient that we provide financial access or a home loan on fair terms. There are issues of supply and demand and price control. The inertia of the market and of the people needs to be continuously tackled. DHFL plays an important role in making sure housing stock is readily available. We encourage project development in every district of the country. We work with builders in creating projects that offer consumers the best advantages of collective living. The fact that we are an important source of project finance gives us the opportunity to engage constructively with project promoters. This proactive commitment to the cause ensures that there is enough quality housing stock available at affordable prices.



## Meeting diverse expectations

A diverse society is an apt attribute of India. With communities ancient and modern, local and migratory, we are truly a melting pot of tradition and culture. This vast range of difference has lead to a multi-layered mind set within society that breeds parallel expectation levels that need to be addressed simultaneously. DHFL has metamorphosed into a consortium of institutions that cater to these diverse expectations.

DHFL Vysya Housing Finance Ltd., is engaged in providing housing finance to the Middle and Lower Middle socio-economic strata primarily in the southern states.

Aadhar Housing Finance Private Ltd., was incorporated in May, 2010, along with International Finance Corporation. Its objective is to provide housing finance to the economically weaker sections in the six states of Uttar Pradesh, Madhya Pradesh, Orissa, Jharkhand, Chhattisgarh and Bihar.

In December 2010, DHFL acquired Deutsche Postbank Home Finance Ltd., with a purpose to cater to the more affluent sections of the socio-economic hierarchy.

Today, DHFL with its subsidiaries, is now able to spread its services across the ever changing spectrum of Indian society, providing an opportunity to every Indian to own a home.



Yours was the spark that let the light shine,  
By your thoughts and beliefs, we all still abide,  
Our faith in you glows brighter every day,  
On this momentous journey, you will forever be our guide.







Affordability being the main cause for concern in the Indian context, it is imperative to ensure that every income generating household should have access to housing finance.

## Chariman & Managing Director's Message

Dear Shareholders,

I take great pleasure and privilege in presenting the Annual Report & Financial Statements for the year 2010-2011.

The Financial Year 2010-11 has been a remarkably eventful year for DHFL. The year has marked us crossing a total balance sheet size of ₹ 20,000 crore and achieving the coveted position of Third Largest Housing Finance

Company in India.

Twenty-seven years ago our Founder Chairman, the Late Shri Rajesh Kumar Wadhawan started this Company with a vision to provide easy Housing Finance to the multitudes of Marginalized Indians enabling them to realize their 'Dream to Own a Shelter' on 'FAIR TERMS'.

Our late Chairman Shri Rajesh Kumar Wadhawan's Vision has now become a reality, with DHFL

becoming the fastest growing Housing Finance Company in the country as well as one of the most Powerful Brands – as reckoned by POWER BRANDS

Our recent acquisition of Deutsche Post Bank Home Finance Ltd., (DPHFL), has added one more feather in our cap, strengthening our position as a leading housing finance company in the country.

Our strategic move to reach 'LOWER & MIDDLE INCOME SEGMENT' through Aadhar Housing Finance Pvt. Ltd., in collaboration with International Finance Corporation (IFC), Washington, an arm of World Bank, has further strengthened our footprint in this segment.

**OUR TEAM:** With the economic environment and competitive landscape changing at an unprecedented pace, our Board of Directors extended their unstinted support and helped us withstand all challenges enabling us to build a team of self-motivated individuals, who in turn, helped build a sustainable organization. These self-motivated people have made the difference

and helped us in formulating & implementing the right strategies. Our constant effort to recruit the right people and to continuously work towards upgrading their skills and efficiency has not only paid high dividends but has also helped in securing a coveted place in 'INDIA'S TOP 100 BEST EMPLOYERS', in the survey conducted by 'GREAT PLACE TO WORK INSTITUTE' in association with the ECONOMIC TIMES, a testimony to our concentrated efforts on 'PEOPLE FOCUS'.

The overall success of DHFL, majorly would not have been possible but for the contributions of its people, robust process systems and a culture of discipline for excellence. Our constant questioning about things around for improvements has definitely made the difference as our 'WINSIGHTS'.

Though our achievements over the years have been satisfying, our craving to do better and achieve greater heights and cater to the vast needy shelterless people of our rapidly growing

country, saw us constantly working on newer strategies for continuous improvement. Recently we concluded a process and system evaluation to understand gaps, keeping in perspective, the next five years growth to achieve our goals and to improve our operational capabilities.

Today, DHFL disburses more than 60% of its loans in less than 7.5 lakh ticket-size, through its 200 strong location network primarily in Tier II and Tier III cities. As per National Housing Bank report, there is a housing shortfall of 90% in India, majorly in lower and middle income groups. Our learning and domain expertise, over the past 27 years will definitely be "The Engine", to pull us through for further growth in the years to come.

Opportunities to grow, though rosy, the share of challenges and impediments related to this segment cannot be ignored. Affordability being the main cause for concern in the Indian context, it is imperative to ensure that every income generating household should have access to housing finance, as an increase in home ownership would ultimately lead to the economic

well being of individuals and the society at large. Thus, it is imperative that we focus and overcome certain salient points mentioned below to increase ownership of homes and bring in more affordability to the common man in the lower and middle income segments.

The Indian housing market is still at a nascent stage with very few affordable housing projects with focus restricted to tier I & tier II cities. Most of the developers focus mainly on projects which yield higher returns and not on low cost housing projects which requires greater government intervention. There is a greater need to control the supply & price of housing stock in the country. Land prices are currently market driven which needs to come under the direct control of government. Also, there is a lack of a mechanism to ensure that housing remain affordable for the masses.

Active participation from both government & private players is required for framing national as well as state level policies, especially for low cost housing projects. Effective tracking of housing

stock will help in identifying the demand-supply gap & planning for creation of further housing stock.

Government needs to proactively facilitate housing supply at both National and state level and provide subsidies (e.g. land at low cost) in a transparent manner to encourage private players to build more low cost housing projects which in turn will create healthy competition leading to lending on fair terms and affordability for all.

With the acquisition of Deutsche Post Bank Home Finance Ltd., (DPHFL) and our tie up with IFC in launching 'Aadhar Housing Finance Pvt. Ltd.', we are bound to make inroads into areas so far untapped and set up a new trend in enlarging our market share in housing finance to a larger section of people from lower and middle income groups.

Looking forward, your Company faces exciting business opportunities. With our major thrust areas now being beyond Tier I and Tier II cities, we envisage a huge market share in our focus

segment. Our inherent strengths are our Long term vision, strategies, motivated workforce and network. We will certainly capitalize on the opportunities, overcome challenges and consolidate our position in the market.

Our commitment to 'affordable housing finance, to the discerning multitudes in the lower and middle income groups of people is certain and reassuring'. In the process of achieving our goals, we will constantly strive to enjoy the trust and confidence of our esteemed shareholders, employees and all stakeholders in any form while achieving our prime objective of providing housing finance.



**Kapil Wadhawan**  
Chairman & Managing Director

Place : Mumbai  
Dated : 13th May, 2011



**"We are proud to have built a sound foundation over the past decade which has enabled us to thrive in the evolving markets and to support sustainable growth for the future."**

## Message from the Chief Executive Officer

Dear Shareholders,

DHFL continues to deliver strong growth, is well positioned to benefit from economic recovery and looks to the future with confidence. As you know, in 2010, on the premise of implementing its established business strategies, DHFL has taken another big step forward in its housing finance including a significant increase in home loan portfolio, and remarkable financial results. In addition, DHFL has made considerable achievements in its other vertical business.

Although the operating results of this year continued to show record development and enviable growth as in the previous years, in my view, and to DHFL, the long-term implication of this year's outstanding results has surpassed that of the previous years.

DHFL has achieved remarkable results in many aspects, and I hereby would like to share with you the following achievements.

### Business Review

We had a strong year-to-year growth in terms of revenue both on a sequential and corresponding year basis. The slowdown in the mortgage market with some emerging concerns with respect to asset quality, rising inflation vis-à-vis., rising interest rate and slow deposit growth, has not impacted DHFL as its growth rates have not been affected at all. The financial result 2010-11 of DHFL clearly proves this point wherein DHFL excelled on most parameters, delivering strong top line and bottom-line growth.

The retail housing finance market in India has regained its lost sheen as loan disbursements in this

space is likely to see a 25% annual growth and is expected to touch a whopping ₹ 4.2 lakh crore by 2011-12. The huge untapped demand, coupled with the rebound in profitability for financiers, is expected to spur a boom in retail finance in the coming years. The growth in the retail housing finance disbursement would be largely driven by improving affordability, increasing propensity to consume and the fact that the penetration level of retail finance loans is still low. The euphoria over affordable housing, which became the mainstay of real estate developers during the economic crisis as they struggled to find buyers, may be over as there are few takers for houses in that segment. There is significant demand seen in the metros for mid-end housing vis-à-vis., affordable housing, due to the aspirational values embedded in the working population of metros, it leads them to stretch their budget and seek better housing complexes. Affordable property is set to play a key role in the residential real estate sector in India in 2011 on the back of a significant pickup in demand, according to the country's developers association. There is ample scope to expand as the retail housing industry penetration remains low and also in mortgages there is ample scope to grow.

The judging from its performance during financial year ended 31st March, 2011; much talk about the slowdown in the housing sector has had little impact on DHFL. The year 2010-11 saw a fair demand for housing loans from individuals and growth in individual disbursement. The disbursements in the financial year picked up the pace and the net interest margin for the financial year stood at 2.96%. The overall growth in business coupled with operational fee income contributed to the enhanced income levels.

#### **Financial Review**

Despite unfavorable situations, your Company has been able to uphold its growth momentum in the

financial year 2010-11 as a result of efficient fund management and prudential policy measures pursued by the management. Total outstanding housing loan portfolio of the Company increased by 61.12% to ₹ 14,111.21 crore in 2010-11. The Company earned a net profit before tax amounting to ₹ 341.48 crore in 2010-2011, which is 69 % higher than ₹ 202.19 crore in 2009-10. Disbursement of loans by the Company increased by 68.30 % to ₹ 6,505.57 crore in 2010-11. Reflecting better performance and financial soundness, earning per share of the Company increased from ₹ 19.78 in 2009-10 to ₹ 26.43 In 2010-11. The return on equity was at 19.49% as on 31st March 2011.

In spite of tough competition from banking and housing finance institutions, your Company has strictly adhered to its basic mission and objectives of providing top quality services to the clients and creating innovative products to cater to the needs of a competitive market. We are also putting due priority in building a high quality team of human resources by providing job satisfaction and prospect for career development as well as ensuring a steady return on shareholders' equity by prudent investment of funds.

In line, with the Company's objective of adding value to the shareholders' equity, the return on equity of the Company was at 19.49% in 2010-11 on account of issue of securities to QIB and on preferential basis also.

#### **Dividend**

The Board of Directors (the "Board") recommends payment of a dividend of ₹ 3.50 per share for the year 2010-11 (₹ 3.00 per share for the year 2009-10) to those persons registered as shareholders of the Company on 20th July 2011. The proposed dividend will be paid on 1st August, 2011, following approval at the Annual General Meeting of the Company. The register of members

will be closed from Wednesday 20th July, 2011 to Wednesday 27th July, 2011, both days inclusive.

### A New Brand Identity

A new communication identity was created to standardize all brand expressions, across multiple consumer touch points. A comprehensive Brand Manual detailing each of these expressions was put together, right from the corporate stationery, to corporate and branch signages, to advertising elements for the print, outdoor and below-the-line activation programs, etc. This is for the first time that an exercise of this magnitude was undertaken and will result in a brand that is correctly and consistently depicted, for all communication elements, irrespective of whether it is done in Kashmir or Kanyakumari.

### Targeting New Markets

In order to increase brand awareness and the width and depth of penetration, your company launched a massive communication program for home loans, to primarily cover 133 markets, outside of the metros, mini-metros and Class 1 towns. Aptly christened the Micro-branding Campaign, it utilized the print media (newspapers), out-of-home media including hoardings, bus shelters, kiosks, wall paintings, taxis, autorickshaws; and the audio-visual medium including Cable TV and Cinema houses. Spread over 3 months, the campaign resulted in an increased brand salience and more importantly in generating enquiries and leads that were converted to sales. Enquiries increased by over 500% through this extensive campaign and bought home over 5000 enquiries.

### LMS: Lead Management System

The company has successfully deployed an upgraded version (2.5) of the Lead Management System. This new system has been developed in-house by the Marketing & IT function. The new version integrates the enquiry capture module with

the core loan processing module, thereby avoiding any data loss and providing an effective and intelligent lead management process. The new system has been deployed at the Call Center as well as the Branch Network with customized enquiry management processes and friendly user interface, depending on the place of operation. The system has been inbuilt with auto assigning, escalation and feedback systems. Through this the company aims to maintain better TATs and service delivery. The CRM at the Corporate Office team continually monitors this system to ensure no customer or enquirer is left unattended.

### Income From Alternate Channels:

A total of 65,741 enquiries were generated through the various alternate channels i.e. Online, SMS and Toll Free platforms. Total business that was generated was close to ₹ 68.12 crores, thereby contributing 2% of the retail disbursements for the year. Almost 65% of the cases that resulted in disbursement, emanated from the online business avenue. Approximately ₹ 1.55 crores worth of deposits was mobilized from these avenues.

### Growing the Network

Distribution plays a key role in making our products and services available across the country. During the year, your company added 9 branches and so today we have a strong presence at over 300 locations in India. This is over and above the international presence in the Middle East and the UK that caters to the needs of the NRI population in these markets.

### Festival Promotions

Through the year at the local level, various festival promotions and activities were undertaken, to foster new relationships with potential customers and strengthen existing ones with current customers.

## DHFL Accolades

Finally, the icing on the cake. Your company was adjudged a 'Power Brand', featuring among the Top 200 brands in the country. A veritable achievement that is the result of the sheer hard work and commitment of everyone involved with the company, over the years. Another feather in the cap was when DHFL was honored with the 'Newsmaker of the Year 2011' award by Realty Plus Magazine.

## Outlook

After achieving strong results in the FY 2010 -11, the Company has moved forward by capitalising on increasing demand for housing. Driven by increasing urbanisation, rising incomes and decreasing household sizes, the residential segment in India has been on an upswing over the past few years. In terms of value, the residential property market constitutes almost 75 per cent of the real estate market in India. The Working Committee of the 11th Plan (2007-12) has concluded that the total shortage of dwelling units at the beginning of Eleventh Plan Period i.e. 2007 was 24.7 million. Though home loan rates have increased by almost 200 basis points, the tax savings on interest payments and principal repayments per annum on mortgage loans shall have more impact and will be more attractive for the home seekers / purchases.

Conditions in the global as well as domestic economy are continuously changing. The management has been keeping a keen eye on the ongoing developments and taking appropriate measures to uphold the Company's positive growth. I believe, with the dynamic policy directives of the learned Board of Directors and high professional capability of the team of officials, we will be able to face any challenges ahead and achieve positive growth in the year to come.

The economic environment has changed and will continue to be much less buoyant during the course

of the year. We will exercise utmost discretion as we build DHFL and start focusing in improving customer service levels, and training our staff which are key to our long term future. While seeking growth in housing / mortgage business where we enjoy great potential and operational advantages in lower and middle income group, we will not give up any suitable chance to expand our business in other regions. DHFL is moving forward in courageous strides to pursue growth. I hereby pledge that, although the road to achieving such a growth target will be filled with barriers, the Company will continue to move forward on this journey of value creation and sustainable development. I hope to win your continuous support while achieving this goal.

I like to express my thanks to the respected shareholders, clients, depositors, stakeholders and well wishers for their continuous support and encouragement. I also wish to thank all officers and staff of the Company for their sincere and dedicated services.

I must express my deep gratitude to the Chairman & Managing Director and Directors of the Board for their valuable directives and suggestions to run the affairs of the Company at all times, thereby helping the management in steering the Company in the right direction.



**Anil Sachidanand**  
Chief Executive Officer

Place : Mumbai  
Dated : 13th May, 2011

## Board of Directors

**Kapil Wadhawan**  
Chairman & Managing Director

<b>Dheeraj Wadhawan</b>	Director	<b>Ajay Vazirani</b>	Director
<b>R. P. Khosla</b>	Director	<b>V. K. Chopra</b>	Director
<b>R. S. Hugar</b>	Director	<b>Dr. P. S. Pasricha</b>	Director
<b>G. P. Kohli</b>	Director	<b>Anthony Hambro</b>	Nominee Director

### Audit Committee

<b>R. S. Hugar</b>	Chairman
<b>G. P. Kohli</b>	Member
<b>V. K. Chopra</b>	Member

### Remuneration & Compensation Committee

<b>R. P. Khosla</b>	Chairman
<b>R. S. Hugar</b>	Member
<b>G. P. Kohli</b>	Member

### Investor Grievance Committee

<b>Kapil Wadhawan</b>	Chairman
<b>Ajay Vazirani</b>	Member

### Finance Committee

<b>Kapil Wadhawan</b>	Chairman
<b>Dheeraj Wadhawan</b>	Member
<b>G. P. Kohli</b>	Member

### Senior Executives

<b>Anil Sachidanand</b>	Chief Executive Officer
<b>Rajeev Sathe</b>	Chief Operating Officer
<b>J. N. Shah</b>	Sr. General Manager – Accounts & Taxation
<b>Prashant Chaturvedi</b>	General Manager – Finance & Resources
<b>Satish Kotian</b>	General Manager – I T
<b>Suma Krishna Kumar</b>	General Manager – H R
<b>Ramrathinam S</b>	General Manager – Credit
<b>Neeraj Saxena</b>	General Manager
<b>B. Ganesan</b>	General Manager - Audit & Inspection
<b>K. R. Pillai</b>	General Manager - Resources
<b>B. K. Singh</b>	Zonal Head – South West
<b>G. K. Mishra</b>	General Manager– Project Finance
<b>Vinayak Moholkar</b>	General Manager – Project Finance
<b>Rajendra Mirashie</b>	General Manager – Project Finance
<b>Madhusudan Parkhi</b>	General Manager – Legal (Project)

### Company Secretary

**S. Y. Sankhe**

Head-Corporate Secretarial & Company Secretary

### **Bankers**

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Allahabad Bank  
Axis Bank Ltd.  
Bank of Baroda  
Bank of India  
Bank of Maharashtra  
Canara Bank  
Central Bank of India  
Corporation Bank  
Dena Bank  
Federal Bank  
Indian Bank  
Indian Overseas Bank  
IDBI Bank Ltd.  
Oriental Bank of Commerce  
Punjab and Sindh Bank  
Punjab National Bank  
South Indian Bank Ltd.  
State Bank of India  
State Bank of Bikaner and Jaipur  
State Bank of Hyderabad  
State Bank of Mysore  
State Bank of Patiala  
State Bank of Travancore  
Syndicate Bank  
UCO Bank  
Union Bank of India  
United Bank of India  
YES Bank Ltd.

### **Financial Institutions/ Multilateral Agencies/ Other Lenders**

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Asian Development Bank  
General Insurance Corporation of India  
International Finance Corporation  
Life Insurance Corporation of India  
National Housing Bank  
National Insurance Company Ltd.

### **Auditors**

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**B. M. Chaturvedi & Co.**  
Chartered Accountants

### **Registrar & Transfer Agent (For Equity)**

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LINK INTIME India Pvt. Ltd.,  
C-13, Pannalal Silk Mills Compound,  
L B S Marg, Bhandup (West), Mumbai - 400 078.  
Tel No. 25963838 Fax. No. 2594 6969

### **Registrar & Transfer Agent (For Debentures)**

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System Support Services  
209, Shivani Industrial Estate, Andheri - Kurla Road,  
Sakinaka, Andheri (East), Mumbai 400 072  
Tel No. 28500835 Fax No. 28501438

### **Debenture Trustee**

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GDA Trustee & Consultancy Ltd.  
"Shri Niwas", 1202/29, Apte Road, Shivaji Nagar,  
Pune- 411 004  
Tel :- 020-25510401, Fax No. 022 - 25532570

### **Registered Office**

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Warden House, 2nd Floor,  
Sir P. M. Road, Fort, Mumbai - 400 001  
Tel No. 022-2202 9900  
Fax 022-2287 1985

### **Corporate Office**

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HDIL Tower, 6th Floor, Anant Kanekar Marg,  
Bandra (East), Mumbai - 400 051.  
Telephone: 022-2658 3333 (30 lines),  
Fax: 022-2658 3344  
e-mail : info@dhfl.com  
Website : [www.dhfl.com](http://www.dhfl.com)

## OPERATIONAL HIGHLIGHTS

(₹ In Crore)

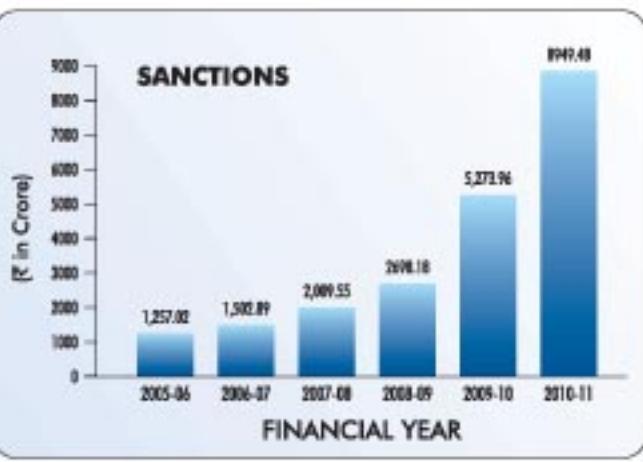
	2000 - 01	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11
Approvals	206.06	215.85	447.36	525.94	741.46	1,257.02	1,502.89	2,009.55	2,698.18	5,273.96	8,949.48
Disbursements	161.18	203.04	418.65	468.54	633.76	1,110.30	1,472.87	1,761.53	2,266.02	3,865.56	6,505.54
Cumulative Disbursements	1,033.95	1,236.99	1,655.64	2,124.18	2,757.94	3,868.24	5,341.11	7,102.64	9,368.66	13,234.22	19,739.76

## FINANCIAL HIGHLIGHTS

(₹ In Crore)

	2000 - 01	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008 - 09	2009 - 10	2010 - 11
Gross Revenues	103.06	115.42	130.31	146.89	163.82	226.80	332.29	523.42	693.60	992.55	1,451.24
Profit After Tax	16.37	17.07	19.62	22.40	27.10	41.71	48.40	82.58	91.76	150.69	265.13
Shareholders' Funds	111.19	115.58	119.91	131.70	189.59	270.66	365.27	445.07	513.54	873.44	1,548.43
Share Capital											
Equity	35.80	35.80	35.80	35.80	50.12	50.12	50.12	60.52	60.52	82.03	104.42
Preference	12.75	7.75	5.00	5.00	-	17.66	24.16	7.00	3.00	3.00	-
Others	-	-	-	-	-	2.50	2.50	-	56.00	-	-
Reserves and Surplus	62.65	72.03	79.11	90.90	139.48	200.37	288.49	377.55	394.02	788.41	1,444.01
Borrowings from NHB, Banks, Fls & Others	426.59	598.40	749.15	994.44	1,470.80	2,192.67	3,157.66	3,922.52	5,829.51	8,744.63	14,292.78
Deposits	138.80	147.06	144.23	123.02	95.77	76.93	57.05	46.90	46.87	182.16	557.29
Housing & Other Loan Outstanding	615.35	737.93	948.04	1,125.88	1,529.27	2,288.75	3,301.97	4,158.07	5,806.62	8,758.40	14,111.21
Dividend (%)											
Equity	15	15	15	25*	20	25	25	25	25	30	35
Book value per Share (Rs.) (Equity)	28	30	32	35	38	50	56	62	71	102.86	148.32
Earnings per Share (Rs.) (Basic)	4.41	4.41	5.31	6.12	7.05	8.32	9.22	14.43	15.15	19.78	26.43
										19.58	26.12

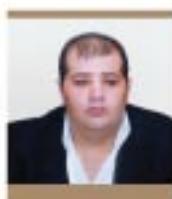
Note: \*Includes one time special 10% dividend to mark 20th Anniversary



## Profile of Directors



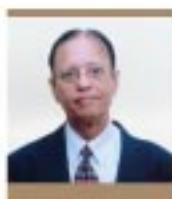
**Shri Kapil Wadhawan**, MBA from Edith Cowan University, Australia, Master in Finance. He joined the Company as a Director on 24th September 1996 and pursuant to the approval of the Central Government he was appointed as an Executive Director w.e.f. 25th November, 1997. He was elevated as Managing Director on 4th October, 2000 and was designated as 'Vice Chairman and Managing Director' on 25th January, 2007. He was further elevated as Chairman and Managing Director on 28th July, 2009. Under Shri Kapil Wadhawan's leadership, the Company commenced the transformation from a national player to a significant Global player, with the Company's presence in Dubai, London and Melbourne. This was followed by acquisition of housing finance division of ING Vysya Bank Ltd. Thereafter under his guidance the Company has successfully integrated technologies along with his extensive efforts in the business has resulted improvements of profitability and operations of the Company. He setup Aadhar Housing Finance Pvt Ltd in 2010 to address the housing needs of economically weaker sections of the society in specific markets. He also successfully negotiated the 100% equity acquisition of Deutsche Postbank Home Finance Ltd from BHW Holding AG, Germany in March, 2011. He has successfully steered to transform DHFL into one of the leading housing finance institutions in India. He has also played a significant role in shaping policy guidelines on matters relating to the mortgage finance industry. He has been speaker at seminars on the mortgage finance industry.



**Shri Dheeraj Wadhawan**, is also the Promoter and Shareholder of the Company. He is the son of late Shri Rajesh Kumar Wadhawan and brother of Shri Kapil Wadhawan, Chairman & Managing Director. He has graduated in construction management from the University of London. He has over 10 years of experience in the real estate / developers and construction industry. He joined on the Board as a Non-Executive Director on 12th May, 2008.



**Shri R. P. Khosla** (Retd. IAS) is the former Secretary to the Government of India and has held senior positions in various Government undertakings in the past. He is presently serving on the board of directors of various companies. He has been on the Board of the Company as an Independent Director since 17th March, 1993.



**Shri G. P. Kohli** is the former Managing Director of Life Insurance Corporation of India (LIC) and has vast experience in insurance, housing, human resource development, information technology and marketing, having worked in different positions in LIC. He has Master Degree in English literature MA. (Hons) and has acquired the Diploma in Labour Laws, Labour Welfare and Personnel Management. - LL.D. Shri Kohli is on the Board of the Company as an Independent Director since 23rd May, 2001.



**Shri R. S. Hugar** is the former Chairman & Managing Director of Corporation Bank and has vast experience in banking, finance, treasury operations and International transactions. He is presently serving on the board of directors of various companies. He has a Master Degree in Econometrics. He is also a Certified Associate from the Indian Institute of Bankers ("CAIIB"). He has been on the Board of the Company as an Independent Director since 31st July, 2002.



**Shri Anthony Hambro** is an Associate Director of Caledonia Investments Plc, U. K. having been involved with Caledonia Investments Plc since 2002. After a 17 years of banking career at Samuel Montagu and Grindlays Bank, in 1984 he set up his own corporate finance consultancy, Anthony Hambro & Co. From 1994 to 2002, he was an executive director of Ockham Holdings Plc., a listed insurance business. He is also non-executive director of India Investment Partners Ltd, Novae Group Plc., and JAMG Holdings SA & IAP Group Ltd. He joined on the Board as a Nominee Director of M/s Caledonia Investments Plc., U.K. w.e.f. 22nd October, 2007.



**Shri Ajay Vazirani**, is an Advocate and a Partner with a leading law firm, Hariani & Company, Mumbai. He has completed his graduation from Jai Hind College, Mumbai and thereafter completed his law graduation from The Government Law College, Mumbai. He has vast experience in real estate, corporate and commercial deals relating to private placement of equity, and venture capital funding. He handles matters relating to dispute resolution including court litigation and arbitration. He is on the Board of the Company as an Independent Director since 4th January, 2008.



**Shri V. K. Chopra** is a Fellow Member of the Institute of Chartered Accountants of India (FCA) by profession. Shri Chopra had a career in banking, having served in that sector for over 36 years in different capacities. He was Chairman & Managing Director of Corporation Bank and SIDBI and Executive Director of Oriental Bank of Commerce for a long tenure. His last assignment was with Securities Exchange Board of India (SEBI) as Whole Time Member for 2 years upto March, 2008. He joined the Board as an Independent Director on 12th May, 2008.



**Dr. P. S. Pasricha** is a Ph.D. in Traffic Management from Jamnalal Bajaj Institute of Management, Mumbai University. He joined Indian Police Service (Maharashtra Cadre) in 1970 and retired as the Chief Director General of Police in Maharashtra. Thereafter he was on deputation to the Government of India and remained as the Chief Coordinator for the Tercentenary Celebrations at Nanded – Maharashtra and also advisor to the Government of Goa on various traffic management matters. He is the recipient of the President's Police Medal for distinguished service and Indian Police Medal for meritorious service, both awarded by the President of India. He is widely acknowledged as the country's leading authority on traffic and transport management. He has varied experience in special organization like Traffic, Intelligence, CID (Crime) Anti Corruption Bureau and Training. He has also served as Commissioner of Police, Mumbai and Director General, State Anti Corruption Bureau. A man of letter Dr. Pasricha has penned noteworthy books that carry strong social safety messages such as "You Only Live Once". He joined the Board as an Independent Director on 3rd March, 2010.

# Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 27th Annual Report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2011.

## FINANCIAL RESULTS

The Financial performance of the Company for year ended March 31, 2011 is summarized below:-

	(₹ in Crore)	
	2010-2011	2009-2010
<b>Gross Income</b>	1,451.24	992.55
Less : Interest	964.55	669.84
Overheads	176.91	117.69
Depreciation	3.73	2.83
<b>Profit before Tax &amp; Exceptional Items</b>	<b>306.05</b>	<b>202.19</b>
Add : Exceptional Items	35.43	-
<b>Profit before Tax</b>	<b>341.48</b>	<b>202.19</b>
Less : Provision for taxation	76.35	51.50
<b>Profit after tax</b>	<b>265.13</b>	<b>150.69</b>
Add : Balance b/d from the previous year	30.35	24.74
<b>Surplus available for appropriations</b>	<b>295.48</b>	<b>175.43</b>
<b>Appropriations</b>		
Transferred to Special Reserve under		
Section 36(1)(viii) of the Income Tax Act, 1961	40.00	35.00
Transferred to General Reserve	100.00	75.00
Transfer to Contingency Reserve	35.00	-
Dividend on Preference Shares	00.02	00.03
Dividend for Earlier Year	6.59	5.34
Proposed Equity Dividend	36.57	24.61
Tax on proposed Dividends	7.34	5.09
Balance carried over to Balance Sheet	69.96	30.36
<b>Total</b>	<b>295.48</b>	<b>175.43</b>

## PERFORMANCE

Your Company registered a remarkable growth in its operations. The operating profit before charging depreciation and tax amounted to ₹ 309.78 crore as against ₹ 205.02 crore in the preceding year; representing a rise of 51.10%. Profit After Tax (PAT) went up by 75.94% to ₹ 265.13 crore from ₹ 150.69 crore in the previous year. The EPS improved to ₹ 26.43 as against ₹ 19.78 of the previous year.

The Company's core business is providing housing finance, and also carries on vertical businesses such as insurance and property services. These vertical businesses are operated through Company's subsidiary/associate companies which have strong synergies with the Company and offers customers a wide range of financial products and services under DHFL brand. Detailed review of the operations of each subsidiary companies are presented in the respective company's Directors' Report, a brief overview of the major developments thereof is also presented in the Management Discussion and Analysis, forming part of this Report.

### Lending Operations

The cumulative loans disbursement of the Company as at the end of financial year 2010-11 was ₹ 19739.76 crore as compared to ₹ 13234.22 crore in the previous year. The housing loans/other loan sanctioned during the year ended 31st March, 2011 were to the extent of ₹ 8,949.48 crore as against ₹ 5,273.96 crore sanctioned during the previous year.

### Disbursement

The loan disbursed during the year ended 31st March, 2011 was to the extent of ₹ 6,505.57 crore as against ₹ 3865.56 crore disbursed during the previous year.

## DIVIDEND

In view of the overall performance of the Company and the objective of rewarding shareholders, while retaining capital to maintain a healthy capital adequacy ratio to support future growth, the Board of Directors has recommended a higher dividend of

₹ 3.50 per share (35%) on 10,44,26,402 equity shares of ₹ 10 each for the financial year ended 31st March, 2011, subject to approval of the shareholders at the ensuing Annual General Meeting, as compared to dividend of ₹ 3.00 per share (30%) for the financial year ended 31st March, 2010. This dividend shall be subject to tax on dividend to be paid by the Company. The total outgo on account of dividend (including dividend distribution tax) will be ₹ 43.91 crore as against ₹ 29.70 crore in the previous year.

As required under the Listing Agreement of the Stock Exchange(s), your Company has paid dividend of ₹ 6.59 crore and ₹ 1.12 crore as tax on the distribution of dividend for the financial year 2009-10 to new shareholders after 31st March, 2010 on account of allotment of equity shares under QIP, Preferential issue and exercise of options under Employee Stock Option Scheme before the date of the book closure but prior to record date for the dividend payment.

Equity shares that may be allotted on allotment of equity shares under Employee Stock Option Scheme before the date of the book closure for payment of dividend which ranks pari passu with the existing shares will be entitled to receive the dividend for the financial year 2010-11.

## SHARE CAPITAL

During the year, the Company had focused on measure to improve its net worth.

Pursuant to the approval of the shareholders at the Extra-Ordinary General Meeting held on 18th May, 2010, for placement of equity shares to Qualified Institutional Buyers (QIBs) and preferential issue of equity shares to the Promoter Group Entities and M/s. Caledonia Investment Plc. Accordingly the Committee of the Board of Directors has issued and allotted aforesaid equity shares along with the equity shares under DHFL ESOS Scheme's as under:

### Qualified Institutional Placement :

During the year under review, your Company successfully completed issue of 1,68,69,095 equity shares of ₹ 10/- each, at a price of ₹ 222.30 per

equity share, including premium of ₹ 212.30 per equity share, aggregating to ₹ 375 crore to Qualified Institutional Buyers (QIBs) in terms of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations"), as amended. The QIP was opened for subscription to QIBs on Thursday, 27th May, 2010 and closed Friday, 28th May, 2010. The said QIP issue was overwhelmed by strong investor response and has been successfully subscribed. The said QIP was allotted on 2nd June, 2010. The BSE and the NSE had given trading permission for the equity shares issued to QIBs on 9th June, 2010.

#### **Equity Shares on Preferential Allotment Basis :**

To further strengthen the Company's financial position and to generate resources, inter alia, for investing in the businesses of the Company, on 12th June, 2010, your Company issued and allotted 40,00,000 and 10,00,000 equity shares respectively of ₹ 10/- each, at a price of ₹ 222.30 per equity share (including a premium of ₹ 212.30 per equity share), aggregating to ₹ 111.15 crore to Promoter Group Entities and M/s. Caledonia Investment Plc. respectively on a preferential basis in terms of the relevant Guidelines for Preferential Issues issued by the Securities and Exchange Board of India. The equity shares allotted to the Promoters Group Entities are locked-in for a period of three years and M/s. Caledonia Investment Plc for a period of one year from the date of allotment as per the SEBI guidelines.

#### **Employee Stock Option Scheme's:**

During the year under review, the Company allotted in tranches 5,30,763 equity shares of ₹ 10/- each upon exercise of stock options to the eligible employees of the Company under the Employee Stock Option Scheme – 2008 and 2009.

In view of above, the issued, subscribed and paid-up equity share capital of the Company increased from 8,20,26,544 equity shares of ₹ 10 each as on 31st March, 2010 to 10,44,26,402 equity shares of ₹ 10/- each as on 31st March, 2011.

Details of the shares issued and allotted under DHFL ESOS scheme's, as well as the disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure to this Report.

The Company has paid the listing fees payable to the BSE and the NSE for the financial year 2010-11.

#### **Redemption of Preference Shares:**

During the year 30,00,000, 1% Redeemable Non-Convertible Preference Shares of ₹ 10/- each at a premium of ₹ 90/- per share aggregating to ₹ 30 crore allotted to ICICI Bank Ltd, carrying divided at @ 1% per annum were redeemed by your Company on 9th December, 2010 @ ₹ 136 per preference share. The aforesaid preference shares were redeemed by utilizing share premium.

## **RESOURCE MOBILISATION**

The Indian economy however started showing revival during the latter half of the year. Due to Inflationary pressures, Reserve Bank of India had to tighten the monetary policy by increasing the key interest rates. The Company's average cost of borrowings for the year was 9.73% as against 8.55% in the previous year.

#### **Subordinated Debt:**

During the year, your Company raised ₹ 500 crore through the issue of long-term Unsecured Redeemable Non-Convertible Subordinated Debentures. The subordinated debt was assigned an 'AAA' by Brickworks and 'AA' rating by CARE.

As at 31st March, 2011, your Company's outstanding subordinated debt stood at ₹ 580 crore. The debt is subordinated to present and future senior indebtedness of your Company and has been assigned the highest rating by CARE and Brickworks. Based on the balance term to maturity, as at 31st March, 2011, ₹ 580 crore of the book value of subordinated debt is considered as Tier II under the guidelines issued by the National Housing Bank (NHB) for the purpose of capital adequacy computation.

### Non-Convertible Debentures (NCD) :

During the year, your Company issued NCDs amounting to ₹ 585.00 crore on a private placement basis. The Company's NCD issues have been listed on the Wholesale Debt Market segment of the NSE. The Company's NCDs have been assigned the rating of 'AA+' by CARE and BWR 'AAA' by Brickworks. As at 31st March, 2011, NCDs outstanding stood at ₹ 1190.67 crore.

### Commercial Paper:

The Commercial Paper (CP) programme of your Company has been rated by Credit Rating and Information Services of India Limited (CRISIL) and is assigned the highest rating of P1+ (P One Plus) having validity period of twelve months. During the year your Company issued CPs to the extent of ₹ 565 crore in two tranches and placed them with investors at the most competitive rates of interest. As at 31st March, 2011, commercial papers outstanding stood at ₹ 97.49 crore.

### Loans from Banks:

As part of its liability management, your Company endeavors to diversify its resource base in order to achieve an appropriate maturity structure and minimize the weighted average cost of borrowed funds. During the year under review, fresh term loans of ₹ 5,460 crore were availed from the commercial banks and financial institutions, taking the total term loan outstanding to ₹ 11,032.93 crore

### Refinance from National Housing Bank (NHB) :

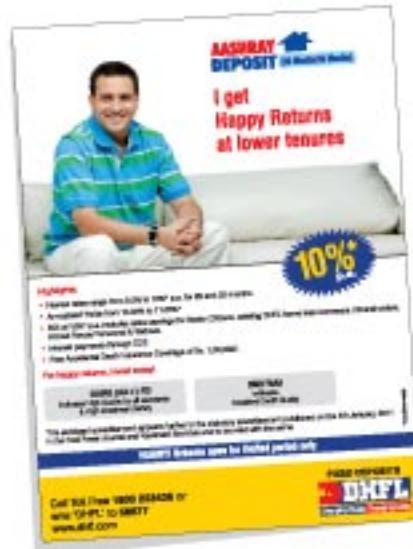
NHB has an internal rating mechanism for Housing Finance Companies (HFCs) and your Company has been assigned the highest rating for its refinance schemes by NHB. During the year, your Company has drawn refinance amounting to ₹ 100 crore under NHB's Refinance Scheme to Housing Finance Companies, 2003.

### Deposits:

Deposits continued to grow during the financial year under review despite strong competition from banks. DHFL deposit portfolio has reached ₹ 557 crore as on 31st March 2011 with the customer base of 44,000. The year on year the net inflow of Company's Fixed Deposit was ₹ 377 crore through 22,000 new accounts of which new Trust Deposit

was ₹ 200 crore through 1144 accounts. Your Company effected revision in interest rates on deposits during the year in line with market conditions.

Despite the 2nd half of the last financial turning quite unfavourable leading to repayment of ₹ 50 crore of deposits, thanks to focused efforts made by the Company with its agents, Company's deposit products continue to be a preferred investment for households and trusts., DHFL's deposit portfolio has grown from ₹ 182.15 Crore in 31st March, 2010 to ₹ 557 Crore as on the 31st March, 2011, expanding the deposit base from 21,000 in 31st March, 2010 to 44,000 in 31st March, 2011.



During the year Company initiated the growth strategy for mobilization of fixed deposit by introduction of ECS for periodical interest w.e.f 1st of April, 2010, which cover 95% of non cumulative depositor.

During the year under review your Company launched Aashray Deposit Plus, 20 Months and 30 Months Schemes, 365 Trust Deposit and 400 days Deposit Schemes.

CARE and Brickworks have, reaffirmed their CARE 'AA+' and BWR FAAA rating respectively for DHFL's deposits. This rating represents 'highest safety, attractive returns and impeccable service standards' as regards timely repayment of principal and interest.

### Unclaimed Deposits:

As of March 31, 2011, public deposits amounting to ₹ 3.67 crore had not been claimed by 697 depositors. Since then, 240 depositors have claimed or renewed deposits of ₹ 1.82 crore. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits.

### CREDIT RATING

Your Company has received a P1+ (pronounced as 'P one plus') credit rating from CRISIL for our short term debt (up to ₹ 1,500 crore) which indicates strong capacity for timely payment of our financial commitments. Your Company has also received ratings from CARE as CARE AA+ (FD) credit rating indicating 'high safety' and BWR FAAA credit rating indicating 'outlook stable' for our fixed deposits (up to ₹ 1,000 crore). With respect to our non-convertible debentures, we have received a CARE AA+ (FD) credit rating indicating 'high safety' (non-convertible debentures up to ₹ 1,190.67 crore, of which ₹ 585 crore was issued as at 31st March, 2011) and a BWR AAA indicating 'outlook stable' (non-convertible debentures up to ₹ 1,000 crore). Our Company has also received a CARE AA rating for our redeemable preference shares and for our subordinate debts.

### CAPITAL ADEQUACY

Your Company is presently required by the NHB to maintain a minimum capital adequacy of 12% on a stand-alone basis. In addition, the NHB also requires that our Company transfers 20% of its annual profits to a reserve fund. In line with international norms, the RBI has also reduced the risk weight on individual housing loans to 50% for banks. The following table sets out our stand-alone capital adequacy ratios as at March 31 2009, 2010 and 2011.

Particulars	As on 31st March		
	2011	2010	2009
Capital Adequacy Ratio (Stand-alone)	19.39%	17.26%	16.21%

Your Company's capital adequacy ratio has followed a general increasing trend during the three fiscal years ended 31st March, 2011. Your Company's stand-alone capital adequacy ratio was at 19.39% as on 31st March, 2011, which we believe provides an adequate cushion to withstand business risks and is above the minimum requirement of 12% stipulated by the NHB.

### NON-PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY

Your Company scrupulously adhered to the prudential guidelines for Non-Performing Assets (NPAs), issued by the National Housing Bank (NHB) under its Directions of 2010, as amended from time to time. As per the prudential norms prescribed by NHB, an asset is a non-performing asset (NPA) if the interest or principal installment is overdue for 90 days or more. HFCs have to set aside 2 per cent of the outstanding amount of teaser loans as provisions. For non-housing loans, the NHB has mandated provisioning of 0.2 per cent by 31st March and 0.4 per cent by 30th September depending on the ageing of such overdues. As per the prudential norms, the income on such NPAs is not to be recognised.

The Non Performing Assets (NPA) consisting of the principal loans outstanding where payments of EMI/PEMI were in arrears for 90 days or more amounted to ₹ 94.29 crore. As per the prudential norms prescribed by NHB, the Company is required to carry a contingency provision of ₹ 36.42 crore in respect of Non Performing Housing Loan, Non Housing Standard Assets and other loans. However, as a matter of prudence, over the years, your Company has been transferring additional amounts to provision for contingencies. Provision for contingencies has been further strengthened during the year by a transfer of ₹ 9.00 crore, taking the net total provision to ₹ 45.35 crore. Further the Company has created a contingency reserve of ₹ 35 crore as an additional provision. With these provisions, your Company has not only provided for the standard non-housing loan assets at the prescribed rate of 0.40% but also provided fully for NPAs of ₹ 94.29 crore. As a result, your

Company's net NPAs stood at 0.10% (0.73%) of the outstanding loans of ₹ 14,111.21 crore as at 31st March, 2011.

The Securitizations and Reconstructions of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI) has proved to be a useful recovery tool and the Company has been able to successfully initiate recovery action under this Act in the case of willful defaulters.

#### BRANCH EXPANSION & BUSINESS TIE-UP

Your Company has a strong marketing and distribution network, with a presence at 193 locations throughout India as on 31st March, 2011 including 100 branches and 67 service centers and 26 camp locations spread across the length and breadth of India. Additionally, your Company has international representative offices located in London and Dubai to cater to the needs of non-resident Indians. Your Company has entered into tie-ups with public sector banks ("PSBs") including Punjab & Sind Bank to penetrate the northern Indian region, United Bank of India to penetrate the eastern Indian region and Central Bank of India across pan India. DHFL's tie-ups with PSBs provide us with access to their customer database and extensive branch network. Our strong network



coverage is designed to provide increased penetration to cater to the evolving needs of our existing customer base and tapping a growing potential customer base throughout India.

#### INVESTMENTS

The Investment Committee constituted by the Board of Directors is responsible for approving investments in line with limits as set out by the board. The decisions to buy and sell upto the approved limit delegated by the board are taken by the Chairman & Managing Director, who is assisted by three Senior Executives. The investment function is carried out primarily to support the core business of housing finance to ensure adequate levels of liquidity and to maintain investment in approved securities in respect of public deposits raised as per the norms of NHB.

Considering the time lag between raising of resources and its deployment, the surplus funds are generally being parked with liquid fund schemes of mutual funds and short term deposits with banks. During the year, your Company earned ₹ 6.85 lacs by way of Income from Mutual funds and ₹ 7.81 crore by way of interest on deposits placed with banks. At the end of the year, your Company maintained ₹ 86.03 crore by way of short term deposits with banks.

As per NHB guidelines, HFCs are required to maintain Statutory Liquid Ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.50% of the public deposits. As at 31st March, 2011, your Company has invested ₹ 30.20 crore in approved securities comprising of government securities, government guaranteed bonds and NHB bonds. It is maintained within the limits prescribed by NHB.

#### Acquisition of Deutsche Postbank Home Finance Limited ("DPHFL"):

During the year, your Company along with Wadhawan Housing Private Limited, M/s. Caledonia Investment Plc, U.K and Amber 2010 Ltd., has acquired from BHW Holding AG, Germany 100% equity stake in Deutsche Postbank Home Finance Limited ("DPHFL"), a Housing Finance Company registered with the National Housing Bank. The business acquisition was made by entering into Share Sale Agreement for a consideration of ₹ 1079 crore.

Your Company acquired 67.56% equity stake in DPHFL which is eventually held through its a special purpose vehicle company i.e. DHFL Holdings Private Limited (a 100% subsidiary company) and the balance 32.44% has been acquired by other purchasers i.e. Wadhawan Housing Private Limited, Caledonia Investment Plc, U.K and Amber 2010 Ltd.

#### **INSURANCE OF PROPERTY**

Your Company has insured its various properties and facilities against the risk of fire, theft, etc., so that financials are not impacted in the unfortunate even of such incidents.

The employees of the Company are covered under the mediclaim facility against hospitalization.

#### **DIRECTORS' AND OFFICER LIABILITIES**

This policy intend to cover the Director's and officer of the company against the risk of third party actions arising out of their actions /directions which may have resulted in financial loss to any third party. The Company proposes to insure itself to mitigate such risk coming from any third party

#### **INSURANCE COVERAGE TO BORROWERS**

All the borrowers of the company were insured against accidental death, Property Insurance & Loss of Employment upto 3 EMI's by ICICI Lombard GIC.

Your Company has tied up with market leader, ICICI Prudential LIC for 'Home Assure' product for Mortgage Reducing Term Assurance, whereby the borrower gets insurance cover on his / her life to the extent of outstanding home loan amount as on the day of death. The primary objective is to ensure protection of the loan portfolio from default due to sudden demise of the borrowers.

Your Company insured close to 87% of the new home loan portfolio acquired in the year 2010-11. With consistent growth in retail Insurance business your company has taken a big leap in Retail Cross sell business this year with a growth of 305% over the last fiscal year. Over all insurance Fee income growth in FY 2010-11 was 137% over 2009-10.

#### **NHB GUIDELINES**

The Company has been following the various Circulars, Notifications and Guidelines issued by National Housing Bank (NHB) from time to time. The Circulars and the Notifications issued by NHB are also placed before the Board at regular intervals along with the compliance of the same.

During the year under review, NHB has conducted an inspection of the Company under Section 34 of the NHB Act, 1987 and Company has furnished the replies to the same.

#### **CODES AND STANDARDS**

The National Housing Bank has issued revised comprehensive Know Your Customer (KYC) Guidelines and Anti Money Laundering Standards in the context of recommendations made by the Financial Action Task Force on Anti Money Laundering Standards and on Combating Financing of Terrorism Standards. During the year, the Board reviewed and noted the amendments to the Company's KYC and Prevention of Money Laundering Policy as stipulated by NHB. Your Company has adhered to the compliance requirements in terms of the said policy for monitoring and reporting cash/suspicious transactions.

The Fair Practices Code framed by NHB seeks to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships between customers and the housing finance company and foster confidence in the housing finance system. During the year, your Company has adhered to the Fair Practices Code as approved by the Board of Directors.

#### **Code of Conduct:**

Your Company has adopted a revised Code of Conduct for its Board Members and Senior Management personnel. The code of conduct has also been posted on the official website of the

Company. A copy of the code of conduct has been circulated to the directors and senior Management. The Declaration by the Chairman & Managing Director of the Company regarding compliance with the Code of Conduct for Board Members and Senior Management is annexed with the Corporate Governance report.

#### Risk Management Framework:

Your Company has a Risk Management Framework, which provides the mechanism for risk assessment and mitigation. The ALCO Management Committee (AMC) comprises the Chairman & Managing Director, the Chief Executive Officer, Chief Operating Officer and members of senior management.

During the year, the AMC reviewed the risks associated with the business of your Company, its root causes and the efficacy of the measures taken to mitigate the same. Thereafter, the Board of Directors also reviewed the key risks associated with the business of your Company, the procedures adopted to assess the risks and their mitigation mechanisms.

#### BRANDING

We believe that the 'DHFL' brand is one of the most important intangible assets that we own. During this



fiscal year, the Company was, by the following bodies in recognition of Company's operation and conduct of business:

- Ranked as "POWER BRAND" amongst the top 200 brands in India by M/s Planman Marcom,



- Ranked at the best companies to work for in India in a survey conducted by great place to work Institute, India in association with the Economic Times of India.
- Greentech Foundation, India has chosen the Company for the prestigious Greentech HR Excellence Award.
- has been chosen as "The Newsmaker of the Year" by a leading real estate publication – Realty Plus.

We had over a million visits to our website on business and property related topics on our website [www.dhfl.com](http://www.dhfl.com) during the year. We continued to have leadership presence at premier housing finance industry and real estate property events.

#### CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility is a sustained activity wherein an organization and its employees take up social causes with a view to serve the society. The real work in CSR extends beyond the statutory obligations and sees organizations and its people voluntarily taking up programmes and initiatives to improve the quality of life of the local community and also the society at large.

Your Company in association with Mumbai Mobile Crèches participated in Standard Chartered Mumbai Marathon - 2010 on 16th January, 2011.



Your Company had taken initiatives to help support the cause of children of construction workers at the construction sites in Mumbai.

In line of agreement with Concern India Foundation (CIF), based in Mumbai, your Company continues to support for promoting activities linked to upliftment of members belonging to weaker



sections of society. Concern India Foundation is undertaking the activities linked to the following major issues:

- Education
- Community Development
- Health
- Environment

The financial support to Concern India Foundation will directly benefit the following important constituents of the society:

- Women
- Children
- Senior citizens

### Education Trust

Your Company also provides learning assistance to its employees who aspire to undertake higher education through its trust "Late Shri Rajesh Kumar Wadhawan DHFL Employees Welfare Trust". Besides education, the said Trust also support exigency family medical support, marriage support for deserving employees of DHFL across locations especially the staff in lower grades who runs out of cash in case of any exigencies and with such other objects of charitable nature.

### SECRETARIAL AUDIT

As directed by the Securities and Exchange Board of India (SEBI) Secretarial Audit is being carried out at the specified period, by practicing company secretary. As a measure of good corporate governance the Company had appointed M/s. Aabid & Co, practicing company secretaries to conduct Secretarial Audit of the Company. The Secretarial Audit Report for the Financial Year ended 31st March, 2011 is provided in this Annual Report.

### HUMAN RESOURCES

Improved performance and renewed commitment of the employees apart from improvement in various systems like Performance Management have triggered the consolidation, diversification and growth of your Company.

Your Company has covered considerable ground in establishing itself as a preferred employer in the Indian Housing Sector. During the year, your Company managed to attract talent from leading banks, multinational organizations and leading business schools.



A study conducted jointly by The Economic Times & 'Great Place to Work Institute' recognizing India's best companies to work for in 2010 rated your Company among the 100 Best Companies.

As a part of this re-positioning, your Company engaged the services of globally renowned firm - Price Waterhouse Cooper and IBM in reorienting and restructuring the HR systems and processes including Organization Diagnostics & Structuring, Performance Management System Design & Implementation. Thereby, your Company is realigning the compensation in line with the market, in phases and has also revamped the Performance Management System in accordance with the business imperatives.

Your Company has made an endeavour to constantly upgrade the knowledge and enhance the skill-set of the employees.

As part of the development initiatives, in-house functional and behavioral interventions were organized at regular intervals. Employees were nominated to leading institutes for Executive Development Programs and Seminars/Workshops conducted by various Chambers of Commerce to keep them abreast with the latest developments in the financial as well as other sectors.

The work force strength of your Company as on 31st March 2011 was 1,137. The total work force cost during the year has gone up by 57.31% from ₹ 39.05 crore to ₹ 61.43 crore. This is mainly due to the increase in work force to meet the requirements on account of significant expansion in terms of geography as well as in business volumes and the salary revisions effected during the year. Few additional positions are added for meeting business requirements and to give greater focus to functions like Credit Appraisal and Operations.

Your Company has entered into Deed of Trust with Life Insurance Corporation of India which covers the Company's employees under the group gratuity schemes with the Life Insurance Corporation of India ('LIC'). The schemes are defined benefit schemes and are funded in line with the LIC's actuarial valuation carried out at year end.

## PARTICULARS OF EMPLOYEES

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 annexure to the Directors' Report.

## DHFL EMPLOYEES STOCK OPTION SCHEME (ESOS)

Besides the existing DHFL Employees Stock Option Scheme 2008 and 2009, the Remuneration & Compensation Committee, during the year under review, considered and approved grant of 12,34,670 (out of 12,75,000) Stock Options available for grant, to the employees of the Company, at the pre-determined price under the DHFLESOS Scheme's – 2009 Plan II.

The Remuneration & Compensation Committee of the Board of Directors has also considered re-issue of 1,45,800 stock options out of 1,70,000 stock options, which were cancelled/lapsed without being exercised and available under ESOS–2008 Plan-I, to the employees, at the pre-determined price under the DHFLESOS Scheme's – 2008 Plan-I.

The particulars of options issued under the said Plan as required by SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are appended as Annexure and forms part of this report.

## INFORMATION TECHNOLOGY AND COMMUNICATIONS

Information Technology department has set up 'Central Integrated Information System (CIIS)' which is an umbrella providing solutions to almost all areas of activities of your Company.

During the year 2010-11, apart from upgrading the existing software applications with enhanced/added features to meet the current and emerging business needs, certain new application systems were implemented. The new systems developed and implemented include a system of on-line monitoring of loan assets. The Asset-liability system

was upgraded to facilitate auto-generation of gap report on daily basis for major assets and liabilities. System for projecting and analyzing future cash inflows and outflows under various financial, market and business scenarios has been developed which also facilitates gap analysis. IT infrastructure platform like VPN (Virtual Private Network), routers, switches and firewalls were upgraded to enhance the performance and security of the network. The e-mailing facility was upgraded with an efficient and improved solution. With an objective to strengthen and facilitate technological support in the organization, IT hardware and software infrastructure is being upgraded.

IT security mechanism was also strengthened to prevent virus attacks and unauthorized access. The initiative to create a paperless environment in the Company was further taken forward by using Document Management System, scanning and e-storing large volume of documents.

## SUBSIDIARY COMPANIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any members of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open to inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies. The same will also be hosted on our website, [www.dhfl.com](http://www.dhfl.com).

Your Company has 6 subsidiaries, namely, DHFL Vysya Housing Finance Limited, Deutsche Postbank Home Finance Limited, DPB Financial Consultants Limited, Aadhar Housing Finance Private Limited, DHFL Property Services Limited and DHFL Holdings Private Limited.

During the year under review your Company

subscribed equity shares in the subsidiary companies. The details are as given below :

- 21,60,10,000 equity shares of ₹ 10/- each at par in DHFL Holdings Private Ltd.
- 5,00,00,000 equity shares of ₹ 10/- each at par in Aadhar Housing Private Ltd.

Details of aforesaid subsidiaries companies are covered in Management Discussion and Analysis Report forming part of the Annual Report.

### Review of Subsidiary Companies:

**DHFL Vysya Housing Finance Ltd.** (DVHFL) is a housing finance company registered with NHB and has operations primarily in the States of Karnataka, Andhra Pradesh, Tamil Nadu and Maharashtra.

For the year ended March, 31, 2011, DVHFL has reported a profit after tax of ₹ 12.11 crore as compared to ₹ 8.55 crore in the previous year. The Board of Directors of the subsidiary company has declared an interim dividend of 15% and has recommended a final dividend of 10% making the total dividend to 25%.

**DHFL Property Services Limited** [DPSL] a wholly-owned subsidiary of the Company offers real estate/property services under one roof, as a value added services along with housing. It also provides Real Estate & Property Advisory Services to leverage wide database of customers and relationship with developers and builders.

The operations of the said company began during the financial year 2009-10. For the year ended March, 31, 2011, DPSL has reported a profit after tax of ₹ 0.32 crore as compared to ₹ 0.18 crore in the previous year.

**DHFL Holdings Private Limited** [DHPL] was incorporated on 3rd January, 2011 and is a wholly-owned subsidiary of the Company. The subsidiary manages investments in equity, acquire and hold shares, stocks, debentures, debenture stock, bonds mutual funds, real estate, fixed income and structured products.

**Aadhar Housing Finance Private Limited** - Your Company, along with its subsidiary DHFL Vysya Housing Finance Ltd., promoted and incorporated a new company "Aadhar Housing Finance Private Limited" [Aadhar Housing] as a Housing Finance Company registered with a National Housing Bank (NHB) with equity participation agreement between your Company, DHFL Vysya Housing Finance and International Finance Corporation – Washington in ratio of 50:30:20 respectively. Aadhar Housing commenced its operations on 8th February, 2011 in the State of Uttar Pradesh, in Lucknow and it further proposes to market retail housing loans for the low income segment of the Indian population in the states of Uttar Pradesh, Madhya Pradesh, Bihar, Chhattisgarh, Jharkhand and Orissa.

**Deutsche Postbank Home Finance Ltd.**  
Deutsche Postbank Home Finance Ltd. (DPHFL), was incorporated in India on 2nd March 1995, a National Housing Bank (NHB) registered housing finance company having its registered office in New Delhi & Corporate Office in Gurgaon. Deutsche Postbank Home Finance Limited has a network of 39 Branches and sales offices across India offices across India.

In terms of Share Sale Agreement DHFL acquired 67.56% equity stake in Deutsche Postbank Home Finance Limited (DPHFL) which is held through its 100% owned SPV and the balance 32.44% has been acquired by other purchasers i.e. Wadhawan Housing Private Limited, Caledonia Investment Plc, U.K and Amber 2010 Ltd.

## CONSOLIDATION OF ACCOUNTS

The audited Consolidated Accounts and Cash Flow Statement, comprising of DHFL and its subsidiary Companies namely DHFL Vysya Housing Finance Limited, Deutsche Postbank Home Finance Limited, DPB Financial Consultants Limited, Aadhar Housing Finance Private Limited, DHFL Property Services Limited and DHFL Holdings Private Limited are annexed to this Annual Report. The Auditors' Report on the Consolidated Accounts is also attached. The Consolidated Accounts have been prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The particulars regarding foreign exchange earnings and expenditure appear as Item No. B-41 in the 'Other Notes to Accounts'. (Schedule Q)

Since the Company is not engaged in any manufacturing facility, the other particulars relating to conservation of energy and technology absorption as 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 provisions of the Companies Act, 1956 read with the Clause 158 of the Articles of Association of the Company, Shri Ajay Vazirani and Shri V. K. Chopra, directors of your Company retire by rotation and being eligible; offer themselves for re-appointment at the ensuing Annual General Meeting. Necessary resolutions for the re-appointment of the aforesaid directors have been included in the notice convening the ensuing AGM.

Brief resume of the Directors proposed to be appointed / re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership / chairmanship of Board committees, as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report. All the directors of the Company have confirmed that they are not disqualified for being appointed/ reappointed as directors in term of Section 274(1)(g) of the Companies Act, 1956.

## AUDITORS

M/s. B.M. Chaturvedi & Co., Mumbai, Chartered Accountant [Firm Registration No.114317W], retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. M/s. B.M. Chaturvedi & Co., have sought reappointment and confirmed that their reappointment shall be within the limits of Section 224 (1B) of the Companies Act, 1956. The necessary eligibility certificate under Section 224(1B) of the Companies

Act, 1956, was received from them. M/s. B. M. Chaturvedi & Co. was earlier a proprietary concern and has been converted into partnership concern by including new partners. The Audit Committee and Board of Directors recommend the appointment of M/s. B.M. Chaturvedi & Co., Chartered Accountants, as the auditors of your Company.

### AUDITORS REPORT

The notes to the accounts referred to in Auditors Report are self-explanatory and therefore do not call for any further comments.

The Company has also internal audit system implemented by in-house department and supported by various independent Chartered Accountants firms appointed by Concurrent Auditors to carry out concurrent Audit of the branches.

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

### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors would like to inform that the audited accounts containing the Financial Statement for the year ended 31st March 2011 are in conformity with the requirements of the Companies Act, 1956 and they believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and results of operations. These Financial Statements are audited by the Statutory Auditors, M/s. B. M. Chaturvedi & Co., Chartered Accountants, Mumbai.

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 accounts, the applicable accounting standards have been followed;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of

affairs of the Company as at 31st March, 2011 and of the profit of the Company for year ended on date;

- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- (iv) they have prepared the annual accounts on a going concern basis.

### CORPORATE GOVERNANCE

Your Company has complied with all the provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company's shares are listed. Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the followings form part of this Annual Report :

- (i) Chairman & Managing Director's declaration regarding compliance of Code of Conduct by Board Members and Senior Management personnel;
- (ii) Management Discussion & Analysis
- (iii) Report on the Corporate Governance;
- (iv) Auditors' Certificate regarding compliance of conditions of Corporate Governance.

### Future Outlook

Housing / real estate sector which is slowly coming out of the mid 2008 slump, has received good support from Union Budget 2011- 2012. While the budget has encouraged housing sector finance as given below:

- Existing scheme of interest subvention of 1 per cent on housing loan further liberalized.
- Existing housing loan limit enhanced to ₹ 25 lakh of dwelling units under priority sector lending.
- Provision under Rural Housing Fund enhanced to ₹ 5,000 crore.

With the recent recovery in the demand for housing and real estate sectors, activities in the housing, real estate sectors and infrastructure sectors are expected to remain healthy in the coming quarters. This will lead to a rise in credit demand for housing.

The liquidity conditions of your Company have remained comfortable during the year, so far. Your Company has successfully raised funds from bank as well as non bank sources. Your Company does not expect any pressure on the liquidity front in the months to come either. This is because liquidity conditions in the banking system will continue to remain comfortable. A healthy demand for credit for home loan seeks coupled with comfortable liquidity conditions will lead to a rise in disbursement.

#### **ACKNOWLEDGMENTS**

Your Directors wish to place on record their gratitude to the NHB, the Company's Customers, Bankers, Shareholders, Debenture holders, Depositors and others for their assistance and

co-operation and who have helped the Company in its endeavour. The Board also places on record its deep appreciation for the excellent support received from the employees at all levels during the year. The Directors also like to thank The Stock Exchange, Mumbai, the National Stock Exchange, NSDL, CDSL and the Credit Rating Agencies for their co-operation.

for and on behalf of the Board

**Kapil Wadhawan**  
Chairman & Managing Director

Dated : 13th May, 2011

Place : Mumbai

#### **Annexure to the Directors' Report**

Information under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 and forming part of the director's report for the year ended 31st March, 2011.

Sr. No	Name, Age and Designation	Date of appointment and qualification	Gross Remuneration (₹ in lacs)	Experience in the Company	Previous Company and total Experience (years)	No. of Shares held in the Company
1.	Shri Kapil Wadhawan (37 Years) Chairman & Managing Director	24/09/1996 B.Com, M.B.A	156.54	15 years	NIL	99,36,087
2.	Shri Anil Sachidanand (43 Years) Chief Executive Officer	21/08/2008 B.Com, I.C.W.A.I., M.B.A (Marketing)	110.92	2 Years & 7 Months	Adventity BPO India Pvt. Ltd. (18 Years)	18,228
3.	Shri Rajeev Sathe (57 Years) Chief Operating Officer	05/02/2007 B.E., P.G.D.M	42.42	4 Years & 2 Months	State Bank of India (31 Years)	12,172

#### **Notes:**

1. No employees are related to any of the Directors of the Company except Shri Dheeraj Wadhawan, Director who is related to Shri Kapil Wadhawan.
2. Remuneration includes all allowance, reimbursement of medical and leave travel expense, commission, Company's contribution to provident fund, etc.
3. The nature of employment of Shri Kapil Wadhawan is contractual and Shri Anil Sachidanand and Shri Rajeev Sathe are permanent employees of the Company.

### Annexure to the Directors' Report:

Disclosure pursuant to the provisions of Securities and Exchange Board of India, (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.

		ESOS 2008	ESOS 2009
(a)	Options granted during the year	Nil	73,470
(b)	Pricing Formula	₹ 53.65	₹ 141.00
(c)	Options vested upto 31st March 2011	5,76,870	3,82,500
(d)	Options exercised during the year	2,91,930	2,38,833
(e)	Total number of shares arising as a result of exercise of options	2,91,930	2,38,833
(f)	Options lapsed during the year	1,84,222	92,270
(g)	Variation of terms options during the year	Nil	Nil
(h)	Money realized by exercise of options	₹ 1,56,62,045	₹ 3,36,75,453
(i)	Total number of options in force as at 31st March 2011	6,94,640	9,85,117
(j)	Employee wise details of options granted during the year to		
1	Senior Management personnel	Nil	Given below
2	Employees to whom more than 5% options granted during the year	Nil	Given below
3	Employees to whom options more than 1% of issued capital granted during the year	Nil	Nil
(k)	Diluted EPS, pursuant to issue of shares on exercise of options	₹ 25.87	
(l)			
1	Method of calculation of employee compensation cost	Calculation is based on Intrinsic Value method	
2	Intrinsic Value per share	Nil	₹ 43.95
3	Difference between the above and employee compensation cost that shall have been recognized if it had used the fair value of the options	Employee compensation cost would have been higher by ₹ 2.86 crore had the Company used fair value method for accounting the options issued under ESOS	
4	Impact of this difference on Profits and on EPS of the Company	Profits would have been lower by ₹ 2.86 crore and EPS would have been lower by ₹ 0.03, had the Company used fair value method of accounting the options issued under ESOS	
(m)			
1	Weighted average exercise price	₹ 53.65	₹ 141.00
2	Weighted average fair value of options based on Black Scholes methodology	₹ 70.78	₹ 87.15
(n)	Significant assumptions used to estimate fair value of options including weighted average		
1	Risk free interest rate	8.44%	7.11%
2	Time to Maturity	10 years	6 years
3	Annual volatility	31.66%	28.38%
4	Expected dividends	2.18%	1.35%
5	Closing market price of share on a date prior to date of grant	₹ 53.65	₹ 184.95

**Options granted during the year to Senior personnel under the DHFL ESOS Scheme 2009 - Plan -II**

Sr. No.	Name	No of Options
1	Mr J N Shah, Sr. General Manager - Accounts & Taxations	47,470
2	Mr Somesh D Dixit, Zonal Head North and East	10,000
3	Mr B K Singh, National Sales Manager	6,000
4	Mr Ashish Gupta, AGM - Strategic Initiatives	5,000
	<b>Total</b>	<b>68,470</b>

**Options granted during the year to the Director of the Company under the DHFL ESOS Scheme 2009 - Plan -II**

Sr. No.	Name	No of Options
1	Mr P S Pasricha, Director	5,000
	<b>Total</b>	<b>73,470</b>

# Management Discussion and Analysis

## PREFACE

DHFL was promoted by Late Shri Dewan Kuldeep Singh Wadhawan and Late Shri Rajesh Kumar Wadhawan. The prime objective of the Company is financing needs of the middle and lower income segments by providing adequate financial resources to fulfill their housing requirements. DHFL has emerged as one of the largest private sector HFC's in India. DHFL has, since inception, focused only on housing finance business to Lower & Middle Income Segment. Its loan portfolio has since grown to ₹ 14,111.21 crore on 31st March, 2011. It has also promoted companies in the areas of property and insurance services. These businesses are complimentary to the business carried out by DHFL.

DHFL is managed by the Board of Directors comprising of distinguished and eminent professionals from various fields of Finance, Banking, Taxation, Construction, Administration, Urban policy and development. M/s. Caledonia Investment Plc., U.K is one of the largest stakeholders in the equity of the Company and has its nominee director on the Company's Board.

As part of DHFL's growth strategy to boost the Company's pan-India presence, your Company and the Promoters have together acquired the following companies:

- (a) During the year 2003, 91.22% equity stake was acquired in Vysya Bank Housing Finance Limited, (now known as DHFL Vysya Housing Finance Limited) a housing finance Company registered with the NHB having operations in the States of Karnataka, Andhra Pradesh, Tamil Nadu and Maharashtra.
- (b) During the year 2011, the Company acquired 67.56% equity stake in Deutsche Postbank Home

Finance Limited (DPHFL) which is eventually held through Company's SPV, a 100% wholly owned subsidiary company and the balance 32.44% has been acquired by Wadhawan Housing Private Limited, Caledonia Investment Plc, U.K and Amber 2010 Ltd.

DHFL has received a P1 + credit rating from CRISIL for short term debt (up to ₹ 1,500 crore) which indicates strong capacity for timely payment of financial commitments. DHFL has also received CARE AA+ (FD) credit rating indicating 'high safety' and a BWR FAAA credit rating indicating 'outlook stable' for fixed deposits (up to ₹ 200 crore). DHFL has non-convertible debentures up to ₹ 1,190.66 crore, (of which ₹ 585 crore was issued as at 31st March, 2011). Additionally, DHFL has received a CARE AA rating for redeemable preference shares and for subordinated debts.

DHFL entered into agreement with Punjab & Sind Bank, United Bank of India and Central Bank of India, leading public sector banks, to provide home loans to customers through Joint Initiatives and has also entered into Memorandum of Understanding with Yes Bank Ltd., a private sector bank for similar arrangement of joint initiative for marketing DHFL's home loan products.

DHFL has setup up its representative offices in London and Dubai to serve the increasing NRI population in these regions. It also plans to open representative office at Melbourne, in Australia. It has also tied-up with UAE Exchange to offer its home loan products through the various UAE Exchange centers in the Gulf Co-operation Council (GCC) countries.

## OVERVIEW OF THE INDIAN ECONOMY

India, the world's largest democracy with an estimated population of 1.21 billion, had a GDP on a purchasing power parity basis of an estimated US \$3.561 trillion in 2010. This made the Indian economy the fourth largest in the world after the United States, China and Japan.

The liquidity conditions had started to tighten by mid-2010 reflecting the normalization of monetary policy and large increase in Government's surplus balance

with the Reserve Bank. While sustained deficit liquidity conditions were consistent with the anti-inflationary monetary policy stance of the Reserve Bank during the year, the magnitude of the deficit widened significantly in the terminal months of 2010 to the point of posing concerns for growth. The severe tightness in liquidity was caused by both frictional factors associated with unusually large surplus balances of the Government and structural factors as reflected in stronger credit growth relative to deposit growth as well as higher demand for currency. The Reserve Bank introduced a number of measures with the aim of limiting the scale of the deficit, which remained consistent with its anti-inflationary policy stance. The magnitude of liquidity deficit has moderated in recent weeks.

The Indian economy expanded very strongly in early 2010. The agricultural sector enjoyed a sharp rebound, following a return of normal rainfall patterns, while recovery in non-agricultural sectors continued to strengthen.

As fiscal stimulus continues to be withdrawn, a pick-up in consumption spending aided by a recovery in farm incomes and robust business investment are expected to be the mainstays of growth. The overall Indian economy is projected to grow over 8.2% in fiscal 2011-12 and 8.5% in fiscal 2012-13. (Source: The Organisation for Economic Cooperation and Development, Economic Outlook)

#### Housing Industry Outlook

India continues to be one of the fastest growing real estate markets in the world. It is not only attracting domestic real estate developers but also foreign investors; particularly, NRI investments in India have a bulk of their share in the Indian housing market. The housing construction industry is poised for double-digit growth in the backdrop of large population base, rising income level and rapid urbanization.

Presently, the affordable housing is basically targeting at economically weaker class and low income groups and constitutes majority of the Indian housing industry, both in terms of value and volume. However, medium housing segment is also witnessing tremendous growth, especially in Tier-1 and Tier-2 cities. Besides, luxury housing is also expected to witness significant growth in coming years as this

market segment is comparatively very small and has huge potential for further developments. As far as super luxury housing segment is concerned, latest industry trends and developments are skewed towards segment. MNCs have again began hiring expatriate employees who are provided with the luxury housing benefits. Additionally, high net worth NRIs are also propelling demand for luxury housing in the country. Both these factors are expected to sustain the growth of luxury housing segment in long run.

Further, the Indian housing market is facing an acute demand-supply mismatch with housing shortage expected to rise to 26.53 million units by 2012 from the current shortage of 24.7 million units. It is estimated that most of this shortage pertains to the economically weaker sections and low-income groups.

Home loans to Gross Domestic Product (GDP) Ratio in India is 7.25% as against 50% in developed countries like United States and United Kingdom. This indicates a huge growth potential for the housing sector and in turn presents a fantastic growth opportunity for the housing finance industry.

The threat to stand-alone housing finance companies comes from commercial banks, which have an established vast network and access to funds at a comparatively cheaper cost and are continuing to be active players in this segment. However, there is ample scope for expansion, based on novel marketing initiatives, professional expertise and customer friendly approach.

Going forward, the asset quality indicators of HFCs could deteriorate marginally from the current levels, given the shift in the portfolio mix of some HFCs to relatively riskier products such as LAP and builder loans, and the tilt in customer profile towards the self-employed segment (based on assessed income). Considering the current improvement in the operating environment, reduction in interest rates and signs of stability in property prices, pressure on asset quality in the existing portfolios of HFCs could ease.

Moreover, the solvency indicators of most of the HFCs are also comfortable as most of them follow aggressive provisioning policies. Considering the

adequate interest spreads, it is expected the HFCs will be able to maintain a comfortable solvency profile over medium term.

### Business of the Company and its Products & Services

#### Business Strategy

Your Company is systematically implementing the following business strategy to expand the Company's business which is described below:

#### Maintain strong asset quality through disciplined risk management

Your Company has maintained high quality loan and investment portfolios through careful targeting of the Company's customer base, a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. The ratio of net non-performing assets to customer assets stood at 0.10% as against 0.73% as of 31st March, 2010. The Company believes to maintain strong asset quality appropriate to the loan portfolio composition, while achieving growth.

#### Focus on high earnings growth coupled with low volatility

The Company's profit after tax grew by 75.9% YoY for the financial year ended 31st March 2011. The Company intends to maintain its focus on steady earnings growth through conservative risk management techniques and low cost funding. In addition, your Company aims not to rely heavily on revenue derived from trading so as to limit earnings volatility.

#### Strengthening the Brand

Being one of the foremost HFC's in India, DHFL enjoys considerable brand loyalty within its target market with over 2,39,945 serviced customers as of 31st March, 2011. DHFL has a strong word-of-mouth presence in its target segments. Your Company plans to boost its market share by continuing to focus on its competitive strengths, expanding its service network, and exploiting cross selling opportunities to boost the Company's business.

#### Expanding network and connectivity

DHFL plans to expand its operations across India in a phased manner in order to increase its share of the housing finance business by tapping underserved segments of the Indian economy. DHFL's management believes that this would result in optimum utilization of the skills that DHFL has attained by operating in a niche segment for over two decades. The Company believes that it will be able to staff the organization with individuals capable of driving this growth by enabling them with greater delegation of authority and de-centralizing the Company's decision making processes.

DHFL is expanding its pan-India presence by setting up new offices across regions where the Company has been hitherto not present including Northern, Eastern and North Eastern India. The Company is bolstering its presence in hitherto untapped locations via tie-ups with Public Sector banks which provides the Company with infrastructure and a readily available client portfolio.

To support its growth, DHFL has an integrated branch network which has resulted in optimization of the Company's operational costs and has improved its delivery mechanism. The Company has linked all branch offices to a central database which helps in periodic assessment of the Company's portfolio and provides specific advantages in terms of efficiency and cost savings.

#### Tapping new Segments

DHFL has successfully exploited niche segments. However, your Company perceives huge potential amongst the non-salaried class including small entrepreneurs, traders etc. These are largely not within the radar of Banks and HFCs due to irregular income flows. Your Company has entrusted its subsidiary DHFL Vysya Housing with the responsibility to evolve techniques to measure credit for this segment as well as run a pilot funding programme to evaluate behavioral trends and credit performance in such segments. DHFL expects that it will be able to exploit latent opportunities in this segment to its advantage.

DHFL is a niche housing finance company with a focus on providing finance products for the

underserved majority, primarily through home loans made to the LMI segments in India. DHFL provides secured finance for the purchase, construction, improvement and extension of homes, flats, commercial properties and undeveloped land.

#### **Home Loan Products**

DHFL has a diverse offering of home-related loans which it offers to a variety of customers depending on demand and needs. Generally speaking, DHFL determines the actual loan amount for each loan by taking into account various factors including repayment capacity, age, educational qualifications, stability and continuity of income, number of dependents, co-applicant's income, assets, liabilities and historical savings habits. Loans are generally repaid in equated monthly installments ("EMIs"). The size of the EMI depends on the quantum of loan, interest rate and tenure of loan.

DHFL also offers a regressive payment scheme for home loan seekers who are due for retirement within the term of the loan and have applied jointly with an eligible younger co-applicant. Prepayment of the loan, ahead of the contracted schedule in part or full, is permitted subject to payment of nominal fees and charges as stipulated by DHFL from time to time. DHFL loans vary in tenure, though most loans are not extended beyond the borrower's retirement age or 60 years. DHFL retail prime lending rate as at 31st March, 2011 was 17%.

As security for DHFL home loans, the Company ensures that the borrowers grant DHFL a first priority charge over the property and deposit the title deed of the property with DHFL. In certain instances, DHFL also require borrowers to obtain a guarantee from a person of good financial standing.

DHFL offers the following home loans:

- **Home purchase/construction loans-**

DHFL home loans are offered to individuals and various agencies for the purchase or construction of a home. Home loan customers may avail loans up to ₹ 500 lakh, but not exceeding 80% of the cost of the property. The tenure of the loan ranges from five to twenty years.

- **Home Plot Loans-**

DHFL Plot Loans can be availed by individuals, whether salaried or self employed, to purchase Residential Plot land situated within Municipal / Local Development Authority limits. The loan seekers can avail these loans upto ₹ 1,00,00,000/- but not exceeding 85% of the cost of the plot. The tenure of the loan ranges from 1 to 20 years. The term however does not extend beyond the retirement age or 60 years whichever is earlier (65 years for self employed individuals).

- **Home improvement loans-**

Home improvement loans are offered to individuals for home renovation. Customers can avail these loans up to ₹ 50 lakh, but not exceeding 85% of the cost of the improvement. The tenure of these loans ranges from five to ten years.

- **Home extension loans-**

Home extension loans are offered to individuals who wish to extend their existing accommodations, for example by adding a bedroom, enclosing an open balcony or building an extra room on the terrace. Customers can avail these loans up to ₹ 100 lakh, but not exceeding 80% of the cost of the extension. The tenure of these loans ranges from five to twenty years.

- **NRI home loans-**

NRI Home Loans are offered to Non Resident Indians (NRIs) for buying residential properties in India. These loans can be availed for purchase, construction, improvement and extension of properties as well. NRIs can avail these loans up to ₹ 100 lakh, but not exceeding the 85% of the cost of property / estimate (for improvement / extension). The tenure of these loans ranges from one to ten years.

#### **Non-Housing Loan Products**

In addition to home loans, DHFL offers other "non-housing loan" products including the following:

- **Mortgage loans-**

DHFL mortgage loans can be availed by professionally qualified individuals who are salaried or self employed, against the mortgage of

their residential property. The loan seekers can avail these loans up to ₹ 100 lakh. The tenure of these loans ranges from one to seven years.

- **Lease rental financing-**

DHFL enters into arrangements for discounting of cash flow/lease rentals from the lessee to be received by a renowned corporate (lessor) from leasing of commercial as well as residential properties held by it. This has helped the Company to broaden its customer base and penetrate into the corporate market.

- **Project loans-**

Project loans are offered to companies, partnerships and other firms to finance the construction of homes, apartments and housing complexes for sale. Customers can avail these loans up to amounts determined on the basis of the maximum shortfall in cash flow for a project until completion. The loans are disbursed in suitable installments benchmarked against a schedule of construction progress. The tenure of these loans ranges from five to seven years with a suitable moratorium period for the implementation of the project. The primary security received for the loans is a registered or equitable mortgage on the project land or building. DHFL also obtains personal guarantees from the promoters, partners or directors of the borrower. Other collaterals for the loan can include a mortgage of other land or buildings or a pledge of shares by the developer.

### **Value Added Services**

DHFL also operates in three fee-based verticals which complement our core business. By cross-selling various products including insurance, property services and technical services to its customers, DHFL retains its present customer base and generate additional fee-based income resulting in higher returns. The three main value added services that DHFL offer are as follows:

- **Insurance Sales-**

DHFL sells Mortgage Reducing Term Assurance, single premium products such as "Home Assure" from ICICI Prudential Life Insurance Company. Also home loan linked product from ICICI Lombard General Insurance Company is also

offered as "Home Safe Plus". These products are Home Loan Linked Insurance to its loan borrowers. In the event of an unfortunate death of the borrower, the insurance policy will cover the amount of the outstanding loan and will pay the same to DHFL. It safeguards DHFL's Loan portfolio. DHFL also sells retail insurance products to its customers. DHFL earns revenue on the insurance sales pursuant to the terms of the agreements with the insurance companies.

- **Property services-**

DHFL provides property marketing and sales services to individual consumers as well as developers, primarily in Tier II and Tier III cities. For individual consumers, who are looking to buy units, find housing units from developers, to whom DHFL provides marketing services. For developers, DHFL's services generally include joint marketing arrangements with developers of housing units, pursuant to which DHFL receives the exclusive right to market its loan products in conjunction with the sale of such housing units. DHFL also assist developers to find pre-screened buyers who are eligible for financing to buy suitable units. Generally speaking, DHFL earns a fixed fee on the property services the Company provides and receives commission, based on the sales price of property sold to purchasers introduced by DHFL.

- **Technical services-**

DHFL employs trained civil engineers who provide technical services to individual consumers as well as developers, primarily in Tier II and Tier III cities. With respect to individual consumers, DHFL provide estimates and architectural plans for the construction of homes. With respect to developers, DHFL provides project management and execution advisory services. Generally speaking, DHFL earn a fixed charge on the technical services we provide.

### **Focused marketing strategy**

DHFL target the underserved LMI segment of the Indian population. While banks and other HFCs tend to focus on high value customers, primarily in Tier I cities, whose credit quality is relatively easier to assess. We have developed robust credit appraisal mechanism to target customers of lower ticket sizes in

Tier II and Tier III cities of India including private salaried persons, public servants, entrepreneurs, traders and other professionals.

DHFL believes that this segment presents significant potential going forward as the GoI turns its focus towards inclusive growth to broad base the effects of economic prosperity. DHFL's primary competitors are HFCs, co-operative banks, local moneylenders, public sector banks, private banks (including foreign banks), regional rural banks and NBFCs. DHFL believes that consistent relationships with its customers, DHFL's knowledge of the real estate needs of the LMI segment, continued expansion of DHFL's branch network through captive set-ups and tie-ups with regionally strong public sector banks coupled with DHFL's proactive approach in providing flexible loan products and speedy service will enable DHFL to remain competitive.

As of 31st March, 2011, nearly 94% of our total outstanding assets comprised of housing loans. DHFL's focus in the housing loan area helps to consolidate industry expertise and increase brand awareness in our target markets, which we can leverage through our marketing network.

#### **Network coverage**

DHFL has a strong marketing and distribution network, with a presence at 193 locations throughout India as on 31st March, 2011, including 100 branches and 67 service centers and 26 camp locations spread across India. Additionally, we have international representative offices located in London and Dubai to cater to the needs of non-resident Indians. We have entered into tie-ups with public sector banks ("PSBs") including Punjab & Sind Bank to penetrate the northern Indian region, United Bank of India to penetrate the eastern Indian region and Central Bank of India to penetrate across pan India. Our tie-ups with PSBs provide us with access to their customer database and extensive branch network and provide our PSB partners with the option to participate in our loan syndication program. Our strong network coverage is designed to provide increased penetration to cater to the evolving needs of our existing customer base and tapping a growing potential customer base throughout India.

#### **Future Outlook of the Company**

With real estate sector on revival path the housing finance disbursements are expected to rise as affordability levels increase from financial year 2011-12 due to improving income growth. Thus growth over next 5 years would mainly be driven by change in the income levels, changing socio-demographic factors as well as the underlying asset price movements. Increase in income levels over the next five years will increase the population eligible for home loans, thus increasing the volumes in housing finance market. Expected positive growth in the property prices post 2010-11 might also increase the Average Ticket Size over the next five years. With changing socio-demographic factors like nuclearization, urbanisation and shifting population in the lower age bracket would still drive the underlying asset demand and growth in the housing finance market.

Housing being one of the low risk asset classes, for financiers, it would continue to be the major contributor to their retail lending portfolio. Moreover, a higher proportion of floating rate loans, which helps financiers manage interest rate risk, would give a boost to disbursements.

DHFL expects loan growth in 2011-2012 of over 30% while the Company is focusing on Tier-II and Tier III locations where housing demand is still strong.

An incremental growth rate of housing loan disbursement of about 68.3% and housing loan portfolio of about 61.1% has been achieved for the year 2010-11. Hence, the year 2011-12 will be a more challenging year. When the interest component is more, the purchasing power is reduced. However, taking into consideration the concessions allowed in the income tax, the net interest burden will be still within affordable limits and as a result the demand will continue, and the incremental growth rate of around 30% to 35% will be maintained.

## HIGHLIGHTS

- Your Company is relying more on floating rate borrowing and lending, which will help the Company to protect margins in a volatile interest rate scenario and ensure stable growth in profitability in the future.
- Your Company witnessed decline in both gross and net NPA levels. The net NPA fell from 0.73% in FY 2009-2010 to 0.10% in FY 2010-2011. NPA levels are expected to fall further because the Company has adopted stringent credit appraisal method and better recovery process
- Your Company has been steadily growing its loan book with loan sanctions and disbursal growing at a CAGR of 30% and 20% respectively in the last two financial years.

## FINANCIAL HIGHLIGHTS

Brief financials of the Company for the past three years are as follows:

(₹ in crore)

Particulars as on March 31st	2011	2010	2009
<b>Sources of funds:</b>			
<b>Shareholders Fund</b>			
Share Capital	104.43	85.03	63.52
Reserves	1,444.00	788.41	450.02
<b>Total Shareholders funds</b>	<b>1548.43</b>	<b>873.44</b>	<b>513.54</b>
<b>Total Loan funds</b>	14850.07	8926.79	5876.38
<b>Differed Tax Liability / (Assets)</b>	15.85	4.15	4.59
<b>Total Liabilities</b>	<b>16414.35</b>	<b>9804.38</b>	<b>6394.51</b>
<b>Application of funds:</b>			
<b>Fixed Assets:</b>			
Gross Block	236.73	228.08	59.80
Less: Depreciation	14.49	11.59	9.96
Net block	222.24	216.49	49.84
<b>Housing &amp; Other loans</b>	14111.21	8758.40	5806.62
<b>Investments</b>	870.67	131.37	108.51
<b>Current Assets, Loans &amp; Advances</b>			
Cash & Bank	1161.74	730.29	465.45
Loans & Advances	300.00	102.38	76.88
Others	7.88	4.53	4.05
<b>Total Current Assets</b>	<b>1469.63</b>	<b>837.21</b>	<b>546.38</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	178.08	80.22	74.24
Provisions	81.32	58.87	42.60
<b>Total Current Liabilities</b>	<b>259.40</b>	<b>139.09</b>	<b>116.84</b>
<b>Net Current Assets</b>	<b>1210.23</b>	<b>698.12</b>	<b>429.54</b>
<b>Total Assets</b>	<b>16414.35</b>	<b>9804.38</b>	<b>6394.51</b>

**Income Statement**

(₹ in crore)

<b>Particulars as on 31st March</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Operating Income	1449.35	990.55	689.08
Growth	46.32%	43.75%	32.38%
Other Income	1.89	1.99	4.51
<b>Total Income</b>	<b>1451.24</b>	<b>992.54</b>	<b>693.59</b>
Interest Expenses	964.55	669.84	492.91
<b>Total Expenditure</b>	<b>1141.46</b>	<b>787.52</b>	<b>567.06</b>
<b>PBDT</b>	<b>309.78</b>	<b>205.02</b>	<b>126.53</b>
Add: Exceptional item	35.43	-	-
Depreciation	3.73	2.83	2.42
<b>PBT</b>	<b>341.48</b>	<b>202.19</b>	<b>124.11</b>
Tax	76.35	51.50	32.35
<b>Net Profit</b>	<b>265.13</b>	<b>150.69</b>	<b>91.76</b>

**Key Financial Ratios**

(₹ in crore)

<b>Year ended 31st March</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Gross NPA	0.67%	1.16%	1.48%
Net NPA	0.10%	0.73%	1.03%
CAR (Approx.)	19.39%	17.26%	16.21%
Debt Equity Ratio	9.81	10.62	10.66
NIM	2.96%	2.98%	2.93%
Operating profit before tax	2.99%	2.78%	2.49%
Provision for taxation	0.67%	0.71%	0.65%
Operating profit after tax	2.32%	2.07%	1.84%
EPS	26.43	19.78	15.15
Book Value	148.32	102.86	70.67
Return on Equity	19.49%	22.23%	22.87%

**Balance Sheet Movements****Share Capital**

During the year the Company obtained approval of the shareholders at the Extra-Ordinary General Meeting held on 18th May, 2010, for placement of equity shares to Qualified Institutional Buyers (QIBs) and preferential issue of equity shares to the

Promoters/Promoter Group. Accordingly the Committee of the Board of directors has issued and allotted shares along with the equity shares under ESOS scheme as under:

- (a) On the 2nd June, 2010, issued and allotted to QIBs 1,68,69,095 equity shares of ₹ 10/- each, at a price of ₹ 222.30 per equity share

- (including a premium of ₹ 212.30 per equity share), aggregating to ₹ 375 crore.
- (b) On 12th June, 2010, issued and allotted to Promoter Group Entities and to Caledonia Investment Plc. 40,00,000 and 10,00,000 equity shares respectively of ₹ 10/- each, at a price of ₹ 222.30 per equity share (including a premium of ₹ 212.30 per equity share), aggregating to ₹ 111.15 crore.

- (c) During the year the Company has allotted in aggregate 5,30,763 equity shares of ₹ 10/- each to various eligible employees under (ESOS 2008 and ESOS - 2009) at the price of ₹ 53.65 and ₹ 141/- respectively per equity share (including a premium of ₹ 43.65 and ₹ 131/- respectively per equity share) aggregating to ₹ 4.93 crore.

Consequent to allotment of aforesaid equity shares the paid up share capital of the company increased from 8,20,26,544 equity shares of ₹ 10/- as on 31st March, 2010 to 10,44,26,402 equity shares of ₹ 10/- as on 31st March, 2011.

#### **Redemption of Preference Shares:**

During the year your Company redeemed of 1%, 30,00,000 Non Convertible Redeemable Preference Share (NCRPS) of ₹ 10/- each issued at a premium of ₹ 90/- per share in earlier year aggregating to ₹ 30 crore. The aforesaid preference shares were redeemed @ ₹ 136/- per share by utilizing Share Premium.

#### **Reserves & Surplus**

DHFL's reserves increased by 83% to ₹ 1444.01 crore from ₹ 788.41 crore in the previous year on account of transfer of profit to the reserves.

Special Reserve has been created over the year in terms of Section 36(1)(viii) of the Income Tax Act, 1961 out of the distributable profits of the Company. During the year, Company has transferred ₹ 40 crore as against ₹ 35 crore in the previous year.

#### **FUNDING SOURCES**

The year witnessed some of the most challenging times for fund raising at competitive costs. Reserve

Bank of India (RBI) took various monetary measures to address some of the macroeconomic concerns facing the industry. During the last quarter, market remained volatile due to uncertainty in the global markets and concern over inflation.

In spite of adverse environment, the Company was largely successful in mitigating the impact of any sharp rise in its cost of borrowings with reference to its interest rate benchmarks through prudent and active liability management practices.

Your Company strives to maintain diverse sources of funds in order to reduce the funding costs, maintain adequate interest margins and achieve liquidity goals. As of 31st March, 2011, your Company source of funds include banks - 74.30%, re-financings from NHB - 8.93%, public deposits - 3.75%, non-convertible debentures - 11.92%, and loans from multinational agencies, including Asian Development Bank and International Financing Corporation, at competitive rates. Our weighted average cost of funding as at 31st March, 2011 was 9.73%.

#### **Term Loans from Banks and Financial Institutions**

Your Company has raised ₹ 5,460 crore by obtaining term loans from banks and financial institutions. The Company's loans are secured by first charge by way of mortgage on our Company's present and future immovable properties and by first charge by way of hypothecation of our movable properties, including book debts, in favor of our creditors. Your Company has entered in to a Memorandum of Deposit of Title Deeds dated 15th December, 2010 with all of our bank lenders, with Union Bank of India as the lead bank and holder of security. The Promoter Directors of the Company serve as guarantors under the Memorandum of Entry.

#### **Non-Convertible Debentures**

During the year, your Company has raised ₹ 585 crore through the issue of secured non-convertible debentures on private placement basis. The Company's NCD issues have been listed on the Wholesale Debt Market segment of the NSE. As at 31st March, 2011, NCDs outstanding stood at

₹ 1,190.67 crore. The secured non-convertible debentures are secured by a first charge over our immovable and movable properties, including book debts.

#### Subordinated Debt

During the year, your Company raised ₹ 500 crore through the issue of long-term Unsecured Redeemable Non-Convertible Subordinated Debentures. As at 31st March, 2011, the Company's subordinated debt stood at ₹ 580 crore. The debt is considered as Tier II under the guidelines issued by the National Housing Bank (NHB).

#### Commercial Paper

Your Company issued commercial paper aggregating to ₹ 565 crore, during the year. The amount outstanding at the end of the year was ₹ 97 crore.

#### Fixed Deposits

Your Company mobilized fresh deposits of ₹ 446.12 crore during the year. The renewals amounted to ₹ 22.62 crore, whereas deposits of ₹ 93.61 crore were repaid during the year. Your Company effected revision in interest rate on deposits during the year in line with market conditions.

Details of our borrowings outstanding as at 31st March, 2011 are set forth below.

(₹ in crore)

Particulars	Type	Amount availed	Outstanding as on 31st March,
Bank Term Loans	Term Loan	5,460.00	11032.93
Financial Institutions	Term Loan	-	66.08
NHB	Refinance	100.00	1325.61
NCD	Secured Loan	585.00	1190.67
Subordinated Debts	Unsecured Loan	500.00	580.00
Commercial Paper	Unsecured Loan	565.47	97.49
Public Deposits	Unsecured Loan	468.74	557.29
<b>Total</b>		<b>7,679.21</b>	<b>14850.07</b>

The term loans are secured by way of the first charge on all the movable and immovable assets of your Company, both present and future and shared on pari-passu basis with all the secured lenders and are further secured by personal guarantees of the promoter directors.

#### Fixed Assets

During the year, the gross block of assets has grown by 3.79 % over previous year. The additions on fixed assets were at ₹ 12.75 crore as detail below.

- (i) Investments in capital work in progress is ₹ 1.58 crore and in software amounting to ₹ 0.51 crore.
- (ii) Furniture & Fixtures amounting to ₹ 3.01 crore

(iii) Office Equipments amounting to ₹ 2.00 crore

(iv) Other additions of ₹ 5.65 crore.

Company has made contractual commitment to vendors who are executing various capital contracts. The estimated amount of such contracts remaining to be executed on capital amount and not provided for (net of advance) was ₹ 57.68 crore.

#### APPROVALS AND DISBURSEMENTS

Following the slump in 2009-10, the year 2010-11 saw a strong economic growth and rising consumer confidence and had a positive impact on the housing sector. Despite the increase in interest rates

on home loans during the year, the demand for housing remained strong across the country. However, residential real estate prices in a few segments of the country had risen to unrealistic levels, resulting in a slight slowdown in the volume of sales in these locations.

Some of the housing finance institutions/banks rolled out goodies for home loan seeker in the form of low interest rate offers i.e. teaser loan and special home loan packages by offering interest on home loans below the psychological 9% level. So, the demand for home loans was steady. An interest rate war was brewing in the home loan segment.

In-spite of stiff competition the operational performance of your Company was noteworthy in the financial year 2010-11. During the year under review, loan approvals by your Company amounted to ₹ 8,949.48 crore as compared to ₹ 5273.96 crore in the previous year, representing a growth of 69.69%. Loan disbursement aggregated to ₹ 6,505.57 crore as compared to ₹ 3865.56 crore in the previous year, representing a growth of 68.30%. Cumulative loan approvals and disbursement since inception upto the 31st March, 2011 reached ₹ 24766.81 crore and ₹ 19739.79 crore respectively. Cumulative disbursement worked out to 79.60% of cumulative approvals. Loan Book amounted to ₹ 14,111 crore in the financial year 2010-11.

The chart below sets out your Company's loan sanctions and disbursements for each of the past two fiscal years ended 31st March :

#### Particulars For the fiscal year ended 31st March (₹ crore)

Description	2011	2010
Sanctions	8,949.48	5273.96
Disbursement	6,505.54	3865.56

Your Company's housing loan business has continued to grow at a fast rate. In value terms, housing loan sanctions have grown at a compounded 65% and disbursements have witnessed a compounded growth of 55% over the last four fiscal years ended 31st March, 2011,

despite stiff competition from other players in the market.

The following chart sets out your Company's total disbursements by principal categories of loans and as a percentage of total loans for the past two fiscal years.

#### Description for the fiscal year ended 31st March (₹ Crore, except percentages)

Description	2011	%	2010	%
Housing	13,476.21	95.50	8,285.40	94.60
Non Housing	635.00	4.50	473.00	5.40
Total	14111.21	100	8758.40	100

During the year, your Company has financed an amount of ₹ 1238.12 crore for 17346 units against the target of 11750 units as set by the National Housing Bank under the Golden Jubilee Rural Housing Finance Scheme of the Government of India.

The Company's endeavour is to reach out to Low and Middle Income household in smaller town and cities.

#### Investments:

The decisions to invest/disinvest are in line with the limits as set out by the Board up to the approved limit delegated to the Chairman & Managing Director, who is assisted by senior executives of the Company. The investment function is carried out primarily to support the core business of housing finance to ensure adequate levels of liquidity and to maintain statutory liquidity. As at 31st March, 2011, the investment portfolio stood at ₹ 871.26 crore as against ₹ 132.63 crore in the previous year.

Housing Finance Companies (HFCs) are required to maintain a Statutory Liquidity Ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.50% of public deposits. As at 31st March, 2011, your Company has invested ₹ 38.43 crore in bank deposits and ₹ 30.20 crore in approved securities comprising government securities and government guaranteed bonds. Your Company has classified its investments into current and long-term investments. In respect of long-term investments, provisions have been made to

reflect any permanent diminution in the value of investments.

#### **Investments in Subsidiary Companies**

Pursuant to the Board's approval and Share Sale Agreement dated 1st December, 2010, your Company along with Wadhawan Housing Private Limited, Caledonia Investment Plc, U.K and Amber 2010 Ltd has acquired from BHW Holding AG, Germany 100% equity stake in Deutsche Postbank Home Finance Limited ("DPHFL"), a Housing Finance Company registered with the National Housing Bank.

Your Company acquired 67.56% equity stake in DPHFL which is eventually held through its a special purpose vehicle company i.e. DHFL Holdings Private Limited a 100% subsidiary company and the balance 32.44% has been acquired by others i.e. Wadhawan Housing Private Limited, Caledonia Investment Plc, U.K and Amber 2010 Ltd.

During the year your Company along with its subsidiary DHFL Vysya Housing Finance Ltd (DVHL) promoted a housing finance Company under the name and style "Aadhar Housing Finance Private Limited" [AHFL] which was registered as a Housing Finance Company with the National Housing Bank.

Your Company along its subsidiary – DHFL Vysya Housing Finance Ltd., as sponsors, has entered into Transaction Agreement(s) on 18th June, 2010 with International Finance Corporation [IFC]. IFC has 20% equity stake with an investment of ₹ 20 crore and DHFL alongwith its subsidiary, DHFL Vysya Housing Finance Limited, has the remaining 80% equity stake in Aadhar Housing Finance Private Limited with an investment of ₹ 50 crore and ₹ 30 crore respectively.

#### **Sundry Debtors**

For the year ended 31st March, 2011, sundry debtors amounted to ₹ 3.00 crore as against ₹ 3.05 crore in the previous year ended 31st March, 2010.

#### **Cash and Cash Equivalents**

During the year, your Company generated net cash flow of ₹ 114.15 crore from the operating activities.

#### **Deferred Tax Assets and Deferred Tax Liability**

Your Company accounts for deferred tax in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

#### **Current Liabilities and Provisions**

During the year, the current liability and provisions have increased to ₹ 259.40 crore as against ₹ 139.10 crore in the previous year 2010. This is mainly on account of increase of other liabilities by ₹ 95.80 crore largely on account of increase in business operations. Net provisions increased by ₹ 8.22 crore largely on account of tax provisions and dividend tax paid.

#### **Interest Rate Scenario**

Since the beginning of the current financial year, the financial sector has been facing the brunt of rising interest rates coupled with rising real estate prices effecting investment demand. The interest rates on housing loans had hit a trough; thereafter, they began to expand. Increase in liquidity and credit off take had caused the RBI to adopt measures to curtail growth. Hence, CRR and repo rates were increased multiple times. This led to an increase in housing loan rates, which reached a high of 10-11 percent in mid-2010 and in end of the financial year, interest rates reached their peak at around 12 percent.

With a view to support the real estate demand (largely home loans), housing finance companies including banks hiked their lending rates by 100-150 bps and started offering sops in the form of (1) Fixed rate of interest on loans for certain tenure (2) Lower loan processing charges (3) Instant access to loans. The loan-to-value ratio continues to remain in the range of 80-85%. In line with global trends, the interest rate scenario has been volatile. Your Company too revised its Prime Lending Rate during the year for its home loan products.

#### **Results of Operations:**

##### **Income**

The income from Operation mainly consists of interest on housing loan disbursed to our customers. Income from operation increased from

₹ 870.94 crore in fiscal 2010 to ₹ 1,267.91 crore in fiscal 2011 representing the growth of 45.58% as compared to the corresponding previous year. During the fiscal 2010-11, average return on loan book has improved as compared to fiscal 2009-10.

The income from operations for Fiscal 2011 increased by 46.32% as compared with Fiscal 2010 mainly due to increase in the company's loan book, deeper penetration into existing markets and geographical expansion through Company's captive network and on account of growth in Company's syndication business with United Bank of India, Punjab & Sind Bank and Central Bank of India

Your Company has also generated income from other sources i.e. from prepayment charges, penal charges and interest on deposit with banks of surplus funds. Other revenue constitutes ₹ 36.01 crore i.e. 2.48% of total income during the fiscal 2011 as against ₹ 18.56 crore i.e. 1.87% of total income during fiscal 2010.

#### Income from Other Services

Your Company's income from other services includes Loan related Services which has increased from ₹ 43.17 crore for fiscal year 2010 to ₹ 62.27 crore in fiscal year 2011 and Income from Advisory services has increased from ₹ 31.41 crore in fiscal 2010 to ₹ 46.43 crore in fiscal 2011.

#### Exceptional Income

The Company has sold during the year 13,21,510 number of shares being part of its strategic investment in erstwhile promoter group Company for ₹ 35.86 crore thereby earning exceptional tax free income of ₹ 35.43 crore.

#### Interest and other Charges

The total interest and other charges of the Company increased by 44% from ₹ 669.84 crore in fiscal 2010 to ₹ 964.55 crore in fiscal 2011. The increase in the interest cost was on account of 66.35% increase in secured and unsecured loan funds from ₹ 8926.79 crore as of 31st March, 2010 to ₹ 14850.07 crore as of March, 2011 in line with increase in total on-book assets from ₹ 8758.40 crore in fiscal 2010 to

₹ 14111.21 crore in fiscal 2011.

#### Administration and other expenses

There was an increase of 57% in the staff cost from ₹ 39.05 crore in fiscal 2010 to ₹ 61.43 crore in fiscal 2011. This was mainly due to increase in work force and consequent salary revision. The Company is also investing in training and upgrading skills of Human Resources so that it can keep pace with the development in the industry.

Other Operating Expenses have also registered an increase of 51.84% mainly due primarily to an increase in advertising and business promotion expenses, and an increase in company's business sourcing expenses in connection with the expansion of our branch network

Operating Expenses comprising both staff cost and other operating expenses have registered an increase of 53.79%.

#### Provisions for Contingencies

During the financial year ended March 31, 2011, Company provided ₹ 9.00 crore for provisions and contingencies as compared to ₹ 8.50 crore in the corresponding previous year. The provision for contingencies is 0.62% of total income in fiscal 2011 as compared to 0.86% in fiscal 2010.

Further your Company has created a contingency reserve of ₹ 35 crore as an additional provision.

#### Earning before Depreciation, Tax and Amortization (EBDTA)

EBDTA during the fiscal 2011 was ₹ 309.78 crore i.e. 21.35% of total income of ₹ 1451.24 crore. EBDTA has increase by 51.10% mainly on account of increase in the total revenue.

#### Depreciation and Amortization

Depreciation pertains to the depreciation on Building, Computers, Office equipments, Vehicles and Furniture & Fixtures. Depreciation charged on fixed assets was ₹ 3.73 crore in fiscal 2011 vis-à-vis ₹ 2.83 crore during the fiscal 2010. Depreciation on fixed assets is charged on Straight Line Method (SLM) at rates and in the manner specified in

## Schedule XIV of the Companies Act, 1956.

### Provision for taxation

During the fiscal year 2011, your Company has provided ₹ 76.35 crore i.e. 5.26% of total income for taxation vis-à-vis ₹ 51.50 crore i.e. 5.19% of total income in fiscal year 2010.

### Net Profit

The operating profit before charging depreciation and tax amounted to ₹ 309.78 crore, as against ₹ 205.02 crore in the preceding year, representing a rise of 51.10%.

The Profit Before Tax (PBT) for the year under review, increased by 68.89% from ₹ 202.19 crore in the previous year to ₹ 341.48 crore during the financial year 2010-11. Profit After Tax (PAT) went up by 75.94% to ₹ 265.13 crore from ₹ 150.69 crore in the previous year.

### Dividend

The Board of Directors has recommended a payment of dividend of ₹ 3.50 per share (35%) as against ₹ 3.00 per share (30%) for the previous year. The total cash outgo on account of dividend (including dividend on preference shares) and tax thereon would be ₹ 43.93 crore.

### Earning Per Share:

The Earning Per Share (Basic), increased to ₹ 26.43 in the year ended 31st March, 2011 from ₹ 19.78 in the previous year.

### Transaction in which the management is interested in their personal capacity :

During the year, there are no materially significant related party transactions entered into with the management that may have potential conflict with the interest of Company. For detailed discussions, refer Note No. 24 B of Schedule [Q] in Note to the Accounts.

### Internal Audit and Compliance

The Company has an adequate Internal Control System commensurate with the size of the Company and the nature of its business and is minimizing the operational risk by way of effective internal control

systems, systems review and on-going internal audit programme. The Internal Auditors of the Company undertake a comprehensive audit of functional areas and operations at all branches of the Company. The Internal Audit Reports and findings are referred to the Audit Committee of the Board. The Committee has met four times during the financial year under review.

The Company has internalised its Legal and Technical appraisals to ensure optimum control over these functions. The Company has a multi-level authorisation structure to ensure that higher levels of exposure are duly authorised by personnel and committees with requisite experience and authority. Training programmes and guidelines are provided to all the branches of the Company at the operational level with an object of implementing appropriate links between the policy goals.

### Internal Control Systems and their adequacy

The Company has an internal control system in place, which is commensurate with the size of its operations. The Audit Committee of the Board reviews the findings and recommendations of the internal audit department.

### Operations & Technology

2010-11 has been an eventful year for operations team with building the RPUs (Regional Processing Units) in Mumbai, Delhi, Bangalore, Chennai, Hyderabad and Jaipur, setting up team to facilitate outsourcing the file storage facility, setting up branch operations structure, outsourcing the CRM activities and most importantly establishing metrics for each function to measure their performance. During the year, your Company has invested in software solutions to integrate all the retail businesses in a single platform. The Company has also invested in building a robust technology infrastructure that includes high available servers and network equipments to support new business initiatives. The operational efficiency of various non-core business verticals like insurance and property consultancy has been enhanced by implementing comprehensive software applications. For aligning technology to the projected business growth and beyond, measures planned for the coming financial year include a new

Data Centre Environment with highest level of data and equipment security, server optimization, all-embracing new software applications for Human Resources, General Ledger, Customer Relationship Management, Wealth Management and Treasury.

#### **Human Resources**

Your Company has experienced Promoters and management whom we rely on to anticipate industry trends and capitalize on new business opportunities that may emerge. Your Company believe that a combination of DHFL's reputation in the market, working environment and competitive compensation programs allow your Company to attract and retain talented people. Your Company's human resources policy is encapsulated by belief about "Getting extraordinary work out of ordinary people".

The management has also, simultaneously, molded its policies relating to hiring, deployment, transfers, promotion, training, including performance-linked bonuses and employee stock options, with the clear aim of building a 'cadre based organization', whose cadre understands the Company's customers, their problems, issues and aspirations; and is committed to the cause of providing housing finance for the majority of Indians. Your Company's human resources policies and practices have focused on recruiting and training employees who can empathize and deal with potential and existing borrowers. Your Company engaged an outside consultant that developed a behavioral competency framework for Company's branch heads, regional processing unit heads and location sales heads and a technical competency framework for sales, credit appraisal, accounting, collection & recovery and technical functions. Your Company has integrated the behavioral competency and technical competency frameworks into our training, evaluation and recruiting processes.

Your Company also offers eligible employees the right to participate in our employee stock option scheme in order to reward employees for their past performance and motivate them to contribute to the growth and profitability of your Company.

As on 31st March, 2011, we have 1,137 permanent employees as compared to 908 employees as of March 31, 2010. The growth in our employee headcount is in line with our strategy of growing our operations and expanding our geographical reach. Your Company has taken Health and Personal Accident Policy for employees and their dependants.

#### **Credit Risk Management**

##### **RISK:**

The word risk has derived from the Latin word "Rescum" which means Risk at Sea. Risk is related to uncertainty and which has an impact on business. There are different categories of risks which are inter dependent and actions affecting one area of risk can have implications and penetrations for a range of other categories of risks. The most important thing to the institute is to understand the risk it is taking and to ensure that the risks are properly confronted, effectively controlled and rightly managed.

It is very difficult to find a risk free investment. An important input to risk management is risk assessment. Risk is the potentiality that both the expected and unexpected events may have an adverse impact on the institution's capital or earnings. The expected loss is to be taken care of by adequately pricing the products through risk premium and reserves created out of the earnings. It is the amount expected to be lost due to changes in credit quality resulting in default. Whereas, the unexpected loss on account of the individual exposure and the whole portfolio in entirely is to be borne by the institute itself and hence is to be taken care of by the capital. Thus, the expected losses are covered by reserves/provisions and the unexpected losses require capital allocation. Hence the need for sufficient Capital Adequacy Ratio is felt.

**There are mainly three types of risk:**

- Credit Risk
- Operational risk
- Market risk

## CREDIT POLICY OBJECTIVES

The main objectives of Credit Policy are:

- A balanced growth of the credit portfolio which does not compromise safety.
- Adoption of a forward-looking and market responsive approach for moving into profitable new areas of lending emerge, within the pre determined exposure ceilings.
- Sound risk management practices to identify measure, monitor and control credit risks.
- Maximize interest yields from the credit portfolio through a judicious management of varying spreads for loan assets based upon their size, credit rating and tenure
- Ensure due compliance of various regulatory norms, including CAR, Income Recognition and Asset Classification.
- Accomplish balanced deployment of credit across various sectors and geographical regions.
- Achieve growth of credit to priority sectors / sub sectors and continue to surpass the targets stipulated by Reserve Bank of India.
- Use pricing as a tool of competitive advantage ensuring however that earnings are protected.
- Develop and maintain enhanced competencies in credit management at all levels through a combination of training initiatives and dissemination of best practices.

### Policies and Processes:

All credit risk related aspects are governed by Credit and Recovery Policy. Credit Policy includes the type of products that we are offering, targeted customer profile and credit approval processes and limits.

1. There is segregation of the sourcing, verification, approval and disbursement of credit exposures to achieve independence.
2. Credit facilities with respect to products are provided as policies. We have adopted sanction committee approach to achieve independence and faster process.
3. The Credit administration is responsible for analyzing the credit portfolio, tracking the trends in the various industries, segment of the customer and periodic reporting of portfolio level changes.

## CREDIT RISK

Credit Risk is the potential that borrower/counter party fails to meet the obligations on agreed terms. Credit risk involves inability or unwillingness of a customer to meet their commitments. There is always scope for the borrower to default from his commitments for one or the other reason resulting in crystallization of credit risk to the institute.

Credit risk is managed using set of credit norms and policies. There are defined roles and responsibilities for originators and approvers. All credit exposure limits are approved within a defined credit approval authority.

Credit risk is inherent to the business of lending funds to the operations linked closely to market risk variables. The objective of credit risk management is to minimize the risk and maximize organization's risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters.

Credit risk consists of primarily two components, viz Quantity of risk, which is nothing but the outstanding loan balance as on the date of default and the quality of risk, viz, the severity of loss defined by both Probability of Default as reduced by the recoveries that could be made in the event of default. The elements of Credit Risk is Portfolio risk comprising Concentration Risk as well as Intrinsic Risk and Transaction Risk comprising migration/down gradation risk as well as Default Risk.

Portfolio analysis help in identifying concentration of credit risk, default/migration statistics, recovery data, etc. We have well laid down credit policies at the product level with clear delegation of authority. The framework covers policies about "Know Your Customer" and Anti Money Laundering, regular credit assessment, new product launches, delegation matrix etc. All credit risks are governed by credit and recovery policy which states the type of products that we are offering, targeted customer profile and credit approval process. The same can be done by having a strong credit control mechanism in place with clear policies and

guidelines in respect of scrutiny of any loan proposal. Our credit officers evaluate the retail credit proposals based on approved product policy, Credit norms including borrower's income, age, Loan to Cost ratio.

The technical valuations are done by in house technical teams. Field investigation such as Office verification, residential verification is conducted by external agencies. Our credit evaluation and credit portfolio management methodologies are designed to ensure consistent underwriting and early identification of problematic loans using techniques like lagged delinquency analysis, early default analysis, static pool analysis etc. Based on the review mechanism, credit policies are being reviewed and appropriate changes to the policies are undertaken.

We have adopted concept of Regional Processing Unit where Branch is acting as sourcing point and RPUs are acting as centralized operations centre for the branches coming under the respective RPU.

An empowered, independent internal audit team conducts regular review of credit files on a sample basis to ensure adherence to the policies.

#### Risk Mitigation

Your Company has a prudent credit risk management process which contains:

- A structured and standardized credit approval process.
- Credit Administration Unit provides support for analytics, database management and monitoring process.
- Ensuring adequate controls over credit risk.
- Effective training programs

#### Key Elements of Credit Risk Management:

- Establishing appropriate credit risk environment
- Operating under sound credit granting process
- Maintaining an appropriate credit administration, measurement & Monitoring
- Ensuring adequate control over credit risk
- Banks should have a credit risk strategy which in our case is communicated throughout the organization through credit policy.

We also use the services of credit agencies/market survey to evaluate the credit worthiness of its customers in the housing finance business. CIBIL (Credit Bureau) output data on customer borrowing behavior freely available to lenders, thereby restricting the leveraging tendency of the borrower. This also meant that borrowers could no longer borrow from a newly established lender to pay off prior loans.

Regulatory tightness dictated on both collections management and pricing thereby forcing all financiers to adopt a similar code of conduct. The net effect of these and other changes caused some degree of polarization within the industry – the foreign players exited the business (perhaps in part due to the turmoil faced by the parent at the international scale, due to the sub-prime crisis).

The Company operates both in the Prime and Small Ticket segments with focus on housing loan requirements with an average size of ₹ 8.00 lakh. Each customer segment and loan type is governed by approved programs for delivery through the origination centre. An active process of portfolio management and periodic reviews are used to identify emerging and already-troubled parts of the portfolio. Fresh booking in these are immediately stopped while also making efforts to grow the financing in the better performing pockets and segments.

#### Credit risk assessment process

There is structured and standardized credit approval process including a comprehensive credit risk assessment process, which encompasses analysis of relevant quantitative and qualitative information to ascertain credit worthiness of the borrower.

#### Credit Risk Monitoring Process

A vigilance department has been set up to manage fraud related risks through fraud prevention and through recovery of fraud losses.

Compliance module is available in the system to check strict adherence of credit policy. Only fully compliant proposals can be disbursed.

Organization has corporate recovery unit structured along various geographical locations, to manage delinquency levels. The collection unit operates under guidelines of a standardized recovery process.

#### **Operational Risk**

Operational Risk is defined as the risk that organization will incur due to inadequate or failed internal processes, people or systems. It can be managed through a comprehensive internal control framework. During the year, the transactions of organization have increased manifold necessitating additional focus on having robust operational controls.

#### **Risk Mitigation**

The management of operational risk is carried out through a comprehensive system of internal controls, documented delegation of authority, separation of duties between key functions and detailed standard operating procedures. In all critical functions like treasury, etc. the front office and back office functions are segregated. The key operational processes are centralized at the Corporate Office that reduces the operational risk at the branch level.

We have an empowered in-house internal audit team spread across the country and also has reputed external audit firms to focus on special areas and new product launches. All the operational branches are being reviewed on the basis of a Risk Potential, which measures the effective control mechanism at the branch level. The branches are graded based on the level of activity and the frequency and coverage of audit is determined on this basis.

To enhance the control over information systems, your Company has periodic audit process to ensure information security and has also setup a remote disaster recovery site to ensure sustenance of business operations. During the year the company has reviewed the information security policy and aligned the systems to the revised policy guidelines.

#### **Market Risk**

Market risk refers to uncertainty of future earnings resulting from changes in the values of financial instruments. This could arise from changes in liquidity conditions, interest rates and foreign exchange rates as well as their correlations. The prime source of market risk is the interest risk we are exposed to as financial intermediary. Evaluating this risk and arriving at appropriate mitigating actions has assumed greater importance, due to the unprecedented volatility witnessed during the current year.

#### **Risk Mitigation**

Organization has a comprehensive Financial Risk Management Policy that limits the financial exposure of the company to acceptable levels. A management committee consisting of Senior Officials of the Company under the supervision of Chairman & Managing Director and Chief Operating Officer reviews and approves all market risk policies and recommends the tolerance limits on borrowings, the fixed vs. floating rate exposure on the borrowings, the ALM position of the Company and also fixes the framework of operations for Asset Liability Management committee (ALCO). ALCO which includes members from operations, treasury, finance and accounts reviews the treasury operations and pricing of products on regular basis.

The Company does not maintain a trading position in the debt or equity market.

#### **Interest rate risk**

Interest rate risk arises when there is a mismatch in the interest rate profile of assets and liabilities adversely impacting the net interest income.

Organization measures interest rate risks by the 'duration gap' method. The duration gap is a risk measure that tracks the gap between assets and liabilities sensitive to interest rate changes, to assess the impact of interest rate changes on the cost of funds to the company.

#### **Risk Mitigation**

Organization manages the duration gap within the set risk limit by altering the tenure and structure of

borrowings and through the use of derivative instruments like interest rate swaps. Considering the volatility of interest rates in the market, the company strategy is to optimise its borrowings between short term and long term debt as well as floating and fixed rate instruments.

#### Liquidity risk

Liquidity risk is the risk that the company may be unable to meet its financial obligations in a timely manner at reasonable prices. This risk could arise out of a mismatch in maturity profile of the assets and liabilities. Managing liquidity risk is essential for the company to maintain the stakeholders' confidence.

#### Risk mitigation

The mitigation techniques deployed by the company is to spread the borrowing basket among different lenders like banks, financial institutions, National Housing Bank etc. to reduce the concentration risk. It also monitors the structural liquidity mismatches between the assets and the liabilities on a projected cash flow basis and periodically reviews the open credit lines available with the banks. It's organization policy to maintain adequate liquidity at all geographical locations at all point of time, hence it is in position to meet the obligation on time.

Our liquidity risk management framework requires limits to be set for prudent liquidity management.

The key elements of the framework used to manage the framework used to manage liquidity risks are as follows :

- Periodic reviews of maturity mismatch analysis after measuring and forecasting cash commitments.
- Diversifying funding sources in terms of source, instrument, term etc and reducing dependence on any one fund provider.
- Maintaining sufficient approved but un-drawn credit lines on a continuous basis to prevent disruption of business on account of liquidity constraints.

The interest risk, operational risk and the liquidity risks are reviewed on a regular basis by the ALCO and also reported periodically to the Board of the Company.

#### RISK MANAGEMENT:

The management of risk lies at the heart of the organization. Main risk we incur by lending to customer through our credit operations. Apart from the credit risk, we face wide range of other risks such as operational risk, market risk and other risks that are connected to our strategy, loan products and geographical coverage.

An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. Its objectives, policies and procedures including the policy for lending risk are covered in this part.

#### Risk Governance:

Organizations' risk appetite is set by the committee called Asset Liability Committee. ALCO reviews the prudential risks including credit, market, operational. Analysis is done on effectiveness of the risk management systems and controls. Overall accountability of the risk management lies with ALCO.

#### Risk Management Committee

Organization has formed an Asset Liability Committee (ALCO) which meets at periodic interval to review the Company's approval and controls to the various risks faced by the organisation. The ALCO review the process of implementation of various risk management techniques analytics, system policies, procedure and evaluates as well as advices for changes required in relation to the business environment.

The Chief Executive Officer champions these aspects and review, revamp the control oversight for each prioritized risk aspect. The Committee constitutes the various functional heads of finance, technology, operations, compliance and audit. The Head of the respective business are

permanent invites to the ALCO and are encouraged to table business side – from the ground items in order to ensure a two – way flow in the risk management process.

ALCO is responsible for identifying risks that are material to the organization and for maintaining an effective control environment which includes defining appropriate policies, procedures for approval by committee

#### **Internal Control Systems**

Organization has put in place extensive internal controls to mitigate risks. Organization has established set of procedures including clear delegation of authorities and standard operating procedures for all parts of the business / functions. The in-house internal audit department evaluates the adequacy and effectiveness of controls. The critical observations are shared with the audit committee on a quarterly basis for effective monitoring of control and implementation of recommendations. The ALCO monitors the implementation for risk management and controls. On compliance matters, there is a monthly self assessment of controls existing in all parts of the business and functions. The status of compliance of

various regulations as reported by the business and functions is placed before the Audit / Board every quarter. The Company has good mechanism for implementation of fraud control system and the system is very robust for fraud detection and prevention. The investigations are directed by Vigilance Department comprising of senior management. The company has a strong IT security system and audit to ensure information security.

#### **WEAKNESSES**

##### **Competitive Lending Rates**

The Housing Finance Industry has witnessed the entry of Financial Institutions and major Banks in the last few years. These Institutions have access to cheaper funds and are therefore able to lend to the customers at a lower rate. There is an intense competition in the industry that can be gauged by interest rate variations from time to time.

##### **Absence of Level Playing Field**

Private Housing Finance Companies has a different set of regulations as compared to Banks. This acts as a major hindrance in obtaining cheaper source of funds and competing with banks on the interest rate front and consequently affects the market share adversely.

## OVERVIEW OF SUBSIDIARIES

### DHFL Vysya Housing Finance Limited

DHFL Vysya Housing Finance Limited (DVHFL) was incorporated as Vysya Bank Housing Finance Limited under the Companies Act on 26th November, 1990. Its registered office is located at S 401, Brigade Plaza, Ananda Rao Circle, S.C. Road, Bangalore - 560 009, India. On July 2, 2003, DHFL and its Promoters acquired 91.22% shareholding in it. Subsequent to the acquisition, its name was changed to DVHFL on 15th October, 2003. DVHFL is engaged in the business of providing housing finance and is a housing finance company registered with NHB.

#### Shareholding pattern

The shareholding pattern of DVHFL as of 31st March, 2011 is as follows:

Name of the shareholder	Number of shares	% of shareholding
Dewan Housing Finance Corporation Limited	64,48,989	58.20
Shri Kapil Wadhawan	14,33,150	12.93
Shri Dheeraj Wadhawan	14,36,000	12.96
Smt. Aruna Rajeshkumar Wadhawan	11,56,791	10.44
<b>Total promoters holdings</b>	<b>1,04,74,930</b>	<b>94.53</b>
Bank(s)	465,000	4.20
Bodies Corporate	37,200	0.34
Trust and Charitable Institutions	5,000	0.05
Resident Individuals	98,575	0.89
<b>Grand Total</b>	<b>1,10,80,705</b>	<b>100.00</b>

#### Board of Directors

The Board of Directors of DVHFL as of 31st March, 2011 is as follows:

1. Shri Kapil Wadhawan – Chairman
2. Shri R. Nambirajan – Managing Director
3. Shri R. S. Hugar
4. Shri G. P. Kohli
5. Shri Bikram Sen

#### Financial Information

(Figures in crore except per share data)

Particulars	For the year ending 31st March		
	2011	2010	2009
Paid up Equity Share Capital	11.08	11.08	7.08
Reserve and surplus (excluding Revaluation Reserve)	63.43	54.55	41.52
Housing Loan Sanction	260	191.36	83.17
Housing Loan Disbursement	241	171.88	72.74
Loan Book	579	422.91	329.22
Income from Operations	67.37	49.88	43.64
Profit/ (loss) after tax	12.11	8.56	6.51
Earning per share (EPS) ₹	10.93	10.17	8.92

### **Deutsche Postbank Home Finance Ltd.**

Deutsche Postbank Home Finance Ltd. (formerly BHW Home Finance Limited) was incorporated in India on 2nd March, 1995 as ITC Classic Home Finance Ltd. (100% subsidiary of ITC Classic Finance). In 1999, Chambal Fertilisers and Chemicals Ltd (CFCL) acquired ITC Classic Home Finance Ltd. and renamed it as Birla Home Finance Ltd. In FY 2000-01, BHW Holding AG, wholly owned subsidiary of Deutsche Postbank AG, acquired 50% stake in DPHFL through preferential issue. In November 2004, it acquired remaining 50% stake of DPHFL making it 100% subsidiary. The name was subsequently changed to BHW Home Finance Ltd. (BHFL). In September 2008, the name of the company was changed to Deutsche Postbank Home Finance Ltd (DPHFL).

Deutsche Postbank Home Finance Ltd. (DPHFL), is a National Housing Bank (NHB) registered housing finance company, having its registered office in New

Delhi & Corporate Office in Gurgaon. Deutsche Postbank Home Finance Limited has a network of 40 Branches and sales offices across India offices across India.

In terms of the Share Sale Agreement (the SSA) dated 1st December, 2010 entered by Dewan Housing Finance Corporation Limited, Wadhawan Housing Private Limited, Caledonia Investment Plc, U.K and Amber 2010 Ltd. (the Purchasers), with the BHW Holdings AG, Germany (the Seller), the seller alongwith its nominees have sold/transferred its entire equity stake held in Deutsche Postbank Home Finance Limited alongwith the Management Control to the purchasers in the Board of Directors Meeting held on 25th March, 2011. Thereinafter, DPHFL became a subsidiary of Dewan Housing Finance Corporation Limited. Subsequently the DHFL's equity stake in DPHFL was acquired through a Special Purpose Vehicle - DHFL Holdings Private Ltd, a 100% subsidiary of DHFL.

### **Shareholding pattern**

The shareholding pattern of DPHFL as of 31st March, 2011 is as follows:

Name of the shareholder	Number of shares	% of shareholding
DHFL Holdings Private Limited	21,99,45,156	67.56
Wadhawan Housing Private Limited	6,03,41,619	18.54
Caledonia Investments Plc U. K.	3,25,54,304	10.00
Amber 2010 Limited	1,27,01,911	3.90
Individuals (through the nominees of DHFL Holdings Pvt. Ltd.)	50	0.00
<b>Total</b>	<b>32,55,43,040</b>	<b>100.00</b>

### **Board of Directors**

The Board of Directors of DPHFL as of 31st March, 2011 is as follows:

1. Shri Kapil Wadhawan - Chairman & Managing Director
2. Shri Michael Maybaum - Jt. Managing Director
3. Shri V. K. Chopra - Director
4. Shri Ajay Vazirani - Director
5. Shri Bikram Sen - Director
6. Shri Anthony Hambro - Director

## Financial Information

(Figures in crore except per share data)

Particulars	For the year ending 31st March		
	2011	2010	2009
Paid up Equity Share Capital	325.54	281.42	281.42
Reserve and surplus (excluding Revaluation Reserve)	251.52	176.26	115.42
Housing Loan Sanction	2,621	2208	1519
Housing Loan Disbursement	1,945	1708	1292
Loan Book	5,230	4322	3750
Income from Operations	578.36	496.50	450.03
Profit/ (loss) after tax	80.45	60.84	44.38
Earning per share (EPS)	2.48	2.16	1.60

## DPB Financial Consultants Ltd.

DPB Financial Consultants Ltd. was incorporated in India on 21st September, 2005, to provide consultancy services and fee based intermediations activities with respect of banking, insurance and other financial services. The Company is closely held company with 50,000 equity shares entirely being held by Deutsche Postbank Home Finance Ltd.

## Board of Directors

The Board of Directors of DPB Financial Consultants Ltd., as of March 31, 2011 is as follows:

1. Shri Kapil Wadhawan -Chairman
2. Shri Michael Maybaum -Director
3. Shri Anthony Hambro-Director

## Financial Information

(Figures in Lakh except per share data)

Particulars	For the year ending March 31,		
	2011	2010	2009
Paid up Equity Share Capital	5.00	5.00	5.00
Reserve and surplus (excluding Revaluation Reserve)	45.70	44.26	21.88
Income from Operations	11.15	10.56	33.40
Profit/ (loss) after tax	0.81	22.38	25.86
Earning per share (EPS) Rs.	1.62	44.76	51.72

### Aadhar Housing Finance Private Limited

Aadhar Housing Finance Private Limited (AHFPL) was incorporated on 3rd May, 2010. The said Company was jointly promoted by Dewan Housing Finance Corporation Ltd., DHFL Vysya Housing Finance Ltd. and International Finance Corporation (IFC) with the main object of targeting economically weaker sections in six "backward" states namely Uttar Pradesh, Madhya Pradesh,

Orissa, Jharkhand, Chhattisgarh and Bihar.

AHFPL commenced its business operations in the month February, 2011 in Lucknow in Uttar Pradesh; AHFPL proposes to expand its housing business operations to Bihar, Jharkhand, Madhya Pradesh, Orissa and Chhattisgarh. AHFPL provides housing loans upto ₹ 6 lakh, besides project loans for developing low-cost housing.

### Shareholding pattern

Aadhar Housing Finance Private Limited (AHFPL) was incorporated on 3rd May, 2010 and hence the financial details provided are only for a part of the financial year.

The shareholding pattern of Aadhar Housing as of 31st March, 2011 is as follows:

Name of the shareholder	Number of shares	% of shareholding
Dewan Housing Finance Corporation Ltd.	5,00,00,000	50.00
DHFL Vysya Housing Finance Ltd.	3,00,00,000	30.00
International Finance Corporation	2,00,00,000	20.00
<b>Total</b>	<b>10,00,00,000</b>	<b>100.00</b>

### Board of Directors

The Board of Directors of Aadhar Housing Finance Private Limited as of 31st March, 2011 is as follows:

1. Shri Kapil Wadhawan – Director
2. Shri V. Sridar – Director
3. Shri Bikram Sen – Director

### Financial Information

(Figures in crore except per share data)

Particulars	For the year ending 31st March 2011
Paid up Equity Share Capital	100
Reserve and surplus (excluding Revaluation Reserve)	0.48
Income from Operations	3.27
Profit/ (loss) after tax	0.48
Earning per share (EPS) ₹	0.10

### DHFL Property Services Limited.

DHFL Property Services Limited ("DPSL") was incorporated as DHFL Developers Limited under the Companies Act, 1956 on 17th January, 1997. Its registered office is located at Madhava, Ground Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India. Its name was changed to DHFL

Property Services Limited (DPSL) on 10th May, 2002. On 14th May, 2009 DHFL and its nominees acquired 100% shareholding in it. DPSL is engaged in the business of property services, fee based activities like agents, brokers, lessors, lessees, licensors, licensees etc.

### Shareholding pattern

The shareholding pattern of DPSL as of 31st March, 2011 is as follows:

Name of the shareholder	Number of shares	% of shareholding
Dewan Housing Finance Corporation Ltd. (DHFL)	9,99,940	99.99
Individuals Jointly with DHFL	60	0.01
<b>Total</b>	<b>10,00,000</b>	<b>100.00</b>

### Board of Directors

The Board of Directors of DPSL as of 31st March, 2011 is as follows:

1. Shri Kapil Wadhawan – Director
2. Shri Anil Sachidanand – Director
3. Shri Ajay Vazirani – Director

### Financial Information

DPSL became a subsidiary company of our Company on 14th May, 2009 subsequent to a 100% acquisition of its equity shares by our Company and its nominees.

(Figures in crore except per share data)

Particulars	For the year ending 31st March,	
	2011	2010
Paid up Equity Share Capital	1.00	1.00
Reserve and surplus (excluding Revaluation Reserve)	0.54	0.22
Income from Operations	4.74	7.32
Profit/ (loss) after tax	0.33	0.18
Earning per share (EPS) ₹	3.26	2.03

### DHFL Holdings Private Limited [DHPL]

DHFL Holdings Private Limited [DHPL] was incorporated on 3rd January, 2011 and is a wholly-owned subsidiary of the Company. The subsidiary manages investments in equity, acquire and hold shares, stocks, debentures, debenture stock, bonds mutual funds, real estate, fixed income and structured products.

### Shareholding pattern

The shareholding pattern of DHPL as of 31st March, 2011 is as follows:

Name of the shareholder	Number of shares	% of shareholding
Shri Kapil Wadhawan J/W Dewan Housing Finance Corporation Ltd.	100	0.00
Shri Dheeraj Wadhawan J/W Dewan Housing Finance Corporation Ltd.	100	0.00
Dewan Housing Finance Corporation Ltd	21,60,09,800	100.00
<b>Total</b>	<b>21,60,10,000</b>	<b>100.00</b>

## Board of Directors

The Board of Directors of DHPL as of 31st March, 2011 is as follows:

1. Shri Kapil Wadhawan – Director
2. Shri Dheeraj Wadhawan – Director

## Financial Information

DHFL Holdings Private Limited [DHPL] was incorporated on 3rd January, 2011, and hence the financial details provided are only for a part of the financial year.

(Figures in ₹ except per share data)

Particulars	For the year ending 31st March,	
	2011	2010
Paid up Equity Share Capital	216,01,00,000	-
Reserve and surplus (excluding Revaluation Reserve)	42,327	-
Income from Operations	40,02,589	-
Profit/ (loss) after tax	42,327	-
Earning per share (EPS)	0.01	-

## Consolidated Results

### Income from Operation

Consolidated income from operation comprises mainly of interest income on housing loan disbursed to Company's borrowers. Company also generates revenue from deposits, Bonds, mutual funds and other miscellaneous income.

Consolidated income from operation increased from ₹ 1041.12 crore in fiscal year 2010 to ₹ 2093.58 crore in fiscal year 2011. Company's revenue has grown by 101.56% in fiscal year 2011. Revenue has grown at a CAGR of 69.19% over the last three financial years.

Company recognizes interest income on performing assets on accrual basis and on non

performing assets on realization basis as per the prudential guidelines prescribed by the National Housing Bank. Dividend on investment, fees and additional interest income on delayed EMI/PEMI are recognized on receipt basis.

### Cautionary Note

This document contains forward-looking statements and information. Such statements are based on our current expectations and certain assumptions, and are, therefore, subject to certain risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary. DHFL does not intend to assume any obligation or update or revise these forward-looking statements in light of developments, which differ from those anticipated.

# Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

Corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed viz., its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial position of the company, its performance and ownership forms part of the corporate governance.

"Corporate Governance is about promoting corporate fairness, transparency and accountability." Corporate Governance deals with laws, procedures, practices and implicit rules that determine a Company's ability to take informed managerial decisions vis - a- vis its claimants – in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of "good" Corporate Governance maximising long-term shareholders value."

## CORPORATE GOVERNANCE AT DHFL

DHFL's corporate governance policies recognize the importance of the transparency to all its constituents, including employees, customers, investors and the regulatory authorities and of demonstrating that the shareholders are the ultimate beneficiaries of the Company's economic activities.

DHFL's corporate governance philosophy encompasses not only regulatory and legal requirements, including the SEBI Regulations in respect of corporate governance, but also other practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. DHFL's role, function, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the function of the Board includes approving a business plan, reviewing and approving annual budgets and borrowing limits, fixing exposure limits and ensuring that our shareholders are kept informed about our plans, strategies and performance. To enable the Board of Directors to discharge these responsibilities effectively, the management provides detailed reports on performance to the board on a quarterly basis.

The Board of Directors also functions through various committees such as the Audit Committee, the Finance Committee, the Remuneration and Compensation Committee and the Investors / Shareholders' Grievances Committee. These committees meet on a regular basis

Your Company understands that the customer is the purpose of our business and every customer is an important stakeholder of your Company, performing ethically and efficiently to generate long term value and wealth for all its stakeholders. The Report on Corporate Governance, as per the applicable provisions of Clause 49 of the Listing Agreement is as under:

## BOARD OF DIRECTORS

The Corporate Governance principles of the Company ensures that the board remains informed, independent and involved in the Company and that there are ongoing efforts towards better corporate governance to mitigate "non business" risks.

The board is fully aware of its fiduciary responsibilities and recognizes its responsibilities to shareholders and other stakeholders to uphold the highest standards in all matters concerning the Company and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

Directors of DHFL possess the personal and professional ethics, integrity and values and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the board is to provide effective governance over the Company's affairs exercising its reasonable business judgments on behalf of the Company. The Company's business is conducted by its employees under the direction of the Chairman & Managing Director, Chief Executive Officer, Chief Operating Officer and the overall supervision of the Board. The Company has an appropriate risk management system covering various risks that the Company is exposed to, including fraud risks, which are discussed and reviewed by the Audit Committee and the Board from time to time.

DHFL's commitment to ethical and lawful business conduct is a fundamental shared value of the board of directors, the senior management and all other employees of the company. Consistent with its values and beliefs, the Company has formulated a Code of Conduct applicable to the board and senior management. Further, the company has also adopted an Insider Trading Code for prevention of insider trading.

### **Composition of the Board**

The board has been constituted in a manner, which will result in an appropriate mix of executive/non-executive and independent directors to ensure proper governance and management. The board members have collective experience in diverse fields like finance, banking, insurance, economics, corporate laws and administration. As on 31st March, 2011, seven [7] directors are independent, meeting the criteria for independence under the listing agreement with the stock exchanges. The directors are appointed based on their qualification and experience in varied fields as well as company's business needs.

As on 31st March, 2011, the Board of Directors comprised of Nine [9] members of which Eight [8] are Non-Executive Directors (including a Nominee Director) and an Executive Director. The Chairman & Managing Director is the only Executive Director on the Board. The goal has been to achieve an optimum combination of Executive and Non-Executive Directors as well as independent directors so that the Board is cohesive and has the expertise for quick and informed decision making.

The details of the directors, as at 31st March, 2011 including the details of the other board directorship reckoned in line with clause 49 of the listing agreement, committee membership (including DHFL) and their shareholding in the Company, are given below :

Name of Director	Executive Non-Executive Independent/ Promoter	No of Directorship*	No. of shares held in the company	Members of Committee Member	Chairperson
Shri Kapil Wadhawan	Executive/Promoter Director	7	99,36,087	...	4
Shri Dheeraj Wadhawan	Non-Executive/Promoter Director	4	93,08,998	1	...
Shri R. P. Kheda	Non-Executive/Independent Director	2	Nil	2	3
Shri G. P. Kohli	Non-Executive/Independent Director	3	5,000	3	...
Shri R. S. Hugar	Non-Executive/Independent Director	3	Nil	1	2
Shri Anthony Hembro	Non-Executive/Independent Director	3	Nil	2	...
Shri Ajay Vazhani	Non-Executive/Independent Director	4	5,000	1	1
Shri V. K. Chopra	Non-Executive/Independent Director	14	5,000	11	6
Dr. P. S. Pasricha	Non-Executive/Independent Director	1	Nil	...	...

\* Exclude private limited companies, section 25 companies, foreign companies and alternate directorship.

## Board Meetings

The Board of directors meet at regular intervals with a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The following information is given to the Board either as a part of the agenda of the meeting or by way of presentation during the meeting:

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"><li>• Annual operating plans, budgets and performances.</li><li>• Quarterly, half-yearly and annual results of your Company and its subsidiary companies.</li><li>• Minutes of the meeting of Audit Committee and other committees of the Board of Directors.</li><li>• Minutes of all the subsidiary companies.</li><li>• Information of appointment of all the key managerial personnel below the Board level.</li><li>• Significant regulatory matters.</li></ul> | <ul style="list-style-type: none"><li>• Detailed risk analysis.</li><li>• Details of potential acquisition and disinvestments.</li><li>• Details of joint ventures or collaborations.</li><li>• Details of investments.</li><li>• Details of deployment of capital issue process.</li><li>• Compliance of statutory /regulatory listing agreements.</li><li>• Significant transactions and arrangements of subsidiary companies.</li><li>• Such other material and significant information.</li></ul> | <p>The Board performs following functions in addition to overseeing the overall business and management:</p> <ul style="list-style-type: none"><li>• Review, monitor and approve major financial and business strategies and corporate actions;</li><li>• Assess critical risks facing by the Company – Review options for their mitigations.</li><li>• Ensures that the process are in place for maintaining the integrity of:<ul style="list-style-type: none"><li>• The Company.</li><li>• The financial statements.</li><li>• Compliance with law.</li><li>• Relationship with customers and shareholders.</li></ul></li><li>• Delegation of appropriate authority to the Senior Executives of the Company for effective management of operations.</li></ul> |
|--|---|--|

The dates of the board meetings are fixed in advance at the closure of the previous year to enable maximum attendance from directors. During the year ended 31st March, 2011, six [6] meetings of the board of directors were held i.e. 12th May, 2010, 27th July, 2010, 22nd October, 2010, 22nd November 2010, 1st December, 2010 and 21st January, 2011. The attendance of directors at the last Annual General Meeting and the above mentioned board meetings along with the sitting fees paid to them are listed below:

Name of Director	Board Meetings		Attendance at the last AGM held on 27th July, 2010
	Number of Board meetings attended	Sittings fees paid (₹)	
Shri Kapil Wadhawan, Chairman & Managing Director	6	Nil	Yes
Shri Dheeraj Wadhawan	3	45,000	No
Shri R.P. Khosla	5	75,000	Yes
Shri G. P. Kohli	5	75,000	Yes
Shri R. S. Hugar	5	75,000	Yes
Shri Anthony Hambro	4	60,000	Yes
Shri Ajay Vazirani	5	75,000	Yes
Shri V. K. Chopra	6	90,000	Yes
Dr. P. S. Pasricha	6	90,000	Yes

Leave of absence was granted to directors who could not attend the respective board meeting

## Changes in the Board Constitution

There was no change in the composition of the Board During the year 2010-2011.

## Committee of the Board

Various committees of the Board have been constituted to assist the board in discharging its responsibilities .

There are four committees constituted by the board – the Audit Committee, the Shareholders/Investors' Grievance Committee, the Remuneration & Compensation Committee and Finance Committee.

The board at the time of constitution of each committee has fixed the terms of reference for each committee and also delegates powers from time to time. Various recommendations of the committees are submitted to the board for approval. The minutes of the meetings of all the committees are circulated to the board for its information / ratification. Besides the members of the committees, senior management team also attends the meetings of the committees as and when necessary.

### Audit Committee

#### Terms of Reference

The Audit Committee of the Company is formed primarily to monitor and supervise the Company's financial reporting process and to ensure that the disclosure of the financial information is correct, sufficient and credible in accordance with the provisions of the Listing Agreement and Section 292A of the Companies Act. In addition to this function, the responsibilities of the Board also include but are not limited to the following functions:

- To oversee the financial reporting process and disclosures of financial information;
- To review quarterly/half yearly and annual financial statements before submission to the Board with special emphasis on accounting policies, compliance of Accounting Standards and other legal requirements relating to financial statements;
- To review the findings of the internal investigation and periodic audit reports;
- To hold discussions with the external auditors about the scope of audit;
- To recommend appointment/removal of statutory auditors and fixing their remuneration;
- To review all issues which are required to be reviewed by the audit committee pursuant to the listing agreement with the stock exchanges and the Companies Act, 1956 with the management and the internal and external auditors;
- To review with the management the financial statements with reference to any related party transactions;
- To review the observations of internal and statutory auditors in relation to all areas of operation of the Company, including internal control systems;
- To examine all taxation matters, including related legal cases and the Company's asset/liability management strategy (ALCO);
- To review the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- To review with the management the financial statements of the subsidiary companies;
- To ensure the independence and objectivity of the independent auditor;
- To ascertain the reasons for the defaults, if any, in the payment to the depositors, debenture holders, shareholders and creditors;
- Any other terms of reference as may be included from time to time in clause 49 of the listing agreement.

### **Composition and Meetings**

The committee consists of Shri R. S. Hugar - Chairman of the Committee and Shri G. P. Kohli and Shri V. K. Chopra as independent members of the Committee. All the members of the Committee have accounting and financial management expertise. The quorum for the meeting of the Committee is two members. Shri S. Y. Sankhe, Company Secretary, acts as Secretary of the Committee. The statutory auditors, General Manager (Audit & Inspection) are invited to attend the meetings of the committee. In addition senior management personnel are also called to clarify the queries, if any.

During the year under review, the committee met five (5) times. The meetings were held on 12th May, 2010, 27th July, 2010, 22nd October, 2010, 22nd November, 2010 and 21st January 2011. The Chairman of the Audit Committee was present at the [26th] Twenty Sixth Annual General Meeting of the Company.

The details of the attendance of the members of the committee along with sittings fees paid are listed below:

Members	Number of Meetings attended	Sitting Fees paid (₹)
Shri R. S. Hugar (Chairman of the Committee)	5	50,000/-
Shri G. P. Kohli	5	50,000/-
Shri V. K. Chopra	5	50,000/-

### **SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE**

#### **Terms of reference**

The Investors'/Shareholders' Grievances Committee was constituted in order to redress the complaints of the Shareholders and investors, related to transfer and transmission of shares, non-receipt of annual reports, dividends and other share related matters. This committee also notes the requests to the Registrar and Share Transfer Agent made by the Shareholders relating to transfer, transmission, consolidation, and replacement of share certificates, issue of duplicate certificates and dematerialization of share certificates. The Committee also reviews the certificates and reports submitted to the Stock Exchanges under the Listing Agreement/ SEBI Regulations. The Committee also observes the quarterly status of the number of shares in physical as well as dematerialized form. The Committee also reviews the periodicity and effectiveness of the share transfer process, statutory certifications, depository related issues and activities of the Registrar and Transfer Agent.

### **Composition and Meetings**

The Committee consists of Shri Kapil Wadhawan, Chairman & Managing (Chairman of the Committee) and Shri Ajay Vazirani – Independent Director as the member. Shri S. Y. Sankhe, Company Secretary is the Compliance Officer. During the year ended 31st March, 2011 the Committee met four [4] times. The Meetings were held on 27th April, 2010, 22nd July, 2010, 18th October, 2010, 14th January, 2011.

The details of the attendance of the members of the committee along with the sitting fees paid are listed below:

Members	Number of Meetings attended	Sitting Fees paid (₹)
Shri Kapil Wadhawan (Chairman of the Committee)	4	Nil
Shri Ajay Vazirani	4	20,000/-

The Company has a designated e-mail address, secretarial@dhfl.com to redress investors' grievances. During the year, the Company received a total of (102) correspondence from its shareholders relating to

Change of Address, non receipt of shares after transfers, non-receipt/ revalidation of dividend warrants, request for issue of duplicate share certificates, splitting/consolidation of share certificates and dematerialization/ rematerialization of shares etc. Of the above, (13) were in the nature of complaints. All the said correspondence was redressed in accordance with the service standards and the standard operating procedures adopted by the Company. There was no unresolved Investor complaint as at the end of the financial year.

### **Finance Committee**

#### **Terms of Reference**

The Finance Committee has been formed to monitor resources mobilisations and to ensure efficient and timely decisions on the matters relating to banking and finance activities of the Company. The Committee meets regularly to discharge its functions.

The terms of reference of the Finance Committee include the following :

- To borrow funds for the purpose of the Company's Business in accordance with section 292 of the Companies Act but not exceeding the overall limit upto which the Board of Directors of the Company is authorized/to be authorized under Section 293(1) (d) of the Companies Act;
- To consider and approve/accept the letters of sanction by the term lending institutions/banks/NHB and other bodies corporate, opening and/or closing of the current accounts/cash credit/overdraft/fixed deposits or other account(s) with any bank and authorize the Directors/officers of the Company for the same;
- To authorize operation of accounts of the Company with its bankers and to vary the existing authorization to operate the same and granting of general/specific power of attorney to the officers at the branches for routine matters and any such matters pertaining to the routine functions;
- To approve the change/s of rates of interest of all loan products and on public deposits or on debentures, debts or any other instruments/ financial products issued by the Company;
- To consider and approve the allotment of any issue of securities by the Company, be it by way of preference shares of all types, public issue of equity shares including Rights Offer, preferential issue of equity shares including firm allotment, employees stock option plan/schemes, bonds, debentures and any other financial instrument of like nature;
- To grant approvals of loans upto ₹ 200 crore to any person, firm or body corporate at any time or from time to time subject to the limits prescribed under the Housing Finance Companies (NHB) Directions, 2001, as may be applicable.

#### **Composition & Meetings**

The Finance Committee comprises of three Directors - Shri Kapil Wadhawan (Chairman of the Committee), Shri Dheeraj Wadhawan and Shri G. P. Kohli as the members of the Committee. The other senior management is also invited to attend the meetings of the committee on need basis. The Committee held Twenty three (23) meetings during the year ended March 31, 2011.

The details of the attendance of the members of the committee along with the sitting fees paid are listed below:

Members	Number of Meetings attended	Sitting Fees paid (₹)
Shri Kapil Wadhawan (Chairman of the Committee)	21	NIL
Shri Dheeraj Wadhawan	23	2,30,000/-
Shri G. P. Kohli	23	2,30,000/-

## **Remuneration & Compensation Committee**

### **Terms of reference**

The terms of reference of the committee includes the recommendation of annual remuneration and the periodic increments payable to the Executive Director(s) which is further approved by the Board. The Committee is also empowered to recommend to the Board the appointment/ reappointment of the executive/ non-executive Directors, the induction of Board members into various committees. The Committee also ensures that the overall remuneration payable to the Directors does not exceed the limits prescribed by the Companies Act and is within the limits approved by the shareholders. The Remuneration Committee was renamed as 'Remuneration and Compensation Committee' with effect from 15th May, 2006 in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and was entrusted with the following additional responsibilities :

- Framing of the ESOS scheme;
- Administration of the scheme;
- Exercise of control over the implementation of the scheme;
- Preparation of the Offer Document to disclose the various details of the Scheme to the option grantees;
- Appointment of intermediaries required for the scheme; and
- Any other matter relating to administration of the scheme.

The recommendations of the Committee are placed before the board for its approval.

The Remuneration Committee comprises of independent directors, viz., Shri R. P. Khosla as the Chairman of the Committee, Shri R. S. Hugar and Shri G. P. Kohli as the members of the Committee. During the year ended 31st March, 2011, the Committee met on two [2] times i.e. on 12th May, 2010 and 22nd October, 2010. The details of the attendance of the members of the committee along with sitting fees paid are listed below:

<b>Members</b>	<b>Number of Meetings attended</b>	<b>Sitting Fees paid (₹)</b>
Shri R. P. Khosla (Chairman of the Committee)	1	10,000/-
Shri R. S. Hugar	2	20,000/-
Shri G. P. Kohli	2	20,000/-

## **Remuneration of Directors**

### **Remuneration Policy**

The compensation of the executive director(s) comprises a fixed component and a performance incentive by way of commission. The compensation is determined based on levels of responsibility and scales prevailing in the industry. The commission is determined based on certain pre-agreed performance parameters. The executive director(s) is not paid sitting fees for any board/committee meetings attended by them. The compensation of the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission upto 1% of net profits of the company for each year calculated as per the provisions of the Companies Act, 1956, the actual commission paid to the non-executive directors is restricted to a fixed sum which is currently at ₹ 30,00,000/-. This sum is reviewed periodically taking into consideration various factors such as performance of the company, time spent by the directors for attending to the affairs and business of the Company and extent of responsibilities cast on directors under general law and other relevant factors. Further, the aggregate commission paid to all non-executive directors is well within the limit of 1% of the net profits as approved by the shareholders. The non-executive directors are also paid sitting fees as permitted by government regulations for every board / committee meeting(s) attended by them.

### Directors' Remuneration & Sittings Fees

Details of remuneration of Directors for the year ended 31st March 2011 are as follows:

#### Non - Executive Directors

(In ₹)

Name of Director	Commission Payable*	Sittings Fees
Shri R. P. Khosla	3,75,000	85,000
Shri G. P. Kohli	3,75,000	3,90,000
Shri R. S. Hugar	3,75,000	1,45,000
Shri Anthony Hambro	3,75,000**	60,000
Shri Ajay Vazirani	3,75,000	95,000
Shri Dheeraj Wadhawan	3,75,000	2,75,000
Shri V. K. Chopra	3,75,000	1,40,000
Dr. P. S. Pasricha	3,75,000	90,000
<b>Total</b>	<b>30,00,000</b>	<b>12,80,000</b>

\*Subject to approval of the shareholders at the ensuing AGM.

\*\*In case of nominee director the commission is payable to Caledonia Investment Plc. U.K.

#### Executive Director

(In ₹)

Name	Salary/Allowance	Contribution to funds	Value of perquisites
Shri Kapil Wadhawan Chairman & Managing Director	50,85,484	6,10,258	88,37,774

In accordance with the approval of the Members at the Annual General Meeting, the Remuneration & Compensation Committee of the Board of Directors of the Company at its meeting held on 12th May, 2010 unanimously approved the reappointment of Shri Kapil Wadhawan as Chairman & Managing Director of the Company with effect from 4th October, 2010, for a period of five years.

As on 31st March, 2011, the Company has not granted any Stock Options either to the Chairman & Managing Director or the promoter directors of the Company. The Company has granted 30,000 stock options to six independent non-executive directors.

#### Employees Stock Option Scheme

The Company has in place Employees Stock Option Scheme (ESOS) to enhance the ownership amongst the employees and to attract and retain talent. The Shareholders approved the scheme at the Annual General Meeting held on 23rd July, 2007 and also at the subsequent Extra Ordinary General Meeting held on 31st March, 2009 had given consent to the Board of Directors to issue stock option up to 5% of the issued and paid up capital of the Company in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, in accordance with the same. The Remuneration & Compensation Committee also administer your Company's Stock Option plans. The stock options granted by the Committee have been discussed in detail in the Director Report.

## **General Body Meetings**

Particulars of venue, date and time of the previous three annual general meetings and the details of special resolutions passed in the meeting are given below:

Particulars	Date & time	Venue
26th A. G. M	27th July, 2010 12.00 Noon	Exchange Plaza, National Stock Exchange Auditorium Ground Floor, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
E. G. M	18th May 2010 11.00 a.m.	Exchange Plaza, National Stock Exchange Auditorium, Ground Floor, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
25th A. G. M	28th July, 2009 12.00 Noon	Exchange Plaza, National Stock Exchange Auditorium, Ground Floor, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
E. G. M	27th June 2009 11.00 a.m.	Exchange Plaza, National Stock Exchange Auditorium, Ground Floor, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
E. G. M	31st March, 2009 12.00 Noon	Exchange Plaza, National Stock Exchange Auditorium Ground Floor, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051
24th A.G. M	28th July, 2008 12.00	Exchange Plaza, National Stock Exchange Auditorium Ground Floor, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051

## **Special Resolutions passed at the previous AGMs/EGM**

### **26th Annual General Meeting held on Tuesday, 27th July, 2010:**

- Payment of Remuneration to Non-Whole Time Directors of the Company.

### **Extraordinary General Meeting held on Tuesday, 18th May, 2010:**

- Issue of Equity Shares on Preferential Basis
- Issue of Equity Shares on Preferential Basis, to the promoter group entities of the Company.
- Raising of additional long term funds through further issuance of securities.
- Approval for increase in the limit of 40% for holding by registered Foreign Institutional Investors (FIIs) upto 49%.

### **25th Annual General Meeting held on Tuesday, 28th July, 2009:**

- Increase in the borrowings power from ₹ 10,000 crore to ₹ 25,000 crore.

### **Extraordinary General Meeting held on Saturday, 27th June, 2009:**

- Issue of equity shares to Qualified Institutional Buyers (QIBs) upto an amount of ₹ 300 crore.
- Issue of equity shares to Promoter/Promoter Group of the Company on preferential basis upto 1 crore equity share.

### **Extraordinary General Meeting held on Tuesday, 31st March, 2009:**

- Issue of Equity Shares on Rights Basis
- Re-pricing of Options granted under ESOS.

### **24th Annual General Meeting held on 28th July, 2008:**

- Reclassification in the Authorised Share Capital of the Company
- Insertion of new clause in the Share Capital Clause of the Articles of Association of the Company
- Revision in Remuneration payable to Vice Chairman & Managing Director
- Issue of Redeemable Preference Shares.

### **Extraordinary General Meeting held on Wednesday, 6th February, 2008:**

- Issue of Equity Shares to Qualified Institutional Buyers (QIBs).
- Issue of Convertible Equity Warrants to the Promoter Group.
- Increase in limits of FII Investment in the Paid up capital of the Company.

### **Postal Ballot**

During the year 2010-11, the Company has not passed any special resolution through postal ballot.

### **Compliance Report**

The board periodically reviews the compliance of all applicable laws and gives appropriate directions, wherever necessary.

### **Code for Prevention of Insider Trading Practices**

In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992, your Company has adopted a Code of Conduct for Prevention of Insider Trading Practices for its Directors and designated employees. The code lays down guidelines, which include procedures to be followed, and disclosures to be made while dealing in the shares of the Company. The said code of conduct has been posted on the website of the Company [www.dhfl.com](http://www.dhfl.com) All Board members and senior management personnel of the Company have affirmed the requirements of the said code of conduct.

### **Trading Window**

In accordance with the Code of Conduct for prevention of insider trading, the Company closes its trading window for designated employees and directors from time to time. As per policy, trading window closes for a period of 7 (seven) days, prior to the date of Board Meeting and reopens after 24 hours from the conclusion of Board Meeting in which the respective quarterly/half yearly/ yearly financial results are approved. The trading window is also closed during and after occurrence price sensitive event as per the Code of Conduct for prevention of insider trading.

### **Disclosures**

#### **Related Party Transactions**

Transactions with related parties are disclosed in note 24(B) of Schedule Q to the Accounts in the annual report. There were no materially significant related party transactions i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large. There were no instances of non-compliance on any matter related to capital markets during the last three years.

### **Risk Management**

The internal auditors and statutory auditors test and ensure that your Company has adequate systems of internal control to ensure reliability of financial and operational information. Your Company adheres to strict policies to ensure compliance with all the regulatory/statutory requirements. The procedures and policies for risk assessment and minimisation are regularly reviewed by the Board.

The management understands that the information is the prime business asset and has therefore laid down strict policies and procedure to safeguard your Company's information.. A detailed note on the risk identification and mitigation is included in management discussion and analysis, annexed to the directors' report.

### **Proceeds from Private Placement Issue**

During the year under review, the Company issued and allotted the following securities:

- Equity shares to Qualified Institutional Buyers (QIBs)
- Equity shares to M/s. Caledonia Investment Plc. U.K on preferential basis
- Equity shares to Promoter/Promoter Group of the Company on preferential basis.
- Equity shares to employees under Employee Stock Option Scheme.
- Commercial Papers to Financial Institutions.
- Non-Convertible Debentures (Secured /Unsecured)

Details of these issues are provided in the Directors' Report. As specified in the respective offer document, the funds were utilized for the purpose of lending for housing finance and general business requirement. Details thereof were provided to the Audit Committee and Board of Directors

### **CEO/CFO Certification**

CEO/CFO have furnished certificate to the board as contemplated in clause 49 of the Listing Agreement and same is reviewed by the Audit committee and the Board.

### **Secretarial Audit**

Your Company appointed Mohammed Aabid, Practising Company Secretary, to conduct Secretarial Audit of the Company for the financial year ended 31st March, 2011. The Secretarial Audit Report addressed to the Board of Directors of the Company is attached to this Annual Report. The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreement with Stock Exchanges, Securities Contract (Regulation) Act, 1956 and all the Regulations of SEBI as applicable to the Company including SEBI (Disclosure and Investor Protection) Guidelines, 2000, SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the SEBI (Prohibition of Insider Trading) Regulations, 1992.

### **Compliance with Corporate Governance Norms**

The company has complied with all mandatory requirements of corporate governance norms as enumerated in clause 49 of the listing agreements with stock exchanges. M/s. B. M. Chaturvedi, Chartered Accountants, Mumbai Statutory Auditors of the Company have certified that the company has complied with the conditions of corporate governance as stipulated under clause 49 of the listing agreement which is annexed hereto.

### **Means of Communication**

The primary source of information to the shareholders, customers, analysts and other stakeholders of your Company and to public at large is through the website of your Company [www.dhfl.com](http://www.dhfl.com). The Annual Report, quarterly results, shareholding pattern and material events copies of press releases, among others, are regularly sent to stock exchanges and uploaded on the Company's website.

Quarterly/annual financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement entered with the Stock Exchanges.. The quarterly and annual results of your Company are published in widely circulated national newspapers like Economic Times, Maharashtra Times (Marathi) and other leading newspapers. Your Company also regularly makes presentation to the analyst in their meetings held from time to time, transcripts of which are uploaded on your Company's website.

### **Corporate filing System**

SEBI had, vide circular no. SEBI/CFD/DIL/LA/4 /2007/2712 dated 27th December, 2007 introduced a clause in Equity Listing Agreement, which inter-alia mandated electronic filing of certain corporate information such as the quarterly, half-yearly and annual results, annual report and the shareholding pattern

of the Company through the Electronic Data Information Filing and retrieval (EDIFAR) system hosted by the National Informatics Centre. SEBI has discontinued the said requirement with effect from 1st April, 2010. In view of above a new portal, viz., CFDS put in place jointly by BSE and NSE at the URL [www.corpfiling.co.in](http://www.corpfiling.co.in). CFDS offers a XBRL enable common platform for listed companies to file their returns with stock exchanges and also a common place for investors to view information related to listed companies.

By amendments to listing agreement by Securities Exchange of India (SEBI) vide circular no. SEBI/CFD/DIL/LA/4/2007/27/12 dated December 27, 2007 has introduced a new clause viz. Clause 52 in Equity Listing Agreement, requiring listed companies to file the information with the stock exchanges only through CFDS.

In compliance with the above circular, the company has registered itself with National Informatics Centre and has initiated filing the corporate information through CFDS.

The Company's results and official news release are also displayed on the Company's web site and on the websites of The Stock Exchange, Mumbai and National Stock Exchange.

#### **Management Discussions and Analysis**

A detailed report on Management Discussions and Analysis is included in the Annual Report.

## GENERAL SHAREHOLDERS INFORMATION

### Twenty – Seventh Annual General Meeting:

Day & Date	Wednesday, 27th July, 2011
Time	12.00 Noon
Venue	Exchange Plaza, National Stock Exchange Auditorium Ground Floor, Bandra Kurla Complex, Bandra (East) Mumbai – 400 051.
Financial Reporting Calendar: 2010-11	<p>1st of April to 31st March</p> <ul style="list-style-type: none"> <li>• First Quarter – By last week of July</li> <li>• Second Quarter – By last week of October</li> <li>• Third Quarter – By last week of January</li> <li>• Results for the year – May/June</li> </ul>
Dates of Book Closure	Wednesday, 20th July, 2011 to Wednesday, 27th July, 2011 (both days inclusive)
Dividend Payment date	The final dividend if declared by the shareholders at the Annual General Meeting shall be paid on or before 26th August, 2011, i.e. within 30 days from the date of declaration.
Listing on Stock Exchanges	<p>1. Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. Stock Code - 511072</p> <p>2. National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051. Stock Code - DEWANHOUS</p>
ISIN Number for NSDL & CDSL	<p>INE-202B01012</p> <p>[Annual listing fees as prescribed have been paid to both the stock Exchanges for the year 2010-11]</p>

### Non- Mandatory Requirements

a) Remuneration and Compensation Committee	The Company has constituted a Remuneration & Compensation Committee, comprising of 3 independent directors, Shri R. P. Khosla, Shri R. S. Hugar and Shri G. P. Kohli
--	--

## Market Price Data

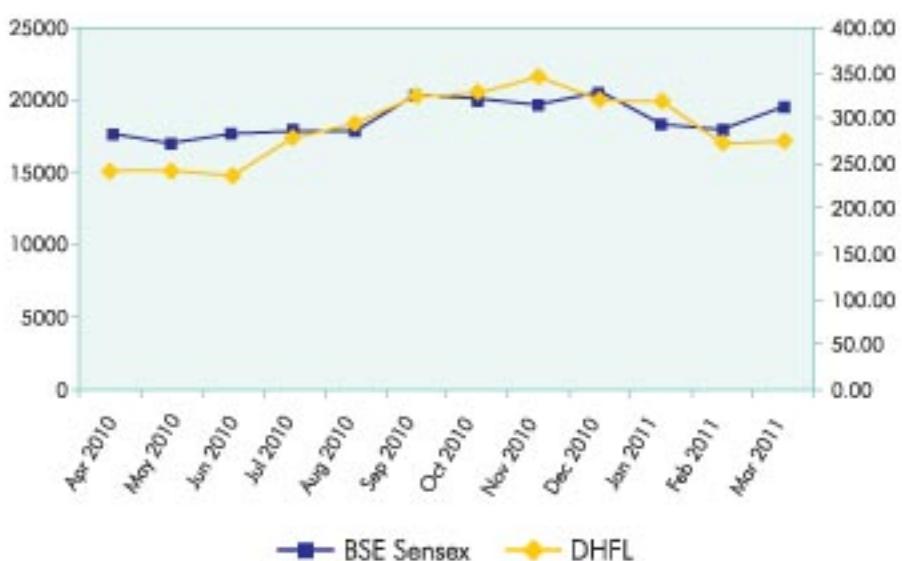
The monthly high and low closing prices of the Company along with the volume of shares traded at BSE and NSE:

For the year 2010-2011

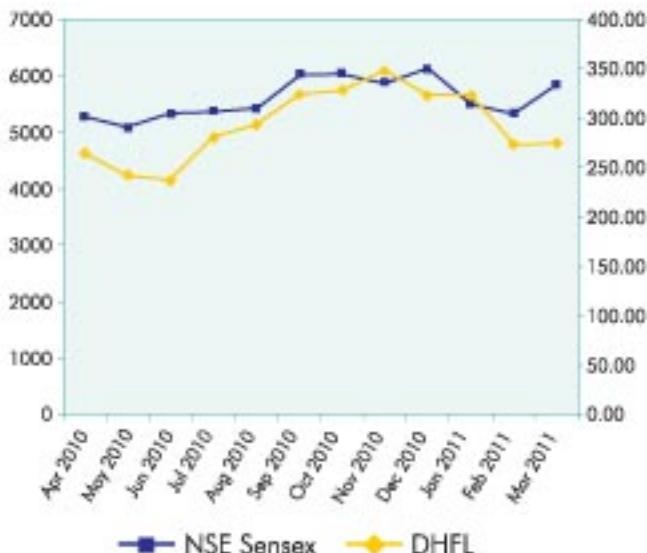
Period	BSE-Price ₹			NSE-Price ₹		
	High	Low	Qty. Traded	High	Low	Qty. Traded
Apr - 2010	242.00	205.60	1969900	265.00	205.50	4017355
May - 2010	242.50	202.15	888132	243.40	202.00	2125764
Jun - 2010	237.40	222.65	436140	237.70	222.00	2183265
Jul - 2010	280.00	227.00	1415659	280.90	227.00	3449336
Aug - 2010	295.00	255.10	1093734	293.95	256.20	8197059
Sep - 2010	324.90	266.90	1554343	325.25	267.00	5249368
Oct - 2010	328.70	286.00	941288	328.95	261.00	2851760
Nov - 2010	347.20	251.60	1700364	348.50	254.00	3987862
Dec - 2010	321.00	255.00	1601325	323.95	254.50	6222737
Jan - 2011	320.05	227.20	1333208	323.00	227.30	4067087
Feb - 2011	273.70	236.00	370533	273.70	231.25	3170061
Mar - 2011	275.75	207.45	1346011	275.15	207.35	4915201

(Sources: [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) )

## Performance – Comparison with BSE Sensex



## Performance – Comparison with NSE Index



## 25. Distribution of Shareholding as on 31st March, 2011

Shares holding of nominal Value Rupees	Share Holders			Share Amount	
	1	Number	% to Total Nos	4	5
Upto 5,000	15100	91.3756	1637155	1.5678	
5,001 to 10,000	728	4.4049	563357	0.5395	
10,001 to 20,000	317	1.9181	457054	0.4377	
20,001 to 30,000	95	0.5748	241256	0.2310	
30,001 to 40,000	54	0.3267	191722	0.1836	
40,001 to 50,000	38	0.2299	175047	0.1676	
50,000 to 1,00,000	46	0.2783	335668	0.3214	
1,00,000 and above	149	0.9016	100825143	96.5514	
Total	16527	100.00	104426402	100.00	

## 26. Shareholding Pattern of the Company as on 31st March, 2011

Category	No of Shares	% of Shareholding
Promoters	19245085	18.43
Persons acting in concert with promoters	21866983	20.94
Bodies Corporate	10925549	10.46
Mutual Funds	520145	0.50
FIs	36508561	34.96
FDI	8065456	7.72
NRI	49926	0.05
Financial Institutions / Banks	639521	0.61
Individual	6321653	6.05
Others	283523	0.27
Total	104426402	100.00

Note: None of the shares of the promoters/person acting in concert with promoters are pledged or encumbered with any of the banks or any of the financial institutions.

### **Registrar and Share Transfer Agents**

M/s. Link Intime India Private Limited, Mumbai is the Registrar and Shares Agents (RTA) for handling the physical and electronic registry work. The shareholders are requested to address their shares related request / queries to the RTA. The contact address of the RTA is as follows:

#### **Link Intime India Private Ltd.**

C - 13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (W), Mumbai-400078  
Phone: 022-2594 6970 – 78,  
Fax: 022-25946969,  
e-mail- rmt.helpdesk@linkintime.co.in  
Contact Person: Shri Sharad Patkar,  
Executive – Corporate Registry.

### **Share Transfer System**

All the applications regarding physical transfer, transmission, splitting of share certificates, dematerialization and dematerialization are processed by the Registrar and Share Transfer Agents, and approved by Shareholder's / Investor's Grievance Committee periodically (the Chairman & Managing Director periodically depending on the volume of transfers.) Share Certificates are dispatched within the time prescribed under the Listing Agreement/SEBI Guidelines.

### **Dematerialization of Shares and Liquidity**

The Company has signed agreement with both the depositories in the country, namely National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The Company's shares are in the list of compulsory demat settlement by all investors. As on 31st March, 2011, 99.24% of the share capital of the Company representing 103637277 equity shares were held in dematerialized form and the balance 0.76% representing 789125 equity shares were held in physical form.

### **Listing of Debt Securities**

Pursuant to the directions of Securities & Exchange Board of India (SEBI) all the secured debentures issued by the Company on private placement basis have been listed in the Wholesale Debt Market (WDM) Segment of the National Stock Exchange of India Limited. The company complies with the listing requirements in this regard.

### **Nomination Facility**

The Company is accepting nomination forms from shareholders in the prescribed Form 2B. All those who are desirous of making a nomination are requested to contact the Registrar & Transfer Agent (RTA). The shareholders holding shares in dematerialised form are requested to forward their nomination instructions to the concerned depository participants. Nomination is optional and can be cancelled or varied by a shareholder at any time.

### **Electronic Clearing Service (ECS) in case of share held in Physical Form**

At present, the Company is offering ECS facility to shareholders having bank accounts at any of the bank branches located at Ahmedabad, Bengaluru, Bhubaneswar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, Patna, Pune, Surat, Thiruvananthapuram and Vadodara. Under this system, the dividend amount is credited directly to the shareholders' designated bank account.

As part of its ongoing investor service initiatives, the Company has extended the said ECS facility to shareholders holding shares in physical form and maintaining an account with any bank forming part of the Core Banking Solution system. This would enable direct credit of dividend to the shareholders' designated bank account. In this regard, the Company has requested the said shareholders to furnish details of their bank account (including the 9 digit MICR code) to the ISD, if they wish to avail of the said ECS facility. After remittance of dividend through ECS, a confirmation will be sent to the concerned shareholders.

#### **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 name, address, bank account details, 9 digit MICR code of the beneficial owners. The Company 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 located at any of the cities mentioned above or if their bank is part of the Core Banking Solution system. After remittance of dividend through ECS, a confirmation will be sent to the concerned shareholders.

#### **Transfer of unclaimed dividend to Investor Education and Protection Funds :**

Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account is required to be transferred by the Company to the Investor Education and Protection Fund (IEPF), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account of the Company between the due dates of declaration of dividend and corresponding dates when unclaimed divided are due for transfer to IEPF. Information in respect of such unclaimed dividend for the three years when due for transfer to the said Fund is given below:

Financial Year ended	Date of Declaration	Due for Transfer on
2003-2004	24/07/2004	28/08//2011
2004-2005	25/07/2005	27/08//2012
2005-2006(interim)	21/10/2005	26/11/2012
2005-2006	17/07/2006	22/08/2012

#### **Online Information**

Shareholders are requested to visit [www.dhfl.com](http://www.dhfl.com) for online information about the company. The financial results, share price information, dividend announcements of the company are posted on the website of the company. Investor Correspondence is periodically updated with all developments, for the information of shareholders. Besides, the shareholders have the facility to post any query to the company directly from the website which are acted upon within 24 hours of receipt of query. The company has also been filing the financial results, shareholding pattern and other reports in the new portal viz Corporate Filing and Dissemination System (CFDS) put in place jointly by BSE and NSSE at the URL [www.corpfiling.co.in](http://www.corpfiling.co.in)

**Shareholders may also contact the following for any assistance:-**

Registrar & Transfer Agent	DHFL Secretarial Department
<b>Link Intime India Private Ltd.</b> C - 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai-400078  Tel: 91-22-2594 6970 – 78 Fax: 91-22-25946969  e-mail- rmt.helpdesk@linkintime.co.in  Contact Person: Shri Sharad Patkar, Executive – Corporate Registry	Mr. S. Y. Sankhe Compliance Officer & Company Secretary  6th Floor, HDIL Towers, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai-400 051  Tel: 91-22-2658 3333 Fax: 91-22-2658 3344  email: secretarial@dhfl.com

Shareholders holding shares in electronic mode are advised to address all their correspondence through their respective Depository Participants.

## Report of the Auditors on Corporate Governance

To the Members,  
Dewan Housing Finance Corporation Ltd.

We have examined the compliance of conditions of Corporate Governance by Dewan Housing Finance Corporation Ltd. for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of 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 no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders / Investors' Grievances Committee.

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

For B. M. Chaturvedi & Co.  
Chartered Accountants.  
ICAI FRN:114317W

Rajendra K. Gupta  
Partner  
ICAI M. N. 070165

Place : Mumbai  
Dated : 13th May, 2011

**Declaration Regarding Compliance By Board Members And Senior Management Personnel  
With The Company's Code Of Conduct**

This is to confirm that the Company has adopted a Code of Conduct for the Board of Directors and Senior Management of the Company. The same is available on website of the Company as [www.dhfl.com](http://www.dhfl.com).

As the Chairman & Managing Director of the Dewan Housing Finance Corporation Limited and as required by Clause 49(1)(D)(ii) of the Listing Agreement of the Stock Exchanges in India, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliance with the Code of Conduct for the financial year 2010-2011.

**Kapil Wadhawan**  
Chairman & Managing Director

Place : Mumbai  
Date : 13th May, 2011

# Secretarial Audit Report

To the Board of Directors  
Dewan Housing Finance Corporation Limited  
2nd Floor, Sir P.M. Road, Fort, Mumbai - 400 001.

We have examined the Registers, records and documents of Dewan Housing Finance Corporation Limited ("the company") for the financial year ended on March 31, 2011 according to the provisions of-

1. The Companies Act, 1956 and the Rules made under that Act;
2. The Depositories Act, 1996 and the regulations and Bye-laws framed under that Act ;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act")
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements ) Regulations, 2009;
  - d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999;
  - e. The Securities Contracts (Regulations) Act, 1956 (SCRA), the Rules made under that Act; and;
  - f. The Securities and Exchange Board of India (Issue and Listing of Debt Securities)Regulations, 2008;
4. The Equity Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited and Debt Listing Agreements with National Stock Exchange of India Limited and Bombay Stock Exchange Limited. We certify that:-
  1. Based on our examination and verification of the registers, records and documents produced to us and according to the information and explanations given to us by the company, we report that the company has, in our opinion, complied with the provisions of the Companies Act, 1956 (' the Act') and the rules made under the Act and the Memorandum and Articles of Association of the Company, with regard to :
    - (a) Maintenance of various statutory registers and documents and making necessary entries therein;
    - (b) Closure of the register of members/debenture holders;
    - (c) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;
    - (d) Service of documents by the company on its Members, Debenture Holders, Debenture Trustees, Auditors and the Registrar of Companies;

- (e) Notice of Board Meetings and Committee Meetings of Directors;
- (f) The meeting of Directors and Committees of Directors including passing of resolutions by circulations;
- (g) The 26th Annual General Meeting of the Company was held on 27th July 2010;
- (h) Minutes of the proceedings of General meetings and of the Board and its Committee meeting;
- (i) Approvals of the Members, the Board of Directors, the Committees of Directors and Government authorities, wherever required;
- (j) Constitution of the Board of Directors / Committees of Directors and appointment, retirement and re-appointment of Directors including the Managing Directors and Whole time Directors;
- (k) Payment of remuneration to the Directors including the Managing Directors and Whole Time Director;
- (l) Appointment and remuneration of Auditors;
- (m) Transfers and transmissions of the company's shares and debentures, issue and allotment of shares and debentures and issue and delivery of original and duplicate certificates of shares and debentures;
- (n) Payment of interest on debentures and redemption of debentures;
- (o) Declaration and payment of dividends;
- (p) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- (q) Borrowings and registration, modification and satisfaction of the charges;
- (r) Investment of the Company's funds including inter corporate loans and investments and loans to others;
- (s) Giving guarantees in connection with loans taken by subsidiaries and associate companies;
- (t) Form of Balance Sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit and Loss Account as per Part II of the said Schedule;
- (u) Board's report;
- (v) Contracts, common seal, registered office and publication of name of the Company; and
- (w) Generally, all other applicable provisions of the Act and the Rules made under that Act.

**2. We further report that:**

- (a) the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings/ debenture holdings and Directorships in other companies and interests in other entities;
- (b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of business conduct and ethics for Directors and Management Personnel;
- (c) the Company has obtained all necessary approvals under the various provisions of the Act; and
- (d) there was no prosecution initiated and no fines or penalties were imposed during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against/ on the Company, its Directors and Officers.

3. We further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed thereunder by the Depositories with regard to dematerialization/ rematerialisation of securities and reconciliation of records of dematerialized securities with all securities issued by the Company.
4. We further report that:
  - (a) the Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited and the Debt Listing Agreements with National Stock Exchange of India Limited and Bombay Stock Exchange Limited.
  - (b) The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including the provisions with regard to disclosures and maintenance of records required under Regulations.
  - (c) the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations;
  - (d) the Company has complied with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employee Stock Option Scheme, grant of Options and other aspects; and
  - (e) the Company has complied with the provisions of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

**For Aabid & Co  
Practicing Company Secretaries**

**Mohammad Aabid**  
C.P. No.: 6625  
A.C.S. No.: 17394

Place: Mumbai  
Date: 13th May, 2011

# DHFL FINANCIALS





## Auditors' Report

To the Members,  
Dewan Housing Finance Corporation Limited

We have audited the attached Balance Sheet of **Dewan Housing Finance Corporation Limited**, as at **31st March, 2011**, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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.

We report that,

1. 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.
2. In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors' reports have been forwarded to us and have been appropriately dealt with.
3. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement read with Notes thereon dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.
5. On the basis of written representations received from the Directors of the Company as on 31st March, 2011, and taken on record by the Board, we report that none of the Directors is disqualified as at 31st March, 2011, from being appointed as a Director under Section 274 (1) (g) of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2011,
  - ii) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date and
  - iii) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government, in terms of Section 227 (4A) of the Companies Act, 1956, we further state that,
  - i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed on such verification. The Company has not disposed off substantial part of fixed assets during the year.

- ii) The Company does not have any inventory due to nature of its business of housing finance.
- iii) The Company has granted unsecured loan in the nature of inter corporate deposit aggregating to ₹ 2000 lacs to its subsidiary company covered in the register maintained under Section 301 of the Companies Act, 1956 and has recovered the full amount along with interest leaving Nil balance at the year end. The rate of interest & other terms and conditions of the loan are, in our opinion, *prima facie* not prejudicial to the interest of the Company and repayment of Principal & interest has been regular and as per stipulation during the year. The Company has not taken any loans from any company, firm or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv) There is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and sale of services. The Company has no purchase or sale of goods.
- v) In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
  - (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has accepted deposits from the public. In our opinion and according to the information and explanations given to us, the Company has, during the year, complied with the directives issued by the National Housing Bank under the Housing Finance Companies [NHB] Directions, 2010 with regard to deposits accepted from the public and the rules framed thereunder and the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956.
- vii) In our opinion, and according to the information and explanations given to us, the Company has an internal audit system commensurate with its size and nature of its business, implemented by in-house department and supported by various independent professional firms of Chartered Accountants appointed as concurrent auditor by the Management to carry out concurrent audit function at all its branches.
- viii) Central Government has not prescribed maintenance of any cost records in respect of the business of the Company.
- ix) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues such as Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income-Tax, Wealth Tax, Service Tax and any other statutory dues whichever is applicable to the Company with the appropriate authorities. However, the Company has deposited full amount of disputed Income Tax pending in the appeals on the subject matters before appropriate appellate authorities and has no unpaid demands of the department.
- x) The Company has positive net worth, which is more than its equity capital and has neither any accumulated losses nor it has incurred any cash losses in the current financial year.
- xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions or banks or debenture holders.

- xii) According to the information and explanations given to us, the Company has maintained adequate documents and records for the loans and advances granted by it on the basis of security by way of residential houses and properties, pledge of shares, debentures and other securities.
- xiii) The Company is not engaged in the business of any Chit Fund / Nidhi / Mutual Benefit Fund or society.
- xiv) According to the information and explanations given to us, the Company is maintaining proper records of the transactions and contracts about the dealings in securities & investments and has made timely entries in records. The shares, securities, debentures and other securities have been held by the Company in its own name.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, the Company has generally applied the amount raised by it by way of term loans for the purpose for which those loans were obtained, other than temporary deployment pending application of those funds.
- xvii) The Company is engaged in the housing finance business and is governed by National Housing Bank (NHB) Directions for raising deposits and deployment of its funds in its business and the Company has followed the NHB guidelines for fund raising and deployment of funds and is adhering to the Asset Liabilities Management guidelines (ALCO) prescribed by NHB and accordingly based on the above information, we report that the Company has generally not used its short term funds in long term investments.
- xviii) The Company has made preferential allotment of equity shares during the year as approved by the members in its EOGM for the quantity and pricing thereof. Accordingly the price at which such shares are allotted are not *prima facie* prejudicial to the interest of the Company.
- xix) According to the information & explanations given to us, the Company has issued unsecured non convertible debentures amounting to ₹ 500 crores and secured non convertible debentures amounting to ₹ 585 crores in respect of which securities and charges have been created during the year.
- xx) The Company has not raised any money by way of public issue of equity share capital during the year save and except preferential allotment, Qualified Institutional Placement and allotment of equity shares under Employees Stock Option Scheme as detailed in Note no. B-1 of Schedule 'Q'.
- xxi) As explained to us, no material fraud on or by the Company has been noticed or reported during the year except some instances of fraud reported on the Company by way of misrepresentation by borrowers to avail housing loans or about its repayment in certain accounts involving an amount of about ₹ 29.03 lacs. The Company has initiated the legal proceedings against such parties and is hopeful of recoveries. However, the Company has provided for appropriate contingencies that may arise in future in respect thereof.

**For B. M. Chaturvedi & Co.**  
 Chartered Accountants  
 ICAI FRN: 114317W

Place : Mumbai  
 Date : 13<sup>th</sup> May, 2011

**Rajendra K. Gupta**  
 Partner  
 ICAI M. N. 070165

# Balance Sheet As At 31st March, 2011

₹ in lacs)

	Schedule	As at 31.03.2011		As at 31.03.2010	
<b>SOURCES OF FUNDS:</b>					
<b>Shareholders Fund</b>					
Share Capital	A	10,442.64		8,502.65	
Reserves & Surplus	B	144,400.64	154,843.28	78,841.06	87,343.71
<b>Loan Funds</b>					
Secured Loans	C	1,361,528.89		866,462.74	
Unsecured Loans	D	123,477.73	1,485,006.62	26,216.24	892,678.98
<b>Deferred Tax Liability</b>	E		1,585.46		415.01
<b>Total</b>			<u>1,641,435.36</u>		<u>980,437.70</u>
<b>APPLICATION OF FUNDS:</b>					
<b>Fixed Assets:</b>	F				
Gross Block		23,672.56		22,808.20	
Less : Depreciation		1,448.51		1,159.22	
Net Block			22,224.05		21,648.98
<b>Housing &amp; Other Loans</b>	G		1,411,121.36		875,840.13
<b>Investment</b>	H		87,066.87		13,137.43
<b>Current Assets, Loans &amp; Advances</b>	I	146,962.70		83,721.11	
Less : Current Liabilities & Provisions	J	25,939.62		13,909.95	
<b>Net Current Assets</b>			121,023.08		69,811.16
<b>Total</b>			<u>1,641,435.36</u>		<u>980,437.70</u>
Balance Sheet Abstract & Company Profile	P				
Significant Accounting Policies & Notes to Accounts	Q				

Schedules referred herein above and annexed hereto form part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

**For B. M. Chaturvedi & Co.**  
Chartered Accountants  
ICAI FRN: 114317W

**Rajendra K. Gupta**  
Partner  
ICAI M. N. 070165

Place : Mumbai  
Date : 13<sup>th</sup> May, 2011

**Kapil Wadhawan**  
Chairman & Managing Director

**S. Y. Sankhe**  
Company Secretary

**Dheeraj Wadhawan**  
R. P. Khosla  
R. S. Hugar  
G. P. Kohli  
Anthony Hambrone  
Ajay Vazirani  
V. K. Chopra  
Dr. P. S. Pasricha  
(Directors)

# Profit And Loss Account For The Year Ended 31st March, 2011

(₹ in lacs)

	Schedule	Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME:</b>			
Income from Operations	K	144,935.40	99,055.32
Other Income		188.80	199.31
(Refer Note B-19 of Schedule - 'Q')			
<b>Total</b>		<b>145,124.20</b>	<b>99,254.63</b>
<b>EXPENDITURE:</b>			
Interest & Other Charges	L	96,454.86	66,983.90
Payment to and Provision for Employees	M	6,142.78	3,905.37
Operational & Other Expenses	N	10,648.83	7,013.38
Provision for Contingencies	J	900.00	850.00
Bad Debts Written off		144.05	98.34
Less : Provision for Contingencies used for Bad debts		144.05	98.34
(Refer Note B-9 of Schedule - 'Q')			
Depreciation		373.00	282.70
<b>Total</b>		<b>114,519.47</b>	<b>79,035.35</b>
<b>Profit Before Tax &amp; Exceptional Items</b>		<b>30,604.73</b>	<b>20,219.28</b>
Add : Exceptional Items		<b>3,542.95</b>	<b>-</b>
<b>Profit Before Tax</b>		<b>34,147.68</b>	<b>20,219.28</b>
Less : Provision for Taxation		7,635.00	5,150.00
<b>Profit After Tax</b>		<b>26,512.68</b>	<b>15,069.28</b>
Add : Balance B/F from previous year		<b>3,035.60</b>	<b>2,473.66</b>
<b>Profit Available for Appropriation</b>		<b>29,548.28</b>	<b>17,542.94</b>
<b>APPROPRIATIONS:</b>			
Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961		4,000.00	3,500.00
Transfer to General Reserve		10,000.00	7,500.00
Transfer to Contingency Reserve		3,500.00	-
Proposed Equity Dividend		3,657.01	2,460.80
Preference Dividend		2.09	3.00
Dividend for earlier year		659.36	534.06
Tax on Dividend		733.57	509.48
Balance carried to Balance Sheet		6,996.25	3,035.60
<b>Total</b>		<b>29,548.28</b>	<b>17,542.94</b>
<b>Earnings Per Share (₹)</b>	O		
Basic		26.43	19.79
Diluted		26.12	19.58
Balance Sheet Abstract & Company Profile	P		
Significant Accounting Policies & Notes to Accounts	Q		

Schedules referred herein above and annexed hereto form part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our report of even date.

For B. M. Chaturvedi & Co.  
Chartered Accountants  
ICAI FRN: 114317W

Rajendra K. Gupta  
Partner  
ICAI M. N. 070165

Place : Mumbai  
Date : 13<sup>th</sup> May, 2011

Kapil Wadhawan  
Chairman & Managing Director

S. Y. Sankhe  
Company Secretary

Dheeraj Wadhawan  
R. P. Khosla  
R. S. Hugar  
G. P. Kohli  
Anthony Hambro  
Ajay Vazirani  
V. K. Chopra  
Dr. P. S. Pasricha  
(Directors)

# Cash Flow Statement For The Year Ended 31st March, 2011

(₹ in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	34,147.68	20,219.28
<b>Adjustments for:</b>		
Depreciation	373.00	282.70
Employees Stock Option Expenses	75.10	191.17
Provision for Gratuity & Leave Encashment	315.35	140.97
Loss on Sale of Assets	27.24	48.76
Provision for Contingencies	900.00	850.00
Other Operational Treasury Income	(7,215.54)	(2,647.36)
	(5,524.85)	(1,133.76)
Operating profit before Working Capital changes	28,622.83	19,085.52
<b>Adjustments for:</b>		
Current Assets	(20,096.52)	(2,598.19)
Current Liabilities	8,903.94	358.58
Working capital changes	(11,192.58)	(2,239.61)
Cash generated from operations during the year	17,430.25	16,845.91
Tax Paid	(6,015.59)	(5,421.95)
<b>Net Cash From Operating activities</b>	<b>[A]</b>	<b>11,414.66</b>
		<b>11,423.96</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Income from Treasury Investment - MF	3,609.21	1,703.81
Net Income from Treasury Investment - Others	3,606.33	943.54
Net Addition to Investments	(47,262.09)	(1,488.25)
Addition to Investments in Subsidiary	(26,601.00)	(798.40)
Net Addition to Fixed Assets	(975.31)	(16,996.48)
<b>Net Cash used in Investing activities</b>	<b>[B]</b>	<b>(67,622.86)</b>
		<b>(16,635.78)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares	2,239.99	2,150.35
Premium on Issue of Equity Shares	46,973.35	28,046.21
Share Application Money adjusted in Issue of Equity	-	(5,600.00)
Inter Corporate Deposits received - Subsidiary	2,000.00	2,000.00
Inter Corporate Deposits received - Others	9,500.00	2,300.00
Loans received from Banks/Institutions	546,049.13	324,383.70
Refinance loans received from NHB	10,000.00	78,000.00
Proceeds from Issue of NCD's	108,500.00	22,500.00
Proceeds from Issue of CP	56,547.00	29,716.20
Fixed Deposits received	46,874.15	828,683.62
		19,758.05 503,254.51

# Cash Flow Statement For The Year Ended 31st March, 2011

(₹ in lacs)

	Year ended 31.03.2011		Year ended 31.03.2010	
Housing loan repayments	100,990.08		78,627.37	
Other Loans repayments	14,282.35	115,272.42	12,750.52	91,377.89
Loans repaid to Banks / Institution	(90,137.66)		(108,161.45)	
Refinance loans repaid/Prepaid to NHB	(26,195.36)		(18,471.96)	
Fixed Deposits repaid	(9,361.45)		(6,229.34)	
Preference Share capital redeemed	(300.00)		-	
Premium on Redemption of Preference Shares	(2,700.00)		-	
Non-convertible Debentures Redeemed	(3,149.97)		(6,738.32)	
CP Redeemed	(46,798.22)		(29,716.20)	
Inter Corporate Deposits paid - Subsidiary	(2,000.00)		(2,000.00)	
Inter Corporate Deposits paid - Others	(9,500.00)	(190,142.66)	(2,300.00)	(173,617.27)
Housing loan disbursed	(621,115.43)		(370,201.95)	
Other Loans disbursed	(29,438.23)	(650,553.65)	(16,353.59)	(386,555.54)
Dividend & Dividend Distribution Tax	(3,656.93)		(2,403.13)	
Share Premium Utilised	(249.53)	(3,906.46)	(360.00)	(2,763.13)
<b>Net Cash from Financing Activities [C]</b>		<b>99,353.27</b>		<b>31,696.46</b>
<b>Net increase in Cash &amp; Cash Equivalents [A+B+C]</b>		<b>43,145.07</b>		<b>26,484.64</b>
Cash & Cash Equivalents at the beginning of the year		73,029.34		46,544.70
<b>Cash &amp; Cash Equivalents at the close of the year</b>		<b>116,174.41</b>		<b>73,029.34</b>

Negative Figure (-) represent cash outflow.

This is the Cash Flow Statement referred to in our report of even date.

For B. M. Chaturvedi & Co.  
Chartered Accountants  
ICAI FRN: 114317W

Rajendra K. Gupta  
Partner  
ICAI M. N. 070165

Place : Mumbai  
Date : 13<sup>th</sup> May, 2011

Kapil Wadhawan  
Chairman & Managing Director

S. Y. Sankhe  
Company Secretary

Dheeraj Wadhawan  
R. P. Khosla  
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G. P. Kohli  
Anthony Hambro  
Ajay Vazirani  
V. K. Chopra  
Dr. P. S. Pasricha  
(Directors)

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>'A' - SHARE CAPITAL</b>		
<b>Authorised</b>		
17,50,00,000 Equity Shares of ₹10/- each	17,500.00	17,500.00
7,50,00,000 Preference Share of ₹10/- each	7,500.00	7,500.00
<b>Total</b>	<b>25,000.00</b>	<b>25,000.00</b>
<b>Issued</b>		
10,44,26,402 (8,27,17,513) Equity Shares of ₹10/- each	10,442.64	8,271.75
NIL (30,00,000) Redeemable, 1% Non-convertible, Preference Shares of ₹10/- each	-	300.00
<b>Total</b>	<b>10,442.64</b>	<b>8,571.75</b>
<b>Subscribed and paid up</b>		
10,44,26,402 (8,20,26,544) Equity Shares of ₹10/- each	10,442.64	8,202.65
NIL (30,00,000) Redeemable, 1% Non-convertible, Preference Shares of ₹10/- each	-	300.00
<b>Total</b>	<b>10,442.64</b>	<b>8,502.65</b>
<b>'B' - RESERVES &amp; SURPLUS</b>		
a) <b>Capital Reserve</b>		
Balance as per last Balance Sheet	7.16	7.16
b) <b>Capital Redemption Reserve</b>		
Balance as per last Balance Sheet	775.00	775.00
c) <b>Security Premium</b>		
Balance as per last Balance Sheet	41,142.19	13,455.98
Add : Received during the year	46,973.35	28,046.21
	<b>88,115.54</b>	<b>41,502.19</b>
Less : Utilised during the Year	2,949.52	360.00
	<b>85,166.02</b>	<b>41,142.19</b>
d) <b>General Reserve</b>		
Balance as per last Balance Sheet	18,104.24	10,604.24
Add : Transferred from Profit & Loss Account	10,000.00	7,500.00
	<b>28,104.24</b>	<b>18,104.24</b>
Less : Provision for Contingency	-	-
	<b>28,104.24</b>	<b>18,104.24</b>
e) <b>Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961</b>		
Balance as per last Balance Sheet	15,585.70	12,085.70
Add : Transferred from Profit & Loss Account	4,000.00	3,500.00
	<b>19,585.70</b>	<b>15,585.70</b>
f) <b>Contingency Reserve</b>		
Balance as per last Balance Sheet	-	-
Add : Transferred from Profit & Loss Account	3,500.00	3,500.00
	<b>3,500.00</b>	<b>-</b>
g) <b>Employees Stock Option Outstanding</b>		
Net Charges for the Year	266.27	191.17
h) <b>Balance in Profit &amp; Loss Account</b>	6,996.25	3,035.60
<b>Total</b>	<b>144,400.64</b>	<b>78,841.06</b>

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2011  
 (₹ in lacs)

	As at 31.03.2011				As at 31.03.2010					
<b>'C' - SECURED LOANS</b>										
From National Housing Bank				132,561.38				148,756.74		
Term Loans from Scheduled Banks				1,103,292.81				645,181.03		
From Financial Institutions				6,608.06				8,808.36		
Non-Convertible Debentures				119,066.64				63,716.61		
<b>Total</b>				<b>1,361,528.89</b>				<b>866,462.74</b>		
<b>'D' - UNSECURED LOANS</b>										
Fixed Deposit				32,391.42				8,961.85		
Cumulative Fixed Deposits				23,061.95				9,116.15		
Other Deposits				275.58				138.24		
Commercial Papers / Promisory Notes				9,748.78				-		
Non-Convertible Debentures (Subordinated issue)				58,000.00				8,000.00		
<b>Total</b>				<b>123,477.73</b>				<b>26,216.24</b>		
<b>'E' - NET DEFERRED TAX LIABILITIES / (ASSETS)</b>										
<b>Deferred Tax Assets</b>										
On Account of Provision for Contingency		(945.89)			(740.27)					
On Account of Provision for Gratuity		(77.01)		(1,022.90)	-			(740.27)		
<b>Deferred Tax Liability</b>										
On Account of Depreciation		517.94			416.49					
On Account of Others		2,090.42		2,608.36	738.79			1,155.28		
<b>Net Deferred Tax Liability / (Asset)</b>				<b>1,585.46</b>				<b>415.01</b>		
<b>'F' - FIXED ASSETS</b>										
	<b>GROSS BLOCK</b>				<b>DEPRECIATION</b>				<b>NET BLOCK</b>	
<b>ASSETS</b>	<b>As on 01.04.2010</b>	<b>Addition</b>	<b>Deduction / Sale</b>	<b>As on 31.03.2011</b>	<b>As on 01.04.2010</b>	<b>For the Year</b>	<b>Deduction</b>	<b>Upto 31.03.2011</b>	<b>As on 31.03.2011</b>	<b>As on 31.03.2010</b>
<b>Tangible:</b>										
Buildings	3,056.14	-	-	3,056.14	263.31	45.75	-	309.06	2,747.08	2,792.83
Furniture & Fixtures	1,095.14	301.15	36.03	1,360.26	212.03	73.68	19.49	266.22	1,094.04	883.11
Office Equipments	566.33	199.95	10.98	755.30	90.02	32.69	5.70	117.01	638.29	476.31
Vehicles	239.03	62.38	17.44	283.97	35.18	27.19	8.24	54.13	229.84	203.85
Computer (Hardware)	1,058.97	503.13	57.60	1,504.50	552.11	183.04	50.28	684.87	819.63	506.86
<b>Sub Total</b>	<b>6,015.61</b>	<b>1,066.61</b>	<b>122.05</b>	<b>6,960.17</b>	<b>1,152.65</b>	<b>362.35</b>	<b>83.71</b>	<b>1,431.29</b>	<b>5,528.88</b>	<b>4,862.96</b>
<b>Intangible:</b>										
Computer (Software)	53.54	51.27	-	104.81	6.57	10.65	-	17.22	87.59	46.97
<b>Fixed Assets</b>	<b>6,069.15</b>	<b>1,117.88</b>	<b>122.05</b>	<b>7,064.98</b>	<b>1,159.22</b>	<b>373.00</b>	<b>83.71</b>	<b>1,448.51</b>	<b>5,616.47</b>	<b>4,909.93</b>
Capital Work in Process	16,739.05	157.58	289.05	16,607.58	-	-	-	-	16,607.58	16,739.05
<b>Total</b>	<b>22,808.20</b>	<b>1,275.46</b>	<b>411.10</b>	<b>23,672.56</b>	<b>1,159.22</b>	<b>373.00</b>	<b>83.71</b>	<b>1,448.51</b>	<b>22,224.05</b>	<b>21,648.98</b>
Previous Year	5,980.06	17,024.50	196.36	22,808.20	996.10	282.70	119.58	1,159.22	21,648.98	

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011		As at 31.03.2010	
<b>'G' - HOUSING &amp; OTHER LOANS</b>				
Housing Loans		1,343,904.01		827,223.17
Housing Loan under Joint Syndication Scheme	8,419.20		2,655.53	
Less : Funded by Syndicate Partner	3,776.48	4,642.72	1,317.39	1,338.14
		1,348,546.73		828,561.31
Other Loans		62,574.63		47,278.82
<b>Total</b>		<b>1,411,121.36</b>		<b>875,840.13</b>
<b>'H' - INVESTMENTS (At Cost)</b>	No.	Face Value (₹)	As at 31.03.2011	As at 31.03.2010
<b>A Equity Shares</b>				
<b>(a) Quoted</b>				
1 Aditya Birla Nuvo Ltd.	500	-	4.04	-
2 Aurobindo Pharma Ltd.	20,000	-	50.86	-
3 Century Textiles India Ltd.	25,000	-	128.26	128.26
4 Cummins India Ltd.	10,000	-	80.55	-
5 Essar Oil Ltd.	10,000	-	14.34	14.34
6 H.D.F.C. Bank Ltd.	2,000	-	47.14	-
7 H.D.F.C. Ltd.	2,500	-	17.51	-
8 Havells India Ltd.	15,000	-	64.99	-
9 Hindalco Ltd.	1,000	-	2.08	-
10 Housing Development & Infrastructure Ltd.	1,999,918	10	64.82	107.64
11 I.D.F.C.	25,000	-	37.53	-
12 JP Associates Ltd.	750	10	2.34	2.34
13 JSW Steels Ltd.	500	-	4.62	-
14 Lakshmi Vilas Bank Ltd.	-	-	-	6.16
15 Larsen & Toubro Ltd.	5,000	-	84.04	-
16 NTPC Ltd.	15,000	-	34.82	34.82
17 Ranbaxy Laboratories Ltd.	500	-	2.23	-
18 Reliance Industries Ltd.	2,200	10	31.43	31.43
19 Tata Motors Ltd.	1,100	-	13.80	-
20 TVS Motors Ltd.	26,374	-	9.86	9.86
<b>Sub - Total (a)</b>			<b>695.25</b>	<b>334.85</b>
<b>Market value of above quoted shares</b>			<b>4,081.46</b>	<b>9,727.50</b>
<b>(b) Unquoted</b>				
1 Aadhar Housing Finance Private Ltd.	50,000,000	10	5,000.00	-
2 DHFL Property Services Ltd.	1,000,000	10	100.00	100.00
3 DHFL Venture Capital India Pvt. Ltd.	4,467,500	10	469.25	469.25
4 DHFL Venture Trustee Company Pvt. Ltd.	22,500	10	2.25	2.25
5 DHFL Vysya Housing Finance Ltd.	6,448,989	10	2,365.68	2,365.68
6 The Kalyan Janta Sahakari Bank Ltd.	10,000	10	1.00	1.00
7 Wadhwan Retail Pvt. Ltd.	18,467,500	10	1,846.75	1,846.75
8 DHFL Holdings Pvt. Ltd.	216,010,000	10	21,601.00	-
<b>Sub - Total (b)</b>			<b>31,385.93</b>	<b>4,784.93</b>
<b>Investment in Equity Shares (a + b) - [A]</b>			<b>32,081.18</b>	<b>5,119.79</b>

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2011

(₹ in lacs)

	No.	Face Value (₹)	As at 31.03.2011	As at 31.03.2010
<b>'H' - INVESTMENTS</b>				
<b>B Mutual Funds / Venture Capital Funds</b>				
1 DHFL Venture Capital Fund (100% Trust Corpus - Settlement Money)			0.10	0.10
2 DHFL Real Estate Assets Management Fund - Dream Fund I Units Class A	35,000	8,443.83	3,222.85	2,955.34
3 DHFL Real Estate Assets Management Fund - Dream Fund I Units Class B	36,370	1	0.36	0.36
4 Axis Equity Fund - Growth	5,000,000	-	500.00	500.00
5 BNP Paribas Overnight Fund - IP - Dly Dividend	10,064,485	-	1,006.75	-
6 DSP Merill Lynch - Lqd Fund - Dividend	58,701	10	0.60	0.60
7 DWS Insta Cash Plus Fund - Super IP - Dly Dividend	12,482,551	-	12,520.50	-
8 DWS Money Plus Advantage Fund - Regular - Growth	4,152,496	-	-	500.05
9 ICICI Liquid Fund - Super I.P. - Daily Div Reinst	557,858	-	-	557.98
10 LIC Liquid Fund- Daily Div Reinst	11,611,745	-	-	1,274.98
11 Principal PNB Long Term Equity Fund - Series II - Growth	250,000	-	-	25.00
12 Sundaram Money Fund - Super IP - Dly Dividend	9,957,331	-	1,005.22	-
13 Taurus Liquid Fund - Super IP - Daily Dividend	101,558	-	1,015.65	-
14 Templeton Short Term Income Fund - Retail - Growth	54,924	-	-	1,000.11
15 UTI Treasury Advantage Fund - IP - Dly Dividend	3,199,555	-	32,002.40	-
<b>Investment in Mutual Funds/Venture Funds - [B]</b>			<b>51,274.43</b>	<b>6,814.52</b>
<b>C Bonds Redeemable (Fully Paid)</b>				
1 8.15% Dhanlakshmi Bank Bonds	5	1,000,000	-	50.00
2 11.30% HP Infrastructure Dev. Board	300	100,000	300.00	300.00
3 7.15% UBI	75	1,000,000	750.00	750.00
4 0.00% Punjab Infrastructure Development Board 2023 Bonds	10	251,625	25.16	25.16
5 8.56% KERALA SDL 2020	200,000	100	203.48	203.48
6 8.09% GUJARAT SDL 2020	500,000	100	503.50	-
7 8.52% TAMILNADU SDL 2020	200,000	100	206.28	-
8 8.42% ANDHRA PRADESH SDL 2020	425,000	100	430.23	-
9 8.39% RAJASTHAN SDL 2020	500,000	100	503.30	-
10 8.26% GOI 2027	300,000	100	298.05	-
11 8.26% GOI 2027	300,000	100	298.41	-
12 8.40% GUJARAT SDL 2020	250,000	100	252.00	-
<b>Investment in Bonds - [C]</b>			<b>3,770.41</b>	<b>1,328.64</b>
<b>Total Investments [A+B+C]</b>			<b>87,126.02</b>	<b>13,262.94</b>
Less : Provision for diminution in the value of Investment			59.15	125.51
<b>Net Investments</b>			<b>87,066.87</b>	<b>13,137.43</b>

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011	As at 31.03.2010	
<b>'I - CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>Current Assets:</b>			
Interest accrued but not due on Investment	487.68		148.15
<b>Sundry Debtors</b>			
(Secured, Considered Good [PEMI])			
Outstanding for more than six months	151.61		141.43
Others	148.85	300.46	163.98
<b>Cash &amp; Bank Balance:</b>			
Cash on hand	110.27		136.50
Cash at Bank:			
With Scheduled Banks;			
in Current Account	103,618.05		72,185.84
in Reinvestment & Short Term Deposits	12,446.09	116,174.41	707.00
<b>Loans &amp; Advances:</b>			
Instalments due from borrowers (EMI) (secured)	3,990.73		3,526.98
Advance and other amounts Recoverable in cash or in kind or for value to be received	25,313.87		6,197.19
Deposits	695.55		514.04
		30,000.15	
<b>Total</b>	<b>146,962.70</b>		<b>83,721.11</b>

<b>'J - CURRENT LIABILITIES AND PROVISIONS</b>			
<b>Current Liabilities</b>			
Interest Accrued but not due	458.34		641.68
Sundry Creditors & Other Liabilities	15,853.22		6,273.52
Advance received	1,433.06		1,046.83
Unclaimed Dividend	63.05		59.87
		17,807.67	
<b>Provisions</b>			
For Taxation (Net of Advance tax & TDS)	(683.77)		(707.27)
For Proposed Dividend	3,659.10		2,463.80
For Tax on Dividend	621.51		418.72
		3,596.84	
<b>Provision for Contingencies</b>			
(including provision for diminution in Investment)			
As per last Balance Sheet	3,838.31		3,086.65
Add : Provision during the year	900.00		850.00
	4,738.31		3,936.65
Less : Utilised during the year	144.05		98.34
Balance Provision at the end of the year	4,594.26		3,838.31
Less : Shown as diminution in Investment separately	59.15		125.51
		4,535.11	
<b>Total</b>	<b>25,939.62</b>		<b>3,712.80</b>
			<b>13,909.95</b>

Schedules Annexed to and forming part of the Profit & Loss Account  
for the year ended 31st March, 2011

(₹ in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>'K' - INCOME FROM OPERATION</b>		
Interest - Loans	126,791.05	87,093.81
Interest - Others	3,601.31	1,855.54
Income from Other Services	10,870.45	7,458.61
Other Operational Treasury Income	3,672.59	2,647.36
(Refer Note B-20 of Schedule - 'Q')		
<b>Total</b>	<b>144,935.40</b>	<b>99,055.32</b>
<b>'L' - INTEREST AND OTHER CHARGES</b>		
On Loans	79,408.28	57,112.04
On Deposits	3,568.90	877.49
On Debentures	13,477.68	8,994.37
<b>Total</b>	<b>96,454.86</b>	<b>66,983.90</b>
<b>'M' - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries and Bonus	5,533.07	3,376.44
Staff Welfare Expenses	384.37	365.48
Contribution to Provident Fund & Other Funds	225.34	163.45
<b>Total</b>	<b>6,142.78</b>	<b>3,905.37</b>
<b>'N' - OPERATIONAL &amp; OTHER EXPENSES</b>		
Rent	681.54	414.43
Rates & Taxes	98.99	80.13
Conveyance & Motor Car Expenses	202.67	165.53
Travelling Expenses	318.20	179.60
Printing & Stationery	237.72	210.51
Advertisement & Business Promotion	2,139.85	2,059.19
Insurance	364.64	145.33
Legal & Professional Charges	2,201.07	1,149.53
Postage, Telephone & Telegram	575.39	391.64
General Repairs & Maintenance	256.09	175.81
Electricity Charges	191.43	167.26
Bank Charges	301.03	169.48
Directors Sitting Fees	12.90	9.10
Brokerage	224.99	62.14
Business Sourcing Expenses	1,956.65	1,111.85
Loss on Sale of Impaired Assets	27.23	48.76
Commission to Directors	80.85	52.00
Credit Rating Charges	332.42	173.42
Expenses under Miscellaneous Heads	445.17	247.67
<b>Total</b>	<b>10,648.83</b>	<b>7,013.38</b>

Schedules Annexed to and forming part of the Profit & Loss Account  
for the year ended 31st March, 2011

(₹ in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>'O' - EARNING PER SHARE</b>		
Net Profit Attributable to Equity Shareholders		
Profit after Tax	26,512.68	15,069.28
Less : Preference Share Dividend	2.09	3.00
Tax on above	0.35	0.51
Net Profit attributable to Equity Shareholders	<b>26,510.24</b>	<b>15,065.77</b>
Number of Equity Shares	104,426,402	82,026,544
Weighted Average Number of Equity Shares	100,301,621	76,147,743
Nominal value of Equity Shares (₹)	10.00	10.00
Earning Per Share (₹):		
Basic	<b>26.43</b>	<b>19.78</b>
Diluted	<b>26.12</b>	<b>19.58</b>

Schedules Annexed to and forming part of the Balance Sheet as at 31st March, 2011

'P - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956.

**I. Registration Details**

Registration No. 1 1 - 3 2 6 3 9

State Code 1 1

Balance Sheet Date 3 1 0 3 2 0 1 1

**II. Capital raised during the year (Amount in ₹ Lacs)**

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

2 2 3 9 . 9 9

**III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Lacs)**

Total Liabilities

1 6 4 1 4 3 5 . 3 6

Total Assets

1 6 4 1 4 3 5 . 3 6

**Source of Funds**

Paid up Capital

1 0 4 4 2 . 6 4

Reserves & Surplus

1 4 4 4 0 0 . 6 4

Secured Loans

1 3 6 1 5 2 8 . 8 9

Unsecured Loans

1 2 3 4 7 7 . 7 3

Share Application

..... . ..

Deferred Tax Liability

1 5 8 5 . 4 6

**Application of Funds**

Net Fixed Assets

2 2 2 2 4 . 0 5

Investments

8 7 0 6 6 . 8 7

Net Current Assets

1 2 1 0 2 3 . 0 8

Housing Loans & Other Loans

1 4 1 1 1 2 1 . 3 6

Accumulated Losses

N I L

**IV. Performance of Company (Amount in ₹ Lacs)**

Turnover

1 4 5 1 2 4 . 2 0

Total Expenditure

1 1 4 5 1 9 . 4 7

Profit/Loss before Tax

3 4 1 4 7 . 6 8

Profit/Loss after Tax

2 6 5 1 2 . 6 8

Earning per Share (Basic) (in ₹)

2 6 . 4 3

Dividend Rate %

..... . 3 5

Earning per Share (Diluted) (in ₹)

2 6 . 1 2

**V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)**

Product Description

Item Code No.

i) Housing Finance

N O T A P P L I C A B L E

ii) Lease Financing

N O T A P P L I C A B L E

iii) Housing Development

N O T A P P L I C A B L E

# Schedule Annexed to and forming part of the Accounts as at 31st March, 2011

## 'Q' - NOTES TO ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES: -

#### 1. Basis of preparation of Financial Statements:

- a) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 and Housing Finance Companies, (NHB) Directions, 2010. Accounting Standards (AS) referred to in the notes are as issued by the Institute of Chartered Accountants of India.
- b) Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Company.
- c) The preparation of financial statements requires Management to make estimates and assumptions that effect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

#### 2. Interest on Housing Loan :

Repayment of housing loans is by way of Equated Monthly Instalments (EMI) comprising principal and interest. Interest is calculated each year on the outstanding balance at the beginning of the Company's financial year or on monthly reducing balance in terms of financing scheme opted by the borrower. EMI commences once the entire loan is disbursed. Pending commencement of EMI, pre-EMI monthly interest is payable.

#### 3. Interest & other related Financial Charges:

Interest accrued on Cumulative Fixed Deposits and payable at the time of maturity is clubbed with the principal amount on the date of periodical rest when interest is credited in Fixed Deposit account in accordance with the particular deposit scheme. Interest and other related financial charges are recognized as an expense for the period for which they are incurred as specified in Accounting Standard (AS 16) on "Borrowing Costs".

#### 4. Revenue Recognition:

- a) Interest on performing assets is recognized on accrual basis and on non-performing assets on realisation basis as per the guidelines prescribed by the National Housing Bank. The interest income (payment) is adjusted for gain (loss) on corresponding hedge contracts / interest swap derivatives, wherever executed.
- b) Dividend income on investments, processing fees and penal interest income on delayed EMI/PEMI are recognised on receipt basis.
- c) Income from other services is recognised on accrual basis.

#### 5. Foreign Exchange Transactions:

Transactions in foreign currencies are recorded at the rates prevailing on the dates of the transactions. Monetary items denominated in foreign currency are stated at contracted rates as those are covered by forward contracts. Premium for forward contracts is recognised as expenditure over the life of the contract.

#### 6. Provision for Contingencies:

Provision for Contingencies has been made for diminution in investment value and on non-performing housing loans and other assets as per the Prudential Norms prescribed by the National Housing Bank. The Company also makes certain additional provision to meet unforeseen contingencies.

**7. Investments:**

All Investments are stated at cost as per Accounting Standard (AS 13) on "Accounting for Investments" and the guidelines issued by the National Housing Bank. Investment in unquoted shares being long term investment is stated at cost and provision for diminution is made only if such diminution is other than temporary. Investments in mutual funds and quoted shares are in the nature of current Investments and full provision for diminution in the value of said Investments is made.

**8. Fixed Assets:**

Fixed Assets are stated at cost inclusive of expenses incidental thereto. All cost, including financing cost till the asset is put to use are capitalised. Depreciation on fixed assets is provided on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

**9. Impairment of Assets:**

An Asset is treated as impaired when the carrying cost of the Asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in earlier accounting periods is reversed if there has been a change in the estimate of recoverable amount as specified in Accounting Standard (AS 28) on "Impairment of Assets".

**10. Intangible Assets:**

Intangible Assets comprise of software and are stated at cost incurred on purchases and for bringing the same to its working condition and are amortised as per the provisions of the Companies Act, 1956.

**11. Special Reserve:**

The Company creates Special Reserve every year out of its profits in terms of Section 36(1) (viii) of the Income Tax Act, 1961 read with Section 29C of the National Housing Bank Act, 1987.

**12. Prepaid Expenses:**

Financial Expenses incurred during the year which provides benefit in several accounting years and Brokerage paid on long term fixed deposits has been treated as revenue expense only for the period relating to the current year and balance is treated as prepaid expense to be adjusted on pro-rata time basis in the future accounting years.

**13. Employees Retirement Benefits:**

- a. Company's contribution in respect of Employees' Provident Fund is made to Government Provident Fund and is charged to Profit & Loss Account
- b. Gratuity and Leave Encashment payable at the time of retirement are charged to Profit & Loss Account on the basis of actuarial valuation as required under AS-15.

**14. Earnings per share:**

The earnings per share has been computed as per Schedule "O" in accordance with Accounting Standard (AS 20) on, "Earnings Per Share" and is also shown in the Profit & Loss Account.

**15. Income Tax:**

Income Tax provision based on the present tax laws in respect of taxable income for the year and the deferred tax is treated in the accounts based on the Accounting Standard (AS 22) on "Accounting for Taxes on Income". The Deferred Tax assets and liabilities for the year, arising out of timing difference, are reflected in the Profit and Loss account. The cumulative effect thereof is shown in the Balance Sheet. Deferred Tax assets, if any, are recognised only if there is a reasonable certainty that the assets will be realized in future.

**16. Housing and Other Loans :**

Housing Loans include outstanding amount of Housing Loan and Project Loan disbursed directly or indirectly to individual and other borrowers. Other loans include mortgage loan, non residential property loan, plot loan for self construction where construction has not began in last two years and loan against the lease rental income from properties in accordance with directions of National Housing Bank (NHB). EMI and installments due from borrowers against the housing loans are shown as current assets as loans and advances.

**17. Securitised Assets:**

Securitised Assets are derecognised in the books of the Company based on the principle of transfer of ownership interest over the assets. De-recognition of securitised assets and recognition of gain or loss arising on such securitisation is based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

**B. OTHER NOTES:**

1. During the year, the Company obtained approval of shareholders at the Extra-Ordinary General Meeting held on 18th May, 2010, for placement of Equity Shares to Qualified Institutional Buyers (QIBs) and preferential issue of Equity Shares to Promoters/Promoter Group and Caledonia Investment Plc. The Committee of the Board of Directors has from time to time, issued and allotted shares along with Equity Shares under ESOS scheme as under:
  - (a) On 2nd June, 2010, issued and allotted to QIBs 1,68,69,095 Equity Shares of ₹ 10/- each, at a price of ₹ 222.30 per Equity Share (including a premium of ₹ 212.30 per Equity Share), aggregating to ₹ 37,500 lacs.
  - (b) On 12th June, 2010, issued and allotted to Promoters/Promoter Group 40,00,000 Equity Shares of ₹ 10/- each, at a price of ₹ 222.30 per Equity Share (including a premium of ₹ 212.30 per Equity Share), aggregating to ₹ 8,892.00 lacs.
  - (c) On 12th June, 2010, issued and allotted to Caledonia Investment Plc 10,00,000 Equity Shares of ₹ 10/- each, at a price of ₹ 222.30 per Equity Share (including a premium of ₹ 212.30 per Equity Share), aggregating to ₹ 2,223.00 lacs.
  - (d) During the year, the Company has allotted, from time to time, 291,930 number of Equity Shares of ₹ 10/- each to various eligible employees under (ESOS 2008) at a price of ₹ 53.65 per Equity Share (including a premium of ₹ 43.65 per Equity Share) aggregating to ₹ 156.62 lacs as approved in the AGM dated 23rd July, 2007 and allotted at the reconsidered price approved in the EOGM dated 31st March, 2009.
  - (e) During the year, the Company has allotted, from time to time, 238,833 number of Equity Shares of ₹ 10/- each to various eligible employees under (ESOS 2009) at a price of ₹ 141/- per Equity Share (including a premium of ₹ 131/- per Equity Share) aggregating to ₹ 336.75 lacs as originally approved in the AGM dated 23rd July, 2007.
2. Non Convertible Debentures (NCD) amounting to ₹ 119,066.64 lacs (₹ 63,716.61 lacs) are secured /to be secured by way of first charge as per note B-4 herein below and are redeemable at par, in one or more installments, on various dates, with the earliest redemption being 23rd May, 2011 and the last being 22nd October, 2020.
3. The Company has raised ₹ 58,000.00 lacs through issue of long term Unsecured, Redeemable, Non Convertible Debentures. These Debentures are redeemable at par between 28th December, 2012 and 31st March, 2021. These Debentures are Sub-ordinate to present and future senior debt holders of the Company and qualifies as Tier II Capital under the NHB Guidelines.

4. Secured term loans from the National Housing Bank, other Banks, International Finance Corporation (IFC Washington), Asian Development Bank (ADB, Manila), Financial Institutions and Secured Non Convertible Debentures are secured/to be secured by way of first charge to and in favour of participating banks, Institutions, National Housing Bank and Debenture Trustees jointly ranking pari passu inter-se, on the Company's whole of the present and future book debts outstanding, investments including all the receivables of the Company and other movable assets wherever situated excluding SLR investments read with Note no. 8 hereinafter. They are further secured / to be secured on pari passu basis by constructive delivery of various title deeds of certain immovable properties, to Union Bank of India, acting for itself and as an agent of other participating lenders and Debenture trustees, and are also guaranteed by some of the present and earlier directors of the Company.
5. Term loans include cash credit received from banks ₹ 99.11 lacs and are secured on pari passu basis with other term loans.
6. As certified by the Management, loans given by the Company are secured by Equitable Mortgage/Registered Mortgage of the Property and Assets Financed and/or assignment of Life Insurance Policies and/or Personal Guarantees and/or undertaking to create a security and are considered appropriate and good.
7. The Company had earlier allotted 30 lacs Non Convertible Redeemable Preference Shares (NCRPS), of ₹ 10/- each at a premium of ₹ 90/- per share, aggregating to ₹ 3,000 lacs, carrying dividend @ 1% per annum on 10th December, 2007 which were redeemable at the end of 36 months from the date of allotment @ ₹ 136/- per share. During the year, the Company has redeemed all the above NCRPS @ ₹ 136/- per share and has utilised the share premium for redemption on pro rata basis.
8. As the National Housing Bank directives require all HFC's accepting public deposits to create a floating charge on the statutory liquid assets maintained in favour of depositors through the mechanism of a trust deed. The Company has appointed in earlier year a SEBI approved trustee Company i.e. GDA Trustee and Consultancy Ltd. as trustee for the above by executing the trust deed and has created necessary required charge.
9. The Non Performing Assets (NPA) consisting of principal loans outstanding where payments of EMI/PEMI were in arrears for 90 days or more amounted to ₹ 9,429.07 lacs (₹ 10,048.28 lacs). As per prudential norms prescribed by the NHB, the Company is required to carry a contingency provision of ₹ 3,641.60 lacs (₹ 1,911.06 lacs) in respect of Non Performing Housing Loan, Non-Housing Standard Assets and Other Loan Assets. The Company has also provided for ₹ 59.15 lacs (₹ 125.51 lacs) in respect of diminution in the value of Investment. The Company has Written off ₹ 144.05 lacs (₹ 98.34 lacs) as bad debts and by way of one time settlement to recover some of its NPA and Loss Accounts. The Company has withdrawn ₹ 144.05 lacs (₹ 98.34 lacs) from contingency provisions created out of profits of earlier years. The Company has made, during the year, provision of ₹ 900 lacs (₹ 850 lacs) for contingencies and has excess provision over and above the requirements of the guidelines on Prudential Norms issued by the National Housing Bank (NHB). The amount of required provision based on Non Performing Assets is as hereunder:

## (i) Housing Loans

₹ in lacs

Asset Classification	Outstanding as on 31.03.2011		Provision as on 31.03.2011
	₹	%	
Standard (considered good)	13,39,782.06 (8,18,938.90)	99.35 (98.84)	1,624.60 (Nil)
Sub-standard Assets	6,406.24 (7,519.51)	0.48 (0.91)	706.73 (775.86)
Doubtful Assets	2,358.43 (2,102.90)	0.17 (0.25)	981.90 (895.58)
Loss Assets	Nil (Nil)	Nil (Nil)	Nil (Nil)
<b>Sub-Total (i)</b>	<b>13,48,546.73 (8,28,561.31)</b>	<b>100.00 (100.00)</b>	<b>3,313.23 (1,671.44)</b>

(ii) Non Housing Loans		(₹ in lacs)		
Asset Classification		Outstanding As on 31.03.2011		Provision As on 31.03.2011
		₹	%	
Standard (considered good)		61,910.23	98.94	247.70
		(46,852.95)	(99.10)	(187.41)
Sub-standard Assets		621.38	0.99	64.69
		(401.54)	(0.85)	(40.67)
Doubtful Assets		43.02	0.07	15.98
		(24.33)	(0.05)	(11.53)
Loss Assets		Nil	Nil	Nil
		( Nil)	Nil	( Nil)
<b>Sub-Total (ii)</b>		<b>62,574.63</b>	<b>100.00</b>	<b>328.37</b>
		<b>(47,278 .82)</b>	<b>(100.00)</b>	<b>(239.62)</b>
 Total (i) + (ii)		₹	%	₹
Total (i) + (ii)		14,11,121.36	100.00	3,641.60
		(8,75,840.13)	(100.00)	(1,911.06)

10. Composite Loans sanctioned (i.e. loans allowed for purchase of plot and self construction of house) on or before 31st March, 2009, in which construction has not started till 31st March, 2011, as per the information available with the Company, is excluded from Housing Loans and regrouped under Other Loans (Non Housing) in Schedule 'G', outstanding as on 31st March, 2011 aggregating to ₹ 1,097.05 lacs. The previous year figures of Housing Loans and Other Loans have not been regrouped, hence are not comparable.

11. In terms of the requirement of the National Housing Bank (NHB) Circular No.NHB (ND)/DRS Pol. No. 37/2010-11 dated 24th December, 2010, the Company has met the said requirements as under by utilizing excess provisions made in the earlier period and by further providing during the year:

- i. 0.40% on all Standard Assets in respect of all loans other than individual housing loans, and
- ii. 2% on total outstanding Standard Assets in respect of Housing Loans given on Dual Interest Rate Scheme,

## 12. Retirement Benefit Plans

- i The Company makes contributions towards provident fund for qualifying employees to Regional Provident Fund Commissioner. Contribution to Defined Contribution Plan, recognised as expense for the year are as under:

(₹ in lacs)

	2010-11	2009-10
Employer's Contribution to Provident Fund	123.41	85.15
Employer's Contribution to Pension Fund	67.34	58.93

- ii. As required under Accounting Standard 15 (AS 15 Revised, 2005) the Company has made full provision for future gratuity liability & leave encashment liability payable at the time of retirement as on 31st March, 2011. On the basis of Gratuity and GLES report under Accounting Standard 15 (AS 15 Revised,

2005) provided by LIC of India, the Company has made necessary full contribution to LIC of India of its own liabilities as well as liabilities of its Subsidiary Company, DHFL Property Services Limited.

- iii. The details of post retirement benefits for the employees (including Key Management Personnel) as mentioned hereunder are based on the above report as provided by LIC of India as mentioned above and relied upon by the auditors:

(₹ in lacs)

	Gratuity (Funded)		Leave Encashment (Funded)	
	2010-11	2009-10	2010-11	2009-10
A. Change in the Defined Benefit Obligations:				
Liability at the beginning of the year	187.00	161.54	127.33	226.36
Current Service Cost	44.50	31.24	12.88	62.52
Interest Cost	14.96	12.92	10.19	18.11
Benefits Paid	(12.71)	-	(40.07)	-
Actuarial Loss/(Gain)	(16.75)	(18.70)	244.54	(179.69)
Liability at the end of the year	217.00	187.00	354.87	127.33
B. Fair Value of Plan Assets :	291.10	231.50	379.12	140.22
C. Actual Return on Plan Assets: :	20.67	-	18.02	-
D. Amount Recognised in the Balance Sheet:				
Liability at the end of the year	217.00	187.00	354.87	127.33
Fair Value of Plan Assets at the end of the year	291.10	231.50	379.12	140.22
Amount Recognised in the Balance Sheet under " Provision for Employee Benefits"	74.10	44.50	24.25	12.88
E. Expense Recognised in the Profit and Loss Account: Current Service Cost	44.50	31.24	12.88	62.52
Interest Cost	14.96	12.92	10.19	18.11
Expected Return on Plan Assets	(20.67)	-	(18.02)	-
Net Actuarial Loss/(Gain) to be Recognised	(16.75)	(18.70)	244.54	(179.69)
Expense recognised in the Profit & Loss Account under staff expenses	22.04	25.46	249.59	(99.06)
F. Reconciliation of the Liability Recognised in the Balance Sheet				
Opening Net Liability	187.00	161.54	127.33	226.39
Expense Recognised	22.04	25.46	249.59	(99.06)
Benefits Paid	(12.71)	-	(40.07)	-
Expected Return on Plan Assets	20.67	-	18.02	-
Amount Recognised in the Balance Sheet under "Provision for Employee Benefits"	217.00	187.00	354.87	127.33
G. Actuarial Assumptions				
Mortality Table (LIC)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount Rate (P. A.)	8%	8%	8%	8%
Rate of Escalation in Salary (P.A.)	5%	7%	5%	7%

The estimates of rate of escalation in salary considered in the above report, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

**13. Employee Stock Option Scheme:**

Employee Stock Option Scheme 2008 (ESOS-2008) was implemented by the Company. 14,22,590 Equity Share options were granted under (ESOS-2008) in 2008-09 to the employees as approved by the Remuneration and Compensation Committee of Directors of the Company at ₹ 53.65 per share, the reconsidered price approved in the EOGM dated 31st March, 2009.

Employee Stock Option Scheme 2009 (ESOS-2009) was implemented by the Company. 12,75,000 Equity Share options were granted under (ESOS-2009) in 2009-10 and additional 73,470 Equity Share options were granted under (ESOS-2009) in 2010-11 to the employees as approved by the Remuneration & Compensation Committee of the Directors of the Company at ₹ 141/- per share, the price approved in the Remuneration and Compensation Committee meeting held on 25th November, 2009.

During the financial year 2010-11, under (ESOS-2008), 372,260 options vested with eligible employees, 291,930 Equity Share options were exercised leaving balance of 80,330 Equity Share options exercisable at the end of the year and 184,222 Equity Share options lapsed during the year while 614,310 Equity Share options were unvested at the end of the year.

During the financial year 2010-11, under (ESOS-2009), 346,803 options vested with eligible employees, 238,833 Equity Share options were exercised leaving balance of 107,970 Equity Share options exercisable at the end of the year and 92,270 Equity Share options lapsed during the year while 877,147 Equity Share options were unvested at the end of the year.

**Movement in options under (ESOS-2008) and (ESOS-2009):**

Particulars	ESOS-2009	ESOS-2008
Options at the beginning of the year	12,42,750	11,70,792
Add : Options granted during the year	73,470	-
Less : Options exercised during the year	238,833	291,930
Less : Options lapsed during the year	92,270	184,222
Options unvested at the end of the year	877,147	614,310
Options exercisable at the end of the year	107,970	80,330

**Method used for accounting for share based payment plan:**

The Company has used intrinsic value method, which is the amount by which quoted market price of the underlying shares exceeds the exercise price of the Equity Share options, for accounting the compensation cost of its options to employees of the Company on date of the grant. As the Equity Share options under (ESOS-2008) were granted at the market price, the intrinsic value of the Equity Share option was NIL. However for Equity Share options under (ESOS-2009) the intrinsic value of such options was ₹ 43.95.

**Fair Value methodology:**

The fair value of options used to compute ESOP adjusted net income and earnings per Equity Shares have been estimated using Black Scholes Option Pricing model as provided by independent consultants and relied upon by the Management and the auditors.

The key assumptions used in Black Scholes Option Pricing model for calculating fair value under (ESOS-2008) and (ESOS-2009) as on the date of the grant is as follows:

Particulars	ESOS-2009	ESOS-2008
Risk free rate [annual]	7.11%	8.44%
Time to Maturity - Years	6	10
Annual volatility	28.38%	31.66%
Dividend Yield	1.35%	2.18%
Fair value of the options as on the date of grant [per option]	87.15	70.78

Had the compensation cost been determined using the fair value approach, the Company's net profit and basic and diluted earnings per share as reported would have been as indicated herein below:

Particulars	(₹ In lacs, except share data)
Net Profit : As reported	26,512.68
Less : Stock based employee compensation expense	285.93
ESOP adjusted net profit	26,226.75
Basic earnings per share as reported	26.43
Basic earnings per share [ESOP adjusted]	26.15
Diluted earnings per share as reported	26.12
Diluted earnings per share [ESOP adjusted]	25.84

14. During the year, the Company has subscribed 500 lac fully paid up Equity Shares of ₹ 10/- each for cash at par of Aadhar Housing Finance Private Limited. Aadhar Housing Finance Private Limited is a joint venture between the Company, its subsidiary DHFL Vysya Housing Finance Limited and International Finance Corporation (private sector arm of World Bank) with shareholding of 50%, 30% and 20% respectively to promote financing of low cost housing in rural and semi urban areas of the selected states of the country.
15. During the year, the Company has promoted, subscribed and acquired 2,160.10 lac fully paid up Equity Shares of ₹ 10/- each for cash at par of DHFL Holdings Private Limited, being 100% shares of the Company and promoted as a Special Purpose Vehicle for acquiring and holding 21,99,45,206 Equity Shares of ₹ 10/- each fully paid up, representing 67.56% of the Equity of Deutsche Postbank Home Finance Limited by investing ₹ 73,552.47 lacs.
16. During the year, a Company led consortium acquired 100% Equity Share capital of Deutsche Postbank Home Finance Limited from BHW Holding AG, Germany under a share purchase agreement whereby the Company has acquired above shares through DHFL Holdings Private Limited.
17. Unsecured Loans includes short term loans (Deposits and Commercial Papers) due and payable within one year ₹ 34,299.13 lacs (₹ 6,374.28 lacs).
18. During the year, the Company has utilized ₹ 2,949.52 lacs (₹ 360 lacs) out of share premium account in accordance with Section 78 of the Companies Act, 1956 towards premium payable on the redemption of Non Convertible Redeemable Preference Shares of the Company.
19. Other income includes Rent income of ₹ 141.59 lacs (₹ 117.77 lacs) and Miscellaneous income of ₹ 47.20 lacs (₹ 81.54 lacs).

## 20. Other Operational Treasury Income includes:

Particulars	2010-11	2009-10	(₹ in lacs)
Income from Mutual Fund operations	6.85	561.39	
Profit/(Loss) on sale of investments	63.38	832.62	
Dividend Income	3,218.09	1,253.35	
Income from Venture Capital Fund	384.27	-	
<b>Total</b>	<b>3,672.59</b>	<b>2,647.36</b>	

During the year, Company has purchased shares of various companies, bonds and mutual fund units. The details of Purchase/Sales (including redemption of units) and Profit/(Loss) thereon are as under:

Particulars	Shares		Bonds		Mutual Funds	
	Qty (in lacs)	Amt (in lacs)	Qty (Nos.)	Amt (in lacs)	Qty (in lacs)	Amt (in lacs)
Opening Stock	338.15	5,119.78	2,390.00	1,328.64	217.57	6,814.52
Purchases	2,679.01	39,674.91	23,700.00	2,491.77	64,435.84	15,01,309.26
Sales	31.41	16,319.84	5.00	50.00	64,244.06	14,56,856.20
Closing Stock	2,985.76	32,081.17	26,135.00	3,770.41	409.35	51,274.44
Profit / (Loss)	-	3,606.33	-	-	-	6.85
Exceptional Item	-	(3,542.95)	-	-	-	-
Profit / (Loss)	-	63.38	-	-	-	6.85

21. The Company has sold during the year, 13,21,510 number of shares being part of its strategic investment in erstwhile Promoter Group Company for ₹ 3,585.77 lacs thereby earning exceptional tax free income of ₹ 3,542.95 lacs.

22. The Company has created a Contingency Reserve of ₹ 3,500 lacs in view of the above exceptional income to provide for future contingencies.

23. Income from Other Services includes:

Particulars	2010-11	2009-10	(₹ in lacs)
Loan related Services	6,227.21	4,317.36	
Advisory Services	4,643.24	3,141.25	
<b>Total</b>	<b>10,870.45</b>	<b>7,458.61</b>	

24. As per Accounting Standard (AS 18) on "Related Party Disclosures" details of transactions with related parties as defined therein are given below:

A) List of related parties with whom transactions have taken place during the year and relationship:

1) COMPANIES

(i) Subsidiary Companies

- (a) DHFL Vysya Housing Finance Ltd.
- (b) DHFL Property Services Ltd.
- (c) DHFL Holdings Pvt. Ltd.
- (d) Aadhar Housing Finance Pvt. Ltd.
- (e) Deutsche Postbank Home Finance Ltd.
- (f) DPB Financial Consultants Ltd.

(ii) Associate Companies

- (a) DHFL Insurance Services Ltd.
- (b) DHFL Venture Capital Fund ( Trust)
- (c) DHFL Venture Capital India Pvt. Ltd.
- (d) DHFL Venture Trustee Company Pvt. Ltd.
- (e) Dish Hospitality Pvt. Ltd.
- (f) Wadhawan Holdings Pvt. Ltd. [WHPL]
- (g) Wadhawan Retail Pvt. Ltd.
- (h) Wadhawan Housing Pvt. Ltd.
- (i) Caledonia Investments Plc.

2) OTHERS

- (a) Shri Dheeraj Wadhawan
- (b) Smt. Aruna Wadhawan
- (c) Smt. Pooja Wadhawan

3) KEY MANAGEMENT PERSONNEL

- |                           |                              |
|---------------------------|------------------------------|
| (a) Shri Kapil Wadhawan   | Chairman & Managing Director |
| (b) Shri Anil Sachidanand | Chief Executive Officer      |
| (c) Shri Rajeev Sathe     | Chief Operating Officer      |

## B) Transactions by Company during the year with related parties: (₹ in lacs)

Nature of Transaction (excluding reimbursements)	Subsidiary Companies		Associate Companies		Key Management Personnel	Others
	2010-11	2009-10	2010-11	2009-10		
<b>1) Investments</b>						
Opening Balance	2460.68	1667.28	5381.69	5007.30	-	-
Investment Made	26601.00	793.40	544.66	379.25	-	-
Investment Redeemed	-	-	319.97	4.86	-	-
Closing Balance	29061.68	2460.68	5606.38	5381.69	-	-
<b>2) Equity / Warrants subscription</b>						
Opening Balance	-	-	-	2809.00	- (964.00)	- (1827.00)
Subscription/Advance subscription Received	-	-	-	293.00	- (446.00)	- (1204.50)
Equity Shares Allotted (with premium)	-	-	-	3102.00	- (1410.00)	- (3031.50)
Closing Balance	-	-	-	-	- (-)	- (-)
<b>3) Advances Recoverable</b>						
<i>In cash or kind</i>						
Opening Balance	84.54	-	5.55	1.20	-	-
Advance given during the year	73961.62	84.54	296.26	4.35	-	-
Recovered during the year	64198.67	-	4.15	-	-	-
Closing Balance	9847.49	84.54	297.66	5.55	-	-
<b>4) Current Liability</b>						
Opening Balance	-	-	-	-	-	-
Advance received during the year	-	2000.00	-	-	-	-
Advance repaid during the year	-	2000.00	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>5) Income</b>						
Dividend	161.22	103.02	-	-	-	-
Interest	58.17	-	-	-	-	-
Rent	22.37	0.12	119.23	117.65	-	-
Other Income	100.00	510.00	4500.00	1311.78	-	-
<b>6) Expenditure</b>						
Remuneration	-	-	-	-	309.89 (242.84)	-
Interest	-	40.21	-	-	-	-
Rent, Rates & Taxes	-	-	13.24	12.00	-	-
Other Expenditures	-	(9.00)	18.04	12.79	-	-

'Q' - NOTES TO ACCOUNTS (contd)

The Details of material transactions during the year with the above related parties were as follows (₹ in lacs):

Details of Transactions (excluding reimbursements)	Subsidiary Companies		Associate Companies		Key Management Personnel	Others
	2010-11	2009-10	2010-11	2009-10		
<b>ASSETS: 1) Investments in</b>						
DHFL Vysya Housing Finance Limited	-	2365.68	-	-	-	-
DHFL Holdings Private Limited	21601.00	-	-	-	-	-
Aadhar Housing Finance Private Limited	5000.00	-	-	-	-	-
DHFL Property Services Limited	-	95.00	-	-	-	-
Wadhawan Retail Private Limited	-	-	-	1846.75	-	-
DHFL Venture Capital Fund (Trust)	-	-	267.51	2955.80	-	-
DHFL Venture Trustee Company Private Limited	-	-	-	2.25	-	-
DHFL Venture Capital India Pvt. Ltd.	-	-	-	469.25	-	-
<b>2) Advances Recoverable from</b>						
DHFL Property Services Limited	133.29	84.54	-	-	-	-
DHFL Holdings Private Limited	9697.11	-	-	-	-	-
Aadhar Housing Finance Private Limited	17.09	-	-	-	-	-
DHFL Insurance Services Limited	-	-	20.63	-	-	-
Wadhawan Hosing Private Limited	-	-	179.05	-	-	-
Caledonia Investments Plc	-	-	96.58	-	-	-
DHFL Venture Capital India Pvt. Ltd.	-	-	-	1.40	-	-
Wadhawan Retail Private Limited	-	-	(-) 4.15	4.15	-	-
<b>LIABILITIES:</b>						
<b>Subscription for Equity Shares</b>						
(Net of Advance share subscription received in earlier years)						
Shri Kapil Wadhawan	-	-	-	-	- (446)	-
Smt. Aruna Wadhawan	-	-	-	-	-	- (548)
Shri Dheeraj Wadhawan	-	-	-	-	-	- (608)
Smt. Pooja Wadhawan	-	-	-	-	-	- (48.50)
Wadhawan Holdings Private Limited	-	-	-	293.00	-	-
<b>INCOME received from</b>						
<b>1) Dividend</b>						
DHFL Vysya Housing Finance Limited	161.22	103.32	-	-	-	-
<b>2) Interest</b>						
DHFL Vysya Housing Finance Limited	58.17	-	-	-	-	-
<b>3) Rent</b>						
DHFL Property Services Limited	0.12	0.12	-	-	-	-
DHFL Holdings Private Limited	0.02	-	-	-	-	-
Aadhar Housing Finance Private Limited	22.23	-	-	-	-	-
DHFL Insurance Services Limited	-	-	0.12	0.12	-	-
Wadhawan Retail Private Limited	-	-	85.98	85.98	-	-
Dish Hospitality Private Limited	-	-	33.13	31.55	-	-

Nature of Transaction (excluding reimbursements)	Subsidiary Companies		Associate Companies		Key Management Personnel	Others
	2010-11	2009-10	2010-11	2009-10		
<b>4) Other Income</b>						
DHFL Property Services Limited	100.00	510.00	-	-	-	-
DHFL Insurance Services Limited	-	-	4500.00	1310.00	-	-
Wadhwani Holdings Private Limited	-	-	-	1.78	-	-
<b>EXPENDITURE:</b>						
<b>1) Rent, Rates &amp; Taxes</b>						
Wadhwani Holdings Private Limited	-	-	13.24	12.00	-	-
<b>2) Remuneration</b>						
Shri Kapil Wadhwani	-	-	-	-	156.54 (131.20)	-
Shri Anil Sachidanand	-	-	-	-	110.93 (77.59)	-
Shri Rajeev Sathe	-	-	-	-	42.42 (34.05)	-
<b>3) Other Expenditures</b>						
DHFL Vysya Housing Finance Limited	-	9.00	-	-	-	-
Dish Hospitality Private Limited	-	-	18.04	12.79	-	-

25. The Company's Income Tax assessment has been completed up to Assessment Year 2008-09. Additional demands of ₹ 195.84 lacs have been raised by the department which are pending in appeal. The Company has deposited additional tax so demanded which is pending in appeals. No provision has been made as the Company has been advised that appeals will be allowed, in due course of time, based on similar case laws on the subject and there is no need to make any provision for the same and refunds are expected to be received.
26. The Company has derecognized Interest income on Non-Performing Assets as on 31st March, 2011 of ₹ 438.89 lacs (₹ 610.33 lacs).
27. Dividend includes ₹ 161.22 lacs (₹ 103.02 lacs) and Interest income includes ₹ 58.17 lacs (NIL) received from Subsidiary Company. Interest payment includes ₹ NIL (₹ 40.21 lacs) paid to Subsidiary Company.
28. Provision for Taxation includes ₹ 6,460.89 lacs (₹ 5,193.58 lacs) provision for current year tax, and ₹ 1,170.45 lacs (₹ - 43.58 lacs) deferred tax liability for the year.
29. The main business of the Company is to provide loans for the purchase or construction of residential houses and all other activities of the Company revolve around the main business and as such there are no separate reportable segments as specified in Accounting Standard (AS 17) on "Segment Reporting", and under paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010, which needs to be reported.

30. As required by revised guidelines dated 11th October, 2010 by NHB the following additional disclosures are as follows:

**I. Capital to Risk Assets Ratio (CRAR):**

Items	As on 31.03.2011	As on 31.03.2010
i) CRAR (%)	19.39%	17.26%
ii) CRAR - Tier I Capital	13.87%	15.75%
iii) CRAR - Tier II Capital	5.52%	1.50%

**II. Exposure to Real Estate Sector:**

(₹ in lacs)

Category	As on 31.03.2011	As on 31.03.2010
<b>A Direct Exposure</b>		
(i) <b>Residential Mortgages -</b> Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented Individual Housing loans upto ₹ 15 lakh	367793.70 990157.93	223553.43 612099.72
(ii) <b>Commercial Real Estate -</b> Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or ware house space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits	53169.73	40186.98
(iii) <b>Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b> a. Residential b. Commercial Real Estate	Nil Nil	Nil Nil
<b>B Indirect Exposure</b> Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

**III. Asset Liability Management:**

Maturity pattern of certain items of Assets and Liabilities

(₹ in lacs)

	Liabilities		Assets		
	Borrowings from Banks	Market Borrowings	Advances	Investment	Net Current Assets
1 day to 30-31 days (one month)	2490.07	2620.92	6781.41	48623.40	138830.93
Over one month to 2 months	6862.95	6555.91	6185.94	-	-
Over 2 months upto 3 months	13250.47	11657.60	6209.25	-	-
Over 3 months to 6 months	37561.12	7278.10	19106.68	-	17807.85
Over 6 months to 1 year	77436.71	13053.02	39191.92	-	-
Over 1 year to 3 years	356531.62	97094.89	173690.72	-	-
Over 3 to 5 years	345412.16	15543.67	190794.40	-	-
Over 5 to 7 years	252758.56	19740.26	176046.21	-	-
Over 7 to 10 years	142947.29	69000.00	252035.19	-	-
Over 10 years	7211.30	0.00	541079.65	38443.47	-
<b>Total</b>	<b>1242462.25</b>	<b>242544.37</b>	<b>1411121.36</b>	<b>87066.87</b>	<b>121023.08</b>

31. NHB, vide its letter dated 30th March, 2011 has levied under paragraph 32 of the HFC (NHB) Directions, 2010 a penalty of ₹ 5,000 on the Company. The Company has protested against the above levy.
32. As required under Section 205 (C) of the Companies Act, 1956, the Company has transferred ₹ 3.53 lacs (₹ 3.59 lacs) to Investor Education & Protection Fund (IEPF) during the year. There were no amounts due for transfer to IEPF on the date of balance sheet.
33. The Company has entered into Loan Syndication arrangements with certain public sector banks to provide Housing Loan to borrowers wherein DHFL originates the loan files from branches and surrounding areas of such banks and also from open market and gets it processed under common credit norms at the Central Processing Unit set up in the premises of such banks. The said banks have agreed to participate not over 50% of the disbursed loan portfolio under loan syndication arrangement. Entire processing fees and other charges / income on above accrued to the Company (DHFL).

**34. Contingent liability**

(₹ in lacs)

	2010-11	2009-10
Guarantees provided by the Company	7.00	7.00
Claims against the Company not acknowledged as debts	27.79	18.17

35. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ 5,767.74 lacs (₹ 5,557.99 lacs).
36. Capital Work in Progress includes ₹ 16,000.00 lacs paid as advance consideration for acquiring office premises under construction, ₹ 157.58 lacs paid for software and ₹ 450.00 lacs paid in lieu of part consideration towards sale of leasehold land in earlier years.
37. The Company has paid dividend of ₹ 659.36 lacs and ₹ 112.06 lacs as tax on distribution of dividend to new shareholders on account of final dividend for the year 2009-10 as required under the Listing Agreement as those shares were allotted prior to record date for the dividend payment and after the date of earlier year Balance Sheet.

## 38. Managerial Remuneration

(₹ in lacs)

	2010-11	2009-10
Salaries and Commission	132.22	109.20
Contribution to Provident Fund	6.10	5.05
Perquisites	18.21	16.96

Computation of Net Profit in accordance with Section 349 read with Sections 309 (5) and 198 of the Companies Act, 1956.

<b>Profit for the year before tax</b>		<b>34,147.68</b>
Add : Depreciation as per books	373.24	
Sitting Fees to Directors	12.80	
Remuneration to Whole-time Directors	156.53	
Commission to Directors	30.00	
Loss on Sale of Fixed Assets	27.24	
Loss on Sale of Investments	415.42	
		1,015.23
Less : Depreciation u/s 350		(745.99)
<b>Net Profit</b>		<b>34,416.92</b>
i) Commission payable to Whole time Directors @ 1.5% of the Net Profit. Restricted to amount equal to annual salary	516.25	50.85
ii) Commission payable to other Directors @ 1.0% of the Net Profit. Restricted to ₹ 10 lacs	344.17	30.00

## 39. Auditors Remuneration

(₹ in lacs)

	2010-11	2009-10
Audit Fees	73.76	40.14
Tax Audit Fees	5.00	4.50
	*78.76	*44.64

(\*) Includes payments to Branch Auditors of ₹ 25.67 lacs (₹ 17.64 lacs) and reimbursement of actual out of pocket expenses.

40. There is no amount due and payable to 'Suppliers' registered under the Micro, Small and Medium Enterprises Development Act, 2006 at the end of the year. No interest has been paid/is payable by the Company during/for the year to these 'Suppliers'. The above information takes into account only those suppliers who have responded to the inquiries made by the Company for this purpose.

## 41. Expenditure in Foreign Currency

(₹ in lacs)

	2010-11	2009-10
Foreign Travelling	33.46	16.34
Membership & Subscription	0.70	1.24
Foreign Liaison Office Expenses	226.52	179.58
Investment in India in Company	NIL	101.25
Professional Fees	24.41	NIL

42. The Company has not remitted any amount in foreign currencies on account of dividend during the year and does not have information as to the extent to which remittance, if any, in foreign currencies on account of dividends have been made by/on behalf of Non-Resident Shareholders of the Company. The particulars of dividends paid to Non- Resident Shareholders (including Foreign Institution Investors) is as under:

Particulars	2010-11	2009-10
Year to which the dividend relates	2009-10	2008-09
Number of FII's / Non- resident shareholders	176	172
Number of shares held by them	4,28,05,069	2,39,09,317
Amount of Dividend paid (Gross) (₹ in lacs)	1,284.15	597.73

43. Figures for the previous year have been regrouped, rearranged and reclassified wherever necessary. Accordingly, amounts and other disclosure for the previous year are included as an integral part of the current year's financial statement and are to be read in relation to the amounts and other disclosures relating to the current year.

44. Figures in brackets represent previous year's figures.

In terms of our report of even date

For B. M. Chaturvedi & Co.  
Chartered Accountants  
ICAI FRN: 114317W

Rajendra K. Gupta  
Partner  
ICAI M. N. 070165

Place : Mumbai  
Date : 13<sup>th</sup> May, 2011

Kapil Wadhawan  
Chairman & Managing Director

S. Y. Sankhe  
Company Secretary

Dheeraj Wadhawan  
R. P. Khosla  
R. S. Hugar  
G. P. Kohli  
Anthony Hambr  
Ajay Vazirani  
V. K. Chopra  
Dr. P. S. Pasricha  
(Directors)

**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies for Financial Year 2010-11**

Name of the Subsidiary Company	DHFL Vaya Housing Finance Limited	DHFL Property Services Limited	Auditor Housing Finance Private Limited	DHFL Holdings Private Limited	Deutsche Postbank Home Finance Limited	DPB Financial Consultants Limited
Financial year of the Subsidiary Company ended on	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011
Date from which it became Subsidiary Company	2nd July, 2003	14th May, 2009	3rd May, 2010	19th February, 2011		
No. of Shares held by Dewan Housing Finance Corporation Ltd., [DHFL] in the Capital of the subsidiary	64,48,989 Equity Shares of ₹ 10/- each fully paid	10,00,000 Equity Shares of ₹ 10/- each fully paid	5,00,00,000 Equity Shares of ₹ 10/- each fully paid	21,60,10,000 Equity Shares of ₹ 10/- each fully paid		
Extent of interest of DHFL in the capital of the Subsidiary	58.20% of Equity Capital of the Subsidiary	100% of Equity Capital of the Subsidiary	67.46% of Equity Capital jointly with Subsidiary	100% of Equity Capital of the Subsidiary	67.56% of Equity Capital through Subsidiary	67.56% of Equity Capital through Subsidiary
Net Aggregate Amount of Profit / Losses of the Subsidiary so far as it concerns the Members of DHFL and is not dealt with in the Accounts of DHFL						
a) for the Financial Year ended 31st March, 2011	₹ 517.06 lacs	₹ 32.64 lacs	₹ 23.85 lacs	₹ 0.42 lacs	₹ 104.23 lacs	₹ 0.01 lacs
b) for the previous Financial years ended 31st March, 2010, since it became Subsidiary of DHFL	₹ 1,437.21 lacs	₹ 17.95 lacs	Nil	Nil	Nil	Nil
Net Aggregate amount of Profit / losses of the Subsidiary so far as dealt with in the Accounts of DHFL						
a) for the Financial Year ended 31st March, 2011	₹ 161.22 lacs	Nil	Nil	Nil	Nil	
b) for the previous Financial years ended 31st March, 2010, since it became Subsidiary of DHFL	₹ 618.15 lacs	Nil	Nil	Nil	Nil	

**For B. M. Chaturvedi & Co.**  
 Chartered Accountants  
 ICAI FRN: 114317W  
**Rajendra K. Gupta**  
 Partner  
 ICAM. N. 070165  
 Place: Mumbai  
 Date: 13th May, 2011

**Kapil Wadhawan**  
 Chairman & Managing Director  
 S. Y. Sankhe  
 Company Secretary

**Dheeraj Wadhawan**  
 R. P. Khosla  
 R. S. Hugar  
 G. P. Kohli  
 (Directors)

**Alay Vazirani**  
 V. K. Chopra  
 Dr. P. S. Pasricha  
 Anthony Hambro  
 (Directors)



# DHFL CONSOLIDATED ACCOUNTS





# Auditors' Report On Consolidated Financial Statements

To the Board of Directors  
Dewan Housing Finance Corporation Limited

We have audited the attached Consolidated Balance Sheet of Dewan Housing Finance Corporation Limited, and its Subsidiaries (DHFL Group) as at **31st March, 2011**, and also Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

We did not audit the financial statements of two subsidiary companies, whose financial statements reflect total assets of ₹ 5422.64 crore as at 31st March, 2011, total revenue of ₹ 578.46 crore and cash flows amounting to ₹ 14.29 crore for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

Based on our audit as aforesaid, and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the subsidiary and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- In the case of the Consolidated Balance Sheet, of the state of affairs of the DHFL Group as at 31st March, 2011.
- In the case of the Consolidated Profit & Loss Account, of the profit of the DHFL Group for the year ended on that date; and
- In the case of the Consolidated Cash Flow Statement, of the cash flows of the DHFL Group for the year ended on that date.

For **B. M. Chaturvedi & Co.**  
Chartered Accountants  
ICAI FRN: 114317W

**B. M. Chaturvedi**  
Partner  
ICAI M.N. 017607

Place : Mumbai  
Date : 13th May, 2011

# Consolidated Balance Sheet As At 31st March, 2011

(₹ in lacs)

	Schedule	As at 31.03.2011		As at 31.03.2010	
<b>SOURCES OF FUNDS:</b>					
<b>Shareholders Fund</b>					
Share Capital	A	10,442.64		8,502.65	
Reserves & Surplus	B	145,117.10	155,559.74	80,189.02	88,691.67
<b>Minority Interest</b>			25,250.82		2,875.29
<b>Loan Funds</b>					
Secured Loans	C	1,878,002.47		903,032.54	
Unsecured Loans	D	190,965.92	2,068,968.39	27,514.72	930,547.26
<b>Deferred Tax Liability</b>	E		(400.48)		386.63
<b>Total</b>			<b>2,249,378.47</b>		<b>1,022,500.85</b>
<b>APPLICATION OF FUNDS:</b>					
<b>Fixed Assets:</b>	F				
Gross Block		26,512.87		23,149.18	
Less : Depreciation		2,969.06		1,388.03	
Net Block			23,543.81		21,761.15
<b>Goodwill</b>			34,516.24		-
<b>Housing &amp; Other Loans</b>	G		1,993,044.69		918,131.20
<b>Investment</b>	H		68,768.03		11,485.43
<b>Current Assets, Loans &amp; Advances</b>	I	169,166.00		85,493.90	
Less : Current Liabilities & Provisions	J	39,902.00		14,370.83	
<b>Net Current Assets</b>			129,264.00		71,123.07
<b>Miscellaneous Expenses</b> (to the extent not written off/adjusted)	K		241.70		-
<b>Total</b>			<b>2,249,378.47</b>		<b>1,022,500.85</b>
<b>Significant Accounting Policies &amp; Notes to Accounts</b>	Q				

Schedules referred herein above and annexed hereto form part of the Balance Sheet.  
 This is the Balance Sheet referred to in our report of even date

**For B. M. Chaturvedi & Co.**  
 Chartered Accountants  
 ICAI FRN: 114317W

**B. M. Chaturvedi**  
 Partner  
 ICAI M. N. 017607  
 Place : Mumbai  
 Date : 13<sup>th</sup> May, 2011

**Kapil Wadhawan**  
 Chairman & Managing Director

**S. Y. Sankhe**  
 Company Secretary

**Dheeraj Wadhawan**  
 R. P. Khosla  
 R. S. Hugar  
 G. P. Kohli  
 Anthony Hambr  
 Ajay Vazirani  
 V. K. Chopra  
 Dr. P. S. Pasricha  
 (Directors)

# Consolidated Profit And Loss Account For Year Ended 31st March, 2011

₹ in lacs)

	Schedule	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>INCOME:</b>			
Income from Operations	L	209,358.02	104,112.21
Other Income		913.74	208.75
<b>Total</b>		<b>210,271.76</b>	<b>104,320.96</b>
<b>EXPENDITURE:</b>			
Interest & Other Charges	M	138,137.61	70,063.05
Payment to and Provision			
For Employees	N	10,220.24	4,374.24
Operational & Other Expenses	O	15,535.12	7,285.23
Provision for Contingencies	J	2,140.76	885.66
Bad Debts Written Off		192.87	181.40
Less : Provision for Contingencies used for Bad Debts		146.13	46.74
Depreciation			680.47
Preliminary Expenses Written Off			10.63
<b>Total</b>		<b>166,771.57</b>	<b>82,989.58</b>
<b>Profit Before Tax &amp; Exceptional Items</b>		<b>43,500.19</b>	<b>21,331.38</b>
Add : Exceptional Items		<b>3,542.95</b>	<b>-</b>
<b>Profit Before Tax</b>		<b>47,043.14</b>	<b>21,331.38</b>
Less : Provision for Taxation		<b>11,306.35</b>	<b>5,491.49</b>
<b>Profit After Tax</b>		<b>35,736.79</b>	<b>15,839.89</b>
Less : Prior Period Adjustment		(1.11)	-
Add : Balance B/F from previous year		2,727.43	2,218.02
Less : Minority Share in Profit		2,828.48	342.26
<b>Profit Available for Appropriation</b>		<b>35,636.85</b>	<b>17,715.65</b>
<b>APPROPRIATIONS:</b>			
Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961		6,203.55	3,740.00
Transfer to General Reserve		10,125.00	7,590.00
Transfer to Contingency Reserve		3,500.00	-
Proposed Equity Dividend		3,703.33	2,530.40
Interim Dividend		69.48	44.40
Preference Dividend		2.09	3.00
Dividend for earlier year		659.36	534.06
Tax on Dividend		779.15	546.36
Balance carried to Balance Sheet		10,594.89	2,727.43
<b>Total</b>		<b>35,636.85</b>	<b>17,715.65</b>
<b>Earnings Per Share (₹)</b>	P		
Basic		32.81	20.35
Diluted		32.35	20.11
Significant Accounting Policies & Notes to Accounts	Q		

Schedules referred herein above and annexed hereto form part of the Profit & Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For B. M. Chaturvedi & Co.

Chartered Accountants  
ICAI FRN: 114317W

B. M. Chaturvedi

Partner  
ICAI M. N. 017607

Place : Mumbai

Date : 13<sup>th</sup> May, 2011

Kapil Wadhawan

Chairman & Managing Director

S. Y. Sankhe

Company Secretary

Dheeraj Wadhawan

R. P. Khosla

R. S. Hugar

G. P. Kohli

Anthony Hambro

Ajay Vazirani

V. K. Chopra

Dr. P. S. Pasricha

(Directors)

# Consolidated Cash Flow Statement for the Year ended 31st March, 2011

₹ in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	47,044.25	21,331.38
<b>Adjustments for:</b>		
Preliminary Expenses Written Off	10.63	-
Depreciation	680.47	306.74
Interest Expense (including interest on finance lease)	37,358.25	-
Interest Income	(1,709.12)	-
Employees Stock Option Expenses	75.10	195.91
Provision for Gratuity & Leave Encashment	315.35	140.97
Loss on sale of assets	61.29	48.76
Provision for Contingencies - Net	1,948.90	885.66
Loss/ (Gain) on Hedged Items and Hedging Derivative	(37.97)	-
Premium on Forward Exchange Contracts	102.09	-
Other Operational Treasury Income	(7,747.61)	31,057.38
Operating profit before working capital changes	78,101.63	(2,656.93)
		(1,078.89)
<b>Adjustments for:</b>		20,252.49
Current Assets	(20,621.06)	(3,072.12)
Current Liabilities	18,193.53	903.36
Working capital changes	(2,427.53)	(2,168.76)
Cash generated from operations during the year	75,674.10	18,083.73
Tax Paid	(9,684.40)	(5,752.35)
<b>Net Cash From Operating activities [A]</b>	<b>65,989.69</b>	<b>12,331.38</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Income from Treasury Investments - MF	(6,293.94)	1,713.38
Net Income from Treasury Investments - Others	3,933.42	943.54
Net Addition to Investments	(120,365.93)	(2,057.60)
Addition to Investments in Subsidiaries	-	(798.40)
Interest Received	1,462.69	-
Net Addition to Fixed Assets	(1,516.77)	(17,043.49)
<b>Net Cash used in Investing activities [B]</b>	<b>(122,780.53)</b>	<b>(17,242.57)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares	8,651.38	2,645.35
Premium on Issue of Equity Shares	46,973.35	28,846.21
Share Application Money	-	(5,600.00)
Loans received from Banks/Institutions	573,000.73	340,431.60
Refinance loans received from NHB	10,000.00	78,000.00
Proceeds from Issue of NCD's	110,500.00	22,500.00
Proceeds from Issue of CP	56,547.00	29,716.20
Movement in Long Term Borrowings (net)	82,212.11	-
Movement in Short Term Borrowings (net)	(2,738.06)	-
Debenture Issue Expenses	(162.23)	-
Interest Paid	(37,781.03)	-
Inter Corporate Deposits	52,178.76	2,300.00
Preliminary Expenses	(252.33)	-
Fixed Deposits Received	47,697.03	946,826.72
	20,570.73	519,410.09

# Consolidated Cash Flow Statement For The Year Ended 31st March, 2011

₹ in locs)

	Year ended 31.03.2011		Year ended 31.03.2010	
Housing loan repayments	100,990.08		86,490.91	
Other Loans repayments	22,823.58	123,813.65	12,750.52	99,241.43
Non-convertible Debentures Redeemed	(4,149.97)		(6,738.32)	
CP Redeemed	(46,798.22)		(29,716.20)	
Loans repaid to banks/Institution	(101,195.81)		(116,677.91)	
Refinance loans repaid/Prepaid to NHB	(26,195.36)		(18,471.96)	
Preference Share Capital redeemed	(300.00)		-	
Premium on Redemption of N. C. Preference Shares	(2,700.00)		-	
Inter Corporate Deposits paid - Others	(9,500.00)		(2,300.00)	
Fixed Deposits repaid	(10,112.07)	(200,951.43)	(6,673.85)	(180,578.24)
 Housing loan disbursed	 (735,258.07)		 (387,434.15)	
Other Loans disbursed	(29,438.23)	(764,696.30)	(16,353.59)	(403,787.74)
 Dividend & Distribution Tax on Dividend	 (3,883.66)		 (2,507.21)	
Share Premium Utilised	(249.53)	(4,133.19)	(360.00)	(2,867.21)
 <b>Net Cash from Financing activities</b> [C]	 <b>100,859.45</b>		 <b>31,418.33</b>	
 <b>Net increase in Cash &amp; Cash Equivalents [A+B+C]</b>	 <b>44,068.61</b>		 <b>26,507.14</b>	
Cash & Cash Equivalents at the beginning of the year	74,445.97		47,938.83	
Opening Cash & Cash Equivalents of the new subsidiary companies	24,950.93		-	
 <b>Cash &amp; Cash Equivalents at the close of the year</b>	 <b>143,465.51</b>		 <b>74,445.97</b>	

Negative figure (-) represents cash out flow.

This is the Cash Flow Statement referred to in our report of even date.

**For B. M. Chaturvedi & Co.**  
Chartered Accountants  
ICAI FRN: 114317W

**B. M. Chaturvedi**  
Partner  
ICAI M. N. 017607

Place : Mumbai  
Date: 13<sup>th</sup> May, 2011

**Kapil Wadhawan**  
Chairman & Managing Director

**S. Y. Sankhe**  
Company Secretary

**Dheeraj Wadhawan**  
R. P. Khosla  
R. S. Hugar  
G. P. Kohli  
Anthony Hambr  
Ajay Vazirani  
V. K. Chopra  
Dr. P. S. Pasricha  
(Directors)

Schedules Annexed to and forming part of the Consolidated Balance Sheet  
as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>'A' - SHARE CAPITAL</b>		
<b>Authorised</b>		
17,50,00,000 Equity Shares of ₹ 10/- each	17,500.00	17,500.00
7,50,00,000 Preference Shares of ₹ 10/- each	7,500.00	7,500.00
<b>Total</b>	<u>25,000.00</u>	<u>25,000.00</u>
<b>Issued</b>		
10,44,26,402 (8,27,17,513) Equity Shares of ₹ 10/- each	10,442.64	8,271.75
NIL (30,00,000) Redeemable, 1% Non-Convertible, Preference Shares of ₹ 10/- each	-	300.00
<b>Total</b>	<u>10,442.64</u>	<u>8,571.75</u>
<b>Subscribed and paid up</b>		
10,44,26,402 (8,20,26,544) Equity Shares of ₹ 10/- each	10,442.64	8,202.65
NIL (30,00,000) Redeemable, 1% Non-Convertible, Preference Shares of ₹ 10/- each	-	300.00
<b>Total</b>	<u>10,442.64</u>	<u>8,502.65</u>
<b>'B' - RESERVES &amp; SURPLUS</b>		
<b>a) Capital Reserve</b>		
Balance as per last Balance Sheet - Net	7.16	130.60
<b>b) Capital Redemption Reserve</b>		
Balance as per last Balance Sheet	775.00	775.00
<b>c) Share Premium</b>		
Balance as per last Balance Sheet	41,142.19	13,455.98
Add : Received during the year	40,748.82	28,046.21
	81,891.01	41,502.19
Less : Utilised during the Year	3,468.31	360.00
	78,422.70	41,142.19
<b>d) General Reserve</b>		
Balance as per last Balance Sheet	18,344.24	10,754.24
Add : Transferred from Profit & Loss A/c	10,125.00	7,590.00
	28,469.24	18,344.24
Less : Provision for Contingency	-	28,469.24
	-	18,344.24
<b>e) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961</b>		
Balance as per last Balance Sheet	16,878.29	13,138.39
Add : Transferred from Profit & Loss Account	6,203.55	23,081.84
	23,081.84	3,740.00
	23,081.84	16,878.39
<b>f) Contingency Reserve</b>		
Balance as per last Balance Sheet	-	98.81
Add : Received during the year	3,500.00	-
	3,500.00	98.81
Less : Utilised during the year	-	3,500.00
	3,500.00	98.81
<b>g) Employees Stock Option Outstanding</b>		
Net Charges for the Year	266.27	191.17
<b>h) Balance in Profit &amp; Loss Account</b>		
	10,594.89	2,727.43
<b>Total</b>	<u>145,117.10</u>	<u>80,189.02</u>

Schedules Annexed to and forming part of the Consolidated Balance Sheet  
as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011				As at 31.03.2010						
<b>'C' - SECURED LOANS</b>											
From National Housing Bank				248,410.31				168,699.22			
Term Loans from Scheduled Banks				1,375,272.71				661,808.35			
From Financial Institutions				6,609.44				8,808.36			
Non-Convertible Debentures				247,710.01				63,716.61			
<b>Total</b>				<b>1,878,002.47</b>				<b>903,032.54</b>			
<b>'D' - UNSECURED LOANS</b>											
Fixed Deposit				33,485.46				9,257.06			
Cumulative Fixed Deposits				24,013.79				10,014.92			
Other Deposits				899.40				138.24			
From Banks				8,006.75				-			
Commercial Papers / Promissory Notes				33,748.78				-			
Non-Convertible Debentures					81,100.00			8,000.00			
(includes Subordinated issue)					9,600.00			-			
From International Finance Corporation					111.74			104.50			
Interest accrued and due						190,965.92		27,514.72			
<b>Total</b>											
<b>'E' - NET DEFERRED TAX LIABILITIES/(ASSETS)</b>											
<b>Deferred Tax Asset</b>											
On Account of Provision for Contingency				(1,671.43)				(768.38)			
On Account of Provision for Gratuity				(78.19)		(1,749.62)		(1.49)			
<b>Deferred Tax Liability</b>								(769.87)			
On Account of Depreciation				459.61				417.71			
On Account of Others				889.53		1,349.14		738.79			
<b>Net Deferred Tax Liability/(Asset)</b>						<b>(400.48)</b>		<b>386.63</b>			
<b>'F' - FIXED ASSETS</b>											
ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 01.04.2010	Addition	Deduction / Sale	As on 31.03.2011	As on 01.04.2010	Accrued Dep. of new subsidiary	For the year	Deduction / Sale	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
<b>Tangible:</b>											
Banking	3,056.14	-	-	3,056.14	263.31	-	45.75	-	309.06	2,747.08	2,792.83
Frehold Land	-	2.67	-	2.67	-	-	-	-	-	2.67	-
Furniture & Fixtures	1,201.86	605.40	36.03	1,771.21	276.22	90.75	102.75	40.65	429.07	1,342.14	925.64
Leasedhold Improvement	-	766.31	-	766.31	-	215.21	117.06	36.21	296.06	470.25	-
Office Equipments	604.78	427.45	10.98	1,021.26	111.17	56.58	51.64	18.92	200.47	820.79	493.61
Vehicles	261.23	188.19	17.44	431.98	45.43	31.71	45.96	42.71	80.40	351.58	215.80
Computer (Hardware)	1,232.58	1,158.35	57.60	2,383.33	685.33	345.23	275.66	71.19	1,235.03	1,098.30	547.25
<b>Sub Total</b>	<b>6,356.59</b>	<b>3,148.37</b>	<b>122.05</b>	<b>9,382.90</b>	<b>1,381.46</b>	<b>739.48</b>	<b>638.82</b>	<b>209.68</b>	<b>2,550.09</b>	<b>6,832.81</b>	<b>4,975.13</b>
<b>Intangible:</b>											
Computer (Software)	53.54	453.01	-	506.55	6.57	370.75	41.65	-	418.97	87.58	46.97
<b>Fixed Assets</b>	<b>6,410.13</b>	<b>3,601.38</b>	<b>122.05</b>	<b>9,389.45</b>	<b>1,388.03</b>	<b>1,110.23</b>	<b>680.47</b>	<b>209.68</b>	<b>2,969.06</b>	<b>6,920.39</b>	<b>5,022.10</b>
Capital Work in Process	16,739.05	173.42	289.05	16,623.42	-	-	-	-	-	16,623.42	16,739.05
<b>Total</b>	<b>23,149.18</b>	<b>3,774.80</b>	<b>411.10</b>	<b>26,512.87</b>	<b>1,388.03</b>	<b>1,110.23</b>	<b>680.47</b>	<b>209.68</b>	<b>2,969.06</b>	<b>23,543.81</b>	<b>21,761.15</b>
Previous Year	6,272.40	17,071.56	194.78	23,149.18	1,200.29	-	306.73	118.99	1,388.03	21,761.15	-

Schedules Annexed to and forming part of the Consolidated Balance Sheet  
as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>'G' - HOUSING &amp; OTHER LOANS</b>		
Housing Loans	1,836,554.68	865,503.94
Securitised Individual Housing Loans	1,349.43	-
Housing Loan under Joint Syndication Scheme	8,419.20	2,655.53
Less : Funded by Syndicate Partner	3,776.48	4,642.72
		1,317.39
		1,338.14
Other Loans	1,842,546.83	866,842.08
<b>Total</b>	<b>1,993,044.69</b>	<b>51,289.12</b>
<b>'H' - INVESTMENTS</b>		
Equity Shares		
(a) Quoted	700.30	339.90
(b) Unquoted	2,319.25	2,319.25
Investment in Equity shares (a+b) - [A]	3,019.55	2,659.15
Mutual Funds/Venture Capital Funds:		
Investment in Mutual Funds/Venture Funds - [B]	61,228.14	6,900.87
Redeemable Bonds (Fully Paid):		
Investment in Bonds - [C]	4,657.47	2,104.68
<b>Total Investments [A+B+C]</b>	<b>68,905.16</b>	<b>11,664.70</b>
Less : Provision for diminution in the value of investment	137.13	179.27
<b>Net Investments</b>	<b>68,768.03</b>	<b>11,485.43</b>
Market Value of quoted investments	4,083.92	9,730.43
<b>'I' - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Current Assets:</b>		
Interest accrued but not due on investment	837.72	160.34
<b>Sundry Debtors</b>		
(Secured, Considered Good [PEMI])		
Outstanding for more than six month	634.92	699.61
Others	277.96	912.88
Cash & Bank Balance:		
Cash on hand	219.27	145.10
Cash at Bank:		
With Scheduled Banks;		
in Current Account	106,351.79	73,513.87
in Reinvestment & Short Term Deposits	36,894.45	787.00
<b>Loans &amp; Advances:</b>		
Instalments due from borrowers (EMI) (secured)	4,654.55	3,526.98
Servicing Assets for Securitisation	1,281.86	-
Advance and other amounts Recoverable in cash or in kind or for value to be received	16,391.29	5,776.62
Inter Corporate Deposits	600.00	100.00
Deposits	1,022.19	516.04
<b>Total</b>	<b>23,949.89</b>	<b>9,919.64</b>
	<b>169,166.00</b>	<b>85,493.90</b>

Schedules Annexed to and forming part of the Consolidated Balance Sheet  
as at 31st March, 2011

(₹ in lacs)

	As at 31.03.2011	As at 31.03.2010
<b>'J' - CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Interest Accrued but not due	5,526.48	669.92
Sundry Creditors & Other Liabilities	18,574.82	6,408.09
Advance received	3,015.25	1,139.93
Unclaimed Dividend	70.19	27,186.74
		61.93
		8,279.87
<b>Provisions</b>		
For Taxation (Net of Advance tax & TDS)	(1,057.53)	(704.02)
For Proposed Dividend	3,705.42	2,574.61
For Gratuity	294.96	-
For Tax on Dividend	639.49	3,582.34
		437.55
		2,308.14
Provision for Contingencies (including provision for diminution in Investment)		
As per last Balance Sheet	7,275.42	3,174.77
Add : Provision during the year	2,140.76	885.66
		4,060.43
Less : Utilised during the year	146.13	98.34
Balance Provision at the end of the year	9,270.05	3,962.09
Less : Shown as diminution in Investment separately	137.13	9,132.92
		179.27
<b>Total</b>	<b>39,902.00</b>	<b>3,782.82</b>
		<b>14,370.83</b>
<b>'K' - MISCELLANEOUS EXPENSES</b>		
(To the extent not Written off/ adjusted during the year)		
Preliminary Expenses incurred	252.33	-
Less : Written off	10.63	-
<b>Closing Balance</b>	<b>241.70</b>	<b>-</b>

Schedules Annexed to and forming part of the Consolidated Profit & Loss Account  
for the year ended 31st March, 2011

(₹ in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>'L' - INCOME FROM OPERATIONS</b>		
Interest - Loans	184,562.34	91,580.30
Interest - Others	5,353.22	1,936.47
Income from Other Services	14,929.15	7,864.51
Other Operational Treasury Income	4,513.31	2,730.93
<b>Total</b>	<b>209,358.02</b>	<b>104,112.21</b>
<b>'M' - INTEREST AND OTHER CHARGES</b>		
On Loans	110,920.46	59,940.76
On Deposits	3,779.64	979.57
On Debentures	22,776.87	8,994.37
On Others	197.17	120.14
Finance Charges	463.47	28.21
<b>Total</b>	<b>138,137.61</b>	<b>70,063.05</b>
<b>'N' - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries and Bonus	9,227.50	3,786.26
Staff Welfare Expenses	462.82	377.96
Contribution to Provident Fund & Other Funds	529.92	210.02
<b>Total</b>	<b>10,220.24</b>	<b>4,374.24</b>
<b>'O' - OPERATIONAL &amp; OTHER EXPENSES</b>		
Rent	1,360.90	463.93
Rates & Taxes	140.99	80.88
Conveyance & Motor Car Expenses	326.51	181.80
Travelling Expenses	489.54	210.32
Printing & Stationery	349.04	221.73
Advertisement & Business Promotion	2,293.60	2,073.79
Insurance	419.59	156.69
Legal & Professional Charges	2,945.68	1,176.94
Postage, Telephone & Telegram	834.16	433.24
General Repairs & Maintenance	873.40	204.49
Electricity Charges	283.12	176.64
Bank Charges	318.41	169.48
Directors Sitting Fees	22.75	10.91
Brokerage	246.74	63.64
Business Sourcing expenses	3,449.05	1,111.85
Loss On Sale of Impaired Assets	61.28	48.53
Commission to Directors	80.85	52.00
Credit Rating Charges	342.72	184.12
Expenses under Miscellaneous Heads	696.79	264.25
<b>Total</b>	<b>15,535.12</b>	<b>7,285.23</b>

Schedules Annexed to and forming part of the Consolidated Profit & Loss Account  
for the year ended 31st March, 2011 (₹ in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>'P' - EARNING PER SHARE</b>		
Net Profit Attributable to Equity Shareholders		
Profit after Tax	35,736.78	15,839.89
Less : Minority Interest	2,828.48	342.26
Less : Preference Share dividend	2.09	3.00
Tax on above	0.35	0.51
Net Profit attributable to equity shareholders	<u>32,905.86</u>	<u>15,494.12</u>
Number of Equity shares	104,426,402	82,026,544
Weighted Average No. of Equity Shares	100,301,621	76,147,743
Nominal value of Equity Shares (₹)	10.00	10.00
<b>Earning Per Share (₹):</b>		
Basic	32.81	20.35
Diluted	32.35	20.11

# Schedule Annexed to and forming part of the Consolidated Accounts as at 31st March, 2011

## 'Q': NOTES TO ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES:

#### 1. Basis of preparation of financial statements:

- a) The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 and Housing Finance Companies, (NHB) Directions, 2010 wherever applicable. Accounting Standards (AS) referred to in the notes are as issued by the Institute of Chartered Accountants of India.
- b) Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the Group.
- c) The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

#### 2. Principles of Consolidation:

The consolidated financial statements relate to Dewan Housing Finance Corporation Ltd. (The Holding Company) and its subsidiary companies; Deutsche Postbank Home Finance Limited, DHFL Vysya Housing Finance Limited, Aadhar Housing Finance Private Limited, DHFL Holdings Private Limited, DHFL Property Services Limited and DPB Financial Consultants Limited. The Consolidated Financial Statements have been prepared on the following basis:

- a) The financial statements of the Holding Company and its subsidiary companies are combined on a line-by line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS 21) on "Consolidated Financial Statements".
- b) The Net difference between Net Assets at the time of acquisition of shares in the subsidiaries over the cost on investment in the subsidiaries is recognized in the financial statements as Goodwill.
- c) Minority interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Holding Company.
- d) Minority interest's share of net assets of consolidated subsidiary is identified and presented in the Consolidated Balance Sheet separate from Liabilities and Equity of the Holding Company's shareholders.
- e) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Holding Company's separate financial statements.

**3. Interest on Housing Loans:**

Repayment of Housing Loans is by way of Equated Monthly Instalments (EMI) comprising principal and interest. Interest is calculated each year on the outstanding balance at the beginning of the Company's financial year or on monthly reducing balance in terms of financing scheme opted by the borrower. EMI commences once the entire loan is disbursed. Pending commencement of EMI, pre-EMI monthly interest is payable.

**4. Interest & other related financial charges:**

Interest accrued on Cumulative Fixed Deposits and payable at the time of maturity is clubbed with the principal amount on the date of periodical rest when interest is credited in Fixed Deposit account in accordance with the particular deposit scheme. Interest and other related financial charges are recognized as an expense for the period for which they are incurred as specified in Accounting Standard (AS 16) on "Borrowing Costs".

**5. Revenue Recognition:**

- Interest on performing assets is recognized on accrual basis and on non-performing assets on realisation basis as per the guidelines prescribed by the National Housing Bank. The interest income (payment) is adjusted for gain (loss) on corresponding hedge contracts / interest swap derivatives, wherever executed.
- Dividend income on investments and penal interest income on delayed EMI/PEMI are recognised on receipt basis.
- Income from other services is recognised on accrual basis.

**6. Foreign Exchange Transactions:**

Transactions in Foreign Currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in Foreign Currency are stated at contracted rates as those are covered by forward contracts. Premium for forward contracts is recognised as expenditure over the life of the contract.

**7. Provision for Contingencies:**

Provision for Contingencies has been made for diminution in investment value and on non-performing housing loans and other assets as per the Prudential Norms prescribed by the National Housing Bank. The Company also makes certain additional provision to meet unforeseen contingencies.

**8. Investments:**

All Investments are stated at cost as per Accounting Standard (AS 13) on "Accounting for Investments" and the guidelines issued by the National Housing Bank. Investment in unquoted shares being long term investment is stated at cost and provision for diminution is made only if such diminution is other than temporary. Investments in mutual funds and quoted shares are in the nature of Current Investments and full provision for diminution in the value of said Investments is made.

**9. Fixed Assets:**

Fixed Assets are stated at cost inclusive of expenses incidental thereto. All cost, including financing cost till the asset is put to use are capitalised. Depreciation on fixed assets is provided on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

**10. Impairment of Assets:**

An Asset is treated as impaired when the carrying cost of the Asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in earlier accounting periods is reversed if there has been a change in the estimate of recoverable amount as specified in Accounting Standard (AS 28) on "Impairment of Assets".

**11. Intangible Assets:**

Intangible Assets are stated at cost incurred on purchases and for bringing the same to its working condition and are amortised as per the provisions of the Companies Act, 1956.

**12. Special Reserve:**

The Company creates Special Reserve every year out of its profits in terms of Section 36(1) (viii) of the Income Tax Act, 1961 read with Section 29C of the National Housing Bank Act, 1987.

**13. Prepaid Expenses:**

Financial Expenses incurred during the year which provides benefit in several accounting years and Brokerage paid on long term Fixed Deposits has been treated as revenue expense only for the period relating to the current year and balance is treated as prepaid expense to be adjusted on pro-rata time basis in the future accounting years.

**14. Employees Retirement Benefits:**

- a) The Company's contribution in respect of Employees' Provident Fund is made to Government provident fund and is charged to Profit & Loss Account.
- b) Gratuity and Leave encashment payable at the time of retirement are charged to Profit & Loss Account on the basis of actuarial valuation as required under AS 15.

**15. Earnings per Share:**

The earnings per share has been computed in accordance with Accounting Standard (AS 20) on, "Earnings Per Share" and is also shown in the Profit & Loss Account.

**16. Income Tax:**

Income Tax provision based on the present tax laws in respect of taxable income for the year and the Deferred Tax is treated in the accounts based on the Accounting Standard (AS 22) on "Accounting for Taxes on Income". The Deferred Tax Assets and Liabilities for the year, arising out of timing difference, are reflected in the profit and loss account. The cumulative effect thereof is shown in the Balance Sheet. The Deferred Tax Assets, if any, are recognised only if there is a reasonable certainty that the assets will be realized in future.

**17. Housing and Other Loans:**

Housing Loans include outstanding amount of Housing Loan and Project Loan disbursed directly or indirectly to individual and other borrowers. Other loans include mortgage loan, non residential property loan, plot loan for self construction where construction has not began in last two years and loan against the lease rental income from properties in accordance with directions of National Housing Bank (NHB). EMI and instalments due from borrowers against the housing loans are shown as current assets as loans and advances.

**18. Securitised Assets:**

Securitised Assets are derecognised in the books of the Holding Company based on the principle of transfer of ownership interest over the assets. De-recognition of securitised assets and recognition of gain or loss arising on such securitisation is based on the Guidance Note on Accounting for Securitisation issued by the Institute of Chartered Accountants of India.

**19. Other Significant Accounting Policies:**

These are set out under "Significant Accounting Policies" as given in the respective companies separate financial statements.

**B. OTHER NOTES:**

- The Subsidiary Companies considered in the consolidated financial statements along with the proportion of ownership interest based on direct and indirect holding are as under:

Name of the Subsidiaries	Proportion of Ownership Interest
Deutsche Postbank Home Finance Limited	67.56%
DHFL Vysya Housing Finance Limited	58.20%
Aadhar Housing Finance Private Limited	67.46%
DHFL Holdings Private Limited	100.00%
DHFL Property Services Limited	100.00%
DPB Financial Consultants Limited	67.56%

- During the year, the Holding Company obtained approval of the shareholders at the Extra-Ordinary General Meeting held on 18th May, 2010, for placement of Equity Shares to Qualified Institutional Buyers (QIBs) and preferential issue of Equity Shares to Promoters/Promoter Group and Caledonia Investment Plc. The Committee of the Board of Directors has from time to time, issued and allotted shares along with the Equity Shares under ESOS scheme as under:
  - On 2nd June, 2010, issued and allotted to QIBs 1,68,69,095 Equity Shares of ₹ 10/- each, at a price of ₹ 222.30 per Equity Share (including a premium of ₹ 212.30 per Equity Share), aggregating to ₹ 37,500 lacs.

- (b) On 12th June, 2010, issued and allotted to Promoters/Promoter Group 40,00,000 Equity Shares of ₹ 10/- each, at a price of ₹ 222.30 per Equity Share (including a premium of ₹ 212.30 per Equity Share), aggregating to ₹ 8,892.00 lacs.
  - (c) On 12th June, 2010, issued and allotted to Caledonia Investment Plc 10,00,000 Equity Shares of ₹ 10/- each, at a price of ₹ 222.30 per Equity share (including a premium of ₹ 212.30 per Equity Share), aggregating to ₹ 2,223.00 lacs.
  - (d) During the year, the Holding Company has allotted, from time to time, 291,930 number of Equity Shares of ₹ 10/- each to various eligible employees under (ESOS 2008) at a price of ₹ 53.65 per Equity Share (including a premium of ₹ 43.65 per equity share) aggregating to ₹ 156.62 lacs as approved in the AGM dated 23rd July, 2007 and allotted at the reconsidered price approved in the EOGM dated 31st March, 2009.
  - (e) During the year, the Holding Company has allotted, from time to time, 238,833 number of Equity Shares of ₹ 10/- each to various eligible employees under (ESOS 2009) at a price of ₹ 141/- per Equity Share (including a premium of ₹ 131/- per Equity Share) aggregating to ₹ 336.75 lacs as originally approved in the AGM dated 23rd July, 2007.
3. Non Convertible Debentures (NCD) of Holding Company amounting to ₹ 119,066.64 lacs (₹ 63,716.61 lacs) are secured /to be secured by way of first charge and are redeemable at par, in one or more instalments, on various dates with the earliest redemption being 23rd May, 2011 and the last being 22nd October, 2020.
4. The Holding Company has raised ₹ 58,000.00 lacs through issue of long term Unsecured, Redeemable, Non Convertible Debentures. These Debentures are redeemable at par between 28th December, 2012 and 31st March, 2021. These Debentures are Sub-ordinate to present and future senior debt holders of the Holding Company and qualifies as Tier II Capital under the NHB Guidelines.
5. Unsecured Non Convertible Debentures issued by DHFL Vysya Housing Finance Limited of ₹ 1,000 lacs are repayable on 30th June, 2011 to Fortis Mutual Fund (now, BNP Paribas Mutual Fund) on completion of a tenure of 365 days.
6. **Debentures :**
- a) 7,300 (7,150) Non Convertible Redeemable Debentures (NCRD) of ₹ 10.00 lacs each issued by Deutsche Postbank Home Finance Limited on private placement basis are outstanding as at 31st March, 2011, amounting to ₹ 73,000.00 lacs (₹ 71,500.00 lacs). These debentures are redeemable at par between year 2011 and year 2020.
  - b) 2,210 (1,710) Unsecured Redeemable Non Convertible Subordinated Debentures of ₹ 10.00 lacs each are outstanding as at 31st March, 2011, amounting to ₹ 22,100.00 lacs (₹ 17,100.00 lacs), which are subordinated to present and future senior indebtedness of Deutsche Postbank Home Finance Limited. It qualifies as Tier II capital in accordance with National Housing Bank (NHB)

guidelines for assessing capital adequacy depending upon balance term to maturity. These debentures are redeemable at par between year 2016 and year 2023.

- c) During the year, Deutsche Postbank Home Finance Limited has raised 1,250 (Nil) Zero Coupon Secured Redeemable Non-Convertible Debentures (ZCD) of ₹ 10.00 lacs each amounting to ₹ 12,500.00 lacs (Nil) redeemable at premium in the year 2012. The outstanding amount of such ZCD included in the outstanding debentures as at 31st March, 2011 is ₹ 12,500.00 lacs (Nil).
- 7. As required under the provisions of Section 117C of the Companies (Amendment) Act, 2000, Debenture Redemption Reserve (DRR) in respect of debentures issued is required to be created. However Ministry of Finance & Company Affairs, Department of Company Affairs, vide their general circular no. 4/2003 dated 16th January, 2003 clarified that for Housing Finance Companies registered with National Housing Bank under Housing Finance Companies (NHB) Directions, 2001, "the adequacy" of Debenture Redemption Reserve (DRR) will be 50% of the value of debentures issued through public issues and no DRR is required in the case of privately placed debentures. Since the Debenture issued by the group companies are through private placement no additional DRR has been created.
- 8. Secured term loans taken by the Holding Company and respective subsidiary companies from the National Housing Bank, other Banks, International Finance Corporation (IFC Washington), Asian Development Bank (ADB, Manila), Financial Institutions and Secured Non Convertible Debentures are secured/to be secured by way of first charge to and in favour of the participating banks, Institutions, National Housing Bank and Debenture Trustees jointly ranking pari passu inter-se, of the respective companies whole of the present and future book debts outstanding, investments including all the receivable of the respective companies and other movable assets wherever situated excluding SLR investments read with Note No. 16 hereinafter.
- 9. Term loans of the Holding Company include cash credit received from banks ₹ 99.11 lacs and are secured on pari passu basis with other term loans.
- 10. As certified by the management, loans given by the respective companies are secured by Equitable Mortgage/ Registered Mortgage of the Property and Assets financed and/or assignment of Life Insurance Policies and/or personal guarantees and/or undertaking to create a security and are considered appropriate and good.
- 11. In earlier years, Deutsche Postbank Home Finance Limited had securitized pool of individual housing loans aggregating to ₹ 34,407.41 lacs under the Residential Mortgage Backed Securities Scheme of National Housing Bank (NHB) which were transferred to Special Purpose Vehicle Trust declared for the purpose. These transactions were recorded as True Sale as Deutsche Postbank Home Finance Limited had lost control of the securitized portfolio.

12. The de-recognition of Securitized Assets in the books of Deutsche Postbank Home Finance Limited, recognition of gain or loss arising on securitization and accounting for credit enhancement provided by Deutsche Postbank Home Finance Limited has been done based on the Guidance Note on Accounting for Securitization issued by the Institute of Chartered Accountants of India. The balance of credit enhancements as at March 31, 2011 is recorded in the financial statements under Investment ₹ 1,061.49 lacs (₹ 1,136.83 lacs), Cash and Bank Balances ₹ 4,001.42 lacs (₹ 3,995.60 lacs) and Loans and Advances ₹ 1,281.86 lacs (₹ 1,393.11 lacs).
13. The Holding Company had allotted in earlier year 30 lacs Non Convertible Redeemable Preference Shares (NCRPS), of ₹ 10/- each at a premium of ₹ 90/- per share, aggregating to ₹ 3,000 lacs, carrying dividend @ 1% per annum on 10th December, 2007 which were redeemable at the end of 36 months from the date of allotment @ ₹ 136.00 per share. During the year, the Holding Company has redeemed all the above NCRPS @ ₹ 136.00 per share and has utilised the share premium for redemption on pro rata basis.
14. During the year, the Holding Company has utilized ₹ 2,949.52 lacs (₹ 360 lacs) out of the Share Premium Account in accordance with Section 78 of the Companies Act, 1956 towards premium payable on the redemption of Non Convertible Redeemable Preference Shares of the Holding Company.
15. In accordance with Section 78 of the Companies Act, 1956, during the year, Deutsche Postbank Home Finance Limited has utilized Securities Premium Account towards amortization of premium on redemption of Zero Coupon Secured Redeemable Non-Convertible Debentures.
16. As the National Housing Bank directives require all HFC's accepting public deposits to create a floating charge on the statutory liquid assets maintained in favour of the depositors through the mechanism of a trust deed. The Holding Company has appointed in earlier year a SEBI approved trustee Holding Company i.e. GDA Trustee and Consultancy Ltd. as trustee for the above by executing the trust deed and has created necessary required charge.
17. **Classification of Loans and Non Performing Assets:**
- a) The Non Performing Assets (NPA) of the Holding Company consisting of the principal loans outstanding where payments of EMI / PEMI were in arrears for 90 days or more amounted to ₹ 9,429.07 lacs (₹ 10,048.28 lacs). As per the prudential norms prescribed by NHB, the Holding Company is required to carry a contingency provision of ₹ 3,641.60 lacs (₹ 1,911.06 lacs) in respect of Non Performing Housing Loan, Non-Housing Standard Assets and Other loan Assets. The Holding Company has also provided for ₹ 59.15 lacs (₹ 125.51 lacs) in respect of diminution in the value of Investment. The Holding Company has written off ₹ 144.05 lacs (₹ 98.34 lacs) as bad debts and by way of one time settlement to recover some of its NPA and Loss Accounts. The Holding Company has withdrawn ₹ 144.05 lacs (₹ 98.34 lacs) from contingency provisions created out of the profits of the earlier years. The Holding Company has made, during the year, provision of ₹ 900 lacs (₹ 850 lacs) for contingencies and has excess provision over and above the requirements of the guidelines on Prudential Norms issued by National Housing Bank.
  - b) The Non Performing Assets of DHFL Vysya Housing Finance Limited comprising of the principal loans outstanding including arrears of interest in respect of financing for housing and real estate projects where payments of EMI / PEMI were in arrears for over 90 days amounted to ₹ 592.54 lacs (₹ 375.73 lacs). As per the prudential norms prescribed by NHB, DHFL Vysya Housing Finance Limited is required

to carry a contingency provision of ₹ 103.26 lacs (₹ 54.14 lacs) in respect of Non Performing Housing Loan Assets, ₹ 19.72 lacs (₹ 15.88 lacs) in respect Non Housing Standard Assets and ₹ 77.98 lacs (₹ 53.76 lacs) in respect of diminution in the value of Investment in Government Securities. DHFL Vysya Housing Finance Limited has written off ₹ 23.24 lacs (₹ 74.66 lacs) by way of one time settlement to recover some of its NPA Accounts. DHFL Vysya Housing Finance Limited has made during the year required provision of ₹ 77.19 lacs (₹ 35.66 lacs) for Contingency in accordance with guidelines of Prudential Norms issued by National Housing Bank.

The classification of Housing and Non-Housing Loans outstanding along with provisions on standard and sub-standard assets are set out in the respective companies separate financial statements.

18. Composite Loans sanctioned (i.e. loans allowed for purchase of plot and self construction of house) on or before 31st March, 2009, in which construction has not started till 31st March, 2011, as per the information available with the Holding Company, is excluded from Housing Loans and regrouped under Other Loans (Non Housing) in respective schedules of respective companies outstanding as on 31st March, 2011.
19. In terms of the requirement of National Housing Bank (NHB) Circular No.NHB (ND)/DRS Pol. No. 37/2010-11 dated 24th December, 2010, the Holding Company and its respective subsidiaries have met the said requirements as under by utilizing excess provisions made in earlier period and by further provision made during the year:
  - i. 0.40% on all Standard Assets in respect of all loans other than individual housing loans, and
  - ii. 2% on the total outstanding Standard Assets in respect of Housing Loans given on Dual Interest Rate Scheme,
20. During the year, the Holding Company has subscribed 500 lac fully paid up Equity Shares of ₹ 10/- each for cash at par of Aadhar Housing Finance Private Limited. Aadhar Housing Finance Private Limited is a joint venture between the Holding Company, its subsidiary DHFL Vysya Housing Finance Limited and International Finance Corporation (private sector arm of World Bank) with shareholding of 50%, 30% and 20% respectively to promote financing of the low cost housing in rural and semi urban areas of the selected states of the country. Aadhar Housing Finance Private Limited has received certificate of registration, under Section 29A of the National Housing Bank (NHB) Act, 1987, from the NHB on 11th August, 2010 to carry on the business of long term finance for housing.
21. During the year, the Holding Company has promoted, subscribed and acquired 2,160.10 lac fully paid up Equity Shares of ₹ 10/- each for cash at par of DHFL Holdings Private Limited, being 100% shares of the Company and promoted as Special Purpose Vehicle for acquiring and holding 21,99,45,206 Equity Shares of ₹ 10/- each fully paid up, representing 67.56% of the equity of Deutsche Postbank Home Finance Limited by investing ₹ 73,552.47 lacs.
22. During the year, BHW Holding AG, Germany (the erstwhile holding company of Deutsche Postbank Home Finance Limited) has transferred its 100% shareholding in the Deutsche Postbank Home Finance Limited to Dewan Housing Finance Corporation Limited led consortium. Consequently, the shareholding pattern of Deutsche Postbank Home Finance Limited as at the balance sheet date comprises of 67.56% shares held by DHFL Holdings Private Limited (the new Holding Company of Deutsche Postbank Home Finance

Limited), a Special Purpose Vehicle wholly owned by Dewan Housing Finance Corporation Limited, 18.54% of shares is held by Wadhawan Housing Private Limited, 10% of shares is held by Caledonia Investments Plc and 3.90% of shares is held by Amber 2010 Limited.

23. The Holding Company has sold during the year 13,21,510 number of shares being part of its strategic investment in erstwhile promoter group Company for ₹ 3,585.77 lacs thereby earning exceptional tax free income of ₹ 3,542.95 lacs.
24. The Holding Company has created a contingency reserve of ₹ 3,500 lacs in view of the above exceptional income to provide for future contingencies.
25. As per Accounting Standard (AS 18) on "Related Party Disclosures" details of transactions with related parties as defined therein are given below:

**A) List of related parties with whom transactions have taken place during the year and relationship:**

**1) COMPANIES**

**Associate Companies:**

- (a) DHFL Insurance Services Ltd.
- (b) DHFL Venture Capital Fund (Trust)
- (c) DHFL Venture Capital India Pvt. Ltd.
- (d) DHFL Venture Trustee Holding Company Pvt. Ltd.
- (e) Dish Hospitality Pvt. Ltd.
- (f) Wadhawan Holdings Pvt. Ltd. [WHPL]
- (g) Wadhawan Retail Pvt. Ltd.
- (h) Wadhawan Housing Pvt. Ltd.
- (i) Caledonia Investments Plc.
- (j) International Finance Corporation, Washington

**2) OTHERS**

- (a) Shri Dheeraj Wadhawan
- (b) Smt. Aruna Wadhawan
- (c) Smt. Pooja Wadhawan

**3) KEY MANAGEMENT PERSONNEL**

- |                           |   |
|---------------------------|---|
| (a) Shri Kapil Wadhawan   | Chairman & Managing Director - DHFL &<br>Chairman & Managing Director - Deutsche<br>Postbank Home Finance Limited |
| (b) Shri Anil Sachidanand | Chief Executive Officer - DHFL  |
| (c) Shri Rajeev Sathe     | Chief Operating Officer - DHFL  |
| (d) Shri B.K. Madhur      | Chief Executive Officer - DHFL Property   |
| (e) Shri Harshil Mehta    | Chief Executive Officer - Aadhar  |
| (f) Shri R Nambirajan     | Managing Director - DHFL Vysya  |
| (g) Shri Michael Maybaum  | Whole time Director - Deutsche Postbank   |
| (h) Shri Anoop Pabby      | Whole time Director - Deutsche Postbank   |
| (i) Shri Achim Vogt       | Whole time Director - Deutsche Postbank   |

## B) Transactions by Holding Company during the year with related parties:

(₹ in lacs)

Nature of Transaction (excluding reimbursements)	Associate Companies		Key Management Personnel	Others
	2010-11	2009-10		
<b>1) Investments</b>				
Opening Balance	5381.69	5007.30	-	-
Investment Made	544.66	379.25	-	-
Investment Redeemed	319.97	4.86	-	-
Closing Balance	5606.38	5381.69	-	-
<b>2) Equity / Warrants subscription</b>				
Opening Balance	-	2809.00	- (964.00)	- (1827.00)
Subscription/Advance subscription received	-	293.00	- (446.00)	- (1204.50)
Equity Shares Allotted (with Premium)	-	3102.00	- (1410.00)	- (3031.50)
Closing Balance	-	-	- (-)	- (-)
<b>3) Advances Recoverable</b>				
In cash or kind				
Opening Balance	5.55	1.20	-	-
Advance given during the year	296.26	4.35	-	-
Recovered during the year	4.15	-	-	-
Closing Balance	297.66	5.55	-	-
<b>4) Income</b>				
Dividend	-	-	-	-
Interest	-	-	-	-
Rent	119.23	117.65	-	-
Other Income	4500.00	1311.78	-	-
<b>5) Expenditure</b>				
Remuneration	-	-	309.88 (242.84)	-
Interest	-	-	-	-
Rent, Rates & Taxes	13.24	12.00	-	-
Other Expenditures	18.04	12.79	-	-

'Q' - NOTES TO ACCOUNTS (Contd)

The Details of material transactions during the year with the above related parties were as follows (₹ in lacs):

Nature of Transaction (excluding reimbursements)	Associate Companies		Key Management Personnel	Others
	2010-11	2009-10		
<b>ASSETS:</b>				
<b>1) Investments in</b>				
Wadhawan Retail Pvt. Ltd.	-	1846.75	-	-
DHFL Venture Capital Fund (Trust)	267.51	2955.80	-	-
DHFL Venture Trustee Company Pvt. Ltd.	-	2.25	-	-
DHFL Venture Capital India Pvt. Ltd.	-	469.25	-	-
<b>2) Advances Recoverable from</b>				
DHFL Insurance Services Limited	20.63	-	-	-
Wadhawan Hasing Private Limited	179.05	-	-	-
Caledonia Investments Plc	96.58	-	-	-
DHFL Venture Capital India Pvt. Ltd.	-	1.40	-	-
Wadhawan Retail Pvt. Ltd.	- 4.15	4.15	-	-
<b>LIABILITIES:</b>				
<b>1) Subscription for equity shares</b>				
(Net of Advance share subscription received in earlier years)				
Shri Kapil Wadhawan	-	-	- [696.80]	-
Smt Aruna Wadhawan	-	-	-	- (548)
Shri Dheeraj Wadhawan	-	-	-	- (858.80)
Smt Pooja Wadhawan	-	-	-	- (48.50)
Wadhawan Holdings Pvt. Ltd.	-	293.00	-	-
International Finance Corporation	2,000.00	-	-	-
<b>INCOME received from</b>				
<b>1) Rent</b>				
DHFL Insurance Services Ltd.	0.12	0.12	-	-
Wadhawan Retail Pvt. Ltd.	85.98	85.98	-	-
Dish Hospitality Pvt. Ltd.	33.13	31.55	-	-
<b>2) Other Income</b>				
DHFL Insurance Services Ltd.	4500.00	1310.00	-	-
Wadhawan Holdings Pvt. Ltd.	-	1.78	-	-
<b>EXPENDITURE:</b>				
<b>1) Rent, Rates &amp; Taxes</b>				
Wadhawan Holdings Pvt. Ltd.	13.24	12.00	-	-
<b>2) Remuneration</b>				
Shri Kapil Wadhawan	-	-	156.54 (131.20)	-
Shri Anil Sachidanand	-	-	110.93 (77.59)	-
Shri Rajeev Sathe	-	-	42.42 (34.05)	-
Shri B K Madhur	-	-	41.74 (47.80)	-
Shri Harshil Mehta	-	-	15.39 (Nil)	-
Shri R Nambiaran	-	-	25.30 (25.34)	-
Shri Michael Maybaum	-	-	255.14 (-)	-
Shri Anoop Pabby	-	-	242.25 (158.80)	-
Shri Achim Vogt	-	-	96.49 (319.76)	-
<b>3) Other Expenditures</b>				
Dish Hospitality Pvt. Ltd.	18.04	12.79	-	-
International Finance Corporation	22.78	-	-	-

26. The Holding Company's Income Tax Assessment has been completed up to the Assessment Year 2008-09. Additional demands of ₹ 195.84 lacs have been raised by the departments which are pending in appeal. The Holding Company has deposited the additional tax so demanded which is pending in appeals. No provision has been made as Holding Company has been advised that appeals will be allowed, in due course of time, based on the similar case laws on the subject and there is no need to make any provision for the same and refunds are expected to be received.
27. An appeal of DHFL Vysya Housing Finance Limited is pending before Income Tax Appellate Tribunal for the Assessment Year 2005-06 against I T demand of ₹ 90.42 lacs was dismissed by ITAT vide order dated 8th February, 2011. DHFL Vysya Housing Finance Limited is filing a miscellaneous application before the ITAT and also filing an appeal before Hon'ble High Court against the said ITAT order. The above demand of ₹ 90.42 lacs raised and collected by the department was adjusted by utilizing Contingency Reserve during the financial year 2009-10 itself and therefore no additional provision is required to be made on that account.
28. An Appeal of DHFL Vysya Housing Finance Limited is pending before CIT (A) regarding Assessment Year 2004-05 against levy of additional tax demand ₹ 21.92 lacs as directed U/s 263 of the Income Tax Act, 1961. DHFL Vysya Housing Finance Limited had deposited ₹ 21.92 lacs in the financial year 2009-10 against the aforesaid demand, which is shown as loans and advances under other assets. DHFL Vysya Housing Finance Limited has been legally advised that the tax claim is untenable, hence no provision has been made for contingent liability on that account.
29. Provision for Taxation of Holding Company includes ₹ 6,460.89 lacs (₹ 5,193.58 lacs) as provision for current year tax, and ₹ 1,170.45 lacs (₹ 43.58 lacs) for Deferred Tax liability for the year.
30. The Holding Company has derecognized Interest income on Non-Performing Assets as on 31st March, 2011 of ₹ 438.89 lacs (₹ 610.33 lacs).

### 31. Interest rate swaps

In compliance with Asset Liability Management Policy, Deutsche Postbank Home Finance Limited had in past entered into interest rate swaps of notional value aggregating to ₹ 9,500 lacs to hedge its interest rate risk which were designated as fair value hedges, in accordance with the generally accepted accounting principles.

The changes in the fair value of these derivatives are recorded in the income statement, together with any changes in the fair value of the underlying asset or liability that are attributable to the hedged risk. The Mark to Market (MTM) losses on these swaps recognized in past, is amortized over the period of the hedges. Accordingly, net gain on hedging on interest rate swaps amounting to ₹ 11.07 lacs (₹ 114.55 lacs) including realized gain on terminated swap amounting to ₹ Nil (₹ 60.00 lacs), and amortization of MTM amounting to ₹ 26.90 lacs (₹ 10.81 lacs) has been adjusted in "Interest on Term Loan and Deposits".

32. Pursuant to change in shareholding, Deutsche Postbank Home Finance Limited is required to replace the corporate guarantee given by BHW Holding AG against the loan facility from International Finance Corporation. Deutsche Postbank Home Finance Limited is in the process of obtaining necessary approvals from Reserve Bank of India in this regard.

33. The main business of the Holding Company and its relevant subsidiaries is to provide loans for the purchase or construction of residential houses and all other activities of the Holding Company revolve around the main business and as such there are no separate reportable segments as specified in Accounting Standard (AS 17) on "Segment Reporting", and under paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010, which needs to be reported.
34. The Holding Company has entered into Loan Syndication arrangements with certain public sector banks to provide Housing loan to borrowers wherein DHFL originate the loan files from the branches and surrounding areas of such banks and also from the open market and get it processed under a common credit norms at the Central Processing Unit set up in premises of such banks. The said banks have agreed to participate not over 50% of the disbursed loan portfolio under loan syndication arrangement. Entire processing fees and other charges / income on above accrued to the Holding Company.
35. The Holding Company has paid dividend of ₹ 659.36 lacs and ₹ 112.06 lacs as tax on the distribution of dividend to new shareholders on account of Final Dividend for the year 2009-10 as required under the Listing Agreement as those shares were allotted prior to record date for the dividend payment and after the date of earlier year balance sheet.
36. There is no amount due and payable to 'Suppliers' registered under the Micro, Small and Medium Enterprises Development Act, 2006 at the end of the year. No interest has been paid/ is payable by the Holding Company and its subsidiaries during/for the year to these 'Suppliers'. The above information takes into account only those suppliers who have responded to the inquiries made by the Holding Company for this purpose.
37. Figures for the previous year have been regrouped, rearranged and reclassified wherever necessary. Accordingly, amounts and other disclosure for the previous year are included as an integral part of the current year's financial statement and are to be read in relation to the amounts and other disclosures relating to the current year.
38. Figures in brackets represent previous year's figures.

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In terms of our report of even date

For B. M. Chaturvedi & Co.  
Chartered Accountants  
ICAI FRN: 114317W

B. M. Chaturvedi  
Partner  
ICAI M. N. 017607

Place : Mumbai  
Date : 13<sup>th</sup> May, 2011

Kapil Wadhawan  
Chairman & Managing Director

S. Y. Sankhe  
Company Secretary

Dheeraj Wadhawan  
R. P. Khosla  
R. S. Hugar  
G. P. Kohli  
Anthony Hambro  
Ajay Vazirani  
V. K. Chopra  
Dr. P. S. Pasricha  
(Directors)



**DHFL NETWORK**



**Registered Office:**

<b>Location</b>	<b>Address</b>	<b>Phone No.:</b>
Fort (Mumbai)	Warden House, 2nd Floor, Sir P. M. Road, Fort, Mumbai 400001	Tel.: (022) 22029900 Fax: (022) 22871985

**Corporate Office:**

<b>Location</b>	<b>Address</b>	<b>Phone No.:</b>
Corporate Office Bandra (Mumbai)	HDIL Towers, 6th Floor, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai 400051	Tel.: (022) 26583333 (022) 26474333 Fax: (022) 26583344

**International Representative Offices:**

<b>Location</b>	<b>Address</b>	<b>Phone No.:</b>
Dubai, U.A.E.	P. O. Box 48991, Office No. 211, 2nd Floor, Atrium Centre, Khalid Bin Al Waleed Road (Bank Street), Bur Dubai, U.A.E.	Tel.: 00-971-4-3524905 Fax: 00-971-4-3524906 Mob: 00-971-50-7549120, 00-971-50-5072621, 00-971-50-5351172 Email: dubai@dhfl.com
London	53-55 Uxbridge Road Ealing London W5 5SA	Tel.: 00-44-20-8579 1711 Fax: 00-20-8579 1712

**West Zone Branches:**

<b>Branch</b>	<b>Address</b>	<b>Phone No.:</b>
Zonal Office	2nd Floor, Fortune House, CTS No. 117 A, Plot no. 45 A, Prabhat Road, Near Lane No. 14, Erandavana, Pune 411 004	Tel.: 9372853813
Regional Processing Unit	Office No. 201 to 204, 2nd Floor, Fortune Plaza, Thube Park, C. T. S. No. 1417 to 1424, Next to HDFC House, Shivajinagar, Pune 41100	Tel.: (020) 66819595/97 Fax: 66819596
Pune Sales Vertical	Office No. 201 to 204, 2nd Floor, Fortune Plaza, Thube Park, C. T. S. No. 1417 to 1424, Next to HDFC House, Shivajinagar, Pune 411001	Tel.: (020) 66819595/97 Fax: 66819596
Ahmedabad	Amala Chambers, 3rd Floor, C G Road, Ellisbridge, Ahmedabad 380009	Tel.: (079) 26449521, 26449564, 26441090 Fax: (079) 26449524
Ahmednagar	Office No.8, Amardeep Complex, Near Gogadeo Temple, Sarjepura, Ahmednagar 414001	Tel.: (0241) 3295745 Telefax: 2431677
Akola	Nakshtra Sankul, 1st Floor, Umri Road, Jatharpeth, Akola 444005	Tel.: (0724) 2491279, 2490697
Aurangabad	Akshay Smruti, 1st Floor, Garge Hospital, Opp. Hotel Ellora, Nutan Colony, Aurangabad 431001	Tel.: (0240) 2352643
Bhopal	Plot no 11, Alankar Complex, Mezzanine Floor, Bank Street, M.P. Nagar Zone II, Bhopal 462001	Tel.: (0755) 2555088, 4277088, 4218371
Gwalior	FF-17, 16, Orion Tower, Plot No. 11, City Center, Next to LIC Building, Gwalior 474011	Tel.: (0751) 4218202-07

#### West Zone Branches:

Branch	Address	Phone No.:
Indore	Third Floor, Royal-Gold Complex, 4 A.Y.N. Road, Indore 452001	Tel.: (0731) 4043325, 4043327, 4235700/75/ 4235714/15/706/7
Itarsi	1st Floor, 9th line, Sarafa Road, Dr. U.K. Shukla's Building, Near Tagore School, ITARSI, M.P. 461111	Tel.: (07572) 406275
Jabalpur	1627, 1st floor, Jaiswal Tower, Home Science College Road, Near Shashtri Bridge, Napier Town, Jabalpur 482001	Tel.: (0761) 4054911, 4054921
Jalgaon	Plot No.18,19, Dhake Colony, Shiva Arcade, 1st Floor, Jalgaon 425001	Tel.: (0257) 2222253/54
Khargone	C-17, Radha Vallabh Market, Khargone 451001	Tel.: (7282) 234732, 231674, 250644
Kolhapur	Office No. 6 To 8A, Akshar Plaza, 1st Floor, Opp. Sasane Ground, Tarabai Park, Kolhapur 416003	Tel.: (0231) 2660567, 2663664
Nagpur	4th Floor, Bhiwapurkar Chambers, Opp. Yeshwant Stadium, Dhantoli, Nagpur 440012	Tel.: (0712) 2432448, 2429686
Nasik	S-3 2nd Floor Suyojit Sankul,Near Rajiv Gandhi Bhavan, Sharapur Road, Nasik 422002	Tel.: (0253) 2316771/72 Fax: (0253) 2316762
Panjim	104, 1st Floor, Kamat Chambers, Opp. Hotel Neptune, Panaji, Goa 403 001	Tel.: (0832) 2230410/11
Parbhani	Mantri Complex, 1st Floor, Wasmat Road, Ramkrushna Nagar, Parbhani 431401	Tel.: (02452) 227691 Fax : (02452) 223326
Rajkot	Office No.1 & 2 - Pramukhswami Arcade-"A", First Floor, Malviya Chowk, Opp. Dist.Library, Off: Dr. Yagnik Road, At&dist. Rajkot 360001	Tel.: (0281) 2226458,2226459, 2922001,2922003
Solapur	Shri Samarth Raimdas Sankool, 1st Floor, Dutta Chowk, Solapur 413007	Tel.: (0217) 2322241, 3297178
Surat	M-9 Western Plaza, Nr. Bhulka Bhavan School, Adajan Hazira Road, Adajan, Surat 395009	Tel.: (0261) 2731266/2730508
Vadodara	5, Upper Ground Level, Profit Center, Near Kalogodha Circle, Sayajigunj, Vadodara 390005	Tel.: (0265) 2226312-314

#### West Zone - Alliances:

Branch	Address	Phone No.:
Bhopal - CBI Venture	Central Bank of India, 2nd Floor, Plot No. 9, Arera Hills, Joil Road, Bhopal 462011	Tel.: (0755) 4000670/71, 2559429/32

#### Mumbai Zone Branches:

Branch	Address	Phone No.:
Zonal Office	HDIL Tower, Gr. Floor, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai 400 051	Tel.: 022- 2647 0338/ 39 Fax: 022- 2658 2176
Regional Processing Unit	Sanghvi House, 18th Subhash Road, Next to Suntock Building, Vile Parle (East), Mumbai 400 057	Tel.: 022- 67981494/95 Fax.: 67981441

### Mumbai Zone Branches:

Branch	Address	Phone No.:
Ambemath	Shop No.7, Upper Basement, Swami, Near Mohan Jyot Apt, Shiv Darshan Apt, Mandir, Ambemath (East), Thane 421501	Tel.: 0251- 2606642
Bandra	HDIL Tower, Gr. Floor, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai 400 051	Tel.: 022 - 2647 0338/39 Fax: 022 - 2658 2176
Boisar	Shop No. 127-130, Bldg., Mahavir Market, Opp. IDBI Bank, Ostwal Main Gate, Boisar West, Thane - 401 501.	
Borivali	Shop No. 18-20, Dheeraj Regency, Opp. Bhor Industries, Behind Broadway Cinemall, Off. W.E. Highway, Borivali (East), Mumbai 400 066	Tel.: 022 - 28875118/ 28851171/28867761
Fort	Warden House, 2nd Floor, Sir P. M. Road, Fort, Mumbai 400001	Tel.: 022 - 22029900/ 22871529/22047092 Fax: 022 - 22871985
Kalyan	Riddhi Siddhi Complex, Shop No.2,3 & 4, Kalyan Murbad Road, Kalyan (West), Thane 421301	Tel.: 0251 - 3258356/ 2328124/ 2320780
Navi Mumbai	Block no.7, Raigad Bhavan, 2nd Floor, Sector -11, CBD Belapur, Navi Mumbai 400614	Tel.: 022 - 27571650 Fax: 27572596
Panvel	Shop No-110, CIDCO Shopping Complex, 1st Floor, Sector 1, Matheran Road, New Panvel 410206	Tel.: 9869935855
Thane	Arjun Tower, Gokhale Road, Naupada Thane 400 602	Tel.: 022 - 25382400/ 25382700 Fax: 022 - 25383100
Vasai (West)	Shop No. 1, Milan Apartments, Opp. Bassien Catholic Bank, Station Road (Manikpur), Vasai (West) 401 202	Tel.: 0250 - 3290367/68/69
Vasai (East)	DHFL Building, Opp. HDFC Bank, Near Holy Family School, Evershine City, Gokhivare, Vasai (East) 401208	Tel.: 0250 - 2461280/2464683
Virar	Shop No.2 & 3, Sheetal Nagar, Bldg No.4, Agashi Road, Virar (West) 401303	Tel.: 9323175375
Vashi	501 A, BSEL Tech Park, Sector 30 A, Vashi, Near Vashi Railway Station, Navi Mumbai	Tel.: 022-32254825/32254826

### Delhi NCR:

Branch	Address	Phone No.:
Zonal Office	1st Floor, Punj House, Plot No. 5, "M" Block, Connaught Place, New Delhi 110018	Tel.: 011-25997555/28101211/ 28101200
Regional Processing Unit	Kirpal Plaza, 4A/1, Above Axis Bank Branch, Tilak Nagar, New Delhi 110018	Tel.: 011-25997555/28101211/ 28101200
Connaught Place Br.	Ground Floor, Punj House, Plot No. 5, "M" Block, Connaught Place, New Delhi 110001	
New Delhi West Br.	Kirpal Plaza, 4A/1, Above Axis Bank Branch, Tilak Nagar, New Delhi 110018	Tel.: 011-25997555/28101211/ 28101200
New Delhi	10, Ground Floor, Community Centre, East of Kailash, New Delhi 110065	Tel.: 011-26470062/64/65

**Delhi NCR:**

<b>Branch</b>	<b>Address</b>	<b>Phone No.:</b>
Faridabad	SCF No. 39, Ground Floor, Sector-19, Part-II, Faridabad, Haryana 121002	Tel.: 0129 3052065-69
Ghaziabad	C-15, First Floor, Milo Complex, Sector-15, Vasundhara, Ghaziabad, (U.P) 201012	Tel.: 0120-2884393 / 94
Gurgaon	SCO -19, Sector-14, Opp. HUDA Office, Gurgaon 122001	Tel.: 0124- 3071511-15
Rewari	SCO - 7, 1st Floor, Brass Market, Opp. LIC of India, Rewari (Haryana) 123401	Tel.: 01274- 202447 / 202448
Rohini	Unit No.201, 2nd Floor, Plot No.4, LSC No.10, Agrawal Plaza, Sector 16, Rohini, Delhi 110085	Tel.: 011- 27294371 / 374
Noida	Plot No.12, Block BK, 2nd Floor, Sector-1, Noida 201301	Tel.: 9818292812/ 0120-3025030/32
Noida 1	Plot No.12, Block BK, 2nd Floor, Sector-1, Noida 201301	Tel.: 9818292812/ 0120-3025030/32

**North and East Zone Branches:**

<b>Branch</b>	<b>Address</b>	<b>Phone No.:</b>
Zonal Office - New Delhi	106, First floor, New Delhi House, 27, Barakhamba Road., C.P. New Delhi 110001	Telefax: 011-23752436
Regional Processing Unit - Jaipur	302,5, Jaipur Tower, 3rd Floor, Opp AIR, M. I. Road, Jaipur 302001	Tel.: (0141) 2366536/2366539 (0141) 3070778-82 Fax: (0141) 2366538
Bhilwara	9-S, 11 & 12, Basant Vihar, BSL Road, Near circuit House, Bhilwara 311001	Tel.: (01482) 235013/235014
Bhubaneswar	101, Aditya Plaza, 10-Bhouma Nagar, Unit-4, Bhubaneswar 751001	Tel.: (0674) 2534142/3265973 Fax: (0674) 2534185
Bikaner	1-2, Yadav Complex Near Rashtra Unnati School, Rani Bazar Bikaner 334001	Tel.: (0151) 2206352 Telefax: 0151-2205923
Chandigarh	Sco-50-51, Sector-34A, Near Mukut Hospital, Chandigarh 160022	Tel.: (0172) 5007899/5007787

**North and East Zone Branches:**

<b>Branch</b>	<b>Address</b>	<b>Phone No.:</b>
Dehradun	33, First Floor, Rajpur Road, Land mark: In front of St. Josephs School Dehradun, Uttarakhand 248001	Tel.: (0135) 2712143
Durgapur	A402-B, 3rd Floor, "KAMADHENU", Bengal Shristi Complex, City Centre, Durgapur (W.B) 713216	Tel.: (0343) 2542351
Jaipur	D-244, Hanuman Nagar, 3rd Floor, Above Union Bank of India, Amrapali Marg, Vaishali Nagar, Jaipur 302021	Tel.: (0141) 2351997/2351987/ 9314880118
Jodhpur	101, 1st Floor, Anupam Annexie, 4th A Road, Near Old Kohinoor Cinema, Sardar Pura, Jodhpur 342001	Tel.: (0291) 5104297 Telefax :0291- 5104298

**North and East Zone Branches:**

Branch	Address	Phone No.:
Kolkata	1 & 1A of 8/1 Middleton Row, 1st Floor, Somenath Estate, Corner of Camac Street & Park Street, Kolkata 700071	Tel.: (033) 22275141/30220876
Kota	D-9/201, Deepshree Complex, Opp. Multipurpose School, Gumanpura, Kota 324007	Tel.: (0744) 2391928/2392028
Lucknow	27/6/1, Upper Ground Floor, Taj Plaza, Madan Mohan Malaviya Marg, Lucknow 226001	Tel.: (0522) 2206113/2206114
Raipur	4/91, Dr Naidu Complex, 2nd Floor, Zail Road Raipur 492001	Tel.: (0771) 4092956
Ranchi	S-1, 2nd Floor, Samudra Complex, 59B, Circular Road, Ranchi 834001	Tel.: (0651) 2563005
Varanasi	First Floor, D-5B/19, A-4, Sigra, Varanasi, Land Mark - Above ICICI Bank Ltd. 221010	Tel.: (0542) 2222757

**North and East Zone - Alliances:**

Branch	Address	Phone No.:
Chandigarh - PSB Venture	Sco-62, 1st Floor, Above Punjab & Sind Bank, Sector-26, Madhav Marg, Chandigarh 160019	Tel.: 0172-5071113-15
Ludhiana - PSB Venture	Sabon Bazar, Near Agarsain Park, Ludhiana 141001	Tel.: (0161) 2740717/ 9815500898
Kolkata - UBI Venture	Ubi Bldg., 1St Floor, 4. N.C.Dutta Sarani , Kolkata 700001	Tel.: 91-33-22315658 /59 /60

**South East Branches:**

Branch	Address	Phone No.:
Zone Office	Door No. 118B, Mount Road, Manickam Lane, Near Hotel Zen Garden, Guindy, Chennai 600032	Tel.: 044 - 22504200-4223
Regional Processing Unit	Door No. 118B, Mount Road, Manickam Lane, Near Hotel Zen Garden, Guindy, Chennai 600032	Tel.: 044 - 22504200-4223
Chennai - Sales Vertical	Door No. 118B, Mount Road, Manickam Lane, Near Hotel Zen Garden, Guindy, Chennai 600032	Tel.: 044 - 22504200-4223
Hyderabad - Sales	3A & 3A/1, Third Floor, G.S. Plaza, Road No 1, Banjara Hills, Hyderabad 500 034	Tel.: 040 - 23320192/93/94 23384244 Fax: 040 - 23320193

**South East Branches:**

Branch	Address	Phone No.:
Regional Processing Unit	8 -3-948 / 949 3rd Floor Solitaire Plaza, Behind Image Hospital, Ameerpet, Hyderabad 500 073	Tel.: 040 - 23742003/4/ 2040/2050/2080
Chennai	"The Blue Lace Brocade, Door No.2/75, 1st Floor, New Avadi Road, Kilpauk Garden, Chennai 600 010	Tel.: 044 - 26474646/ 26474747/26474848 Fax: 044 - 26474949
Chennai Metro	No.: 2D, Front Wing, 2nd Floor, Prince Arcade, New No. 29/58, Cathedral Road, Chennai 600086	Tel.: 044 - 28117749/ 32474101

**South East Branches:**

Branch	Address	Phone No.:
Coimbatore	D. No.: 316, Sri Devi Towers Ground Floor, 5th street Ext, Opp. to St. Mary's High School, 100 feet Road, Gandhipuram, Coimbatore 641 012	Tel.: 0422 - 2524891 / 2524892 / 2529299 / 2522339 Fax: 2524887
Erode	142/6, Gr. Floor, Vinayaka Complex, Perundurai Road, Opp. To Ganesh TVS, Erode 638 011	Tel.: 0424 - 2270760/3209538
Guntur	D. No.: 5-37-50, 4/7, Brodipet, Above Khazana Jewellery Show Room, Guntur 522002	Tel.: 0863 - 3291258/2244120
Hyderabad	Flat No.: 201&202, Mahavir Lok, Himayath Nagar, Main Road, Hyderabad 500029	Tel.: 040 - 23260994 / 23261002 Fax: 040 - 23226277
Hyderabad Metro	1st Floor, Challa Estates, Opp. HIG- 222, Plot No. 3, MIG, Road No. 3, KPHB Colony, Kukatpally, Hyderabad 500072	Tel.: 040 - 23056400 / 40401105
Kadappa	D. No.: 4/622 / B, II Floor, CPVR Towers, Arvind Nagar, R.S. Road, Opp. New APSRTC Busstand, Kadappa 516002	Tel.: 08562 - 245400/323666
Karim Nagar	2-3/169/1, 1st Floor, Vajramma Towers, Kaman Road, Karim Nagar 505001	Tel.: 0878 - 3290878
Kurnool	D. No.: 40-354-60, 1st Floor, Nandyal Gate, Opp. Narayamurthy Petrol Pump, Park Road, Kurnool 518001	Tel.: 08518 - 227217/311395
Madurai	Ra-gem Plaza, 1st Floor, 111-112, Alagarkoil Main Road, Tallakulam, Madurai 625002	Tel.: 0452 - 3272727, 2523400, 2523486
Nellore	Magna Super Market No.: 16/3/210, II Floor, GSR Complex, Ramalingapuram Main Road, Opp. SBI Building, Nellore 524001	Tel.: 0861 - 2340243 / 9346784192
Pondicherry	No.: 27, First Floor, 100 feet Road, Sundaraja Nagar, (Near Indira Gandhi statue), Pondicherry 605004	Tel.: 0413 - 2200263/2200203 Fax: 0413- 2201104
Rajahmundry	D.No.: 6-1-14 & 15, Rangacheri Street, T Nagar, Rajahmundry 533101	Tel.: 0883 - 2441889/6664700
Salem	1st Floor, Santosh Towers, Brindavan Road, Opp. New Bus Stand, Salem 636004	
Sangareddy	1st Floor, Neni Complex, MIG 58, H. No.: 12-95, Opp. Integrated Collector Complex, Sangareddy, Medak Dist. 502001	Tel.: 08455 - 654844 / 270098
Tirunelveli	Shop No. 1738/2A, 1st Floor, Shah Complex, Thiruvanthapuram Main Road, Palayamkottai, Tirunelveli 627002	Tel.: 0462 - 2560079 / 2560080
Trichy	Sree Naga Arcade, 1st Floor, Next to Seva Sangam Higher Secondary School, No.5, Williams Road, Contonment, Trichy 620001	Tel.: 0431 - 2400030 / 2400060
Vellore	Basement No. D5, RJ Plaza, Near Palar Bridge, Katpadi Main Road, Viruthampet, Vellore 632006	Tel.: 0416 - 3207237 / 9344233212
Vijayawada	Door No. 27-20-51, 1st Flr, Lakshmiram Plaza, Museum Road, Sonovision Opposite Road, Governor Pet, Vijayawada 520002	Tel.: 0866 - 6668918 / 25751565
Vishakhapatnam	Eswara Plaza, 1st Floor, Door No. 47/14/7/3, Dwaraka Nagar, Main Road, Vizag 530016	Tel.: 0891 - 2754985/2707908

**South West Branches:**

Branch	Address	Phone No.:
Zonal Office	No. S-401, 4th Floor, Brigade Plaza, Opp. Ganapathi Temple, Anand Rao Circle, Bengaluru 560009	Tel.: 080-22093110-19
Regional Processing Unit	No. S-401, 4th Floor, Brigade Plaza, Opp. Ganapathi Temple, Anand Rao Circle, Bengaluru 560009	Tel.: 080-22093120-29
Bengaluru Branch	G18 & 19, Ground Floor, Brigade Plaza, Ananda Rao Circle, Opp. Ganapathi Temple, Bengaluru 560009	Tel.: 080-22093100-09
Sales Vertical	G18 & 19, Ground Floor, Brigade Plaza, Ananda Rao Circle, Opp. Ganapathi Temple, Bengaluru 560009	Tel.: 080-22093100-09
Bengaluru Metro	No. 280/18-2, 2nd Floor, "Holla Opal", 46th Cross, 7th Main Road, Jaya Nagar 5th Block, Bengaluru 560041	Tel.: 080-22444791-93
Bellary	No. 8/2, Akshaya Nilaya, Gandhinagar Main Road, Opp. Govt. Maternity Hospital, Opp. Govt. Maternity Hospital, Bellary 583101	Tel.: 7676074349
Belgaum	No. 4830/1, 1st & 2nd Floor, Opp. BIMMS Medical College, Civil Hospital Road, Belgaum 590002	Tel.: 0831-2424971/72/73 Fax: 0831-2469342
Davangere	No. 350/16, & 350/17, KBR Complex, Near Thrishul Theatre, P. B. Road, Davangere 577002	Tel.: (08192) 257809, 258090, (08192) 233955
Kalburgi	No.2-243/FF/2, 1st Floor, Asian Tower, Besides Aditya Hotel, Opp. City Municipal Council, Kalburgi 585101	Tel.: (08472) 260630, 224906
Hubballi	4/5, 1st Floor, Eureka Towers, Traffic Island, Hubli 580029	Tel.: 0836 - 2352929 Fax: 0836 - 2350066
Mangaluru	Karunadham Building, 2nd Floor, K.S. Rao Road, Hampankatta, Mangalore 575001	Tel.: 0824 - 2441359/2441801
Mysore	Nakshatra, 2nd Floor, Naryana Shastri Road, Chamaraja Mohalla, Mysuru 570004	Tel.: 0821-2333513/ 2333358
Shivamoga	Mahaveer Plaza, 2nd Floor, 3rd Cross Garden Area, Nehru Road, Shivamoga 577201	Tel.: (08182) 220152/220074/ 9343311513
Bijapur	F1, F2, Mahalaxmi Complex, Opp. Matale Maruthi Temple, M.G. Road, Bijapur 586101	Tel.: 08352- 240971/240632/ 9341494840
Cochin	1st Floor, K M M Building, Near Hotel Renaissance, Palarivattom, Cochin 682025	Tel.: 0484- 2334368/ 2340689/ 2346780
Kannur	Door No. TV-33/363N, 2nd Floor, Grand Plaza, Prabhat Circle, Fort Road, Kannur 670001	Tel.: 0497- 2707795/ 3258234
Thrissur	Ambika Arcade, 1st Floor, M G Road, Thrissur 680001	Tel.: 0487- 2331661/ 2331655
Trivandrum	Upper Ground Floor, Parameswara Towers, Near Geethanjali Hospital, Vazhuthacaud, Trivandrum 695014	Tel.: 0471-2333077/2333088
Kottayam	Ground Floor, IX/126, Regent Plaza, C M S College Road, Baker Junction, Kottayam 686001	Tel.: 0481-2300156, 9349013140
Kozhikode	No. 299/D2, 299/D3, 2nd Floor, Marina Mall, YMCA Cross Road, Calicut 673001	Tel.: 0495 2367697
Hosur	No. 643/1D, First Floor, RKG Manor, Opp. Traffic Police Station, Bangalore Bye Pass Road (NH-7), Hosur 635109	Tel.: 04344- 245955/ 313777

## NOTES



Chosen by the  
Indian Consumer



## DHFL Honoured as a Power Brand

DHFL is among the top 100 most trusted names in the country. This reflects the consumer's faith in the brand. For over 27 years, DHFL has delivered on every commitment that it has made and has changed the lives of people who have interacted with it. Being a Power brand signifies the high regard that consumers have for the brand and their own willingness to recommend it to people who they know. DHFL has worked very painstakingly to build its reputation. Yes we are a business. But a business with a conscience and a social vision.





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