

**Information Memorandum
Issued by**



Registered Office: Kanchenjunga Building, 3rd Floor,
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Email : investors@idbihomefinance.com

Corporate Office: Gopika Niketan, 1204/2, Ghole Road, Shivaji Nagar, Pune – 411 004.

Contact Person: Shri.. Madhusudan Parkhi,
Legal Advisor & Company Secretary

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Email: mparkhi@idbihomefinance.com

Website: www.idbihomefinance.com

This is not an invitation for the public to subscribe to any of the securities of IDBI Homefinance Limited and hence not a Prospectus.

The Issue will open for subscription at the commencement of business hours and shall close at the close of business hours on the dates indicated below:

OPENING DATE: March 25, 2009

CLOSING DATE : March 25, 2009

Business Hours of the company: **Monday to Friday - 9.30 hrs to 17.30 hrs**
Saturday - 9.30 hrs to 13.30 hrs

Registrar to the Issue



Investor Services of India Ltd.

IDBI Building "A" Wing, 2nd Floor, Rajiv Gandhi Marg,

Sector 11, Plot No. 39,40,41 CBD Belapur, Navi Mumbai 400 814.

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Arranger to the Issue



IDBI Capital Market Services Ltd.

5th floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021.

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Website: www.idbicapital.com

Trustees to the Issue



IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor, 17, R Kamani Marg,
Ballard Estate, Mumbai –400 001.
Contact Person : Ms.Brindha V.
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Email : brindha@idbitrustee.co.in Website: www.idbitrustee.co.in

GENERAL RISK

Investment in debt and debt related securities involve a degree of risk and investors should not invest any funds in the debt instrument unless they can afford to take the risks attached to such investments. Investors are advised to read the risk factors carefully before taking an investment decision in this private placement. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document. The attention of Investors is drawn to the statement of Risk Factors on Page 6 of the Information Memorandum.

IHFL'S ABSOLUTE RESPONSIBILITY

IHFL having made all reasonable inquiries accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to the Issuer and the Issue, which is material in the context of the issue, that the Information contained in this Information Memorandum is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Tier II Bonds are proposed to be listed on the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange of India Limited (BSE).

Credit Rating

The company has obtained credit rating for an amount of Rs. 50 crores from Investment Information and Credit Rating Agency (ICRA) vide the rating letter dated March 9, 2009. ICRA has assigned a rating of "LAA" (pronounced L double A) to these Tier II Bonds. This rating indicates the high credit quality rating assigned by ICRA. The rated instrument carries low credit risk.

The company has also obtained credit rating for an amount of Rs.50 crores from Credit Analysis & Research Limited (CARE) vide the rating letter dated March 12, 2009. CARE has assigned a rating of "CARE AA" (pronounced CARE Double A) to these Tier II Bonds. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.

The above ratings have factored IHFL's strong parentage and IHFL continuing to remain a subsidiary of IDBI Bank Limited.

TABLE OF CONTENTS

CONTENTS	PAGE NO
ABBREVIATIONS	4
DEFINITIONS	5
RISK FACTORS AND MANAGEMENT PERCEPTIONS THEREOF	6
PART I	
I. INTRODUCTION	11
II. GENERAL INFORMATION	13
III. CAPITAL STRUCTURE	18
IV. OBJECTS OF THE ISSUE	21
V. BASIC TERMS OF ISSUE	22
VI. TAX BENEFITS	23
VII. ABOUT THE ISSUER COMPANY	27
VIII. KEY INDUSTRIAL REGULATIONS	35
IX. MAIN OBJECTS OF THE COMPANY	36
X. MANAGEMENT	37
XI. PROMOTERS	41
XII. FINANCIAL STATEMENTS	43
XIII. CHANGE IN ACCOUNTING POLICIES IN THE PAST 3 YEARS PROMOTERS	79
XIV. MANAGEMENT DISCUSSION AND ANALYSIS	79
XV. LEGAL AND OTHER INFORMATION	82
XVI. OTHER REGULATORY AND STATUTORY DISCLOSURES	83
XVII. INVESTOR GRIEVANCE & REDRESSAL SYSTEM	88
PART II	
XVIII. TERMS OF THE PRESENT ISSUE	89
XIX. MAIN PROVISION OF ARTICLES OF ASSOCIATION	94
XX. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION	98
PART III	
XXI. DECLARATION	99
PART IV	
ANNEXURE I (Application Form)	100
RATING LETTER AND RATIONALE	Attached

ABBREVIATIONS

ALCO	Asset Liability Management Committee
ALM	Asset Liability Management
BSE	Bombay Stock Exchange
CARE	Credit Analysis & Research Limited
CDSL	Central Depository Services Limited
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
DIP	Disclosure and Investor Protection Guidelines of SEBI
DP	Depository Participant
DRR	Debenture Redemption Reserve
DSAs	Direct Sales Agents
ESOP	Employee Stock Option Plan
EFT	Electronic Fund Transfer
EMI	Equated Monthly Installments
EU	European Union
FICCI	Federation of Indian Chambers of Commerce and Industry
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
HFCs	Housing Finance Companies
HLAs	Home Loan Agents
ICRA	Investment Information and Credit Rating Agency
ICMS	IDBI Capital Market Services Limited.
IDBI Ltd.	Industrial Development Bank of India Limited.
IHFL	IDBI Homefinance Limited
ITSL	IDBI Trusteeship Services Ltd.
LIBOR	London Interbank Offered Rate
LTV	Loan To Value
MOU	Memorandum Of Understanding
NAV	Net Asset Value
NCDs	Non-Convertible Tier II Bonds
NHB	National Housing Bank
NPA	Non Performing Assets
NSDL	National Securities Depository Limited
POS	Principal Only Swap
PTCs	Pass Through Certificates
RBI	The Reserve Bank of India
SEBI	Securities Exchange Board of India
SARFAESI	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002
WDM	Wholesale Debt Market

DEFINITIONS

Articles	Articles of Association of the Company
Board	Board of Directors of the Company
Debenture holder	The holders of the Tier II Bonds
Tier II Bonds	Unsecured Non-Convertible Redeemable Subordinated Bonds in the nature of Debentures
Depository/ies	National Securities Depository Limited (NSDL) and /or Central Depository Services (India) Limited (CDSL)
I.T. Act	The Income-tax Act, 1961 as amended from time to time
Information Memorandum / Document	This information Memorandum through which the Tier II Bonds are being offered for private placement
Issue	Issue of Unsecured, Redeemable Non-Convertible, Subordinated Bonds in the nature of Debentures of the face value of Rs.10,00,000/- each at par, aggregating Rs. 50 crores.
"IHFL"/ "Company"/ "Offeror"	IDBI Homefinance Limited, a public limited company incorporated under the Companies Act, 1956
Memorandum	Memorandum of Association of the Company
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (as amended from time to time)
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 (as amended from time to time)
The Act / Act	The Companies Act, 1956 (as amended from time to time)
Trustees	Trustees for the Debenture holders

RISK FACTORS AND MANAGEMENT PERCEPTIONS THEREOF

The investors should consider the following risk factors carefully for evaluation of the company and its business before making any investment decision. Unless the context requires otherwise, the risk factors described below apply to IHFL only.

Internal Risk Factors

1) CREDIT RISK: The business of lending carries the risk of default by borrowers. Any lending business is exposed to the risk of default by its borrowers.

Management Perception:

There is in place a systematic and strong credit appraisal process in IHFL. A special team monitors the collections of the loan recoveries. This risk is further mitigated by the secured nature of the transaction, enabling provisions of SARFAESI Act and the active secondary market available for property. Further, the guidelines issued by the National Housing Bank (NHB) regarding exposure norms and concentration of credit and investment help to diversify credit risk. The same can be observed from the NPA ratios of the company. The net NPA as on March 31, 2007, March 31, 2008 and September 30, 2008 were 0.73%, 0.56% and 0.64% respectively. The net NPA as on December 31, 2008 stood at 0.63%.

2) MARKET RISK: This risk arises, as a result of interest rate volatility. Interest rate risk is inherent to the business of any financial institution. Interest rate volatility exposes IHFL to risk arising out of maturity/rate mismatches. Risk arising from interest rate volatility is inherent in the business of lending.

Management Perception:

Downward revision in the interest rates may affect Company's profitability projections as the income is derived from housing loans and investments. This downward revision in interest rates is expected to be in line with a general decline in market interest rates. However, the company has provisions of upward revision of interest, should there be increase in general lending interest rate structure. Upward revision in interest rate on borrowings may increase interest burden on the Company. However, the increase in general interest rate will have similar impact on the lending rate. Any erosion in the spread could be made up by increase in the business volume. As housing loans are being repaid out of disposable income of individual, if the disposable income goes down as a result of prevailing economic situation, the possibility of bad debts may increase. However since housing loans are long term loans, it is believed that individual repayment capacity will not be affected in the long run as adjustments to inflation/recession would also take place thereby maintaining the level of disposable income to a great extent.

3) OPERATIONAL RISK: The risks that arise out of systemic issues within an organization are intrinsic to any business.

Management Perception:

There are adequate internal control systems commensurate with the nature of its business and size of operations. The Internal Audit function is carried out by an internal team of dedicated officials under the direct supervision of the Audit Committee of the

Board. All significant internal audit observations are reported to the Audit Committee of the Board.

4) ASSET LIABILITY MANAGEMENT (ALM): The risks that arise out of mismatch of assets and liabilities.

Management Perception:

IHFL broadly follows the "Asset Liability Management System for Housing Finance Companies – Guidelines" as defined by NHB. To further monitor market risk management systems, The Asset Liability Management Committee (ALCO), which comprises senior management, apprises the Board periodically on ALM issues. High variable portfolio further insulates against the interest rate risk.

5) CONTINGENT LIABILITIES: IHFL has identified the following items as contingent liabilities that may arise in the future:

- i. Counter indemnities given to the bankers amounting to Rs. 81,39,468/- as on March 31, 2007, Rs.88, 84,468/- as on March 31, 2008 and Rs.93, 26,218/- as on September 30, 2008 against various instruments misplaced by the borrowers and vendors. The company has been indemnified for the above amount with the counter indemnity obtained from the respective borrowers and vendors.
- ii. Claims against the company not acknowledged as debts (excluding cost of petition) amounting to Rs.3,62,076/- as on March 31, 2007, Rs.19,28,776/- as on March 31, 2008 and Rs.13,93,735/- as on September 30, 2008.
- iii. Indemnity Bond issued in favour of HDFC Bank Ltd amounting to Rs. 28,069/- as on March 31, 2007, March 31, 2008 and September 30, 2008 towards reversal of inadvertent credit given to the salary account of a former employee.
- iv. Disputed income tax demands in respect of earlier years aggregating Rs 25,22,503/- as on March 31, 2008 and September 30, 2008.
- v. Claim made by a Guarantor of a defaulting borrower is pending before Kolkata High Court. The claim has been contested by the company. The company does not expect the claim to crystallise in a liability. Pending the outcome of the matter, amount of the claim cannot be precisely ascertained.

Management Perception:

The contingent liabilities arose out of the normal course of business and are considered as not material to affect or likely to affect the profitability of the company, or the value of its assets, or its ability to pay its liabilities.

6) CHANGE OF OWNERSHIP: IDBI Bank is considering to sell its stake in IHFL and has identified the prospective buyer. The sale proposal has been presently deferred by the Board of IDBI Bank.

Management Perception:

Any change in ownership of IHFL would result in change in the risk perception of rating agencies.

7) CAPITAL ADEQUACY RATIO: Capital Adequacy Ratio of IHFL as on December 31, 2008 is 10.25%. With the proposed subordinated debt issue, IHFL may not be able to achieve the minimum CAR of 12%.

Management Perception:

IHFL's CAR as on September 30, 2008 was 14.81%. The CAR as on December 31, 2008 has declined to 10.25%. This decline is due to change in NHB norms relating to capital adequacy whereby risk weights have been linked to LTV ratio for standard housing loans. Since IHFL's average LTV ratio is greater than 75%, the norm has adversely affected its CAR. IHFL proposes to infuse additional equity of Rs.20 crore on rights basis. With the infusion of Tier I & Tier II capital, the CAR will improve to above 12%.

External Risk Factors

1) RISK OF COMPETITION:

Interest rate deregulation and other liberalization measures affecting the housing finance industry, together with increased demand for home finance; have increased the exposure to competition. However IHFL is confident that in view of the demand-supply gap in the housing sector and other socio-economic and demographic factors, the Company will be able to maintain a growth rate in tandem with the economy and comparable with other housing finance companies. Domain expertise, dedicated outlets, professional marketing force and superior levels of service, will continue giving the company a competitive edge.

2) REGULATORY RISK:

Our business may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Despite changes in governments, the economic policy of the country has been singularly pro-liberalization. The industry has grown at a CAGR of approximately 25% over last five years. The acute shortage of dwelling units and the national priority that has been accorded to housing are unlikely to be diluted across the future.

3) GENERAL RISKS:

Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, investors must rely on their own examination of the issue and the Information Memorandum, including the risks involved. The issue has not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this Information

FORWARD-LOOKING STATEMENTS

This Draft Information Memorandum includes statements that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are forward looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that

Information Memorandum

could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions;
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- Significant changes in Indian or international interest rates and their impact on our financial results;
- Performance of the agricultural, industrial and service sectors in India;
- Rate of growth of our advances ;
- Changes in the foreign exchange control regulations in India.
- Potential mergers, acquisitions or restructurings;
- Changes in laws and regulations that apply to Housing Finance Companies in India, including laws that impact our ability to enforce our collateral;
- The occurrence of natural disasters or calamities affecting the areas in which we have operations or outstanding credit;
- Changes in political conditions in India;

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page [6] of this Draft Information Memorandum. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The company, the members of the company and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange in respect of the Bonds allotted in this Issue.

Notes to Risk Factors:

1. NHB stipulates minimum CAR of 12%. The company's CAR stood at 13.96% as on March 31, 2007, 16.01% as on March 31, 2008 and 14.81% as on September 30, 2008. The CAR as on December 31, 2008 declined to 10.25% on account of revision in risk weights and linking the same to the loan to value ratio. The proposed issue of subordinated debt along with the infusion of equity capital of Rs.20 crore by IDBI Bank would help IHFL improve its CAR to above 12%.
2. As on December 31, 2008, 89% of the loans were at variable interest rate and the balance 11% were at fixed rates of interest.
3. The erstwhile holding company Tata Finance Ltd (TFL) has agreed to indemnify company against any housing loan sanctioned upto September 7, 2003 (effective date) becoming non-performing asset within three years from effective date. The claims in respect of the above can be made by Company only after completion of five years from the effective date. This indemnity includes expenses related to recovery action and shortfall in the realization of amount, subject to an overall cap of Rs.5.00 crores. A claim has been lodged by IHFL with Tata Motor Finance Limited (erstwhile Tata Finance Limited) for Rs.5.01 crore.

Information Memorandum

4. As on September 30, 2008 some of the key ratios of IHFL are:

Net Worth (Rs in crores)	208.14
RONW (Annualised)	18.47%
Net NPA	0.64%
EPS (Rs) (Annualised)	2.64
Net Asset Value per Share (Rs)	14.36
PAT (Rs in crores)	19.22
Loan Portfolio (Rs in crores)	2986.59
Non Interest Expenses / Avg Total Assets	0.87%



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I. INTRODUCTION

Offer Details in Brief

IHFL proposes to issue Unsecured, Redeemable, Non Convertible Subordinated Bonds in the nature of Debentures of the face value of Rs. 10,00,000/- each at par, aggregating to Rs.50.00 crores. The common terms are given below. The specific terms of each tranche will be finalized closer to the actual date of issuance and would be submitted to the stock exchanges at that point of time.

ISSUE DETAILS	
Instrument	Unsecured Redeemable, Non- Convertible Subordinated Bond in the nature of Debentures
Instrument Form	Only in Dematerialised Form
Issue size	Rs.50.00 crores
Face value / Issue price per bond	Rs. 10,00,000
Minimum Application	Rs. 10,00,000 or One Bond
Security	Unsecured
Interest on application money	Payable at the coupon rate or such other rate as decided by the Company for each tranche, from the date of realization of cheque upto and including one day prior to the Deemed Date of Allotment
Interest Rate	Will be communicated for each tranche by way of addendum
Interest payment dates	Will be communicated for each tranche by way of addendum
Deemed Date of Allotment	Will be communicated for each tranche by way of addendum
Tenor	10 years

Maturity Date	Will be communicated for each tranche by way of addendum
Redemption	At par
Put/call option	None
Listing	The bonds will be listed on the Wholesale Debt Market (WDM) segment of Bombay Stock Exchange (BSE).
Rating	ICRA : LAA & CARE : CARE AA
Trustee	IDBI Trusteeship Services Ltd

Summary of financial, operating & other data (standalone)

(Rs in lakhs)

Profit & Loss	31.03.2007	31.03.2008	30.09.2008	31.12.2008
Total Income	18,619.76	26,614.70	16,390.01	25,512.81
Total Expenditure & Other Charges	15,658.05	22,461.80	13,695.80	21,824.28
Profit before tax & prior period items	2,961.71	4,152.90	2,694.21	3,688.53
Less: Prior period items	0.00	0.00	0.00	0.00
Profit Before Tax	2,961.71	4,152.90	2,694.21	3,688.53
Less: Provision for Tax : Current	773.37	1,344.50	813.90	1,109.00
Deferred Tax (credit)	-124.04	-180.22	-42.17	-50.22
Less: Prior period adjustments	-13.07	9.62	0.00	4.66
Profit After Tax	2,299.31	2,998.24	1,922.48	2,634.41

Balance Sheet	31.03.2007	31.03.2008	30.09.2008	31.12.2008
Shareholder's funds				
Capital	12,997.68	14,497.68	14,497.68	14,497.68
Reserves & Surplus	3,026.14	4,394.40	6,316.88	7,028.80
Loan Funds				
Secured Loans	196,215.91	215,145.36	222,518.39	271,109.22
Unsecured Loans	19,500.00	39,294.41	56,500.00	16,000.00
Total	231,739.73	273,331.85	299,832.95	308,635.70
Fixed Assets				
Gross Block	1,018.68	1,060.16	1,071.90	1,102.88
Less: Depreciation	488.60	619.99	670.31	699.72
Net Block	530.08	440.17	401.59	403.16
Add: Capital Advances	11.12	13.15	18.12	13.19
Loans				
Home Loans	206,288.34	263,414.71	290,514.94	299,047.16
Other Loans	8,406.36	7,625.01	8,143.96	8,000.18
Current Assets Loans & Advances	19,956.35	7,327.37	5,969.21	6,486.69
Less: Current Liabilities & Provisions	3,667.15	5,876.10	5,643.80	5,751.26
Net Current Assets	16,289.20	1,451.27	325.41	735.43
Deferred Tax Assets	211.52	385.98	428.15	436.19
Miscellaneous Expenditure	3.11	1.56	0.78	0.39
Total	231,739.73	273,331.85	299,832.95	308,635.70

II. GENERAL INFORMATION

IDBI HOMEFINANCE LIMITED

(Incorporated on January 10, 2000 under the Companies Act, 1956)

Registered Office: Kanchenjunga Building, 3rd Floor,
18, Barakhamba Road, New Delhi – 110 001.

Tel No : +91 11 23324862, 23310354–55, 23323865-66

Fax No: +91 11 23324863

Email : investors@idbihomefinance.com

Corporate Office: Gopika Niketan, 1204/2, Ghole Road,
Shivaji Nagar, Pune – 411 004.

Contact Person: Shri.. Madhusudan Parkhi,
Legal Advisor & Company Secretary

Tel: +91 20 25510625 - 30

Fax: +91 20 25510862

Email: mparkhi@idbihomefinance.com

Website: www.idbihomefinance.com

Registration Number: 55-103177

Address of the ROC where the Issuer is registered: Registrar of Companies,
New Delhi and Haryana

Background

The Company was incorporated on January 10, 2000 as a Private Limited Company with its Registered Office at New Delhi. The main business of the Company as stated in the Memorandum of Association is inter-alia to carry on the business of providing long term finance to any person or persons, company or corporation, society or association enabling such borrower to construct or purchase in India a house or flat for residential purposes, upon such security and such terms and conditions as the Company may deem fit. The Company was converted into a Public Limited Company on April 10, 2000 and the name of the Company was changed to Tata Homefinance Ltd. A fresh incorporation certificate was issued by Registrar of Companies.

In view of the transfer of shareholding by Tata Finance Ltd. to IDBI Ltd. pursuant to Share Purchase Agreement executed on May 30, 2003, the name of the Company was changed to IDBI Homefinance Ltd on December 19, 2003. The fresh incorporation certificate to that effect was issued by Registrar of Companies.

The Company was taken over by IDBI Ltd. effective from September 8, 2003. Consequent to the same, the name of the Company was changed to IDBI Homefinance Ltd. IHFL is a wholly owned subsidiary of one of India's largest public sector banking conglomerates. The Company started its operations in May, 2000 and housing loan

sanctions and disbursements during the period from 10th May 2000 to 30th September 2008 were Rs. 4891.15 Crores and Rs. 4178.58 Crores respectively.

LIST OF BOARD OF DIRECTORS

Status as on March 12, 2009

Sr. No.	Name	Address	Date of Appointment	Designation
1.	Shri. Yogesh Agarwal	C/o. IDBI Bank Ltd., IDBI Tower, WTC Complex, Cuffe Parade, Mumbai - 400 005	17/08/2007**	Chairman
2	Shri. O. V. Bundellu	C/o. IDBI Bank Ltd., IDBI Tower, WTC Complex, Cuffe Parade, Mumbai - 400 005	17/08/2007**	Director
3	Shri G. Soundararajan	Flat No. 2, Mahalaxmi, Parijat Co-op. Hsg. Soc. 159A, Central Avenue Road, Chembur, Mumbai – 400 071	11/09/2003	Director
4	Shri. F. J. da Cunha	18, 'Lalit', Nathalal Parekh Marg, Mumbai – 400 001	01/08/2002	Director
5	Shri. S. Ravi	D – 218, 'Saket', New Delhi – 110 017	30/01/2006	Director
6	Shri. M. H. Kulkarni	Flat No. 402, "Archibelle", Building No. A-2, 1209, K. P. Kulkarni Marg, Off. Apte Road, Deccan Gymkhana, Pune – 411 004	04/12/2007**	Managing Director & CEO

** Indicates the Directors appointed during last three years.

The following persons have ceased to be Directors during the last 3 years

Sr. No.	Name of the Director	Designation	Date of Resignation
1	Shri. V. P. Shetty	Chairman	17/08/2007
2	Shri. B. Jitender	Director	17/08/2007
3	Shri. Y. P. Gupta	Director	29/01/2008
4	Shri. M. O. Rego	Managing Director & CEO	03/12/2007

In terms of the Article 117 of the Articles of Association of the Company, the Directors are not required to hold any Qualification Shares. None of the Directors have any share holding in the Company.

Legal Advisor, Company Secretary & Compliance Officer

Shri. Madhusudan Parkhi

Legal Advisor & Company Secretary

IDBI Homefinance Limited.

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Investors can contact the Compliance Officer in case of any pre-issue or post issue related problems such as non-receipt of letter of allotment, credit of allotted Tier II Bonds in the respective beneficiary account or refund orders etc.

Contact Details of Issuer



IDBI Homefinance Limited

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Trustees to the Issue



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Ballard Estate, Mumbai –400 001.
Contact Person : Ms.Brindha
Tel: +91 22 40807000 Fax: +91 22 66311776
Email : brindha@idbitrustee.co.in Website: www.idbitrustee.co.in

Auditors

A.J. Shah & Co
Chartered Accountants
Fort Chambers, C-Block
65, Tamarind Lane, Fort
Mumbai - 400023
Contact Person - Mr Hiren Shah, Partner
Tel: +91-22-22650834 / 22671269
Email id : hiren@ajshah.net

Bankers to the Issue



IDBI Bank Ltd.,
224-A, Mittal Court, A-Wing,
Nariman Point, Mumbai – 400 021.
Contact Person: Shri. S.G. Nadkarni,
Tel: +91-22- 66588151 Fax: +91 22 22880131
Email: sg.nadkarni@idbibank.co.in Website: www.idbibank.com

Consents

Consents in writing of the Board of Directors, Company Secretary/ Legal Advisor, Arrangers, Registrar & Transfer Agents, Trustees, Bankers and Auditors to the issue have been obtained to act in their respective capacities and such consents have not been withdrawn up to the time of filing of this Information Memorandum with BSE.

Credit Rating

The company has obtained credit rating for an amount of Rs. 50.00 crores from Investment Information and Credit Rating Agency (ICRA) vide the rating letter dated March 9, 2009. ICRA has assigned a rating of “LAA” (pronounced L double A) to these Tier II Bonds. This rating indicates the high credit quality rating assigned by ICRA. The rated instrument carries low credit risk.

The company has also obtained credit rating for an amount of Rs. 50.00 crores from Credit Analysis & Research Limited (CARE) vide the rating letter dated March 12, 2009. CARE has assigned a rating of “CARE AA” (pronounced CARE Double A) to these Tier II Bonds. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.

The above ratings have factored IHFL’s strong parentage and IHFL continuing to remain a subsidiary of IDBI Bank Limited.

Information Memorandum

Necessary cooperation would be given to the credit rating agency in providing true and adequate information till debt obligations in respect to the Tier II Bonds are outstanding.

Credit rating of all Instruments issued by the company for the last three years is given below:

Credit Rating (Previous Three Years)

Details of Credit ratings obtained by the company from ICRA during the last 3 years for its various borrowing programmes are listed below:

Programme Rated	Credit Rating During the Years		
	2006-07	2007-08	2008-09
Long Term Bank Borrowing Programme	-	LAA	LAA
Short Term Bank Borrowing Programme	-	A1+	A1+
Short Term Market Borrowing Programme (including Commercial Papers)	A1+	A1+	A1+
Subordinated Debt Programme	LAA	LAA	LAA

Credit ratings obtained by the company from CARE during the last 3 years.

CARE Ratings have rated IHFL's subordinated debt issues as "CARE AA" during the years 2006-07, 2007-08 and 2008-09.

Please note that the rating is not a recommendation to buy, sell or hold securities and investors should take their own decisions. The rating may be subject to revision or withdrawal at any time by the agency and each rating should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in future. The rating agencies have a right to suspend, withdraw the rating at any time on the basis of new information etc.

Underwriting

The issue will not be underwritten.

III. CAPITAL STRUCTURE

Capital Structure as on	Mar 31, 2007	Mar 31, 2008	Sep 30,2008	Dec 31, 2008
1. SHARE CAPITAL	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00
20,00,00,000 Equity Shares				
Rs 10 / each				
Issued, Subscribed & Paid Up				
14,49,76,826 (12,99,76,826 as on 31/03/07)	1,299,768,260.00	1,449,768,260.00	1,449,768,260.00	1,449,768,260.00
Equity Shares of Rs 10/- each				
	1,299,768,260.00	1,449,768,260.00	1,449,768,260.00	1,449,768,260.00

2. DEPOSITS & BORROWINGS				
Deposits	NIL	NIL	NIL	NIL
Loan Funds - Secured Loans				
Non Convertible Tier II Bonds	NIL	NIL	NIL	NIL
Bank Loans	16,730,798,487.00	18,445,484,896.00	19,745,394,355.00	22,875,287,547.00
National Housing Bank (Refinance)	1,893,686,000.00	2,069,445,000.00	1,608,605,000.00	3,127,426,000.00
Working Capital Loans from Banks	997,106,719.00	999,606,722.00	897,837,994.00	1,108,209,157.00
	19,621,591,206.00	21,514,536,618.00	22,251,837,349.00	27,110,922,704.00
Unsecured Loans				
Commercial Papers	1,150,000,000.00	3,000,000,000.00	4,850,000,000.00	800,000,000.00
Working Capital Loans from Banks		129,441,387.00		
Non Convertible Subordinated Bonds	800,000,000.00	800,000,000.00	800,000,000.00	800,000,000.00
	1,950,000,000.00	3,929,441,387.00	5,650,000,000.00	1,600,000,000.00
Total Borrowings	21,571,591,206.00	25,443,978,005.00	27,901,837,349.00	28,710,922,704.00

Notes to Capital Structure

During the FY 2007-08 Company has issued at par Right shares of Rs 15 crores, accordingly the Share Capital has increased to Rs 144,97,68,260.

Promoters Contribution

This is an Information Memorandum for issue of Tier II Bonds. Like any other investor the Promoters of the Company can also invest in these Tier II Bonds either in the primary issue or can acquire the same from the secondary market.

Share Capital History of IDBI Homefinance Limited

IHFL's authorized equity capital is Rs.200 crores (20 crores equity shares of Rs.10 each). As at 30th September 2008 its paid up equity capital was Rs.144.98 crores.

Details of allotment of Equity Shares in IHFL since inception are given below : -

Sr.No.	Description	Year of Issue /allotment	No. of Shares	Issue Amount (Rs. Cr.)	Price per Share (Rs.)	Face Value (Rs.)	Cumulative Share Capital (Rs.)
1	Private Placement	1999-00	2,50,220	0.25	10/-	10/-	25,02,200
2.	Private Placement	2000-01	3,22,50,094	32.25	10/-	10/-	32,50,03,140
3.	Private Placement	2001-02	79,99,686	7.99	10/-	10/-	40,50,00,000
4.	Rights Issue	2002-03	94,76,826	9.48	10/-	10/-	49,97,68,260
5.	Rights Issue	2004-05	3,00,00,000	30.00	10/-	10/-	79,97,68,260
6.	Rights Issue	2005-06	3,00,00,000	30.00	10/-	10/-	109,97,68,260
7.	Rights Issue	2006-07	2,00,00,000	20.00	10/-	10/-	129,97,68,260
8.	Rights Issue	2007-08	1,50,00,000	15.00	10/-	10/-	144,97,68,260

The shareholding pattern of IHFL as of March 12, 2009 is given below: -

Sr. No.	Description	No. Of Shares	Share Capital (Rs.)	% to Equity
1	IDBI Bank Ltd.	144976820	1449768200	100.00
2	IDBI Bank Ltd. with Shri.Aloke Sengupta	1	10	
3	IDBI Bank Ltd. with Shri.Rajinder Kumar	1	10	
4	IDBI Bank Ltd.. with Shri.Suman Kumar	1	10	
5	IDBI Bank Ltd.. with Shri.Manoj Jain	1	10	
6	IDBI Bank Ltd.with Shri.A. K. Goyal	1	10	
7	IDBI Bank Ltd. with Shri.Deepak Gupta	1	10	
	Total	144976826	1449768260	100.00

Ten Largest Shareholders of IHFL as on March 12, 2009

Sr. No.	Description	No. Of Shares	Share Capital (Rs.)	% to Equity
1	IDBI Bank Ltd.	144976820	1449768200	100.00
2	IDBI Bank Ltd. with Shri. Aloke Sengupta	1	10	
3	IDBI Bank Ltd. with Shri. Rajinder Kumar	1	10	
4	IDBI Bank Ltd. with Shri. Suman Kumar	1	10	
5	IDBI Bank Ltd. with Shri. Manoj Jain	1	10	
6	IDBI Bank Ltd. with Shri. A. K. Goyal	1	10	
7	IDBI Bank Ltd. with Shri. Deepak Gupta	1	10	
	Total	144976826	1449768260	100.00

Ten Largest Shareholders of IHFL approximately Two Years Prior to the issue of Tier II Bonds as on March 31, 2007

Sr. No.	Description	No. Of Shares	Share Capital (Rs.)	% to Equity
1	IDBI Bank Ltd.	49976820	499768200	100.00
2	IDBI Bank Ltd.. with Shri. V N Kalambi	1	10	
3	IDBI Bank Ltd.. with Shri. L P Aggrawal	1	10	
4	IDBI Bank Ltd.. with Shri. V Narayanmurty	1	10	
5	IDBI Bank Ltd.. with Shri. S K Bansal	1	10	
6	IDBI Bank Ltd.. with Shri. M K Maheshwari	1	10	
7	IDBI Bank Ltd.. with Smt. R V Paranjpe	1	10	
	Total	49976826	499768260	100.00

Ten Largest Debenture holders of IHFL as on March 12,2009

1. Issue allotted on March 16, 2006

Sr. No.	Description	No. Of Debentures	Amount (Rs.)
1	Coal Mines Provident Fund	527	527000000
2	Coal Mines Pension Fund	73	73000000
	Total	600	600000000

2. Issue allotted on February 9, 2007

Sr. No.	Description	No. Of Debentures	Amount (Rs.)
1	Coal Mines Pension Fund	100	100000000
2	IDBI Bank Limited	100	100000000
	Total	200	200000000

Capital Adequacy Position of the Company:

(Rs. in lakhs)

As on	Dec 31, 2008	Sep 30,2008	Mar 31,2008	Mar 31,2007
Capital Funds				
Tier I Capital	21 056.99	20 375.48	18 484.28	15 753.85
Tier II Capital	5 631.13	5 631.70	6 829.61	7 876.93
Total Capital Funds	26 688.12	26 007.18	25 313.89	23 630.78
Risk Weighted Assets & contingencies	260 296.85	175 621.56	158 138.66	169 253.80
Capital Adequacy Ratio(%)	10.25%	14.81%	16.01%	13.96%

IV. OBJECTS OF THE ISSUE

The present issue of Subordinate Debt is being made to partially address the shortfall in CAR of Company which stands at 10.25% against minimum of 12%. The proceeds of the present issue will be utilized by IHFL for its regular business activities, which mainly include housing loans disbursement to the borrowers of the Company.

The main object clause of the Memorandum of Association of the Company enables it to undertake the activities for which the funds are being raised through the present issue and also the activities, which the company has been carrying out till date.

Requirement of Enhancement of Capital

Capital Adequacy Ratio of IHFL as on December 31, 2008 was 10.25%. It is proposed to enhance the equity capital by Rs. 20 cr by way of Rights Issue. The proposed Rights Issue will enhance the eligibility to raise Tier II capital of Rs.50 crore and enable IHFL to attain the CAR of 12%.

The Company has raised the following subordinated debt till date:

a. Date of Allotment	February 9, 2007	March 16, 2006
b. Amount raised	Rs. 2000 (Rupees Two Thousand) Lakh	Rs.6000 (Rupees Six Thousand) lakhs
c. Maturity of the Instrument	10 years	Six years and 3 months
d. Rate of Interest	9.25% p.a.	8.40 % p.a.

V. BASIC TERMS OF ISSUE

IHFL proposes to issue Unsecured, Redeemable, Non Convertible Subordinated Bonds in the nature of Debentures of the face value of Rs. 10,00,000/- each at par, aggregating Rs. 50 crore, within the overall borrowing limits of the company and as per the norms stipulated by the National Housing Bank (NHB). The common terms are given below. The specific terms of each tranche will be finalized closer to the actual date of issuance and would be submitted to the stock exchanges at that point of time.

ISSUE DETAILS	
Instrument	Unsecured Redeemable, Non- Convertible Subordinated Bond in the nature of Debentures
Instrument Form	Only in Dematerialised Form
Issue size	Rs.50 crore
Face value / Issue price per bond	Rs. 10,00,000
Minimum Application	Rs. 10,00,000 or One Bond
Security	Unsecured
Interest on application money	Payable at the coupon rate or such other rate as decided by the Company for each tranche, from the date of realization of cheque upto and including one day prior to the Deemed Date of Allotment
Key Terms	As under:
Interest Rate	Will be communicated for each tranche by way of addendum
Interest payment dates	Will be communicated for each tranche by way of addendum
Deemed Date of Allotment	Will be communicated for each tranche by way of addendum
Tenor	10 years
Maturity Date	Will be communicated for each tranche by way of addendum
Redemption	At par
Put/call option	None
Listing	The bonds will be listed on the Wholesale Debt Market (WDM) segment of Bombay Stock Exchange (BSE).
Rating	ICRA : LAA & CARE : CARE AA
Trustee	IDBI Trusteeship Services Ltd

WHO CAN APPLY

The eligible applicants include individuals, HUFs, Corporations, Banks (including Co-operative Banks and Regional Rural Banks), Companies, Trusts, Mutual Funds, Provident/Super-Annuation /Gratuity/Pension Funds/Societies/Association of Persons, FIs, Insurance/Investment Companies. Non-Resident Indians may also subscribe to the Bonds but only on NON-REPATRIABLE basis. Such bonds cannot be endorsed to another Non-Resident Indian in the secondary market.

VI. TAX BENEFITS: -

The tax benefits listed below are the possible benefits available under the current tax laws in India. The tax benefits are given as per the prevailing tax laws and may vary from time to time in accordance with amendments to the law or enactments thereto. Several of these benefits are dependent on the Company or its bondholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its bondholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

Income Tax Act, 1961 (“Act”)**A. To the Company: -**

1. The Company enjoys deductions up to 20% of the profits earned from long term lending for residential housing purposes if the Company creates a Special Reserve under section 36(1)(viii) of the Act. The effective tax rate on income from such long term lending is of (subject to tax rate of (30% less 6%)) 24% plus applicable surcharge. The aggregate deduction is restricted to the extent of twice the aggregate of the amount of the paid up Share Capital and of the General Reserves of the Company.
2. In accordance with, and subject to the provisions of Section 32 of the Act, the Company will be entitled to claim depreciation on tangible and specified intangible fixed assets.
3. By virtue of section 10(34) of the Act, any income by way of dividend referred to in section 115-0 received by the Company will be exempt from tax.
4. By virtue of section 10 (35) of the Act, the following income shall be exempt, subject to certain conditions, in the hands of the company: -
 - (a) Income received in respect of the unit of a Mutual Fund specified under clause (23D); or
 - (b) Income received in respect of units from the Administrator of the specified undertaking; or
 - (c) Income received in respect of units from the specified company;
5. U/s.115JAA (1A), Tax credit shall be allowed of any Minimum Alternative Tax (MAT) paid u/s.115JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income- Tax Act. Such MAT credit shall be available for set off upto 5 years succeeding the year in which the MAT credit initially arose.

B. To the Bond Holders of the Company– Under the Act: -**I. Resident Bondholders**

1. Interest on Non Convertible Debentures received by Bondholders would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the

Information Memorandum

I.T. Act. No income tax is deductible at source as per the provisions of section 193 of the I.T Act on interest on debentures in respect of the following:

- (a) In case the payment of interest on debentures to resident individual Debenture Holder by way of an account payee cheque in the aggregate during the financial year does not exceed Rs.2,500;
 - (b) When the Assessing Officer issues a certificate on an application by a Debenture Holder on satisfaction that the total income of the Debenture holder justifies no/lower deduction of tax at source as per the provisions of Section 197(1) of the I.T. Act;
 - (c) When the resident Debenture Holder (not being a company or a firm or a senior citizen) submits a declaration in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil as per the provisions of section 197A (1A) of the I.T. Act. Under section 197A (1B) of the I.T. Act, Form 15G cannot be submitted nor considered for exemption from deduction from tax at source if the aggregate of income of the nature referred to in the said section, viz. dividend, interest, etc as prescribed therein, credited or paid or likely to be credited or paid during the Previous year in which such income is to be included exceeds the maximum amount which is not chargeable to tax. In all other situations, tax would be deducted at source as per prevailing provisions of the I.T. Act;
 - (d) On any securities issued by a company in a dematerialized form and listed on recognized stock exchange in India.
2. Under Section 10 (23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions, as the Central Government may by notification in the official gazette specified, are eligible for exemption from income-tax on all their income, including income from investment in the Bonds of the company.
 3. Under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed debenture is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.
Under section 112 of the Act and other relevant provision of the Act, Long term capital gains arising, i.e. if Bonds are held for a period exceeding 12 months, on transfer of Bonds of the Company, as and when it is listed, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48 or at 10% (plus applicable surcharge) without indexation, at the option of the Bonds holder.
 4. Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act.
 5. In case the debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.

II. Non Resident Bond holders

1. Under section 115E of the I.T. Act, income from Debentures acquired or purchased with or subscribed to in convertible foreign exchange will be taxable at 20% (plus applicable surcharge, education cess and secondary & higher education cess), whereas, long term capital gains on transfer of such Debentures will be taxable at 10% (plus applicable surcharge, education cess and secondary & higher education cess). Short-term capital gains will be taxable at the normal rates of tax in accordance with and subject to the provisions contained therein.
2. Under section 115F of the I.T. Act, subject to the conditions and to the extent specified therein, long term capital gains arising to a non-resident Indian from transfer of debentures acquired or purchased with or subscribed to convertible foreign exchange will be exempt from capital gain tax if the net consideration is invested within six months after the date of transfer of the debentures in any specified asset or in any saving certificates referred to in clause (4B) of section 10 of the I.T. Act in accordance with and subject to the provisions contained therein.
3. Under section 115 G of the Act, it is not necessary for a Non Resident Indian to file a return of income under section 139 (1) of the Act, if his total income consists only of long term capital gains earned on transfer of long term capital assets acquired out of convertible foreign exchange and the tax has been deducted at source from such income under the provision of Chapter XVII-B of the Act.
4. Under section 115H of the I.T. Act, where a non-resident Indian becomes a resident in India in any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with return of income under section 139 for the assessment year for which he is assessable, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income (other than on shares in an Indian Company) derived from any foreign exchange assets in accordance with and subject to the provisions contained therein. On doing so, the provisions of Chapter XII-A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion into money of such assets.
5. Under section 115-I of the Act, where a Non resident Indian opts not to be governed by the provisions of Chapter XII-A of the Act for any assessment year, his total income for that assessment year will be computed according to the other provisions of the Act, and he will therefore be eligible to get concessions applicable to a resident individual & will be liable to tax accordingly.
6. Under Section 195 of the I.T. Act, the company is required to deduct tax at source at the rate of 20% on investment income and at the rate of 10% on any long-term capital gains and as referred to in section 115E and at the normal rates for Short Term Capital Gains if the payee Debenture Holder is a Non Resident Indian.
7. As per section 90(2) of the I.T. Act, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.

Information Memorandum

8. Alternatively, to ensure non-deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) or 195(3) of the I.T. Act, from the Assessing Officer.

III. Foreign Institutional Investors (FIIs)

1. In accordance with and subject to the provisions of section 115AD of the I.T. Act on transfer of debentures by FIIs, long term capital gains are taxable at 10% (plus applicable surcharge and education and secondary and higher education cess) and short-term capital gains are taxable at 30% (plus applicable surcharge and education and secondary and higher education cess) provided income tax is calculated as per the provisions of 111A it will be taxable at 10%. The cost indexation benefit will not be available. Further, benefit of provisions of the first proviso of section 48 of the I.T. Act will not apply. Income other than capital gains arising out of debentures is taxable at 20% in accordance with and subject to the provisions contained therein.
2. In accordance with and subject to the provisions of section 196D (2) of the I.T. Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FIIs.
3. As per section 90(2) of the I.T. Act, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.
4. Alternatively, to ensure non-deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) or 195(3) of the I.T. Act, from the Assessing Officer.

Wealth Tax Act, 1957

As the Bonds of the Company will be listed, Bonds will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax act, 1957; hence Wealth Tax Act will not be applicable.

Gift Tax

Gift-tax is not levied on gift of debentures in the hands of the donor as well as the donee because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after October 1, 1998.

VII. ABOUT THE ISSUER COMPANY

A. Background

IDBI Bank Ltd (erstwhile IDBI Ltd.) took over Tata Home finance Ltd. on September 8, 2003 through purchase of equity shares held by Tata Finance Ltd. The name of the Company was changed to IDBI Homefinance Ltd. (IHFL) in December 2003. IHFL is a wholly owned subsidiary of one of India's largest public sector banking conglomerates. While IHFL is keen to become the most sought after home loan provider, delivering products at competitive rates, it places great importance on being identified as a company having the highest level of integrity, maintenance of contemporary corporate governance, offering customers the best overall deal, protecting investors' interest while at the same time continuously adding to shareholders' value.

IHFL is the only HFC, which has its corporate office in Pune. It has an all-India presence with in the metros, major towns and cities. It has adopted a hub and spoke model to enhance its retail reach while at the same time maintaining a strict control over cost. It offers the entire menu of housing finance products to cater to the specific needs of all individuals. These products include Individual Housing Loans, Home Extension Loans, Home Improvement Loans, NRI Loans, 50+ Loans, Your Choice Loan (which is partly at a Fixed & partly at a Floating Rate) and Mortgaged Loans.

Since housing finance involves a long-term relationship with clients, IHFL has entered into a custodial arrangement for safe custody of documents. The company has well-defined customer-centric IT-enabled operations. It has a centralized Data Base at Pune with online connectivity with all its branches facilitating real time operations.

This is absolutely critical in bringing about customer delight through quick turnaround time. The company has solutions for messaging, back up and data security and fire suppression system. Its software system encompasses business application software, an end to end system handling loan origination up to the maturity of the loan, real time update of data base, function based access restrictions and interface with Oracle Financials. The company's III-tier architecture has its database and operating system on central servers. It also has a front-end screen for data processing at the user end. IHFL is of the firm conviction that with volume growth, it is technology, which will drive the industry and offer greater customer satisfaction.

B. Vision & Mission of the Company

1. Our Vision

To become India's leading HFC, fulfilling the financing needs of all citizens of India for a Home at competitive rates, with maintenance of the highest level of integrity and being an icon for Corporate Governance.

2. Our Compelling Mission

To be the most preferred destination for all constituents viz. Shareholders, Home Loan Seekers, Investors, Employees and Service Providers.

C. Summary of Performance and Plans

A summary of the current operations and future plans of the company are as under:

C.1 Current Operations

1. Competitive Product

IHFL has over the years continuously re-aligned its products in tandem with the market. Today it is at par with the market in terms of product pricing, multi-option products, service quality and turn around time.

2. Capital Adequacy Ratio

Capital Adequacy Position of IHFL		Rs in lakhs			
As on	Dec 31,2008	Sep 30,2008	Mar 31,2008	Mar 31,2007	
Capital Funds					
Tier I Capital	21 056.99	20 375.48	18 484.28	15 753.85	
Tier II Capital	5 631.13	5 631.70	6 829.61	7 876.93	
Total Capital Funds	26 688.12	26 007.18	25 313.89	23 630.78	
Risk Weighted Assets & contingencies	260 296.85	175 621.56	158 138.66	169 253.80	
Capital Adequacy Ratio(%)	10.25%	14.81%	16.01%	13.96%	

The decline in CAR as on December 31, 2008 was due to change in NHB norms linking risk weights to LTV ratio for standard housing loans. The object of this issue is to enhance the CAR to the minimum limits stipulated by NHB.

3. Portfolio Composition

The focus of IHFL has been on Individual Home Loan (IHL) and targeting salaried class segment. The IHL portfolio as on September 30, 2008 was Rs.2,986.59 Crore **of which salaried class customers constituted more than 97% of the total IHL** with balance 3% consisting of loans to self-employed businessmen and self-employed professionals. As on September 30, 2008, 89% of the loans were under variable interest rates and the balance 11% were under fixed rate of interest.

4. Profitability

The net interest income during 2007-08 increased by 56% to Rs.58.59 crore from Rs.37.53 crore during 2006-07. The net interest income during the first half of FY 2009 has gone up by 32% to Rs. 35.01 crore over the corresponding period in the previous year.

The adjusted PBT and PAT for the year 2007-08 were Rs.41.77 crore and Rs.30.13 crore respectively indicating growth of 40% and 29% over the previous year. The PBT and PAT for the first half of FY 2009 has gone up by 31% and 31% to Rs.26.94 crore and Rs.19.22 crore respectively over the corresponding period of the previous year.

5. **Resource Mix**

The total assets of Rs.2998 Crore (including home loan assets of Rs. 2905 Crore) as on September 30, 2008 were financed by Share Capital and Reserves of Rs.208 Crore and aggregate borrowings of Rs.2790 Crore (Bank Borrowing Rs.2064.Crore, NHB Refinance Rs. 161 Crore, Subordinate Debt of Rs. 80 Crore and CPs of Rs 485 Crore) .

6. **Non Performing Assets (NPAs)**

The Company classifies Non Performing Assets (NPA) in accordance with the Prudential Norms as prescribed by the National Housing Bank.

The Company had Gross NPAs of Rs. 26.89 crore and Rs.31.65 crore as on March 31, 2008 and September 30, 2008 representing 0.99% and 1.06% of the outstanding loan portfolio respectively. The Company had Net NPAs of Rs.15.21 crore and Rs.18.97 crore as on March 31, 2008 and September 30, 2008 representing 0.56% and 0.64% of the outstanding loan portfolio respectively.

7. **IT Systems**

IHFL's **operations are entirely IT driven** and there is online connectivity between the 18 branches and the Corporate Office, which is based in Pune.

8. **Core Competence of the Company**

The core competence of the company is its ability to handle individual housing finance through professionals.

9. **Company's Business performance**

The company started its operations in the year 2000-01, and its operational performance as regards sanctions and disbursements of housing loan, and its outstanding portfolio as at the end of each financial year since then is summarized as under :

(Rs. in crores)

Year	Sanction	Disbursement	Portfolio
2000-01	120	63	61
2001-02	294	224	257
% growth	145%	256%	321%
2002-03	308	279	442
% growth	5%	24%	72%
2003-04	290	190	485
% growth	(-1.4%)	(-32%)	10%
2004-05	877	542	923
% growth	202%	185%	90%
2005-06	974	735	1517
% growth	11%	36%	64%
2006-07	1,116	840	2,147
% growth	15%	14%	42%
2007-08	1,173	856	2,710
% growth	5%	2%	26%
2008-09 (upto Sept. '08)	618	474	2987

C.2. Nature of products/services, consumers and end users, including dependence on customers, suppliers, dealers etc (in India or abroad)

IHFL is solely engaged in providing financial assistance to individuals (including Non Resident Indians) for providing housing loans for the purpose of purchase / construction / repairs / renovation of dwelling units. IHFL also provides financial assistance for the purchase of vacant plots for construction of dwelling units thereon, as a part of housing loan portfolio. Apart from the home loans, IHFL offers a scheme of mortgage loans under which the financial assistance is provided for an amount not exceeding a specified percentage against the market value of an existing dwelling unit to be used for any non-housing needs of the borrower. The Home Loan products are available both under variable and fixed rate of interest. The rate of interest under variable rate loans is linked to the Retail Prime Lending Rate (RPLR), which is reviewed at the end of every calendar month, and changes if any, are effected from the beginning of the subsequent month. The RPLR with effect from January 1, 2009 stands at 13.25% p.a., which was 13.75% p.a. as on December 31, 2008.

The rate of interest under fixed rate loans is fixed for a period of three years from the first disbursement of the loan, and is reviewed thereafter.

The applicability of lending rates on individual cases is presently based on the loan amount sanctioned and the Loan to Cost Ratio (LCR).

C.3 The menu of products offered by IHFL are broadly categorized under Individual Home Loans (IHL) and Loan Against Home (LAH), and are summarized as under:

Even though financing individual housing continues to be the company's focus, the company has expanded its product range to cater to diverse customer needs through the following :

- Loans for the purchase of plots of land, purchase/construction of dwelling units, including stamp duty and registration costs, repair and renovation,
- Loans for non-resident Indians.

Over the years IHFL has offered various financial schemes for the construction of new houses/flats, purchase of an already built (i.e.existing) house/flat and house/flat extensions, repairs and renovations. The special features of the schemes floated by IHFL are given below:

Sr.No.	Name of the Scheme	Special Features of the Scheme
1.	Individual Home Loan (IHL)	For financing the purchase or construction of dwelling units
2.	Home Extension loan	For financing extension of an existing dwelling unit like additional room, etc
3.	Home Improvement loan	For financing repairs/renovation of existing dwelling unit, which increases the value of the property
4	50 Plus Scheme	Designed to provide financial assistance for purchase / construction of dwelling units for salaried employees who are approaching retirement.
5.	NRI Loan	For persons who are earning salary in foreign currency, are not required to file IT returns in India and are in employment abroad at least for a period of 2 years for

		financing in the above categories, and are subject to provisions of FEMA 2000.
6.	Plot Loans	For financing the purchase of vacant plot of land for future construction of dwelling unit thereon.
7.	Takeover/Balance Transfer	This is a product enabling customers to switch over to IHFL from some other lending institution in order to reduce the cost of borrowing
8.	Loan Against Home (LAH)	Loan Against Home is a product designed to extend loans to individuals against their existing ownership dwelling units for any legal and non-speculative purpose
9.	Top up loans	Top up loans are an extension of takeover loans, by way of an additional amount on the original loan taken over, as an added funding. This facility is also available to the existing customers of IHFL
10.	Advance Disbursement Facility (ADF)	Disbursement under these loans is made in a single instalment and is not linked to progress of construction. Such proposals are considered based on builder reputation, a minimum project completion stage and with added documentation, viz., tripartite agreement.
11.	Your Choice Loan (YCL)	In order to enable the customer to cover the interest rate movements, part of the loan is sanctioned under Fixed Rate (with 3-year review) and part is sanctioned under Variable Rate, at a pre-determined ratio.

C.4 Rate of Interest on products:

The rate of interest under variable & Fixed rate loans with effect from January 9, 2009 is furnished below :

a. Variable Rate of Interest on IHL (all IHL products other than IHL Plot loans)

Loan Amount Sanctioned	LCR	RPLR (Rack Rate)	Discount to RPLR	Applicable RoI
Upto Rs 30 lakh	Upto 75%	13.25%	2.75%	10.50%
Above Rs 30 lakh	Upto 75%	13.25%	2.50%	10.75%
All amounts	Above 75% not exceeding 85%	13.25%	2.00%	11.25%

b. Variable Rate of Interest on IHL Plot loans

Loan Amount Sanctioned	LCR	RPLR (Rack Rate)	Discount to RPLR	Applicable RoI
Upto Rs 15 lakh	Upto 75%	13.25%	1.50%	11.75%
Above Rs 15 lakh	Upto 75%	13.25%	1.25%	12.00%
All amounts	Above 75% not exceeding 85%	13.25%	1.00%	12.25%

c. Variable Rate of Interest on Top-up Loans

Loan Amount Sanctioned	RPLR (Rack Rate)	Spread over RPLR	Applicable RoI

For all loan amounts	13.25%	0.00%	13.25%
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d. Variable Rate of Interest on LAH

Loan Amount Sanctioned	RPLR (Rack Rate)	Spread over RPLR	Applicable RoI
For all loan amounts	13.25%	1.00%	14.25%

e. Fixed Rate of Interest on IHL (including IHL Plot loan)

Loan Amount Sanctioned	LCR	Rate of Interest (%)
Upto Rs 30 lakh	Upto 75%	13.25%
Above Rs 30 lakh	Upto 75%	13.50%
All amounts	Above 75% not exceeding 85%	13.75%

The interest on Fixed Rate home loans shall be subject to review and revision on completion of 3 years from the date of first disbursement.

f. Lending Rate for Variable component of YCL for IHL (excl. IHL Plot loan)

Loan Amount Sanctioned	LCR	RPLR (Rack Rate)	Discount to RPLR	Applicable RoI
Upto Rs 30 lakh	Upto 75%	13.25%	2.75%	10.50%
Above Rs 30 lakh	Upto 75%	13.25%	2.50%	10.75%
All amounts	Above 75% not exceeding 85%	13.25%	2.00%	11.25%

Note: YCL is not available for IHL Plot loan.

g. Lending Rate of Fixed Rate component of YCL for IHL (excl. IHL Plot loan)

Loan Amount Sanctioned	LCR	Rate of Interest (%)
Upto Rs 30 lakh	Upto 75%	13.25%
Above Rs 30 lakh	Upto 75%	13.50%
All amounts	Above 75% not exceeding 85%	13.75%

The interest on Fixed Rate home loans shall be subject to review and revision on completion of 3 years from the date of first disbursement.

Note: YCL is not available for IHL Plot loan.

C.5. Loan Conversion Policy

As per the prevailing loan conversion policy of the company, customers who have availed loans under variable rate are allowed to convert their loans to fixed rate on payment of a one-time conversion charges of 1% of the outstanding loan amount + applicable service taxes. As per the prevailing policy, the applicable rate of interest after conversion shall increase by 1.75% over the existing variable rate. The loan conversion policy is not available for the variable component of YCL.

C.6 Processing Fee (PF)

A one-time Processing fee @ 1% of the loan amount sanctioned, + applicable service tax thereon is payable after the loan is sanctioned. The processing fee is allowed to be discounted depending on the loan amount sanctioned. The prevailing processing fee structure is as under :

Loan Amount Sanctioned	Processing Fee	PF discounting
(a) Less than Rs 5 lakh	Rs 5,000 + applicable taxes.	No discounting.
(b) Rs 5 lakh and above, but less than Rs 7 lakh.	1% of (b) + applicable taxes.	No discounting.
(c) Rs 7 lakh and above, but less than Rs 10 lakh	1% of (c) + applicable taxes.	A discounted PF may be charged which is not less than 0.75% of (c) + applicable taxes.
(d) Rs 10 lakh and above, but less than Rs 20 lakh	1% of (d) + applicable taxes.	A discounted PF may be charged which is not less than Rs 7,500/- + applicable taxes.
(e) Rs 20 lakh and above	1% of (e) + applicable taxes.	A reduced PF may be charged which is not less than Rs 10,000/- + applicable taxes.

C.7. Marketing Strategy:

1. The distribution strategy is to source business through retail network by appointing, guiding, training and motivating channel partners.
2. The communication strategy of the company is marked by low cost advertisements in local print media, with the objective of generation of marketing leads.
3. The company endeavours into entering into tie-ups with corporate and builders in order to achieve bulk group deals. However, this is not a focus area, since the company envisages achieving the desired volumes by means of engaging channel partners consisting of DSAs and DSTs.
4. The company has a tie-up with an insurance company, under which the company offers a free accident insurance cover of the sanctioned amount, not exceeding Rs 5 lakhs, for all its customers for a period of one year from sanction.
5. The company also has a tie-up with an insurance company under which the customer is given an option to cover the loan amount under Mortgage Reducing Term Insurance (MRTI) policy. The premium payable under the policy is a one-time payment, which may either be paid by the customer, or alternatively, can also be funded by the company as a part of the housing loan. The MRTI policy is only an added feature to the company's product, which is at the option of the customer, based on the customer's need and request.

C.8. Operations/ distribution network, different channels of distribution, share of each channel of distribution:

The Company has adopted branch as well as DSA set up for distribution of home loan products. The company has set up 18 branches at major urban centers and 6 out-reach centers. The outreach centers are standalone offices without any system connectivity, to serve as a contact point with the customer. The company also has a network of 196 channel partners, consisting of 39 DSAs and 157 DSTs as on December 31st, 2008.

The details of share of each of the distribution source are as follows- (Rs crore)

Sanctions	For the FY 2008	% To total	For the FY 2009 (Up to Dec 2008)	% To total
Direct	57.47	4.90%	64.47	7.76%
DSA	387.15	33.00%	260.77	31.39%
DST	728.51	62.10%	505.50	60.85%
Total	1173.13	100.00%	830.74	100.00%
Disbursements				
Direct	47.23	5.52%	48.46	7.35%
DSA	327.03	38.20%	240.24	36.43%
DST	481.82	56.28%	370.84	56.22%
Total	856.08	100.00%	659.54	100.00%

C.9. Internal Control

The Company has an internal control system, which is efficient and commensurate with the size of its operations and organizational expanse. Adequate records and documents are maintained as required by the laws of the lands in which the company is based. All sanctioned loans are backed by adequate collaterals. Internal audit checks are regularly conducted and internal auditors' recommendations are considered. The company's audit committee reviews the internal control system and looks into the observations of the statutory and internal auditors. All efforts are being made to make the internal control systems more effective.

C.11. Segment Wise Reporting

This disclosure standard does not apply to the Company since revenues are derived from only one segment – housing finance activities. As a result, the company's profit and loss account reflects the working of this business only.

C.12. Subsidiaries of the Company

The Company does not have any subsidiaries.

VIII. KEY INDUSTRIAL REGULATIONS

The National Housing Bank (NHB) is the regulatory body for Housing Finance Companies (HFCs). NHB is a wholly owned subsidiary of Reserve Bank of India (RBI), the central bank of the country. NHB also issues guidelines/directions regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit and credit rating. Besides NHB provides financial assistance to HFCs by way of refinance.

Section 617 of Companies Act 1956

IHFL is 100% subsidiary of IDBI Bank Ltd. In terms of Section 617 of the Companies Act, 1956, IHFL is a government company.

IX. MAIN OBJECTS OF THE COMPANY

The main objects of IHFL as set out in its Memorandum of Association are as follows:

1. To carry on the business of providing long term finance to any person or persons, company or corporation, society or association of persons with or without interest and with or without any security for the purpose of enabling such borrower to construct/purchase any house or any part or portions thereof in India for residential purposes on such terms and conditions as the company may deem fit.
2. To provide finance for enlargement or repairs of any house or any part or portions thereof on such terms and conditions as the company may deem fit.
3. To negotiate loans of every description and to finance or assist in financing on long term basis the sale or purchase of houses, buildings, flats, either furnished or otherwise by way of hire purchase or deferred payment or similar transactions and to institute, enter into, carry on, subsidize, finance or assist in subsidizing, financing the sale or maintenance of any such houses, buildings, flats, furnished or otherwise, upon any terms whatsoever.

X. MANAGEMENT

A. Board of Directors

The following table sets forth certain details regarding the other directorships held by the Directors of IHFL: [February 28, 2009](#)

Name of the Director: Shri. Yogesh Agarwal, Chairman of the Board

Sr. No.	Name of the Company	Position Held
1.	IDBI Bank Ltd.	Chairman & Managing Director
2.	Stressed Asset Stabilization Fund	Chairman
3.	IDBI Capital Market Services Ltd.	Chairman of the Board of Directors
4.	IDBI Gilts Ltd.	Chairman of the Board of Directors
5.	IDBI Intech Ltd.	Chairman of the Board of Directors
6.	Indian Institute of Banking and Finance	Member of the Governing Council
7.	Management Development Institute	Member of the Governing Council
8.	Entrepreneurship Development Institute of India	President of Governing Council
9.	IDBI Fortis Life Insurance Co. Ltd.	Chairman
10.	Export Import Bank of India	Member of the Managing Committee
11.	IDBI Capital Market Services Ltd.	Chairman.

Name of the Director: Shri. O.V. Bundellu

Sr. No.	Name of the Company	Position Held
1.	IDBI Bank Ltd.	Director
2.	IDBI Gilts Ltd.	Director
3.	IDBI Fortis Life Insurance Co. Ltd.	Director

Name of the Director: Shri. F.J. da Cunha

Sr. No.	Name of the Company	Position Held
1.	Tata Securities Ltd.	Director

Name of the Director: Shri. G. Soundararajan

Sr. No.	Name of the Company	Position Held
1.	Western India Trustee & Executor Co. Ltd.	Director
2.	IDBI Trusteeship Services Ltd.	Director

Name of the Director: Shri. S. Ravi

Sr. No.	Name of the Company	Position Held
1	IFCI Ltd.	Director
2	Mahindra Ugine Steel Co. Ltd.	Director
3	IDBI Capital Market Services Ltd.	Director
4	Batliboi Ltd.	Director
5	Kudremukh Iron Ore Co. Ltd.	Director
6	Management Development Institute	Member of Board of Governors
7	Hindustan Aeronautics Ltd.	Part Time Director on the Board
8	Corporation Bank	Part Time Director
9	UTI Trustee Co. Ltd.	Director
10	PNB Mutual Fund	Board of Trustees
11	Uniflex Cables Ltd.	
12	LIC Housing Finance Ltd.	
13	Spectrum Power Generation Ltd.	
14	BHEL	Non Official Part Time Director
15	Ravi Rajan & Co. Pvt. Ltd.	Part Time Director
16	S. Ravi Financial Management Services Pvt. Ltd.	Director
17	Investment Committee of SME Growth Fund of SIDBI Venture Capital Ltd.	Member
18	Zenotech Laboratories Ltd.	Independent Director

Name of the Director: Shri. M.H. Kulkarni, Managing Director & CEO

Sr. No.	Name of the Company	Position Held
1.	NIL	NIL

In terms of the Article 117 of the Articles of Association of the Company, the Directors are not required to hold any Qualification Shares. None of the Directors have any share holding in the Company

Shri. Yogesh Agarwal, Chairman

Shri. Agarwal's illustrious career started as a Probationary Officer at State Bank of India (SBI) in 1972 from where he rose to the position of Managing Director. During his eventful tenure of nearly three and half decades at SBI, Shri. Agarwal has held a number of important positions including those of Chief General Manager, Chandigarh Circle and Deputy Managing Director & Chief Financial Officer at Corporate Center, Mumbai. Shri. Agarwal has also served in SBI's foreign offices at Dubai and Singapore and was the Managing Director of State Bank of Patiala before his elevation as Managing Director of State Bank of India in October 2006. He was instrumental in spotting the opportunity in gold banking business at SBI.

Shri M.H.Kulkarni, Managing Director & CEO

Shri Kulkarni, a Post Graduate in Economics and Certified Associate of Indian Institute of Bankers, has 32 years of experience in IDBI Bank. During the stint with IDBI Bank, he had experience in Corporate Finance, Treasury and Domestic Resources Departments. He was deputed to the Clearing Corporation of India Ltd. (CCIL), and was instrumental in setting up of the company and putting in place the settlement procedures for outright and repo transactions in Government of India securities. He has played a pivotal role in development and introduction of a new Repo product viz. Collateralised Borrowing & Lending Obligation (CBLO). The product is widely used by the banks and corporates for borrowing and lending of funds against government securities. During his stint with CCIL, he had visited Chicago Mercantile Exchange, Chicago and Government Securities Clearing Corporation, New York for exchange of views on the clearing and settlement procedures. During December 2004, he was repatriated back to IDBI Bank and held the charge of Hyderabad Main Branch office. During his tenure, the assets of the Branch grew at CAGR of 30%.

He was the nominee director on a number of companies assisted by IDBI Bank. Besides, he was associated with various Committees set up by RBI and FIMMDA.

B. Compliance with Corporate Governance Requirements:

B.1 Independent Directors – Compliance with Corporate Governance Requirements:

- i. **Independent Directors** – Currently the Company has 6 (Six) Directors on its Board. Out of them 3 (Three) Directors are independent as per the amended definition of the term “Independent Director”. Shri. Yogesh Agarwal, Chairman is the Chairman and Managing Director of IDBI Bank Ltd. Shri. O. V. Bundellu is Dy. Managing Director, IDBI Bank Ltd. Shri. M. H. Kulkarni is the Managing Director & CEO of the Company and is deputed by IDBI Bank Ltd. The following three directors are independent directors –
 - a) Shri. F. J. da Cunha
 - b) Shri. G. Soundararajan
 - c) Shri. S. Ravi
- ii. **Additional duty on the independent director-** The statutory compliance report is placed before the Audit Committee comprising the independent directors. The minutes of the Audit Committee are placed before the Board of Directors for noting.
- iii. **Code of Conduct for all Board members and senior management of the Company** - The Company has detailed Service Conditions providing about the conduct and the procedure for dealing with the misconduct as far as the employees are concerned. In addition the Company has adopted the Code of Conduct for its Directors and Employees.
- iv. **Audit Committee**
 - a) **Constitution of Audit Committee** - The Audit Committee of the Board comprises Shri. F.J. da Cunha, Shri. G. Soundararajan and Shri. S. Ravi. All of

the Audit Committee members are independent directors and all of them have rich and varied experience and knowledge in the field of finance and accounts.

b) Enhanced Role of Audit Committee - The scope of Audit Committee already covers the areas mentioned in the clause. The audit of branches and Corporate Office departments of the Company is taken up at regular intervals and the compliance of the audit observations is adhered to. The progress report of audit activity along with summary of audit observations is placed in the Audit Committee meeting.

The Company carries out Internal Audit activity departmentally. Head – Internal Audit being employee of the Company, the terms of remuneration are not referred to or reviewed by the Audit Committee. In case of outsourcing of the activity the said requirement will be adhered to.

c) Requirements relating to Audit Reports and Audit Qualifications -- The requirement is adhered to.

- v. **Whistle Blower Policy** - The Company has put in place whistle blower policy.
- vi. **Applicability of the requirements to subsidiary companies** - The Company does not have any subsidiary.
- vii. **Disclosures** - The requisite disclosures are made.

B.2 Changes in the Directors of IHFL during the last three years.

The following persons have been appointed and inducted into the Board as Directors during the last three years

Sr. No.	Name of Director	Date of Appointment
1.	Shri. O.V. Bundellu	August 17, 2007
2.	Shri. Yogesh Agarwal	August 17, 2007
3.	Shri. M.H. Kulkarni	December 4, 2007

The following persons have ceased to be Directors during the last 3 years

Name	Date of Appointment	Date of Cessation	Reason
Shri. M.O. Rego	Sep 8, 2003	Dec 3, 2007	Resignation
Shri. Y.P. Gupta	Sep 8, 2003	Jan 29, 2008	Resignation
Shri. Jitender B	Sep 8, 2003	Aug 17, 2007	Resignation
Shri. V.P. Shetty	Aug 12, 2005	Aug 17, 2007	Resignation

XI. PROMOTERS

Profile of IDBI Bank Ltd.:

The genesis of erstwhile "Industrial Development Bank of India Limited" (IDBI Ltd.) can be traced to the establishment of The Industrial Development Bank of India (IDBI), its predecessor entity, in 1964, by an Act of Parliament to provide credit and other facilities for the development of industry. IDBI's charter was later broad-based to also encompass the responsibilities of principal financial institution for co-coordinating the working of National and State-level institutions engaged in financing, promoting and developing industry. Initially set up as a fully-owned subsidiary of the Reserve Bank of India (RBI), the ownership of IDBI was later transferred to the Government of India in 1976. Although Government shareholding in the Bank came down below 100% following IDBI's public issue in July 1995, the former continues to be the major shareholder (current shareholding: 51.4%). During the four decades of its existence, IDBI has been instrumental not only in establishing a well developed, diversified and efficient industrial and institutional structure but also adding a qualitative dimension to the process of industrial development in the country.

As a considered response to changes in its operating environment following initiation of reforms since the early nineties and the resultant concerns of IDBI's sustained viability therein in its current avatar, IDBI, in consultation with the Government of India, decided to transform into a commercial bank without eschewing its secular development finance obligations. The migration to the new business model of commercial banking, with its gateway to low-cost current/savings bank deposits, it was felt, would help overcome most of the limitations of the current business model of development finance while simultaneously enabling it to diversify its client/asset base.

Towards this end, the IDBI (Transfer of Undertaking and Repeal) Act 2003 was passed by Parliament on December 16, 2003 and received the President's assent on December 30, 2003. The provisions of the Act came into force from July 2, 2004 in terms of a Government Notification to this effect. The Notification enabled IDBI to obtain the requisite statutory and regulatory approvals, including those from RBI, for conversion into a banking company. The new company viz. "Industrial Development Bank of India Limited" (IDBI Ltd.) was incorporated on September 27, 2004 and the Registrar of Companies, Mumbai, issued the certificate for commencement of business to IDBI Ltd. on September 28, 2004. Subsequently, the Central Government notified October 1, 2004 as the 'Appointed Date' and RBI issued the requisite notification on September 30, 2004 incorporating IDBI Ltd. as a 'scheduled bank' under the RBI Act, 1934. Consequently, IDBI, the erstwhile Development Financial Institution of the country, formally entered the portals of banking business as IDBI Ltd. from October 1, 2004, over and above the business currently being transacted.

IDBI Ltd. is registered as a company under the Companies Act, 1956 to carry out banking business in accordance with the provisions of the Banking Regulation Act, 1949. The IDBI Repeal Act 2003-enabled IDBI to become a banking company without the need to obtain a separate banking licence under the Banking Regulation Act, 1949. IDBI Ltd. will enjoy certain regulatory forbearance, including exemption from compliance with SLR requirements (mandated under the Banking Regulation Act) for the first five years. All existing shareholders of the erstwhile IDBI, including the Central Government, have become pro-rata shareholders of IDBI Ltd. from the 'appointed date'. Further, the

Information Memorandum

provisions of the Memorandum and Articles of Association of IDBI Ltd. require that the Central Government, as a shareholder of the Company, shall, at all times, maintain not less than 51% of the issued capital of the company.

The authorized capital of IDBI Ltd, has been reduced to Rs.1250 crore from Rs.1500 crore (the authorized capital of erstwhile IDBI) in conformity with the provision of the Banking Regulation Act. The paid-up capital of the Company as on March 31, 2008 stood at Rs.724.76 crore with the Government of India holding 52.68% of the share capital.

During the year 2006-07, a major development was the merger of the erstwhile United Western Bank (UWB) with IDBI Ltd. With effect from October 3, 2006, UWB branches started to function as IDBI branches. With the RBI approved merger, IDBI's network has grown by 230 branches and 75 ATMs. The 20 lakh account holders have also joined the IDBI family of account holders.

The name of IDBI Ltd. was changed to IDBI Bank Ltd. in July 2008 to be representative about its business as of now. IDBI Ltd operates in 312 centres through a network of 508 branches and 880 ATMs.

XII FINANCIAL STATEMENTS

AUDITORS' REPORT

To
The Board of Directors,
IDBI Homefinance Limited,
"Kanchenjunga" Building,
18, Barakhamba Road,
New Delhi – 411 004.

Dear Sirs,

In pursuance to the letter dated 9th March, 2009 as issued by the Managing Director, wherein we have been requested to examine the financial information as required by Guidelines titled Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('Guidelines') issued by the Securities and Exchange Board of India ('SEBI') in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the same contained in the statements annexed to this report which is proposed to be included in the Letter of Offer of "IDBI HOMEFINANCE LTD" ('the Company') in connection with the proposed issue of unsecured, redeemable, non convertible Subordinated Bond and we report that: -

1. We have examined the 'Statement of Adjusted Profits and Losses' of the Company for each of the financial years ended on March 31st, 2004, 2005, 2006, 2007 and 2008 and six months period ended on September 30th 2008 and the 'Statement of Adjusted Assets and Liabilities' as at those dates enclosed as **Annexure I** and **Annexure II** to this report and confirm that: -
 - i. These statements reflect the profits and losses and assets and liabilities for each of the relevant periods as extracted from the Profit and Loss Account for the financial year ended March 31st 2008 and six months period ended September 30th 2008, and the Balance Sheets as at March 31st 2008 and September 30th 2008 audited by us and Profit and Loss Account for the financial years ended March 31st, 2004, 2005, 2006, 2007 and the Balance Sheets as at March 31st, 2004, 2005, 2006, 2007 audited by M/s. Chaturvedi and Shah, Chartered Accountants, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000;
 - ii. The 'Significant Accounting Policies' adopted by the Company are enclosed as **Annexure III** to this report;
 - iii. The Notes to the 'Statement of Adjusted Profits and Losses' and 'Statement of adjusted Assets and Liabilities' are enclosed as **Annexure IV** to this report.

2. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended on March 31st, 2004, 2005, 2006, 2007 and 2008 and six months period ended on September 30th 2008, enclosed as **Annexure V** to this report and confirm that they have been correctly computed from the figures as stated in the 'Statements of Adjusted Profits and Losses' and 'Statements of Adjusted Assets and Liabilities' of the Company referred to in paragraph 1 above and read with the notes appended in Annexure IV.
3. We have examined the 'Statement of Dividend Paid and Taxes Thereon' by the Company in respect of each of the financial years ended on March 31st, 2004, 2005, 2006, 2007 and 2008 and six months period ended on September 30th 2008 on the Shares of the Company, enclosed as **Annexure VI** to this report and confirm that it correctly records the dividend paid in respect of each of those years/ periods.
4. We have examined the 'Statement of Tax Shelter' for each of the financial years ended on March 31st, 2004, 2005, 2006, 2007 and 2008 and six months period ended on September 30th 2008 enclosed as **Annexure VII** to this report and report that, in our opinion it correctly reflects the 'Tax Shelter' for each of those years/ period.
5. We have examined the 'Statement of Capitalisation' enclosed as **Annexure VIII** to this report and report that it correctly records the matters stated therein.
6. We have examined the 'Adjusted Cash Flow Statement' for each of the financial years ended on March 31st, 2004, 2005, 2006, 2007 and 2008 and six months period ended on September 30th 2008 enclosed as **Annexure IX** to this report and confirm that, in our opinion, these statements have been prepared by the Company in accordance with the requirement of Accounting Standard 3-revised (Cash Flow Statements) issued by the Institute of Chartered Accountants of India.
7. We have examined the 'Statement of Unsecured Loans' of the Company in respect of each of the financial years ended on March 31st, 2004, 2005, 2006, 2007 and 2008 and six months period ended on September 30th 2008, enclosed as **Annexure X** to this report and confirm that it correctly reflects the balances and repayment schedule, in respect of each of those years/ periods.
8. Our audit of the financial statements for the financial years ended March 31st 2008 and six months period ended September 30th 2008 comprise of audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the financial years ended March 31st, 2004, 2005, 2006, 2007 referred to in paragraphs 1 above, did we perform audit tests for the purpose of expressing an opinion and as such we express no opinion thereon.
9. We further report that the information mentioned in items 2 to 7 above has been correctly computed from the figures as stated in the Statements of Adjusted Profits and Losses and Adjusted Assets and Liabilities referred to in paragraph 1 above.

Information Memorandum

This report is intended solely for your information and for inclusion in the Information Memorandum in connection with the private placement of unsecured, redeemable, Non-Convertible Subordinated Bonds by the company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For A. J. SHAH and COMPANY,
(CHARTERED ACCOUNTANTS)**

**(HIREN SHAH)
Partner
Membership No. 100052**

**Place: Mumbai
Date: March 16, 2009**

**ANNEXURE I
STATEMENT OF ADJUSTED PROFITS & LOSSES**

Particulars	For the six months period ended					
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
INCOME						
Operating Income						
Interest on Loans	44 65 72 395	54 93 80 175	100 43 84 340	169 61 68 607	253 50 56 359	158 22 93 010
Net Fees and other charges	4 75 54 603	8 44 80 337	8 16 57 103	9 33 08 854	9 62 56 619	5 60 41 991
Other Income	12 30 514	3 17 572	1 21 05 139	7 24 98 299	3 01 56 311	6 66 025
Total Income	49 53 57 512	63 41 78 084	109 81 46 582	186 19 75 760	266 14 69 289	163 90 01 026
EXPENDITURE AND CHARGES						
Interest and finance charges	32 79 88 965	36 90 27 399	71 50 61 697	132 08 62 499	194 92 04 494	123 21 73 885
Employees' Emoluments and Benefits	3 30 29 431	3 81 80 835	4 61 46 849	5 57 20 207	6 49 80 321	3 49 44 815
Establishment & Other Charges	7 02 92 710	10 17 60 612	12 46 41 736	13 88 23 156	16 67 30 165	8 63 82 720
Depreciation	1 11 32 759	1 17 68 422	1 22 04 325	1 53 89 586	1 58 15 885	59 32 989
Provision for Standard Assets other than Housing Loans	22 32 165	17 50 585	(2 66 246)	(4 42 040)	(3 13 171)	2 09 171
Provision for NPA	90 14 477	96 22 392	1 59 70 432	3 28 81 346	4 73 07 631	99 36 498
Bad Debts	1 88 713	37 931	48 654			
Total Expenditure	45 38 79 220	53 21 48 176	91 38 07 447	156 32 34 754	224 37 25 325	136 95 80 078
PROFIT BEFORE TAXATION	4 14 78 292	10 20 29 908	18 43 39 135	29 87 41 006	41 77 43 964	26 94 20 948
Less: Provision for Tax						
Current Tax *	1 37 12 000	2 92 09 000	4 76 86 050	7 73 37 000	13 44 50 000	8 13 90 000
Deferred Tax: Liability/ (Asset)	(37 53 890)	(42 44 159)	(65 40 568)	(1 24 04 144)	(1 80 21 824)	(42 17 973)
PROFIT AFTER TAXATION	3 15 20 182	7 70 65 067	14 31 93 653	23 38 08 150	30 13 15 788	19 22 48 921
Prior Period Adjustments		(15 124)		(1 43 402)	1 58 526	
PROFIT FOR PERIOD	3 15 20 182	7 70 49 943	14 31 93 653	23 36 64 748	30 14 74 314	19 22 48 921

* Includes Wealth Tax and Fringe Benefit Tax

ANNEXURE II

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

Amount in Rs.

PARTICULARS	Amount in Rs.					
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
A Loans						
Home Loans	426 27 77 703	820 62 76 155	1421 65 23 603	2062 88 34 262	2634 14 70 774	2905 14 93 851
Other Loans	58 91 56 108	101 95 58 453	95 27 78 402	84 06 35 767	76 25 01 487	81 43 96 612
Total	485 19 33 811	922 58 34 608	1516 93 02 005	2146 94 70 029	2710 39 72 261	2986 58 90 463
B Fixed Assets						
Gross Block	6 74 14 371	7 42 03 006	8 97 26 503	10 18 68 197	10 60 17 027	10 71 90 907
Less: Depreciation	1 72 43 826	2 83 87 089	3 53 70 736	4 88 60 352	6 19 99 858	6 70 31 593
Net Block	5 01 70 545	4 58 15 917	5 43 55 767	5 30 07 845	4 40 17 169	4 01 59 314
Capital Work In Progress	28 19 625	5 77 944	16 83 453	11 12 193	13 15 125	18 12 894
Total	5 29 90 170	4 63 93 861	5 60 39 220	5 41 20 038	4 53 32 294	4 19 72 208
C Investments						
Investment in Mutual Fund	-	-	-			
D Current Assets, Loans and Advances						
Sundry Debtors	6 873	14 36 662	7 03 207	55 843		
Cash & Bank Balances	6 44 24 953	13 35 12 343	172 29 05 456	176 18 92 903	34 26 44 424	15 71 31 927
Other Current Assets	18 18 496	10 86 125	74 75 236	85 76 554	8 46 566	7 90 869
Loans & Advances	7 18 54 845	7 77 05 108	13 78 41 815	22 51 10 125	38 92 45 945	43 89 99 133
Total	13 81 05 167	21 37 40 238	186 89 25 714	199 56 35 425	73 27 36 935	59 69 21 929
E Liabilities & Provisions						
Secured Loans	345 99 92 079	767 65 62 970	1370 82 14 584	1962 15 91 206	2151 45 36 618	2225 18 37 349
Unsecured Loans	100 00 00 000	80 00 00 000	190 00 00 000	195 00 00 000	392 94 41 387	565 00 00 000

	Current Liabilities	1 73 47 857	2 38 12 371	4 06 29 088	3 73 90 778	3 81 77 330	8 84 05 024
	Provisions	2 90 15 502	10 15 98 351	19 01 88 988	33 19 23 123	54 94 32 340	47 59 79 590
	Total	450 63 55 438	860 19 73 692	1583 90 32 660	2194 09 05 107	2603 15 87 675	2846 62 21 963
F	Deferred Tax Asset/ (Liability)	(20 36 067)	22 08 092	87 48 660	2 11 52 804	3 85 97 630	4 28 15 603
G	Net Worth	53 46 37 643	88 62 03 107	126 39 82 939	159 94 73 189	188 90 51 445	208 13 78 240
H	Represented By						
	1.Share Capital	49 97 68 260	79 97 68 260	109 97 68 260	129 97 68 260	144 97 68 260	144 97 68 260
	2.Reserves	3 95 53 465	8 72 66 898	16 46 81 923	30 00 16 425	43 94 38 933	63 16 87 854
	3.Miscellaneous Expenditure to the extent not written off	(46 84 082)	(8 32 051)	(4 67 244)	(3 11 496)	(1 55 748)	(77 874)
	Net Worth	53 46 37 643	88 62 03 107	126 39 82 939	159 94 73 189	188 90 51 445	208 13 78 240

Annexure III

SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies of IDBI HOMEFINANCE Limited annexed to the Statement of Profits and Losses for the half year ended September 30, 2008 and the Statement of Assets and Liabilities as at September 30, 2008.

1. Method of Accounting

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

2. Use of Estimates

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

3. Revenue Recognition

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

4. Fixed Assets

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

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

5. Impairment of Assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the profit & loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting year is reversed if there has been a change in the estimate of recoverable amount.

6. Depreciation / Amortisation

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

(b) Assets costing up to Rs 5,000/- are being depreciated fully in the year of acquisition.

(c) Intangible assets comprises of software are amortized pro rata over a period of 36 months from the month of put to use or license period.

7. Investments

Investments are classified as Long Term Investment and Current Investments and are valued in accordance with guidelines of National Housing Bank and Accounting Standards on Accounting for Investments (AS-13), issued by The Institute of Chartered Accountants of India. Current Investment are carried at lower of cost and market value/NAV, computed individually. Long Term Investments are

Information Memorandum

stated at cost. Provision for diminution in the value of Long Term Investments is made only if such decline is other than temporary in the opinion of the management.

8 Employee Benefits

(a) **Provident Fund & Superannuation Fund Contributions:**

The company's contributions paid and payable during the year towards provident Fund are made to Regional Provident Fund Commissioner & are charged in Profit & Loss Account every year.

The company's contributions paid and payable during the year towards Superannuation are made to Superannuation Fund managed by the Life Insurance Corporation of India (LIC) & are charged in Profit & Loss Account every year.

(a) **Gratuity:**

The company's contributions paid and payable during the year towards Gratuity are made to Gratuity Fund managed by the Life Insurance Corporation of India (LIC). The net present value of company's obligation towards gratuity to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Profit & Loss Account.

(b) **Compensated Absences:**

The employees of the company are entitled to compensated absences. The employee can carry forward unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at retirement or resignation for the unutilized accrued compensated absences. Such compensated absences are treated as Long term benefit to employees. The net present value of company's obligation towards such Long term compensated absences to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Profit & Loss Account.

(c) **Other Employee Benefits:**

Liability on account of other benefits are determined on an undiscounted basis and recognized over the period of service, which entitles the employees to such benefits.

9. Asset classification and Provision for Non Performing Assets

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

10. Provision for Current and Deferred Tax

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

11. Miscellaneous Expenditure

Miscellaneous Expenditure comprises of Preliminary expenses which is incurred during incorporation and other start-up costs, which are amortized over a period of 10 years on a straight-line method from the date of incorporation.

12. Provision, Contingent Liabilities and Contingent Assets

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

Annexure IV

NOTES TO ACCOUNTS for the period ended 30th SEPTEMBER, 2008

1. Previous period figures have been re-grouped, re-arranged and re-classified wherever necessary.
2. Figures shown against Loans, Advances Receivable and Payables are subject to confirmation.
3. The Company has issued Unsecured Redeemable Non Convertible Subordinated Bond in the nature of Debentures [NCD] aggregating to Rs.80,00,00,000/- (Previous Period Rs. 80,00,00,000/-) on a private placement basis. Ministry of Finance & Company affairs, Department of Company Affairs, vide their general circular no. 4/2003 dated 16.01.2003 clarified that no Debenture Redemption Reserve is required in the case of privately placed debentures by Housing Finance Companies registered with National Housing Bank under Housing Finance Companies (NHB) Directions 2001, and hence no Debenture Redemption Reserve has been created by company for the above referred Non Convertible Subordinated Bond in the nature of Debentures [NCD].
4. Loans and installments due from borrowers are secured by:
 - (a) Equitable mortgage of property and/or
 - (b) Assignment of life insurance policies and/or
 - (c) Company guarantees or personal guarantees and/or
 - (d) Undertaking to create a security.
5. The erstwhile holding company Tata Finance Ltd. (TFL) has agreed to indemnify company against any loan sanctioned upto September 7, 2003 (date of divesting the investment by TFL called as "effective date") becoming a non performing asset within three years from the effective date. According to indemnity, the claims in respect of the above can now be made by the company since five years have been completed from the effective date. The company is in process of lodging the claim. This indemnity includes expenses related to recovery action and shortfall in the realisation of amount, subject to an overall cap of Rs. 5,00,00,000/-. Financial Statements are not adjusted to reflect any impact of this indemnity and will be recognised as and when the amounts are indemnified.
6. Housing Loans include Rs.5,00,644/- (Previous Period Rs.5,59,190/-) given to a Officer of the Company. The maximum balance due at any time during the Period was Rs.5,30,488/- (Previous Period Rs.5,87,888/-).
7. **Following are the adjustments required to be made in the prior period accounts on account of Changes in Accounting Policy / Estimate and adjustments relating to prior period items.**
 - 7.1 Till March 31, 2003, the Company was following under mentioned policy for Income Recognition, Asset classification and Provision for Non-Performing Assets.

Period Over Due	Amount to be provided for	Asset Classification
Upto 120 Days	Nil	Standard
121 to 180 days	10 % of the Outstanding amount	Non Accrual Asset
181 to 269 Days	25 % Additional Provisioning on Outstanding amount	Sub - Standard
270 to 359 Days	40 % Additional Provisioning on Outstanding amount	Doubtful
360 Days	25 % Additional Provisioning on Outstanding amount	Bad

From F.Y. 2003-04, the Company has decided to adopt revised guidelines of National Housing Bank (NHB) for Income Recognition, Asset classification and Provision for Non Performing Assets.

Information Memorandum

7.2 Further, a general provision of 0.40% of total outstanding amount of Non-Housing Loans, which are Standard Assets, has been made as per NHB's Direction No. NHB.HFC.DIR.18/CMD/2007 dated 26th March 2007.

7.3 The charge to the Profit & Loss Account for the year ended 31st March 2008 was higher by Rs. 6,77,230/- towards Gratuity & lower by Rs. 1,03,698/- towards compensated absences as compared to the expenses as per company's previous accounting policy.

However, due to adoption of AS 15 from F.Y. 2007-08, the impact of transitional provision has been given in the revenue reserves on 1st April 2007 and accordingly there is no impact on the cumulative net worth as on 31st March 2008.

7.4 To give the effect of change in the accounting policy as mentioned in points 7.1, 7.2 and 7.3 above, following adjustments for earlier years have been made in the Profit and Loss Accounts and Statement of Assets and Liabilities of the Company:

Amount in Rs.

	Particulars	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
1	Increase / (Decrease) in Operating Income						
2	Increase / (Decrease) in Provision for NPA	2 22 668					
3	Increase / (Decrease) in Establishment & Other Charges			13 07 482	(13 07 482)		
4	Increase / (Decrease) in Current Liabilities			13 07 482	(13 07 482)		
5	Increase / (Decrease) in provision for Standard Assets other than Housing Loans	22 32 165	17 50 585	(2 66 246)	(4 42 040)	(3 13 171)	
6	Increase / (Decrease) in Provision for taxation						
	Deferred Tax	(81 830)					
7	Increase / (Decrease) in Loans and Advances						
8	Increase / (Decrease) in Provisions	22 32 165	17 50 585	(2 66 246)	(4 42 040)	(3 13 171)	
9	Increase / (Decrease) in Net Deferred Tax (Asset)/ Liability						
10	Increase / (Decrease) in Profit for the period		(15 124)		(1 43 402)	1 58 526	
11	Increase / (Decrease) in Provisions		15 124		1 43 402	(1 58 526)	

8. The details of Provision carried by the company in terms of paragraph 25(2) of Housing Finance Companies NHB, Directions, 2001 and NHB Circular NHB (ND)/DRS/Pol-No.09/2004-05 dated May 18,2005 in respect of Housing and Non-Housing Loan is as follows :

(Amount in Rs.)

PARTICULARS	STANDARD ASSETS	SUB-STANDARD ASSETS	DOUBTFUL ASSETS	LOSS ASSETS	TOTAL
As at 30th September 2008					
Home Loans	2875,71,60,370/-	8,22,35,217/-	14,89,50,327/-	6,31,47,937/-	2905,14,93,851/-
Other Loans	79,22,43,128/-	22,37,038/-	1,34,78,431/-	64,38,015/-	81,43,96,612/-
Total Loans	2954,94,03,498/-	8,44,72,255/-	16,24,28,758/-	6,95,85,952/-	2986,58,90,463/-
Percentage	98.94%	0.28%	0.54%	0.23%	100.00%
Provision					
As at 31st March ,2008					
Home Loans	-	55,36,615/-	3,87,00,378/-	6,07,07,797/-	10,49,44,790/-
Other Loans	-	2,99,340/-	49,55,013/-	66,73,302/-	1,19,27,655/-
Standard Assets other than Housing Loans *	29,61,293/-	-	-	-	29,61,293/-
Total A	29,61,293/-	58,35,955/-	4,36,55,391/-	6,73,81,099/-	11,98,33,738/-
Provision during the Period					
Home Loans	-	26,86,964/-	52,82,829/-	24,40,140/-	1,04,09,933/-
Other Loans	-	(75,632/-)	(1,62,516/-)	(2,35,287/-)	(4,73,435/-)
Standard Assets other than Housing Loans *	2,09,171/-	-	-	-	2,09,171/-
Total B	2,09,171/-	26,11,332/-	51,20,313/-	22,04,853/-	1,01,45,669/-
Total as at 30th September 2008					
Home Loans	-	82,23,579/-	4,39,83,207/-	6,31,47,937/-	11,53,54,723/-
Other Loans	-	2,23,708/-	47,92,497/-	64,38,015/-	1,14,54,220/-
Standard Assets other than Housing Loans *	31,70,464/-	-	-	-	31,70,464/-
Total (A+B)	31,70,464/-	84,47,287/-	4,87,75,704/-	6,95,85,952/-	12,99,79,407/-
Net NPA	-	7,60,24,968/-	11,36,53,054/-	-	18,96,78,022/-
Net Standard Assets	2954,62,33,034/-	-	-	-	-
Net NPA as a % of Loan Assets	-	-	-	-	0.64

- 9 During the period, company has not received any claims against Interest on outstanding amount due to any vendors registered under Micro, Small and Medium Enterprise Development Act, 2006.
- 10 The Company's main business is to provide loans for purchase or construction of residential houses. All other activities of the Company revolve around the main business. As such, there are no separate reportable segments, as per the Accounting Standard - 17 on 'Segment Reporting'.
- 11 Consequent to adoption of Accounting Standard on Employee Benefits (AS-15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the company has made provision for leave encashment in nature of compensated absences based on actuarial valuation in accordance with AS-15 (Revised) which are certified by the Actuary and relied upon by the auditors.

(Amount in Rs)

Change in Benefit Obligation	Gratuity
Liability at the beginning of the year	21,01,768/-
Interest Cost	90,497/-
Current Service Cost	1,98,740/-
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Liability Transfer in	-
Liability Transfer Out	-
Benefit Paid	(76,154/-)
Actuarial (gain)/ loss on obligations	(453,063/-)
Liability at the end of the period	18,61,788/-

Tables of Fair Value of Plan Assets	
Fair Value of Plan Assets at the beginning of the year	24,54,923/-
Expected Return on Plan Assets	96,674/-
Contributions	-
Transfer from other company	-
Transfer to other company	-
Benefit Paid	(76,154/-)
Actuarial gain/(loss) on Plan Assets	(96,674/-)
Fair Value of Plan Assets at the end of the period	23,78,769/-
Total Actuarial Gain/(Loss) To Be Recognised	356,389/-

Actual Return on Plan Assets	
Expected Return on Plan Assets	96,674/-
Actuarial gain/(loss) on Plan Assets	(96,674/-)
Actual Return on Plan Assets	-

Amount Recognised in the Balance Sheet	
Liability at the end of the period	18,61,788/-
Fair Value of Plan Assets at the end of the period	23,78,769/-
Difference	5,16,981/-
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-
Amount Recognised in the Balance Sheet	5,16,981/-

Expenses Recognised in the Income Statement	
Current Service Cost	1,98,740/-
Interest Cost	90,497/-
Expected Return on Plan Assets	(96,674/-)
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Recognition of Transition Liability	-
Actuarial (Gain) or Loss	(3,56,389/-)
Expense Recognised in P & L	(1,63,826/-)

Balance Sheet Reconciliation	
Opening Net Liability	(3,53,155/-)
Expense as above	(1,63,826/-)
Employers Contribution	-
Amount Recognised in Balance Sheet	(516,981/-)

Category of Assets:	
Government of India Assets	-
Corporate Bonds	-
Special Deposits Schemes	-
Equity Shares of Listed Companies	-
Property	-
Insurer Managed Funds	23,78,769/-
Other	-
Total	23,78,769/-

Principle Assumptions	Gratuity
Discount Rate	8.00% (8.00%)
Rate of Return on Plan Assets	8.00% (8.00%)
Salary Escalation	5.00% (5.00%)
* Figures in brackets represent previous year figures	

The company has made provision for leave encashment in nature of compensated absences based on actuarial valuation in accordance with AS-15 (*Revised*) on Employee Benefits. The liability on account of the same upto 30th September 2008 is Rs 16, 38,767/-

Retirement benefits of employees on Deputation of IDBI are provided by IDBI and hence no provision is considered necessary.

- 12 Company has not made any formal estimate of recoverable amount of assets, as there is no indication of existence of potential impairment loss on any asset.

13 Details of Other Income

Amount in Rs.

PARTICULARS						For the six months period ended
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
Interest other than Housing Loan	3 88 556	1 21 915	1 12 41 285	6 91 14 016	2 56 27 009	1 01 001
Data Base Access Charges	27 432	26 397	5 61 448	-	-	-
Excess Provision Written Back	8 14 526	1 47 280	2 26 457	12 20 038	24 53 052	3 75 171
Miscellaneous Income	-	21 980	75 949	9 87 479	11 91 237	1 86 823
Dividend - Current Investment	-	-	-	11 76 766	8 33 952	-
Bad Debts Recovered	-	-	-	-	51 061	3 030
	12 30 514	3 17 572	1 21 05 139	7 24 98 299	3 01 56 311	6 66 025

Interest income for FY 2006-2007 is mainly derived from Fixed deposit with banks & it is non-recurring in nature.

14 Contingent Liabilities

Amount in Rs.

PARTICULARS	AS AT					
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
Counter Indemnity to Bank for Instruments Misplaced by Borrowers	8 71 650	12 46 650	28 12 650	81 39 468	88 84 468	93 26 218
Claims by an Ex Employee- Matter are pending in the Delhi High Court.	-	Amount not quantifiable	Amount not quantifiable			-
Claims against the company not acknowledged as debt	-	53 770	1 71 800	3 62 076	19 28 776	13 93 735
Indemnity Bond towards reversal of inadvertently credit of salary	-	-	-	28 069	28 069	28 069
Disputed Income Tax Liability	-	-	-	-	25 22 503	25 22 503
Claim by Guarantor	-	-	-	-	*	*

* The company does not expect the claim to crystallize in a liability.

15 Details of Capital Commitment

Amount in Rs.

PARTICULARS	For the year ended					For the six months period ended
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	
Capital Commitments						
Estimated amount of contracts remaining to be executed on capital amount (net of advances) and not provided for	11 79 060	64 216	29 39 392	22 12 355	2 18 625	24 29 811

Commitments for acquisition of assets contracted for at the reporting date but not recognised as liabilities

16 Details of Deferred Tax Assets & Liability

Amount in Rs.

PARTICULARS	For the six months period ended					
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
Deferred Tax Liability related to						
a) Fixed Assets	48 53 146	50 20 285	49 75 660	34 38 030	14 60 391	6 41 583
b) Miscellaneous Expenditure	2 79 373	2 09 699	1 57 274	1 05 877	52 939	26 469
c) Deferred Revenue Expenditure	12 51 334					
Total Deferred Tax Liability (A)	63 83 853	52 29 984	51 32 934	35 43 907	15 13 330	6 68 052
Deferred Tax Asset						
a) Provision for NPA	39 78 769	69 72 008	1 23 47 655	2 36 45 080	3 97 24 944	4 31 02 360
b) Expenses U/s 43B under Income Tax Act	3 69 017	4 66 068	13 67 354	10 51 631	3 86 016	3 81 295

Information Memorandum

c) Provision for Doubtful Debts			1 66 585			
d) Unabsorbed Loss						
e) Unabsorbed Depreciation						
Total Deferred Tax Asset (B)	43 47 786	74 38 076	1 38 81 594	2 46 96 711	4 01 10 960	4 34 83 655
Deferred Tax Asset/ (Liability) (Net) (B-A)	(20 36 067)	22 08 092	87 48 660	2 11 52 804	3 85 97 630	4 28 15 603
Deferred Tax Asset/ (Liability) for Previous Year			22 08 092	87 48 660	2 11 52 804	3 85 97 630
Additional Deferred Tax Asset			65 40 568	1 24 04 144	1 74 44 826	42 17 973

17 Break-up of Debtors outstanding

Amount in Rs.

PARTICULARS	Amount in Rs.					
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
Debts outstanding over six months						
-Considered Good	-	-	-			-
From Promoters & Promoter Group Companies	-	4 28 313				-
From Others	-	-	2 801			-
-Considered Doubtful						-
From Promoters & Promoter Group Companies	-	-	-			-
From Others	-	-	-			-
Provision for Doubtful						-
From Promoters & Promoter Group Companies						-
From Others						-
Other Debts						-
-Considered Good	-	-	-			-
From Promoters & Promoter Group Companies	5 100	9 93 093	-			-
From Others	1 773	15 256		55 843		-
-Considered Doubtful						-
From Promoters & Promoter Group Companies		-	-			-
From Others		-	7 00 406			-
Provision for Doubtful Advances						-
From Promoters & Promoter Group Companies						-
From Others						-
Total Sundry Debtors	6 873	14 36 662	7 03 207	55 843	0	0

Debtors don't include any balances on account of loan / advances.

18 Statement of Related Party disclosures

	Name of Related Party	Nature of Relationship
1	IDBI Bank Ltd.(From September 08, 2003)	Holding Company
2	Tata Finance Ltd.(till September 07,2003)	Holding Company
3	IDBI Capital Market Services Ltd.(From September 08, 2003)	Fellow Subsidiary
4	IDBI Intech Ltd.(From September 08, 2003)	Fellow Subsidiary
5	IDBI Gilts Ltd (From December 13, 2006)	Fellow Subsidiary
6	IDBI Fortis Life Insurance Company Limited (From January 22, 2007)	Fellow Subsidiary
7	Tata AIG Insurance Company Ltd. (till September 07,2003)	Fellow Subsidiary
8	Abbey National Plc (till August 04, 2003)	Associate
9	Shri M H Kulkarni, Managing Director & CEO (From 04th December 2007)	Key Management Personnel
10	Shri Melwyn Rego, Managing Director & CEO (From September 08, 2003 to 03rd December 2007)	Key Management Personnel
11	Mr. Alope Ghosal, Management Committee Member (till September 07,2003)	Key Management Personnel
12	Mr. Asit Jivani, Management Committee Member (till September 07,2003)	Key Management Personnel
13	Mr. K.Sanjay, Management Committee Member (till September 07,2003)	Key Management Personnel
14	Mr. Madhusudan Parkhi, Management Committee Member (till September 07,2003)	Key Management Personnel
15	Mr. Santosh Govardhan, Management Committee Member (till September 07,2003)	Key Management Personnel
16	Mr.Manishkumar Patni, Management Committee Member (till September 07,2003)	Key Management Personnel

TRANSACTIONS WITH RELATED PARTY

Amount in Rs.

Nature of Transactions	Holding Company					
	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	30-Sep-08
Share Capital						
IDBI Bank Ltd	-	30 00 00 000	30 00 00 000	20 00 00 000	15 00 00 000	
Tata Finance Limited	-	-	-			-
Abbey National Plc	-	-	-			-
Withdrawal of Intercompany deposits by reporting enterprise						
Tata Finance Limited	-	-	-			-
Interest Accrued & Received on Intercompany deposits						
Tata Finance Limited	-	-	-			-
Loan Taken						
IDBI Bank Ltd	-	20 00 00 000	130 00 00 000	100 00 00 000	953 00 00 000	350 00 00 000
Loan Repayment						
IDBI Bank Ltd	-	-	-	50 00 00 000		
Loan outstanding as at						
IDBI Bank Ltd	-	20 00 00 000	150 00 00 000	200 00 00 000	1153 00 00 000	1550 00 00 000
Debenture Issued				10 00 00 000		
Loan outstanding as at				10 00 00 000	10 00 00 000	10 00 00 000
Cash Credit Availed				927 16 24 710	3147 18 40 492	1425 84 26 898
Cash Credit Repaid				882 08 73 900	3079 36 03 264	1474 55 77 207
Loan outstanding as at				45 07 50 810	112 89 88 038	64 18 37 729
Commercial Paper						
IDBI Bank Ltd	-	30 00 00 000	55 00 00 000			0
Balance in Current Account						
IDBI Bank Ltd	-	-	2 78 12 033	3 22 29 793	32 78 20 057	12 17 58 911
Fixed Deposit						
IDBI Bank Ltd [Placed and Matured]	-	15 00 00 000	147 00 58 308	684 12 45 428	110 00 12 411	12 411
Fixed Deposit outstanding as at				40 00 00 000	12 411	0
Purchase of Fixed Asset	-	-	-			-

Tata Finance Limited	10 20 100	-	-			-
Management Support						
Tata Finance Limited	-	-	-			-
Admn. & Other Charges						
Tata Finance Limited	-	-	-			-
Services Rendered to Reporting Enterprise						
IDBI Bank Ltd	6 255	46 420	960			-
IDBI Capital Services Ltd.	-	-	-			-
Housing Loan	-	-	-			-
Personal Loan	-	-	-			-
Interest on Fixed Deposit						
IDBI Bank Ltd	-	96 848	9 52 575	2 24 90 888	1 02 10 522	419
Interest Payment on Loan						
IDBI Bank Ltd	-	12 74 828	5 44 16 199	14 14 19 537	34 72 22 860	65 25 02 363
Bank Charges						
IDBI Ltd	-	3 23 479	46 13 161	59 51 163	77 72 263	62 45 511
IDBI Bank Limited	-	-				-
IDBI Capital Market Services						-
Interest on Commercial Paper						
IDBI Ltd	-	16 47 481	95 68 119			-
Staff Expenses*						
IDBI Bank Ltd	22 47 089	25 61 762	27 49 359	38 03 613	34 18 824	12 22 132
Rent and Other Expenses paid						
IDBI Bank Ltd	2 02 197	11 40 725	19 55 353	28 03 595	29 58 360	14 03 830
Reimbursement of Expenses						
IDBI Bank Ltd	- 14 45 971	19 17 992	1 78 315			-
Debtors as at 31st March						
IDBI Bank Ltd	5 100	14 21 406	-			-
Tata AIG Limited	-	-	-			-
Creditors as at 31st March						
Tata Finance Limited	2 62 416	-	-			-
Creditors as at 31st March						1 90 835

Payment of Dividend						
IDBI Bank Ltd	-	-	2 57 28 139	5 77 01 164	8 29 28 983	13 93 21 088
Reimbursement of TDS						
IDBI Bank Ltd	-	-	-	3 38 979	1 60 396	1 85 481

(Amount in Rs.)

TRANSACTIONS WITH RELATED PARTY

Nature of Transactions	Fellow Subsidiary & Associates					
	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	30-Sep-08
Share Capital						
IDBI Bank Ltd	-	-				-
Tata Finance Limited	-	-				-
Abbey National Plc	-	-				-
Withdrawal of Intercorporate deposits by reporting enterprise						
Tata Finance Limited	-	-				-
Interest Accrued & Received on Intercorporate deposits						
Tata Finance Limited	-	-				-
Loan Taken						
IDBI Bank Ltd	-	-				-
Loan Repayment						
IDBI Bank Ltd	-	-				-
Loan outstanding as at						
IDBI Bank Ltd	-	-				-
Debenture Issued						
Loan outstanding as at						
Cash Credit Availed						
Cash Credit Repaid						
Loan outstanding as at						
Commercial Paper						

IDBI Bank Ltd	-	-				-
Balance in Current Account						
IDBI Bank Ltd	-	-				-
Fixed Deposit						
IDBI Bank Ltd [Placed and Matured]	-	-				-
Fixed Deposit outstanding as at						
Purchase of Fixed Asset						
Tata Finance Limited	-	-				-
Management Support						
Tata Finance Limited	-	-				-
Admn. & Other Charges						
Tata Finance Limited	-	-				-
Services Rendered to Reporting Enterprise						
IDBI Bank Ltd	-	-				-
IDBI Capital Services Ltd.	30 000	10 205		2 34 000	2 50 160	84 944
Housing Loan	-	-				-
Personal Loan	-	-				-
Interest on Fixed Deposit						
IDBI Bank Ltd	-	-				-
Interest Payment on Loan						
IDBI Bank Ltd	-	-				-
Bank Charges						
IDBI Ltd	-	-				-
IDBI Bank Limited	-	1 16 964	3 05 136			-
IDBI Capital Market Services				1 50 000		
Interest on Commercial Paper						
IDBI Ltd	-	-				-
Staff Expenses*						
IDBI Bank Ltd	-	-	-			-
Rent and Other Expenses paid						
IDBI Bank Ltd	-	-				-
Reimbursement of Expenses						

IDBI Bank Ltd	-	-				-
Debtors as at 31st March						
IDBI Bank Ltd	-	-				-
Tata AIG Limited	-	-				-
Creditors as at 31st March						
Tata Finance Limited	-	-				-
Creditors as at 31st March						
Payment of Dividend						
IDBI Bank Ltd	-	-				-
Reimbursement of TDS						
IDBI Bank Ltd	-	-				-

TRANSACTIONS WITH RELATED PARTY

(Amount in Rs.)

Nature of Transactions	Key management Personnel					
	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	30-Sep-08
Share Capital						
IDBI Bank Ltd	-	-				-
Tata Finance Limited	-	-				-
Abbey National Plc	-	-				-
Withdrawal of Intercompany deposits by reporting enterprise						
Tata Finance Limited	-	-				-
Interest Accrued & Received on Intercompany deposits						
Tata Finance Limited	-	-				-
Loan Taken						
IDBI Bank Ltd	-	-				-
Loan Repayment						
IDBI Bank Ltd	-	-				-

Loan outstanding as at					
IDBI Bank Ltd	-	-			-
Debenture Issued					
Loan outstanding as at					
Cash Credit Availed					
Cash Credit Repaid					
Loan outstanding as at					
Commercial Paper					
IDBI Bank Ltd	-	-			-
Balance in Current Account					
IDBI Bank Ltd	-	-			-
Fixed Deposit					
IDBI Bank Ltd [Placed and Matured]	-	-			-
Fixed Deposit outstanding as at					
Purchase of Fixed Asset	-	-			-
Tata Finance Limited	-	-			-
Management Support					
Tata Finance Limited	-	-			-
Admn. & Other Charges					
Tata Finance Limited	-	-			-
Services Rendered to Reporting Enterprise					
IDBI Bank Ltd	-	-			-
IDBI Capital Services Ltd.	-	-			-
Housing Loan	-	-			-
Personal Loan	-	-			-
Interest on Fixed Deposit					
IDBI Bank Ltd	-	-			-
Interest Payment on Loan					
IDBI Bank Ltd	-	-			-
Bank Charges					
IDBI Ltd	-	-			-
IDBI Bank Limited	-	-			-

Information Memorandum

IDBI Capital Market Services						
Interest on Commercial Paper						
IDBI Ltd	-	-				-
Staff Expenses*	33 18 064	-				-
IDBI Bank Ltd	-	-	11 088	2 76 627	4 17 324	4 18 360
Rent and Other Expenses paid						
IDBI Bank Ltd	-	-				-
Reimbursement of Expenses						
IDBI Bank Ltd	-	-				-
Debtors as at 31st March						
IDBI Bank Ltd	-	-				-
Tata AIG Limited	-	-				-
Creditors as at 31st March						
Tata Finance Limited	-	-				-
Creditors as at 31st March						
Payment of Dividend						
IDBI Bank Ltd	-	-				-
Reimbursement of TDS						
IDBI Bank Ltd	-	-				-

* This includes reimbursement of Managerial Remuneration

ANNEXURE V

STATEMENT OF ACCOUNTING RATIOS

	Year/ Period ended	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
A	Net Profit attributable to Equity Shareholders (Rs.)	3 15 20 182	7 70 65 067	14 31 93 653	23 38 08 150	30 13 15 788	19 22 48 921
B	Weighted Average Number of Equity Shares (Nos.)	4 99 76 826	5 14 56 278	9 61 68 607	11 84 69 977	13 93 21 088	14 49 76 826
A/B	Basic & Diluted Earning per Shares of Rs.10 each (Rs.)	0.63	1.50	1.49	1.97	2.16	2.64
A	Net Profit attributable to Equity Shareholders (Rs.)	3 15 20 182	7 70 65 067	14 31 93 653	23 38 08 150	30 13 15 788	19 22 48 921
B	Share Holders' Funds after deduction of Miscellaneous Expenses to the extent not written off	53 46 37 643	88 62 03 107	126 39 82 939	159 94 73 189	188 90 51 445	208 13 78 240
A/B	Return on Net Worth	5.90%	8.70%	11.33%	14.62%	15.95%	18.47%
A	Adjusted Net Worth	53 46 37 643	88 62 03 107	126 39 82 939	159 94 73 189	188 90 51 445	208 13 78 240
B	Number of Equity Shares as at respective period/ year end	4 99 76 826	7 99 76 826	10 99 76 826	12 99 76 826	14 49 76 826	14 49 76 826
C	Net Asset value per shares (of equity shares of Rs.10 each) Rs.	10.70	11.08	11.49	12.31	13.03	14.36

NOTES

Earning Per Share (Rs.)
Return on Net Worth (%)
Net Asset Value per Share

Adjusted Profits after Tax / Weighted Average Number of Equity Shares
Adjusted Profits after Tax / Shareholders' Funds
Adjusted Net Worth / Number of Equity Shares

ANNEXURE VI

STATEMENT OF DIVIDEND PAID AND TAXES THEREON

Amount in Rs.

Particulars						For the six months period ended
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08
Equity Shares						
No.of Shares	4 99 76 826	7 99 76 826	10 99 76 826	12 99 76 826	14 49 76 826	14 49 76 826
Face Value	10	10	10	10	10	10
Paid up Value Rs. Lacs	49 97 68 260	79 97 68 260	109 97 68 260	129 97 68 260	144 97 68 260	144 97 68 260
Rate of Dividend	-	* 5%	* 6%	* 7%	* 10%	-
Dividend on Equity Shares(Rs.)	-	2 57 28 139	5 77 01 164	8 29 28 983	13 93 21 088	-
Total Dividend on Equity Shares (Rs.)	-	2 57 28 139	5 77 01 164	8 29 28 983	13 93 21 088	-
Corporate Dividend Tax (Rs.)	-	36 08 371	80 92 588	1 40 93 781	2 36 77 620	-

* On Prorata basis

ANNEXURE VI
Statement of Tax Shelter

	Particulars						For the period ended on
		31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	30-Sep-08
1	Tax at Normal Rate	1 48 80 337	3 73 35 294	6 20 48 555	10 15 42 069	14 19 91 172	9 15 76 181
2	Tax at Notional Rates under Minimum Alternate Tax						-
3	Adjustments						
	Permanent Differences						
A	Deduction u/s 36(1)(viii)	(2 28 98 620)	(3 86 18 383)	(6 66 14 793)	(11 03 77 109)	(7 84 40 037)	(4 51 75 682)
B	Other Adjustments	68 20 228	3 00 000	26 84 993	40 51 034	- 1 49 371	2 26 884
	Timing Difference						
A	Provisions for NPA	87 91 809	96 22 392	1 59 70 432	3 28 81 346	4 73 07 631	99 36 498
B	Related to fixed assets	(12 56 640)	(14 08 455)	1 34 637			
C	Other Adjustments	30,54,370	61 46 321	13 20 164	- 6 70 656	51 42 546	28 04 950
D	Provision for Standard Assets other than Housing Loans	22 32 165	17 50 585	(2 66 246)	(4 42 040)	(3 13 171)	2 09 171
4	Net Adjustments	(32 56 688)	(222 07 540)	(467 70 813)	(745 57 425)	(264 52 402)	(319 98 179)

Information Memorandum

5	Tax Saving thereon	(11 68 337)	(81 26 294)	(157 43 055)	(253 42 070)	(89 91 171)	(108 76 181)
6	Total Income Tax	1 37 12 000	2 92 09 000	4 63 05 500	7 62 00 000	13 30 00 000	8 07 00 000
7	Taxation on extra-ordinary items						
8	Tax on profits after extra ordinary items	1 37 12 000	2 92 09 000	4 63 05 500	7 62 00 000	13 30 00 000	8 07 00 000

ANNEXURE VIII

CAPITALISATION STATEMENT

	Amount in Rs.	
	Pre Issue as at 30-Sep-08	*As Adjusted for issue
Borrowings		
Short Term Debt	1034 99 89 211	1034 99 89 211
Long Term Debt	1755 18 48 138	1805 18 48 138
Total Debts	2790 18 37 349	2840 18 37 349
Shareholders Funds		
Equity Share Capital	144 97 68 260	144 97 68 260
Reserves	63 16 87 854	63 16 87 854
Miscellaneous Expenditure (To the extent not written off)	(77 874)	(77 874)
Total Shareholders Funds	208 13 78 240	208 13 78 240
Long Term Debt/ Equity Ratio	8.43	8.67

* As per Audit Mandate dated 16th March 2009

ANNEXURE IX

STATEMENT OF ADJUSTED CASHFLOWS

Amount in Rs.

Particulars							For the six months period ended
	31/Mar/04	31/Mar/05	31/Mar/06	31/Mar/07	31/Mar/08	30/Sep/08	
A. CASH FLOW FROM OPERATING ACTIVITIES							
Net profit before Taxation	4 14 78 292	10 20 29 908	18 43 39 135	29 87 41 006	41 77 43 964	26 94 20 948	
<i>Adjustments for :</i>							
Deferred Revenue Expenses written off	93 40 871	36 96 283	2 09 059	-	-	-	
Preliminary expenses Written Off	1 55 748	1 55 748	1 55 748	1 55 748	1 55 748	77 874	
Provision for Standard Assets other than Housing Loans	22 32 165	17 50 585	(2 66 246)	(4 42 040)	(3 13 171)	2 09 171	
Provision for NPA	90 14 477	96 22 392	1 59 70 432	3 28 81 346	4 73 07 631	99 36 498	
Depreciation	1 11 32 759	1 17 68 422	1 22 04 325	1 53 89 586	1 58 15 885	59 32 989	
Bad Debts	1 88 713	37 931	48 654	11 25 899	67 70 704	-	
Provision for Doubtful Advances	-	-	4 94 905	-	-	-	
Loss on Sale of Fixed Assets	2 20 228	7 91 610	23 79 443	16 87 842	5 34 019	2 26 884	
Excess Provision Written Off	-	-	-	(12 20 038)	(24 53 052)	-	
Dividend - Current Investment	-	-	-	(11 76 766)	(8 33 952)	(3 75 171)	
Operating profit before Working Capital Changes	7 37 63 253	12 98 52 879	21 55 35 455	34 71 42 583	48 47 27 776	28 54 29 193	
<i>Adjustments for :</i>							
Trade and other receivables	(3 84 76 097)	1 94 38 480	(3 12 58 736)	(92 91 581)	(5 69 20 298)	95 78 403	
Trade Payables	28 87 160	1 00 21 725	1 79 12 071	(14 32 857)	25 28 417	4 86 13 154	
Decrease in Inter Corporate Deposits	-	-	-	-	-	-	

	Cash Generated from Operations	3 81 74 316	15 93 13 084	20 21 88 790	33 64 18 145	43 03 35 895	34 36 20 750
	Direct tax paid / TDS / Refund received	(1 05 44 493)	(2 68 94 133)	(4 86 28 886)	(7 79 35 778)	(13 37 17 969)	(5 92 75 894)
	Net Cash From Operating Activities	2 76 29 823	13 24 18 951	15 35 59 904	25 84 82 367	29 66 17 926	28 43 44 856
B.	CASH FLOW FROM INVESTING ACTIVITIES						
	Purchase of Fixed Assets and Capital Work in Progress	(2 57 08 052)	(59 82 716)	(2 43 18 376)	(1 56 97 969)	(77 21 142)	(30 33 881)
	Sale of Fixed Assets	92 001	18 993	45 050	5 39 723	1 58 982	2 34 094
	Investment in Mutual Funds	-	-	-	(205 91 00 000)	(223 57 00 000)	-
	Proceeds from Mutual Funds	-	-	-	2,059,100,000	2,235,700,000	-
	Dividend - Current Investment	-	-	-	1,176,766	833,952	-
	Net Cash used in Investing activities	(2 56 16 051)	(59 63 723)	(2 42 73 326)	(1 39 81 480)	(67 28 208)	(27 99 787)
C.	CASH FLOW FROM FINANCING ACTIVITIES						
	Proceeds from issue of Share Capital	-	30 00 00 000	30 00 00 000	20 00 00 000	15 00 00 000	-
	Proceeds from Long Term Borrowings	42 36 66 811	382 51 97 711	655 56 24 919	309 30 87 205	1118 03 44 600	47 00 05 813
	Repayment of Long Term Borrowings	(189 33 43 517)	(64 18 21 024)	(123 25 66 652)	(282 25 06 332)	(430 99 36 536)	(263 09 45 130)
	Proceeds from Short Term Borrowings	214 87 00 001	511 27 45 593	2030 37 80 020	5140 68 17 644	4665 48 30 713	3029 44 75 387
	Repayment of Short Term Borrowings	(27 41 90 091)	(427 95 51 390)	(1849 51 86 673)	(4571 40 21 895)	(4965 28 51 978)	(2567 56 76 726)
	Loans disbursed (Net)	(42 80 28 786)	(437 39 38 728)	(594 35 16 051)	(630 17 88 828)	(563 45 02 232)	(276 19 18 202)
	Dividend Paid	-	-	(2 57 28 139)	(5 77 01 164)	(8 29 28 983)	(13 93 21 088)
	Tax on Dividend Paid	-	-	(36 08 371)	(80 92 588)	(1 40 93 781)	(2 36 77 620)
	Net Cash From Financing Activities	(2 31 95 582)	(5 73 67 838)	(145 87 99 053)	(20 42 05 958)	(170 91 38 197)	(46 70 57 566)
	Net Increase In Cash & Cash Equivalents	(2 11 81 810)	6 90 87 390	158 80 85 631	4 02 94 929	(141 92 48 479)	(18 55 12 497)
	Opening Cash and Cash Equivalents	8 56 06 763	6 44 24 953	13 35 12 343	172 15 97 974	176 18 92 903	34 26 44 424
	Cash and Cash Equivalents as on 31 March	6 44 24 953	13 35 12 343	172 15 97 974	176 18 92 903	34 26 44 424	15 71 31 927

Annexure X
Statement of Unsecured Loan

(Rs. In Lacs)

As on		Commercial Papers	Working Capital Loans from Banks	Non Convertible Tier II Bonds	Total
March 31,2004	More than 1 year				-
	Less than 1 year	10,000.00			10,000.00
March 31,2005	More than 1 year				-
	Less than 1 year	8,000.00			8,000.00
March 31,2006	More than 1 year			6,000.00	6,000.00
	Less than 1 year	13,000.00			13,000.00
March 31,2007	More than 1 year			8,000.00	8,000.00
	Less than 1 year	11,500.00			11,500.00
March 31,2008	More than 1 year		1,294.41	8,000.00	9,294.41
	Less than 1 year	30,000.00			30,000.00
September 30,2008	More than 1 year			8,000.00	8,000.00
	Less than 1 year	48,500.00			48,500.00

STATEMENT ON TAX BENEFITS

To
The Board of Directors,
IDBI Homefinance Limited,
“Kanchenjunga” Building,
18, Barakhamba Road,
New Delhi – 411 004.

Dear Sir,

Re: Tax Benefit Certificate in respect of the proposed issue of unsecured redeemable non-convertible Subordinated Bond.

With respect to letter dated 9th March 2009 as issued by the Managing Director in respect of the tax benefits available to the Company and the subordinated Bondholders.

In our opinion the following benefits are available to the Company & Bond holders under the Income Tax Act, Wealth Tax Act and Gift Tax. This opinion is issued at your specific request.

TAX BENEFITS: -

The tax benefits listed below are the possible benefits available under the current tax laws in India. The tax benefits are given as per the prevailing tax laws and may vary from time to time in accordance with amendments to the law or enactments thereto. Several of these benefits are dependent on the Company or its bondholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its bondholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

Income Tax Act, 1961 (“Act”)**A. To the Company: -**

1. The Company enjoys deductions up to 20% of the profits earned from long term lending for residential housing purposes if the Company creates a Special Reserve under section 36(1)(viii) of the Act. The effective tax rate on income from such long term lending is of (subject to tax rate of (30% less 6%)) 24% plus applicable surcharge. The aggregate deduction is restricted to the extent of twice the aggregate of the amount of the paid up Share Capital and of the General Reserves of the Company.
2. In accordance with, and subject to the provisions of Section 32 of the Act, the Company will be entitled to claim depreciation on tangible and specified intangible fixed assets.
3. By virtue of section 10(34) of the Act, any income by way of dividend referred to in section 115-0 received by the Company will be exempt from tax.

4. By virtue of section 10 (35) of the Act, the following income shall be exempt, subject to certain conditions, in the hands of the company: -
 - (a) Income received in respect of the unit of a Mutual Fund specified under clause (23D); or
 - (b) Income received in respect of units from the Administrator of the specified undertaking; or
 - (c) Income received in respect of units from the specified company;
5. U/s.115JAA (1A), Tax credit shall be allowed of any Minimum Alternative Tax (MAT) paid u/s.115JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income- Tax Act. Such MAT credit shall be available for set off upto 5 years succeeding the year in which the MAT credit initially arose.

B. To the Bond Holders of the Company– Under the Act: -

I. Resident Bondholders

1. Interest on Non Convertible Debentures received by Bondholders would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act. No income tax is deductible at source as per the provisions of section 193 of the I.T Act on interest on debentures in respect of the following:
 - (a) In case the payment of interest on debentures to resident individual Debenture Holder by way of an account payee cheque in the aggregate during the financial year does not exceed Rs.2,500;
 - (b) When the Assessing Officer issues a certificate on an application by a Debenture Holder on satisfaction that the total income of the Debenture holder justifies no/lower deduction of tax at source as per the provisions of Section 197(1) of the I.T. Act;
 - (c) When the resident Debenture Holder (not being a company or a firm or a senior citizen) submits a declaration in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil as per the provisions of section 197A (1A) of the I.T. Act. Under section 197A (1B) of the I.T. Act, Form 15G cannot be submitted nor considered for exemption from deduction from tax at source if the aggregate of income of the nature referred to in the said section, viz. dividend, interest, etc as prescribed therein, credited or paid or likely to be credited or paid during the Previous year in which such income is to be included exceeds the maximum amount which is not chargeable to tax. In all other situations, tax would be deducted at source as per prevailing provisions of the I.T. Act;
 - (d) On any securities issued by a company in a dematerialized form and listed on recognized stock exchange in India.
2. Under Section 10 (23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions, as the Central Government may by notification in the official gazette specified, are eligible for exemption from income-tax on all their income, including income from investment in the Bonds of the company.
3. Under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed debenture is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.

Under section 112 of the Act and other relevant provision of the Act, Long term capital gains arising, i.e. if Bonds are held for a period exceeding 12 months, on transfer of Bonds of the Company, as and when it is listed, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48 or at 10% (plus applicable surcharge) without indexation, at the option of the Bonds holder.

4. Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act.
5. In case the debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.

II. Non Resident Bond holders

1. Under section 115E of the I.T. Act, income from Debentures acquired or purchased with or subscribed to in convertible foreign exchange will be taxable at 20% (plus applicable surcharge, education cess and secondary & higher education cess), whereas, long term capital gains on transfer of such Debentures will be taxable at 10% (plus applicable surcharge, education cess and secondary & higher education cess). Short-term capital gains will be taxable at the normal rates of tax in accordance with and subject to the provisions contained therein.
2. Under section 115F of the I.T. Act, subject to the conditions and to the extent specified therein, long term capital gains arising to a non-resident Indian from transfer of debentures acquired or purchased with or subscribed to convertible foreign exchange will be exempt from capital gain tax if the net consideration is invested within six months after the date of transfer of the debentures in any specified asset or in any saving certificates referred to in clause (4B) of section 10 of the I.T. Act in accordance with and subject to the provisions contained therein.
3. Under section 115 G of the Act, it is not necessary for a Non Resident Indian to file a return of income under section 139 (1) of the Act, if his total income consists only of long term capital gains earned on transfer of long term capital assets acquired out of convertible foreign exchange and the tax has been deducted at source from such income under the provision of Chapter XVII-B of the Act.
4. Under section 115H of the I.T. Act, where a non-resident Indian becomes a resident in India in any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with return of income under section 139 for the assessment year for which he is assessable, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income (other than on shares in an Indian Company) derived from any foreign exchange assets in accordance with and subject to the provisions contained therein. On doing so, the provisions of Chapter XII-A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion into money of such assets.
5. Under section 115-I of the Act, where a Non resident Indian opts not to be governed by the provisions of Chapter XII-A of the Act for any assessment year, his total income for that assessment year will be computed according to the other provisions of the Act, and he will

therefore be eligible to get concessions applicable to a resident individual & will be liable to tax accordingly.

6. Under Section 195 of the I.T. Act, the company is required to deduct tax at source at the rate of 20% on investment income and at the rate of 10% on any long-term capital gains and as referred to in section 115E and at the normal rates for Short Term Capital Gains if the payee Debenture Holder is a Non Resident Indian.
7. As per section 90(2) of the I.T. Act, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.
8. Alternatively, to ensure non deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) or 195(3) of the I.T. Act, from the Assessing Officer.

III. Foreign Institutional Investors (FIIs)

1. In accordance with and subject to the provisions of section 115AD of the I.T. Act on transfer of debentures by FIIs, long term capital gains are taxable at 10% (plus applicable surcharge and education and secondary and higher education cess) and short-term capital gains are taxable at 30% (plus applicable surcharge and education and secondary and higher education cess) provided income tax is calculated as per the provisions of 111A it will be taxable at 10%. The cost indexation benefit will not be available. Further, benefit of provisions of the first proviso of section 48 of the I.T. Act will not apply. Income other than capital gains arising out of debentures is taxable at 20% in accordance with and subject to the provisions contained therein.
2. In accordance with and subject to the provisions of section 196D (2) of the I.T. Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FIIs.
3. As per section 90(2) of the I.T. Act, in the case of a remittance to a country with which a Double Tax Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee.
4. Alternatively, to ensure non deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) or 195(3) of the I.T. Act, from the Assessing Officer.

C. Wealth Tax Act, 1957

As the Bonds of the Company will be listed, Bonds will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax act, 1957; hence Wealth Tax Act will not be applicable.

D. Gift Tax

Gift-tax is not levied on gift of debentures in the hands of the donor as well as the donee because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after October 1, 1998.

Please note that all the above tax benefits will be available only to the sole/first named holder in case the Bonds are held by joint holders. Legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time, and these may have a bearing on the advice that we have given. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of issue of this opinion.

In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Bonds. The statements made above are based on the tax laws in force as amended by Finance Act, 2008 and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of their holdings based on their residential status and the relevant double taxation conventions. We are not liable to the Debenture Holder in any manner for placing reliance upon the contents of this statement of tax benefits.

**For A. J. SHAH and COMPANY
CHARTERED ACCOUNTANTS**

**(HIREN SHAH)
Partner
Membership No. 100052**

**Place: Mumbai
Date: March 16, 2009**

XIII. CHANGE IN ACCOUNTING POLICIES IN THE PAST 3 YEARS

The changes in accounting policies in the past 3 years are as mentioned in Annexure IV (point no. 7) of the Auditor's Report dated March 16, 2009 as given in this document.

XIV. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

1. Industry Scenario

The housing sector had grown at an appreciable pace and has slowed down in the last three quarters in the aftermath of the global economic meltdown. The demand for housing units has reduced as a result of the recessionary effect. This has in turn reduced the number of home loan seekers.

RBI as part of a series of stimulus efforts to counter the economic slowdown has extended financial support of Rs. 4000 crore to NHB for extending refinance assistance to housing finance companies at a concessional rate to enable them to extend loan at concessional rates to new home loan seekers. Refinance at concessional rates by NHB to HFC's is expected to translate into reduction in interest rates and drive the housing demand.

2. The Company

The erstwhile IDBI acquired the erstwhile Tata Home Finance Limited in September 2003 and rechristened it as IDBI Homefinance Limited. IDBI Homefinance Limited has continued as a wholly owned subsidiary of the erstwhile IDBI Ltd. and the present day IDBI Bank Ltd.

IHFL is a profit making company since the beginning of its operations. For the year ended March 31, 2008, the adjusted net profit was Rs. 30.13 crore as compared to Rs.23.37 crore for the year March 31, 2007 i.e. an increase of 29% over the previous year. The company's CAR as reported to NHB as on March 31, 2008 stood at 16.01%. CAR as on September 30, 2008 stood at 14.81% while it declined to 10.25% as on December 31, 2008 consequent to NHB linking Risk Weights to LTV on standard Home Loans. NHB stipulates minimum CAR of 12%. IHFL is planning to raise Tier I and Tier II capital to attain the minimum CAR of 12%.

3. Profitability

The net interest income during 2007-08 increased by 56% to Rs.58.59 crore from Rs.37.53 crore during 2006-07. The net interest income during the first half of FY 2009 has gone up by 32 % to Rs. 35.01 crore over the corresponding period in the previous year.

The adjusted PBT and PAT for the year 2007-08 was Rs.41.77 crore and Rs.30.13 crore respectively indicating growth of 40 % and 29 % over the previous year. The PBT and PAT for the first half of FY 2009 has gone up by 31% and 31% to Rs.26.94 crore and Rs.19.22 crore respectively over the corresponding period of the previous year.

4. Borrowings

IHFL's outstanding borrowings as on September 30, 2008 stood as shown below:

Bank Loans	Rs.2064.32 crore
NHB Refinance	Rs. 160.86 crore
Commercial Papers	Rs. 485.00 crore
Subordinated Debt	Rs. 80.00 crore

The Company can borrow a maximum amount equivalent to 16 times of its net owned funds as per "Housing Finance Companies (NHB) Directions 2001". The aggregate borrowings as of September 30, 2008 was Rs.2790.18 crore at 13.69 times of the net owned funds.

5. Sanctions & Disbursements & Loan outstanding

The Company sanctioned and disbursed loans of Rs. 1173 crore and Rs. 856 crore respectively during FY 2008, while during the first half of FY 2009, the Company sanctioned and disbursed loans of Rs. 618 crore and Rs.474 crore respectively as compared to Sanctions and disbursements of Rs 506 crore and Rs 371 crore for the first half of FY 2008 indicating growth of 22 % & 28 % on an annualized basis. The loans outstanding as on March 31, 2008 and September 30, 2008 stood at Rs. 2710 crore and Rs. 2987 crore respectively.

The Company continued to focus its business on salaried class of employees. Out of the total housing loan portfolio of Rs.2,987 Crore as on September 30, 2008, 97 % of loans were extended to salaried employees with the balance of 3% of the loans being given to self-employed businessmen and self-employed professionals.

As on September 30, 2008, 89% of the loans were at variable interest rate and the balance 11% were at fixed rates of interest (interest being fixed for a period of 3 years from the date of first disbursement, and reviewed after 3 years). The entire outstanding loan portfolio as on September 30, 2008 was extended to individuals.

The lending rates for existing borrowers are changed based on changes in the RPLR and the 3-year review of Fixed Rate loans. Changes in the rate of interest is collected by way of increase in the amount of EMI's or by accepting prepayments & as a last resort are by adjustment of the residual loan tenure. The company monitors the accounts whenever the loan tenure has been increased beyond 20 years.

6. Non-Performing Assets and Provision for NPA

The Company classified Non Performing Assets (NPA) in accordance with the Prudential Norms as prescribed by the National Housing Bank.

The Company had Gross NPAs of Rs. 26.89 crore and Rs.31.65 crore as on March 31, 2008 and September 30, 2008 representing 0.99% and 1.06% of the outstanding loan portfolio respectively. The Company had Net NPAs of Rs.15.21 crore and Rs.18.97 crore as on March 31, 2008 and September 30, 2008 representing 0.56% and 0.64% of the outstanding loan portfolio respectively.

As a part of Share Purchase Agreement, TFL had executed a Deed of Indemnity to keep IDBI and / or THFL indemnified against cases remaining as NPA's after 8th September 2006 to the extent of

Rs. 5 crore. A claim has been submitted to Tata Motors Ltd. and it is expected that NPA level would further come down in respect of the same.

7. Asset classification

Category	31-Dec-08		30-Sep-08		31-Mar-08		31-Mar-07	
	Amt O/s	Provn	Amt O/s	Provn	Amt O/s	Provn	Amt O/s	Provn
Standard	3038.36	0.31	2954.94	0.32	2683.50	0.30	2124.24	0.08
Sub-Standard	8.12	0.81	8.45	0.85	5.84	0.58	7.84	0.78
Doubtful	17.20	5.26	16.24	4.88	14.32	4.37	11.78	3.09
Loss	6.79	6.79	6.96	6.96	6.74	6.74	3.09	3.09
Total	3070.47	13.17	2986.59	13.01	2710.40	11.99	2146.95	7.04
Net NPA		19.25		18.97		15.21		15.75
Net NPA (%)		0.65%		0.64%		0.56%		0.73%

8. Tax Benefits to the Company

The Company enjoys deductions up to 20% of the profits earned from long term lending for residential housing purposes if the Company creates a Special Reserve under section 36(1)(viii) of the Act. The effective tax rate on income from such long term lending is of (subject to tax rate of (30% less 6%)) 24% plus applicable surcharge. The aggregate deduction is restricted to the extent of twice the aggregate of the amount of the paid up Share Capital and of the General Reserves of the Company.

9. Conflict of Interest

IDBI Bank Ltd. as a commercial bank offers the entire menu of wholesale and retail funding products including housing finance besides its normal banking activity. IHFL, however, exclusively focuses on retail housing finance. Thus in the area of housing finance, IDBI Bank Ltd. is another competitor to IHFL.

10. Material Development

In the opinion of the company, since the date of the last financial statement disclosed in this Information Memorandum, there have been no material developments that adversely affect or are likely to affect the profitability of the company, or the value of its assets, or its ability to pay its liabilities.

XV. LEGAL AND OTHER INFORMATION

Comment [s1]:

Pending Cases against / by the Company.

Consumer Court Cases - Particulars of litigation pending against IDBI Homefinance Ltd.

Period	No. of Cases	Amount (Rs.)
Sep 30, 2008	14	10,41,084.00
Dec 31, 2008	14	15,27,477.00
Feb 28, 2009	12	8,33,344.00

The aforesaid includes cases by the borrowers including matters in consumer courts. These are in the normal course of business and not material.

XVI. OTHER REGULATORY AND STATUTORY DISCLOSURES

Comment [A2]: ICMS to cnfm

a. Authority For Placement

The private placement of bonds is being made pursuant to the resolutions of the Board of Directors passed at its meetings (copies of the requisite resolution are provided for reference) dated March 16, 2009. The present issue will be within the general borrowing limits in terms of the resolution passed under section 293(1)(d) of the Companies Act, 1956 at the Annual General Meeting of the shareholders of the company held on September 29, 2005 giving their consent to the borrowing by the Directors of the company from time to time upto Rs. 5000 crore subject to any restrictions imposed by the terms of agreement entered into from time to time for grant of loans to the Company of all monies deemed by them to be requisite or proper for the purpose of carrying on the business of the Company. The borrowings under these bonds will be within the prescribed limits as aforesaid.

Comment [s3]: Delete what is not required

b. Prohibition by SEBI / Eligibility of the issuer company to enter capital market

The Company, its associates and companies with which Directors of the Company are associated as Directors or Promoters are not prohibited from accessing the Capital Market/ Debt security market under any order or directions passed by SEBI.

c. General Disclaimer

This Information Memorandum is neither a Prospectus nor a statement in lieu of Prospectus. It does not constitute an offer or an invitation to the Public at large to subscribe to Tier II Bonds ("Bonds") issued by IHFL. This Information Memorandum is not intended for distribution and is for the consideration of the person to whom it is addressed and should not be reproduced by the recipient. It cannot be acted upon by any person other than to whom it has been specifically addressed. It is not intended to be offered to more than forty-nine investors. Multiple copies hereof given to the same entity shall be deemed to be offered to the same investor. Apart from this Information Memorandum, no other document has been prepared in connection with this Bond Issue and that no document in relation to the Issuer or this Bond Issue has been delivered for registration to any authority.

This Information Memorandum has been prepared in accordance with Schedule II of the Companies Act 1956, Chapter VI of the SEBI (DIP) Guidelines to give information regarding the Company to investors proposing to invest in this issue of Bonds and it does not purport to contain all the information that any such party may require. The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to the Issuer, and the Issue, which is material in the context of the Issue, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Potential investors are required to make their own independent valuation and judgment before making the investment and they are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in the Bonds. It is the responsibility of potential investors to have obtained all consents, approvals or authorizations required by them to make an offer to subscribe for, and purchase of the Bonds. Potential investors have not relied on any advice given by the Arranger in connection with their offer to subscribe for and purchase the Bonds and acknowledge that the Arranger does not owe them any duty of care in respect of their offer to subscribe for and purchase of the Bonds. It is the responsibility of potential investors to ensure that any transfer of the Bonds is in accordance with this Information Memorandum and the applicable laws, and ensure that the same does not constitute an offer to the public. Potential investors should also consult their own tax advisors on the tax implications of the acquisition, ownership, sale and redemption of Bonds and income arising thereon.

The Arranger does not take any responsibility either for the financial soundness of the Bonds offered or for the correctness of the statement made in this Information Memorandum. The Arranger has relied exclusively upon the information provided by IHFL and has neither verified independently, nor assumes responsibility for the accuracy and completeness of this Information Memorandum, or any other information or documents supplied or approved by IHFL. The Arranger holds no responsibility for any misstatement in or omission by the Company, publicly available information or any other information about the Company available in the market. Neither the Arranger nor any officer or employee of the Arranger accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

d. Disclaimer Statement from the Issuer

The company accepts no responsibility for statements made otherwise than in the Information Memorandum or in the advertisements or other material issued by or at the instance of the company and the Arranger and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

e. Disclaimer in respect of Jurisdiction

This Issue is made in India to Investors as specified under section "Who Can Apply" of this Information Memorandum, who shall be specifically approached by the Company/ Arranger. This Information Memorandum does not, however, constitute an offer to sell or an invitation to subscribe to bonds offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Information Memorandum comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the exclusive jurisdiction of the courts of Pune (Maharashtra).

The Issuer shall make all information available to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.

f. Disclaimer Clause of the Bombay Stock Exchange.

A copy of this Information Memorandum has been submitted to The Bombay Stock Exchange Ltd (hereinafter referred to as 'BSE') where Company's securities are proposed to be listed in terms of the extant Guidelines.

BSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum; or

2. warrant that the Company's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of the company, its promoters, its management or any scheme or project of the company.

Every person who desires to apply for or otherwise acquire any securities of the company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

The delivery of this Information Memorandum hereunder shall not under any circumstances create any implication that there has been no change in the affairs of the company since the date thereof or that the information contained herein is correct as of any time subsequent to this date.

g. Listing

Application shall be made to the Bombay Stock Exchange Ltd to list the bonds of the company now being offered through this Information Memorandum and for permission to deal in such Bonds.

If the permissions to deal in and for an official quotation of the Bonds is not granted by BSE, the Company shall forthwith repay, without interest all such moneys received from the applicants in pursuance of this Information Memorandum. If such monies are not repaid within eight days after the Company becomes liable to repay them (i.e. from the date of refusal or within 70 days from the date of the closing of the subscription list, whichever is earlier), then the Company will be liable to repay the monies, with interest, as prescribed under Section 73 of the Companies Act, 1956.

h. Consents

Consents in writing of the Arranger to the Issue, Directors, Trustees, Registrars, Banker, Auditor and Legal Advisors cum Compliance Officer to act in their respective capacities have been obtained.

i. Expert Opinion

Save as stated elsewhere in the Information Memorandum, the company has not obtained any other expert opinion.

j. Caution

Though the provisions of Sub-section (1) of Section 68-A of the Companies Act, 1956 do not apply to an issue of Bonds, attention of the investors is drawn to the provisions as a matter of abundant precaution:

“Any person who -

 makes in a fictitious name, an application to a company for acquiring, or subscribing for, any shares therein, or

 otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in fictitious name, shall be punishable with imprisonment for a term which may extend to five years”

k. Undertaking by the Company

The Company undertakes:

- i. to attend to the complaints received in respect of the Issue expeditiously and satisfactorily;
- ii. to take all steps for completion of necessary formalities for listing and commencement of trading at the Stock Exchange where the securities are to be listed are taken within 7 working days of finalisation of basis of allotment;
- iii. to apply in advance for the listing of the securities;
- iv. that the funds required for dispatch of refund orders/allotment letters by registered post shall be made available;
- v. that the Allotment Letters/Refund Orders to the applicants shall be dispatched within specified time;
- vi. that no further issue of securities shall be made till the securities offered through this Information Memorandum are listed or till the application monies are refunded on account of non- listing;
- vii. that necessary cooperation with Credit Rating Agency (ies) shall be extended in providing true and adequate information till the debt obligations in respect of the instrument are outstanding;
- viii. to forward the details of utilisation of the funds raised through the Bonds duly certified by the statutory auditors, to the bond trustees at the end of each half-year
- ix. to disclose the complete name and address of the bond trustees in the annual report;
- x. to provide a compliance certificate to the bond holders on a yearly basis in respect of compliance with the terms and conditions of placement of Bonds as contained in the memorandum, duly certified by the bond trustee.

l. Minimum Subscription

The provisions as to minimum subscription are not applicable for the Private Placement of Bonds.

m. Utilisation of Offer Proceeds

Pending the utilisation of net proceeds of the Offer as specified under the section "Objects of Offer", the net proceeds will be invested in high quality, interest bearing liquid instruments including deposits with banks for the necessary duration.

n. Expenses of the Offer

The expenses of the Offer payable by the Company inclusive of fees payable to the Arranger, stamp duty, fees payable to trustees, fees payable to the Registrars to the Offer, listing fees, fees payable to the Auditors and other miscellaneous expenses is estimated not to exceed 1% of the offer size and will be met out of the proceeds of the Offer.

o. Arranger to the Issue

The fees payable to the Arranger are as set out in the relevant appointment letters, copies of which are kept open for inspection at the Corporate Office of the Company.

p. Registrar to the Issue

The fees payable to the Registrar are as set out in the relevant appointment letters, copies of which are kept open for inspection at the Corporate Office of the Company.

q. Auditors to the Issue

The fees payable to the Auditors are as set out in the relevant appointment letters, copies of which are kept open for inspection at the Corporate Office of the Company.

r. Trustees for the Bondholders

The fees payable to the Trustees for the Bondholders are as set out in the relevant appointment letters, copies of which are kept open for inspection at the Corporate Office of the Company.

s. Other Expenses

The other expenses include fees and reimbursement of expenses towards listing fees, credit-rating fees etc.

t. Underwriting Commission And Brokerage

The issue is not underwritten and hence no underwriting commission is payable. No broker is appointed hence no brokerage is payable.

u. Letter of Allotment/ Refund

The company shall credit the allotted securities to the respective beneficiary account/ dispatch the Letter of Allotment, if applicable or Refund Orders/ Letter of Regret, as the case may be, by Registered Post or as per extant postal rules at the sole risk of the applicant to the applicant within thirty days from the date of closing of the subscription list. Further, IHFL agrees that:

- a) as far as possible, allotment of securities shall be made within 30 days of the closure of the issue;
- b) it shall pay interest in accordance with provisions of Companies Act/ DIP Guidelines of SEBI, if the allotment letters / refund orders have not been dispatched to the applicants within 30 days from the date of closure of issue.

v. Basis of Allotment

The company reserves the right to reject in full or partly any or all the offers received by them to invest in these Bonds without assigning any reason for such rejections.

w. Change in auditors during the last three years along with reasons for the change if any.

On takeover by IDBI Ltd., IHFL is under the audit purview of Comptroller & Auditor General of India(C & A G) who conducts Supplementary Audits under section 619 of the Companies Act 1956. M/s A. J Shah & Co., Chartered Accountants, Mumbai, have been appointed as auditors of the company by C & A G from F.Y.2007-08 in place of M/s Chaturvedi & Shah, Chartered Accountants who were Statutory Auditors from FY 2003-04 to FY 2006-07.

XVII. INVESTOR GRIEVANCE & REDRESSAL SYSTEM

The Company will settle the investor grievances expeditiously and satisfactorily. All grievances relating to this Offer may be addressed to the compliance officer of the company, giving full details such as name, address of the applicant, number of Securities applied for, amount paid on application and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances

The Company estimates that the average time required by it for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible. The Company has appointed Shri Madhusudan Parkhi, Legal Advisor and Company Secretary as the Compliance Officer and he may be contacted in case of any investor problems. He can be contacted at: IDBI Homefinance Limited, Gopika Niketan, 1204/2, Ghole Road, Shivaji Nagar, Pune – 411 004.

PART II – OFFERING INFORMATION

XVIII. TERMS OF THE PRESENT ISSUE

IDBI Homefinance Limited (hereinafter referred to as 'IHFL'/'The Company'/'Issuer') proposes to raise Rs.50 crores, through the issue of Unsecured Non-Convertible Redeemable Subordinated Bonds in the nature of Debentures (hereinafter referred to as 'the Bonds') of the face value of Rs.10, 00,000/- each by way of private placement.

1. Highlights of the Issue Structure

1.1 Nature of Bonds

The Bonds are Unsecured, Redeemable, Non Convertible, Subordinated in the nature of Debentures.

1.2 Offer Size

The issue size of the proposed Bond issue is Rupees Fifty Crores.

1.3 Face Value and Issue Price

The Bonds are proposed to be offered at face value of Rs.10, 00,000/- (Rupees Ten Lakhs) per bond payable on application.

1.4 Coupon

The Coupon rate for the proposed bond issue is _____.

1.5 Minimum Application Size

The minimum investment shall be 1 (one) bond i.e. Rs.10,00,000/- and in multiples of 1 (one) Bond i.e. Rs.10,00,000 thereafter.

1.6 Deemed date of Allotment

All benefits related to the debentures will be available to the allottees from the deemed date of allotment, which can be different from actual date of allotment. The company will pay interest on application money from the date of realisation of cheque(s)/ demand draft(s) upto, but not including the deemed date of allotment in respect of the application money. The actual deemed date of allotment will be announced and uploaded on the BSE website.

1.7 Tenure of the bond

The tenor of the proposed bond issue is 10 years.

1.8 Put and Call Option

There are no Put and Call options.

1.9 Miscellaneous

A Register of Bondholders shall be maintained at the Registered Office of the Company. Such Register shall be closed thirty (30) business days prior to each interest payment date.

In case of dissolution/ bankruptcy/ insolvency/ winding up of Bondholders, the Bond certificates shall be transmittable to the Legal Representative(s)/ Successor(s) or the Liquidator, in accordance with the law on such terms as may be deemed appropriate by the Company.

2. Notices

The notice to the bondholder(s) required to be given by the company or the Trustees shall be deemed to have been given if sent by registered post to the sole/ first allottee or sole/ first bondholder of the bonds, as the case may be. All notices to be given by the bondholders shall be sent by registered post or by hand delivery to the Registrars or to such person at such address as may be notified by the company from time to time.

All transfer related documents, tax exemption certificates, intimation for loss of Letter of Allotment/ Debenture(s) etc. requests for issue of duplicate debentures, interest warrants etc. and/ or any other notices/ correspondence by the bondholders to the Company with regard to the issue should be sent by registered post or by hand delivery to the Registrar, or to such persons at such address as may be notified by the Company from time to time.

3. Trustees

The Company has appointed IDBI Trusteeship Services Limited, Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai –400 001 as Bond Trustees registered with SEBI, for the holders of the Bonds. The Company will enter into a Trustee Agreement and Debenture Trust Deed, inter-alia, specifying the powers, authorities and obligations of the Company and the Trustees in respect of the Bonds.

The Bondholders shall, without any further act or deed, be deemed to have irrevocably given their consent to and authorised the Trustees or any of their Agents or authorised officials to do, all incidental acts, deeds and things necessary in terms of this Information Memorandum. All rights and remedies under the Bond Trust Deed and Trustee Agreement and/ or other security documents shall rest in and be exercised by the Trustees without having it referred to the Bondholders. Any payment made by the Company to the Trustees on behalf of the Bondholder(s) shall discharge the Company *pro tanto* to the Bondholder(s).

The Trustees will protect the interest of the Bondholders in the event of default by the Company in regard to timely payment of interest and repayment of principal and they will take necessary action at the cost of the Company. The Trustees may appoint a nominee director on the Board of the Company in consultation with other institutional Bondholders in the event of default. The major events of default which happen and continue without being remedied for a period of 30 days after the dates on which the monies specified in (i) and (ii) below become due and will necessitate repayment before stated maturity are as follows:

- i. Default in payment of monies due in respect of interest/principal owing upon the Bonds;
- ii. Default in payment of any other monies including costs, charges and expenses incurred by the Trustees.

Other events of default are:

- i. Default has occurred in the performance of any other covenants, conditions or agreement on the part of the Company under the Trustee Agreement and/ or the Bond Trust Deed and any other agreement pertaining to the bonds and such default has continued for a period of thirty (30) days after notice in writing thereof has been given to the Company by the Bondholders/ Trustees.
- ii. Any information given by the Company in its applications to the Bondholders, in the reports and other information furnished by the Company and the warranties given/ deemed to have been given by it to the Bondholders/ trustees is misleading or incorrect in any material respect.
- iii. The Company is unable to or has admitted in writing its inability to pay its debt as they mature.
- iv. A Receiver or a Liquidator has been appointed or allowed to be appointed pursuant to a liquidation petition of all or any part of the undertaking of the Company and such appointment is not dismissed within sixty (60) days of appointment.
- v. The Company ceases to carry on its business.

4. Rights, Powers and Discretion of the Trustees

General Rights, Powers and Discretions - In addition to the other powers and rights conferred on the Trustees and provisions for their protection and not by way of limitation or derogation of anything contained in the Trustee Agreement and/ or the Bond Trust Deed nor of any statute limiting the liability of the Trustees, it is expressly stated as follows:

- a) The Trustees shall not be bound to give notice to any person of the execution hereof or to see to the performance or observance of any of the obligations hereby imposed on the Company or in any way to interfere with the conduct of the Company's business unless and until the rights under the Bonds shall have become enforceable and the Trustees shall have determined to enforce the same;
- b) Save as herein otherwise expressly provided the Trustees shall, as regards all trusts, powers, authorities and discretions, have absolute and uncontrolled discretion as to the exercise thereof and to the mode and time of exercise thereof and in the absence of fraud shall not be responsible for any loss, costs, charges, expenses or inconvenience that may result from the exercise or non-exercise thereof and in particular they shall not be bound to act at the request or direction of the Bondholders under any provisions of these presents unless sufficient monies shall have been provided or provision to the satisfaction of the Trustees made for providing the same and the Trustees are indemnified to their satisfaction against all further costs, charges, expenses and liability which may be incurred in complying with such request or direction;
- c) With a view to facilitate any dealing under any provision of these presents the Trustees shall have full power to consent (where such consent is required) to a specified transaction or class of transactions conditionally;
- d) The Trustees shall not be responsible for the monies paid by applicants for the Bonds;

- e) The Trustees shall not be responsible for acting upon any resolution purporting to have been passed at any meeting of the Bondholders in respect whereof minutes have been made and signed even though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Bondholders;
- f) The Trustees shall have full power to determine all questions and doubts arising in relation to any of the provisions hereof and every such determination bonafide made (whether or not the same shall relate wholly or partially to the acts or proceedings of the Trustees) shall be conclusive and binding upon all persons interested hereunder;
- g) With a view to facilitating any dealing under any provisions of the Trustee Agreement and/or Debenture Trust Deed the Trustees in consultation with the Company or its nominee(s) shall have full power to consent (where such consent is required) to a specified transaction or class of transactions conditionally;
- g) The Trustees shall not be liable for anything whatsoever except a breach of trust knowingly and intentionally committed by the Trustees;
- h) The Trustees shall not be liable for any default, omission or delay in performing or exercising any of the powers or trusts herein expressed or contained or any of them or in enforcing the covenants herein contained or any of them or in giving notice to any person or persons of the execution hereof or in taking any other steps which may be necessary, expedient or desirable for any loss or injury which may be occasioned by reason thereof unless the Trustees shall have been previously requested by notice in writing to perform, exercise or do any of such steps as aforesaid by the holders representing not less than three-fourths of the nominal amount of the Bonds for the time being outstanding or by a Special Resolution duly passed at a meeting of the Bondholders and the Trustees shall not be bound to perform, exercise or do any such acts, powers or things or to take any such steps unless and until sufficient monies shall have been provided or provision to the satisfaction of the Trustees made for providing the same by or on behalf of the Bondholders or some of them in order to provide for any costs, charges and expenses which the Trustees may incur or may have to pay in connection with the same and the Trustees are indemnified to their satisfaction against all further costs, charges, expenses and liabilities which may be incurred in complying with such request.

PROVIDED that nothing contained in any provision of the Trustee Agreement and/ or the Debenture Trust Deed shall exempt the Trustee from or indemnify them against any liability for breach of trust nor any liability which by virtue of any rule or law would otherwise attach to them in respect of any negligence, default or breach of trust which they may be guilty

5. Outstanding Debenture Offers

As on 30th September 2008, the Company has outstanding Debentures of Rs 80 Crores

6. Outstanding Preference Shares

As on 30th September 2008 the Company has outstanding preference shares Nil.

7. Capitalization of Reserves or Profits

The Company has not capitalized any reserves or profits at any time since its inception.

8. Issue Otherwise than for Cash

The Company has not offered any equity shares for a consideration otherwise than for cash.

9. Previous Commission and Brokerage

Commission or brokerage has been paid by the Company for earlier issues as per guidelines and within the stipulated limit.

10. Option to Subscribe

The Company has not given any person nor does it propose to give any person any option to subscribe to the debentures /Promissory Notes of the Company.

11. Undertaking Regarding Purchase of Property

There is no property which the Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Information Memorandum, other than property as given hereunder:

- a) The contracts for the purchase or acquisition whereof were entered into, or may be entered into, in the ordinary course of the Company's business, such contracts not being made in contemplation of the offer nor the offer in consequence of the contract or
- b) In respect of which the amount of the purchase money is not material.

12. Revaluation of Assets

The Company has not revalued any of the assets during the last five years.

13. Classes of Shares

The authorized share capital of the Company is Rs. 200 crores divided into 20,00,00,000 Equity Shares of Rs.10 each.

14. Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Information Memorandum, no amount or benefit has been paid or given since the inception of the Company.

15. Terms of appointment of Managing Director

The Managing Director shall receive such remuneration and be subject to such terms and conditions of service as may be determined from time to time by IDBI Ltd. In the Annual General meeting of IHFL dated June 23, 2008, the Company has appointed and has given consent under Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 to the appointment and remuneration payable to Shri. M.H.Kulkarni as Managing Director & Chief Executive Officer for the balance period of his deputation from Industrial Development Bank of India Ltd. with effect from December 4, 2007 upon the terms and conditions as contained in the Office Order No. 1385 dated December 4, 2007 from Industrial Development Bank of India Ltd. with liberty to the Board of Directors of the Company to alter and vary the terms and conditions of the said appointment in such manner and to such extent as may be varied by Industrial Development Bank of India Ltd. from time to time

16. Payment or Benefit to the Directors and Officers of the Company

No amount or benefit has been paid or given or is intended to be paid or given to any Director or Officer of the Company except their normal remuneration and/or reimbursement for the services rendered to the Company to which they are entitled to or may become entitled to under the provisions of the Companies Act or otherwise in accordance with the Law.

XIX. MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

1. Authorised Share Capital

The authorised capital of the Company shall be 2,00,00,00,000 (Rupees Two Hundred Crore only) divided into 20,00,00,000 (Twenty Crore) equity shares of Rs. 10/- (Rs. Ten only) each.

The Company shall have power to issue Shares with differential rights as to dividend, voting or otherwise to the extent permissible under the provisions of the Act or any rules framed there under. The Company shall have the power to increase its Capital from time to time, in accordance with the Articles of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential qualified or special rights, privileges or conditions. If and whenever the Capital of the Company is divided into shares of different classes, the rights of any such class may be varied, modified, extended, abrogated or surrendered as provided in the Articles of Association of the Company and the legislative provisions in force.

2. Directors

Number of Directors

Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act the maximum number of Directors (including Alternate Directors) shall be twelve, and minimum three. Provided that if a vacancy arises in the office of the Chairman or the Managing Director before the close of any General Meeting of the Company, such vacancy may be filled up by IDBI Ltd...

A Director shall not be required to hold any qualification share.

Additional Directors

Subject to the provisions of Sections 260 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any other person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 110. Any such additional Director shall hold office only upto the date of the next Annual General Meeting..

3. Nominee Directors

Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to National Housing Bank (NHB) or any other financial institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by the Central Government or any State Government by themselves (each of the above is hereinafter in the Articles referred to as "the Corporation") out of any loans/debentures assistance granted by such Corporation to the Company, or so long as such Corporation holds or continues to hold debentures/shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee, furnished by such Corporation on behalf of the Company remains outstanding such Corporation shall have a right to appoint from time to time any person or persons as a Director or Directors, wholetime or non-wholetime (which Director or Directors is/ are hereinafter referred to as "the Nominee Director(s)") on the Board of the Company and to

remove from such office any person or persons appointed and to appoint any person or persons in his or their place.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). At the option of such Corporation such Nominee Director/s shall not be required to hold any qualification shares in the Company. Also at the option of such Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director(s) shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

4. Powers of The Board

4.1 Proceedings of Directors

- a. The Directors may meet together as a Board for the dispatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit.
- b. Unless otherwise determined by the Board, written notice of every meeting of the Board shall be sent to every Director at least seven days in advance thereof.
- c. A Director may at any time, and the Secretary, upon the request of a Director, shall, convene a meeting of the Board by giving a notice writing to every Director.

4.2 Power of Board Meeting

A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the Company are for the time being vested in or are exercisable by the Board generally.

4.3 Power of Board to appoint committee

Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to Committees of the Board consisting of at least one of the IDBI Ltd. Directors and one or more other Director. The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulation made by the Directors under the last preceding Article.

4.4 Power of the Board

The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act, or by the Memorandum or Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. PROVIDED that the Board shall not, except with the consent of the Company in General Meeting:

- a. sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- b. remit, or give time for the repayment of, any debt due by a Director;
- c. invest otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a), or of any premises of properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- d. borrow moneys where the moneys to be borrowed, together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose.
- e. contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is lower

5. Managing Director/Whole Time Director-

5.1 Terms of Appointment:

Subject to the provisions of the Act, IDBI Ltd. may from time to time appoint Managing Director of the Company for such period as it shall think fit, and IDBI Ltd. may also, from time to time (subject to any agreement between such Director and IDBI Ltd. remove him from office and appoint another in his place.

Subject to sections 269 and 309 and Schedule XIII of the Act, the Managing Director shall receive such remuneration and be subject to such terms and conditions of service as may be determined from time to time by IDBI Ltd.

If a Managing Director ceases to hold the office of Director, he shall ipso facto and immediately cease to be a Managing Director

5.2 Powers And Duties of Managing Director:

Subject to the provisions of the Act and these Articles and in particular to the prohibitions and restrictions contained in Section 292 of the Act, the Board may from time to time entrust to and confer upon the Managing Director for the time being such of the powers exercisable by the Directors as they may think fit and may confer such powers for the time and for such objects and purposes and subject to such terms and conditions and with such restrictions as it shall think fit; and they may confer such powers either collaterally with, or to the exclusion of, and in substitution of all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

6. Authentication of Documents

Authentication of Documents And Proceedings:

Save as otherwise expressly provided in the Act or these Articles, documents or proceedings requiring authentication by the Company may be signed by a Director or an authorised officer of the Company and need not be under its Seal.

XX. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

Material Contracts and Documents

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company.
3. Registration Certificate with National Housing Bank
4. Credit Rating Letters for the current and previous Placements.
5. Terms of Appointment of Managing Director.
6. Board Resolution approving the proposed private placement.
7. AGM Resolution providing for the Borrowing Powers of the Company.
8. Consents letters of the Board of Directors, Company Secretary/ Legal Advisor, Arrangers, Registrar & Transfer Agents. Trustees, Bankers and Auditors to the issue.
9. Annual Reports of the Company for the last five years.
10. Certificates in relation to the Placement.
11. Auditor's Certificate in respect of the Financials of the Company.
12. Certificate from Trustees for concurrence with the Trustee Clauses

The above documents are available for the inspection by the investors with the Compliance Officer of the Company at the Corporate Office of the Company between 10.00 a.m. to 2.00 p.m. on all working days during which the proposed private placement remains open.

PART III

XXI. DECLARATION

We, the Directors of the company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Govt. or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 as the case may be have been complied with and no statement made in this Information Memorandum is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the rules made there under or guidelines issued as the case may be.

Place:

M. H. Kulkarni
Managing Director & CEO.
(On Behalf of Board of Directors)

Date:

PART IV

ANNEXURE I

APPLICATION FORM WOULD BE PROVIDED ALONGWITH THE ADDENDUM TO EACH TRANCHE

RATING LETTER & RATIONALE OF ICRA & CARE - As Attached



Option for Electronic Fund Transfer (EFT)

The investor may opt to receive a direct credit of the interest and principal redemption in their specified Bank Account through the Electronic Fund Transfer.

() We authorise IDBI Homefinance Limited to credit interest / redemption in our Bank Account (Please tick)

Bank Name:

Bank Account No:

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9 digit MICR Code number of our Bank / Branch is

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Option for investors located outside Mumbai to accept interest payments through RTGS

Investor Account No-

Bank Name

Branch Name

IFSC Code

ACKNOWLEDGMENT SLIP

(To be filled in by Applicant)



Registered Office: Kanchenjunga Building, 3rd Floor,
18, Barakhamba Road, New Delhi – 110 001.

APPLICATION FORM

SERIAL NUMBER

Received from M/s./Mr./Mrs. _____

Cheque/Draft Nos. _____ dated _____ drawn on _____

_____ for Rs. _____ (Rupees)

_____ being the subscription for _____ No. of Debentures

(Note : Cheques and Drafts are subject to realization)

INSTRUCTIONS

- Application Forms must be completed in full in BLOCK LETTERS IN ENGLISH. A blank space must be left between two or more parts of the name, for example:

A	B	C	D	E		F	G	H	I
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- Signatures should be made in English or in any of the Indian languages and must be attested by an authorized official of a Bank or by a Magistrate/Notary Public under his/her official seal. Attestation may be done in the space provided in the Application Form or a separate signature attestation may be enclosed.
- Each application will be for a minimum of 1 Debentures /Promissory Notes (Rs. 10,00,000/-) and in multiple of 1 Debentures / Promissory Notes (Rs 10,00,000/-) thereafter. The entire amount is to be paid on application.
- The application should be submitted during banking hours at the offices of the Arrangers
- Applications once submitted cannot be withdrawn.
- Forms must be accompanied either by a demand draft or cheque (high value clearing), drawn and made payable at Mumbai in favour of "IDBI Homefinance Limited Sub Debt Issue - II" and crossed "Account Payee only".
- In case of investors interested to transfer the funds through RTGS facility. **The A/c No. : _____004103000033965_____**,
Bank – IDBI Ltd. Branch –Nariman Point , Mumbai., IFSC Code : _____ibkl0000004_____.
- CASH OR STOCKINVEST WILL NOT BE ACCEPTED.
- First applicants should mention their Permanent Account Number or the GIR Number, allotted under the Income-Tax Act, 1961 and also the Income-Tax Circle/Ward/District. In case neither the PAN nor GIR Number has been allotted, the fact of non-allotment should be mentioned in the application form in the space provided.
- The Application form in order to be complete, should be accompanied by the following documents :
(Please tick below for the documents submitted along with the application form)
 - Memorandum & Articles of Association in the case of corporate investors/Trust Deed in the case of Trusts.
 - Board Resolution/Power of Attorney or other authorization empowering the signatories to make the investment.
 - Signature attestation, for applications other than individual(s), if not attested in the space provided in the application form.
The above documents need to be submitted in original or should be certified to be a true copy.
- Receipt of applications will be acknowledged by IHFL in the "Acknowledgement Slip" appearing below the Application Form.