

hudco

37th

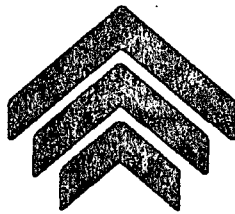
Annual General Meeting

27.12.2007

3.00 p.m.

**Housing & Urban Development Corporation Limited
HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110003.**

NOTICE



hudco

हाउसिंग एण्ड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड, (भारत सरकार का उपक्रम), हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली - 110 003
दूरभाष : 24648160 फ़ैक्स : 011 - 24625308

Housing & Urban Development Corporation Ltd., (A Govt. of India Enterprise), HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi - 110 003
Tel.: 24648160 Fax: 011 - 24625308

आई.एस.ओ 9001 : 2000 प्रमाणित कम्पनी

AN ISO 9001 : 2000 CERTIFIED COMPANY

NOTICE

Notice is hereby given that the Thirty Seventh Annual General Meeting of the Shareholders of the Company will be held on Thursday the 27th December 2007, at 3.00 pm at the Registered Office of the company at HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110003 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the year ended as on that date together with the Report(s) of Directors' and Auditors' and comments of the Comptroller and Auditor General of India thereon.
2. To declare the dividend.
3. To pass the following resolution for fixing the remuneration of Statutory Auditors: -

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, the remuneration of M/s S N Dhawan & Co., Chartered Accountants, Statutory Auditors', be and hereby fixed at Rs. 3,00,000/- (Rs three lakhs only) payable in one or more instalment(s) plus Service tax, as applicable and reimbursement of out-of-pocket expenses incurred, as Statutory Audit Fees for the financial year 2007-2008".

By Order of the Board

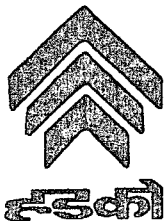


MK Gupta

Company Secretary

Place : New Delhi
Dated : 17.12.2007

1. All the Shareholders of Housing and Urban Development Corporation Ltd.
2. The Chairman & Managing Director and the Directors of Housing and Urban Development Corporation Ltd.
3. The Statutory Auditors' of the Company.



हडको न्यूनतम ब्याज दर पर वैयक्तिक आवास ऋण उपलब्ध कराता है।

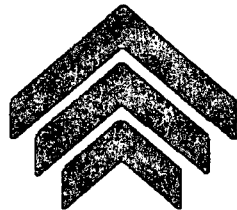
HUDCO Offers Lowest Cost Individual Housing Loans

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. A copy of the Memorandum and Articles of Association shall be open for inspection at the Registered Office of the Company during the business hours.

A handwritten signature in black ink, appearing to be 'M. S. S.', with a horizontal line extending to the right from the end of the signature.

DIRECTORS' REPORT



hudco

37TH DIRECTORS' REPORT

**To The Esteemed Members
Housing and Urban Development Corporation Ltd.**

Your Directors take pleasure in presenting the Thirty-Seventh Annual Report on the business, operations and achievements of Housing & Urban Development Corporation (HUDCO) Limited, together with Audited Accounts for the financial year ended March 31st, 2007.

HUDCO- THE TORCH BEARER

The Indian economy is progressing in parallel with the global economy and the effects of the globalization on Indian economy are becoming clearly visible. India is a developing nation and the graph of its economy is rising at a fast rate and to maintain this pace of development, areas like housing & infrastructure require considerable attention. Your company is playing the role of a Torch Bearer in addressing the areas of housing & infrastructure to enable Indian economy to continue its journey to become a developed nation and provide a magnificence of living to its people.

It is a matter of pride that your company is performing a two fold role, on the one hand it is helping the lower strata of the society (LIG & EWS Categories) in their efforts of getting adequate and habitable housing facilities at affordable rates making the economic growth more inclusive. On the other hand, it is extending financial assistance and need based technical consultancy for the development of town planning, malls, institutions, housing projects, shopping complexes etc. to supplement the economic growth. HUDCO is thus trying to maintain equilibrium in fulfilling its social commitment alongwith profitability by providing relief to the poor

and helping India in strengthening the infrastructural base to sustain and prolong the economic development.

In the past, HUDCO was not facing much competition from private sector and other organizations. However, with the globalisation, HUDCO has started facing tough competition from the private sector and other banking organizations. These organisations not only have grown in size but also have the access to low cost funds. In spite of the aforesaid, your company is successfully maintaining its strong position in the field of Housing & Urban Development sector. Being a techno financial institution, it has gained edge over its competitors, wherein efforts are being made to facilitate its customers under one roof.

HUDCO: AN ISO 9001:2000 CERTIFIED COMPANY

The ISO 9001:2000 certification is a vital step that would lead your company towards rewarding journey for sustainable competitiveness in terms of enhancement of quality service, cost reduction, environmental compliance and brand power.

During the year, Bureau Veritas Certification (BVQI), the quality auditors has made a systematic and detailed assessment of various processes, procedures & quality plans of HUDCO and after in-depth evaluation, your company was awarded ISO 9001:2000 certification by the United Kingdom Accreditation Services (UKAS) and National Accreditation Board for Certification Bodies (NABCB). HUDCO has been appreciated for quality management for all of its activities through systematic procedures, covering projects and retail financing services, resource mobilization for funding, consultancy, joint venture, training, research and networking in human settlement planning & management.

NEW INITIATIVES

During the year, your company has taken a number of initiatives to further strengthen its strong base in housing & infrastructure. These initiatives are not only expected to take your company to new heights in terms of its goodwill and profitability, but will also enable the Indian economy in sustaining its growth and helping the public at large to lead their life in a better way.

The Empress City

HUDCO has assisted for the development of Nagpur by financing for the 'The Empress City', comprising of Residential Complexes, Information Technology Park, Shopping Mall, etc. The residential complex will rest alongwith a full-fledged Information Technology Park. This place would also include a shopping mall encompassed with terrace gardens, food courts, and restaurants and children entertainment avenues.

Habitat Centre

In order to develop an integrated physical environment, where in various professionals & institutions can deal with different facets of Habitat & Habitat related environment issues in a coordinated manner under one roof, HUDCO financed for the construction of Habitat Centre at Indirapuram, Ghaziabad.

The Habitat Centre at Indirapuram would comprise of a convention hall, auditorium, library, exhibition halls & lounge, art gallery, open concert area, integrated health facility centre, club houses, dining hall, banquet hall, swimming pool, gymnasium, guest rooms, shopping complex and multiplex to cater to the needs of various age groups.

Rajiv Gandhi HUDCO Fellowships in the Habitat Sector

In furtherance of its corporate mission i.e. to promote sustainable habitat development to enhance the quality of life, your company has launched fellowships in the areas related to the Habitat Sector to promote research activities. These fellowships are HUDCO's endeavor to encourage and provide support to bright scholars to undertake research and development activities in the habitat related sectors like slum development, environmental planning, infrastructure development, disaster management, transport planning, building technology, urban renewal and conservation, financing mechanism for poor and Housing economics etc.

This initiative is expected to go a long way to meet the constant need for innovations in housing and infrastructure sector and bring about a paradigm shift to provide adequate housing and assist in fulfilling the infrastructure requirements of the country.

Growth Centre

HUDCO has financed for the development of Growth Centre at Bolpur, Shantiniketan, West Bengal. This novel project will facilitate in creating employment opportunities and business environment, which will enhance the socio-economic scenario in West Bengal. This project comprises of a residential complex with integrated housing for the people having low, middle and high incomes, a commercial complex with bazaars, retail outlets, art & craft centres and hotels. This growth centre will be having a senior citizen residency to serve the need of old age people to provide self dependence and care to them.

Theme Park

HUDCO financed for Theme Park at Chinnakakani, Guntur District, Andhra Pradesh offering high quality recreational facilities to the people. The park would be built on Buddhist architecture for increasing Buddhist tourism in the country. The themed attraction of this park includes monasteries, Herbal Gardens, Ayurveda wellness Center alongwith amusement and recreational activities.

Construction of Stadium for National Games in Jharkand

The Government of Jharkhand has approached HUDCO to finance a project for the construction of a stadium for the National Games, which are scheduled to take place in Ranchi in the year 2008. HUDCO has financed for the development of this prestigious project to facilitate in the construction of main stadium and courts for lawn tennis, badminton, basket ball, gymnastic, khokho, kabaddi together with aquatic & velodrome facilities.

Joint Venture on Public Private Partnership Basis

The importance of specialization is well recognized in the current competitive environment. To take the advantage of specializations, different companies associate with each other in one form or another. To reap and provide the benefits of infrastructure development in the country your company has entered into Joint Venture commitment on public private partnership basis to take up various Housing & Infrastructure projects and also in the areas of real estate, IT parks, Port & Airport Development areas.

FUTURE OUTLOOK

Master Plans for Systematic Growth of Cities/ towns

Planned development is a pre-requisite for a comprehensive, cohesive and inclusive development in cities and towns. Your company has been entrusted by the Government of Bihar to prepare master plan initially for eight cities namely Bhagalpur, Gaya, Muzaffarpur, Darbhanga, Arrah, Chapra, Biharsharif and Rajgir. Your company is also undertaking the assignment for preparation of master plans for Bokaro and Deogarh as well as State Urban Development Strategy Report for Jharkhand State. Proposals are under finalisation for extending similar activities in Chattisgarh State as well.

International Bus Terminal

HUDCO has entered into Memorandum of Understanding (MoU) with Rajasthan Housing Board (RHB) for taking up feasibility study for the multi facility International Bus Terminal project at Mansarovar, Jaipur. The study has been completed and the report has already been submitted to the Government of Rajasthan. Further based on the presentation of feasibility report, RHB has requested HUDCO to act as developer of the said project, which include designing, developing, constructing, marketing & sales of the commercial spaces at the international Bus terminal besides handing over the constructed Bus Terminal asset alongwith its requisite infrastructure facilities to RHB for its operational use and maintenance on profit sharing basis. RHB has also conveyed its decision for entering into development agreement with HUDCO for the proposed development where land will be made available by RHB at its circle rates. The proposal is under consideration.

International Consultancy Project at Ghana

In furtherance of its inherent capability to provide efficient infrastructure consultancy, another feather is added in HUDCO's wings when your company received the proposal from the Government of Ghana for providing consultancy services with regard to drawing up a comprehensive Township Development Plan, for a part of Accra City. HUDCO has also offered its consultancy for setting up a techno-financing institution in Ghana by preparing a feasibility report and introducing an Urban Housing Loan Scheme on HUDCO Niwas Housing Finance Pattern.

Development of Urban Sector & Setting of an Institution similar to HUDCO in Afghanistan

Your company has further expanded its horizon of knowledge sharing by holding detailed inter-ministerial discussion with the senior officials of Afghanistan Ministries of Urban Development, Justice & Rural Rehabilitation & Development, Government of Islamic Republic of Afghanistan, for exploring the possibilities of establishing an institutional framework for capacity building, developing institutional relations, undertaking technology transfer, financing and development of 'Housing and Urban Infrastructure in Afghanistan'.

**JAWAHAR LAL NEHRU NATIONAL URBAN RENEWAL MISSION
(JN-NURM)**

The Basic Services to the Urban Poor (BSUP) & Integrated Housing and Slum Development Programme (IHSDP) were launched in the year 2005 under 'Jawahar Lal Nehru National Urban Renewal Mission' with a view to ameliorate the conditions of the urban slum dwellers who are residing in dilapidated conditions. The basic objective of the scheme is to strive for holistic slum development with a healthy and enabling urban environment

by providing adequate shelter and basic infrastructure facilities to the urban slum dwellers. BSUP is applicable in 63 identified mission towns, whereas IHSDP is applicable in towns other than those covered under BSUP.

HUDCO is one of the appraising agencies for appraisal of Detailed Project Reports (DPR) received under BSUP & only appraising agency for appraisal of Detailed Project Reports (DPR) received under IHSDP. The existing Valmiki Ambedkar Awas Yojana (VAMBAY) and the discontinued National Slum Development Programme (NSDP) are subsumed in the IHSDP. The main thrust of the programme is to ensure improvement in urban governance so that urban local bodies/para statal agencies become financially sound with enhanced credit rating and ability to assess market capital for undertaking new programmes.

HUDCO is assisting the State Governments/implementing agencies in preparation of DPRs as per guidelines, in addition to organizing Training/workshops to familiarize the agencies with the programme's guidelines.

During the year, your Company has removed the cost ceiling for dwelling units being financed by HUDCO in respect of IHSDP and BSUP under the JNNURM, for Houses under EWS and BPL category. This will help more beneficiaries under the EWS and BPL categories to meet out their housing requirements.

Upto 31.03.2007, 83 BSUP projects, which were appraised by HUDCO, have been sanctioned with project cost of Rs 5471.42 crore envisaging central assistance of Rs 2585.51 crore, and an amount of Rs 5.2399 crore

of appraisal fees (including service tax) has been raised by HUDCO pertaining to the BSUP projects.

Further 196 IHSDP projects have been sanctioned with project cost of Rs. 1927.36 crore envisaging central assistance of Rs 1399.75 crore, and amount of Rs 3.1935 crore of appraisal fees (including service tax) raised by HUDCO pertaining to the IHSDP projects sanctioned upto 31.03.2007.

HEALING TOUCH

Your company has always maintained that the needy should be provided with the relief immediately. HUDCO is continuously providing the co-operation and help to all those, who have been shattered due to natural calamities, being faced by our country every year.

Financial assistance for flood affected areas of Gujarat

During the year, the areas of Gujarat including Surat were devastated by surge of floods causing serious damage to houses and other civic amenities & loss of human life. To provide immediate relief to the affected people, HUDCO sanctioned a sum of Rs. 1000 crore on the line of credit basis for repairing, retrofitting & reconstruction of infrastructure and houses damaged by flood in the State of Gujarat.

Support for Children affected by Tsunami

In the year 2004, many parts of the Indian coastal areas, especially Andaman & Nicobar Islands, were damaged by the nature's wrath in the form of Tsunami. Countless people lost their lives and many became homeless, with a lot of children losing their parents. During the year,

HUDCO extended its helping hand to support such children to temperate the zest for living.

OPERATIONAL EFFICACY

Operational parameters are significant steps towards the mission of HUDCO to promote sustainable habitat development so as to ensure the enhancement in the quality of life.

During the year, your company has surpassed the operational achievements in comparison to the corresponding year. HUDCO has sanctioned overall 287 schemes for a loan amount of Rs. 12162 crore against the Rs. 10099 crore in the corresponding last year. These sanctions include loan amount of Rs. 2878 crore for Housing (including Rs. 54 crore for HUDCO Niwas) and Rs. 9284 crore for Urban Infrastructure schemes.

An amount of Rs. 3453 crore was released during the year, which includes Rs. 719 crore under Housing (including Rs. 45 crore under HUDCO Niwas) and Rs. 2734 crore under Urban Infrastructure schemes.

HOUSING- A BASIC NECESSITY

Housing is the human need just next to food and clothing and the requirements of housing is increasing with the rapid urbanization. Moreover, investment in Housing is also becoming a key factor to accelerate the pace of development. Your company is committed to provide helping hand towards solving housing problems of the nation.

Loan sanctions & Releases

During the financial year a total loan amount of Rs. 2878 crore was sanctioned for Housing Loans. This sanction includes Rs. 2824 crore under VAMBAY, other Action Plans schemes and normal housing schemes, and Rs. 54 crore under HUDCO Niwas.

HUDCO made housing loan releases to the tune of Rs. 719 crore, out of which Rs. 45 crore has been released under HUDCO Niwas.

Dwelling Units sanctioned

During the year, your company has sanctioned 140970 Dwelling Units (DUs) out of which, 80000 DUs have been sanctioned in rural areas and 60970 DUs have been sanctioned in urban areas. Out of the aforesaid, 118983 DUs have been sanctioned for EWS and LIG categories and as such the quantum of Dwelling Units sanctioned to priority sector is more than 84%, which is greater than the stipulated MoU target.

Rural Housing

During the year, one scheme for a loan amount of Rs. 140 crore was sanctioned, for construction of 80000 DUs for the benefit of Economical Weaker Section of people residing in various districts, in the rural areas Andhra Pradesh.

Housing for North Eastern Regions (HUDCO's Helping Hand to North Eastern States)

Your company has sanctioned 11 schemes (including VAMBAY) in the North East Region with a loan assistance of Rs. 53.30 crore, out of which five schemes with a loan assistance of Rs. 32 crore have been sanctioned for construction of 1078 DUs in the State of Assam, one scheme with a loan assistance of Rupees one crore for construction of 62 DUs was sanctioned in the State of Mizoram and five schemes with a loan amount of Rs. 20.30 crore have been sanctioned for construction of 161 DUs in the State of Nagaland.

URBAN INFRASTRUCTURE

Towards facilitating better infrastructure to help India become a prosperous nation, HUDCO sanctioned a total of 135 schemes pertaining to Urban Infrastructure during the year, with a financial assistance of Rs. 9284 crore under various sectors like Water Supply & Sewerage, Solid Waste Management, Power Sector, Social Infrastructure, Commercial Infrastructure, Transport, Industrial Infrastructure, Special Economic Zones (SEZs) etc. Your company released Rs. 2734 crore during the year, for facilitating various schemes pertaining to Urban Infrastructure.

Commercial Infrastructure

Facilitating the commercial infrastructure is one of the premier necessity to build a strong economy. For Facilitating the Commercial infrastructure, your company has provided financial assistance of Rs.1359.91 crores to 53 schemes in 19 States. Some of the major schemes funded during the year include Five star/Luxury hotels at Udaipur, Jodhpur, Noida, New Delhi

& Sholapur, SEZs in the states of Chennai & Karnataka. Malls, Commercial & Office Complexes, at Ludhiana, Raipur, Kolkata, Nagpur, Hyderabad, Mumbai, Manesar (Gurgaon) and Vaishali (Ghaziabad).

IT Park

The world is looking forward to India as upcoming powerhouse in the field of Information Technology (IT) and IT enabled services (ITES). The Government of India is also extending various incentives for the growth of the IT industry.

During the year, your Company has also played a vital role by financing for the development of various projects of IT Parks in different parts of the country. These IT Parks would facilitate the development of business and industry as they lay emphasis on the activities which promotes the growth of research, technology and knowledge based enterprising related to IT areas considered as Specialized Industrial Park. Some of the major schemes funded during the year, were relating to construction of IT Parks at Pune, Bangalore & Chennai.

Industrial Infrastructure

Industrial growth is one of the major constituents of the economic growth. HUDCO has also extended its assistance by financing for eligible components i.e. Land and land Development, water supply, access/Circulation Roads, Residential Townships, street lighting, Jettles, Bus terminals/stops and Community Centers.

During the year, HUDCO has released an amount of Rs. 400 crore during the period, for implementation of various Industrial Infrastructure scheme.

Your company has given in principle approval for financial assistance of Rs. 300 crore for setting up of 1.3 MTPA Integrated steel plant at Jharkhand.

Social Infrastructure

In addition to its efforts in the utility sector, HUDCO has made significant contribution for social infrastructure development enabling upgradation of quality of life. During the year, 37 social infrastructure schemes have been sanctioned in 12 states for a loan assistance of Rs. 552.79 crore. Some of the major schemes funded during the year, are National Games Complex at Jharkhand, Hospital projects in Jammu & Kashmir, Medical College & hospital in Indore, School buildings at Jharkhand & Bangalore and development of tourism facilities in Jharkhand.

Integrated Low Cost Sanitation Programme

The centrally sponsored scheme of Integrated Low Cost Sanitation (ILCS) for Liberation of the Scavengers is being implemented by HUDCO since 1989-90.

HUDCO is the nodal implementing agency for converting the dry latrines into 2-pit pour flush units for liberation of scavengers and to construct new units to improve the sanitation situation. During the year, a record subsidy of Rs. 201.27 crore was sanctioned in the programme to the states of Manipur, Uttar Pradesh and Chattisgarh for three schemes envisaging construction/ conversion of 784332 units. The subsidy assistance of Rs. 470.40 lakh was released by HUDCO to various states. As per the implementation reports, 82665 units have been completely implemented while 131717 units were reported to be in progress. The utilization certificate(s) for Rs. 2877.76 lakh have been received during the year.

Water Supply & Sewerage sector

Water is one of the basic necessities of life, however, in India, still 10% of the population does not have access to potable water facilities even after 60 years of independence. Moreover, according to 2001 census, 26% of the population is still not having access to piped water. HUDCO continues extending special emphasis to the utility services, where water supply and sewerage are treated as foremost in the priority sector of funding.

During the year, your company has provided financial assistance of Rs. 268.22 crore for five water supply schemes in three states viz. Chattisgarh, Jharkhand and Madhya Pradesh. A drainage scheme in the State of Andhra Pradesh with a loan assistance of Rs. 6.14 crore was also sanctioned by HUDCO.

During the year, the loan release for water supply scheme was Rs. 522.82 crore and for sewerage & drainage was Rs. 20.98 crore.

Transport Sector

Transportation facilities are like the veins of the strong economy. It provides for movement of goods and people from one place to another and thus provide mobility to the whole system.

During the year, your company has sanctioned 10 schemes in the transport sector with a total loan amount of Rs. 418.35 crore and released Rs. 470.62 crore for implementation of various transport related schemes. The major schemes sanctioned include Reconstruction of 'Hatgamharia to Jagannathpur-Noamundi-Baraiburu' Road in Jharkhand, widening & strengthening of eight city roads of Indore, construction & improvements of

roads and bridges in Meghalaya, reconstruction of Roads in Jharkhand & fleet augmentation of Uttar Pradesh State Road Transport Corporation Ltd.

Health Sector

Setting up of Medical College and Hospital at Madhya Pradesh

The health of the economy is directly proportional to the health of its citizens. For healthy citizens, a reasonably good medical facilities within the country are very essential.

India is looked upon as an ideal place for medical tourism by various nations. Keeping in view the reputation of the country in the field and also in view of requirement of adequate medical facilities and education for a large number of population in India, HUDCO is extending its funding to this field.

During the year, your company has sanctioned a scheme for setting up a medical college and hospital in Madhya Pradesh for an amount of Rs. 65 crore. This project will help in providing top class quality medical education and services to the people, which will in, turn help in the upliftment of the society.

Waste Management & Power Sector

Waste management is one of the key concerns worldwide. Worldwide people have been trying to devise new and non-polluting ways to dispose off the waste.

Realizing the importance of waste management and to provide the desired brightness to the India economy, which currently is facing power shortage, your company has contributed its part towards solving this key problem.

During the year, your company has sanctioned 17 schemes in the waste management and power sector for a total loan amount of Rs. 4628.80 crore. In waste management category, two Common Effluent Treatment Plans based on zero effluent were sanctioned in Tamilnadu.

HUDCO sanctioned loan assistance for the power project based on Coal/Lignite & Hydro on consortium basis. When operational these projects are expected to produce about 4915 MW in various states viz. Gujarat, Meghalaya, Maharashtra, West Bengal, Himanchal Pradesh, Orissa, Sikkim & Rajasthan. In addition to this your company has also sanctioned four projects for the improvement in the transmission & distribution system in the states of Rajasthan, Madhya Pradesh & Andhra Pradesh.

Major schemes wherein financial assistance was provided include 1200 MW Hydroelectric power project in Sikkim, 1200 MW project Coal based Power project in Maharashtra and term loan in Andhra Pradesh for strengthening and modernization of transmission systems in Hyderabad and Secundrabad.

During the financial year, HUDCO has released a total loan amount of Rs. 192.68 crore for various waste management and power sector schemes.

CONSULTANCY SERVICES

During the year, your company attained high proficiency in its consultancy efforts through designing a large number of projects in-house, which were spread over the entire country. The design of office buildings for National Commission for Women (NCW), Indian Council for Cultural Relations (ICCR) campus at Chankyapuri, ASI Office Complex at Tilak Marg, office building for UP Finance Corporation at NOIDA were mainly focused in and around Delhi.

The first time efforts of designing your own institutional complex at NOIDA as a "Green Building" are highly appreciated for which, it is proposed to comply with Energy Conservation Building Code (ECBC) and to obtain LEED-India rating on its completion.

Some of the landmark projects undertaken were environmental improvement of Somnath and Qutab Complex, development of beach front at Kanyakumari, environmental improvement around Taj Mahal, Agra, which required sensitive perception and expert skills in designing. The assignment for extension works of Pilgrimage Cum Cultural Centre at Sikkim was also carried out by HUDCO. There are various other new consultancy assignments received by your company, which are already covered in the Directors' Report.

HUDCO NIWAS HOME LOANS - THE RETAIL WINDOW

HUDCO Niwas Home Loans – the retail housing finance unit of HUDCO, which provides housing loan to the individuals has successfully completed its 8th year of operations. HUDCO Niwas through its network of 34 offices has its reach throughout the country.

HUDCO Niwas Home Loans offers customer friendly individual housing loans to Resident Indians/Non Resident Indian under Fixed and Floating rate of interest with value added benefits for various purposes like construction of a house, purchase of house or flat, purchase of plot from public agencies/co-op societies of Government employees/reputed developers, extend or improve the existing house of flat, registration of existing house including conversion from leasehold to free hold, refinancing of existing housing loans from other financial institution/banks, loan to professionals for non residential premises, loan against residential property.

HUDCO Niwas Home Loans also offers Bulk loan to the State Governments/its agencies and profit making PSUs for giving House Building Advance (HBA) to their employees and Bulk loans to other Housing Finance Companies.

HUDCO Niwas Home Loans has so far disbursed loan amounting to Rs. 3775.38 crore for 325462 applicants/beneficiaries. Out of this, retail loans were disbursed amounting to Rs 758.70 crore for 28,190 applicants. During the year, HUDCO Niwas Home Loans has disbursed retail loans amounting to Rs. 44.81 crore for 1,144 applicants.

HUMAN SETTLEMENT MANAGEMENT INSTITUTE (HSMI)

HSMI, the research and training wing of HUDCO has been providing International training programme, in house training programme for HUDCO officers, customized and fee based training programmes for urban & Housing Sector agencies and real estate management and state wide training programmes through state level institutions having HUDCO chair.

During the year, HSMI carried out a series of research, training and consultancy activities on capacity building of urban and housing sector institutions to enable them to absorb larger investments (projects) and operate existing projects more effectively. These activities include promotion of skills, expertise, sharing of experience and information collection, documentation and dissemination on various schemes and programmes.

These activities have been taken up through a multi pronged strategy covering International Training Programmes, In-House Training Programme for HUDCO Officers, customized and fee-based training programmes for urban & housing sector agencies & real estate management, state-wide training programmes (including the programmes conducted under SJSRY), training programmes through state level institutions having HUDCO Chair.

In order to promote exchange of experience and skills among housing and urban sector institutions and exploit HSMI skills in a decentralized manner, HUDCO has supported State level and National level research and training Institutes to establish HUDCO Chairs for various capacity building and development programmes. At present, there are 22 HUDCO chairs, which have been established including 19 at state level and 3 at National level.

HSMI has also been identified as the nodal agency by the UN (Habitat) for the co-ordination of best practices submissions for the Dubai International Award for the Best Practices 2006.

VIGILANCE FUNCTION IN HUDCO

The Vigilance department continued to lay stress on improvement in systems and procedures in the working of the company. For further improving corporate governance, in line with CVCs directions, several steps were initiated for expediting e-governance. Systems and procedures as finalized and approved by the management and certified by the ISO accrediting agency, have been uploaded on the website. Besides information on project and retail finance as well as those relating to public deposit scheme are also made available on the website.

During the year, three handbooks were released for increasing awareness on vigilance matters. This was also supplemented by inspection of 11 field offices.

OFFICIAL LANGUAGE IMPLEMENTATION

HUDCO is implementing the Official Language Policy of Government of India effectively in its Head Office, all Regional Offices, Development Offices and HUDCO Niwas Offices and encourages its employees at all levels to achieve the targets set in the Annual Programme issued by Department of Official Language, Ministry of Home Affairs, Government of India. Besides providing an enabling atmosphere to its employees to learn and work in Hindi, HUDCO also implements various incentive schemes and programmes in the usage of Official Language. Continuous efforts are being made to get the employees trained in Hindi language and Hindi stenography/typing. HUDCO encourages its employees to make progressive use of Hindi in their day-to-day official work. Making its website bilingual is a landmark of HUDCO. During this year, the Committee of Parliament on Official Language inspected a

Thiruvananthapuram and Chandigarh Regional Offices and Goa Development Office and expressed its satisfaction over the use of Hindi in these offices.

FINANCIAL PERFORMANCE

Your directors are glad to report that your company has achieved a Profit before Tax of Rs. 465.27 crore (after prior period adjustment of Rs. 1.67 crore and provision on loans, investment, debtors and other loans and advances of Rs. 107.56 crore) as against Rs. 382.11 crore for the previous year. With the above provisioning, your company has created a cumulative principal provisioning on loans to the tune of Rs. 868.80 crore (previous year Rs. 764.13 crore), which is higher by Rs. 175 crore (previous year Rs. 75 crore) than NHB norms on loans. The Net profit stood at Rs. 308.38 crore (after adjusting the current tax Including Prior period adjustments of Rs. 121.71 crore, deferred tax liability of Rs. 34.28 crore, and Fringe Benefit tax of Rs. 0.90 crore) as against Rs. 260.24 crore during the last year. The total Reserves stood at Rs. 1911.59 crore as on 31.03.2007.

DIVIDEND

The Board of Directors' recommend a payment of final dividend of Rs. 20.68 crore for the year ended 31.03.2007.

STRESSED ASSETS MANAGEMENT

Your company is regularly following up vigorously with the agencies and/or also pursuing legal actions for the recovery of defaulted amount. During the financial year, the gross Non Performing Assets (NPAs) stood at Rs. 2717.85 crore as against the previous year of Rs. 2586.35 crore. The

net NPAs for the year stood at Rs. 1849.05 crore as against Rs. 1822.22 crore of the previous year. During the year, the company also created additional provision of Rs. 175 crore to meet contingencies.

RISK MANAGEMENT

The company has an Asset Liability Management Committee, which meets periodically to assess and take actions for meeting various risks like interest rate risk, liquidity mismatch risk etc.

NET WORTH & DEBT EQUITY

The net worth of the company stood at Rs. 3878.22 crore as on 31.03.2007 as against the networth of Rs. 3589.83 crore as on 31.03.2006. The borrowings from all sources stood at Rs. 20382.60 crore as on 31.03.2007. The Debt Equity works out to 5.26:1.

RESOURCE MOBILISATION

During the financial year, HUDCO mobilized total resources amounting to Rs. 4464.33 crore including Rs. 1490 crore raised through issue of bonds. The year witnessed an increasing trend in Interest rates coupled with extremely tight liquidity situation in the market, which had an impact on HUDCO's cost of incremental borrowings during the year. During the year, HUDCO also availed short term loans/ lines of credit linked to NSE overnight MIBOR, which enabled reduction in overall cost of funds.

COST REDUCTION MEASURES

Efforts to identify costly loans/liabilities wherein the interest rates could be reset or the outstanding loan could be foreclosed continued during the year. Term loans from Banks alongwith resources raised through Bonds route amounting to Rs. 499.97 crore were foreclosed during the year. Further, liabilities outstanding to the tune of Rs. 333 crore were reset to lower rates. The total amount of loans/liabilities prepaid / reset during the financial year amounted to Rs. 832.97 crore. The aforesaid measures enabled your company to partially offset the overall increase in the weighted average cumulative cost of borrowings during the year 2006-07.

CORPORATE GOVERNANCE

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which a corporation is directed, administered and controlled. Corporate governance also includes the healthy maintenance of relationships among players involved like employees, suppliers, customers, banks and other lenders.

As per the required provisions, a Corporate Governance Report and Auditors' Certificate regarding compliance of Corporate Governance norms, forms part of Directors' Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per the required provisions a Management Discussion and Analysis Report, forms part of the Directors' Report.

DECLARATION OF CODE OF CONDUCT

Board of Directors of your company has laid down HUDCO's Code of Conduct & Ethics for all Board Members and Senior Management Personnel of the company and the same has been placed on the website as well. All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

AUDIT REVIEW

You will be pleased to note that after completion of the audit by the Government Auditors, for the financial year 2006-07, no qualification on the Annual Accounts of the Company has been given by the Comptroller and Auditor General of India (C&AG).

Further, Statutory Auditors' report to the members and comments of the Board of Directors thereon, are self explanatory and form part of this report as required u/s 217(3) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

As required under section 217(2A) of the Companies Act, 1956, the details of the employees who were employed throughout the year and were in receipt of remuneration for that financial year in aggregate of not less than Rs. 24,00,000/- or employed for a part of the year and were in receipt of remuneration for that part of financial year in the aggregate of not less than Rs. 2,00,000/- per month, is as follows:

Sl. No.	Name	Age (as on 31 st march 2007)	Desg.	Nature of Employment	Remuneration Received	Qualification	Date of commencement of employment	Last Employment	Date of Retirement
1.	Dr. P S Rana*	60.08	CMD	Contractual	Rs. 18,94,998	B.Tech (Civil) PG.D (town & country planning.) Ph.D	25.11.2003	D.T.C.	30.09.06
2.	Shri S K Goel*	58.07	CP(D&D.)	Regular	Rs. 11,79,915	B.Arch PGD in Hsg. & Bldg.	30.12.1977	N.A.	31.08.2006
3.	Shri S C Sharma	57.07	ED	Regular	Rs. 14,74,307	M.A. (Eco) M.Sc.in	25.07.1989	SAIL	28.08.2006

						Public Fin. (fiscal study, UK)			
4.	Shri N Dharmarajan*	58.11	Chief (EM&D -B.)	Regular	Rs. 9,37,831	B.E. (Civil) Dip. in Mgt., MIE, MIWWA	31.10.1991	NBCC	30.04.2006
5.	Shri P M Tripathi*	58.09	ED (MS)	Regular	Rs. 10,68,513	B.Sc., LLB, OPG DPM, PGD (Co. Law), Adv. PM Course, Sr. Mgt. Course (UK), MHRM	31.05.1996	Hindustan Insecticides Limited	30.06.2006
6.	Shri C M Anand	55.09	Chief (MS.)	Regular	Rs. 10,48,493	M.A. Eco., PGD (Mgt. & Comp.), MBA	06.11.1990	National Cooperative Development Cprp.	09.09.2006

* Retired on reaching the age of superannuation.

LISTING OF SECURITIES

The Stock Exchange(s) wherein HUDCO Bonds are listed as on 31.03.2007 are as follows:

- 1- The National Stock Exchange of India Limited (NSE)
- 2- Bombay Stock Exchange Limited (BSE)
- 3- Delhi Stock Exchange Association Limited. (DSE)

15% HUDCO Infrastructure Bonds Series, which were listed at BSE, redeemed on 24th April 2007, and after that day HUDCO's privately placed Bonds/Debentures are listed with NSE & DSE only.

TRANSFER TO/FROM RESERVE & SURPLUS

During the financial year, your company has transferred Rs. 205.00 crore to Special Reserve, Rs. 2.33 crore to Welfare Reserve, Rs. 70 crore has been transferred to General Reserve and Rs. 125.47 crore has been carried to balance sheet. Further Rs. 21.87 crore has been transferred from Special Reserve, Rs. 4.24 crore from Welfare Reserve, Rs. 0.39

crore from Bond Redemption Reserve and Rs. 92.12 crore has been transferred from surplus to Profit and Loss Accounts.

UNCLAIMED DEPOSITS

As mandated under the Housing Finance Companies (NHB) Directions, 2001, it is informed that as on 31.03.2007, an amount of Rs. 31.75 crore is unclaimed for deposits from 561 deposit holders. A separate communication has been sent to each depositor(s) regularly requesting them to collect the unclaimed deposit(s) and/or get the same renewed.

CONSERVATION OF ENERGY

Since HUDCO is not a manufacturing Company and does not own any manufacturing unit, the disclosure of particulars regarding Conservation of Energy is not applicable. However an effort is made to use energy efficient equipments in the office to ensure conservation of energy.

TECHNOLOGICAL ABSORPTION

HUDCO has entered into MoU with IIT, Delhi for synergising and spreading Bamboo Technology with HUDCO's cost component of Rs. 71.00 lakh including Rs. 30.00 lakh as grant from the Ministry of Rural Development. The amount of grant has been released to IIT, Delhi for setting up National Resource Facility on Bamboo Technology (NRFBT) to promote rural industrialization with focus on bamboo products by upgrading artisan skills, developing improved process, technology and machinery through scientific, technological and design inputs.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, under review, the inflow of Foreign Exchange totaled Rs. 11.29 crore and outflow of Foreign Exchange was Rs. 14.34 crore.

COMPOSITION OF AUDIT COMMITTEE

Your Company has constituted an Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the stock exchange(s) and it is dealt in detail in the Corporate Governance section later in the Annual Report.

BUY-BACK OF SHARES

100% shares of HUDCO are being held by the President of India and during the financial year 2006-2007, no offer has been made for buy-back of shares. In view of the same, provisions of section 77A & 217(2B) of the Companies Act, 1956 are not required to be complied and the time limit for compliance for buy back of shares is, therefore, not required.

NAME & ADDRESS OF DEBENTURE-TRUSTEES

1.	UTI Bank Ltd. Maker Tower F, 13 th Floor, Cuffe Parade, Colaba, Mumbai – 400005
2.	United Bank of India North India Region, Block –P, 9/90, J C Das Building, Connaught Place, New Delhi-110001
3.	Vijaya Bank, Vijaya Building , 3 rd Floor, 17 Barakhamba Road, New Delhi -1100001.
4.	Punjab National Bank 5, Sansad Marg, New Delhi

5.	IL & FS Trust Company Ltd. Plot C-22, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051
6.	IDBI Trusteeship Services Ltd. Regd. Office: Asian Building , Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai-400 001

EMPLOYEE STOCK OPTION SCHEME (ESOS)

HUDCO is a Government Company and all the shares are being held by the President of India. During the year, no Employee Stock Option Scheme has been offered to the employees by the Company.

REDEMPTION OF DEBENTURES/BONDS DURING THE YEAR

All the debentures, which were due for redemption during the financial year 2006-2007, were redeemed in that period and the details are given below:

Series	Interest rate Per Annum	Redemption Amount (Rs. in crs)	Redemption Date
2005 SDI	6.11%	218.00	April 1, 2006
SPS I (A)	9.34%	1.60	June 10, 2006
SPS II(A)	12.75%	3.47	June 15, 2006
HB XXA	10.30%	166.65	July 20, 2006
2001 SD I	10.65%	100.00	July 20, 2006
HB XIVA	12.25%	178.38	September 8, 2006
HB XXXVIII	6.92%	285.00	September 20, 2006

2001 HBSD-II	10.00%	50.00	October 31, 2006
ST001FY (06-07)	7.15%	200.00	November 22, 2006
SPS I (A)	10.19%	1.60	December 10, 2006
SPS II(A)	12.75%	3.58	December 15, 2006
HB-XXIA	8.40%	40.00	January 30, 2007
2001HBSD-III	9.50%	50.00	January 30, 2007
HGPSTF-IA	8.50%	83.40	March 6, 2007
HB-XXIIIA	9.25%	15.10	March 27, 2007
2002 HB SD-I	9.25%	69.00	March 27, 2007
HB-XXIIA	9.00%	59.00	March 28, 2007
HB-XXIVA	9.25%	17.85	March 28, 2007
HGPSTF-IIA	8.00%	43.50	March 28, 2007
HB XVA	7.99%	100.00	March 29, 2007
HB VII	13.50%	52.00	March 31, 2007
HB XVIA	11.00%	36.50	March 31, 2007

BOARD OF DIRECTORS AND CHANGE IN COMPOSITION OF BOARD

During the year, 22 Board Meeting were held to transact the business of the company. The Audit Committee met six times during the year.

Shri Ranjit Issar, Secretary (MOH&UPA), Ministry of Housing & Urban Poverty Alleviation, was appointed as official Director in place of Shri Pankaj Jain on 29th September, 2006. Further Shri Ranjit Issar, was

appointed as Chairman & Managing Director, HUDCO (additional charge), in place of Dr. P.S Rana w.e.f 30th September, 2006, on account of reaching the age of superannuation.

Shri S.K Tripathi has been appointed as Director (Corporate Planning) w.e.f 14th November, 2006. Dr. Raghubir Singh, AS&FA MOH&UPA had been appointed as Part-Time official Director w.e.f. 05th December, 2006, in place of Smt. Neena Garg. Further Dr. R K Vats has been appointed as Part-Time official Director w.e.f. 18th May, 2007, in place of Dr. Raghubir Singh.

Dr. HS Anand, Secretary, Ministry of Housing & Urban Poverty Alleviation, had been appointed as Official Director and Chairman & Managing Director (additional charge) in place of Shri Ranjit Issar w.e.f 14th May, 2007.

Shri Sunil Kumar Singh, Joint Secretary (Housing) has been appointed as Part Time Official Director in place of Dr. H S Anand w.e.f. 6th June, 2007. Further Shri T Prabakaran Director (Finance) had been given the additional charge of Chairman & Managing Director, HUDCO w.e.f. 06th June, 2007 for a period of three months.

Shri K L Dhingra, has taken over the charge as Chairman & Managing Director, HUDCO w.e.f. 24th September, 2007.

Your Director wish to extend a warm welcome to Shri S K Tripathi, Dr. R K Vats and Shri Sunil Kumar Singh & Shri K L Dhingra for being part of our esteemed organization and place on record the valuable contribution made by Dr. P S Rana, Shri Ranjit Issar, Dr H S Anand, Shri Pankaj Jain, Smt. Neena Garg, and Dr. Raghubir Singh during their tenure as CMDs/Directors in HUDCO.

All the changes in the directorship were effected by the order of the Administrative Ministry i.e. Ministry of Housing and Urban Poverty Alleviation.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors of your company states hereunder:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed, alongwith proper explanation relating to material departures, if any;
- (ii) that the directors 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 at the end of the financial year and of the profit and loss of the company for the financial year 2006-2007;
- (iii) that the directors have 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; and that the directors have prepared the annual accounts on a going concern basis.

APPRECIATION AND GRATITUDE

The Directors place on record their gratitude for the assistance and guidance rendered by Ministry of Housing and Urban Poverty Alleviation,

Urban Development, Rural Development, and Finance, External Affairs, the Planning Commission, Reserve Bank of India (RBI), National Housing Bank (NHB), Bankers, Comptroller & Auditor General, Statutory Auditors and other Government Departments. Directors also acknowledge the support of International Finance Institutions such as Kreditanstalt fur Wiederaufbau (KfW), Japan Bank of International Cooperation (JBIC), Asian Development Bank (ADB), USAID, and wishes to place on record their appreciation to all the members of HUDCO family, whose dedication, hard work and cooperation have made it possible for the company to show satisfying performance.

For and on behalf of the Board of Directors



Chairman & Managing Director

Place : New Delhi

Date : 14th Dec. 2007

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

India, with one of the fastest rates of growth in the world, is fast moving to become one of the major players in the global economy & housing being one of the basic human necessity, is performing a key role in this development phase. The growth trend, which originated from Information Technology (IT) and Information Technology Enabled Services (ITES) is gradually spreading towards the manufacturing and construction sector, clearly depicting the economic boom in India, alongwith strengthening the Housing & Infrastructure Industry, which essentially is the backbone of an economy.

Government has recently launched Reverse Mortgage Backed Securities Scheme, which would work in the positive directions for the elderly persons (Senior citizens) who are having some real estate property and presently are not eligible for any form of mortgage loan. In this type of loan, the lender makes periodic payments to the borrower (i.e. the reverse stream). This will enable the senior citizens to maintain themselves during their old age, having inadequate income to meet their needs, particularly those who have no family or an unwilling family to support them.

STRENGTH AND WEAKNESS

HUDCO being a Techno-Financial Institution, has an edge over its competitors, as it not only provides financial assistance to its clients but also provide technical assistance.

HUDCO doesn't have the access to cheaper funds in the form of demand deposits, which are available with the banking sector and are in direct competition with HUDCO.

OPPORTUNITIES, THREATS, RISKS AND CONCERN

HUDCO being one of the leading financial institutions provides the necessary resources for meeting the housing and urbanisation demands. With the increase in the population of the country and also with the improvement of the accessibility to housing finance, there is a huge scope of new business for the financial Institutions.

Over the past few years the Housing Industry has witnessed a tremendous growth in financial terms. However there is a lot of scope left in the Housing requirements in India. As per National Housing Bank (NHB) projection, the housing shortage in the country, is expected to touch 80 million units (including repairs and up-gradation of 26 million units) and moreover the investment requirements in the housing sector is expected to be Rs.10 Lakh crore during the year 2007-12, which signifies that there is lot of scope for Housing Finance Companies (HFCs) to exploit the opportunities.

The introduction of RMBS (Reverse Mortgage Backed Securities) will further boost and enhance the business opportunities for Housing Finance Companies.

Increasing defaults in the payment of loan, prepayment, liberal collateral stipulations for loaning by other lending institutions and longer repayment period etc. are some of the major areas of concern. Further, increasing urbanisation and growing development of infrastructure of the country has

led many new private and public sector companies alongwith the ones, which are already in the market, to come up aggressively with various schemes providing finance for housing and urban development at relatively lower rate of interest compelling the housing finance companies to operate at a thinner spread.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

This has already been discussed in Housing and Urban Infrastructure section of the Directors' Report.

OUTLOOK

Detail on outlook has already been discussed in the 'Looking Forward' Section of the Directors' Report.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control system entails the overall control environment established by the management of an organization for effective & efficient monitoring and control of its operations. It aims at adherence to the management policies, safeguarding of assets of the enterprise and proper accounting & recording of the business transactions.

On the same lines, HUDCO has an internal control system with adequate checks and balances in all of the operational areas. It is regulated and governed by Master Circulars, Operational Circulars, Guidelines, Checklists, Manuals etc., which ensures the proper functioning of the internal control system. There is also a detailed system of authorisation of transactions through delegation of authority and responsibility. The norms

for concurrence are prescribed for technical, legal and financial areas and their adherence is ensured. The financial transactions of the Company are recorded in a tailor made Software Package with inbuilt control mechanism. These are constantly reviewed and updated keeping in view the latest developments in the economic scenario and experiences learnt during the course of operations.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This portion has already been discussed in the Directors' Report under the heading 'Operational efficacy.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

With a view to gear itself for meeting the challenges put up by the competition in the post liberalization era, HUDCO had engaged M/S Ernst & Young (E&Y) to develop its corporate strategy and identify new business areas for expansion. In line with the recommendations of M/S E&Y and the decisions of the management for the proposed diversification and initiatives for expansion, steps have been taken to align HUDCO's corporate strategy around key business drivers.

As a sequel, the organization structure (which forms a critical part of the overall business strategy) was also realigned to meet the emerging business requirements. Measures are afoot to identify the capability gaps and building core skills in different areas of business.

During the year, 539 employees were nominated / sponsored for training both in India and abroad.

The major HR systems and processes were standardized and awarded ISO certification by M/s BVQI.

Under Staff Welfare Schemes, eleven excursion trips for employees and their families were arranged by HUDCO during the year under report. As part of employee welfare measure, company extended various loans and advances to the employees (including House Building Advance to twenty four employees).

The total employee strength of your Company stood at 1084 employees comprising of 569 executives and 515 non-executives as on 31st March 2007. The total number of women employees was 294, out of which, 57 belonged to SC/ST category. Seven women employees parted with the organization during 2006-07, out of which one was superannuated and six resigned on their own accord. HUDCO continues to follow the Government policies on reservation for SC/ST/OBCs etc. Out of the total strength there were 190 SCs, 66 STs, 84 OBCs, 20 Physically Handicapped and 34 Ex-servicemen employees.

HUDCO continued to maintain good Industrial relations with its employees.

**ENVIRONMENTAL PROTECTION AND CONSERVATION,
TECHNOLOGICAL CONSERVATION, RENEWABLE ENERGY
DEVELOPMENTS, FOREIGN EXCHANGE CONSERVATION**

This portion has already been discussed in the Directors' Report. Further, Renewable Energy Development is not an area of operation of HUDCO.

CORPORATE SOCIAL RESPONSIBILITY

Your Company as a part of its social responsibility continued to provide assistance to the needy and underprivileged. During the year your company adopted a Tsunami affected child for a period of five years and will bear the cost of his education. Your company also continued to provide hands-on-training with stipend to upcoming professionals in the field of Cost and Works Accountancy/Company Secretary-ship course as a part of their course-curriculum. Further 11 wards/acquaintances of HUDCO employees were imparted computer training under EDP/Word Processor Learner Scheme.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis Report with regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Management envisages in terms of performance and outlook. The Management of the Company reserves the right to re-visit any of the predictive statements to decide the best course of action for meeting social and human obligations.

CORPORATE GOVERNANCE REPORT

Corporate Governance is the acceptance by the management of the corporate sector of the inalienable rights of the stakeholders of the corporation and that of their own as the trustees on behalf of the stakeholders. Corporate Governance is the system, procedure and institution that ensures that the management acts in the best interest of the stakeholders.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

HUDCO believes that Corporate Governance signifies ethical business behaviour in every sphere, which can be ingrained in the character of an organization through tradition, value systems and a commitment to the spirit of laws and regulations. Corporate Governance emerges as the cornerstone of HUDCO's governance philosophy of trusteeship, transparency, empowerment, and accountability, control and ethical corporate citizenship.

HUDCO, being a Government Company, the entire shareholding is held by the President of India and its nominees who have been holding shares on behalf of President of India. However, the Bonds/Debentures issued from time to time, by the company, have been listed on the Stock Exchange(s). HUDCO has been continuously making efforts towards raising the standards of Corporate Governance and has been reviewing its procedures and systems regularly to keep pace with the changing economic environment.

2. BOARD OF DIRECTORS

The Board of HUDCO consists of executive/non-executive Director(s), with diversified experience and skills.

2.1 Composition and Category of Directors

The Composition of the Board as on 31.03.2007 is as follows:

Whole-Time Directors*	Two
Non Executive Government Directors (including Chairman-cum-Managing Director) [Official Director]*	Two
Independent Director (Part-Time Non-Official Director)	One
Total	Five

*Shri Ranjit Issar, Secretary MOH&UPA, was holding the additional charge of CMD, HUDCO. In the above table Shri Ranjit Issar has been included in Non-Executive Government Directors.

The Board of Directors of the company does not have sufficient number of independent directors as required under Clause 49 & Clause 2.18 of the Listing Agreement and Debenture Listing Agreement respectively. The matter has been taken up with the Government of India for the appointment of Independent Directors to bring the composition of the Board in line with the requirement of the said clause.

HUDCO came up with public issue of 15% Infrastructure Bonds Series in 1997, which was redeemed in April, 2007 and after that the shares Listing Agreement and Part II of the Debenture Listing Agreement are not applicable on HUDCO. There is no public issue of debentures, which is outstanding after the said date.

2.2 Attendance Record of Director(s) in 2006-07

Sl. No.	Director(s)	Tenure	No. of Board Meeting(s)		Last AGM* Attended
			Held during their tenure in 2006-07	Attended	
1.	Dr. P S Rana	(From 25.11.2006 to 30.09.2006)	11	11	Yes
2.	Shri Ranjit Issar **	(From 29.09.2009 to 14.06.2007)	11	11	Yes
3.	Shri Pankaj Jain	(From 22.01.2004 to 29.09.2006)	11	10	Yes (only as Shareholder since on the date of AGM he ceased to be Director)
4.	Shri T. Prabakaran	(From 29.12.2004)	22	22	Yes
5.	Smt. Neena Garg***	(From 21.03.2005 to 05.12.2006)	13	9	No
6.	Shri Rajpal Singh Solanki	(From 08.12.2005)	22	22	Yes (Also as a chairman of Audit Committee)
7.	Shri Raghubir Singh	(From 05.12.2006 to 18.05.2007)	8	6	Yes (Also as a Shareholder)
8.	Shri S. K. Tripathi	(From 14.11.2006)	9	6	Yes

* Last AGM was held on 20.12.2006.

- Shri Ranjit Issar, Secretary MOH&UPA was appointed as Official director in place of Shri Pankaj Jain on 29.09.2006 and also been given the additional charge of CMD, HUDCO w.e.f. 30.09.2006.

*** During the 412th Board Meeting held on 23rd November 2006, Smt. Neena Garg, Part-Time Official director, has not been shown as participant to the Board

Meeting, though she was relieved on 5th December 2006. Since as on the date of meeting, she was relieved from the position of JS&FA, MOH&UPA by virtue of which, she was on the Board of HUDCO, therefore she hasn't attended the meeting.

2.3 Details of Directors and Other Directorship(s) held by them during the financial year 2006-07:

Sl. No.	Director(s)	Executive / Non Executive	No. of outside Directorship(s) held
1.	Dr. P S Rana (From 25.11.2003 to 30.09.2006)	Whole Time Director (Chairman & Managing Director)	1*
2.	Shri Ranjit Issar** (From 29.09.2006 to 14.05.2007)	Non-Executive (Chairman & Managing Director and Part-Time Official Director)	-
3.	Shri Pankaj Jain (From 22.01.2004 to 29.09.2006)	Non-Executive (Part-Time Official Director)	-
4.	Shri T. Prabakaran (From 29.12.2004)	Whole Time Director (Finance)	-
5.	Smt. Neena Garg (From 21.03.2005 to 05.12.2006)	Non-Executive (Part-Time Official Director)	1
6.	Shri Rajpal Singh Solanki (From 08.12.2005)	Non-Executive (Part-Time Non-Official Director)	2
7.	Shri Raghubir Singh (From 05.12.2006 to 18.05.2007)	Non-Executive (Part-Time Official Director)	4
8.	Shri S. K. Tripathi (From 14.11.2006)	Whole Time Director (Corporate Planning)	-

* Dr. P S Rana ceases to be the Director on the Board of National Housing Bank with effect from 10th August 2006 and was superannuated on 30.09.2006.

** Shri Ranjit Issar was appointed as director in place of Shri Pankaj Jain on 29.09.2006 and also been given the additional charge of CMD, HUDCO w.e.f. 30.09.2006.

None of the Directors on the Board is a member of more than 10 Committees (Audit Committee and Shareholders' Grievance Committee), and Chairman of more than 5 Committees (Audit Committee and Shareholders' Grievance Committee), across all the companies (Public Limited) in which he/she/they is/are the Director(s).

2.4 Details of Board Meeting(s) held

During the year 2006-07, the Board met 22 times to transact the business of the company, the details of which are as follows:

Sl. No.	Date of Meeting(s)	Place	No. of Director(s) Present
1.	28.04.2006	New Delhi	5
2.	08.05.2006	New Delhi	5
3.	24.05.2006	New Delhi	5
4.	13.06.2006	New Delhi	4
5.	12.07.2006	New Delhi	5
6.	19.07.2006	New Delhi	4
7.	10.08.2006	New Delhi	4
8.	21.08.2006	New Delhi	5
9.	13.09.2006	New Delhi	4
10.	18.09.2006	New Delhi	4
11.	27.09.2006 & 29.09.2006	New Delhi	5
12.	17.10.2006	New Delhi	4
13.	30.10.2006	New Delhi	4
14.	23.11.2006	New Delhi	4#
15.	20.12.2006	New Delhi	5
16.	11.01.2007	New Delhi	5
17.	15.02.2007	New Delhi	5

18.	27.02.2007	New Delhi	5
19.	08.03.2007 & 13.03.2007	New Delhi	5
20.	21.03.2007	New Delhi	4
21.	26.03.2007	New Delhi	3
22.	29.03.2007	New Delhi	3

Note : If a meeting has been held for more than a day and a director has attended the meeting any day, he has been shown as present.

During the 412th Board Meeting held on 23rd November 2006 Smt. Neena Garg, Part-Time Official director, has not been shown as participant to the Board Meeting, though she was relieved on 5th December 2006. Since as on the date of meeting, she was relieved from the position of JS&FA, MOH&UPA, by virtue of which, she was on the Board of HUDCO, therefore she has not attended the meeting.

2.5 Declaration of Code of Conduct

Board of Directors of your company has laid down HUDCO's Code of Conduct & Ethics for all Board Members and Senior Management Personnel of the company and the same has been placed on the website. All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

Declaration

It is hereby declared that the Company has obtained from the Board and Senior Management Personnel of the company, affirmation that they have complied with the HUDCO's Code of Conduct and Ethics. The said affirmation is subject to:

1. *The condition of not less than fifty percent of board members being non-executive and independent is not complied with;*
2. *The Audit Committee is comprised of one Non-Executive Part-Time Official Director, one Part-Time Non-Official Director (Independent Director) and one Whole-Time Director (Finance) without voting rights against the requirement of majority of them being independent;*

3. *Accounting of fees on cash basis and disclosed accordingly instead as required as per Accounting Standard 9.;*
4. *The Company is not able to comply with National Housing Bank's credit concentration norms in respect of lending to some State Governments / State Governments Agencies.*

Sd/-

K L Dhingra
Chairman & Managing Director

3. AUDIT COMMITTEE

3.1 Brief Description

The Audit Committee of the Company was constituted in January 2001, in accordance with the provisions of section 292A of the Companies Act, 1956 read with clause 49 & clause 2.18 of the listing Agreement and Debenture Listing Agreement respectively.

The Audit Committee of the company does not have sufficient number of independent directors as required under clause 49 & clause 2.18 of the Listing Agreement and Debenture Listing Agreement respectively. The matter has been taken up with the Government of India for the appointment of Independent Directors to bring the composition of the Board in line with the requirements of the said clause.

The scope and functions of the Committee inter-alia all statutory requirements includes review of financial reporting systems, review of the quarterly/half yearly and annual financial performance statements before submission to the Board, for consideration. Further, reviewing the internal audit system and procedures, reviewing the periodical review of internal/statutory audit reports etc

with the management. Role of the Audit Committee includes discussion and reviewing with the Internal Auditors any significant findings on any internal investigation by the internal auditors into matters of suspected fraud and irregularity.

The Head of the Finance Department, Statutory Auditors and Internal Auditors are also invited for the meeting of the Audit Committee. The Company Secretary is also the Secretary to the Audit Committee.

The recommendations of the Audit Committee are accepted and implemented by the Board.

3.2 Composition of the Audit Committee

The Audit Committee comprised of the following members during the FY 2006-07:

Sl. No.	Name of Members	Tenure	Executive/Non-Executive
1.	Shri Pankaj Jain (Chairman of the 30 th meeting)	(From 22.01.2004 to 29.09.2006)	Non-Executive Director (Part Time Official Government Director)
2.	Smt. Neena Garg (Chairperson of 29 th meeting)	(From 21.03.2005 to 05.12.2006)	Non-Executive Director (Part Time Official Government Director)
3.	Shri T. Prabakaran*	(From 23.08.2005)	Whole Time Director (Finance)
4.	Shri Rajpal Singh Solanki (Chairman of the Audit committee from 31 st meetings and onwards)	(From 08.12.2005)	Non-Executive Director (Part-Time Non-Official/ Independent Director)
5.	Shri Raghubir Singh	(From 05.12.2006 to 18.05.2007)	Non-Executive Director (Part Time Official Director)

Secretary to the Audit Committee:

Shri M.K. Gupta	: Company Secretary HUDCO
-----------------	---------------------------

- * As per the directions of the MOH&UPA (Administrative Ministry), Shri T. Prabakaran, Director (Finance) is inducted in the Audit Committee as a member without voting right. The administrative Ministry has been requested to approve the induction of Director (Corporate Planning) with voting right in the Audit Committee in place of Director (Finance) without voting right.

3.3 Audit Committee Meetings and Attendance for the year 2006-07

The Audit Committee met six times during the financial year 2006-07 as per the following detail:

Sl. No.	Date of Meeting(s)	Place	No. of Member(s) Present
1.	28.04.2006	New Delhi	3
2.	19.07.2006	New Delhi	3
3.	18.09.2006	New Delhi	3
4.	30.10.2006	New Delhi	3
5.	10.11.2006 & 14.12.2006	New Delhi	2#
6.	10.01.2007	New Delhi	2

- # During the 33rd Audit Committee Meeting held on 10th November 2006, Smt. Neena Garg, Part-Time Official Director, has not been shown as participant to the Audit Committee, though she was relieved on 5th December 2006. Since as on the date of meeting, she was relieved from the position of JS&FA, MOH&UPA, by virtue of which, she was on the Board of HUDCO.

Sl. No.	Members of the Audit Committee	No. of Audit Committee Meeting(s)	
		Held in tenure	Attended
1.	Shri Pankaj Jain	3	2
2.	Smt. Neena Garg	4	2*
3.	Shri T. Prabakaran	6	6
4.	Shri Rajpal Singh Solanki	6	6
5.	Shri Raghubir Singh	1	NIL

* During the 33rd Audit Committee Meeting held on 10th November 2006 Smt. Neena Garg, Part-Time Official Director, has not been shown as participant to the Board Meeting, though she was relieved on 5th December 2006. Since as on the date of meeting, she was relieved from the position of JS&FA, Ministry of HUPA, by virtue of the post she was on the Board of HUDCO, therefore she has not attended the meeting.

4. REMUNERATION COMMITTEE

4.1 As per clause 83(2) of the Articles of Associations of HUDCO, the remuneration payable to its Whole-Time Directors (Executive) is approved by the President of India through HUDCO's Administrative Ministry i.e. 'Ministry of Housing & Urban Poverty Alleviation'. Thus, no remuneration committee is required to be constituted.

4.2 Part-time Non-official Director(s) are only paid sitting fees for Board meeting(s) and Audit Committee meeting(s) attended by them.

5. SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

HUDCO is a Government Company and the entire Share Capital is held by the President of India and his nominees. Hence, no Shareholders/Investors Grievance Committee has been constituted.

6. DETAILS OF ANNUAL GENERAL MEETING(s): -

6.1 *Date, location and time of the last three AGMs of the company*

Financial Year	Location	Date	Time	Special Resolution Passed
2005-2006	Registered Office, New Delhi	20.12.2006	4.00 PM	One
2004-2005	Registered Office, New Delhi	AGM was held on 04.10.2005, adjourned and finally concluded on 24.10.2005	12.00 Noon	-
2003-2004	Registered Office, New Delhi	AGM was held on 30.09.2004, adjourned AGM held on 25.10.2004 and finally concluded on 03.12.2004.	12.30 PM	One

6.2 Resolution through Postal Ballot

No resolution has been passed through Postal Ballot during the financial year 2006-07.

7. DISCLOSURES

- a) There were no material transactions with the Directors or the Management or their relatives that may have potential conflict with the interest of the Company at large.
- b) There have been no instances of non-compliance by the company. No penalties or strictures were imposed on the company by the Stock Exchange(s) or SEBI or any statutory authority, on any matters related to capital markets during last three years. Further the Company has complied with NHB Direction except on Credit concentration norms in respect of

lending to few State Government/ State Government agencies. HUDCO has sought for relaxation in Credit Concentration Norms from NHB and the matter is being taken up in this regard.

- c) As on the date of the approval of accounts, the number of Independent Director(s) on the Board of the Company as well as Audit Committee are not sufficient.
- d) As part of the Directors' Report, a Management Discussion and Analysis Report forms part of the Annual Report.
- e) The company has complied with all applicable Accounting Standards issued by ICAI except Accounting Standard (AS) 9 regarding Revenue Recognition (refer Schedule-S).
- f) Related Party Transaction – Related Party transactions have been appropriately disclosed at Schedule P relating to payment to and Provision for employees and Schedule T relating to Notes to accounts.

8. MEANS OF COMMUNICATIONS

Half yearly result	:	Press advertisements, information to Stock Exchanges etc.
Quarterly results- normally published in newspapers	:	Mainly business/regional newspapers like Economic Times, Financial Express etc.
Website where quarterly results are displayed	:	www.hudco.org
Whether it also displays official news releases	:	Yes

9. GENERAL SHAREHOLDERS' INFORMATION

9.1 37th Annual General Meeting

9.2

Date and Time	:	27.12.2007 at 3.00 p.m.
Venue	:	HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110003.

9.2 Financial Calendar* (Tentative)

Financial Result for the Quarter ending June 30, 2007	:	Last week of July, 2007
Financial Result for the half year ending September 30, 2007	:	Last Week of October, 2007
Financial Result for half year ending March 31, 2008	:	Last week of April, 2008
Annual General Meeting for the year 2007-2008	:	Last week of September, 2008

In this regard It is also noteworthy that the Listing Agreement (General) and Part II of the Debenture Listing Agreement is not applicable on HUDCO after 24th April 2007, since the Public issue of 15% HUDCO Infrastructure Bonds series 1997 was redeemed on 24th April 2007, and accordingly there is no public issue of debentures, which is outstanding after the said date.

9.3 Dividend Payment Date

The Board of Directors have recommended a dividend of Rs. 20.68 crore and the same shall be paid within statutory time

period, after its declaration/approval by share holders in the Annual General Meeting (AGM) of the company.

9.4 Listing of Securities at Stock Exchanges

The Bonds issued by the Company were listed during the year at Delhi Stock Exchange Association Limited (DSE), Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

9.5 Dematerialization

The different Bonds series of the Company have been admitted as an eligible security for trading in dematerialization form by National Securities Depositories Ltd (NSDL) and Central Depositories Securities (India) Ltd (CDSL).

9.6 Registrars and Transfer Agents

1. Intime Spectrum Registry Ltd.
A-40, Second Floor, Naraina Industrial Area, Phase II,
New Delhi-110 028.
2. MAS Services Pvt. Ltd., AB-4 Safdarjang Enclave, New
Delhi-110029.
3. Alankit Assignments Ltd., Alankit House, 2E/21,
Jhandewalan Extension, New Delhi-110055.

9.7 Shareholders' Profile

Category	<u>As on 31.3.2007</u>		<u>As on 31.3.2006</u>		As on 31.3.2005	
	No. of hares of (Rs. 1,000 each)	% of Shares	No. of Shares of (Rs. 1,000 each)	% of Shares	No. of shares of (Rs. 1,000 each)	% of Shares
President of India	2,00,18,993	99.999965	2,00,18,993	99.999965	2,00,18,993	99.999965
Others*	7	0.000035	7	0.000035	7	0.000035
Total	2,00,19,000	100.0000	2,00,19,000	100.0000	2,00,19,000	100.0000

* Including Government Director(s) holding shares on behalf of the President of India

9.8 Address for Communication

Housing and Urban Development Corporation Limited
 HUDCO, HUDCO Bhawan, Core – 7A,
 India Habitat Centre,
 Lodhi Road, New Delhi – 110003.

CERTIFICATE BY STATUTORY AUDITORS ON CORPORATE GOVERNANCE

As required under clause 49 of the Listing Agreement, the certificate from the Statutory Auditors pertaining to Compliance of conditions of Corporate Governance is being annexed with the Directors' Report.

**AUDITORS' CERTIFICATE REGARDING COMPLIANCE WITH THE
CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49
OF THE LISTING AGREEMENT**

**To the Members of
HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED**

We have examined the compliance of the conditions of Corporate Governance by the **Housing & Urban Development Corporation Limited** for the year ended 31st March 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

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

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance, as stipulated, in the above mentioned Listing Agreement, subject to the following:

- 1. The condition of not less than fifty percent of board members being non-executive and independent is not complied with;*
- 2. The Audit Committee is comprised of one Non-Executive Part-Time Official Director, one Part-Time Non-Official Director (Independent Director) and one Whole-Time Director (Finance) without voting rights against the requirement of majority of them being independent;*
- 3. The Company has complied with all applicable Accounting Standards issued by the Institute of Chartered Accountants of India, except Accounting Standard (AS) 9 regarding Revenue Recognition, accounting of application fees, front-end-fees, administration fees and processing fees on loans on realisation basis instead of accrual basis.;*
- 4. The Company is not able to comply with National Housing Bank's credit concentration norms in respect of lending to some State Governments / State Governments Agencies.*

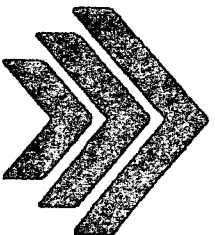
We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S. N. DHAWAN & CO.
Chartered Accountants**

Place: New Delhi
Date : October, 25, 2007

Sd/-
(Suresh Seth)
Partner
M. No. 10577

APPENDUM-I



hudco

**Management reply on the observations made by
Statutory Auditors on the Corporate Governance
Report.**

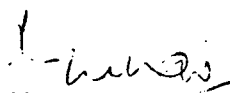
Sl. No.	Auditors Observation on Corporate governance	Management Replies
1.	The condition of not less than fifty percent of board members being non-executive and independent is not complied with.	At the time when clause 49 and clause 2.18 of the Listing Agreement(s) were applicable to HUDCO, the said non-compliance has been brought to the knowledge of the Board as and when required, since HUDCO does not have the power to appoint directors on its Board. The Powers to appoint the director(s) vests with the Administrative Ministry. As per the directions of the Board, the said non-compliance was brought to the knowledge of the Administrative Ministry, and was pursued for the appointment of independent directors. Moreover, the Stock Exchange(s) were also kept informed through quarterly report. HUDCO has made all best possible efforts within its control for compliance of the required provisions.
2.	The Audit Committee is comprised of one Non Executive Part-Time Official Director, one Part-Time Non Official Director (Independent Director) and one Whole Time Director (Finance) without voting rights against the requirement of majority of them being independent.	-do-
3.	The Company has complied with all applicable Accounting Standards issued by the Institute of Chartered Accountants of India, except Accounting Standards (AS)-9 "Revenue Recognition" regarding accounting of application fees, front-end-fees, administration fees and processing fees on loans on realisation basis instead of accrual basis.	Keeping in view the nature of transactions, these have been accounted on cash basis and adequately disclosed in the accounting policy (Ref, Item 2(b) of Schedule-S).

4.	The Company is not able to comply with National Housing Bank's credit concentration norms in respect of lending to some State Governments/State Governments Agencies.	The Company has taken up the matter in respect of relaxation of exposure norms applicable in respect of State Government/ Government Agencies, with the approval of Board of Directors with NHB. NHB vide its letter No. NHB(ND)/HFC(DRS)/Sup./2232/2007 dated May 24, 2007 required further information which has since been submitted.
----	---	--

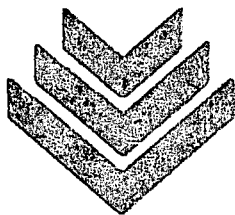
Place: New Delhi

Dated: 12th December 2007

For and on behalf of the
Board of Directors


K.L. Dhingra
Chairman & Managing Director

hudco



AUDITORS' REPORT

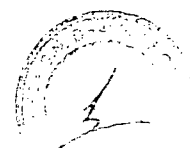
S. N. Dhawan & Co.

Chartered Accountants

AUDITORS' REPORT

To the Members of
HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED

1. We have audited the attached Balance Sheet of Housing & Urban Development Corporation Limited, 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 (as amended) 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) *The Company has made an additional provision on loans amounting to Rs.175 Crores beyond National Housing Bank's norms. As a result, the profit for the year is lower by Rs.175 Crores. [refer Note 8(c) of Schedule-T]*
 - ii) *The Company has not given effect to the opinion given by the Expert Advisory Committee of the Institute of Chartered Accountants of India on treatment of Deferred Tax Liability (DTL) amounting to Rs.120.97 Crores created on the special reserve under Section 36(1)(viii) of the Income Tax Act, 1961 for the period 2001-02 to 2003-04 on 31st March 2005. The committee is of the view that DTL created out of the reserves in respect of the aforesaid years should be treated as "Prior Period Item" by charging the same to the Profit and Loss Account & crediting to General Reserve. As a result, the profit for the year is higher by Rs.120.97 Crores. [refer Note 16 of Schedule-T]*
 - iii) *The Company has during the year changed its accounting policy on revenue recognition regarding accounting of application fees, front-end-fee, administrative fees and processing fees on loans on realization basis instead of accounting for on accrual basis. As a result, the profit for the year is lower by Rs.1.28 Crores. [refer Note 20 of Schedule T]*



- iv) Attention is further invited to the following :
- a) Non-reconciliation of outstanding balances in banking sector loans. [refer Note 4(b) of Schedule-T]
 - b) Non confirmation/ reconciliation of balances and consequential adjustments, if any. [refer Note 8(a) and 8(b) of Schedule -T]
 - c) Non-implementation of Default Resolution Package by Cochin International Airport Ltd (CIAL). [refer Note 8(e) of Schedule -T]
 - d) In respect of disputes relating to Andrews Ganj Project undertaken by the Company on behalf of the Ministry of Urban Development, the ministry has intimated the Company that it cannot pass on the financial liability to the Government Account on account of various disputes. The Company on its part has refused to accept any liability on account of disputes. We are unable to comment upon the financial implication, if any. [refer Note 10(a) of Schedule-T]
 - e) The Company is not able to comply with National Housing Bank's credit concentration norms in respect of lending to some State Governments / State Governments Agencies. [refer Note 14 of Schedule-T]
 - f) The Company is not able to constitute the Audit Committee in terms of section 292A of the Companies Act 1956 and/ or clause 49 of the Listing Agreement. [refer Note 22 of Schedule -T]
 - g) Non Receipt of bonds from Maharashtra Jeewan Pradhikaran. [refer to Note 23 of Schedule-T]
 - h) Other liabilities shown under Schedule-L, lying in Suspense Account. Consequential impact of adjustments of debits amounting to Rs.24 lacs and credits amounting to Rs.39lacs, if any, is unascertained. [refer Note 24 of Schedule-T]

5. We further report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, except Accounting Standard (AS) 9 "Revenue Recognition" regarding accounting of application fees, front-end-fees, administration fees and processing fees on loans on realisation basis instead of accrual basis. [refer Significant Accounting Policy 2 (b) of Schedule-S].
- e) Being a Government company, pursuant to Notification No. GSR 829 (E) dated 17th July 2003 issued by Government of India, provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 are not applicable to the Company.



We further report that, without considering the observations made in paragraphs 4 (iv) (a) to 4 (iv) (h) the effect of which could not be determined, had the observations made by us in paragraphs 4 (i) to 4(iii) above been considered, the Profit for the year would have been Rs.363.69 Crores (as against the reported figure of Rs.303.38 Crores), Reserves & Surplus would have been Rs.1966.90 Crores (as against the reported figure of Rs.1911.59 Crores). Subject to the foregoing, 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 to Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- 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 the cash flow statement, of the cash flows for the year ended on that date.

For S.N.Dhawan & Co.
Chartered Accountants



Suresh Seth
Suresh Seth

Partner

(M.No.-10577)

Place: New Delhi
Date: October 25, 2007

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 2007.

- i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) As per information and explanations given to us, all the fixed assets were physically verified by the Company during the year. No material discrepancies were noticed on such verification.
(c) According to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- ii) The Company does not have any inventory. Therefore, the provisions of clause 4 (ii) (a), (b) & (c) of the Order, are not applicable.
- iii) As informed to us, the Company has neither granted nor taken any loan, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (a) to (g) of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets. The Company's operations do not involve purchase of inventory and sale of goods. *In our opinion, monitoring mechanism in regional offices regarding loan schedule implementation, site inspection, reviewing of financial/ technical appraisal of the schemes and non-receipt of utilization certificates in respect of various grants and subsidies were inadequate and needs to be strengthened.*
- v) According to the information and explanations given to us, we are of the opinion that there are no transactions that need to be entered in the register required to be maintained under section 301 of the Companies Act, 1956.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA and other relevant provisions of the Companies Act, 1956, the Companies (Acceptance of Deposits) Rules, 1975 and Housing Finance Companies (NHB) Directions with regard to deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or NHB or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vii) According to the information and explanations given to us, the Company has an internal audit system; however, to make it commensurate with its size and nature of its business, it requires to be further strengthened. In our opinion, the coverage of Internal Audit should be enlarged and submission of replies/ compliances needs to be expedited.



- (f) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
- ix) (a) According to the information and explanations given to us and according to the records produced before us for verification, the Company is generally regular in depositing, with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax and any other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax and any other statutory dues were in arrears as at 31st March 2007 for a period of more than six months from the date the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax and Service Tax which have not been deposited on account of any dispute except the following:

Name of the statute	Nature Of Dues	Financial Year to which the matter pertains	Forum where Matter is pending	Amount (Rs. in Lacs)
Income Tax Act, 1961	Income Tax	1999-2000	Additional Commissioner of Income Tax	1.71
Income Tax Act, 1961	Income Tax	2000-2001	Additional Commissioner of Income Tax	1.27
Income Tax Act, 1961	Income Tax	2003-2004	Deputy Commissioner of Income Tax	785.92

- x) The Company has no accumulated losses as at 31st March, 2007 and it has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii) We are of the opinion that the Company has maintained adequate documents and records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



- xiii) In our opinion, the Company is not a Chit Fund or Nidhi /Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv) In our opinion the Company is not dealing or trading in shares, securities, debentures or other investments. Therefore, the provisions of clause 4 (xiv) of the Order are not applicable.
- xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Order are not applicable.
- xvi) According to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that, prima facie, no funds raised on short-term basis have been used for long-term investment.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, the Company has not issued any debentures, during the year. Therefore, the provisions of clause 4(xix) of the Order are not applicable.
- xx) The Company has not raised any money through 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 fraud by the Company and no material fraud on 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 amounts whereof are not material in the context of the size of the Company and the nature of its business and which have been provided for.

For S. N. Dhawan & Co.
Chartered Accountants



Suresh Seth

Partner

(M.No.10577)

Place: New Delhi

Date: October 25, 2007

ADDENDUM-II



hudco

ADDENDUM-II
Annexure to the Directors' Report

Comments of the Board of Directors on Statutory Auditors' Report and Annexure to the Auditors' Report (required under Section 217 (3) of the Companies Act, 1956).

A. Auditors' Report

Point No. 4(i)	Position has been explained in note No.8(c) of Schedule-T.
Point No. 4(ii)	Company has already created full deferred tax liability during the year 2004 - 2005. However, treatment of part of this Deferred Tax Liability through prior period as per subsequent opinion of Institute of Chartered Accountants of India (ICAI) has not been given effect, as one of the PSUs has represented to the expert advisory committee of ICAI against above position covering HUDCO's cases as well. Suitable action shall be taken by the Company on receipt of the opinion on the above subject. The position has also been clarified in Note No. 16 of Schedule - T.
Point No. 4(iii)	The position has been explained in the note No. 20(a) of Schedule-T.
Point No. 4(iv)(a)	Noted for suitable action.
Point No. 4(iv)(b)	<p>While communicating the quarterly demand to individual agency, the demand statement includes principal outstanding and other dues with a request to confirm/comment within 15 days of receipt of the statement. The statement further indicates that if no comments are received by Company within 15 days, the outstanding amount (principal outstanding, interest and penal interest) shall be deemed to have been confirmed. However, confirmation from some of the borrowers for balance outstanding as on 31.03.2007 are awaited which is also disclosed in Note No. 8(a) of Schedule-T).</p> <p>In some loan accounts, the appropriation of receipt in previous year were done based on the details provided by the agency as against the existing accounting practice. The position has been disclosed in the Note No. 8(b) of Schedule-T.</p>
Point No. 4(iv)(c)	As per terms of default resolution package, M/s Cochin International Airport Ltd, is yet to convert loan of Rs. 52.00 crores and allot equity shares at par. Agency is being pursued for necessary action. This has also been explained in Note No 8(e) of Schedule-T.
Point No. 4(iv)(d)	The Andrews Ganj Project has been undertaken by the Company on behalf of the Ministry of Urban Development. The position has also been disclosed in Note No. 10(a) of Schedule-T.

AR-8

Point No. 4(iv)(e)	The Company has taken up the matter in respect of relaxation of exposure norms applicable in respect of State Government/Government Agencies, with the approval of its Board of Directors with NHB. NHB vide letter No. NHB(ND)/HFC(DRS)/Sup./2232/2007 dated May 24, 2007 required further information which has since been submitted .
Point No. 4(iv)(f)	<p>The company has constituted Audit Committee in compliance of section 292A of the Companies Act, 1956 w.e.f. from 23rd August, 2005. However, during the financial year 2006-2007, the constitution of the said Audit Committee is not in-conformity with the requirements of clause 49 and 2.18 of the listing agreement, as HUDCO is not having sufficient number of Independent Directors on its Board. The Company has informed the Ministry of Housing & Urban Poverty Alleviation (i.e. the appointing authority) on this issue and further directions are awaited.</p> <p>Shares listing agreement has ceased to be applicable on HUDCO after the redemption of its Infrastructure Bonds (issued on public basis in 1997) in 2007.</p>
Point No. 4(iv)(g)	Bonds certificate are awaited. However, the entire amount has become due as of 31.3.2007. Suitable follow up action is being taken.
Point No. 4(iv)(h)	Noted for suitable action.

B. Annexure to the Auditors' Report

Point No.(i), (ii), (iii), (v), (vi), (viii), (ix)(a), (ix)(b), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix), (xx) and (xxi)	No comments required.
Point No. (iv)	<p>The monitoring mechanism in Regional offices regarding loan schedule implementation, site inspection, reviewing of financial/technical appraisal schemes and receipt of utilization certificate in respect of various grants and subsidies is in place and steps have been taken in past and the process is reviewed periodically. Currently, the efforts are being made to amend the existing guidelines so that the process of sanctioning of schemes gets strengthened. As far as site inspection is concerned, there is a mechanism in place and releases are made after site inspections and only when financial and technical progress has been achieved.</p> <p>HUDCO is now insisting on appointment of lender's auditors and lender's engineers for bigger projects and on recommendation of these professionals with respect to financial</p>

AR-9

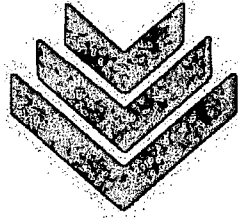
	<p>and technical work done, the releases are made. Regarding receipt of utilization certificates, in respect of various grants and subsidies, HUDCO constantly keeps on pursuing with agencies to whom the grants and subsidies have been made to provide timely submission of utilization certificates. As a matter of fact, the subsequent releases of grants and subsidies are initiated only when the utilization certificates of previous released amounts are received. It is also to mention that the utilization certificates are to be furnished by the agencies which, in most of the cases, are Government agencies which take unduly long period in furnishing utilization certificates.</p>
<p>Point No. (vii)</p>	<p>Steps are being taken by the company to strengthen Internal Audit Department.</p> <p>Coverage of Internal Audit has been increasing every year. It has at least been covering all Regional Offices & main branches of Retail Finance and some of the Departments of Head Office. It is proposed to widen the coverage further by including some more Departments of Head Office as well.</p> <p>All the possible steps are being undertaken for early submission of replies/ compliances to the Competent Authority.</p>
<p>Point No. (ix)(c)</p>	<p>The matter has already been taken up with Income Tax Department for rectification/deletion/adjustment of demand raised by them and orders from Income Tax Department are still awaited.</p>

For and on behalf of the Board of Directors

Place : New Delhi
Dated : 14th Dec. 2007


 (K. L. Dhingra)
 Chairman & Managing Director

hudeco



C&AG COMMENTS

COMMENTS OF C&AG
Annexure to the Directors' Report

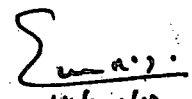
COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS
OF HOUSING AND URBAN DEVELOPMENT CORPORATION LIMITED, NEW
DELHI FOR THE YEAR ENDED 31 MARCH 2007.

(As conveyed vide letter no. सं.ले.प.III/प्रति./अकारन्त्स/18-22/2006-07/1314 dated 14-12-2007 by the office of the Principal Director of Commercial Audit and Ex-Officio Member, Audit Board III, New Delhi.)

The preparation of financial statements of Housing and Urban Development Corporation Limited, New Delhi 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 them vide their Audit Report dated 25 October 2007.

I, on the 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 Housing and Urban Development Corporation Limited, New Delhi for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' Report under Section 619(4) of the Companies Act, 1956.

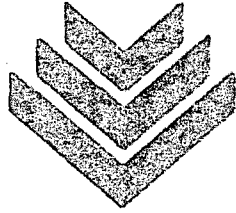
For and on the behalf of the
Comptroller & Auditor General of India


14/12/07
(E.R. Solomon)

Principal Director of Commercial Audit &
Ex-officio Member Audit Board - III,
New Delhi

Place: New Delhi
Dated: December 2007

hudco



ANNUAL ACCOUNTS

**HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2007**

	SCHEDULE	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2008 (Rs. in thousand)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	20,019,000	20,019,000
Reserves and Surplus	B	19,115,929	16,256,287
Loan Funds			
Secured Loans	C	2,170,374	2,251,128
Unsecured Loans	D	201,655,651	212,363,022
Deferred Tax Liabilities (Net)		2,059,130	1,716,319
		<u>245,020,084</u>	<u>252,605,758</u>
APPLICATIONS OF FUNDS			
Fixed Assets			
Gross Block		1,322,157	1,198,812
Less: Depreciation		621,759	588,332
Net Block		<u>700,398</u>	<u>610,280</u>
Capital Work In Progress		69,449	10,181
	E	<u>769,847</u>	<u>620,441</u>
Investments	F	<u>24,504,975</u>	<u>24,857,307</u>
Loans	G	211,438,417	213,487,575
Current Assets, Other Loans and Advances			
Sundry Debtors	H	10,115	7,368
Cash & Bank Balances	I	16,072,447	19,576,657
Other Current Assets	J	2,552,655	2,198,220
Other Loans & Advances	K	3,907,943	3,855,511
		<u>22,543,160</u>	<u>25,635,758</u>
Less:			
Current Liabilities & Provisions			
Current Liabilities	L	12,791,288	10,802,323
Provisions	M	1,797,702	1,569,903
		<u>14,588,970</u>	<u>12,372,308</u>
Net Current Assets		<u>7,954,190</u>	<u>13,263,450</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Financial Charges on Bonds, Public Deposits and Term Loans		352,653	376,983
		<u>352,653</u>	<u>376,983</u>
		<u>245,020,084</u>	<u>252,605,758</u>

Significant Accounting Policies
Notes to Accounts

S
T

Note : The Schedules referred to above form an integral part of the Balance Sheet.

For and on behalf of the Board



M K Gupta
Company Secretary




T Prabakaran
Director Finance



K L Disingra
Chairman & Managing
Director

As per our separate report of even date attached

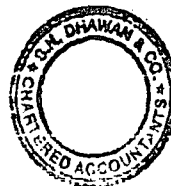
For S R Dhawan & Co.
Chartered Accountants


Suresh Seth
Partner

Membership No. 10577

Place : New Delhi

Dated : 25 OCT 2007



HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007

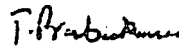
SCHEDULE	Year ended 31st March, 2007 (Rs. in thousand)	Year ended 31st March, 2006 (Rs. in thousand)	
INCOME			
Income from Loans, Investments, Deposits & Others	N	26,082,184	22,973,227
Other Income		20,453	7,914
Provision on investment written back		-	6,605
Total		26,102,637	22,987,746
EXPENDITURE			
Interest and financial charges	O	17,837,819	16,715,065
Penal Interest/Prepayment charges waived off		1,628,247	826,802
Payment to and provision for employees	P	516,734	485,779
Administrative and other expenses	Q	227,386	262,538
Depreciation		47,422	45,855
Provision on loans, debtors/recoverables and other loans & advances		1,050,554	849,342
Provision on investment		25,080	-
Total		21,433,252	19,185,381
Profit before tax		4,669,385	3,802,365
Prior period adjustments (net)	R	(16,672)	18,709
Provision for taxation		-	-
- Current Tax / Wealth Tax		(1,200,000)	(1,261,200)
- Deferred Tax - Current year		(342,811)	208,319
- Fringe Benefit Tax		(9,000)	(8,300)
Adjustment of tax for earlier years (Net)		(17,151)	(157,506)
Profit after tax		3,083,781	2,602,387
Add: Transferred from Special Reserve		218,733	27,738
Add: Transferred from Bonds Redemption Reserve		3,855	4,842
Add: Transferred from Welfare Reserve		42,443	-
		3,348,782	2,634,965
Add: Balance brought forward from previous year		821,211	-
Profit available for appropriation		4,269,993	2,634,965
APPROPRIATION			
Interim Dividend		-	398,777
Proposed Final Dividend	208,798	-	-
		208,798	398,777
Dividend Tax		35,145	55,648
Transferred to Special Reserve		2,050,000	950,000
General Reserve		700,000	-
Transferred to Welfare Reserve		23,328	311,329
Balance carried to Balance Sheet		1,254,728	921,211
		4,269,993	2,634,965
Earning per Share (Face value Rs. 1000)		154.04	130.00
Basic / Diluted (Rs.)			
Significant Accounting Policies	S		
Notes to Accounts	T		

Note : The Schedules referred to above form an integral part of the Profit & Loss Account.

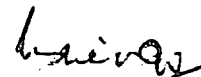
For and on behalf of the Board



M K Gupta
Company Secretary



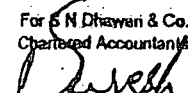
T Prabhakar
Director Finance



K L Dhirga
Chairman &
Managing Director

As per our separate report of even date attached

For S N Dhillon & Co.
Chartered Accountants


Surash Sath
Partner
Membership No 10577

Place : New Delhi
Dated : 25 OCT 2007



Schedules A to T
Annexed to and forming part of the Accounts

**SCHEDULE A
SHARE CAPITAL**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Authorised		
25,000,000 equity shares of Rs.1000/- each (previous year 25,000,000 equity shares of Rs.1000/- each)	<u>25,000,000</u>	<u>25,000,000</u>
Issued, Subscribed and Paid up		
20,019,000 equity shares of Rs.1000/- each fully paid up (previous year 20,019,000 equity shares of Rs.1000/- each fully paid up)	<u>20,019,000</u>	<u>20,019,000</u>
	<u>20,019,000</u>	<u>20,019,000</u>



**SCHEDULE B
RESERVES AND SURPLUS**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
KfW Reserve		
Balance from previous year	433,231	405,634
Add : Transferred during the year	17,832	27,597
	<u>451,063</u>	<u>433,231</u>
Special Reserve		
(a) Created (u/s 36(1)(viii) of the Income Tax Act, 1961 upto Financial Year 1996-97)		
Balance from previous year	1,817,490	1,817,490
(b) Created and Maintained (u/s 36(1)(viii) of the Income Tax Act, 1961 from Financial Year 1997-98 onwards)		
Balance from previous year	11,469,281	10,547,017
Less: Transferred to Profit and Loss Account *	218,733	27,736
Add: Transferred from Profit and Loss Appropriation Account	2,050,000	950,000
	<u>13,300,548</u>	<u>11,469,281</u>
	<u>15,118,038</u>	<u>13,286,771</u>
Bonds Redemption Reserve		
Balance from previous year	1,225,086	1,229,908
Less: Transferred to Profit and Loss Account	3,855	4,842
	<u>1,221,211</u>	<u>1,225,066</u>
General Reserve		
Balance from previous year	-	-
Add: Transferred from Profit and Loss Appropriation Account	700,000	-
	<u>700,000</u>	<u>-</u>
Welfare Reserve		
Balance from previous year	390,008	78,679
Less: Transferred to Profit and Loss Account	42,443	-
Add: Transferred from Profit and Loss Appropriation Account	23,326	311,329
	<u>370,891</u>	<u>390,008</u>
Transfer from P & L Account		
Surplus		
Balance from previous year	921211	-
Less: Transferred to Profit & Loss Account	921211	-
	<u>-</u>	<u>-</u>
Surplus, balance in Profit and Loss Account	<u>1,254,726</u>	<u>921,211</u>
	<u>1,254,726</u>	<u>921,211</u>
	<u>19,115,929</u>	<u>16,256,287</u>

* Being the excess Reserve created where Income Tax Assessments are completed till 31.03.2004.



**SCHEDULE C
SECURED LOANS**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Loan from Bank		
Bank of India *	1,302,374 #	1,351,128
	<u>1,302,374</u>	<u>1,351,128</u>
Special Priority Sector Bonds ##		
SPS Bond Series A, B & C (Bank of India) **	868,000	900,000
	<u>868,000</u>	<u>900,000</u>
	<u>2,170,374</u>	<u>2,251,128</u>

* Secured by lien over Certificate of Deposit for US \$ 26.047 million placed under swap arrangement with Bank of India, Cayman Islands Branch, New York. The deposits are co-terminus with the loan maturity schedule of the underlying ADB loan.

** Bonds secured by lien over Certificate of Deposit for US \$ 17.365 million placed under swap arrangement with Bank of India, Cayman Islands Branch, New York. The deposits are co-terminus with the loan maturity schedule of the underlying ADB loan.

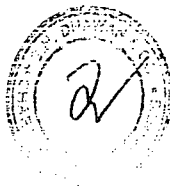
Repayable from 01.04.2007 to 10.06.2022.

The repayment dates for SPS bonds series A, B & C is semi annual: for Series A from 10.12.2002 to 10.06.2008, for series B from 10.12.2008 to 10.06.2015 and for series C from 10.12.2015 to 10.06.2022.



**SCHEDULE D
UNSECURED LOANS**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
DEBENTURES * ###		
Subscribed by Banks, Companies & Trusts		
11.50% Repayable on 15.08.2008	275,000	275,000
11.50% Repayable on 12.10.2008	300,000	300,000
11.50% Repayable on 20.12.2008	180,000	180,000
11.50% Repayable on 26.05.2009	400,000	400,000
11.50% Repayable on 31.08.2009	410,000	410,000
11.50% Repayable on 26.06.2010	300,000	300,000
11.50% Repayable on 05.10.2010	400,000	400,000
11.50% Repayable on 25.09.2011	350,000	350,000
12.00% Repayable on 07.01.2012	420,000	420,000
12.30% Repayable on 27.03.2008	830,000	830,000
13.00% Repayable on 21.09.2007	350,000	350,000
13.00% Repayable on 25.11.2007	300,000	300,000
	<u>4,515,000</u>	<u>4,515,000</u>
BONDS ###		
Hudco Bonds Series		
Non-cumulative		
13.50% Taxable (VII) Paid on 31.03.2007 # *	-	520,000
13.00% Taxable (IX-B) Repayable on 15.09.2007 #	1,312,000	1,312,000
13.75% Taxable (XI-B) Repayable on 10.08.2008 #	350,000	350,000
13.75% Taxable (XI-D) Repayable on 01.09.2008 #	520,000	520,000
10.25% Tax free (XII-B) Repayable on 08.01.2009 #	350,000	350,000
12.50% Taxable (XIII-C) Repayable on 26.03.2009 #	200,000	200,000
12.25% Taxable (XIV-A) Paid on 08.09.2006 #	-	1,783,800
12.50% Taxable (XIV-B) Repayable on 08.09.2009 #	570,000	570,000
7.99% Tax free (XV-A) Paid on 29.03.2007 #	-	1,000,000
8.25% Tax free (XV-B) Repayable on 29.03.2010 #	500,000	500,000
11.00% Taxable (XVI-A) Paid on 31.03.2007 #	-	365,000
11.25% Taxable (XVI-B) Repayable on 31.03.2010 #	353,000	353,000
8.25% Tax free (XVII-A) Repayable on 19.09.2010 #	615,000	615,000
8.25% Tax free (XVII-B) Repayable on 28.09.2010 #	300,000	300,000
8.25% Tax free (XVII-C) Repayable on 15.03.2011 #	85,000	85,000
11.85% Taxable (XVIII-B) Repayable on 19.09.2007 #	349,500	349,500
12.40% Taxable (XVIII-C) Repayable on 19.09.2010 #	110,000	110,000
11.85% Taxable (XVIII-E) Repayable on 28.09.2007 #	35,000	35,000
12.40% Taxable (XVIII-F) Repayable on 28.09.2010 #	247,800	247,800
12.00% Taxable (XIX-C) Repayable on 19.01.2011 # @@	1,869,800	1,869,800
10.30% Taxable (XX-A) Paid on 20.07.2006	-	1,666,500
10.65% Taxable (XX-B) Repayable on 20.07.2008	268,000	268,000
11.15% Taxable (XX-C) Repayable on 20.07.2011	4,440,600	4,440,600
8.40% Tax free (XXI-A) Paid on 30.01.2007	-	400,000
9.00% Tax free (XXI-B) Repayable on 30.01.2012	400,000	400,000
9.00% Taxable (XXII-A) Paid on 28.03.2007	-	590,000
9.75% Taxable (XXII-C) Repayable on 28.03.2012	30,000	30,000
9.25% Taxable (XXIII-A) Paid on 27.03.2007	-	151,000
9.60% Taxable (XXIII-B) Repayable on 27.03.2009	87,000	87,000
10.00% Taxable (XXIII-C) Repayable on 27.03.2012	3,125,500	3,125,500
9.25% Taxable (XXIV-A) Paid on 28.03.2007	-	178,500
9.60% Taxable (XXIV-B) Repayable on 28.03.2009	583,500	583,500
10.00% Taxable (XXIV-C) Repayable on 28.03.2012	731,000	731,000
9.00% Taxable (XXV-A) Repayable on 28.06.2007	250,000	250,000
9.75% Taxable (XXV-B) Repayable on 28.06.2012	1,650,000	1,650,000
10.00% Taxable (XXV-C) Repayable on 28.06.2014	2,100,000	2,100,000
7.60% Taxable (XXVI) Repayable on 20.01.2013 @	2,500,000	2,500,000
6.45% Taxable (XXVII) Repayable on 04.03.2013 @	35,000	35,000
7.10% Taxable (XXVIII) Repayable on 06.03.2013 @	320,000	320,000
7.40% Taxable (XXIX-A) Repayable on 06.03.2013 @	474,000	474,000
7.60% Taxable (XXIX-B) Repayable on 06.03.2013 @	394,000	394,000



7.80% Taxable (XXIX-C) Repayable on 06.03.2013	624,000	624,000
6.15% Tax free (XXX) Repayable on 08.03.2013 # @	300,000	300,000
7.10% Taxable (XXXI-A) Repayable on 31.03.2013 @	15,000	15,000
7.30% Taxable (XXXI-B) Repayable on 31.03.2013 @@	10,000	10,000
7.50% Taxable (XXXI-C) Repayable on 31.03.2013	454,000	454,000
7.10% Taxable (XXXI-D) Repayable on 31.03.2013 @@	70,000	70,000
7.30% Taxable (XXXI-E) Repayable on 31.03.2013	25,000	25,000
6.10% Tax free (XXXII-A) Repayable on 31.03.2013 # @	30,000	30,000
6.50% Tax free (XXXII-B) Repayable on 31.03.2013 #	35,000	35,000
6.70% Taxable (XXXIII-A) Repayable on 29.08.2013 @	6,886,000	6,886,000
6.80% Taxable (XXXIII-B) Repayable on 29.08.2013 @@	1,380,000	1,380,000
6.90% Taxable (XXXIII-C) Repayable on 29.08.2013	1,943,000	1,943,000
5.15% Tax free (XXXIV) Repayable on 31.03.2014	500,000	500,000
7.00% Taxable (XXXVI-A) Repayable on 29.03.2012 \$\$\$	772,000	772,000
7.20% Taxable (XXXVI-B) Repayable on 29.03.2012 @	45,000	45,000
7.30% Taxable (XXXVI-C) Repayable on 29.03.2012	985,000	985,000
7.30% Taxable (XXXVII-A) Repayable on 20.01.2016 @	346,000	346,000
7.50% Taxable (XXXVII-B) Repayable on 20.01.2016 @@	168,000	168,000
7.80% Taxable (XXXVII-C) Repayable on 20.01.2016	5,900,000	5,900,000
Gsec. + 18 bps Taxable (XXXVIII) Paid on 20.09.2006	-	2,850,000
8.05% Taxable (XXXIX-A) Repayable on 29.03.2016 @	176,000	176,000
8.12% Taxable (XXXIX-B) Repayable on 29.03.2016 @@	19,000	19,000
8.35% Taxable (XXXIX-C) Repayable on 29.03.2016	1,604,000	1,604,000
8.60% Taxable (1-A) 2006-07 Repayable on 29.08.2016 \$\$\$	382,000	-
8.85% Taxable (1-B) 2006-07 Repayable on 29.08.2016 @	145,000	-
9.10% Taxable (1-C) 2006-07 Repayable on 29.08.2016 @@	87,000	-
9.30% Taxable (1-D) 2006-07 Repayable on 29.08.2016	1,288,000	-
8.65% Taxable (2-A) 2006-07 Repayable on 29.11.2016 \$\$\$	2,030,000	-
8.75% Taxable (2-B) 2006-07 Repayable on 29.11.2016 @	270,000	-
9.05% Taxable (2-C) 2006-07 Repayable on 29.11.2016	3,698,000	-
10.65% Taxable 2001 (SD-I) Paid on 20.07.2006 @	-	1,000,000
10.00% Taxable 2001 (SD-II) Paid on 31.10.2006	-	500,000
9.50% Taxable 2001 (SD-III) Paid on 30.01.2007	-	500,000
9.25% Taxable 2002 (SD-I) Paid on 27.03.2007	-	690,000
9.00% Taxable 2002 (SD-III) Repayable on 28.06.2007	500,000	500,000
7.40% Taxable 2003 (SD-I) Repayable on 05.03.2013 @	1,000,000	1,000,000
7.90% Taxable 2003 (SD-II) Repayable on 31.03.2013	4,700,000	4,700,000
7.70% Taxable 2003 (SD-III) Repayable on 27.03.2013 @@	1,459,000	1,459,000
7.90% Taxable 2003 (SD-IV) Repayable on 28.03.2013	500,000	500,000
7.35 % Taxable 2003 (SD-V) Repayable on 31.07.2013 #	3,500,000	3,500,000
1Year G.Sec.+ 35bps Taxable 2005 (SD-I) Paid on 01.04.2006	-	2,180,000
7.95 % Taxable 2006 (SD-I) Repayable on 20.07.2011	5,000,000	5,000,000
8.30 % Taxable 2006 (SD-II) Repayable on 28.04.2013	5,000,000	5,000,000
	<u>76,991,700</u>	<u>83,466,500</u>

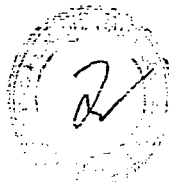
HUDCO Gujarat Punarnirman Special Taxfree Bonds

8.50% Tax free Bond Series (I-A) Paid on 06.03.2007	-	834,000
8.75% Tax free Bond Series (I-B) Repayable on 06.03.2009	161,000	161,000
9.25% Tax free Bond Series (I-C) Repayable on 06.03.2012	1,309,500	1,309,500
8.00% Tax free Bond Series (II-A) Paid on 28.03.2007	-	435,000
8.40% Tax free Bond Series (II-B) Repayable on 28.03.2009	56,500	56,500
9.00% Tax free Bond Series (II-C) Repayable on 28.03.2012	1,486,500	1,486,500
5.80% Tax free Bond Series (III-A) Repayable on 08.03.2010 # @	50,000	50,000
5.90% Tax free Bond Series (III-B) Repayable on 08.03.2013 # @@	75,000	75,000
6.40% Tax free Bond Series (IV-A) Repayable on 08.03.2013 # @	550,000	550,000
6.80% Tax free Bond Series (IV-B) Repayable on 08.03.2013 #	160,000	160,000
	<u>3,848,500</u>	<u>5,117,500</u>

Infrastructure Bonds # \$

(Repayable on expiry of 10th year
from the date of allotment on 24.04.1997)
15.00% p.a.

2,442,423	2,450,133
<u>2,442,423</u>	<u>2,450,133</u>



Bonds (Short term)		
HUDCO STML Bonds		
8.20% Bonds series-II (2006-07)		
(Repayable on 28.09.2007)		
	5,000,000	-
	<u>5,000,000</u>	<u>-</u>
Bonds - Subordinated Debt under Tier - II Capital # ^^		
Redeemable Bonds of Rs. 1,00,00,000 each		
Repayable at par on 27.03.2012		
	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
	<u>93,282,623</u>	<u>96,034,133</u>
LOANS FROM GOVERNMENT OF INDIA UNDER :		
Line of credit from KfW		
(Repayable after 22 years from the date of drawal)		
5.75% (net) p.a.		
	529,645	529,645
	<u>529,645</u>	<u>529,645</u>
LOAN FROM FINANCIAL INSTITUTIONS :		
General Insurance Corporation		
of India & its four subsidiaries #		
(Repayable within 16th year from the date		
of drawal)		
6.25% p.a. (net)		
	2,870,066	3,717,702
	<u>2,870,066</u>	<u>3,717,702</u>
Life Insurance Corporation of India #		
(Repayable from 2nd to 16th year from the date of drawal)		
6.25% p.a.		
	6,133,333	7,800,000
	<u>6,133,333</u>	<u>7,800,000</u>
	<u>9,003,399</u>	<u>11,517,702</u>
LOAN FROM VARIOUS BANKS		
Against Banking Sector Fund # @@@		
(Repayable within 16 years from the date of drawal)		
3.99% p.a.	-	250
4.00% p.a.	30,250	123,682
5.80% p.a.	-	3,999,997
6.00% p.a.	-	350,000
6.83% p.a.	4,781,243	6,174,993
6.90% p.a.	18,750	253,768
7.00% p.a.	1,880,720	2,373,576
7.37% p.a.	401,750	549,750
7.46% p.a.	118,419	161,419
7.50% p.a.	4,857,144	1,000,000
7.60% p.a.	1,000,000	1,000,000
8.00% p.a.	950,000	-
8.50% p.a.	6,918,600	-
8.55% p.a.	3,000,000	-
8.90% p.a.	500,000	-
9.25% p.a.	4,500,000	-
Term Loan From Banks (PLR)	<u>35,441,044</u>	<u>49,712,456</u>
	<u>64,445,920</u>	<u>65,699,891</u>
Against Banking Sector Fund (Short Term)		
(Repayable within one year)		
5.80% p.a.	-	2,500,000
6.95% p.a.	3,000,000	-
7.50% p.a.	-	250,000
7.55% p.a.	275,000	-
Term Loan From Banks (Float)	<u>-</u>	<u>4,000,000</u>
	<u>3,275,000</u>	<u>6,750,000</u>
	<u>67,720,920</u>	<u>72,449,891</u>
PUBLIC DEPOSITS		
	19,815,176	19,053,326
	<u>19,815,176</u>	<u>19,053,326</u>



INTEREST BEARING CASH SECURITIES

35,951	46,508
<u>35,951</u>	<u>46,508</u>

LOANS IN FOREIGN CURRENCY

Loan from JBIC *

(Repayable from January 2006 to July 2023)

- Swapped in two tranches with SBI ##

1,988,920

2,937,641

Less: Amount receivable from SBI

26,051

1,988,920

- Unswapped portion of JBIC

646,068

2,634,9882,911,590

Loan from Asian Development Bank *

6 months LIBOR for US \$ + 0.40% p.a.**

3,776,349 ***

3,963,627

3,776,3493,963,627

Loan from US Capital Market

(Guaranteed by USAID & Counter Guaranteed by Canara Bank)

(Repayable from March 2010 to September 2029)

6 months LIBOR for US \$ + 0.18% p.a. (USAID-1) ***

436,000

436,000

(Repayable from March 2011 to September 2030)

6 months LIBOR for US \$ + 0.035% p.a. (USAID-2) \$\$

905,600

905,600

1,341,6001,341,6007,752,9378,216,817201,655,651212,363,022

* Guaranteed by Central Government as to the repayment of principal & interest.

** Hudco has received a loan of US \$ 100 million from ADB out of which US \$ 50 million (received during the years 1997-98 and 1998-99) has been placed as deposit as per arrangement with Bank of India, Cayman Islands Branch, USA. The deposits are co-terminus with the loan maturity schedule of the underlying ADB loan. The balance US \$ 50 million (received during the year 1999-2000) has been swapped with EXIM Bank and under the arrangement EXIM Bank has subscribed to 12.75% Special Priority Sector Bonds (II) (rate of interest for the next 7 years reset to 12.50% w.e.f. 15.12.2006) for Rs. 217 crore which are co-terminus with the loan maturity schedule of the underlying ADB loan. Repayment of the above ADB loan and redemption of the corresponding deposit / swap has started w.e.f. 15.12.2002 as per the amortisation schedule(s).

*** Under the swap arrangement with EXIM Bank, HUDCO has remitted US \$ 10 million to EXIM Bank against which EXIM Bank has subscribed to 12.75% Hudco Special Infrastructure Bonds (II) (rate of interest for the next 7 years reset after to 12.50% w.e.f. 23.09.2006) amounting to Rs. 43.60 crore which are co-terminus with the loan maturity schedule of the underlying USAID guaranteed loan.

Covered by irrevocable power of attorney in favour of lenders / trustee. Loans from Banking Sector are covered by irrevocable Power of Attorney to the extent of Rs. 1155.23 crore.

Swapped with SBI in two tranches of JPY 1530 million (for 10 years upto 18.09.2008) and JPY 3792.90 million (for 10 years upto 16.10.2010) against Rupee funds of Rs. 48 crore @ 12.95% p.a. and Rs. 162.80 crore @ PLR + 0.65% p.a. respectively.

Debentures and bonds are redeemable at par.

\$ Infrastructure bonds (series I) is redeemable at the expiry of 10th year from the date of allotment i.e. on 24.04.2007. Individual investors have the option to get the bonds redeemed at the end of 5th year from the date of allotment and all the investors have the option to get the bonds redeemed at the end of 7th year from the date of allotment. This option was exercised by investors during 2006-07 to the extent of Rs. 0.7710 crore.

\$\$ Hudco has raised loan of US \$ 20 million from the US Capital Market, which has been swapped with ICICI Bank Ltd. in two tranches of US \$ 10 million each against fixed Rupee amounts of Rs. 45.28 crore each. The first swap is a principal-only swap @ 0.37% p.a., while the second swap is a full currency swap @ 4.72% p.a. for periods upto 12.11.2008 & 15.09.2008 respectively.

\$\$\$ Put and call option at the end of 3rd year from the date of allotment.

@@ Put and call option at the end of 5th year from the date of allotment

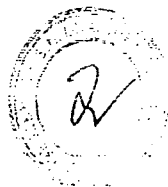
@@@ Put and call option at the end of 7th year from the date of allotment

@@@ Includes Rs. 387.29 crore (US \$ 88.84 million) as loans from banks against FCNR Deposits.

^ Put option at the end of 7th year.

^^ Converted to Tier II Capital on 30.03.2004 from 10.15% Taxable 2002 (SD - II) bonds repayable on 27.03.2012.

^^^ Repayable from 01.04.2007 to 15.06.2022.



A/C-10

SCHEDULE E FIXED ASSETS												
ITEMS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK			
	Cost as at 1.4.2006	Addition during the year	Adjustments		Total Cost as at 31.03.2007	As at 1.4.2006	For the year	Adjustments		Total as at 31.03.2007	As at	As at
			Addition	Deduction				Addition	Deduction		31.03.2007	31.3.2006
Land (Freehold)	8,490	-	-	-	8,490	-	-	-	-	-	8,490	8,490
Land (Leasehold) *	94,143	-	-	-	94,143	15,473	1,122	-	-	16,595	77,548	70,670
Building **	543,357	120,317	-	-	663,674	207,409	19,985	-	-	227,394	436,280	335,948
Flat	210,166	-	-	-	210,166	84,287	6,294	-	-	90,581	119,585	125,379
Airconditioner & Cooler	15,457	539	-	345	15,651	9,464	859	-	293	10,050	5,601	6,973
Office Equipments #	233,820	14,732	-	14,539	234,013	195,064	14,180	-	13,975	195,269	38,744	38,758
Furniture & Fixtures	39,986	963	-	30	40,919	27,327	2,343	-	28	29,642	11,277	10,659
Vehicle	16,503	-	-	-	16,503	12,295	1,114	-	-	13,409	3,094	2,208
Library Books	7,419	270	-	2	7,687	7,419	270	-	2	7,687	-	-
Miscellaneous Assets	32,088	1,332	-	97	33,323	32,063	1,332	-	97	33,323	-	-
	1,201,429	138,153	-	15,013	1,324,569	590,845	47,499	-	14,395	623,950	700,619	610,563
Less : Grants												
Building	13	-	-	-	13	9	-	-	-	9	4	-
Air Conditioner	301	-	-	-	301	258	2	-	-	290	11	16
Office Equipment	2,418	-	-	405	2,013	2,132	75	-	400	1,807	206	288
Furniture & Fixtures	10	-	-	-	10	10	-	-	-	10	-	-
Library Books	2	-	-	-	2	2	-	-	-	2	-	-
Miscellaneous Assets	73	-	-	-	73	73	-	-	-	73	-	-
	2,817	-	-	405	2,412	2,514	77	-	400	2,191	221	303
	1,198,612	138,153	-	14,608	1,322,157	588,332	47,422	-	13,995	621,759	700,398	610,260
Capital Work-in-Progress	10,161	59,299	-	11	69,449	-	-	-	-	-	69,449	10,161
As At 31.03.2007	1,208,773	197,452	-	14,619	1,391,606	588,332	47,422	-	13,995	621,759	769,847	620,411
As At 31.03.2006	1,194,006	32,471	23	17,727	1,208,773	547,949	45,855	13	5,485	588,332	620,441	-

- * Includes land of Rs 0.09 crore on perpetual lease (Previous year Rs 0.09 crore) hence no depreciation has been provided.
- ** Includes leasehold building gross block of Rs. 65.28 crore (Previous year Rs. 53.26 crore), total depreciation of Rs. 22.00 crore (Previous year Rs. 20.02 crore) and net block of Rs. 43.28 crore (Previous year Rs. 33.22 crore) as on 31.03.2007.
- # Includes Intangibles assets gross block of Rs. 1.60 crore (Previous year Rs. 1.60 crore), amortisation during the year Rs. 0.09 crore (Previous year Rs. 0.31 crore) total amortisation of Rs. 1.59 crore (Previous year Rs. 1.50 crore) and net block of Rs. 0.01 crore (Previous year Rs. 0.10 crore) as on 31.03.2007.



**SCHEDULE F
INVESTMENTS**

			As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Equity Shares (Long Term) (Trade Investor	49,719			49,719
Less: Provision	30,094			5,004
			19,625	44,715
Equity Shares (Long Term) - Joint Venture			23,900	23,812
Bonds			24,461,450	24,788,780
			<u>24,504,975</u>	<u>24,857,307</u>
Aggregate of quoted Investments:				
Cost			26,000	26,000
Market value			37,475	27,190
Aggregate of unquoted Investments				
Cost			<u>24,509,069</u>	<u>24,836,311</u>
Quoted Investments				
Equity Shares				
	Number	Face Value (Rs.)	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Indbank Housing Ltd.	2,50,000	10	25,000	25,000
Bhagyanagar Wood Plast Ltd.	100,000	10	1,000	1,000
Total Quoted			<u>26000</u>	<u>26000</u>
Unquoted Investments				
(A) Equity Shares				
	Number	Face Value (Rs.)	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
TN Urban Finance Infrastructure Dev. Corpn. Ltd.	20,000	100	2,000	2,000
Cent Bank Home Finance Ltd.	170,000	100	17,000	17,000
Intra Consolid (India) Ltd.	100,000	10	1,000	1,000
Nagarjuna Ceramics Ltd. *	100,000	10	1,000	1,000
Marmite Polycast Ltd.	100,000	10	1,000	1,000
Perwal Bricks Ltd.	100,000	10	1,000	1,000
Trans Fibre Pipes (I) Ltd.	71,900	10	719	719
			<u>23,719</u>	<u>23,719</u>
(B) Equity Shares - Joint Venture				
Pragati Social Infrastructure & Development Ltd.	130,000	10	1,300	1,212
MCM Infrastructure Private Ltd.	260,000	10	2,600	2,600
Shristi Urban Infrastructure Development Ltd.	1,999,990	10	20,000	20,000
			<u>23,900</u>	<u>23,812</u>
(C) Bonds				
	Rate of Interest (%)	Number	Face Value (Rs.)	As at 31st March, 2007 (Rs. in thousand)
				As at 31st March, 2006 (Rs. in thousand)
Karnataka Ren. Energy Development Ltd. **	14.00	5,820	100,000	576,180
TAPI Irrigation Development Corporation #	11.00	17,500	100,000	1,750,000
Gujarat Electricity Board	11.50	25,000	100,000	2,500,000
West Bengal Infrastructure Dev. Finance Corpn. Ltd.	11.85	25,000	100,000	2,500,000
West Bengal Infrastructure Dev. Finance Corpn. Ltd.	8.00	50,000	100,000	5,000,000
West Bengal Infrastructure Dev. Finance Corpn. Ltd.	8.00	2,000	1,000,000	2,000,000
Vidarbha Irrigation Development Corporation	11.00	10,000	100,000	1,000,000
Godawari Marathwada Irrigation Development Corpn.	11.00	5,000	100,000	500,000
EDC Ltd.	10.50	3,000	100,000	300,000
HP Infrastructure Development Board	11.30	20,000	100,000	2,000,000
J & K Power Development Corporation Ltd.	11.10	15,000	100,000	1,500,000
A P Power Finance Corporation Ltd.	8.15	2,700	1,000,000	2,700,000
Maharashtra Jeevan Pradhikaran	8.00	2,000	1,000,000	2,000,000
Maharashtra Jeevan Pradhikaran ##	11.50			135,270
				<u>24,461,450</u>
				<u>24,509,069</u>

* Since certification for conversion has not received back

** Held with J & K Bank Depository Services which are showing a balance of Rs. 17,50,000.00. Face Value against Rs. 17,50,000.00 reported in FY 2007 books. The difference is because of redemption of bonds the intimation of which was not given by KREDL to J & K Bank Depository Services.

Details are given in Bond Certificates held and purchased from Note No. 10 of Schedule 11.



**SCHEDULE G
LOANS**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Loans		
Opening Balance	220,501,348	215,507,261
Add : Advanced during the year	34,524,051	37,665,243
Less: Repayment received during the year	<u>35,622,957</u>	<u>32,671,158</u>
	219,402,430	220,501,348
Less : KW Releases	440,248	508,569
Less : Excess amount (Pending adjustment)	<u>1,129</u>	<u>179</u>
	218,961,053	219,992,578
Less : Provision on loans	<u>8,687,977</u>	<u>7,641,287</u>
	210,273,076	212,351,291
Add : Interest accrued on above	<u>1,165,341</u>	<u>1,136,284</u>
	<u>211,438,417</u>	<u>213,487,575</u>
Loans & advances considered good in respect of which the company is fully secured by mortgage.	49,954,715	39,644,279
Loans & advances considered good in respect of which the company holds guarantees from Government / Banks.	94,447,359	103,575,155
Loans & advances to Central & State Government departments considered good for which the company holds no security (The Government guarantee is considered implicit).	64,449,199	68,082,942
Loans & advances considered good for which the company holds no security other than the debtor's personal security	<u>2,587,144</u>	<u>2,185,199</u>
	<u>211,438,417</u>	<u>213,487,575</u>



**SCHEDULE H
SUNDRY DEBTORS**

	As at 31st March, 2007 <u>(Rs. in thousand)</u>	As at 31st March, 2006 <u>(Rs. in thousand)</u>
Unsecured, considered good		
Debts outstanding for a period exceeding six months	4,672	1,389
Other debts	<u>5,443</u>	5,979
	10,115	
Unsecured, considered doubtful		
Debts outstanding for a period exceeding six months	10,297	10,297
Less : Provision for Debtors	<u>10,297</u>	10,297
	<u>10,115</u>	<u>7,368</u>



**SCHEDULE I
CASH & BANK BALANCES**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Cash and Revenue stamps in hand	535	313
Imprest	71	5
Demand Drafts in hand	35	183
Stamps in hand (including franking machine balance)	56	79
Remittance in transit(Inter office)	15,193	2,748
Deposit Account		
- Scheduled Banks - Indian Branches *	12,913,124	13,218,685
- Scheduled Banks - Foreign Branches **	<u>1,892,349</u>	<u>2,009,127</u>
	14,805,473	
Current Account		
- Scheduled Banks - Indian Branches *	1,251,084	3,827,846
Balance with Reserve Bank of India	-	517,671
	<u>16,072,447</u>	<u>19,576,657</u>

* Includes Rs. 60 crore (Previous year Rs. 70 crore) in the Deposit account and Rs. 0.81 crore (Previous year Rs. 0.15 crore) held under No-lien account of Andrews Ganj Project.

** Under lien with Bank of India, Cayman Islands Branch, USA.



**SCHEDULE J
OTHER CURRENT ASSETS**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Interest accrued on:		
Bonds	1,046,586	653,554
Fixed Deposit with Scheduled Bank- Indian Branches *	36,806	25,440
Deposit with Scheduled Bank - Foreign Branches	32,759	30,694
	<u>1,116,151</u>	<u>709,688</u>
Work-in-Progress		
Opening balance	1,168,606	937,183
Add: Work done during the year		
- Andrews Ganj project		
- Consultancy fees	544	-
- Civil work	123,196	231,387
- Other expenses	36	36
	<u>123,776</u>	<u>231,423</u>
Closing Work In Progress	<u>1,292,382</u>	<u>1,168,606</u>
Work Completed	316,611	289,326
Less: Adjustment during the year	172,489	-
Add : Payment made during the year	-	27,285
	<u>144,122</u>	<u>27,285</u>
	<u>144,122</u>	<u>316,611</u>
Others		
- Amount receivable from Government of India under Jabalpur Earthquake Scheme	50,032	50,032
- Reset charges receivable	-	1,315
	<u>50,032</u>	<u>51,347</u>
Less Provision	50,032	50,032
	<u>-</u>	<u>1,315</u>
	<u>2,552,655</u>	<u>2,196,220</u>

* Includes Rs. 1.57 crore (Previous year Rs. 1.64 crore) on Fixed Deposit held under No-lien account of Andrews Ganj Project.



**SCHEDULE K
OTHER LOANS AND ADVANCES**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Staff loans	340,090	345,463
Add : Interest accrued on above	100,977	94,688
	<u>441,067</u>	
Less: Provision	<u>7</u>	7
	<u>441,060</u>	<u>440,144</u>
Loan against Hudco Public Deposit	1,656	1,383
Add : Interest accrued on above	104	77
	<u>1,760</u>	<u>1,460</u>
Others		
Advances for works *	296,270	303,518
Advances recoverable in cash or in kind or for value to be received or pending adjustments:		
Employees	2,042	1,202
Prepaid Expenses	5,310	4,517
Other deposits	2,242	1,841
Advance against capital purchases	24,376	24,376
Advance Income Tax / Fringe Benefit Tax (Including TDS)	1,062,672	1,148,797
Income Tax Payments subject to litigation	1,608,243	1,529,651
Interest Tax Payments subject to litigation	137,312	137,312
Others	334,125	266,298
	<u>3,176,322</u>	
Less : Provision	<u>7,469</u>	3,605
	<u>3,168,853</u>	
	<u>3,907,943</u>	<u>3,855,511</u>
* Includes Rs. 28.70 crore (Previous year Rs.30.03 crore) on account of Andrews Ganj Project.		
Loans & advances considered good in respect of which the company is fully secured by mortgage.	367,219	334,293
Loans & advances considered good in respect of which the company holds guarantees from Government / Banks.	-	-
Loans & advances to Central & State Government departments considered good for which the company holds no security (The Government guarantee is considered implicit).	227,365	247,009
Loans & advances considered good for which the company hold no security other than the debtor's personal security	3,313,359	3,274,209
	<u>3,907,943</u>	<u>3,855,511</u>
Due by Directors of the company	-	881
Due by other officers of the company	46	-
Maximum amount due at any time during the year by Directors of the company	881	961
Maximum amount due at any time during the year by officers of the company	50	20



**SCHEDULE L
CURRENT LIABILITIES**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
Sundry creditors		
Other than Small Scale Industrial Undertakings	8,503	6,294
Others		
Security, Earnest money and other deposits	56,713	3,785
Fees received in advance	47,323	53,321
Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956 will be determined on the respective due dates		
i) Unpaid Debentures	-	-
ii) Unpaid Bonds	47,779	2,990
iii) Unpaid Public Deposits	317,550	59,230
	365,329	
iv) Interest accrued on (i) to (iii) above	368,563	59,375
Front End Fee (R&D) Refundable	85,365	112,490
Amount received in excess from borrowing agencies	22,058	18,754
R & D Capacity Building account	875	2,280
Reset Charges Received in Advance	13,650	3,660
Insurance deposit received from agencies	31	31
Urban Development account	3,522	5,638
KfW R&D account	449,485	435,441
KfW Interest account	83,400	80,079
Amount Received From KfW	1,126,456	1,145,873
Less : KfW Releases	440,248	508,589
	686,208	
Grant received from different Ministries/Agencies	28,816	30,400
Subsidy received from different Ministries/Agencies	80,313	60,403
Amount received from different Ministries/Agencies - Others	218	218
Amount received/receivable against sale of project *	1,170,248	1,174,016
Amount payable to Ministry - AGP	1,242,612	1,201,775
Bank book overdraft in current account	405,070	-
Bank book overdraft with Reserve Bank of India	123,322	-
Amount payable to staff	58,123	39,194
Amount payable to others	382,000	332,258
Stamp Duty Payable	76,135	98,180
Government Guarantee Fee Payable	10,790	10,790
Premium for forward sale contract accrued but not due	285	-
Interest accrued but not due on:		
Secured Loans	29,686	28,214
Unsecured Loans		
- Indian Currency	6,835,885	6,175,578
- Foreign Currency		
- Unswapped	3,678	1,012
- Swapped	153,015	169,582
Others	51	51
	12,791,268	10,802,323

* Includes Rs. 117.02 crore (Previous year Rs. 117.40 crore) being surplus generated in respect of Andrews Ganj Project under execution on behalf of Government of India.



**SCHEDULE M
PROVISIONS**

	As at 31st March, 2007 (Rs. in thousand)	As at 31st March, 2006 (Rs. in thousand)
For Income tax	1,197,000	1,260,000
For Wealth tax	3,000	1,200
For Fringe benefit tax	9,000	8,300
For Leave Encashment	80,579	72,082
For Post-retirement Medical Benefit	268,182	228,401
For Proposed Final Dividend	208,798	-
For Dividend Tax	35,145	-
	<u>1,797,702</u>	<u>1,569,983</u>



SCHEDULE N
INCOME FROM LOANS, INVESTMENTS, DEPOSITS & OTHERS

	Year ended 31st March, 2007 (Rs. in thousand)	Year ended 31st March, 2006 (Rs. in thousand)
Interest on Loans	21,357,468	19,532,950
Interest on Bonds *	2,428,342	2,467,339
Other Income on loans *	418,834	441,022
Other income on Bonds	1,940	2,940
Dividend on equity shares	120	120
Interest on Staff Advances	12,192	11,858
Interest on Loans against Public Deposits	164	245
Interest on Fixed Deposits		
- Scheduled Banks - Indian Branches	1,206,737	368,632
- Scheduled Banks - Foreign Branches	114,053	87,430
	1,320,790	
Overhead charges on construction project	2,481	10,745
Profit on sale of completed project	324,584	-
Consultancy *	90,918	21,429
Management Development Programme *	7,003	8,420
Rental income *	40,082	-
Profit on sales of fixed assets (Net)	-	97
Gain on Foreign Currency fluctuation (Net)	77,288	-
	<u>26,082,184</u>	<u>22,973,227</u>

* Tax Deducted at Source Rs. 46,25,56,613/- (Previous year Rs.42,95,79,370/-).



SCHEDULE O
INTEREST & FINANCIAL CHARGES

	Year ended 31st March, 2007 (Rs. in thousand)	Year ended 31st March, 2006 (Rs. in thousand)
Interest on Secured loans	221,150	207,697
Interest on Unsecured loans	16,719,640	15,432,174
- Indian Currency	27,840	16,813
- Foreign Currency	749,293	752,668
- Unswapped	51,240	56,044
- Swapped	15,159	25,752
Government Guarantees Fee	116,728	120,097
Premium on Forward Sale Contract	-	65,402
Deferred Revenue Expenditure Written Off - Financial Charges	36,771	38,418
Loss on Foreign Currency Fluctuation (net)	17,937,819	16,715,065
Other Expenses on loans	-	-



SCHEDULE P
PAYMENT TO AND PROVISION FOR EMPLOYEES

	Year ended 31st March, 2007		Year ended 31st March, 2008	
	Directors * (Rs. in thousand)	Total	Directors * (Rs. in thousand)	Total
Salaries, Allowances & Other Amenities **	1,123	473,548	1,986	443,558
Group saving linked insurance premium	1	250	1	256
Gratuity **	-	6,463	-	9,105
Insurance **	-	402	-	399
Welfare	-	5,278	-	4,768
Staff development / Training	47	3,534	7	2,703
Contribution to provident fund	164	19,745	115	17,106
Administrative charges	2	411	2	411
Contribution to pension fund	6	6,724	6	7,105
Contribution to benevolent fund	1	379	1	370
	1344	516734	2118	485779

* Included in total.

** Includes provision/payment for directors.



**SCHEDULE Q
ADMINISTRATIVE AND OTHER EXPENSES**

	Year ended 31st March, 2007		Year ended 31st March, 2006	
	Directors * (Rs. in thousand)	Total	Directors * (Rs. in thousand)	Total
ADMINISTRATIVE EXPENSES				
Office rent	-	8,368	-	10,315
Repair & maintenance to Building	-	25,259	-	23,193
Repair & maintenance of other assets	-	9,432	-	10,888
Repair & maintenance of Vehicle	-	4,773	-	4,269
Loss on sale of fixed assets	-	17	-	-
Insurance	-	1,438	-	1,853
Rates & Taxes	-	11,488	-	7,545
Grant in aid / R & D expenditure	-	8,877	-	9,432
Travelling	3,931	28,524	3,026	30,268
Legal & professional fee	-	10,413	-	28,828
Payment to auditors :				
- Audit fees - Current year	-	300	-	300
- Tax Audit Fees	-	150	-	200
- Other matters	-	368	-	471
- Reimbursement of expenses	-	49	-	121
Electricity	-	11,732	-	12,307
Printing & Stationery	-	5,271	-	6,707
Postage, Telegram, Telephone & Telex	-	13,562	-	14,942
Advertisement, Publicity & Sponsorship	-	15,538	-	12,327
Exhibition & Conference (Net) ##	-	1,092	-	2,308
Subscription & Membership	45	2,218	14	1,407
Miscellaneous **	520	48,997	334	50,858
	4,496	205,864	3,374	228,359
OTHER EXPENSES				
Expenses on Consultancy	-	4,795	-	6,073
Expenses on Management Development Programme	-	6,969	-	4,848
Expenses on Research Studies	-	1,055	-	5
Expenses on Completed Project	-	7,228	-	22,908
Waiver of Instalments	-	115	-	197
Early Redemption Expenses	-	1,260	-	150
	-	21,422	-	34,179
	4,496	227,386	3,374	262,538

* Included in total.

** Includes Rs. 54,500/- (Previous year Rs. 19,000/-) on account of sitting fee paid to Directors.

Includes Rs.50,000/- towards fee for previous year.

Tax Deducted at Source Rs. 1,91,185/- (Previous year Rs. 4,19,323/-)



A/C- 23

**SCHEDULE R
PRIOR PERIOD ADJUSTMENTS**

	Year ended 31st March, 2007 (Rs. in thousand)	Year ended 31st March, 2006 (Rs. in thousand)
INCOME		
Salary allowances & other benefits	1	1,385
Interest on Bonds & Other Borrowings	-	96,354
Depreciation	-	402
Financial Charges on Borrowings	-	393
Miscellaneous receipt	1,453	1,998
	<u>1,454</u>	<u>100,532</u>
EXPENDITURE		
Salary allowances & other benefits	52	818
Repairs & Maintenance	414	465
Interest on loan	9,025	34,169
Additional interest (pre-payment)	-	32,449
Interest on borrowings	-	12,364
Rates & Taxes	8,395	-
Depreciation	-	13
Grant in aid	-	1,271
Other Expenses	240	274
	<u>18,126</u>	<u>81,823</u>
Excess of Income over Expenditure / (Expenditure over Income)	(16,672)	18,709



10. Taxation

- (a) Tax expense comprises of current, deferred and fringe benefit tax. Current income tax, wealth tax and fringe benefit tax is measured at the amount expected to be paid to tax authorities in accordance with the Indian Income Tax Act/ Wealth Tax Act.
- (b) In respect of disputed income / interest / wealth tax demands, where the Company is in appeal, provision for tax is made when the matter is finally decided.
- (c) Deferred Tax is recognized, subject to consideration of prudence on timing differences, representing the difference between the taxable income and accounting income that originated in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets and liabilities are measured using tax rates and the tax laws that have been enacted or substantively enacted by the Balance Sheet date.

11. Provisions, Contingent Liabilities and Contingent Assets

- (i) Provisions are recognized for liabilities that can be measured only using a substantial degree of estimation, if :
 - (a) the Company has a present obligation as a result of past event.
 - (b) a probable outflow of resources is expected to settle the obligation and
 - (c) the amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

- (ii) Contingent liability is disclosed in the case of:
 - (a) a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation.
 - (b) a possible obligation, unless the probability of outflow of resources is remote.

Provisions, Contingent Liabilities are reviewed by the management at each Balance Sheet date.

- (iii) Contingent assets are neither recognised nor disclosed.



SCHEDULE- T

NOTES FORMING PART OF THE ACCOUNTS

1) Contingent Liabilities not provided for #:

		(Rs. in crore)	
		2006-2007	2005-2006
A	Claims of Contractors against the Company not acknowledged as debts	18.55	15.23
	Counter claims of the Company	0.92	0.88
B	Brokerage claim for Public Deposit Scheme	0.95	0.89
C	Demands from MCD towards property tax being contested by the Company	2.21	2.21
D	Demand of maintenance charges & reserve fund in respect of office premises.	0.21	0.19
E	Demand (including penalty) on account of payment of guarantee fee on SLR debentures guaranteed by Government of India.	30.09	29.31
F	Disputed Income tax and Interest tax demands. The Company has paid Rs. 172.00 crore (previous year Rs. 164.14 crore) against which the Company has gone in appeal.	179.89	164.17
G	Counter claims of various parties for damages against Company's claim before various Debt Recovery Tribunals	293.10	24.05
H	Estimated amount of commitments remaining to be executed on capital account	8.55	14.03
I	Liability in respect on un-reconciled balances of Banking Sector Loans (Refer Note 4 (b))	0.60	3.66
J	The Company is also liable in respect of some pending legal cases and other matters	Amount unascertainable	Amount unascertainable

Does not include contingent liabilities in respect of Andrews Ganj Project (AGP) executed on behalf of Government of India, arising on account of various court cases/ arbitration/ allottees claims against cancellation of allotment etc. keeping in view that, amounts whenever ascertained/finalised shall be met out of AGP project surplus funds and as such there is no liability of the Company. (Refer Note 10)

- 2) Public deposits aggregating to Rs. 31.75 crore in respect of 561 cases (Previous Year Rs. 5.92 crore in respect of 680 cases) and interest thereon of Rs. 30.94 crore (Previous Year Rs. 1.95 crore) were due and unclaimed as on 31st March, 2007.
- 3) Debentures/Bonds aggregating to Rs. 10.69 crore towards interest and principal (Previous Year Rs. 4.28 crore) were due and unclaimed as on 31st March 2007. An amount of Rs. 0.10 crore (excluding sub-judice amount of Rs. 1.13 crore), which is unclaimed for a period of seven years from the due date of interest payment has since been deposited in "Investor Education and Protection Fund".



- 4) (a) As against the total FCNR (B) / FCTL loan of Rs.387.29 crore (USD 88.84 million) outstanding as on 31.03.2007 (Previous Year Rs. 495 crore/ USD 111.64 million), forward contracts have been taken for Rs.59.90 crore (USD 13.74 million) (Previous Year Rs. 119.53 crore / USD 27.48 million).
- (b) In respect of banking sector loans (Schedule- C & D – Secured & Unsecured loans) amounting to Rs. 6,902.33 crore (Previous Year Rs. 7,380.10 crore), confirmation of balances has been obtained from all the 38 banks (Previous Year 45 banks). Out of this, outstanding balance of Rs. 424.27 crore (Previous Year Rs. 455.98 crore) of 6 Banks (Previous Year 6 banks) have difference (due to debit by banks) of Rs. 0.60 crore (Previous Year Rs. 3.66 crore) and the amount is under reconciliation. Outstanding balance of Rs. 2,530.56 crore (Previous Year Rs.6,584.00 crore) of 10 banks (Previous Year 12 banks) have difference (due to credit by banks) of Rs. 0.43 crore (Previous Year Rs.9.48 crore) and the amount is under reconciliation. Till the matter is resolved the amount of Rs. 0.60 crore has been shown as Contingent Liability.
- 5) The secured and unsecured loans in Schedule-C and D include a sum of Rs. 4,391.73 crore (previous year Rs. 4,609.99 crore) towards repayments due within next 12 months (April 2007 to March 2008).
- 6) Details of various grants/subsidies (net of refunds) as at 31.3.2007 are as under :

a) Receipt and payment of various grants/subsidy

(Rs. in crore)

		Grant/Subsidy Received (Cumulative)	Grant/Subsidy Released (Cumulative)	Utilization certificate Received (Cumulative)	Closing Balance As at 31.03.2007
i)	KFW	37.39	37.18	37.15	0.21
ii)	Building Centre	28.39	24.21	21.47	2.18
iii)	ELCS	302.28	299.87	288.91	2.62
iv)	NRV (Shashu)	41.12	40.72	18.08	0.40
v)	NRV (Training)	17.73	17.71	14.87	0.02
vi)	Night Shelter	18.89	19.80	18.98	0.00
vii)	Boi Medical Waste Management	0.45	0.40	0.48	0.85
viii)	Vemil Compost Plant	0.65	0.72	0.71	0.13
ix)	Vambay -GOI subsidy	929.48	925.23	615.13	4.25
x)	Heritage Project Subsidy (French Govt.) - RF	0.54	0.09	0.00	0.75
	Total	1,376.34	1,365.73	983.70	18.81

b) Non operational grant/subsidy

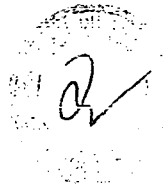
(Rs. in crore)

		Grant/Subsidy Received (Cumulative)	Grant/Subsidy Released (Cumulative)	Closing Balance
i)	Improved Chulaha	0.55	0.39	0.16
ii)	Central Asstt. For Urban Water Supply	1.60	3.23	0.37
	Total	4.15	3.62	0.53



- 7) The lease (sub-lease)/ conveyance deeds in respect of certain properties of the value of Rs. 47.91 crore (previous year Rs. 47.91 crore) are yet to be executed.
- 8) (a) Letters seeking confirmation of year end outstanding balances have been sent to all the borrowers except cases in litigations. Confirmation in some cases is awaited. In some of the cases where agencies have informed different balances, reconciliation is underway.
- (b) In some Loan Accounts, the appropriation of receipts till the financial year 2002-2003 was done based on the details provided by the agencies as against the then accounting practices. Necessary adjustments have been made on reconciliation except in respect of City Industrial Development Corporation, Tamil Nadu Housing Board and Lucknow Development Authority where reconciliation is underway.
- (c) During the year the Company has made an additional provision of Rs. 175 crore (previous year Rs. 75 crore) beyond NHB Norms on loans.
- (d) The Company has undertaken valuation for mortgaged properties in respect of doubtful assets (loans) from the year 2004-2005, through independent Valuers. Valuation Reports of properties covering approximately 99.26 % (previous year 89%) of the value have been received. In 4 cases, (previous year 4 cases), an additional provision of Rs. 2.38 crore (previous year Rs. 3.77 crore) has been made to cover the shortfall. In balance three cases i.e. Saumaya Medicare International Limited (A.P.), Mohini Oracles (Mah.) and Lakshmi Raghuramaia Cooperative Society (A.P.) where valuation report is awaited, action, if any, shall be taken on receipt of the reports.
- (e) At the instance of Government of Kerala the Company had granted a Default Resolution Package to M/s. Cochin International Airport Ltd. (CIAL) and entered into an agreement dated 7.3.2003, according to which, CIAL had agreed to allot equity shares of Rs.52 crore (being 26% of equity share capital of CIAL) at par value of Rs.10/- per equity share. CIAL instead of allotting the shares of Rs.52 crore sent repayment of the entire balance loan together with interest upto 15th September, 2004 vide its letter dated 16.9.2004 amounting to Rs.63.49 crore as per their calculation, which was not accepted by the Company.

Since the CIAL did not agree to the Company's demand of allotting equity shares worth Rs.52 crore (equivalent to 26% of the capital at par) to the Company, the Company filed a case before Debt Recovery Tribunal (DRT) at New Delhi as OA No.10 of 2006. Stay has been obtained as an interim order dated 27.4.2006 restraining CIAL from creating any third party interest in Rs.52 crore worth, 26% of the CIAL equity shares agreed to be issued to the Company. Against this, the



agency has filed two interim applications before DRT, Delhi challenging the jurisdiction of DRT, Delhi and getting the stay vacated. CIAL has also deposited an amount of Rs.73.31 crore with Registrar, DRT-I Delhi Account indicating the same as their liability as per their calculations. However, the Company has not withdrawn the money.

An application was also made to CIAL and Government of Kerala under the Right to Information Act-2005, for getting information relating to increase in share capital which was denied by agency. Accordingly, a complaint is also filed before State Information Commission against CIAL.

A contempt petition was also filed in February, 2007 against CIAL and others for increasing the authorized share capital of CIAL and thereby violating the DRT's injunction order dated 27.4.2006. The contempt petition filed by HUDCO against the Managing Director and others for violating the said interim order dated 27.4.2006 was dismissed. HUDCO has filed an appeal against the order of DRT in Debt Recovery Appellate Tribunal. The matter is being followed up with State Government and CIAL for issue of equity shares pending which the total outstanding as on 31.3.2007 is being shown against CIAL as a loan till allotment of shares by CIAL to the Company to the extent of Rs.52 crore (equivalent to 26% of the equity capital of CIAL) during intregnum period. The loan has been classified as NPA and necessary provision has been made as per NHB norms.

- 9) Housing Loans granted by the Company under HUDCO Niwas Scheme are secured fully/partly by :
- (a) Equitable Mortgage of the property and/or
 - (b) Undertaking to create security through execution of Tripartite Agreement between the Company, borrower and the Developing Authority/ Developer ;

In addition to (a) & (b) above, the assignment of Life Insurance Policies, pledge of National Saving Certificates, Fixed Deposits, etc. are also obtained in certain cases.

- 10) (a) The Company has undertaken Andrews Ganj Project (AGP) on behalf of the then Ministry of Urban Affairs (MOUA). As per perpetual lease deed, the Company is liable to make available net resources from the development and disposal of properties of the project to the Ministry and accordingly the Company was paying interest on net resources generated on the project upto 3.11.2004 and thereafter a separate no lien account has been opened under the name of HUDCO AGP Surplus Account into which the surplus lying to their credit had been deposited and interest accrued/earned on no lien account is being credited to that account. MOUD has intimated that the Company cannot pass on the financial liability to the Government on account of



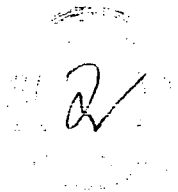
disputes. However, the Company has represented that as per perpetual lease deed, the Company is liable to make available "net resources generated" from the development and disposal of properties of the project to the Ministry which means that all out-goings on the project including those on litigation & arbitration expenses and award/decrees etc., in respect of disputes have to be debited to this project and as such there is no liability of the Company.

- (b) An amount of Rs. 17.98 crore was initially deposited with Municipal Corporation of Delhi (MCD) on account of property tax of Andrews Ganj Project for the period upto 4th July, 1997 i.e. upto the execution of perpetual lease deed although there was no liability of property tax on HUDCO. The Hon'ble Supreme Court decided in favour of HUDCO and the entire amount of Rs.17.98 crore alongwith interest amounting to Rs. 13.68 crore is recoverable from MCD, out of which an amount of Rs. 11.46 crore has been refunded by MCD on 3.10.2005 which has been adjusted against interest. No demand has been raised by MCD for payment of property tax for the period after 4th July, 1997. In case of any demand from MCD after 4th July, 1997, the same will be met out of the AGP Surplus Account. Moreover as per opinion of Solicitor General of India no property tax is payable on land owned by the Government of India.
- (c) The Company had allotted a hotel site including car parking space to M/s. M S Shoes East Limited (MSSEL). Due to default in payment of instalments, the Company had cancelled the allotment of hotel site including car parking space and forfeited the first instalment paid by MSSEL in terms of the allotment letter. The hotel site including car parking space was subsequently re-allotted to M/s. Leela Hotel Ltd. (LHL) erstwhile (M/s. Leela Hotel and Convention Center) now known as Hotel Leela Venture Ltd. subject to the final outcome of the decision of Hon'ble Additional District Judge on the suit filed by MSSEL. At present, the matter is sub-judice before Tis Hazari Court, Delhi. The possession of the hotel site and car parking space, which was handed over to LHL, has been taken back by the Company because of cancellation as per allotment terms due to non-payment of 3rd and final instalment by LHL. On 12.7.99, 50 percent of the amount deposited, by M/s. LHL was forfeited and balance amount of Rs. 67.53 crore was refunded to LHL after adjusting the overdue ground rent and property tax dues. LHL, against this cancellation, sought arbitration wherein the Learned Arbitrator has passed an award directing the Company to refund the amount forfeited alongwith interest. The award has been upheld by the Single Bench of Hon'ble High Court of Delhi and the amount of Rs. 89.78 crore, being balance principal amount, was deposited by HUDCO in the Hon'ble High Court of Delhi as per Court directions. The payment was made out of AGP Surplus and has since been released by Hon'ble High Court of Delhi to LHL. The Company's appeal against the Order of Single Bench before the Double Bench of Hon'ble High Court of Delhi has also been dismissed. The Company has filed SLP before the Hon'ble Supreme Court against the orders of



Double Bench. The Hon'ble Supreme Court has admitted HUDCO's SLP and has stayed the recovery of interest amount. However, the Hon'ble Supreme Court has directed the Company to deposit 50% of the balance decreed amount consisting of interest in the executing court i.e. Hon'ble High Court of Delhi. The Company has accordingly deposited Rs. 59.61 crore in the Hon'ble High Court of Delhi on 23.3.2006 out of HUDCO AGP Surplus Account and amount has been released by the High Court to Leela Hotels on furnishing of bank Guarantee on 12.10.2006.

- (d) The allotment of 9 blocks of guest houses and restaurants, kitchens and shops, which were allotted to MSSEL, was cancelled and first installment paid by MSSEL was forfeited as per terms of allotment letter. MSSEL filed suit in the Hon'ble District Court Delhi. Further on an appeal filed by HUDCO against the interim order of Hon'ble District Court, Delhi, the Hon'ble High Court of Delhi has transferred the case to itself by directing the MSSEL to pay the ad-valorem court fee on the suit amount which has since been paid by MSSEL. At present, the case is pending with Hon'ble High Court of Delhi.
- (e) The arbitrator has passed an award in respect of allotment of site in Shopping Arcade to M/s. Ansal Properties and Industries Ltd. (APIL) on 28.7.2005 in favour of APIL directing HUDCO to pay Rs. 8.84 crore and further interest @18% p.a. from 1.8.2005 till payment. Arbitrator has allowed the counter claim of HUDCO and directed APIL to pay approximately Rs. 0.85 crore maintenance charges as billed by M/s. Habitat Services Centre (HSC) w.e.f. 1.1.2001 upto 31.7.2005 within 3 months from the date of award failing which APIL shall have to pay interest thereon @18% p.a. HUDCO has challenged the award before the Hon'ble High Court of Delhi and, as per the directions of the Court, has deposited a sum of Rs. 7.99 crore in the Court out of HUDCO AGP Surplus Account to save future interest liability which has since been released to APIL by the court against the security of Bank Guarantee.
- (f) APIL has invoked arbitration for refund of ground rent paid by it from the date of handing over the possession i.e. November, 1995 to the date of commercial use of the shopping arcade by APIL i.e. October, 1999 and the arbitrator has pronounced the award on 21.07.2006 holding therein that APIL is not liable to pay the ground rent up to October 1999 till meaningful possession was given to APIL i.e. till the shopping arcade was constructed and become operational in October 1999. The amount of Rs.3.93 crore deposited by APIL earlier has been directed to be adjusted towards the future ground rent payment due w.e.f from November 1999. Interest @ of 7% p.a. for the delayed payment has also been awarded by the arbitrator w.e.f. Nov 1999. HUDCO has filed petition u/s. 34 of Arbitration and Conciliation Act challenging the award before the Hon'ble High Court of Delhi. Further, the Hon'ble High Court of Delhi has directed APIL to pay the overdue Ground Rent from October 1999 to October 2003 in 24 monthly instalments starting from September, 2005. APIL has been paying the



monthly instalment of Rs. 0.49 crore regularly. HUDCO has again filed the Company Petition u/s. 433 & 434 of the Companies Act against APIL for winding up before the Hon'ble High Court of Delhi due to non payment of Ground Rent and interest thereof by APIL from October, 2003 onwards. APIL has filed the reply.

- 11) (a) In accordance with Employees Provident Fund Organisation circular dated 22.8.2005, leave encashment paid on or after 1.10.94 is liable for Provident Fund deductions. However, vide their subsequent letter dated 12.9.2005 action on recovery upto 30.4.2005 has been kept in abeyance and the Company started deducting Employees Provident Fund on leave encashment w.e.f. 1.5.2005. Since the above clarification was received in the month of September, 2005 the Company is paying deductions of Provident Fund on Leave Encashment from 1.11.2005 on regular basis and the payment of arrears for the period from 1.5.2005 to 31.10.2005 has been made in the year 2007-2008.
- (b) The pay revision of Public Sector executives was due w.e.f. 1.1.2007 and a pay revision committee has been appointed by Government of India, the report of which is pending. An adhoc provision of Rs.1.60 crore has been made for pay revision in the accounts of the year 2006-2007.
- 12) Expenditure on leave travel concession to employees is accounted for in the year it is availed/ encashed.
- 13) The Ministry of Housing & Urban Poverty Alleviation vide their DO letter No. I-14012/7/2004-H.II dated 18th July, 2006 has clarified that Special Reserve created by HUDCO under section 36(1)(viii) of Income Tax Act should be treated as Statutory Reserve and should be deducted from the net profit to arrive at distributable profit for the purpose of giving productivity linked incentive to the employees. The clarification received from the Ministry has been considered in the accounts for the year 2006-2007.
- 14) The Company is not able to comply with National Housing Bank's Credit concentration norms which states that a Housing Finance Company's agency wise exposure should not exceed 15% of its net owned funds. HUDCO is not able to comply with these norms in respect of lendings to some State Governments/ Government agencies. The Company had requested NHB for relaxation in complying with credit concentration norms which was declined by the NHB. The Company has again represented the case to NHB, for their consideration.
- 15) Income Tax as applicable in respect of Interest accrued on bonds/ debentures is deducted at source at the time of actual payment of interest to the bondholders/ debenture holders since bonds/ debentures are transferable by endorsement & delivery.



- 16) In compliance to the opinion of the expert advisory committee of the Institute of Chartered Accountants of India (ICAI) in terms of Accounting Standard AS-22 the Company created Deferred Tax Liability (DTL) for Special Reserve under section 36(1)(viii) of Income Tax Act during the year 2004-05 for the first time. Accordingly in terms of the Transitional Provisions of this AS, out of accumulated DTL of Rs. 315.21 crore for the period up to financial year 2003-04, Rs. 267.53 crore were charged to General Reserve and Rs. 47.68 crore were charged to Profit and Loss Account in the accounts for 2004-05. The net deferred tax provision from financial year 2004-05 onwards is being charged to the Profit & Loss Account of that year. Further as per subsequent opinion of ICAI, out of aforesaid Rs. 267.53 crore, Rs. 136.76 crore only were to be charged to General Reserve and balance Rs. 130.77 crore were to be accounted for by crediting General Reserve and debiting Profit & Loss Account with a disclosure as a prior period item during the year of implementation i.e. 2004-2005. Out of aforesaid Rs. 130.77 crore, the net shortfall now is Rs. 120.97 crore after adjusting Rs. 9.80 crore towards excess DTL created in previous year on excess Special Reserve where Income Tax assessments are complete. One of the PSUs has represented to the expert advisory committee of ICAI against above opinion covering HUDCO's case as well. Suitable action shall be taken by the Company on receipt of opinion on the above subject.
- 17) There are no dues to micro, small and medium entities, as defined in Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March, 2007.
- 18) There are no separate business/ geographical reportable segments as per the Accounting Standard AS-17 "Segment Reporting" since the main business of the Company is to provide finance for Housing/ infrastructure projects and all other activities of the Company revolve around the main business.
- 19) Provision of Impairment loss as required under Accounting Standard AS-28 "Impairment of Assets" is not necessary, as in the opinion of management, there is no impairment of assets during the year.
- 20) Change in accounting policies/practices :
- (a) The Company has changed its accounting policy of recognising front end fee, application fee, administrative fees and processing fees on loans on accrual to realisation basis. Consequent upon the change, the profit for the year is lower by Rs. 1.28 crore.
- (b) The Company has changed its accounting policy of providing Depreciation on mobile phones on written down value method, at the rates specified in Schedule XIV of the Companies Act, 1956 to providing depreciation @ of 45% p.a. on straight line method retrospectively. Further, after 2 years residual value of 10% is recovered from employees. Consequent upon the change, the profit for the year is lower by Rs. 0.03 crore.



- (c) The Company has changed its accounting policy of recognising diminution in the value of long term investments. As per the new policy, where there is a decline other than temporary, in the value of a long term investment, the carrying amount is reduced to recognise the decline. Consequent to the change, the profit for the year is lower by Rs. 2.50 crore.

As a result of the above changes in accounting policies the profit for the year is lower by Rs. 3.81 crore with a corresponding effect on reserves and surplus account.

- 21) The Company's significant leasing arrangements are in respect of operating leases for office premises. These leasing arrangements which are not non-cancellable range between 1 and 30 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Office Rent under Schedule-Q of the Profit & Loss Account.
- 22) The Company has constituted Audit Committee in compliance of section 292A of the Companies Act, 1956. During the financial year 2006-07, the constitution of the Audit Committee was not in conformity with clause 49/2.18 of the listing provisions. These listing provisions were applicable on HUDCO because of issuance of Public Issue of Infrastructure Bonds Series in 1997. On 24th April 2007, the said Infrastructure Bond Series was redeemed and the listing provisions governing Audit Committee are no longer applicable on HUDCO. However, DPE guidelines for Audit Committee are applicable on HUDCO and the same are not complied since HUDCO is not having sufficient number of Independent Directors on its Board. The company is pursuing the issue of appointment of Independent Directors with the Ministry of Housing & Urban Poverty Alleviation.
- 23) As per One Time Settlement (OTS) package approved by the Company in the year 2002 for Sholapur Municipal Corporation, the Maharashtra Jeewan Pradhikaran a channelising agency nominated by Government of Maharashtra was to issue Bonds which were due for maturity on 1.1.2007. These bonds have not been issued till the date of their maturity. However, the repayment of principal & interest on bonds has been received except last instalment which was due on 1.1.2007.
- 24) Other liabilities shown under Schedule-L include net of Rs. 0.15 crore (credit of Rs. 0.44 crore and debit of Rs. 0.29 crore) lying in Suspense Account. Necessary adjustments will be made on reconciliation.



25) Details of Expenditure/ Earnings in foreign exchange:

Particulars	(Rs. in crore)	
	2006-2007	2005-2006
Expenditure		
a) Traveling & Entertainment	0.17	0.22
b) Others	0.02	0.10
c) Interest on foreign loan	14.15	8.98
Earnings		
a) Interest on foreign deposit	11.29	7.58

26) Earning Per Share

Particulars	Year ended 31.3.2007	Year ended 31.3.2006
Net Profit for the year attributable to equity shareholders (Rs. in crore) (a)	308.38	260.24
Weighted Average number of Equity Shares (b)	2,00,19,000	2,00,19,000
Basic/ Diluted Earning Per Share of Rs. 1000/- each (Rs.) (a/b)	154.04	130.00

27) Deferred Tax

The deferred tax Assets/Liabilities as on 31.3.2007 comprise of the following :-

(Rs. in crore)

Particulars	As at 31.3.2008	Change/ Credit during the year	As at 31.3.2007
Assets			
Provision for investment	0.17	0.85	1.02
Provision for debtors	0.35	0.00	0.35
Provision on loans	257.21	38.09	295.30
Provision on Jabalpur Earthquake	1.68	0.02	1.70
Provision on advances	0.12	0.13	0.25
Provision for leave encashment	2.43	0.31	2.74
Provision for retirement benefit	7.69	1.38	9.05
Provision for gratuity	0.27	(0.27)	0.00
Interest Disallowed u/s. 43-B in current year and claimed in subsequent years	0.00	7.38	7.38
Provision for Income Tax on profit of Bhilai Cama Place *	9.00	(9.00)	0.00
Provision for Revision in Pay	0.00	0.55	0.55
Total Assets (A)	278.92	38.42	318.34
Liabilities			
Miscellaneous exp. yet to be written off	12.69	(0.70)	11.99
Depreciation	4.52	0.33	4.85
Special Reserve u/s. 38(1)(via) of Income Tax Act **	433.34	74.07	507.41
Total Liabilities (B)	450.55	73.70	524.25
Net deferred tax assets/ (liabilities) (A) - (B)	(171.63)	(34.28)	(205.91)

* Adjustment pertaining to Previous Years.

** On balance in "Special Reserve-created A/c." full DTL has been created and on "Special Reserve-created and maintained A/c.", the

DTL has been created on that balance on which Income Tax benefit has been allowed/claimed.

- 28) Disclosure regarding provisions made for loans and depreciation in investments as per National Housing Bank Guidelines on prudential norms applicable to Housing Finance Companies.

(1) HOUSING FINANCE BUSINESS:

Loans: (Rs. in crore)

Assets Classification	Principal outstanding		Provision As per Norms		Additional provision	
	As at 31 st March 2007	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2008	2006-2007	2007-2008
Standard (considered good)	5,948.03	6,004.03	-	-	-	-
Sub-standard Assets	1,142.57	630.70	114.30	63.07	100.00	50.00
Doubtful Assets	567.41	583.07	234.15	242.03	-	-
Loss Assets	33.13	28.41	33.13	28.41	-	-
Total	7,678.37	7,193.01	381.58	337.51	100.00	50.00

(2) MCM HOUSING FINANCE BUSINESS:

Loans:

Assets Classification	Principal outstanding		Provision As per Norms		Additional provision	
	As at 31 st March 2007	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2008	2006-2007	2007-2008
Standard (considered good)	13,272.53	12,559.35	13.27	-	-	-
Sub-standard Assets	283.35	307.04	28.34	30.70	75.00	25.00
Doubtful Assets	702.22	1,025.93	266.84	308.64	-	-
Loss Assets	3.77	-	3.77	-	-	-
Total	14,261.87	13,892.32	312.22	369.34	75.00	25.00

(3) Investments:

Particulars	Principal outstanding		Provision As per Norms	
	As at 31 st March 2007	As at 31 st March 2008	As at 31 st March 2007	As at 31 st March 2008
Equity Shares	4.87	4.57	3.01	0.59
Equity Shares - Joint Venture	2.39	2.39	-	-
Bonds	2,466.15	2,466.28	-	-
Total	2,473.41	2,473.24	3.01	0.59

- 29) The Chairman and Managing Director and Whole time Directors are entitled to use staff car for private use upto 1,000 km. per month against payment of Rs. 520/- per month.
- 30) Related parties Disclosure :

(a) Joint Ventures

- (1) Shristi Urban Infrastructure Development Ltd.
- (2) Pragati Social Infrastructure & Development Ltd.
- (3) MCM Infrastructure Pvt. Ltd.



(b) Key Management Personnel :

Directors	Status
Dr. P S Rana (upto 30 th Sep 2006)	Chairman and Managing Director
Shri Ranaj Issar (from 30 th Sep 2006)*	Chairman and Managing Director
Shri Pankaj Jain (upto 29 th Sep 2006)	Part Time Official Director
Shri T Prabhakaran	Whole Time Director (Director Finance)
Shri R S Solanki	Part-Time Non-Official Director
Shri S K Tripathi (from 14 th Nov. 2006)	Whole Time Director (Director Corporate Planning)
Smt. Neena Garg (upto 5 th Dec. 2006)	Part Time Official Director
Shri Raghur Singh (from 5 th Dec. 2006)	Part Time Official Director

* Joined as Part-Time Official Director on 29th Sep. 2006.

(c) Transactions with Joint Ventures :

Nature of Transactions	(Rs. in crore)				Total
	Shri Sri Urban Infrastructure Development Ltd.	Pragati Social Infrastructure & Development Ltd.	MCEI Infrastructure Pvt. Ltd.		
Investments					
Balance as at 31.3.2006	2.00	0.12	0.26		2.38
Additions during the year	0.00	0.01	0.00		0.01
Balance as at 31.3.2007	2.00	0.13	0.26		2.39

(d) Transactions with Key Management Personnel :

Nature of Transactions	(Rs.)					
	Dr. P.S. Rana	Sh. R. S. Solanki	Total	Dr. P.S. Rana	Sh. R. S. Solanki	Total
Repayment of Housing & Welfare Advance	7,06,500.00	0.00	7,06,500.00	1,08,000.00	0.00	1,08,000.00
Sitting fees	0.00	54,500.00	54,500.00	0.00	19,000.00	19,000.00

31) Information in relation to the interest of the Company in Joint Ventures as required under AS - 27.

(a)

Name of the Company	Contribution towards equity (Rs. in crore)	Country of Residence	Proportion of ownership	Description of Interest
Shri Sri Urban Infrastructure Development Ltd.	2.00	India	40%	Jointly controlled entity
Pragati Social Infrastructure & Development Ltd.	0.13	India	26%	Jointly controlled entity
MCEI Infrastructure Pvt. Ltd.	0.26	India	26%	Jointly controlled entity
Total	2.39			



(b) Proportionate Assets & Liabilities :

(Rs. in lakhs)

Year ending	State Urban Infrastructure Development Ltd.		Pragati Social Infrastructure & Development Ltd.		HUDCO Infrastructure Pvt. Ltd.	
	Un audited as at 31.3.2007	Audited as at 31.3.2006	Un audited as at 31.3.2007	Audited as at 31.3.2006	Un audited as at 31.3.2007	Audited as at 31.3.2006
Share of Assets	240.89	207.62	5.59	14.17	18.52	25.45
Share of Liabilities	40.89	7.62	1.81	1.40	0.37	0.07
Share of Income	65.42	3.88	0.03	1.47	0.78	0.00
Share of Expenses	64.82	0.63	4.88	1.28	5.39	0.31
HUDCO's share in contingent liability of JV Co.	NA	NA	NA	NA	NA	NA
Contingent liability for jointly constructed Company incurred by HUDCO	NA	NA	NA	NA	NA	NA

(c) In addition to the 3 Joint Venture Companies, HUDCO has entered into a Joint Venture agreement with Marg Construction Ltd. to form another Joint Venture Company, namely Signa Infrastructure India Ltd. (SIIL). However, no equity capital has been released in the aforesaid Company till 31.3.2007. The commitment of HUDCO in SIIL is Rs. 2.60 crore, being HUDCO's share of 26% of the authorized and paid up equity capital of SIIL.

- 32) (a) Figures of the previous year have been regrouped/ rearranged wherever necessary to make them comparable with figures for the current year.
- (b) Figures in rupees have been rounded off to thousands without decimals except where specifically indicated.

M K Gupta
Company Secretary

T Prabalakaran
Director Finance

K L Dhingra
Chairman & Managing Director

25 OCT 2007



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

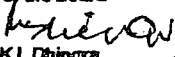
Particulars	(Rs. in thousand)	
	March 31, 2007	March 31, 2006
A CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS	4,669,385	3802365
Add/ (Less): Adjustments for:		
Depreciation	47,422	45465
Financial charges written off	116,726	120097
Provision on loans & advances	1,050,554	849,342
Provision on investment	25,090	(6,605)
Provision for leave encashment	8,497	7,039
Provision for post retirement medical benefit	37,781	29,171
Prior Period Adjustments (Net)	(16,672)	18,709
Profit on sale of investments	(1,940)	(1,940)
Loss/ (Profit) on sale of Fixed Assets (Net)	17	(97)
Loss/ (Gain) on Foreign Currency Fluctuation (Net)	(77,288)	65,402
Financial charges paid	(92,398)	(104,525)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	6,767,174	4,824,423
Adjustment for:		
Decrease/(Increase) in Loans	1,002,468	(5,658,142)
(Increase)/Decrease in Current Assets, other Loans & Advances	(1,132,178)	(503,247)
Increase/(Decrease) in Current Liabilities and Provisions	719,445	(2,759,849)
CASH GENERATED FROM OPERATIONS	6,356,909	(4,096,815)
Direct taxes paid/(Net of refunds)	818,327	1,352,912
KFW Reserve	17,832	27,598
NET CASH FLOW FROM OPERATING ACTIVITIES	7,191,068	(2,716,307)
B CASH FLOW FROM INVESTING ACTIVITIES		
Sale / (Purchase) of Investment	329,182	170,188
Purchase of fixed assets	(197,449)	(20,665)
Sale of Fixed assets	604	912
NET CASH FLOW FROM INVESTING ACTIVITIES	132,337	150,435
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	-
Proceed from borrowings (Net)	(10,710,837)	2,376,203
Corporate Dividend Tax Paid	-	(116,911)
Dividend Paid	-	(833,591)
NET CASH FLOW FROM FINANCING ACTIVITIES	(10,710,837)	1,425,701
NET CHANGES IN CASH & CASH EQUIVALENTS(A+B+C)	(3,387,432)	(1,140,171)
* CASH & CASH EQUIVALENTS - OPENING BALANCE	17,567,530	18,707,701
* CASH & CASH EQUIVALENTS - CLOSING BALANCE	14,180,098	17,567,530

* Represents Cash & Bank Balances as indicated in Schedule I Note:

1. Cash and Cash equivalents include Cash in hand, deposits with banks and short term highly liquid investments.
2. Previous year figures have been regrouped wherever necessary.


M K Gupta
Company Secretary

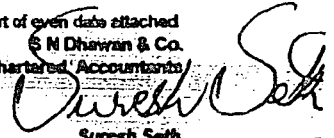

T Prabhakaran
Director Finance

For & on behalf of the Board

K L Dhingra
Chairman & Managing Director

We have verified the above CASH FLOW statement of HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED derived from the audited annual financial statements for the year ended March 31, 2007 and found the same to be drawn in accordance therein.

As per our separate report of even date attached
S N Dhawan & Co.
Chartered Accountants




Suresh Seth
Partner

Membership No. 10677

Place : New Delhi
Dated : 25 OCT 2007

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I REGISTRATION DETAILS**

Registration No. : 6276 State Code : 65
 Balance Sheet Date : 31st March, 2007

**II CAPITAL RAISED DURING THE YEAR
(Amount in Rs. Thousands)**

Public Issue - NIL Rights Issue - NIL
 Bonus Issue - NIL Private Placement - NIL

**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS
(Amount in Rs. Thousands)**

Total Liabilities	299,609,064	Total Assets	299,609,064
Sources of Funds			
Paid up Capital	20,019,000	Reserves & Surplus	19,115,929
Secured Loans	2,170,374	Unsecured Loans	201,655,651
Deferred Tax Liabilities (Net)	2,069,130		
Application of Funds			
Net Fixed Assets	769,847	Investments	24,504,975
Net Current Assets	7,994,169	Misc. Expenditure	362,656
Loans	211,438,417		
Accumulated Losses	NIL		

**IV PERFORMANCE OF COMPANY
(Amount in Rs. Thousands)**

Turnover *	26,102,637	Total Expenditure	21,433,262
Profit Before Tax and Prior Period adjustment **	4,662,713	Profit After Tax and Prior Period adjustment	3,083,761
Earning Per Share in Rs (Face value of each share = Rs. 1000)	154.04	Dividend Rate %	1.03%

* Includes other income.
 ** Prior Period adjustment - (16672)

**V GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY
(in per monetary terms)**

Item Code No.	NIL
Product Description :	Long term finance for housing & urban development activities.
Item Code No.	NIL
Product Description :	Consultancy
Item Code No.	NIL
Product Description :	Development & Financing Satellite Townships.

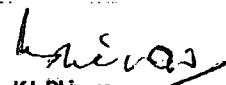
For & on behalf of the Board



M K Gupta
 Company Secretary



T Prabakaran
 Director Finance



K L Dhirga
 Chairman & Managing
 Director

Place : New Delhi

Dated : 25 OCT 2007

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No. : 5278 State Code : 55
 Balance Sheet Date : 31st March, 2007

II CAPITAL RAISED DURING THE YEAR
(Amount in Rs. Thousands)

Public Issue - NIL Rights Issue - NIL
 Bonus Issue - NIL Private Placement - NIL

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS
(Amount in Rs. Thousands)

Total Liabilities	259,609,054	Total Assets	259,609,054
Sources of Funds			
Paid up Capital	20,019,000	Reserves & Surplus	19,115,929
Secured Loans	2,170,374	Unsecured Loans	201,655,651
Deferred Tax Liabilities (Net)	2,059,130		
Application of Funds			
Net Fixed Assets	769,847	Investments	24,504,975
Net Current Assets	7,954,190	Misc. Expenditure	352,655
Loans	211,438,417		
Accumulated Losses	NIL		

IV PERFORMANCE OF COMPANY
(Amount in Rs. Thousands)


Turnover *	26,102,637	Total Expenditure	21,433,252
Profit Before Tax and Prior Period adjustment **	4,652,713	Profit After Tax and Prior Period adjustme	3,083,751
Earning Per Share in Rs (Face value of each share = Rs. 1000)	154.04	Dividend Rate %	1.03%

* Includes other income.
 ** Prior Period adjustment - (16672)

V GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY
(as per monetary terms)

Item Code No.	NIL
Product Description :	Long term finance for housing & urban development activities.
Item Code No.	NIL
Product Description :	Consultancy
Item Code No.	NIL
Product Description	Development & Financing Satellite Townships.

For & on behalf of the Board


 M K Gupta
 Company Secretary


 T Prabhakaran
 Director Finance


 K L Dhingra
 Chairman & Managing
 Director

Place : New Delhi

Dated : 25 OCT 2007