TATA CAPITAL HOUSING FINANCE LIMITED

Annual Report 2010-11

DIRECTORS' REPORT

TO THE MEMBERS OF
TATA CAPITAL HOUSING FINANCE LIMITED

The Directors present their Third Annual Report and the Audited Statement of Accounts for the year ended March 31, 2011.

1. OPERATIONS

Tata Capital Housing Finance Limited ("the Company" or "TCHFL") is a wholly owned subsidiary of Tata Capital Limited ("TCL"), registered with National Housing Bank ("NHB") to carry on housing finance activities. The Company offers a range of Housing Loans and Loan Against Property to various segments of society viz. salaried individuals, self employed individuals, self employed professionals, non-individual entities, etc. and has been focusing on business opportunities available within the TATA ecosystem.

Apart from Housing Loans and Loan Against Property to the retail segment, TCHFL also provides project finance loans to developers. The Company intends to keep growing its business at a healthy rate, with Rural Housing Finance as one of its key focus areas.

During the year under review, the Company disbursed Mortgage Loans (including Housing Loans of Rs.501.97 crore) amounting to Rs.662.48 crore (Previous year: Rs.98.89 crore). Its loan portfolio stood at Rs.695.69 crore on March 31, 2011. The Company recorded Gross Income of Rs.41.10 crore and Profit After Tax of Rs.1.59 crore during the year, as compared to the Gross Income of Rs.2.70 crore and Loss of Rs.1.92 crore, respectively, in the previous year.

2. ECONOMIC SCENARIO

India's GDP recovered to near pre-crisis levels in the current financial year with estimated GDP growth at 8.5%. The budget was a balanced one with the 5.1% deficit number being better than the budget estimate of 5.5%, courtesy the 3G auctions and curtailed government spending. The budget also set out a clear direction towards fiscal consolidation and it quantified a challenging deficit target at 4.6% of GDP for the Financial Year ("FY") 2011–12.

During the year under review, year-on-year bank credit growth was strong at 21% while year-on-year deposit growth was lower at 16%. In FY 2010-11, inflation continued to be one of the key concerns for the economy, particularly food inflation, which remained in the double digit range during the year. The rising price of crude oil and other commodities also contributed to higher inflation.

During FY 2010–11, the Reserve Bank of India ("RBI") increased policy rates several times since it started with monetary tightening in March 2010. RBI increased the repo rate by 175 basis points to 6.75% and the reverse repo by 225 basis points to 5.75%. This, however, had limited impact on inflation as inflation in the current year was sectoral and driven largely by the supply side and resulted in banks raising their lending and deposit rates.

The year ahead will be challenging for the Company on the interest rate front and it would be influenced by the outcomes of some major policy initiatives that are likely to be implemented mainly banking licenses, goods and service tax and the direct tax code. Governance issues are also likely to occupy a large part of public debate in the coming year.

3. INDUSTRY OUTLOOK

In comparison to 19% growth during FY 2009-10, Housing Loan portfolio of Housing Finance Companies registered growth of 16% during FY 2010-11, with disbursals of around Rs.62,000 crore. Rising interest rates coupled with the jump in property prices seem to have contributed to this fall in growth rates. However, the medium and long-term demand for residential housing is likely to remain strong led by buoyant economic growth resulting in better job prospects, job security and enhanced affordability of houses.

The Union Budget 2011-12 predominantly focused on enhancing affordable housing. The 1% Interest Subvention Scheme was further liberalized and now, housing loans up to Rs.15 lakh with property cost of up to Rs. 25 lakh would qualify under the Scheme. There was also a proposal for creation of a Mortgage Risk Guarantee Fund under the Rajiv Gandhi Awas Yojana to enhance credit worthiness of housing loans given to the economically weaker sections and low income groups by providing guarantee for such housing loans.

To provide housing finance to targeted groups in rural areas at competitive rates, the budget proposed to enhance the provision under Rural Housing Funds to Rs. 3,000 crore from the existing Rs.2,000 crore. Further, the limit for housing loans advanced by banks under the Priority Sector was enhanced from Rs. 20 lakh to Rs. 25 lakh.

To mitigate the Fraud Risk in the Housing Finance business, the Central Government formed a Central Electronic Registry called Central Registry of Securitisation Asset Reconstruction and Security Interest of India ("Central Registry"). It has been incorporated to operate and maintain the Central Registry under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act"). All the transactions relating to securitization and reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions, as defined under the SARFAESI Act, are to be registered in the Central Registry. This is expected to help prevent fraudulent multiple borrowings against the same property.

4. FINANCIAL RESULTS

The performance of the Company for the FY ended March 31, 2011, is summarized below:

(Rs. in crore)

	FY 2010-2011	FY 2009-2010
Total Income	41.10	2.70
Total Expenditure	39.94	4.62
Profit/(Loss) before tax	1.16	(1.92)
Provision for Tax (including deferred tax)	(0.43)	0.00
Net Profit/(Loss) after tax	1.59	(1.92)

5. DIVIDEND

Since the Company does not have any distributable profit, the Directors do not recommend any dividend on the Equity Share Capital of the Company.

6. SHARE CAPITAL

The Company is a wholly owned subsidiary of TCL. During the year under review, the Authorised Share Capital of the Company was increased from Rs.100 crore to Rs.150 crore. To meet the business plans of the Company, 10,00,00,000 Equity Shares of Rs.10 each aggregating Rs.100 crore were offered to TCL, the holding company, on a Rights basis. These Equity Shares have since been allotted and the Paid-Up Share Capital of the Company as at March 31, 2011 was Rs.150 crore (March 31, 2010: Rs.40 crore).

7. BORROWINGS

During the financial year ended March 31, 2011, the Company had set up limits of Rs. 644 crore with banks. The total outstanding debt of the Company as at March 31, 2011 was Rs. 550.25 crore. The Company is regular in servicing the debt.

8. CREDIT RATING

During the year under review, the Company had a A1+ rating from ICRA and a rating of P1+ and AA+ stable from CRISIL.

9. HUMAN RESOURCES

The Company had 78 permanent employees on its rolls as at March 31, 2011. The Company recognizes the value of its human capital and is continuously upgrading the skill levels of its workforce through regular internal and external training and management development workshops.

10. ESOP SCHEME

As at March 31, 2011, 11 employees held 2,02,577 Equity Shares of TCL acquired under the Tata Capital Limited Employee Stock Purchase / Option Scheme, which Scheme was approved and adopted by the Board on March 11, 2010.

11. COMPLIANCE

The Company has complied with the applicable provisions of the Companies Act, 1956 ("Act"), the National Housing Bank Act, 1987, the Housing Finance Companies (NHB) Directions, 2010 and other applicable regulations.

The Capital Adequacy Ratio ("CAR") of the Company was 19.37% on March 31, 2011 against the CAR of 12% prescribed by NHB.

12. DEPOSITS

The Company has not accepted any public deposits during the year under review.

13. ACCOUNTS AND ACCOUNTING STANDARDS

The Company adheres to the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") in the preparation of its financial statements and has not adopted a treatment different from that prescribed in any Accounting Standard issued by ICAI.

14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of the activities which are being carried out by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy and Technology Absorption, are not applicable to the Company. During the year under review, the Company did not have any earnings or outgo in foreign exchange.

15. DIRECTORS

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Praveen P Kadle is liable to retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Janki Ballabh was appointed as Additional Director on the Board of the Company w.e.f. March 25, 2011. Mr. Ballabh ceases to hold office at the ensuing Annual General Meeting and is eligible for appointment. The Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company.

Attention is invited to Item No. 4 in the Notice of the Annual General Meeting and the Explanatory Statement thereto.

16. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations. The internal control system is supported by an internal audit process for reviewing the adequacy and efficacy of the Company's internal controls including its systems and processes and compliance with regulations and procedures. Internal Audit Reports are discussed with the management and are reviewed by the Audit Committee of the Board which also reviews the adequacy and effectiveness of the internal controls in the Company. The Chairman of the Audit Committee is an Independent Director.

The Company's internal control system is commensurate with the size, nature and operations of the Company.

17. CORPORATE GOVERNANCE

A summary of the Corporate Governance measures adopted by the Company is given below:

i. The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others.

ii. The size of the Board is commensurate with the size and business of the Company. At present, the Board comprises four Directors viz. Mr. Praveen P Kadle (Chairman), Mr. Janki Ballabh, Mr. Govind Sankaranarayanan and Mr. S H Rajadhyaksha, all of whom are Non-Executive Directors. During FY 2010-11, six Board Meetings were held.

iii. To focus effectively on issues and ensure expedient resolution of matters, the Audit Committee of the Board was re-constituted on March 25, 2011 and currently comprises of Mr. Janki Ballabh (Chairman), Mr. Praveen P Kadle, Mr. Govind Sankaranarayanan and Mr. S H Rajadhyaksha. Besides the Members of the Committee, meetings of the Audit Committee are attended by the Statutory Auditors, Internal Auditor and the Company Secretary. The Internal Audit function is headed by the Chief Internal Auditor of TCL who reports to the Chairman of the Audit Committee to ensure independence of operations. During FY 2010-11, four Audit Committee Meetings were held.

iv. The Board has adopted the following policies for the Company:

a) Tata Code of Conduct;

b) Whistle Blower Policy;

c) Collection and Recovery Policy;

d) Fair Practice Code;

e) Know Your Customer;

f) Anti Money Laundering Policy;

g) Home Loan Credit Policy;

h) Policy for Determining Interest Rates, Processing and other charges;

i) Asset Liability Management Policy; and

j) Risk Management Policy.

v. During FY 2010-11, there were no related party transactions by the Company besides the transactions mentioned elsewhere in the Annual Report.

18. AUDITORS

Messrs Deloitte Haskins & Sells ("DHS"), Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from DHS to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Act and that, they are not disqualified for such appointment within the meaning of Section 226 of the Act. It is proposed to re-appoint DHS to examine and audit the accounts of the Company for FY 2011-12.

19. PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2011, is provided in an Annexure forming part of this Report. The Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining a copy of the same may write to the Company Secretary requesting for the same.

20. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

i. in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;

ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have 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 of the Company for that year;

iii. they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and

iv. they have prepared the annual accounts on a 'going concern' basis.

21. ACKNOWLEDGEMENTS

The Directors would like to place on record their gratitude for the valuable guidance and support received from the National Housing Bank and convey their appreciation to TCL, the holding company, the Company's bankers, lenders and all other business associates for the continuous support given by them to the Company. The Directors also place on record their appreciation of its employees for their commendable efforts, team work and professionalism.

For and on behalf of the Board of Directors

Praveen P Kadle
Chairman

Mumbai, April 28, 2011

AUDITORS' REPORT

TO THE MEMBERS OF
TATA CAPITAL HOUSING FINANCE LIMITED

1. We have audited the attached Balance Sheet of **TATA CAPITAL HOUSING FINANCE LIMITED**, (the "Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date both 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 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 the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, the ("the Order") 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, to the extent applicable to the Company.

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

   a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 and 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 and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and

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

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;

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

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

5. On the basis of the written representations from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No: 117366W)

Sanjiv V. Pilgaonkar
Partner
Membership No.: 39826

Mumbai, April 28, 2011

ANNEXURE TO THE AUDITORS' REPORT

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

Having regard to the nature of the Company's business, paragraph 4(xiii) of the Order is not applicable.

1. In respect of the Company's fixed assets:

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

   (b) According to the information and explanations given to us, the fixed assets were physically verified by the management in accordance with the programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.

   (c) There was no disposal of fixed assets during the year.

2. The Company is primarily engaged in the business of providing long term finance for housing loans and therefore does not hold any physical inventories. Therefore the provisions of paragraph 4(ii) of the Order are not applicable to it.

3. The Company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of sub- clause (a) to (g) of paragraph 4(iii) of the Order are not applicable to it.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. There are no purchases of inventory and sale of goods during the period of audit. During the course of our audit, we have not observed any major weakness in such internal control system.

5. To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements, the particulars of which need to be entered into register maintained in section 301 of the Companies Act, 1956.

6. According to the information and explanations given to us, the Company has not accepted deposits from the public during the period covered by our audit report. According to the information and explanation given to us, no order has been passed by the company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal in this regard in the case of the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any of the services rendered by the Company. Accordingly paragraph 4(viii) of the Order is not applicable to it.

9. (a) According to the information and explanations provided to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, service tax, income tax, cess and other material statutory dues applicable to it and there are no dues payable in respect of Employees' State Insurance, Investor Education and Protection Fund, Excise duty, Custom Duty and Sales Tax.

   (b) There were no undisputed amounts payable in respect of Income-tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.

   (c) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

10. The Company has been incorporated on October 15, 2008. Therefore the provisions of paragraph 4 (x) of the Order are not applicable to it.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

12. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.

13. In our opinion and according to the information and explanations given to us, the Company is not dealing in shares, securities and debentures. Therefore, the provisions of paragraph 4 (xiv) of the Order are not applicable to it.

14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

15. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

16. In our opinion and according to the information and explanations given to us, and on overall examination of Balance Sheet, we report that the funds amounting to Rs.1,177,685,216 raised on short term basis have been used during the year for long-term investments.

17. According to the information and explanations given to us, during the period, 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.

18. According to the information and explanations given to us, during the period, the Company has not issued any secured debentures. Accordingly, the provisions of paragraph 4(xix) are not applicable to it.

19. During the period covered by our audit report, the Company has not raised any money by way of a public issue. Accordingly, the provisions of paragraph 4(xx) are not applicable to it.

20. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year although there were some instance of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation given by the borrowers, the amount whereof are not material in the context of the size of the Company and the nature of the business and which have been provided for.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Registration No: 117366W)

Sanjiv V. Pilgaonkar
Partner
Membership No.: 39826

Mumbai, April 28, 2011

BALANCE SHEET AS AT MARCH 31, 2011

Amount (in Rs.)

	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS :			
1 **SHAREHOLDERS' FUNDS**			
(a) Share Capital	1	**1,500,000,000**	400,000,000
(b) Reserves & Surplus	2	**3,200,000**	-
2 **LOAN FUNDS**			
(a) Secured Loans	3	**4,503,051,746**	500,119,069
(b) Unsecured Loans	4	**999,453,484**	45,992,676
3 TOTAL		**7,005,705,230**	**946,111,745**
APPLICATION OF FUNDS :			
4 **FIXED ASSETS**	5		
(a) Gross Block		**6,670,236**	892,636
(b) Less: Provision for depreciation		**649,818**	141,334
(c) Net Block		**6,020,418**	751,302
(d) Capital Work-in-Progress		**-**	-
		6,020,418	751,302
5 **DEFERRED TAX ASSET (Net)**		**4,878,377**	-
6 **CURRENT ASSETS, LOANS AND ADVANCES**			
(a) Inventories		**-**	-
(b) Sundry Debtors		**-**	-
(c) Cash and Bank Balances	6	**13,168,430**	7,121,307
(d) Loans and Advances - Financing Activity	7	**6,956,901,315**	907,692,971
(e) Loans and Advances - Others	8	**46,580,335**	14,421,579
		7,016,650,080	929,235,857
7 **Less:CURRENT LIABILITIES & PROVISIONS**			
(a) Current Liabilities	9	**37,948,475**	12,757,079
(b) Provisions	10	**10,087,319**	871,280
		48,035,794	13,628,359
8 **NET CURRENT ASSETS [(6) Less (7)]**		**6,968,614,286**	915,607,498
9 **MISCELLANEOUS EXPENDITURE**	11	**14,163,304**	4,993,926
(To the extent not written off or adjusted)			
10 **PROFIT AND LOSS ACCOUNT**		**12,028,845**	24,759,019
11 **TOTAL**		**7,005,705,230**	**946,111,745**
12 **NOTES TO ACCOUNTS**	17		

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

Janki Ballabh
Director

Praveen P. Kadle
Director

Sanjiv V. Pilgaonkar
Partner

S. H. Rajadhyaksha
Director

G. Sankaranarayanan
Director

Mumbai
Date : April 28, 2011

Avan Doomasia
(Company Secretary and Manager)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

Amount (in Rs.)

		Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
	INCOME :			
1	Income from financing activity	12	**399,784,129**	24,897,469
2	Other income	13	**11,177,573**	2,087,471
			410,961,702	**26,984,940**
	EXPENDITURE :			
3	Interest cost	14	**226,353,472**	6,684,713
4	Employee costs	15	**81,845,917**	26,179,319
5	Other operating expenses	16	**84,106,515**	10,631,473
6	Amortisation of expenses	11	**6,581,504**	2,530,617
7	Depreciation	5	**508,484**	141,334
			399,395,892	**46,167,456**
	PROFIT / (LOSS) BEFORE TAXES		**11,565,810**	**(19,182,516)**
8	**PROVISION FOR TAXES**			
	(a) Current Tax		**3,761,330**	-
	(b) Deferred Tax asset		**(4,878,377)**	-
	(c) MAT Credit Entitlement		**(3,247,317)**	-
	(d) Fringe Benefit Tax		**-**	1,197
	NET PROFIT / (LOSS) AFTER TAXES FOR THE YEAR		**15,930,174**	**(19,183,713)**
	Balance brought forward from previous year		**(24,759,019)**	(5,575,306)
	AMOUNT AVAILABLE FOR APPROPRIATION		**(8,828,845)**	**(24,759,019)**
9	**APPROPRIATIONS:**			
	Transfer to Special Reserve		**3,200,000**	-
	Balance carried to Balance Sheet		**(12,028,845)**	(24,759,019)
			(8,828,845)	**(24,759,019)**
10	**Earnings per share**			
	Basic and Diluted (in Rupees)		**0.24**	(1.06)
	Weighted average number of equity shares		**65,657,534**	18,104,110
	Face value per share (in Rupees)		**10**	10
11	**NOTES TO ACCOUNTS**	17		

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

Sanjiv V. Pilgaonkar
Partner

Mumbai
Date : April 28, 2011

Janki Ballabh
Director

S. H. Rajadhyaksha
Director

Avan Doomasia
(Company Secretary and Manager)

Praveen P. Kadle
Director

G. Sankaranarayanan
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

Amount (in Rs.)

		For the year ended March 31, 2011	For the year ended March 31, 2010
1	**NET CASH FLOW (USED IN) OPERATING ACTIVITIES**		
	Profit / (loss) before taxes	**11,565,810**	(19,182,516)
	Adjustments for :		
	Amortisation of expenses	**6,581,504**	2,530,617
	Interest on fixed deposit	-	(395,142)
	Profit on sale of Mutual Fund Investments (Current Investments-non-trade)	**(363,274)**	(1,692,329)
	Discounting charges on Commercial Papers	**38,773,000**	-
	Depreciation	**508,484**	141,334
	Provision for standard assets	**7,286,139**	-
	Provision for doubtful debts	**161,615**	-
	Operating Profit / (Loss) before working capital changes	**64,513,278**	**(18,598,036)**
	Adjustments for :		
	Loans and advances - Financing Activity	**(6,056,656,098)**	(907,692,970)
	Loans and advances - Others	**(28,984,959)**	(13,979,659)
	Other current assets	-	-
	Current Liabilities and Provisions	**34,407,435**	5,864,930
	Cash used in operations	**(5,986,720,344)**	**(934,405,735)**
	Taxes paid	**(3,687,810)**	(185,512)
	NET CASH FLOW (USED IN) OPERATING ACTIVITIES	**(5,990,408,154)**	**(934,591,247)**
2	**NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	**(5,777,600)**	(892,636)
	Purchase of Mutual Funds	**(695,322,617)**	(389,160,254)
	Redemption of Mutual Funds	**695,685,891**	390,852,583
	Interest on fixed deposit	**-**	930,190
	NET CASH FLOW (USED IN) / FROM INVESTING ACTIVITIES	**(5,414,326)**	**1,729,883**
3	**NET CASH FLOW FROM FINANCING ACTIVITIES**		
	Issue of equity share capital	**1,100,000,000**	300,000,000
	Share issue expenses	**(4,100,000)**	(400,000)
	Proceeds from long-term borrowings	**4,207,542,126**	470,009,315
	Repayment of long-term borrowings	**(410,010,128)**	-
	Loan processing charges incurred	**(11,650,882)**	(2,250,000)
	Proceeds from short-term borrowings (net)	**1,120,088,487**	76,102,430
	NET CASH FLOW FROM FINANCING ACTIVITIES	**6,001,869,603**	**843,461,745**
	Net increase / (decrease) in cash and cash equivalents	**6,047,123**	**(89,399,619)**

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

Amount (in Rs.)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Cash and cash equivalents as at the beginning of the year, comprising:		
Bank balances with scheduled banks	**6,973,361**	96,520,926
Cash on hand	**-**	-
Cheques on hand	**147,946**	-
Total	**7,121,307**	**96,520,926**
Cash and cash equivalents as at the end of the year, comprising:		
Bank balances with scheduled banks	**1,878,821**	6,973,361
Cash on hand	**133,375**	-
Cheques on hand	**11,156,234**	147,946
Total	**13,168,430**	**7,121,307**

In terms of our report attached

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

Janki Ballabh
Director

Praveen P. Kadle
Director

Sanjiv V. Pilgaonkar
Partner

S. H. Rajadhyaksha
Director

G. Sankaranarayanan
Director

Mumbai
Date : April 28, 2011

Avan Doomasia
(Company Secretary and Manager)

SCHEDULES TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

SCHEDULE "1"

Amount (in Rs.)

SHARE CAPITAL	As at March 31, 2011	As at March 31, 2010
Authorised		
150,000,000 Equity shares of Rs.10 each	**1,500,000,000**	1,000,000,000
	1,500,000,000	1,000,000,000
Issued		
150,000,000 (as at March 31, 2010: 40,000,000) Equity shares of Rs.10 each	**1,500,000,000**	500,000,000
	1,500,000,000	500,000,000
Subscribed and Paid Up		
150,000,000 (as at March 31, 2010: 40,000,000) Equity shares of Rs.10 each	**1,500,000,000**	400,000,000
	1,500,000,000	**400,000,000**

Notes:

1) All the equity shares are held by the holding company, Tata Capital Limited and its nominees. The ultimate holding company is Tata Sons Limited.

2) The Company has subscribed for 110,000,000 equity shares of Rs.10 each out of which 10,000,000 shares of Rs.10 each were issued in the previous year.

SCHEDULE "2"

Amount (in Rs.)

RESERVES AND SURPLUS	As at March 31, 2011	As at March 31, 2010
Special Reserve (Refer Note 12 of Schedule 17)	**3,200,000**	-
	3,200,000	-

SCHEDULE "3"

Amount (in Rs.)

SECURED LOANS	As at March 31, 2011	As at March 31, 2010
Loans and Advances from Banks:		
(a) Term loans	**4,267,541,313**	470,009,315
(b) Cash credit facility from Banks	**235,510,433**	30,109,754
	4,503,051,746	**500,119,069**

Notes :-

1) Repayable within one year is Rs.250,000,000 (as at March 31, 2010 : Rs. Nil), excluding bank overdraft.

2) Loans and advances from banks are secured by pari passu charge on the receivables from home loans.

SCHEDULE "4"

Amount (in Rs.)

UNSECURED LOANS	As at March 31, 2011	As at March 31, 2010
(a) Bank overdraft as per books	**263,425,384**	45,992,676
(b) Commercial Paper	**736,028,100**	-
(Net of unamortised discount of Rs. 13,971,900/- (as at March 31, 2010 Nil))		
(Amount raised during the year Rs. 750,000,000 (as at March 31, 2010: Rs. Nil))		
	999,453,484	**45,992,676**

SCHEDULES TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

SCHEDULE “5”

FIXED ASSETS Amount (in Rs.)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Opening balance as at April 01, 2010	Additions/ Adjustments	Deletions/ Adjustments	**Closing balance as at March 31, 2011**	Balance upto March 31, 2010	Depreciation for the year	Deletions/ Adjustments	**Balance upto March 31, 2011**	**As at March 31, 2011**	As at March 31, 2010
TANGIBLE FIXED ASSET										
Building	-	4,777,600	-	**4,777,600**	-	115,711	-	**115,711**	**4,661,889**	-
Vehicle	892,636	1,000,000	-	**1,892,636**	141,334	392,773	-	**534,107**	**1,358,529**	751,302
Total	892,636	5,777,600	-	**6,670,236**	141,334	508,484	-	**649,818**	**6,020,418**	751,302
Previous financial year	-	892,636	-	**892,636**	-	-	-	**141,334**	**751,302**	-

SCHEDULE “6” Amount (in Rs.)

CASH AND BANK BALANCES	**As at March 31, 2011**	**As at March 31, 2010**
(a) Cash on hand	**133,375**	-
(b) Cheques on hand	**11,156,234**	147,946
(c) Bank Balances with Scheduled Banks - Current Account	**1,878,821**	6,973,361
	13,168,430	**7,121,307**

SCHEDULE “7” Amount (in Rs.)

LOANS AND ADVANCES - FINANCING ACTIVITY	**As at March 31, 2011**	**As at March 31, 2010**
SECURED		
Housing Loans (Secured, unless otherwise stated)		
(a) Considered good unless otherwise stated (see footnote)		
(i) Individual	**4,936,152,383**	885,006,322
(ii) Corporate Bodies	**398,428,163**	22,686,649
	5,334,580,546	907,692,971
(b) Considered doubtful		
(i) Individual	**161,615**	-
(ii) Corporate Bodies	**-**	-
	161,615	-
Less : Provision for doubtful loans	**161,615**	-
	5,334,580,546	907,692,971
Non Housing Loans (Secured, unless otherwise stated)		
(a) Considered good unless otherwise stated (see footnote)		
(i) Individual	**1,446,865,522**	-
(ii) Corporate Bodies	**175,455,247**	-
	1,622,320,769	-
(b) Considered doubtful		
(i) Individual	-	-
(ii) Corporate Bodies	-	-
	1,622,320,769	-
	6,956,901,315	**907,692,971**

Notes:

1. Housing Loans & Non Housing Loans are secured against hypothecation of mortgage of property
2. Includes interest accrued but not due on loans Rs. 43,681,199/- (March 31, 2010: Rs. 4,853,707/-)

SCHEDULES TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

SCHEDULE "8"

Amount (in Rs.)

LOANS AND ADVANCES - OTHERS	As at March 31, 2011	As at March 31, 2010
UNSECURED - considered good		
(a) Advances recoverable in cash or in kind or for value to be received	**36,187,390**	5,279,659
(b) Amount recoverable from TCL Employee Welfare Trust	**6,777,228**	8,700,000
(c) Advance payment of Income tax (net of provision)	**368,400**	441,920
(d) MAT Credit Entitlement	**3,247,317**	-
	46,580,335	**14,421,579**

SCHEDULE "9"

Amount (in Rs.)

CURRENT LIABILITIES	As at March 31, 2011	As at March 31, 2010
(a) Sundry creditors		
(i) Payable to Micro and Small Enterprises (Refer note below)	**-**	-
(ii) Others	**33,431,426**	11,157,505
(b) Other liabilities	**3,287,291**	633,047
(c) Payable to holding company	**1,229,758**	966,527
	37,948,475	**12,757,079**

Note: On the basis of response received against enquiries made by the Company, the amount of principal of outstanding in respect of Micro and Small Enterprises as at Balance sheet date is Rs. Nil (Previous year Rs. Nil)

SCHEDULE "10"

Amount (in Rs.)

PROVISIONS	As at March 31, 2011	As at March 31, 2010
Provision for retirement and other employee benefit schemes	**2,801,180**	871,280
Contingent Provisions against Standard Assets [Refer Note 11 of Schedule 17]	**7,286,139**	-
	10,087,319	**871,280**

SCHEDULE "11"

Amount (in Rs.)

MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	As at March 31, 2011	As at March 31, 2010
(a) Opening balance of unamortised share issue expenses	**3,278,913**	4,874,543
Share issue expenses incurred during the year	**4,100,000**	400,000
Less: Written off during the year	**2,328,965**	1,995,630
Closing balance of unamortised share issue expenses	**5,049,948**	3,278,913
(b) Opening balance of unamortised loan processing charges	**1,715,013**	-
Loan processing charges incurred during the year	**11,650,882**	2,250,000
Less: Written off during the year	**4,252,539**	534,987
Closing balance of unamortised loan processing charges	**9,113,356**	1,715,013
	14,163,304	**4,993,926**

SCHEDULES TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2011

SCHEDULE "12"

Amount (in Rs.)

INCOME FROM FINANCING ACTIVITY	For the year ended March 31, 2011	For the year ended March 31, 2010
(a) Interest Income	355,631,980	20,433,725
(b) Others	44,152,149	4,463,744
	399,784,129	24,897,469

SCHEDULE "13"

Amount (in Rs.)

OTHER INCOME	For the year ended March 31, 2011	For the year ended March 31, 2010
(a) Interest on fixed deposit (Tax deducted at source NIL, previous year Rs. 179,797/-)	-	395,142
(b) Profit on redemption of Mutual Funds	363,274	1,692,329
(c) Service charges (Including Tax Deducted at Source Rs. 987,810/-, previous Year NIL)	10,814,299	-
	11,177,573	2,087,471

SCHEDULE "14"

Amount (in Rs.)

INTEREST	For the year ended March 31, 2011	For the year ended March 31, 2010
Interest expenses		
(a) On fixed period loans	182,815,009	4,522,938
(b) On others	4,765,463	2,161,775
(c) Discounting charges on commercial paper	38,773,000	-
	226,353,472	6,684,713

SCHEDULE "15"

Amount (in Rs.)

EMPLOYEE COSTS	For the year ended March 31, 2011	For the year ended March 31, 2010
(a) Salaries, wages and bonus	75,721,860	24,214,469
(b) Contribution to provident fund, superannuation fund & other funds	4,326,536	1,611,222
(c) Staff welfare expenses	1,797,521	353,628
	81,845,917	26,179,319

SCHEDULES TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,2011

SCHEDULE "16"

Amount (in Rs.)

OTHER OPERATING EXPENSES	For the year ended March 31, 2011	For the year ended March 31, 2010
(a) Auditors' remuneration		
(i) Statutory audit fees	**1,500,000**	500,000
(ii) Tax audit fees	**200,000**	100,000
(iii) Other services	**21,949**	73,192
(b) Advertisement and Publicity	**9,543,495**	-
(c) Bank charges	**92,955**	22,477
(d) Business development	**893,077**	41,019
(e) Direct Marketing Agents' Commission expenses	**5,136,387**	204,917
(f) Facility management and office upkeep charges	**124,790**	328,178
(g) Insurance charges	**13,483**	77,052
(h) IT Outsourcing expenses	**8,328,222**	-
(i) Legal and professional fees	**11,288,025**	2,426,035
(j) Loan Processing fees	**19,897,918**	3,067,895
(k) Postage and courier	**252,941**	7,754
(l) Printing and stationery	**1,346,369**	166,073
(m) Provision for Doubtful loans	**161,615**	-
(n) Provision for standard assets - Home Loan	**796,856**	-
(o) Provision for Standard Assets-Home Equity	**6,489,283**	-
(p) Rates and taxes	**20,720**	2,500
(q) Record management charges	**435,572**	13,334
(r) Recruitment	**5,759**	3,306
(s) Rent	**9,499,195**	674,955
(t) Repairs and maintenance expenses - Vehicle	**37,528**	49,809
(u) Stamping charges	**623,381**	301,570
(v) Telephone	**826,312**	319,043
(w) Training expenses	**20,000**	10,000
(x) Travelling and conveyance	**6,136,233**	2,233,768
(y) Others expenses	**414,450**	8,596
	84,106,515	**10,631,473**

Schedule annexed to and forming part of the Balance Sheet as at March 31, 2011 and Profit and Loss Account for the year ended March 31, 2011.

Schedule "17"

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS FOR PREPARATION OF ACCOUNTS

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the generally accepted accounting principles and are in compliance with the relevant provisions of the Companies Act, 1956, The National Housing Bank Act, 1987 and National Housing Finance Companies, (NHB) Directions, 2010.

2. USE OF ESTIMATES

The preparation of financial statements require the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses for the reporting period. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods. Example of such estimates includes provision for employee benefit plans and provision for income taxes.

3. REVENUE RECOGNITION

Interest income on loans

Income on loan transactions is accounted for by using the internal rate of return method. Consequently, a constant rate of return on net outstanding amount is accrued over the period of the contract, except that no income is recognized on non-performing assets as per the prudential norms for income recognition issued by NHB for HFC's. Interest income on such assets is recognized on receipt basis.

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

Fee and Other Charges

Upfront / processing fees collected from the customer for processing loans are primarily towards documentation charges. This is accounted as income when the amount becomes due provided recovery thereof is not uncertain.

Income from Current and Long-term Investments

Income from dividend on shares of corporate bodies and units of mutual funds is accounted on accrual basis when the Company's right to receive dividend is established.

4. PROVISIONS FOR HOUSING LOANS

a. The Company provides an allowance for loan receivables based on the prudential norms issued by NHB relating to income recognition, asset classification and provisioning for non-performing assets.

b. In addition, the company provides for standard assets as required by the directions issued by NHB.

5. INVESTMENTS

Current investments comprising investments in mutual funds are stated at the lower of cost or market value, determined on an individual investment basis.

6. FIXED ASSETS

Fixed assets are stated at cost, less depreciation/amortization, which comprises the purchase consideration and other directly attributable cost of bringing the assets to its working condition for the intended use.

7. DEPRECIATION AND AMORTISATION

Depreciation on tangible fixed assets is provided on straight-line method at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956 or over the estimated useful life of the asset, whichever is higher.

All capital assets with individual value less than Rs. 5,000/- are depreciated fully in the year in which they are purchased.

Depreciation rates used by the Company are:

Asset	Depreciation rates
Vehicle	23.75%
Building	4.00%

8. TAXATION

Income tax

The Company's income taxes include current tax on the Company's taxable profits and deferred tax. Current tax is measured on the basis of estimated taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax assets and liabilities are measured using enacted tax rates and tax regulations or those that have been substantively enacted at the balance sheet date.

Deferred tax corresponds to the net effect of tax on all timing differences, which occur as a result of items being allowed for income tax purposes during a year different from when they were recognised in the financial statements.

Deferred tax assets are recognised with regard to all deductible timing differences to the extent that it is probable that taxable profit will be available against which deductible timing differences can be utilized. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realized.

The carrying amount of deferred tax assets is reassessed at each balance sheet date, based upon management's judgment as to whether their realization is considered as reasonably certain.

9. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure, comprising share issue expenses such as stamp duty and registration fees, amortized over a period of 36 months from the month in which the Company has incurred the expenditure. Loan processing charges incurred on loans taken is amortized over the period of the loan.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Company has present obligations, as result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation. Contingent liabilities are not recognised but disclosed in the financial statements. A Contingent asset is neither recognised nor disclosed in the financial statements.

11. EARNINGS PER SHARE

The basic earnings per share is computed by dividing the net profit / loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earning per share comprises the weighted average number of shares considered for deriving earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit per share are included.

12. EMPLOYEE STOCK PURCHASE SCHEME

The Company follows the intrinsic value method to account for the compensation cost of it's stock based employee compensation plans.

13. EMPLOYEE BENEFITS

(i) Short Term

Short term employee benefits are recognised as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the Company.

(ii) Long Term

The Company has both defined-contribution and defined-benefit plans. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

(iii) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund and family pension fund. The Company's payments to the defined-contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

(iv) Defined-benefit plans

An expense for defined-benefit gratuity is calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

(v) Other Employee Benefits

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid. Where there are restrictions on availment of encashment of such accrued benefit or where the availment or encashment is otherwise not expected to wholly occur in the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

The Company provides for Long Term Service Awards in accordance with its policy based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

14. SEGMENT REPORTING

The Company is engaged in the business of providing loans for purchase, construction, repairs and renovation etc, of houses / flats to individuals and corporate bodies and has it's operations within India. There being only one 'business segment' and 'geographical segment', the segment information is not provided.

B. NOTES TO THE ACCOUNTS

1. Tata Capital Housing Finance Limited (the "Company") was incorporated on October 15, 2008. The Company obtained the certificate of registration under the National Housing Bank (NHB) as required under Section 29A of the NHB Act, 1987 on April 2, 2009. The Company is a wholly owned subsidiary of Tata Capital Limited. The main objects of the Company, inter alia are to carry out the business of providing long term finance to individuals, companies, corporations, societies or association of persons for purchase / construction / repair and renovation of new / existing flats / houses for residential purposes and provide property related services.

2. Loans granted by Tata Capital Housing Finance Limited are secured by :

   a. Equitable mortgage of property and

   b. Undertaking to create a security.

3. Employee Stock purchase scheme

   Pursuant to the "Tata Capital Limited Employee Stock Purchase / Option Scheme" (the "ESOP Scheme"), covering the employees and directors of Tata Capital, its subsidiaries and holding company. 564,769 shares of Rs.10 per share at a premium of Rs.2 per share, being the intrinsic value of the share were allotted to the employees of Tata Capital Housing Finance Company Limited (the Company).

   The Company has provided interest free loan of Rs. 6,777,228/- to its employees for subscribing to these shares. The related cost on account of the stock options, if any, will be absorbed by Tata Capital limited.

   Due to this there is no financial impact on the Profit & Loss account of the Company. In view thereof, basic and diluted earnings per share would remain unchanged.

4. Contingent Liabilities and Commitments

   Contingent Liabilities and Commitments Rs. Nil as on March 31, 2011 (Previous year Rs. Nil)

   Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs. Nil (Previous year Rs. Nil)

5. Employee benefits

Defined-Contribution Plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. The Company offers its employees defined contribution plan in the form of provident fund and family pension fund. Provident fund and family pension fund cover substantially all regular employees. While both, the employees and the Company pay predetermined contributions into the provident fund, contributions into the family pension fund are made by only the Company. The contributions are based on a certain proportion of the employee's salary.

The Company recognised a charge of Rs. 2,744,375/- (Previous year Rs. 896,753/-) towards provident fund and family pension fund contribution and Rs. 986,769/- (Previous year Rs. 671,081/-) towards contribution to superannuation fund in the Profit and Loss account during the current year. The Company is in the process of creating a superannuation fund for its employees.

Defined–Benefits Plans

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. Commitments are actuarially determined at year-end. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees. On adoption of the Accounting Standard (AS 15) on "Employee Benefits", actuarial valuation is done based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to the profit and loss account.

Reconciliation of Benefit Obligations and Plan Assets (Amount in Rs.)

Particulars	2010-11	2009-10
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	**319,138**	275,750
Current Service Cost	**263,290**	61,230
Interest Cost	**26,270**	23,440
Actuarial Losses / (Gain)	**305,830**	(41,282)
Experience adjustment for Plan liabilities	-	-
Benefits Paid	-	-
Closing Defined Benefit Obligation	**914,528**	**319,138**
Experience Gain / (Loss) adjustment on plan liabilities	**(308,850)**	55,440
Change in the Fair Value of Assets		
Opening Fair Value of Plan Assets	-	-
Expected Return on Plan Assets	-	-
Actuarial Gains / (Losses)	-	-
Inter-Company Allocations	-	-
Contributions by Employer	-	-
Benefits paid	-	-
Closing Fair Value of Plan Assets	-	-

Particulars	2010-11	2009-10
Reconciliation of present Value of the obligation and the Fair value of the Plan assets		
Fair Value of plan assets at the end of the year	**-**	-
Present value of the defined obligations at the end of the year	**914,528**	319,138
Funded status [Surplus / (Deficit)]	**(914,528)**	(319,138)
Liability recognized in the balance sheet	**(914,528)**	**(319,138)**
Net Gratuity cost for the year ended March 31, 2011		
Service Cost	**263,290**	61,230
Interest on Defined benefit Obligation	**26,270**	23,440
Expected return on plan assets	**-**	-
Actuarial (Gains) / Losses	**305,830**	(41,282)
Net Gratuity Cost	**595,390**	43,388
Assumptions		
Discount Rate	**8.25% p.a.**	8.23% p.a.
Expected Rate of Return on Plan Assets	**Not applicable**	Not applicable
Salary Escalation Rate	**7.50% p.a for first 5 years and 5% thereafter.**	7.50% p.a for first 5 years and 5% thereafter.
Mortality table	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate
Withdrawal rate	**0 – 2 years:10%** **3 – 4 years: 5%** **5 – 9 years: 2.5%** **10 and more: 1%**	0 – 2 years: 10% 3 – 4 years: 5% 5 – 9 years: 2.5% 10 and more: 1%

Experience Adjustment

Particulars	2010-11	2009-10	2008-09
On plan liability	**(308,850)**	55,440	N.A.
On plan assets	**NIL**	NIL	NIL
Present value of benefit obligation	**914,528**	319,138	NIL
Fair value of plan assets	**NIL**	NIL	NIL

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors. The above information is certified by the actuary.

The contributions expected to be made by the Company during the financial year 2011-12 is Rs. 798,355/-.

6. Disclosure as required by Accounting Standard (AS) 18 on "Related Party Disclosures"

A) List of related party and relationships:

Ultimate holding Company	Tata Sons Limited
Holding Company	Tata Capital Limited
Fellow subsidiaries (With which the Company had transactions)	TC Travel & Services Limited
Subsidiaries of ultimate holding company	Tata Consultancy Services Limited e-Nxt Financials Limited Tata Infrastructure Capital Limited

B) Transactions carried out with related parties referred in "A" above, in ordinary course of business:

(Amount in Rs.)

Sr.No	Party Name		Nature of Transaction	2010-11	2009-10
1	Tata Sons Limited (Ultimate Holding Company)	a)	Expenses - Brand Equity Contribution	**602,759**	Nil
		b)	Balance Payable	**602,759**	Nil
2	Tata Capital Limited (Holding Company)	a)	Equity shares subscribed during the year	**1,000,000,000**	300,000,000
		b)	Purchase of fixed asset	**Nil**	892,636
		c)	Inter-corporate deposits (ICDs) taken and repaid during the year	**40,000,000**	229,500,000
			Expenses		
		d)	- Interest expenses on ICDs taken	**Nil**	1,365,260
		e)	- Reimbursement of expenses and payments on our behalf	**48,052,149**	6,723,394
			Income		
		f)	- Sourcing fee Balance Payable	**10,814,297**	Nil
		g)	- Towards expenses incurred on the Company's behalf	**1,229,758**	966,527
3	e-Nxt Financials Limited	a)	Expenses-Service providers charges	**4,107,450**	7,500
		b)	Balance Payable	**1,285,149**	3,750
4	TC Travel & Services Limited	a)	Expenses-Service charges	**1,031,559**	Nil
		b)	Balance Payable	**1,52,184**	Nil
5	Tata Consultancy Services Limited	a)	Expenses-Service charges	**8,328,222**	Nil
		b)	Balance Payable	**4,216,375**	Nil
6	Tata Infrastructure Capital Limited	a)	Expenses-Service charges	**323,774**	Nil
		b)	Balance Payable	**323,774**	Nil

7. Earnings per Share: (Amount in Rs.)

Particulars	2010 -11	2009 -10
Profit / (Loss) after tax	**15,930,174**	(19,183,713)
Weighted average number of equity shares used in computing basic earnings per share	**65,657,534**	18,104,110
Face value of equity shares	**10**	10
Basic and Diluted earnings per share	**0.24**	**(1.06)**

8. The major components of Deferred tax assets & differed tax liabilities arising out of timing differences are as under

Particulars	As at March 31,2011	As at March 31,2010
Deferred Tax Asset		
Deferred Tax Assets on account of section 43B of Income Tax Act 1961	**1,854,295**	-
Deferred Tax Assets on account of disallowance u/s 40(a)	**486,675**	-
Deferred Tax Assets on account of provision for doubtful debts	**52,436**	-
Deferred Tax Assets on account of provision for Standard Assets	**2,363,988**	-
Deferred Tax Liability		
Deferred tax liabilities on account of depreciation on fixed assets	**(120,983)**	-
Net Deferred Tax Asset	**4,878,377**	-

9. During the period the Company had invested its temporary surplus pending deployment in units of mutual funds. Details of the same are given below.

Name of Mutual Fund	Balance as on 01.04.2010		Purchased during the year		Sold during the year		Balance as on 31.03.2011	
	No. of units	Amount (in Rs.)	No. of units	Amount (in Rs.)	No. of units	Amount (in Rs.)	No. of units	Amount (in Rs.)
Tata Liquid Fund SHIP Growth	-	-	285,091	502,072,617	285,091	502,072,617	-	-
LIC Mutual Fund Liquid Scheme - Growth Option	-	-	9,538,218	165,250,000	9,538,218	165,250,000	-	-
Tata Floating Rate Short Term Inst Plan-Growth	-	-	1,853,091	28,000,000	1,853,091	28,000,000	-	-
Total	-	-	11,676,400	695,322,617	11,676,400	695,322,617	-	-

10. As per the Housing Finance Companies (NHB) Directions, 2010, non-performing assets are recognized on the basis of ninety days overdue. The total provision carried by the Company in terms of paragraph 25(2) of the Housing Finance Companies (NHB) Directions, 2010 and NHB circular NHB(ND)/(DRS)/Pol-No.09/2004-05 dated May 18,2005 in respect of Housing and Non Housing Loans is as follows.

(Amount in Rs.)

Category	Sub-Standard Assets	
	Current Year	Previous Year
Housing	161,615	-
Non Housing	-	-

The Company did not have any doubtful assets/ loss assets as on 31st March 2011. (Previous year Rs. NIL)

11.

a. The Company has made a standard asset provision of Rs. 6,489,283/- being 0.40% of the standard Non Housing loans as specified by the National Housing Bank circular No. NHB(ND)/DRS/DIR-18-07/1336/2007 dated March 26, 2007.

National Housing Bank (NHB) has amended Provisions of Standard Housing Loans vide circular dated December 24, 2010, NHB(ND)/DRS/Pol No.37/2010-11. As per the revised guidelines, Housing Finance Companies are required to make a general Provision of 0.4% of the total outstanding loans other than housing loans to individuals as under.

(i) 0.20% by March 31, 2011

(ii) 0.40% by September 30, 2011

b. Further the company has made a standard assets provision of Rs.7,96,856/- being 0.20% of the standard housing loan given to non individuals as specified by circular NHB(ND)/DRS/Pol No.37/2010-11 dated December 24,2010.

12. As per Section 29C of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of net profits every year to a reserve. The Company has transferred an amount of Rs. 3,200,000/- (previous Year NIL) to Special Reserve.

13. Disclosure of details as required under amended guidelines on Asset Liability Management (ALM) issued by NHB vide circular dated October 11, 2010, NHB(ND)/DRS/Pol No.35/2010-11.

I. Capital to Risk Ratio (CRAR)

Items	2010-11	2009-10
i) CRAR (%)	**19.37%**	41.96%
ii) CRAR Tier I capital (%)	**19.37%**	41.96%
iii) CRAR Tier II capital (%)	**NIL**	NIL

II. Exposure To Real Estate Sector (Amount in Rs)

Category	2010-11	2009-10
a) Direct Exposure		
(i) Residential Mortgages		
Lending fully secured by mortgage on Residential property that is or will be occupied by the borrower or that is rented;		
(i) Housing Loan to Individuals upto Rs. 15 Lakhs	**551,824,420**	118,379,260
(ii) Housing Loan to individual/ corporate more than 15 lakhs	**4,750,849,233**	784,460,005
(iii) Other Housing Loans;		
- Loan given to corporate	**174,095,738**	-
- Non Housing Loan against residential property	**1,203,772,196**	-
- Non Housing Loan against Non-residential mortgage property	**232,927,670**	-
(ii) Commercial Real Estate		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc) exposure includes non-fund based (NFB) limits	**-**	-

Category	2010-11	2009-10
(iii) Investment in Mortgage Backed Securities(MBS) and other securitised exposures -		
a) Residential	-	-
b) Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposure on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

III. Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(Amount in Rs.)

	Liabilities		Assets	
	Borrowings from Banks	**Market Borrowings**	**Advances**	**Investments**
1 day to 30/31 days (One month)	263,425,384	149,730,668	24,265,925	-
Over one month to 2 months	-	-	19,919,420	-
Over 2 months up to 3 months	-	197,271,146	18,200,900	-
Over 3 months to 6 months	485,507,079	389,026,286	57,558,308	-
Over 6 months to 1 year	3,381	-	123,387,581	-
Over 1 year to 3 years	1,235,041,285	-	567,456,578	-
Over 3 years to 5 years	27,82,500,001	-	691,890,941	-
Over 5 to 7 Years	-	-	812,899,715	-
Over 7 to 10 Years	-	-	1,467,543,997	-
Over 10 Years	-	-	3,173,939,565	-
Total	**4,766,477,130**	**736,028,100**	**6,957,062,930**	**-**

14. Previous year figures have been regrouped wherever necessary.

For and on behalf of the Board of Directors

Praveen P. Kadle
(Director)

Janki Ballabh
(Director)

S. H. Rajadhyaksha
(Director)

Mumbai
Date: April 28, 2011

G. Sankaranarayanan
(Director)

Avan Doomasia
(Company Secretary and Manager)

Balance Sheet Abstract and Company's General Profile

I	**REGISTRATION DETAILS**			
	REGISTRATION NO.	U67190MH2008PLC187552		
	BALANCE SHEET DATE	March 31, 2011	STATE CODE	11
II	**CAPITAL RAISED DURING THE YEAR (RS in thousand)**			
	PUBLIC ISSUE	NIL	RIGHT ISSUE	1,100,000,000
	BONUS ISSUE	NIL	PRIVATE PLACEMENT	NIL
III	**POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RS in thousand)**			
	TOTAL LIABILITIES	7,005,705,230	TOTAL ASSETS	7,005,705,230
	SOURCES OF FUNDS			
	PAID UP CAPITAL	1,500,000,000	RESERVES AND SURPLUS	3,200,000
	SECURED LOANS	4,503,051,746	UNSECURED LOANS	999,453,484
	DEFERRED TAX LIABILITY	NIL		
	APPLICATION OF FUNDS			
	NET FIXED ASSETS	6,020,418	INVESTMENTS	NIL
	DEFERRED TAX ASSETS	4,878,377	NET CURRENT ASSETS	6,968,614,286
	MISC EXPENDITURE	14,163,304	ACCUMULATED LOSSES	12,028,845
IV	**PERFORMANCE OF THE COMPANY(AMT IN RS)**			
	TURNOVER	410,961,702	TOTAL EXPENDITURE	399,395,892
	PROFIT BEFORE TAX	11,565,810	PROFIT AFTER TAX	15,930,174
	EARNINGS PER SHARE IN RS.	0.24	DIVIDEND RATE%	NIL
V	**GENERIC NAMES OF PRODUCT/ SERVICES OF THE COMPANY**			
	HOUSING FINANCE COMPANY			