

  
**Feel at Home**



8<sup>th</sup> ANNUAL REPORT 2006 - 2007

## BOARD OF DIRECTORS



Shri. Yogesh Agarwal  
Chairman  
(From August 17, 2007)



Shri. O. V. Bundellu  
(From August 17, 2007)



Shri. F. J. da Cunha



Shri. S. Ravi



Shri. Y. P. Gupta



Shri. M. O. Rego  
Managing Director & CEO



Shri. G. Soundararajan

**Senior Management**

:

- Shri. Santosh Govardhan - Chief - Credit, Collections, IT & Systems
- Shri. Asit Jivani - Chief Financial Officer
- Shri. Madhusudan Parkhi - Legal Advisor & Company Secretary
- Shri. Aloke Ghosal - Chief Marketing Officer
- Shri. M. Jayasimhan - General Manager - Mumbai Region &  
Chief - Human Resources
- Shri. T. Jayakumar - General Manager - South
- Smt. Padmaja Wardadkar - General Manager - Internal Audit & Compliance
- Shri. Mayank Bhandari - General Manager - Resources
- Shri. Kallol Chatterjee - General Manager - West & Chief - Administration

**Statutory Auditors**

:

M/s. Chaturvedi & Shah  
714 – 715, Tulsiani Chambers,  
212, Nariman Point,  
Mumbai - 400 021.

**Registrar & Transfer Agents**

:

Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West),  
Mumbai - 400 078.  
Investor Service of India Ltd.  
IDBI Building, 2nd Floor,  
Rajiv Gandhi Marg, Sector 11,  
CBD - Belapur, Navi Mumbai - 400 614.

# ANNUAL REPORT

2006 - 2007

**Registered and Corporate Office** :

**Registered Office** :

'Kanchenjunga' Building,  
18, Barakhamba Road, New Delhi - 110 001.

**Corporate Office** :

'Gopika Niketan',  
1204/2, Ghole Road, Shivajinagar, Pune - 411 004.

**List of Bankers / Refinancer** :

- |                              |                             |
|------------------------------|-----------------------------|
| 1) Axis Bank                 | 10) Punjab National Bank    |
| 2) Bank of Maharashtra       | 11) State Bank of Hyderabad |
| 3) Canara Bank               | 12) State Bank of Indore    |
| 4) Central Bank of India     | 13) State Bank of Mysore    |
| 5) IDBI Ltd.                 | 14) State Bank of Patiala   |
| 6) Indian Overseas Bank      | 15) Union Bank of India     |
| 7) ING Vysya Bank            | 16) Vijaya Bank             |
| 8) National Housing Bank     | 17) YES Bank                |
| 9) Oriental Bank of Commerce |                             |

**Debenture Trustees** :

IDBI Trusteeship Services Ltd.  
Asian Building, Ground Floor,  
17, R. Kamani Marg, Ballard Estate,  
Mumbai - 400 001.

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## *Directors' Report to the Members*

Your Directors have pleasure in presenting the 8<sup>th</sup> Annual Report of the Company together with Audited Balance Sheet as at March 31, 2007 and Profit & Loss Account for the year ended March 31, 2007.

The year under review has been the third full financial year after the takeover by IDBI Ltd. During the past three years, the company has been in a position to make a mark in the housing finance sector and is now one of the leading housing finance companies in the country.

During the year, the operations and profitability of the company have surged forward and a foundation has been laid for future growth. The Company has also taken a number of proactive measures to give its customers a better deal not only by giving a fine pricing on housing loans but also by extending high service levels.

### **FINANCIAL RESULTS**

During the year 2006-07, the Company has shown a healthy growth in profits as detailed below, which was achieved in the backdrop of the housing finance sector witnessing increased participation from commercial banks, significant interest rate volatility and relatively tight liquidity conditions making it difficult for banks to lend for periods in excess of 1 year:

(Rs. in lakhs)

<b>Particulars</b>	<b>Current Year 2006-2007</b>	<b>Previous Year 2005-2006</b>
<b>Profit Before Tax</b>	<b>2961.71</b>	1853.80
Provision for Tax	<b>649.33</b>	411.45
Profit After Tax	<b>2312.38</b>	1442.35
Balance brought forward	<b>130.60</b>	136.18
Prior period adjustments	<b>(13.07)</b>	--
Profit available for appropriations	<b>2429.91</b>	1578.53
<b>Appropriations</b>		
Transfer to Special Reserves [Under Section 36(1) (viii) of Income Tax Act, 1961]	<b>1104.90</b>	690.00
Transfer to General Reserves	<b>---</b>	100.00
Proposed Dividend on Equity Shares	<b>829.29</b>	577.01
Tax on proposed dividend	<b>140.94</b>	80.92
Balance carried to Balance Sheet	<b>354.78</b>	130.60
<b>Total</b>	<b>2429.91</b>	1578.53

### **Dividend**

In view of the enhanced profitability and the positive outlook for the Company, the Board of Directors has recommended the payment of an increased dividend of 7% on the equity shares on a pro-rata basis.

### **OPERATIONS**

#### **Profitability**

The net interest income during 2006-07 increased by about 30% to Rs.37.53 crore from Rs.28.93 crore during 2005-06. While interest cost for the year ended March 31, 2007 had increased by about 85%, total borrowings increased by 38%. Fees and other income increased by about 77% to Rs.16.58 crore as a result of the increase in loan sanctions and consequent rise in income from processing fee as also due to interest earned on surplus funds parked. Thus, total income (including net interest income) increased by about 41% to Rs.54.11 crore. After considering all non-interest expenses (Rs.24.49 crore), the PBT for the year ended March 31, 2007 increased by 60% to Rs.29.62 crore from Rs.18.54 crore for the year ended March 31, 2006. After taking into account provision for taxation of Rs.6.49 crore, the PAT as per the audited accounts for the year ended March 31, 2007 increased by 60% to Rs.23.12 crore from Rs.14.42 crore for the year ended March 31, 2006.

#### **Sanctions & Disbursements**

Your Company registered a significant growth during the year. The loan sanctions for the year 2006-07 rose by about 15% to Rs.1116 crore from Rs.972 crore in the year 2005-06. Similarly, disbursements during 2006-07 increased by about 14% to Rs.840 crore from Rs.735 crore for the year 2005-06.

#### **Loan Outstanding**

The outstanding loan portfolio increased from Rs.1517 crore as at March 31, 2006 to Rs.2147 crore as at March 31, 2007 registering a growth of about 42% during the year.

#### **Details of Loan Portfolio**

The Company continued to focus its business on salaried employees. Out of the total housing loan portfolio of Rs.2147 crore as on March 31, 2007, 96% of loans were extended to salaried employees with the balance 4% of the loans being given to self-employed businessmen and professionals. As on March 31, 2007, 83% of the loans were at variable interest rate and the balance 17% were at fixed rates of interest (with majority of these loans having fixed rate with a three-year interest rate review clause). The entire outstanding loan portfolio as on March 31, 2007 was extended to individuals. The housing loans, including staff housing loans (Rs.4.99 crore) are secured. To cater to all segments of home owners, your company has, besides individual housing loans, introduced innovative products such as Home Extension Loans, Home Improvement Loans, Mortgage Loans, Fifty Plus Loans for senior citizens and Composite Loans which include financing of both the house as also the plot on which the house is constructed. With increased interest rate volatility, your Company has introduced "Your Choice Loans" where a portion of the loan is at a fixed interest rate with the balance portion being at a variable interest rate.

**Further Issue of Capital**

In September 2006, your Company made a further issue of capital of 2,00,00,000 Equity Shares for Cash at Par by way of Preferential Issue. The issue was fully subscribed. The proceeds of the issue have been applied towards the Company's long-term requirement of funds. Consequent to the further issue of capital, the Capital Adequacy Ratio improved substantially.

**Subordinated Debt Issue**

Your Company has issued in March 2006, Unsecured Redeemable Non-convertible Subordinated Debt for an amount of Rs.60 crore having maturity of 6 years and 3 months and subsequently in February 2007, made a similar issue of Rs.20 crore having maturity period of 10 years. The Issue was fully subscribed. The securities are being listed with Bombay Stock Exchange. The Issue was rated "AA" by both ICRA Limited and CARE Ltd.

**Capital Adequacy**

The prudential accounting norms of the National Housing Bank (NHB) require the Company to maintain a minimum capital adequacy ratio of 12% of its risk weighted assets. As against NHB's norm, the Company's capital adequacy ratio stood at a comfortable level of 13.96% as on March 31, 2007.

**Non-performing Assets (NPAs)**

Your Company has been conscious of the need to maintain a high level of asset quality. Accordingly, organisational changes have been made to facilitate focus on collections while at the same time strengthening the credit approval mechanism. These measures have resulted in an improvement in asset quality with Gross NPAs reducing from 1.29% as on March 31, 2006 to 1.06% as on March 31, 2007 with Net NPAs showing a corresponding reduction from 1.04% as on March 31, 2006 to 0.73% as on March 31, 2007. While rising interest rates may have an impact on recoveries, your Company will strive to maintain and improve its asset quality during the current year.

**Borrowings**

The Company has outstanding loans from banks aggregating Rs. 1772.79 crore. In addition, your Company has availed of refinance assistance from NHB to the extent of Rs. 189.37 crore. It has also tapped the primary markets through issue of commercial paper for which it has been accorded the highest rating of A1+ by ICRA Ltd for maximum maturity value of Rs. 500 crore. The commercial paper outstanding as on March 31, 2007 aggregated Rs. 115 crore. The Company can borrow a maximum amount equivalent to 16 times of its net worth as per "Housing Finance Companies (NHB) Directions 2001". The aggregate borrowings as at March 31, 2007 including Subordinated Debt of Rs. 80 crore was Rs.2157 crore resulting in a Debt-Equity Ratio of 13.69:1.

The Company has the right to change the rate of interest on the first day of every calendar quarter on variable interest rate loans extended to customers. Accordingly, the use of short-term loans to fund variable interest rate loans is a standard practice. Moreover, as a matter of prudence, your Company has unavailed bank loans / liquid funds to meet at least 3 months of debt servicing of principal amount of maturing loans. Your Company has been adhering to the ALM norms stipulated by NHB.

### **Internal Audit**

During the year under review the Internal Audit Department was strengthened commensurate with the requirements consequent upon growth in Operations. During the year, the audit exercise was carried out with a broader scope and in a more structured manner. The observations of the Internal Audit Department were placed before the Audit Committee of the Board.

### **Information Technology Systems**

In the prevailing environment, a price advantage can at best be temporary as the other providers of housing finance match the rates with competitive offers. In your company's opinion, only a superior technology-backed service arm can provide an enduring cutting edge leading to provision of key data for facilitating quick decisions in business operations.

Your Company has automated its Business Operations Processes as also its Administrative and HR processes. All the branches and operating offices have been connected to the Central Data Base through a dedicated Leased Line mesh. The Company has its Data Center at the Corporate Office at Pune, housing the high-end data processing equipment keeping in view the future business plans. The Data Center facilitates processing of Business Applications, Administrative and HR applications as well as Messaging Solutions. The IT Systems set up has adequate safeguards for continued business activities on site. The Company is reviewing its Disaster Recovery (DR) facility to ensure continuity of business in case of any system failures due to technology or unforeseen events. The Company uses a Total Home Loan System (THLS), which is an end-to-end software system for business operations, interfaced with the Financial Accounting. The automation measures taken have facilitated quality customer service and has provided the platform for high volume growth.

### **Compliance with the directions of National Housing Bank (NHB)**

Your Company has been complying with the guidelines and directions issued by NHB from time to time.

### **Particulars of employees**

The Company had 170 employees as on March 31, 2007 as against 154 as on March 31, 2006.

None of the employees of the Company received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

### **Exemption under Section 36 (1) (viii) of the Income Tax Act, 1961**

Your Company, being engaged in the business of providing long-term finance for construction / purchase of houses, is entitled under Section 36 (1) (viii) of the Income Tax Act, 1961 for a deduction from its income of an amount not exceeding 40% of its total income transferred to Special Reserves. The Company has transferred Rs.11.05 crore to Special Reserves out of its profit for the current year.

### **Particulars regarding conservation, technological absorption and foreign exchange earnings and expenditure**

There were neither earnings nor expenditure in foreign exchange during the year. Since the Company is not a manufacturing company, the other particulars in the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are not applicable.

**Directors**

The Board of the Company currently comprises 7 Directors of which 4 Directors are Independent Directors.

**Directors' Responsibility Statement**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your directors hereby state:

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii. That directors adopted 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 at the end of the financial year and of the profit or loss of the company for that period.
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. That the directors had prepared the annual accounts on a going concern basis.

**Corporate Governance**

After the issue of Subordinated Debt, the Company has executed Listing Agreement with the Bombay Stock Exchange. The Listing Agreement contains the stipulations inter alia, in connection with the constitution of Board of Directors, Audit Committee etc. The Company has adopted some of the non-mandatory stipulations voluntarily as pro-active measures.

**Whistle Blower Policy**

The Company has formulated Whistle Blower Policy, which is effective from April 1, 2006. Under the policy any employee of the Company can have access to the Audit Committee or any member thereof in respect of any unethical action on the part of the employees / management. The comprehensive mechanism has been put in place in the Redressal of Grievances under Whistle Blower Policy.

**Code of Conduct for Directors and Employees**

Pursuant to the listing of Subordinated Debt Issue with the Bombay Stock Exchange, the company voluntarily decided to adopt the provisions of the Code of Conduct for the Directors and Employees. The Code was approved by the Board on October 28, 2006. In terms of the Code, a declaration has been obtained from all the employees and the Directors confirming that the provisions of the Code have been complied with.

**Fair Lending Practices Code**

During FY 2007, National Housing Bank advised housing finance companies to adopt the Fair Lending Practices Code. Accordingly, the Fair Lending Practices Code was approved by the Board on September 26, 2006. The Code has been uploaded on the Company's website and is displayed on the notice board at all its Branches.

### **Constitution of Audit Committee**

Pursuant to the provisions of Section 292 (A) (4) your directors hereby disclose that Audit Committee has been constituted as per the provision of Section 292 (A) of the Companies Act, 1956. The Committee comprises of the following members:

1. Shri F.J. da Cunha
2. Shri G. Soundararajan
3. Shri Y. P. Gupta
4. Shri S. Ravi

### **Constitution of Resources Committee**

With a view to enable the company to respond quickly to the interest rate volatility, the Resource Committee has been constituted comprising Shri. V. P. Shetty, Chairman, Shri. B. Jitender, Director and Shri. M. O. Rego, Managing Director & CEO.

### **Auditors**

M/s. Chaturvedi & Shah, Chartered Accountants, Mumbai were appointed as auditors of the Company by the Government of India u/s 619 of the Companies Act, 1956 for the period 2006-2007.

### **Review of accounts by C & AG**

The accounts for the year ended 31st March, 07 were reviewed by Comptroller and Auditor General of India (C & AG). The comments on accounts by C & AG and Management's reply are given as annexure to this report.

### **Future Prospects**

Several initiatives taken for re-launching of Operations of your Company have started yielding results. The same is reflected in the significant growth in the Operations and Profitability of the Company during FY 2006-07 as compared to the previous year. With well-defined systems and high degree of automation coupled with experienced, dedicated and motivated staff, the Company has built a platform for future growth. The Company has achieved a 42% growth in portfolio during FY 2007, which is significantly higher than the growth recorded by the HFCs sector. The Company expects to sustain its growth trajectory in a calibrated manner while maintaining a high quality of assets.

### **Material changes and commitments after Balance Sheet date affecting financial position**

The Board declares that there is no material change affecting the financial position of the Company, which occurred after the Balance Sheet date i.e. March 31, 2007.

**Appreciation/ Acknowledgment**

The Board of Directors wish to thank the National Housing Bank, Industrial Development Bank of India Ltd (the sponsor Bank), Comptroller & Auditor General of India, Registrar of Companies and the Bombay Stock Exchange for their cooperation in various spheres of your Company's functions. The Board of Directors also wishes to thank the rating agencies for their valuable guidance. The Company's good performance during FY 2007 could only have been possible due to the unstinted support of various banks, which sanctioned loans and investors in commercial paper and Subordinated Debt. The Board places on record its sincere gratitude to all the customers for their patronage during the year and looks forward to their continued support in the years to come. The Board of Directors also records its appreciation for the dedicated and concerted efforts put in and the valuable contribution and dedication of the staff at all levels of the Company in achieving the significant growth and profitability for FY 2006-07.

**For and on behalf of the Board of Directors,**

**(V. P. Shetty)**  
Chairman

Place: Mumbai

Date: 29<sup>th</sup> June, 2007.

## *Annexure to Directors' Report*

### **Comments of the Comptroller and Auditor General of India under section 619(4) of the Companies Act, 1956 on the accounts of IDBI Homefinance Limited for the year ended 31<sup>st</sup> March 2007.**

<u>Comments of CAG</u>	<u>Company's Reply</u>
<p>The preparation of financial statements of IDBI Homefinance Limited for the year ended 31 March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by him vide the Audit Report dated 17 April 2007.</p> <p>I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of IDBI Homefinance Limited for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which has come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.</p>	<p>IHFL has created and maintained Special Reserve u/s 36(1)(viii) of Income Tax Act. This reserve also “represents reserve created in compliance of provisions of Section 36(1)(viii) of the Income Tax Act, 1961 and NHB Act” (Refer note on schedule 2, Reserves &amp; Surplus of Annual Accounts 2006-07).</p> <p>According to section 29C of NHB Act the company is required to create a reserve fund and transfer therein an amount not less than 20% of its Net Profit every year. This is a statutory compliance specified by NHB, which is the regulator for Housing Finance Sector. Creation and Maintenance of Special Reserve u/s 29C of NHB Act is a mandatory requirement &amp; is independent of Special Reserve creation and requirement as specified u/s 36(1)(viii) of Income Tax Act.</p> <p>It may further be noted that any withdrawal / utilization of Special Reserve under NHB Act is not at the option of the company and is subject to approval and / or any specific guidelines of NHB. NHB being a regulator cannot allow utilisation of such reserve in normal business circumstances. Any permission from the regulator to utilize such reserve can be visualized only when financial conditions of the company have deteriorated to an extent, which warrants such utilisation. The withdrawal of the reserve is not at the option of the company.</p> <p>The comment of C &amp; AG regarding creation of Deferred Tax Liability on Special Reserve is based on an opinion of Expert Advisory Committee of Institute of Chartered Accountants of India in respect of a company not in the business of home finance. The opinion of the Expert Advisory Committee represents</p>

*Annexure to Directors' Report (Continued)***Profit and Loss Account****Profit after Tax Rs. 23.12 crore**

The Company has created and maintained Special Reserve of Rs. 24.26 crore under Section 36(1)(viii) of the Income Tax Act, 1961. As the *ibid* reserve can be withdrawn, the Company should have made provision for Deferred Tax Liability of Rs. 8.17 crore as required under Accounting Standard 22 prescribed under Section 211(3C) of the Companies Act, 1956. Non-provision for this resulted in understatement of 'Deferred tax Liability' and overstatement of Profit after tax by Rs. 8.17 crore.

**For and on the behalf of  
the Comptroller and Auditor General of India**

Sd/-

**(Sushama V. Dabak)**

Principal Director of Commercial Audit and  
Ex-Officio Member, Audit Board-I, Mumbai.

Place: Mumbai.

Date : 26 June, 2007

the opinions of the members comprising the Committee and not necessarily the opinions of the Council of the ICAI. The opinions are based on the facts and circumstances of the query as supplied by the querist and hence such expert opinion is not binding on the company. Further, the circumstances about utilisation / withdrawal of the reserve by the company are completely different than the situation mentioned in respect of an industry which is other than housing finance company and considered in the Expert Advisory Committee's opinion. Hence, the opinion of Expert Advisory Committee of ICAI does not become applicable.

Further in company's view, creation and maintenance of Special Reserve u/s 36(1)(viii) and in terms of NHB Act is a permanent difference and not a timing difference. Since, this reserve would not be permitted to be utilized till company is a going concern the question of any deferred tax liability does not arise. In case the going concern status is not there, the accounts would have to be drawn in a completely different set of circumstances, which is not so in company's case.

Since IHFL's financials do not warrant any effect on its going concern status, question of applicability of AS 22 on Special Reserve does not arise.

The accounting treatment given by company in the matter is in line with normal industry practice.

We have further also obtained opinion of leading Chartered Accountants in the matter and the opinion clearly explains that no deferred tax liability needs to be created on Special Reserve.

Hence there is no understatement of provision for deferred tax liability and overstatement of profit after tax.

## *Auditors' Report*

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To,

The Members of

**IDBI HOMEFINANCE LTD.**

1. We have audited the attached Balance Sheet of IDBI Homefinance Ltd., as at 31st March 2007, the Profit and Loss Account and also the 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those 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 statements. An audit also 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 provides a reasonable basis for our opinion.

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

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that: -

- i. 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;
- ii. 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;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the mandatory accounting standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representation received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

5. 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:-

- a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2007;
- b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For **CHATURVEDI & SHAH**  
Chartered Accountants

**R. KORIA**  
(Partner)  
Membership No: 35629

Place: Mumbai

Date: 17<sup>th</sup> April, 2007

## *Annexure to Auditors' Report*

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

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- i In respect of its fixed assets:
  - (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) As explained to us, all the fixed assets have been physically verified by the management during the year in accordance with the programme of verification, except in respect of assets lying at employees' residence as hard furnishing assets for which confirmations have been obtained at the year end, which in our opinion is reasonable, considering the size and the nature of its assets. According to the information and explanations given to us, the discrepancies noticed on such verification were not material and same have been dealt with in the books of account.
  - (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. The nature of the business of the company is such that provisions of clause 4 (ii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- iii. In respect of loans, secured/unsecured granted or taken by the Company to / from Companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956:
  - (a) The company has not granted any loans to such parties.
  - (b) The company has taken loans from a Company. The maximum amount outstanding during the year was Rupees Three Hundred Ten Crores and year-end balance of such loans was Rupees Two Hundred Fifty Five Crores
  - (c) According to information and explanations given to us, we are of the opinion that rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
  - (d) The company is regular in payment of principal and interest as per the terms of the loans taken by it.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets and sale of services. During the course of audit we have not observed any continuing failure to correct major weaknesses in internal controls. The activities of the Company do not involve purchase of inventory and sale of the goods.
- v. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
  - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered in the register have been so entered.
  - (b) According to the information and explanations given to us, these contract or arrangements with IDBI Ltd. are mainly in the nature of reimbursement of cost incurred by IDBI Ltd. for IDBI Homefinance Limited and vice-versa and hence the prices for which, are reasonable.
- vi. The Company has not accepted deposits from public and hence directions issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable for the year under audit.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. As the company is not a manufacturing concern, the clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 is not applicable.
- ix. According to the information and explanations given to us in respect of statutory and other dues:
  - (a) The company has been regular in depositing with appropriate authorities undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Wealth-tax, Service tax and other statutory dues. During the year under audit, there were no dues against Investor Education and Protection Fund, Sales Tax, Custom Duty, Excise Duty and Cess.
  - (b) There are no undisputed amounts payable in respect of the aforesaid statutory dues as at 31st March 2007 for a period of more than six months from the date they became payable.

## *Annexure to Auditors' Report (Continued)*

- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom tax, wealth tax, service tax, excise duty or cess which have not been deposited on account of any dispute.
- x. The Company neither have accumulated losses at the end of the year, nor incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi. Based on audit procedures and according to the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- xii. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures or other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- xiv. Based on our examination of the records and the information and explanations given to us, the Company has not dealt/traded in shares, debentures and other investments during the year. As informed and explained to us, proper records have been maintained of the transactions and contracts relating to dealing/trading in securities (Mutual funds) and timely entries have been made therein. There are no securities as on balance sheet date.
- xv. As per the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, the term loans raised during the year and those, which were outstanding at the beginning of the year, were prima facie been either used for the purposes for which they were raised or pending utilisation been temporary placed as fixed deposits with banks.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company as at 31st March 2007, related information as made available to us and represented to us by the management, we are of the opinion that the fund raised on short term basis by way of commercial papers and bank borrowings aggregating to Rs. 762,99,58,810 /- have been utilized for long term purpose for housing loans. All other short-term borrowings have not been utilized for long-term purposes.
- xviii. The Company has not made any preferential allotment of shares during the year, however the company has allotted shares to its 100% holding Company.
- xix. During the year the Company has issued debentures, which are unsecured, and hence the question of creating security does not arise.
- xx. The company has not raised any money by way of public issue during the year.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the company was noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amount whereof are not material in the context of the size of the company and nature of its business and which have been provided for.

For **CHATURVEDI & SHAH**  
Chartered Accountants

**R. KORIA**  
(Partner)  
Membership No: 35629

Place: Mumbai

Date: 17<sup>th</sup> April, 2007

**IDBI HOMEFINANCE LIMITED**  
**Balance Sheet as at March 31, 2007**

	Schedule No.	Rs.	As at 31 March, 2007 Rs.	Rs.	As at 31 March, 2006 Rs.
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	129 97 68 260		109 97 68 260	
Reserves & Surplus	2	<u>30 26 14 035</u>	160 23 82 295	<u>16 97 05 909</u>	126 94 74 169
<b>LOAN FUNDS</b>					
Secured Loan	3	1962 15 91 206		1370 82 14 584	
Unsecured Loan	4	<u>195 00 00 000</u>	2157 15 91 206	<u>190 00 00 000</u>	1560 82 14 584
<b>TOTAL</b>			<b><u>2317 39 73 501</u></b>		<b><u>1687 76 88 753</u></b>
<b>APPLICATION OF FUNDS</b>					
<b>LOANS</b>					
Home Loans		2062 88 34 262		1421 65 23 603	
Other Loans		<u>84 06 35 767</u>	2146 94 70 029	<u>95 27 78 402</u>	1516 93 02 005
<b>FIXED ASSETS</b>					
Gross Block	5	10 18 68 197		8 97 26 503	
Less : Depreciation		<u>4 88 60 352</u>		<u>3 53 70 736</u>	
Net Block		5 30 07 845		5 43 55 767	
Capital Work-in-Progress		<u>11 12 193</u>	5 41 20 038	<u>16 83 453</u>	5 60 39 220
<b>NET DEFERRED TAX ASSET</b> [Refer Note No. 9 of Schedule 15]			2 11 52 804		87 48 660
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Sundry Debtors	6	55 843		7 03 207	
Cash and Bank Balances		176 18 92 903		172 29 05 456	
Other Current Assets		85 76 554		74 75 236	
Loans and Advances		<u>22 51 10 125</u>		<u>13 78 41 815</u>	
		199 56 35 425		186 89 25 714	
<b>LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>					
Liabilities	7	3 73 90 778		3 93 21 606	
Provisions		<u>32 93 25 513</u>		<u>18 64 72 484</u>	
		36 67 16 291		22 57 94 090	
<b>NET CURRENT ASSETS</b>			162 89 19 134		164 31 31 624
<b>MISCELLANEOUS EXPENDITURE</b>	8		3 11 496		4 67 244
<b>TOTAL</b>			<b><u>2317 39 73 501</u></b>		<b><u>1687 76 88 753</u></b>
Notes forming part of the accounts	15				
Significant Accounting Policies	16				

Schedules 1 to 16 annexed hereto form part of the Balance Sheet and Profit and Loss Account

**BY ORDER OF THE BOARD**

**V. P. Shetty**  
Chairman

As per our report of even date

For **CHATURVEDI & SHAH**  
Chartered Accountants

**Melwyn Rego**  
Managing Director &  
Chief Executive Officer

**R. Koria**  
Partner

**Madhusudan Parkhi**  
Company Secretary

**G. Soundararajan**  
Director

**S. Ravi**  
Director

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

Place : Mumbai  
Date : 17<sup>th</sup> April 2007



**IDBI HOMEFINANCE LIMITED**  
**Profit and Loss Account for the year ended March 31, 2007**

	Schedule No.	Rs.	For the year ended 31 March, 2007 Rs.	Rs.	For the year ended 31 March, 2006 Rs.
<b>INCOME</b>					
Operating Income	9		169 61 68 607		100 43 84 340
Fees and Other Charges	10	10 42 52 188		8 96 95 620	
Less : Service Tax and Education Cess Recovered		<u>1 09 43 334</u>		<u>80 38 517</u>	
Net Fees and Other Charges			9 33 08 854		8 16 57 103
Other Income	11		<u>7 24 98 299</u>		<u>1 21 05 139</u>
<b>TOTAL INCOME</b>			<b><u>186 19 75 760</u></b>		<b><u>109 81 46 582</u></b>
<b>EXPENDITURE</b>					
Interest and Finance Charges	12		132 08 62 499		71 50 61 697
Employees' Emoluments and Benefits	13		5 57 20 207		4 61 46 849
Establishment and Other Charges	14		14 01 30 638		12 33 82 908
Depreciation			1 53 89 586		1 22 04 325
Provision for Standard Assets other than Housing Loans			8 20 256		-
Provision for NPA			<u>3 28 81 346</u>		<u>1 59 70 432</u>
<b>TOTAL EXPENDITURE</b>			<b><u>156 58 04 532</u></b>		<b><u>91 27 66 211</u></b>
<b>PROFIT BEFORE TAXATION</b>					
			<b>29 61 71 228</b>		18 53 80 371
Less: Provision for Taxation					
Current Tax [Including Wealth Tax Current		7 62 00 000		4 63 05 500	
Year Rs Nil (Previous Year Rs.5,614/-)]					
Deferred Tax - Credit		<u>(1 24 04 144)</u>		<u>(65 40 568)</u>	
Total		<u>6 37 95 856</u>		<u>3 97 64 932</u>	
Fringe Benefit Tax		<u>11 37 000</u>		<u>13 80 550</u>	
			6 49 32 856		4 11 45 482
<b>PROFIT AFTER TAXATION</b>			<b>23 12 38 372</b>		14 42 34 889
Balance Brought Forward from previous year			1 30 59 732		1 36 18 595
Prior Period Adjustments			<u>(13 07 482)</u>		<u>-</u>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			<b><u>24 29 90 622</u></b>		<b><u>15 78 53 484</u></b>
<b>APPROPRIATIONS</b>					
Special Reserve			11 04 90 000		6 90 00 000
General Reserve			-		1 00 00 000
Proposed Dividend on Equity Shares			8 29 28 983		5 77 01 164
Tax on Proposed Dividend			1 40 93 781		80 92 588
Balance carried to Balance Sheet			<u>3 54 77 858</u>		<u>1 30 59 732</u>
			<b><u>24 29 90 622</u></b>		<b><u>15 78 53 484</u></b>
<b>Earnings Per Share - Basic And Diluted</b>			1.94		1.50
(Equity shares, par value Rs.10/- each)					
Notes forming part of the accounts	15				
Significant Accounting Policies	16				

Schedules 1 to 16 annexed hereto form part of the Balance Sheet and Profit and Loss Account

As per our report of even date  
For **CHATURVEDI & SHAH**  
Chartered Accountants

**R. Koria**  
Partner

**Madhusudan Parkhi**  
Company Secretary

**Melwyn Rego**  
Managing Director &  
Chief Executive Officer

**G. Soundararajan**  
Director

**BY ORDER OF THE BOARD**  
**V. P. Shetty**  
Chairman

**S. Ravi**  
Director

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

**IDBI HOMEFINANCE LIMITED**  
**Cash Flow Statement**

	Rs.	For the year ended 31 March, 2007 Rs.	Rs.	For the year ended 31 March, 2006 Rs.
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit before Taxation		29 61 71 228		18 53 80 371
Adjustments for :				
Deferred Revenue Expenses Written Off	-		2 09 059	
Preliminary Expenses Written Off	1 55 748		1 55 748	
Provision for Standard Assets other than Housing Loans	8 20 256		-	
Provision for NPA	3 28 81 346		1 59 70 432	
Depreciation	1 53 89 586		1 22 04 325	
Bad Debts	11 25 899		48 654	
Loss on Sale/Discarding of Fixed Assets	16 87 842		23 79 443	
Provision for Doubtful Debts / Advances	-		4 94 905	
Excess Provision Written Back	(12 20 038)		(2 26 457)	
Dividend - Current Investments	(11 76 766)		-	
		<u>4 96 63 873</u>		<u>3 12 36 109</u>
<b>Operating profit before Working Capital Changes</b>		34 58 35 101		21 66 16 480
Adjustments for :				
Trade and other Receivables	(92 91 581)		(3 10 32 279)	
Trade Payables	(1 25 375)		1 79 12 071	
		<u>(94 16 956)</u>		<u>(1 31 20 208)</u>
<b>Cash Generated from Operations</b>		33 64 18 145		20 34 96 272
Direct Tax Paid / TDS / Refund Received	(7 79 35 778)		(4 86 28 886)	
Prior Period Adjustments	(13 07 482)		-	
		<u>(7 92 43 260)</u>		<u>(4 86 28 886)</u>
<b>Net Cash from Operating Activities</b>		25 71 74 885		15 48 67 386
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets and Capital Work in Progress	(1 56 97 969)		(2 43 18 376)	
Sale of Fixed Assets	5 39 723		45 050	
Investment in Mutual Funds	(205 91 00 000)		-	
Proceeds from Mutual Funds	205 91 00 000		-	
Dividend - Current Investments	11 76 766		-	
<b>Net Cash used in Investing Activities</b>		(1 39 81 480)		(2 42 73 326)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Issue of Share Capital	20 00 00 000		30 00 00 000	
Proceeds from Long Term Borrowings	309 30 87 205		655 56 24 919	
Repayment of Long Term Borrowings	(282 25 06 332)		(123 25 66 652)	
Proceeds from Short Term Borrowings	5140 68 17 644		2030 37 80 020	
Repayment of Short Term Borrowings	(4571 40 21 895)		(1849 51 86 673)	
Loans Disbursed (Net)	(630 17 88 828)		(594 35 16 051)	
Dividend Paid	(5 77 01 164)		(2 57 28 139)	
Tax on Dividend Paid	(80 92 588)		(36 08 371)	
<b>Net Cash from Financing Activities</b>		<u>(20 42 05 958)</u>		<u>145 87 99 053</u>
<b>Net Increase In Cash &amp; Cash Equivalents</b>		3 89 87 447		158 93 93 113
<b>Cash and Cash Equivalents as on 31.03.2006</b>		<u>172 29 05 456</u>		<u>13 35 12 343</u>
<b>Cash and Cash Equivalents as on 31.03.2007</b>		<u>176 18 92 903</u>		<u>172 29 05 456</u>

Note :

- 1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
- 2) Figures in the brackets indicate Outflows.
- 3) Previous Year figures have been re-grouped, re-arranged and re-classified wherever necessary.

As per our report of even date

For **CHATURVEDI & SHAH**  
Chartered Accountants

**R. Koria**  
Partner

**Madhusudan Parkhi**  
Company Secretary

**Melwyn Rego**  
Managing Director &  
Chief Executive Officer

**G. Soundararajan**  
Director

**BY ORDER OF THE BOARD**  
**V. P. Shetty**  
Chairman

**S. Ravi**  
Director

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

**IDBI HOMEFINANCE LIMITED**  
**Schedules forming part of the Balance Sheet**

Schedule 1	As at 31 March, 2007 Rs.	As at 31 March, 2006 Rs.
<b>SHARE CAPITAL</b>		
Authorised Capital 20,00,00,000 (Previous Year 15,00,00,000) Equity Shares of Rs 10/- Each	<u>200 00 00 000</u>	<u>150 00 00 000</u>
Issued, Subscribed & Paid Up Capital 12,99,76,826 (Previous Year 10,99,76,826) Equity Shares of Rs 10/- Each Fully paid up	129 97 68 260	109 97 68 260
(All the above 12,99,76,826 (Previous Year 10,99,76,826) shares are held by the holding co. IDBI Ltd & its nominees)	<u><u>129 97 68 260</u></u>	<u><u>109 97 68 260</u></u>

Schedule 2	As at 31 March, 2007 Rs.	As at 31 March, 2006 Rs.
<b>RESERVES &amp; SURPLUS</b>		
<b>SPECIAL RESERVE *</b>		
As per last Balance Sheet	13 21 10 000	6 31 10 000
Add: Transfer from Profit and Loss Account	<u>11 04 90 000</u>	<u>6 90 00 000</u>
	24 26 00 000	13 21 10 000
<b>GENERAL RESERVE</b>		
Opening Balance	2 45 36 177	1 45 36 177
Add: Transfer from Profit and Loss Account	<u>-</u>	<u>1 00 00 000</u>
	2 45 36 177	2 45 36 177
<b>PROFIT &amp; LOSS ACCOUNT</b>	3 54 77 858	1 30 59 732
* Represents reserve created in compliance of Provisions of Section 36 (1) (viii) of the Income Tax Act, 1961 and NHB Act.	<u><u>30 26 14 035</u></u>	<u><u>16 97 05 909</u></u>

Schedule 3	As at 31 March, 2007 Rs.	As at 31 March, 2006 Rs.
<b>SECURED LOANS</b>		
Term Loans From Banks :		
Long Term Loans	950 08 51 694	971 94 78 821
Short Term Loans	<u>722 99 46 793</u>	<u>229 99 60 904</u>
	1673 07 98 487	1201 94 39 725
National Housing Bank (Refinance)	189 36 86 000	160 44 78 000
Working Capital Loans from Banks	99 71 06 719	8 42 96 859
(Above loans are secured by a negative lien on all assets of the company and an irrevocable Power of attorney given by the company for creation of Charge on the properties of the borrowers of Housing Loans and for recovery of money directly from the borrowers of Housing Loans in the event of default) [Amount payable within one year is Rs 1155,26,04,678/- (Previous Year Rs 447,90,92,812/-)]	<u><u>1962 15 91 206</u></u>	<u><u>1370 82 14 584</u></u>

**IDBI HOMEFINANCE LIMITED**  
Schedules forming part of the Balance Sheet Contd...

**Schedule 4**

**UNSECURED LOANS**

Short Term Loans  
Commercial Papers

[The maximum amount outstanding at any time during the year was  
Rs. 315,00,00,000/- (Previous Year Rs 225,00,00,000/-)]

8.40% 600 (Previous Year 600) Unsecured. Redeemable, Non-convertible  
Subordinated Bonds in the nature of Debentures of Rs 10,00,000/- each  
(Redeemable at par on June 16, 2012)

9.25% 200 (Previous Year NIL) Unsecured. Redeemable, Non-convertible  
Subordinated Bonds in the nature of Debentures of Rs 10,00,000/- each  
(Redeemable at par on February 09, 2017)

	As at 31 March, 2007 Rs.	As at 31 March, 2006 Rs.
	115 00 00 000	130 00 00 000
	60 00 00 000	60 00 00 000
	20 00 00 000	-
	<u>195 00 00 000</u>	<u>190 00 00 000</u>

**Schedule 5**

**FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 01, 2006 Rs.	Additions Rs.	Deductions/ Adjustments Rs.	As at March 31, 2007 Rs.	Upto March 31, 2006 Rs.	For the Year Rs.	Deductions/ Adjustments Rs.	Upto March 31, 2007 Rs.	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
<b>Tangible Assets</b>										
Lease Hold Renovation	1 57 67 531	55 04 635	4 76 857	2 07 95 309	1 11 52 375	35 08 022	1 98 744	1 44 61 653	63 33 656	46 15 156
Data Processing Machines	3 83 71 462	35 52 364	12 15 529	4 07 08 297	1 50 77 208	63 61 658	7 35 711	2 07 03 155	2 00 05 142	2 32 94 254
Office Equipment	1 15 12 670	13 56 429	6 98 701	1 21 70 398	21 46 325	6 64 938	1 63 777	26 47 486	95 22 912	93 66 345
Office Furniture	1 23 34 333	31 93 918	2 05 691	1 53 22 560	31 25 566	16 45 467	98 932	46 72 101	1 06 50 459	92 08 767
Motor Vehicles	36 51 551	-	15 30 757	21 20 794	16 48 000	2 13 428	7 02 806	11 58 622	9 62 172	20 03 551
Vehicle Two Wheeler	5 245	2 200	-	7 445	5 245	2 200	-	7 445	-	-
<b>Intangible Assets</b>										
Softwares *	80 83 711	26 59 683	-	1 07 43 394	22 16 017	29 93 873	-	52 09 890	55 33 504	58 67 694
<b>Total</b>	<b>8 97 26 503</b>	<b>1 62 69 229</b>	<b>41 27 535</b>	<b>10 18 68 197</b>	<b>3 53 70 736</b>	<b>1 53 89 586</b>	<b>18 99 970</b>	<b>4 88 60 352</b>	<b>5 30 07 845</b>	<b>5 43 55 767</b>

Previous Year 7 42 03 006 2 32 75 868 77 52 371 8 97 26 503 2 83 87 089 1 22 04 325 52 20 678 3 53 70 736 5 43 55 767 -

Capital Work In Progress 11 12 193 16 83 453

- Note: 1 Data Processing Machines include Hard Furnishing Computers of Rs.3,20,208/- (Previous Year Rs.3,12,995/-)  
2 Office Equipment includes Hard Furnishing Equipments of Rs.2,70,259/- (Previous Year Rs.2,78,839/-)  
3 Office Furniture includes Hard Furnishing Furniture of Rs 1,97,422/- (Previous Year Rs.1,01,827/-)  
4 Capital Work In Progress includes advances for capital expenses amounting to Rs.11,12,193/- (Previous Year Rs.16,83,453/- )  
5 Depreciation for the Year is net of Rs.48,762/- (Previous Year Rs.Nil) of earlier Year.

\* Other than internally generated

**IDBI HOMEFINANCE LIMITED**  
**Schedules forming part of the Balance Sheet Contd...**

Schedule 6	As at 31 March, 2007		As at 31 March, 2006	
	Rs.	Rs.	Rs.	Rs.
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>A CURRENT ASSETS</b>				
Sundry Debtors (Unsecured, Considered good)				
a) Debts Outstanding for a period exceeding Six months				
Considered Good	55 843		2 801	
Considered Doubtful	-		-	
b) Other debts.	-		7 00 406	
	<u>55 843</u>		<u>7 03 207</u>	
Less : Provision for Doubtful Debts	-	55 843	-	7 03 207
<b>Cash and Bank Balances</b>				
Cash in Hand	12 77 517		36 333	
Balances with Scheduled Banks				
In Current Accounts	8 91 04 985		7 28 69 123	
In Deposit Accounts	165 00 00 000		165 00 00 000	
Cheques on Hand	<u>2 15 10 401</u>	176 18 92 903	<u>-</u>	172 29 05 456
<b>Other Current Assets</b>				
Interest Accrued but not due				
On Loans	8 93 971		9 57 952	
On Deposits with Banks	76 82 583	85 76 554	65 17 284	74 75 236
<b>Total (A)</b>	<u>177 05 25 300</u>		<u>173 10 83 899</u>	
<b>B LOANS AND ADVANCES</b>				
Installment Due From Borrowers (Secured and considered good)		1 59 73 851		1 18 33 572
Advances Recoverable in Cash or in Kind or for value to be received (Unsecured)				
Considered Good	5 49 96 207		4 98 03 954	
Considered Doubtful	-		4 94 905	
	<u>5 49 96 207</u>		<u>5 02 98 859</u>	
Less : Provision for Doubtful Advances	-	5 49 96 207	4 94 905	4 98 03 954
Income Tax - Advance Tax (Includes Fringe Benefit Tax) and tax deducted at sources		15 41 40 067		7 62 04 289
<b>Total (B)</b>		<u>22 51 10 125</u>		<u>13 78 41 815</u>
<b>Total (A+B)</b>		<u><u>199 56 35 425</u></u>		<u><u>186 89 25 714</u></u>

**IDBI HOMEFINANCE LIMITED**  
Schedules forming part of the Balance Sheet Contd...

Schedule 7	As at 31 March, 2007 Rs.	As at 31 March, 2006 Rs.
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A CURRENT LIABILITIES</b>		
Sundry Creditors for Expenses * (Other than Small Scale Industries)	1 52 17 767	1 39 66 398
Other Liabilities	1 76 68 793	1 28 50 474
Interest Accrued but not due on loans.	45 04 218	1 25 04 734
	<u>3 73 90 778</u>	<u>3 93 21 606</u>
<b>B PROVISIONS</b>		
Provision for Taxation (Includes Provision for Fringe Benefit Tax)	15 42 18 014	7 68 86 050
Provision for Standard Assets other than Housing Loans **	8 20 256	-
Provision for NPA	6 95 64 814	3 66 83 468
Provision for Retirement Benefit	19 42 511	16 93 214
Provision for Performance Linked Incentive to Employees ***	57 57 154	54 16 000
Provision for Proposed Dividend on Equity Shares	8 29 28 983	5 77 01 164
Provision for Tax on Proposed Dividend	1 40 93 781	80 92 588
	<u>32 93 25 513</u>	<u>18 64 72 484</u>
<b>Total (A+B)</b>	<u>36 67 16 291</u>	<u>22 57 94 090</u>

[\* Sundry creditors for expenses includes Rs.59,535/- (Previous Year Rs.63,001/-) towards Capital items]

[\*\* Refer Note No. 7 of Schedule 15 of Notes to Accounts]

[\*\*\* The company has recognised liability based on substantial degree of estimation for Performance Linked Incentive as at 31st March 2006 of Rs 54,16,000/- (Previous year Rs.33,50,000/-). During the year Rs 42,36,057/- (Previous year Rs.23,69,000/-) was paid to employees and balance of Rs.11,79,943/- (Previous Year Nil) was reversed. The Liability recognised under this clause for the year is Rs.57,57,154/- (Previous year Rs.44,35,000/-). Actual outflow is expected as and when the scheme of Incentive will be approved by the Remuneration committee of Board of Directors]

Schedule 8	As at 31 March, 2007 Rs.	As at 31 March, 2006 Rs.
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Preliminary Expenses	3 11 496	4 67 244
<b>Total</b>	<u>3 11 496</u>	<u>4 67 244</u>

**IDBI HOMEFINANCE LIMITED**  
**Schedules forming part of the Profit & Loss Account Contd...**

**Schedule 9**

**OPERATING INCOME**

Interest on Loans  
[Tax Deducted at Source Rs.27,57,804/- (Previous Year Rs.28,50,315/-)]

**Total**

**For the year ended  
31 March, 2007  
Rs.**

169 61 68 607

**169 61 68 607**

For the year ended  
31 March, 2006  
Rs.

100 43 84 340

100 43 84 340

**Schedule 10**

**FEES AND OTHER CHARGES**

Fees  
Other Charges

**Total**

**For the year ended  
31 March, 2007  
Rs.**

7 77 35 548

2 65 16 640

**10 42 52 188**

For the year ended  
31 March, 2006  
Rs.

7 07 46 220

1 89 49 400

8 96 95 620

**Schedule 11**

**OTHER INCOME**

Interest  
[Tax Deducted at Source Rs.1,54,72,104/- (Previous Year Rs.23,38,446/-)]  
Dividend - Current Investments  
Database Access Charges  
Excess Provision Written Back  
Miscellaneous Income

**Total**

**For the year ended  
31 March, 2007  
Rs.**

6 91 14 016

11 76 766

-

12 20 038

9 87 479

**7 24 98 299**

For the year ended  
31 March, 2006  
Rs.

1 12 41 285

-

5 61 448

2 26 457

75 949

1 21 05 139

**Schedule 12**

**INTEREST AND FINANCE CHARGES**

**Interest**

On Fixed Loans  
On Debentures  
On Commercial Papers  
On Other Loans

**Bank and Finance Charges**

**Total**

**For the year ended  
31 March, 2007  
Rs.**

106 61 25 212

5 29 84 932

16 66 27 562

1 99 42 126

1 51 82 667

**132 08 62 499**

For the year ended  
31 March, 2006  
Rs.

58 57 79 689

22 09 315

10 09 84 285

1 68 38 435

92 49 973

71 50 61 697

**IDBI HOMEFINANCE LIMITED**  
Schedules forming part of the Profit and Loss Account Contd...

**Schedule 13**

	<b>For the year ended 31 March, 2007 Rs.</b>	For the year ended 31 March, 2006 Rs.
<b>EMPLOYEES' EMOLUMENTS AND BENEFITS</b>		
Salaries and Allowances	4 31 82 693	3 51 17 481
Contribution to Provident Fund, ESIC and Other Funds	31 68 526	28 12 827
Staff Welfare and Other Amenities	93 68 988	82 16 541
<b>Total</b>	<u><u>5 57 20 207</u></u>	<u><u>4 61 46 849</u></u>

**Schedule 14**

	<b>For the year ended 31 March, 2007 Rs.</b>	For the year ended 31 March, 2006 Rs.
<b>ESTABLISHMENT AND OTHER CHARGES</b>		
Commission	3 12 45 052	3 00 51 698
Legal and Professional Charges	3 30 65 614	2 88 75 028
Rent	2 17 67 414	1 68 26 118
Rates and Taxes	5 20 317	2 58 721
Electricity	43 66 795	32 80 948
Communication Expenses	88 14 732	82 94 016
Traveling Expenses	43 06 959	36 25 860
Printing and Stationery	26 99 738	24 43 340
Repairs and Maintenance - Others	60 27 460	48 84 861
Advertisement and Business Promotion Expenses	70 09 901	74 71 924
Computer Expenses	86 94 688	68 55 198
Insurance Premium	1 70 730	1 90 466
Payment to Auditors	22 77 518	20 65 854
Loss on Sale/Discarding of Fixed Assets	16 87 842	23 79 443
Miscellaneous Expenses	48 69 947	11 50 171
Debenture Issue Expenses	13 24 284	38 20 896
Bad Debts/ Advances Written Off	16 20 804	48 654
Less : Provision for Doubtful Debts/ Advances Written Back	4 94 905	-
Provision for Doubtful Debts/Advances	<u>-</u>	<u>4 94 905</u>
	11 25 899	5 43 559
Preliminary Expenses Written Off	1 55 748	1 55 748
Deferred Revenue Expenses Written Off	-	2 09 059
<b>Total</b>	<u><u>14 01 30 638</u></u>	<u><u>12 33 82 908</u></u>

**IDBI HOMEFINANCE LIMITED**

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**Schedule: 15**

**NOTES TO ACCOUNTS**

1. Previous year figures have been re-grouped, re-arranged and re-classified wherever necessary.
2. Figures shown against Loans, Debtors and Creditors are subject to confirmation.
3. The Company has issued Unsecured Redeemable Non Convertible Subordinated Bond in the nature of Debentures [NCD] aggregating to Rs.80,00,00,000/- (Previous year Rs. 60,00,00,000/-) on a private placement basis. Ministry of Finance & Company Affairs, Department of Company Affairs, vide their general circular no. 4/2003 dated 16.01.2003 clarified that no Debenture Redemption Reserve is required in the case of privately placed debentures by Housing Finance Companies registered with National Housing Bank under Housing Finance Companies (NHB) Directions 2001, and hence no Debenture Redemption Reserve has been created by company for the above referred Non Convertible Subordinated Bond in the nature of Debentures [NCD].
4. Loans and installments due from borrowers are secured by:
  - (a) Equitable mortgage of property and/or
  - (b) Assignment of life insurance policies and/or
  - (c) Company guarantees or personal guarantees and/or
  - (d) Undertaking to create a security.
5. The erstwhile holding company Tata Finance Ltd. (TFL) has agreed to indemnify company against any loan sanctioned upto September 7, 2003 (date of divesting the investment by TFL) becoming a non performing asset within three years from the effective date. The claims in respect of the above can be made by company only after completion of five years from the effective date. This indemnity includes expenses related to recovery action and shortfall in the realisation of amount, subject to an overall cap of Rs. 5,00,00,000/-. Financial Statements are not adjusted to reflect any impact of this indemnity and will be recognised as and when the amounts are indemnified.
6. Housing Loans include Rs.5,87,888/-(Previous year Rs.6,43,080/-) given to a Officer of the Company. The maximum balance due at any time during the year was Rs.6,43,080/- (Previous year Rs.6,96,150/-).
7. A general provision of 0.10% of Total outstanding amount of Non-Housing Loans, which are Standard Assets, has been made as per NHB's Direction No. NHB.HFC.DIR.18/CMD/2007 dated 26<sup>th</sup> March, 2007.

**IDBI HOMEFINANCE LIMITED**

8. Classification of loans and provision made for Non Performing Assets and Standard Assets (other than Housing Loans) is given below.

(Amount in Rs.)

Particulars	Standard Assets	Sub-Standard Assets	Doubtful Assets	Loss Assets	Total
<b>As at 31<sup>st</sup> March 2007</b>					
Home Loans	2042,37,55,191/-	7,64,51,425/-	10,32,24,976/-	2,54,02,670/-	2062,88,34,262/-
Other Loans	81,86,15,914/-	19,91,611/-	1,45,43,426/-	54,84,816/-	84,06,35,767/-
<b>Total Loans</b>	<b>2124,23,71,105/-</b>	<b>7,84,43,036/-</b>	<b>11,77,68,402/-</b>	<b>3,08,87,486/-</b>	<b>2146,94,70,029/-</b>
<b>Percentage</b>	<b>98.94</b>	<b>0.37</b>	<b>0.55</b>	<b>0.14</b>	<b>100.00</b>
<b>Provision</b>					
As at March 31,2006					
Home Loans	-	89,20,652/-	1,90,31,888/-	38,62,638/-	3,18,15,178/-
Other Loans	-	8,41,126/-	40,22,204/-	4,960/-	48,68,290/-
<b>Total (A)</b>	<b>-</b>	<b>97,61,778/-</b>	<b>2,30,54,092/-</b>	<b>38,67,598/-</b>	<b>3,66,83,468/-</b>
<b>Provision during the year</b>					
Home Loans	-	(12,75,462/-)	71,42,486/-	2,15,40,032/-	2,74,07,056/-
Other Loans	-	(6,41,960/-)	6,36,394/-	54,79,856/-	54,74,290/-
Standard Assets other than Housing Loans *	8,20,256/-	-	-	-	8,20,256/-
<b>Total (B)</b>	<b>8,20,256/-</b>	<b>(19,17,422/-)</b>	<b>77,78,880/-</b>	<b>2,70,19,888/-</b>	<b>3,37,01,602/-</b>
<b>Total as at 31st March 2007</b>					
Home Loans	-	76,45,190/-	2,61,74,374/-	2,54,02,670/-	5,92,22,234/-
Other Loans	-	1,99,166/-	46,58,598/-	54,84,816/-	1,03,42,580/-
Standard Assets other than Housing Loans *	8,20,256/-	-	-	-	8,20,256/-
<b>Total Loans (A+B)</b>	<b>8,20,256/-</b>	<b>78,44,356/-</b>	<b>3,08,32,972/-</b>	<b>3,08,87,486/-</b>	<b>7,03,85,070/-</b>
<b>Net NPA</b>	<b>-</b>	<b>7,05,98,680/-</b>	<b>8,69,35,430/-</b>	<b>-</b>	<b>15,75,34,110/-</b>
<b>Net Standard Asset</b>	<b>2124,15,50,849/-</b>				<b>2124,15,50,849/-</b>
<b>Net NPA as a % of Loan Asset</b>					<b>0.73</b>

\* Refer Note No. 7 of Schedule 15 of Notes to Accounts

**IDBI HOMEFINANCE LIMITED**

(Amount in Rs.)

Particulars	Standard Assets	Sub-Standard Assets	Doubtful Assets	Loss Assets	Total
<b>As at 31<sup>st</sup> March 2006</b>					
Home Loans	1404,51,56,479/-	8,92,05,829/-	7,82,98,657/-	38,62,638/-	1421,65,23,603/-
Other Loans	92,91,25,902/-	84,11,145/-	1,52,36,395/-	4,960/-	95,27,78,402/-
<b>Total Loans</b>	<b>1497,42,82,381/-</b>	<b>9,76,16,974/-</b>	<b>9,35,35,052/-</b>	<b>38,67,598/-</b>	<b>1516,93,02,005/-</b>
<b>Percentage</b>	<b>98.71</b>	<b>0.64</b>	<b>0.62</b>	<b>0.03</b>	<b>100.00</b>
<b>Provision</b>					
As at March 31,2005					
Home Loans	-	73,88,482/-	94,54,490/-	-	1,68,42,972/-
Other Loans	-	12,24,872/-	26,45,192/-	-	38,70,064/-
<b>Total (A)</b>	<b>-</b>	<b>86,13,354/-</b>	<b>1,20,99,682/-</b>	<b>-</b>	<b>2,07,13,036/-</b>
<b>Provision during the year</b>					
Home Loans	-	15,32,170/-	95,77,398/-	38,62,638/-	1,49,72,206/-
Other Loans	-	(3,83,746/-)	13,77,012/-	4,960/-	9,98,226/-
<b>Total (B)</b>	<b>-</b>	<b>11,48,424/-</b>	<b>1,09,54,410/-</b>	<b>38,67,598/-</b>	<b>1,59,70,432/-</b>
<b>Total as at 31<sup>st</sup> March 2006</b>					
Home Loans	-	89,20,652/-	1,90,31,888/-	38,62,638/-	3,18,15,178/-
Other Loans	-	8,41,126/-	40,22,204/-	4,960/-	48,68,290/-
<b>Total (A+B)</b>	<b>-</b>	<b>97,61,778/-</b>	<b>2,30,54,092/-</b>	<b>38,67,598/-</b>	<b>3,66,83,468/-</b>
<b>Net NPA</b>	<b>-</b>	<b>8,78,55,196/-</b>	<b>7,04,80,960/-</b>	<b>-</b>	<b>15,83,36,156/-</b>
<b>Net NPA as a % of Loan Asset</b>					<b>1.04</b>

**IDBI HOMEFINANCE LIMITED**

9. The Deferred Tax Asset as at 31st March 2007 is comprised of the following:

Particulars	(Amount in Rs.)	
	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006
1. Deferred Tax Liability related to		
a.) Fixed Assets	34,38,030/-	49,75,660/-
b.) Miscellaneous Expenditure	1,05,877/-	1,57,274/-
<b>Total Deferred Tax Liability (A)</b>	<b>35,43,907/-</b>	<b>51,32,934/-</b>
2. Deferred Tax Asset related to		
a) Provision for NPA	2,36,45,080/-	1,23,47,655/-
b) Provision for Doubtful Advances and Debts	-	1,66,585/-
c) Expenses u/s 43B under Income Tax Act	10,51,631/-	13,67,354/-
<b>Total Deferred Tax Asset (B)</b>	<b>2,46,96,711/-</b>	<b>1,38,81,594/-</b>
<b>Net Deferred Tax Asset (A-B)</b>	<b>2,11,52,804/-</b>	<b>87,48,660/-</b>

10. The Company's main business is to provide loans for purchase or construction of residential houses. All other activities of the Company revolve around the main business. As such, there are no separate reportable segments, as per the Accounting Standard - 17 on 'Segment Reporting'.

11. As required by Accounting Standard - 18 on 'Related Party Transaction', following persons are considered as related person for the year ended March 31, 2007.

Sr.No.	Name of the Related Party	Nature of Relationship
(1)	IDBI Ltd	Holding Company
(2)	IDBI Intech Ltd.	Fellow Subsidiary
(3)	IDBI Capital Market Services Ltd.	Fellow Subsidiary
(4)	Mr. Melwyn Rego, Managing Director and C.E.O.	Key Management Personnel

**IDBI HOMEFINANCE LIMITED**

The nature and volume of transactions of the company during the existence of relationship with the above-referred parties are as follows.

(Amount in Rs.)

<b>Particulars</b>	<b>Holding Company</b>	<b>Fellow Subsidiary Company</b>	<b>Key Management Personnel</b>	<b>Total</b>
Share Capital	20,00,00,000/-	-	-	20,00,00,000/-
	(30,00,00,000/-)	-	-	(30,00,00,000/-)
Loans Taken	100,00,00,000/-	-	-	100,00,00,000/-
	(130,00,00,000/-)	-	-	(130,00,00,000/-)
Loans Repaid	50,00,00,000/-	-	-	50,00,00,000/-
	(-)	-	-	(-)
Loans Outstanding as at 31 <sup>st</sup> March 2007	200,00,00,000/-	-	-	200,00,00,000/-
	(150,00,00,000/-)	-	-	(150,00,00,000/-)
Commercial Papers Issued	-	-	-	-
	(55,00,00,000/-)	-	-	(55,00,00,000/-)
Debenture Issued	10,00,00,000/-	-	-	10,00,00,000/-
	(-)	-	-	(-)
Debenture Outstanding as at 31 <sup>st</sup> March 2007	10,00,00,000/-	-	-	10,00,00,000/-
	(-)	-	-	(-)
Cash Credit Availed	927,16,24,710/-	-	-	927,16,24,710/-
	(-)	-	-	(-)
Cash Credit Repaid	882,08,73,900/-	-	-	882,08,73,900/-
	(-)	-	-	(-)
Outstanding Balance (in Cash Credit) as at 31 <sup>st</sup> March 2007	45,07,50,810/-	-	-	45,07,50,810/-
	(-)	-	-	(-)
Balance In Current Accounts as at 31 <sup>st</sup> March 2007	3,22,29,793/-	-	-	3,22,29,793/-
	2,78,02,033/-	-	-	2,78,02,033/-
Fixed Deposits	362,06,22,714/-	-	-	362,06,22,714/-
	(147,00,58,308/-)	-	-	(147,00,58,308/-)
Fixed Deposits Matured	322,06,22,714/-	-	-	322,06,22,714/-
	(147,00,58,308/-)	-	-	(147,00,58,308/-)
Outstanding Balance (in Fixed Deposit) as at 31 <sup>st</sup> March 2007	40,00,00,000/-	-	-	40,00,00,000/-
	(-)	-	-	(-)

**IDBI HOMEFINANCE LIMITED**

<b>Particulars</b>	<b>Holding Company</b>	<b>Fellow Subsidiary Company</b>	<b>Key Management Personnel</b>	<b>Total</b>
Service Rendered to Reporting Enterprises	-	-	-	-
	(960/-)	-	-	(960/-)
Interest Income	2,24,90,888/-	-	-	2,24,90,888/-
	(9,52,575/-)	-	-	(9,52,575/-)
Interest Expenses	14,14,19,537/-	-	-	14,14,19,537/-
	(5,44,16,199/-)	-	-	(5,44,16,199/-)
Bank and Financial Charges	59,51,163/-	1,50,000/-	-	61,01,163/-
	(46,13,161/-)	(3,05,136/-)	-	(49,18,297/-)
Interest on Commercial Papers	-	-	-	-
	(95,68,119/-)	-	-	(95,68,119/-)
Staff Expenses **	* 38,03,613/-	-	2,76,627/-	40,80,240/-
	( * 27,49,359/-)	-	(11,088/-)	(27,60,447/-)
Rent and Other Expenses	28,03,595/-	-	-	28,03,595/-
	(19,55,353/-)	-	-	(19,55,353/-)
Reimbursement of Expenses Received from Reporting Enterprises	-	2,34,000/-	-	2,34,000/-
	(1,78,315/-)	-	-	(1,78,315/-)
Reimbursement of TDS	3,38,979/-	-	-	3,38,979/-
	(-)	-	-	(-)
Payment of Dividend	5,77,01,164/-	-	-	5,77,01,164/-
	(2,57,28,139/-)	-	-	(2,57,28,139/-)

\* Includes reimbursement of Managerial Remuneration of Rs.13,88,952/- (Previous Year Rs.7,70,088/-)

\*\* Excluding Provision for Performance Linked Incentive

Note: Figures in brackets represent previous year figures

### IDBI HOMEFINANCE LIMITED

Related party transactions which are in excess of 10% of the total related party transaction of similar nature are as follows:

(Amount in Rs.)

Nature of Transaction	Name of the Related Party	Amount
Share Capital	IDBI Ltd.	20,00,00,000/-
Loans Taken	IDBI Ltd.	100,00,00,000/-
Loans Repaid	IDBI Ltd.	50,00,00,000/-
Debenture Issued	IDBI Ltd.	10,00,00,000/-
Cash Credit Availed	IDBI Ltd.	927,16,24,710/-
Cash Credit Repaid	IDBI Ltd.	882,08,73,900/-
Fixed Deposits	IDBI Ltd.	362,06,22,714/-
Fixed Deposits Matured	IDBI Ltd.	322,06,22,714/-
Interest Income	IDBI Ltd.	2,24,90,888/-
Interest Expenses	IDBI Ltd.	14,14,19,537/-
Bank and Financial Charges	IDBI Ltd.	59,51,163/-
Staff Expenses	IDBI Ltd.	38,03,613/-
Rent and Other Expenses	IDBI Ltd.	28,03,595/-
Reimbursement of TDS	IDBI Ltd.	3,38,979/-
Payment of Dividend	IDBI Ltd.	5,77,01,164/-

12. The details of the Investments purchased and sold during the year are as under :

Investment in Mutual Funds :

Sr No.	Name of the Mutual Fund	Face Value	For the year ended 31 <sup>st</sup> March 2007		For the year ended 31 <sup>st</sup> March 2006	
			No of units	Cost	No of units	Cost
1	Birla	10	2 73 82 230	27,38,22,300/-	-	-
2	HDFC	10	3 79 63 524	37,96,35,240/-	-	-
3	ING Vysya	10	5 70 25 517	57,02,55,173/-	-	-
4	Pru ICICI	10	2 91 02 775	29,10,27,753/-	-	-
5	UTI	1 000	5 45 536	54,55,36,300/-	-	-

All above Investments are redeemed and there are no investments held as on 31st March 2007.

**IDBI HOMEFINANCE LIMITED**

13. The calculation of Earnings per Share as per the Accounting Standard - 20 on "Earnings per share" is as under:

Particulars	As at 31 <sup>st</sup> March 2007	As at 31 <sup>st</sup> March 2006
A Net Profit Attributable to Equity Shareholders (Rs.)	22,99,30,890/-	14,42,34,899/-
B Weighted Average Number of Equity Shares (Nos)	11,84,69,977	9,61,68,607
(A/B) Basic & Diluted Earning Per Share of Rs.10/- each (Rs.)	1.94	1.50

14. (a) Details of managerial remuneration is given below:

(Amount in Rs.)

Particulars	For the year ended 31 <sup>st</sup> March 2007	For the year ended 31 <sup>st</sup> March 2006
Salary and Allowances	* 12,91,316/-	4,21,671/-
Contribution to Pension Fund and other funds	38,796/-	26,820/-
Perquisites	2,62,243/-	2,80,130/-
Leave Encashment and Gratuity	73,224/-	52,555/-
<b>TOTAL **</b>	<b>16,65,579/-</b>	<b>7,81,176/-</b>

\* Includes payment towards Performance Linked Incentive for FY 2005 and 2006 aggregating to Rs 2,65,539/- and arrears of salary for the period from June 2003 to July 2006 aggregating to Rs 4,43,045/-

\*\* Excluding provision for Performance Linked Incentive.

(b) The computation of Net Profit for the purpose of Director's Remuneration under Section 349 of Companies Act, 1956 have not been enumerated since no commission has been paid to the Managing Director. Fixed managerial remuneration has been paid to managing director as per Schedule XIII of Companies Act, 1956.

15. Break up of Payment to Auditors is given below:

(Amount in Rs.)

Particulars	For the year ended 31 <sup>st</sup> March 2007	For the year ended 31 <sup>st</sup> March 2006
Audit Fees	8,50,000/-	7,50,000/-
Tax Audit Fees	2,50,000/-	1,50,000/-
Certification and Other Services	9,67,500/-	9,76,250/-
Out of Pocket Expenses	2,10,018/-	1,89,604/-
<b>TOTAL</b>	<b>22,77,518/-</b>	<b>20,65,854/-</b>

16. Miscellaneous Expenses includes Rs. 2,30,000/- (Previous Year Rs.95,000/-) paid to Directors towards Sitting Fees.

17. Estimated amount of contracts remaining to be executed on capital amount (net of advances) and not provided for is Rs. 22,12,355/- (Previous Year Rs. 29,39,392/-)

**IDBI HOMEFINANCE LIMITED**

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18. Contingent liabilities :
- i) In respect of Counter-Indemnity given by the Company to Bank for Instruments misplaced by the borrowers are Rs.81,39,468/- (Previous Year Rs.28,12,650/-). Company has been indemnified with the equal amount of counter indemnity by the respective borrowers and vendors.
  - ii) Claims against the Company not acknowledged as debt is Rs.3,62,076/- (Previous Year Rs.1,71,800/-) excluding cost of petition.
  - iii) Company has issued Indemnity Bond in favour of HDFC Bank Ltd of Rs.28,069/- towards reversal of inadvertently credit given to the salary account of the employee.
19. Company has not made any formal estimate of recoverable amount of assets, as there is no indication of existence of potential impairment loss on any asset.

**IDBI HOMEFINANCE LIMITED****Schedule: 16****SIGNIFICANT ACCOUNTING POLICIES****1. Method of Accounting**

The financial statements are prepared under the historical cost conventions in accordance with generally accepted accounting principles (GAAP) and provisions of the Companies Act, 1956. Generally, revenues are recognised on accrual basis with provision made for known losses and expenses.

**2. Use of Estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Difference between the actual result and estimates are recognised in the period in which the results are known / materialized.

**3. Revenue Recognition**

Interest Income on loan is accounted on accrual basis except interest on non-performing asset, Cheque Bounce Charges and Overdue Interest, which are recognized as and when received.

**4. Fixed Assets**

(a) Fixed Assets are stated at cost less accumulated depreciation. All costs including taxes, freight, finance charges and incidental expenses attributable to the acquisition and installations of fixed assets as well as the subsequent improvements thereto are capitalised. Renovation expenses incurred on lease hold premises giving benefit of enduring nature are capitalised.

(b) Intangible assets are stated at cost less amortisation.

**5. 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 recognized in prior accounting year is reversed if there has been a change in the estimate of recoverable amount.

**6. Depreciation / Amortisation**

(a) Depreciation on fixed assets has been provided on Straight Line Method at the rates and in the manner prescribed in Schedule – XIV to the Companies Act, 1956 except hard furnishing assets (Computers, Furniture & Fixtures and Equipments) purchased for its employees, depreciation has been charged at the rate of 25% and cost of improvement to lease hold premises has been amortized over the lease period.

(b) Intangible assets are amortized pro rata over a period of 36 months from the month of put to use.

**7. Investments**

Investments are classified as Long Term Investment and Current Investments and are valued in accordance with guidelines of National Housing Bank and Accounting Standards on Accounting for Investments (AS-13), issued by The Institute of Chartered Accountants of India. Current Investment are carried at lower of cost and market value / NAV, computed individually. Long Term Investments are stated at cost. Provision for diminution in the value of Long Term Investments is made only if such decline is other than temporary in the opinion of the management.

**IDBI HOMEFINANCE LIMITED**

**8. Retirement Benefits**

(a) The company's liabilities towards Gratuity and Superannuation to the employees are covered by a group policy with Life Insurance Corporation of India and payments are made to the fund maintained with Life Insurance Corporation of India.

(b) Liability on account of encashment of leave is provided on the basis of Actual Valuation.

**9. Asset classification and Provision for Non Performing Assets**

The company follows the NHB guidelines for the purpose of income recognition, asset classification and provisioning norms.

**10. Provision for Current and Deferred Tax**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax resulting from 'timing difference' between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realised in future.

**11. Miscellaneous Expenditure**

Preliminary expenses and Deferred Revenue Expenses incurred prior to April 1, 2003 are amortized as mentioned below and expenses incurred from April 1, 2003 are charged to Profit and Loss account as and when incurred.

(a) Preliminary expenses comprise incorporation and other start-up costs, which are amortized over a period of 10 years on a straight-line method from the date of incorporation.

(b) Deferred Revenue Expenditure includes Expenses at the time of start up/re-launch of the business, Cost of Software; and are amortized pro-rata over a period of 36 months from the month of incurring the expenses or accrual of benefits whichever is later.

**12. Provision, Contingent Liabilities and Contingent Assets**

Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements

As per our report of even date

For **CHATURVEDI & SHAH**  
Chartered Accountants

**R. Koria**  
Partner

**Madhusudan Parkhi**  
Company Secretary

**Melwyn Rego**  
Managing Director &  
Chief Executive Officer

**G. Soundararajan**  
Director

**BY ORDER OF THE BOARD**  
**V. P. Shetty**  
Chairman

**S. Ravi**  
Director

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

**Balance Sheet Abstract and Company's General Business Profile**  
 [Submitted in terms of Part IV of Schedule VI to the Companies Act, 1956]

**1) Registration Details**

Registration No.	55-103177	State Code	11
Balance Sheet Date	31032007		
	DD MM YYYY		

**2) Capital Raised during the year [Amount in Rs '000]**

Public Issue	Right Issue
NIL	200000
Bonus Issue	Private Placement
NIL	NIL

**3) Position of Mobilisation and deployment of funds [Amount in '000]**

Total Liabilities	Total Assets
23173973	23173973

**Sources of Funds**

Paid up Capital	Reserves and Surplus
1299768	302614
Secured Loan	Unsecured Loan
19621591	1950000

**Application of Funds**

Loans	Net Fixed Assets
21469470	54120
Deferred Tax Asset	Net Current Assets
21153	1628919
Miscellaneous Expenditure	
311	

**4) Performance of the company [Amount in '000]**

Total Income	Total Expenditure
1861975	1565804
Profit Before Tax	Profit after Tax
296171	231238
Earning Per Share	Dividend Rate %
1.94	7

**5) Generic Name of Three Principle Services of the company [As per monetary items]**

Item Code No. [ITC Code]	NIL
Product Description	HOUSINGFINANCE

**BY ORDER OF THE BOARD**

**V. P. Shetty**  
Chairman

**Madhusudan Parkhi**  
Company Secretary

**Melwyn Rego**  
Managing Director &  
Chief Executive Officer

**G. Soundararajan**  
Director

**S. Ravi**  
Director

Place : Mumbai  
Date : 17<sup>th</sup> April 2007

## Branch Network

### **CENTRAL OFFICE**

1204/2 Gopika Niketan, Ghole Road,  
Shivajinagar, Pune 411 004  
Tel. Nos. 020-25510625 – 30  
Fax No. 020-25510862

68-73, B Building, C Wing,  
4th Floor, Shreenath Plaza, F. C. Road,  
Shivajinagar, Pune 411 004  
Tel. Nos. 020-25533121 / 125

### **NORTH**

#### **Chandigarh**

Sco. 10,11,12, 1st Floor,  
Sector 17 B, Chandigarh 160 017  
Tel. Nos. 0172-3043929, 30

#### **Delhi**

3rd Floor, Kanchenjunga Building,  
18 Barakhamba Road,  
New Delhi 110 001  
Tel. Nos. 011-23323864 – 66,  
23310354-5  
Fax No. 011-23324863

#### **Jaipur**

310, 311, 3rd Floor,  
Sangam Towers, Chruch Road,  
M. I. Road, Jaipur 302 001  
Tel. Nos. 0141-5114565, 5114566,  
5102840 - 41  
Fax No. 0141- 2387090

### **MUMBAI**

#### **Borivali**

501, 5th Floor, Soni Shopping Centre,  
L. T. Road, Borivali (West),  
Mumbai 400 092  
Tel. Nos. 022-28907754, 28907759,  
28907925  
Fax No. 022-28931990

#### **Dadar**

"Sapna", Ground Floor, Plot No. 850,  
SK Bole Road, Agarbazar,  
Dadar (West), Mumbai - 400 028  
Tel. Nos. 022- 2438 1703, 2713, 2731  
Fax No. 022- 2438 3061

#### **Thane**

Shop No. 19-22, Rajadeep Co. Op. Hsg.  
Soc., Gokhale Road, Near Malhar  
Cinema, Naupada, Thane (W) 400 602  
Tel. Nos. 022-25384545/25338271-73  
Fax. No. 022-25338274

### **Vashi**

Office No. 3A&B, 1st Floor,  
Devavrata Building,  
Shri Venkatesh Marg, Sector 17, Vashi,  
Navi Mumbai - 400 705  
Tel. Nos. 022 - 27665450,  
27665465/5458, 27665462,  
5712/5714, 27896090, 27881224/7/6  
Fax No. 022 - 27665470

### **WEST**

#### **Ahmedabad**

1-2-3 Onyx Complex,  
H L Commerce College Road,  
Near Rajhans Society, Navrangpura,  
Ahmedabad 380 009  
Tel. Nos. 079-2630 4035, 26304136,  
26304137

#### **Nashik**

Shop No T1, T2, T3 & T5  
Dharmaraj Plaza, Gangapur Road,  
Near Old Gangapur Naka,  
Nashik 422 013  
Tel. Nos. 0253-2583067, 2576861,  
2310819-20  
Tele Fax No. 0253-2583068

#### **Pimpri**

A - Wing 1st Floor, Kamla Crossroads,  
CTS No.209/B, Opp PCMC Main  
Office, Mumbai - Pune Road,  
Pimpri, Pune 411 017  
Tel. Nos. 020-66117878, 66110639,  
66110640, 27426587  
Tele Fax No. 020-27425548

#### **Pune**

The Esquire Building,  
1206/B, First Floor Apte Road,  
Shivajinagar, Pune- 411 005  
Tel. Nos. 020 - 25520781/82,  
25510774, 25121916

#### **Vadodara**

202 / 203, Tithi Complex, 2nd Floor,  
Alkapuri, Opp. BPC Complex,  
Productivity Road, Vadodara 390 007  
Tel. Nos. 0265-2311838, 2311821  
Tele Fax No. 0265- 2326715

### **SOUTH**

#### **Bengaluru - Koramangala**

No. 412," Jindal Centre",  
1st Floor, 100 Feet Road,  
4th Block, Koramangala,  
Bengaluru 560 034  
Tel. Nos. 080-25635830 - 35,  
40607000  
Fax No. 080-25635832

#### **Bengaluru - Yelahanka**

Pruthvi Mansion, 1st Floor,  
No.686, 3rd 'A' Cross,  
Yelhanka New Town,  
Opp Sheshadripuram College,  
Bengaluru 560 064  
Tel. Nos. 080-41607000,  
41603124-25  
Fax No. 080-28561032

#### **Chennai - Medavakkam**

No. 150 G - 1, Arun Excello,  
Ragamalika Phase II, Tambaram,  
Velachery Road, Medavakkam,  
Chennai 600 100  
Tel. Nos. 044-65714332, 65714333  
Fax No. 044-22771652

#### **Chennai - Nandanam**

IDBI, Khivraj Complex,  
Ground Floor, 480, Anna Salai,  
Nandanam, Chennai 600 035  
Tel. Nos. 044-42040604, 605,  
608, 609  
Fax No. 044-42040626

#### **Hyderabad**

201, Second Floor,  
H. No.3-6-524, Zee Plaza,  
Himayatnagar, Hyderabad 500 029  
Tel. Nos. 040-27614644, 27614622,  
66616932, 66511242  
Fax No. 040-27607595

### **EAST**

#### **Kolkata**

6th Floor, IDBI House, 44,  
Shakespeare Sarani,  
Kolkata 700 017  
Tel. Nos. 033 22893091/92/93/94  
Fax No. 033 22893095

