Preliminary Placement Document
Not for circulation
Subject to completion

Dewan Housing Finance Corporation Limited

(Incorporated in the Republic of India with limited liability under the Companies Act, 1956)

ISSUE OF [●] EQUITY SHARES OF RS.10 EACH BY DEWAN HOUSING FINANCE CORPORATION LIMITED (THE "COMPANY") AT A PRICE OF RS. [●] PER EQUITY SHARE, INCLUDING A PREMIUM OF RS. [●] PER EQUITY SHARE AND AGGREGATING TO RS. [●] MILLION (THE "ISSUE").

ISSUE IS IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000

THIS OFFERING AND THE DISTRIBUTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE "SEBI GUIDELINES"). THIS PRELIMINARY PLACEMENT DOCUMENT IS PERSONAL TO EACH ELIGIBLE INVESTORS, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS OTHER THAN SUCH ELIGIBLE INVESTORS TO WHOM IT IS PROVIDED.

Invitations, offers and sales of Equity Shares shall only be made pursuant to the Preliminary Placement Document, Confirmation of Allocation Note and the Application Form. See "Issue Procedure." The distribution of this Preliminary Placement Document or the disclosure of its contents without our prior consent, to any person, other than Qualified Institutional Buyers (QIBs) (as defined in the SEBI Guidelines) and persons retained by QIBs to advise them with respect to their purchase of Equity Shares, is unauthorized and prohibited. Each eligible investor, by accepting delivery of this Preliminary Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Preliminary Placement Document or any documents referred to in this Preliminary Placement Document.

This Preliminary Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India.

Investments in equity and equity-related securities involve a degree of risk and Eligible Investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. Each Eligible Investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Preliminary Placement Document.

The information on our Company's website or any website directly or indirectly linked to such websites does not form part of this Preliminary Placement Document and Eligible Investors should not rely on such information.

All of the Company's outstanding Equity Shares are listed on the Bombay Stock Exchange (BSE") and the National Stock Exchange ("NSE"). Applications shall be made for the listing of the Equity Shares on the BSE the NSE (collectively the "Stock Exchanges"). The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PRELIMINARY PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PRELIMINARY PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PRELIMINARY PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the Preliminary Placement Document will be filed with the Stock Exchanges. A copy of the Preliminary Placement Document will also be delivered to the Securities and Exchange Board of India (the "SEBI") for record purposes.

This Preliminary Placement Document has been prepared by our Company solely for providing information in connection with the proposed Issue of the Equity Shares described in this Preliminary Placement Document.

The Equity Shares have not been nor will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). Accordingly, the Equity Shares are being offered and sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

"THIS PRELIMINARY PLACEMENT DOCUMENT WILL NOT BE CIRCULATED OR DISTRIBUTED TO THE PUBLIC IN INDIA AND DOES NOT CONSTITUTE AN A PUBLIC OFFER TO ANY PERSON IN INDIATO PURCHASE EQUITY SHARES OF THE COMPANY ANS IS BEING ISSUED FOR THE SOLE PURPOSE OF INVITING BIDS FOR THE EQUITY SHARES BEING OFFERED PURSUANT TO THIS ISSUE."

Lead Manager and Sole Book-Runner

MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED
Registration No. INM000011005
113/114, Bajaj Bhawan, 11th Floor,
Nariman Point, Mumbai 400 021, India
Tel: +91 22 3980 4380 Fax: +91 22 3980 4315
Email: dhfl@motilaloswal.com
Website: www.motilaloswal.com
Contact Person(s): Mr. R. Anand / Mr. Nitin Gera

NOTICE TO INVESTORS

Our Company accepts responsibility for the information contained in this Preliminary Placement Document and to the best of the knowledge and belief of our Company, having made all reasonable enquiries, confirms that this Preliminary Placement Document contains all information with respect to our Company and the Equity Shares which is material in the context of this Issue. The statements contained in this Preliminary Placement Document relating to our Company and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Preliminary Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Preliminary Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Lead Manager and Sole Book-Runner has not separately verified the information contained in this Preliminary Placement Document (financial, legal or otherwise). Accordingly, neither the Lead Manager and Sole Book-Runner nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Lead Manager and Sole Book-Runner makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Lead Manager and Sole Book-Runner, as to the accuracy or completeness of the information contained in this Preliminary Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Preliminary Placement Document acknowledges that such person has not relied on the Lead Manager and Sole Book-Runner nor on any person affiliated with the Lead Manager and Sole Book-Runner in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares. Eligible Investors should not construe anything in this Preliminary Placement Document as legal, business, tax, accounting or investment advice.

No person is authorized to give any information or to make any representation not contained in this Preliminary Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the Lead Manager and Sole Book-Runner. The delivery of this Preliminary Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this offering or the accuracy or adequacy of this Preliminary Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offense in other jurisdictions.

The distribution of this Preliminary Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Preliminary Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the Lead Manager and Sole Book-Runner which would permit an offering of the Equity Shares or distribution of this Preliminary Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Preliminary Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Preliminary Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the Lead Manager and Sole Book-Runner is making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Chapter XIII-A of the SEBI Guidelines and is not prohibited by the SEBI from buying, selling or dealing in securities. Each purchaser of

Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

This Preliminary Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the offering period for physical inspection at the registered office of our Company located at Warden House, Sir P. M. Road, Fort, Mumbai - 400 001, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

REPRESENTATIONS BY INVESTORS

By purchasing any Equity Shares under the Issue, you are deemed to have agreed as follows:

- You are a Qualified Institutional Buyer as defined in Chapter XIII-A of the SEBI Guidelines ("QIB") and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter XIII-A of the SEBI Guidelines;

- If you are allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from allotment, sell the Equity Shares so acquired except only on the floor of the Stock Exchanges;

- You are aware that the Equity Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Preliminary Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. The Preliminary Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Stock Exchanges;

- You are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;

- You are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Preliminary Placement Document) and will honour such obligations;

- No Lead Manager and Sole Book-Runner is making any recommendations to you, advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of the Lead Manager and Sole Book-Runner and that no Lead Manager and Sole Book-Runner has duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue;

- You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;

- You have made, or been deemed to have made, as applicable, the representations set forth under "Selling Restrictions";

- You have been provided a serially numbered copy of the Preliminary Placement Document and have read the Preliminary Placement Document in its entirety;

- That in making your investment decision, (i) you have relied on your own examination of the Group and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Group, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local 1aws, and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares;

- You have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Company and the Lead Manager and Sole Book-Runner for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;

- That where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account;

- You are not a Promoter and are not a person related to the Promoters, either directly or indirectly and your bid does not directly or indirectly represent the Promoter or Promoter group of the Company, as defined herein.

- You have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of the Company other than the acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

- You have no right to withdraw your bid after the Bid Closing Date;

- You are eligible to bid and hold Equity Shares so allotted and together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- The bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the "Takeover Code");

- To the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50 per cent. of the Issue. For the purposes of this statement:

  a. the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act; and

  b. 'control' shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.

- You shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- You are aware that applications have been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges' market for listed securities;

- You are aware and understand that the Lead Manager and Sole Book-Runner will have entered into a placement agreement with the Company whereby each of the Lead Manager and Sole Book-Runner has, subject to the satisfaction of certain conditions set out therein, undertaken severally, and not jointly or jointly and severally, to use its reasonable endeavors as agents of the Company to seek to procure places for the Equity Shares;

- That the contents of this Preliminary Placement Document are exclusively the responsibility of the Company and that neither the Lead Manager and Sole Book-Runner nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Preliminary Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Preliminary Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Lead Manager and Sole Book-Runner or the Company or any other person and neither of the Lead Manager and Sole Book-Runner nor the Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- That the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Preliminary Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Lead Manager and Sole Book-Runner or the Company and the Lead Manager and Sole Book-Runner will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- You agree to indemnify and hold the Company and the Lead Manager and Sole Book-Runner harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

- That the Company, the Lead Manager and Sole Book-Runner and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Lead Manager and Sole Book-Runner on their own behalf and on behalf of the Company and are irrevocable; and

- That you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000 and have not been prohibited by the SEBI from buying, selling or dealing in securities.

P-NOTES

Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, foreign institutional investors as defined under SEBI Guidelines, or their sub-accounts (together referred to as "FIIs"), including FII affiliates of the Lead Manager and Sole Book-Runner were permitted issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Equity Shares allocated in this Issue (all such off-shore derivative instruments referred to herein as "P-Notes"), for which they may receive compensation from purchasers of such instruments. On October 16, 2007, SEBI had issued a position paper on P-Notes, which was followed by the SEBI announced dated October 25, 2007 whereby SEBI has placed certain restrictions on the issue of P-Notes. As a result, P-Notes can now only be issued to entities which are regulated in their country of jurisdiction. Also, FIIs and their sub-accounts cannot issue any P-Notes with derivatives as the underlying security and the current positions need to be wound up in 18 months. In addition, sub-accounts of FIIs cannot issue any further P-Notes. Lastly, the notional value of P-Notes can not exceed 40% of assets under custody.

P-Notes have not been and are not being offered or sold pursuant to this Preliminary Placement Document. The Preliminary Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto. Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claim on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Our Company and its affiliates do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the Lead Manager and Sole Book-Runner and do not constitute any obligations of, or claim on the Lead Manager and Sole Book-Runner. Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

NOTICE FOR NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under chapter 421-b of the new hampshire revised statutes ("RSA 421-B") with the state of new hampshire nor the fact that a security is effectively registered or a person is licensed in the state of new hampshire constitutes a finding by the secretary of state of new hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. it is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our business contained in this Preliminary Placement Document consists of estimates based on data reports compiled by professional organizations and analysts, data from other external sources and our knowledge of our markets in which we compete. The statistical information included in this Preliminary Placement Document relating to the housing finance industry has been reproduced from various trade, industry and government publications and websites. Industry publications and sources wherefrom we have used such data generally state that the information that they contain have been obtained from sources believed to be reliable but the accuracy and completeness of such information cannot be guaranteed. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, however, neither we nor the Lead Manager and Sole Book-Runner have independently verified this data and neither we nor the Lead Manager and Sole Book-Runner make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Lead Manager and Sole Book-Runner can assure eligible investors as to their accuracy.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document has been submitted to the Stock Exchanges. Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document
2. warrant that this Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by Stock Exchanges. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against Stock Exchanges 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.

TABLE OF CONTENT

DEFINITIONS

Definitions of Certain Capitalized Terms used in this Preliminary Placement Document

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive**.**

In this Preliminary Placement Document, all references to "Dewan Housing Finance Corporation Limited", "DHFL", "our Company", "Our Company", "we", "our" and "us" are to Dewan Housing Finance Corporation Limited, a company incorporated under the Companies Act, 1956, with its registered office at Warden House, Sir P. M. Road, Fort, Mumbai - 400 001, India.

General Terms

Term	Description
Articles / Articles of Association	Articles of Association of Dewan Housing Finance Corporation Limited
Auditors	The statutory auditors of our Company, M/s. B. M. Chaturvedi & Co., Chartered Accountants
Board of Directors / Board	Board of Directors of Dewan Housing Finance Corporation Limited
Civil Code	The Code of Civil Procedure, 1908 of India
Committee	Committee of Board of Directors of our Company authorized to take decisions on matters related to this Placement
Companies Act	Indian Companies Act, 1956, as amended
Designated Stock Exchange	Bombay Stock Exchange Limited
Directors	Directors of Dewan Housing Finance Corporation Limited, as may be changed from time to time
Equity Shares	Equity Shares with full voting rights of Dewan Housing Finance Corporation Limited of face value of Rs.10 each unless otherwise specified in the context thereof
Equity Shareholders / Shareholders	Persons holding equity shares of Dewan Housing Finance Corporation Limited, unless otherwise specified in the context thereof
Financial Year / Fiscal Year / FY	The twelve months ended March 31 of a particular year
Memorandum / Memorandum of Association	The Memorandum of Association of Dewan Housing Finance Corporation Limited
Non-Resident Indian(s)	An individual/individuals of Indian nationality or origin residing outside India
Rs., Rupees, INR or Indian Rupees	The official currency of India
Stock Exchanges	Bombay Stock Exchange Limited and the National Stock Exchange of India Limited

Issue Related Terms

Term	Description
Banker to the Issue	Axis Bank Limited
BRLM	Book Running Lead Manager to the Qualified Institutions Placement of Equity Shares of Dewan Housing Finance Corporation Limited, in this case being Motilal Oswal Investment Advisors Private Limited
CAN / Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to QIB investors who have been allocated Equity shares at Issue Price
Escrow Collection Account	Account opened with the Escrow Collection Bank for the Issue and in whose favour the QIB Investor will issue cheques or drafts in respect of the applicable

	amount.
Escrow Collection Bank	The banks, which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened, in this case Axis Bank Limited.
Floor price	Price calculated as per SEBI Guidelines – Rs.209.48 per Equity Share on NSE.
Government (GOI)	Government of India, unless otherwise specified in the context thereof.
Issue/Placement	The present issue of Equity Shares to the QIBs
Issue Closing Date	The date after which no applications will be accepted from QIBs
Issue Opening	The date from which applications will be accepted from QIBs
Issue Period	Period between the Issue Opening date and the Issue Closing date inclusive of both days and during which prospective QIB investors can submit their application forms.
Issue Price	The final price at which the Equity Shares will be allocated to the QIBs
Issue Size	[●] Equity Shares of Rs.10 each to be issued to QIB Investors at the Issue Price of Rs.[●] each
Promoters	Mr. Rakesh Wadhawan, Mr Kapil Wadhawan and Mr. Sarang Wadhawan
Promoter Group	The individual and body corporate forming part of "Promoter Group" as defined in the DIP Guidelines
"Qualified Institutional Placement", "QIP", "Placement" or "Issue"	Qualified Institutional Placement of Equity Shares to QIBs pursuant to Chapter XIII-A of SEBI (Disclosure and Investor Protection) Guidelines, 2000 of Dewan Housing Finance Corporation Limited**.**
"Qualified Institutional Buyers", "QIB", "Eligible Investors"	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs 250 million and Pension Funds with a minimum corpus of Rs.250 million.
Registered Office of our Company	Warden House, Sir P. M. Road, Fort, Mumbai - 400 001, India.
Registrar	Intime Spectrum Registry Limited
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997, as amended
"Wadhawan Group", "Group"	Promoters of our Company, namely Shri Rakesh Kumar Wadhawan, Shri Kapil Wadhawan and Shri Sarang Wadhawan, Persons Acting in Concert, Companies / Entities / Persons forming part of the group under clause 6.8.3.2 (m) of SEBI (DIP) Guidelines.

Abbreviations

Term	Description
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
AS / Accounting Standards	Accounting Standards as issued by the Institute of Chartered Accountants of India
BOLT	BSE's online trading facility
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAN	Confirmation of Allocation Note
CDSL	Central Depository Services (India) Limited
ECB	External Commercial Borrowing
EGM	Extra-ordinary General Meeting
EPS	Earnings per Share
ESOS	Employee Stock Option Scheme
EU	European Union

FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FI	Financial Institution
FII(s) / Foreign Institutional Investors	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors Regulations, 1995) registered with SEBI under applicable laws in India
GAAP	Generally Accepted Accounting Practices
GATT	General Agreement on Tariffs and Trade
GBP	Great Britain Pound
GDP	Gross Domestic Product
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act, 1961, as amended from time to time
IAS	International Accounting Standards
ICAI	Institute of Chartered Accountants of India
Indian GAAP	Generally Accepted Accounting Principles in India
IP	Intellectual Property
J&K	Jammu & Kashmir
LIBOR	London Interbank Offered Rate
NAV	Net Asset Value
NR	Non Resident as defined under FEMA
NRIs	Non-Resident Indians, as defined under FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit before Tax
PBDT	Profit Before Depreciation and Tax
PBDIT	Profit Before Depreciation Interest and Tax
PBIT	Profit before Interest and Tax
P/E Ratio	Price to Earnings Ratio
RONW	Return on Net Worth
RBI	Reserve Bank of India
SCRA	Securities Contracts (Regulation) Act, 1956 of India
STT	Securities Transaction Tax
US or USA	United States of America, its territories and its possessions and the District of Columbia
US$ OR US Dollar	The official currency of the United States of America

Industry Related Terms

Term	Description
ALMC	Asset Liability Management Committee
CAR	Capital Adequacy Ratio
CARE	Credit Analysis and Research Limited
CRISIL	Credit Rating And Information Services of India Limited
DSA	Direct Selling Agents
EMI	Equated Monthly Installments
FITCH	Fitch Ratings India Private Limited
HFC	Housing Finance Company
IIR	Installment to Income Ratio
NHB	National Housing Bank
NIM	Net Interest Margin
NPA	Non Performing Assets
PEMI	Pre Equated Monthly Installments
Private Sector	Part of the economy which is controlled / owned by private individuals, either directly or through stock ownership
RBI	Reserve Bank of India
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of

	Security Interest Act, 2002

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We prepare our financial statements in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from IAS/IFRS and U.S. GAAP. We do not provide a reconciliation of our financial statements to IAS/IFRS or U.S. GAAP financial statements or a summary of the principal differences between Indian GAAP, IAS/IFRS and U.S. GAAP relevant to our business. See "Risk Factors and This Issue-Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar." All discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off.

We publish our financial statements in Rupees. This Preliminary Placement Document contains translations of certain Rupee amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Rupee amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Rupees to U. S. dollars have been made on the basis of the noon buying rate in New York City for cable transfers in Rupees, as certified for customs purposes by the Federal Reserve Bank of New York ("Noon Buying Rate") on January 31, 2007 of Rs. 39.31 = US$ 1.00.

In this Preliminary Placement Document, unless otherwise indicated or the context otherwise requires, all references to "Dewan Housing Finance Corporation Limited," "DHFL," the "Company," "we," "our," "us," or similar terms are to Dewan Housing Finance Corporation Limited, and references to "you" are to the Eligible Investors in the Equity Shares. References in this Preliminary Placement Document to "India" are to the Republic of India and the "Government" are to the Governments of India, Central or State, as applicable.

FORWARD-LOOKING STATEMENTS

All statements contained in this Preliminary Placement Document that are not statements of historical fact constitute "forward-looking statements." All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Preliminary Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Preliminary Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Regulatory changes pertaining to the 'Housing Finance' industry in India and our ability to respond to the same;
- Monetary and fiscal policies of India;
- Performance of financial markets in India and globally;
- Inflation, deflation and unanticipated fluctuations in interest rates;
- General economic and political changes and changes in laws and regulations that apply to the Indian and global Housing Finance industry, including with respect to direct / indirect taxes or environmental regulations;
- Company's ability to successfully implement our strategy, our growth and expansion plans;
- The market prices and demand for our products and services;
- Government and business conditions globally and in India;
- Changes in interest rates, and in exchange rates;
- Our ability to obtain the financing needed and to repay maturing obligations and also to fund our expansion in a timely manner and on satisfactory terms and conditions; and
- The other risk factors discussed in this Preliminary Placement Document, including those set forth under "Risk Factors" on page 16 of this Preliminary Placement Document.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry" and "Business."

Investors can generally identify forward-looking statements by terminology such as "may," "will," "could," "should," "would," "expect," "plan," "propose," "seek," "target," "intend," "anticipate," "aim," "believe," "can," "contemplate," "estimate," "predict," "potential" or "continue" and the negative of such terms or other comparable terminology. Except as required by law, we undertake no obligation to update or revise any forward-looking statements after the date of this Preliminary Placement Document or to conform these statements to actual results or to changes in our expectations.

The forward-looking statements contained in this Preliminary Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All of our Company's Directors and senior management are residents of India and a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, of India on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; and
- where the judgment sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44 A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A, but the United States has not been so declared. A judgment of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within two years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered. It is uncertain as to whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

RISK FACTORS

Investing in the Equity Shares offered hereby involves a high degree of risk. You should carefully consider the following factors, as well as other information contained in this Preliminary Placement Document (including the financial statements and related notes thereto included elsewhere in this Preliminary Placement Document), before making an investment in the Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, financial condition, results of operation and prospects and cause the market price of the Equity Shares to fall significantly.

INTERNAL RISK

1. ***Our business is growing rapidly, any inability to manage this rapid growth may affect our results of operations.***

   Our revenue grew at a CAGR of 41.10% and profit after tax has grown at a CAGR of 31.13% over last three financial years. However, there can be no assurance that we will be able to execute our strategy of increasing our client base in the future as well as effectively service our client's requirements. Any failure on our part to scale our infrastructure and management to meet the challenges of rapid growth could cause disruptions to our business and future performance.

2. ***We will be impacted by volatility in interest rates in our operations, which could cause our net interest margins to decline and adversely affect our profitability.***

   We will be impacted by volatility in interest rates in our operations. Interest rates are highly sensitive due to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

   When interest rates decline, we are subject to greater re-pricing and prepayment risks as borrowers take advantage of the attractive interest rate environment. In periods of low interest rates and high competition among lenders, borrowers may seek to reduce their borrowing cost by asking lenders to re-price loans. If we are required to restructure loans, it could adversely affect our profitability. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium we receive may not fully compensate us for the costs of utilizing funds elsewhere. If interest rates rise we may have greater difficulty in maintaining a low effective cost of funds compared to our competitors, who may have access to lower cost funds.

3. ***If the level of non-performing assets in our loan portfolio were to increase, our financial condition would be adversely affected.***

   As of March 31, 2007, we had gross NPAs of Rs. 438.71 million, which forms 1.25% ***(to add December figures)*** of our loan assets against which we have made provision of Rs.80.66 million. The provisioning has been made in terms of prudential norms laid down internally by us. If we are not able to prevent increases in our level of non performing assets, our business and our future financial performance could be adversely affected.

4. ***In order to sustain our growth, we will need to maintain a minimum capital adequacy ratio. There is no assurance that we will be able to access the capital markets when necessary to do so.***

   The RBI requires a minimum capital adequacy ratio of 12% to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our continuous growth. Our Capital Adequacy Ratio, calculated in accordance with Indian GAAP, was 14.06% on March 31, 2007 and 17.27 % as on September 30, 2007. Our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to or have difficulty accessing the capital markets.

5. ***M/s. Caledonia Investment Plc. London (hereinafter referred to as "Investors") have rights under a shareholders' agreement with our Company. These rights may be detrimental to the Company's interests as majority shareholders of our Company.***

   During fiscal 2007, our Company issued 70,65,456 Optionally Convertible Preference Shares of Rs.25/- each to M/s. Caledonia Investment Plc. London. M/s. Caledonia Investment Plc. London have exercised the option of conversion of these preference shares in to Equity Shares and currently own 11.67% of the total shareholding of our Company. They have also appointed one Nominee director on our board to monitor any development in our

Company. As per the Shareholders agreement, the Investors have a number of affirmative rights which may be restrictive to the interests of the Company and affect our results of operations. However, our Company is in strict compliance with all restrictions and we do not foresee any events that would trigger any special rights, the Company cannot assure that this may not happen in the future.

6. ***We have significant exposure to various borrowers and if these exposures become non-performing, the quality of our asset portfolio may be adversely affected.***

As of December 31, 2007, we have disbursed housing loans aggregating to an amount of Rs. 39,340.45 million across India. Any negative trends or financial difficulties particularly among our borrowers could increase the level of non-performing assets in our portfolio and adversely affect our business and financial performance. If our customer's are unable to meet their financial obligation in a timely manner at reasonable price could adversely affect our results of operation.

7. ***We may be unable to foreclose on collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral security.***

Loans provided by the Company are secured by, in addition to the primary security created by way of equitable mortgage/registered mortgage of the property and assets financed, assignment of Life Insurance policies and/or personal guarantees and/or undertaking to create a security considered good. Although there has been recent legislation which may strengthen the rights of creditors and lead to faster realization of collateral in the event of default, we cannot guarantee that we will be able to realize the full value of our collateral, due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, stock market downturns, defects in the perfection of collateral and fraudulent transfers by borrowers. In the event a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed.

8. ***Our growth in profitability is dependant on the continued growth of our loan portfolio.***

Our results of operations depend to a great extent on our net interest revenues. During fiscal 2007, net interest revenue, calculated as interest on loans less interest payments stood at Rs.768.66 million, up 57% over Rs.490.55 million in fiscal 2006. Changes in market interest rates could affect the interest rates charged on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities and also affect the value of our investments. This difference could result in an increase in interest expense relative to interest revenue, leading to a reduction in our net interest revenue and net interest margin. In addition, a rise in interest rates could negatively affect demand for our loans and other products.

Our disbursements have grown at a CAGR of 46.5% in last three financial years from Rs. 6,337.6 million in fiscal 2005 to Rs. 14,728.7 million in fiscal 2007. If we are unable to continue to maintain or grow our loan portfolio, in particular, during periods of sustained interest rate declines, our growth in profitability may be adversely affected.

9. ***We may not be able to secure the requisite amount of financing for, or manage our growth and this could adversely affect our business, financial condition and results of operations.***

Our continued growth will depend, among other things, on our ability to secure requisite financing, to manage our expansion process, to make timely capital investments, to control input costs and to maintain sufficient operational control. Our inability to secure the requisite financing or to manage the expansion process could have an adverse effect on our business, financial condition and results of operations.

Our asset growth will be primarily funded by the issuance of preference shares, debentures and borrowings. We may have difficulty in obtaining funding on attractive terms. Adverse developments in the Indian credit markets, such as the recent increase in interest rates, may significantly increase our borrowing costs and the overall cost of our funds. Any inability to manage our growth effectively on favorable terms could have a material adverse effect on our business and financial performance and the price of our Equity Shares.

10. Our business of operation carry certain risks which, to the extent they materialize, could adversely affect our business and result in our loans and investments declining in value.

Our business consists primarily of lending Housing loans to various customers across India. These risks are generally out of our control, and include:

1. political, regulatory and legal actions that may adversely affect project viability;
2. changes in government and regulatory policies;
3. adverse changes in market demand or change in rate of interest
4. the willingness and ability of consumers to repay their obligation;
5. potential defaults under financing arrangements with borrowers and customers;
6. failure of third parties to perform on their contractual obligations;
7. adverse developments in the overall economic environment in India;
8. interest rate or currency exchange rate fluctuations or changes in tax regulations;
9. economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve; and
10. the other risks discussed below under "External Risk Factors".

To the extent these or other risks relating to the projects we finance materialize, the quality of our loan portfolio and our profitability may be adversely affected.

11. We have contingent liabilities as on March 31, 2007

As of March 31, 2007, our contingent liability consists of guarantees provided by our Company amounting to Rs.21.45 million and as of March 31, 2006 it was Rs.23.26 million. In the event that any of these contingent liabilities materialize, our financial condition may be affected to that extent. For further details, see section titled "Financial Statements" beginning on page 116 of this Preliminary Placement Document.

12. We are involved in various legal proceedings mostly related to our loan book and which, if determined against us, could affect our financial condition and results of operations.

Our company is party to various legal proceedings arising in the ordinary course of business operations. Such proceeding could divert management time and attention and if determined adversely could affect our business and results of our operation. For further details, please refer to the section titled "Legal Proceedings" beginning on page 110 of this Preliminary Placement Document.

13. Our Business is dependent on relationships established through our branches with our clients; any events that harm these relationships including closure of branches or the loss of our key branch personnel may lead to decline in our revenue and profits.

Our business is dependent on the key branch personnel who directly manage client relationships. We encourage dedicated branch personnel to service specific clients since we believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. We have 59 branch managers and 107,774 clients as of December 31, 2007; while no branch manager or operating group of managers contributes a meaningful percentage of the business, the business may suffer materially if a substantial number of branch managers either become ineffective or leave the organization. Such an event could be detrimental to our business and profits.

14. Our indebtedness and the conditions and restrictions imposed by our financing arrangements could adversely affect our ability to conduct our business and operations.

We have entered into agreements with certain banks and financial institutions for short-term and long-term borrowings. Some of these agreements contain restrictive covenants, including, but not limited to, requirements that we obtain written consent from lenders prior to incurring further debt, creating further encumbrances on our assets, disposing of assets outside the ordinary course of business, effecting any scheme of amalgamation or restructuring, undertaking guarantee obligations, declaring dividends, incurring capital expenditures beyond certain limits. We may also be required to maintain security coverage. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business. Certain of our loans may be called at any time by our lenders pursuant to terms of the relevant agreements. Furthermore, a default on some of our loans may also trigger cross-defaults under some of our other loan agreements. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We cannot assure you that our business will generate sufficient cash to enable us to service our debt or to fund our other liquidity needs. In addition, we may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

15. ***We are dependent on our management team for our success.***

Our success largely depends on the continued services and performance of our team and other key employees. The need for capable senior management in our industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of our Promoters and other senior members of our management could seriously impair our ability to continue to manage and expand our business efficiently. Further, the loss of any other member of our senior management or other key personnel may adversely affect our business, results of operations and financial condition.

16. ***Significant fraud, system failure or calamities could adversely impact our business.***

We seek to protect our computer systems and network infrastructure from physical break-ins as well as fraud and system failures. Computer break-ins and power and communication disruptions could affect the security of information stored in and transmitted through our computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent fraud, break-ins, damage and failures, there can be no assurance that these security measures will be adequate. A significant failure of security measures or operational procedures could have a material adverse effect on our business and our future financial performance. Although we take adequate measures to safeguard against system-related and other frauds, there can be no assurance that it would be able to prevent frauds.

In the event of a regional disaster, such as an earthquake, it is possible that both systems could be simultaneously damaged or destroyed. Although we have established a remote disaster recovery site that replicates our network and certain applications currently based in Mumbai, and believe that we will be able to retrieve critical applications within an optimal time frame, it would still take some time to make the system fully operational in the event of a disaster.

17. ***We are subject to the risk of fraud being committed by our employees.***

We are exposed to many types of operational risks, including the risk of fraud or other misconduct by employees, unauthorized transactions by employees etc. Though we carefully recruit all our employees, we have in past been held liable for the fraudulent acts committed by our employees adversely impacting our business. Our reputation could be adversely affected by significant frauds committed by employees, customers or outsiders.

18. ***We depend on the accuracy and completeness of information about customers and counterparties.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading.

19. ***New product/services offered by us may not be successful.***

We propose to introduce new products/services to explore new business opportunities. We cannot provide any assurance that all our new products/services will gain customer acceptance and this may result in our incurring pre-operative expenses and launching costs. Further, our inability to group in new business area could adversely affect our business and financial performance.

20. ***You will be subject to market risks until the Equity Shares credited to your demat account are listed and permitted to trade.***

You can start trading the Equity Shares Allotted to you only after they have been credited to your demat account are listed and permitted to trade.

Since our Equity Shares are currently traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date trading approval is granted for the same. Further, there can be no assurance that the Equity Shares Allocated to you will be credited to your demat account or that trading in the Equity Shares will commence, in a timely manner. This risk factor is for the information of investors and it does not in any way dilute the right of investors and our obligations.

21. **Our Company is exposed to many operational risks which could materially impact our business and results of operations.**

Our Company is exposed to many types of operational risks. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures, undertaking regular contingency planning and providing employees with continuous training. Any failure to mitigate such risks could adversely affect our business and results of operations.

22. ***We may face significant competition from a number of sources.***

The Housing Finance Industry in India is highly competitive with a large number of players mainly public & Private Banks and Financial Institutions. We expect the competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are rate of interest, sourcing of finance. There are many players in India, which are present across the value chain and hold a commanding position in the industry; such companies pose a threat to our Company. Such competition in the Housing Finance industry could have an adverse impact on the performance of our Company.

23. ***The market price of the equity shares may be adversely affected by any additional issuances of equity or sales of a large number of the equity shares by our Promoters or principal shareholders.***

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any further issuance of Equity Shares will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares.

EXTERNAL RISK

1. ***A slowdown in economic growth in India may adversely affect the Company's business and results of operations.***

The Company's financial performance and the quality and growth of the Company's business depend significantly on the health of the overall Indian economy. The Indian economy has grown significantly in recent years, with real gross domestic product ("GDP") having grown by 8.53 per cent. in fiscal 2007, 9.35 per cent. in fiscal 2006 and 9.23 per cent. in fiscal 2005. Any slowdown in the Indian economy, could adversely affect the Company's business, its financial performance and the trading price of the Equity Shares.

2. ***After this Issue, our Equity Shares may experience price and volume fluctuations.***

The Issue Price will be determined by us in consultation with the Book Running Lead Managers, based on the Bids received in compliance with Chapter XIII-A of the SEBI Guidelines, and it may not necessarily be indicative of the market price of the Equity Shares after this Issue is complete. You may be unable to resell your Equity Shares at or above the Issue Price and, as a result, you may lose all or part of your investment.

The price of the Equity Shares may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities markets, the results of our operations, the performance of our competitors, developments , adverse media reports on us or the banking industry, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India's economic liberalization and deregulation policies, and significant development in India's fiscal regulations.

3. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller and may be more volatile than securities markets in more developed economies. The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have, in the past, experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. For example in May 2006, the Indian Stock Exchanges witnessed substantial volatility. The BSE and NSE halted trading on May 22, 2006 after the respective indices fell more than 10%. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

4. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Shares at a particular point in time.

We are subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE and NSE halted trading due to this daily circuit breaker on October 17, 2007 after it crossed the threshold of such circuit breaker. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares.

The stock exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

5. There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and/or the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose off your Equity Shares.

6. You may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. For more information, see "*Taxation*" in this Preliminary Placement Document.

For more information, see "*Taxation*" in this Preliminary Placement Document.

7. A slowdown in economic growth in India could cause our business to suffer.

Any slowdown in the Indian economy or volatility of global commodity prices, in particular, oil and steel prices, could adversely affect our borrowers and contractual counter parties. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles, textiles and agricultural sectors could adversely impact our business, including our ability to grow our asset portfolio, the quality of our assets, our financial performance, our shareholders' funds, our ability to implement our strategy and the price of our Equity Shares.

8. A significant change in the Central and State Governments' economic liberalisation and deregulation policies could disrupt the Company's business.

The Indian Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. The Company's business, and the market price and liquidity of the Equity Shares, may be affected by interest rates, changes in Indian Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

In recent years, India has been following a course of economic liberalisation and the Company's business could be significantly influenced by economic policies followed by the Central Indian Government. The current coalition-led central Indian Government, which came to power in May 2004, has announced policies and taken initiatives that support the economic liberalisation policies that have been pursued by previous Indian Governments.

However, the present Indian Government is a multi-party coalition, so there can be no assurance that it will be able to generate sufficient cross-party support to continue to implement any liberalisation policies adopted by the previous central Indian Government or that such policies will continue in the future. Indian Government corruption, scandals and protests against privatisations, which have occurred in the past, could slow the pace of liberalisation and deregulation. The pace of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India generally and, as a majority of the Company's assets are located in India, the Company's business in particular.

9. Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and the Company's business and cause the trading price of the Equity Shares to decrease.

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the world in previous years has had an adverse impact on the Indian economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This, in turn, could negatively impact the movement of exchange rates and interest rates in India. In short, any significant financial disruption could have an adverse effect on the Company's business, its future financial performance and the trading price of the Equity Shares.

10. Trade deficits could adversely affect our business and the price of our Equity Shares.

India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, the Indian economy, and therefore our business, our financial performance, our shareholders' funds and the price of our Equity Shares could be adversely affected.

11. If regional hostilities, terrorist attacks or social unrest in India increase, the Company's business could be adversely affected and the trading price of the Equity Shares could decrease.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Military activity or terrorist attacks in India in the future could adversely affect the Indian economy by creating a greater perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy, the Company's business, its future financial performance and the trading price of the Equity Shares.

Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on the Company's business, its future financial performance and the trading price of the Equity Shares.

12. ***Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares.***

    As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

13. ***A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us.***

    A decline in India's foreign exchange reserves could affect the liquidity and higher interest rates in the Indian economy, which could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

14. ***Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.***

    Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

15. ***The Indian securities markets are more volatile than certain other securities markets.***

    The Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies, and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

SUMMARY OF BUSINESS

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information and the financial statement that may appear elsewhere in this Preliminary Placement Document. In addition, you should carefully consider the risks discussed under the chapter titled "Risk Factors" for an understanding of the risks associated with the purchase of our Equity Shares.

Overview

DHFL is promoted by the Wadhawan Group since 1984 with the prime objective of meeting the financing needs of the middle and lower income segments by providing adequate financial resources to fulfill their housing requirements. DHFL has evolved in to one of the largest private sector HFC's in India.

Our Company has received approvals from the Reserve Bank of India to be recognized as a Housing Finance Company ("HFC") in April, 1986. Subsequently, our Company received a Certificate of Registration from the National Housing Bank ("NHB") to carry on the business of a housing finance institution on 31st July 2001.

As on December 31, 2007, DHFL is present at 159 locations across India via its network of 59 branch offices, 71 service centers and 29 camp locations. We also have our international representative offices located in London and Dubai.

Our Company has received P1+ credit rating from CRISIL for the short term debt which indicates strong capacity for timely payment of our financial commitments. Our Company enjoys CARE AA+ (FD) credit rating for our Fixed Deposits and Non Convertible Debentures indicating 'high safety'. Our Company also enjoys a CARE AA rating for our Redeemable Preference Shares and for our subordinate debts.

During the year 2003-04, as part of our growth strategy to boost our pan-India presence, our Company and our Promoters have together acquired a 91.22% equity stake in Vysya Bank Housing Finance Limited, a housing finance Company registered with the NHB having operations in the States of Karnataka, Andhra Pradesh, Tamil Nadu and Maharashtra.

DHFL has set up a Venture Capital Fund named DHFL Venture Capital Fund (The Fund) which has received the registration from the Securities and Exchange Board of India (SEBI). The Company has also promoted DHFL Venture Capital India Pvt Ltd., i.e. Asset Management Company (AMC) being the Investment Manager of the Fund and DHFL Ventures Trustee Company Private Limited, the Trustee Company for the Fund. The Fund invests in Real Estate projects. DHFL owns 36% stake in the AMC.

Our Consolidated Operational Income and Profit after Tax (PAT) for the financial year ending March 31, 2007 is Rs.3,568.14 million and Rs.538.21 million respectively and standalone Operational Income and Profit after Tax (PAT) for the nine months ending December 31, 2007 is Rs. 3,749.68 million and Rs. 531.35 million respectively. Our Company's revenue and Profit after tax has grown at a CAGR of 41.34% and 31.13% respectively over the last three years.

Operational & Financial Parameters (Stand Alone)	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Capital Adequacy Ratio (%)	17.12%	16.46%	13.33%	14.06%
Debt Equity ratio	8.48	8.26	8.39	8.96
Net Interest Margin	3.61	3.17	3.08	2.97
Asset Book (Rs. Mn.)	11,258.8	15,292.7	22,887.49	33,019.74
RoA (%)	1.8	1.5	1.6	1.4
Dividend Payout Ratio (%)	25.0	20.0	25.0	25.0
Net NPA (%) *	0.98	1.28	1.25	1.23
Borrowings (Rs. Mn.)	11,174.6	15,665.7	22,696.00	32,147.05

** 180 days basis for FY 2003 – 04, 90 days basis for FY 2004 – 05, FY 2005 – 06, and FY 2006 – 07*

Our Products

DHFL has introduced various products and value added services including:

1. ***Home Loans for***

    i. Plots
    ii. Construction
    iii. Purchase of Flats
    iv. Improvement Loans
    v. Extension Loans
    vi. Home Loans for women, and

2. ***Other Loans including***

    i. Lease Rental Financing
    ii. Mortgage Loans
    iii. Non Resident Property Loans, and
    iv. Reverse Mortgage Loans

Competitive Strengths

1. **Extensive industry experience**

DHFL has been in the housing finance business since 1984. We believe that our experience helps us in providing value added advantages to our customers and manifests in our ability to identify housing finance requirements and address them with flexible products to suit the financing requirements of our customers. DHFL has, in the past, tied up with corporate clients, co-operative societies to cater to the housing finance needs of their employees / members. As of March 31, 2007, nearly 84% our total outstanding assets comprised of home loans.

2. **Strong network coverage**

As on December 31, 2007, DHFL is present at 159 locations across India via its network of 59 branch offices, 71 service centers and 29 camp locations. We also have our international representative offices located in London and Dubai.

3. **Unique business model**

Unlike other HFCs and Banks which operate on the Direct Selling Agents (DSA) model, DHFL relies on its employees to build customer relationships which, we believe, translates into better understanding of customer financing requirements, greater brand awareness and consequently, improved credit appraisal mechanisms. As on December 31, 2007, we had 107,774 borrowers.

4. **Niche Marketing Strategy**

DHFL concentrates on lending to the Middle and Lower Middle Income ("LMI") segments. We have developed robust credit appraisal mechanisms to target unconventional class of customers including the likes of entrepreneurs, traders, rurally employed professionals, etc. Stemming from the scarce presence of other Banks and HFC's who are more focused on the conventional class of customers including organized, salaried-class and Mid to High-Income customer segments whose credit quality is relatively easier to assess, and who have greater access to various forms of financing.

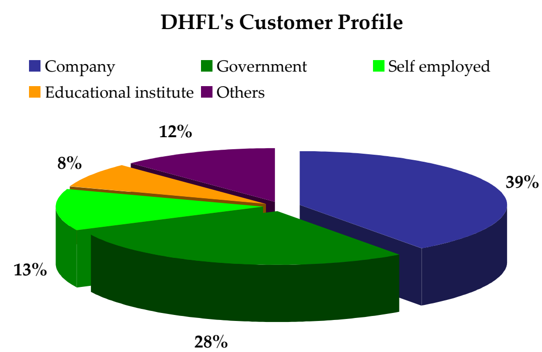
Therefore, DHFL's primary competition stems from Local moneylenders, who charge higher interest rates (usually ranging between 15% to 30% p.a.), and co-operative banks who have localized presence and slack nature of operations.

DHFL believes that this segment presents a huge potential going forward as Government focus turns towards inclusive growth to broad base the effects of economic prosperity.

5. **Strong Asset Quality**

Improvement in our asset quality has been consistent and significant in the last few years. Our Company has taken substantial measures to augment recovery and contain NPAs. Our Company has implemented the provisions of SARFAESI Act to our advantage for recovery of NPAs. These efforts have yielded results and Net NPAs have been successfully brought down over the last three years.

We concentrate on financing to individuals. As shown in the following graph, DHFL has lent over 75% of its assets to salaried individuals, who by their stable nature of income, result in lower delinquencies.



6. **Professional management**

Our Company has a professionally managed Board which oversees and guides our strategy and operations. Our Board has constituted several sub-committees such as the Risk Management Committee, Shareholders'/Investors' Grievance Committee, etc, for timely decision making and to ensure effective governance. The members of our management team and our employees share our common vision of excellence in execution and exhibit a diverse set of backgrounds with substantial experience including credit evaluation, risk management, treasury, technology and marketing. The diversity of experience helps us adapt a creative and cross-functional approach. For further details on our Board and Senior Management see the section titled "Board of Directors and Senior Management" beginning on page 77 of this Preliminary Placement Document.

7. **Centralized and modern technology platform**

Our Branch offices are electronically linked to a central server resulting in improved operational efficiency and cost effective services. We have upgraded our existing information technology systems with newer applications packages which have enhanced connectivity resulting in the development of a centralized credit information database which can be accessed online on a real time basis resulting in increased efficiency. An increased focus on marketing, together with upgrades in technology and expansion of our centralized network allows us to intensify and focus on our products

Our Business Strategy

Our Company is systematically implementing the following business strategy to expand our business which is described below:

1. **Maintain strong asset quality through disciplined risk management**

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. Our ratio of net non-performing assets to customer assets was 1.23% as of March 31, 2007 as per Indian GAAP. We believe we can maintain strong asset quality appropriate to the loan portfolio composition, while achieving growth.

2. **Focus on high earnings growth coupled with low volatility**

Our total interest income has grown at a compound average rate of 41.34% during the three-year period ending March 31, 2007 and our net profit grew at a compound average rate of 33.63% during the same period. We intend to maintain our focus on steady earnings growth through conservative risk management techniques and low cost funding. In addition, we aim not to rely heavily on revenue derived from trading so as to limit earnings volatility.

3. Strengthening the Brand

Being one of the foremost HFC's in India, DHFL enjoys considerable brand loyalty within its target market with over 100,000 serviced customers to date. DHFL has a strong word-of-mouth presence in its target segments. We plan to boost our market share by continuing to focus on our competitive strengths, expanding our service network, and exploiting cross selling opportunities to boost our business.

4. Expanding network and connectivity

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

DHFL is expanding its pan-India presence by setting up new offices across regions where we have been hitherto not present including Northern and North Eastern India.

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

5. Tapping new Segments

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

6. Customization of Products and Services

Some of our Company's current products and services are specially designed to suit the needs of specific segments of customers and we continuously emphasize on the development of more new products in this category. Our Company has introduced a Reverse Mortgage scheme called "Saksham" for the first time in India. "Saksham" helps senior citizens of the country in monetization of their residential property which they own and use as a primary place of residence.

In addition, our Company is planning to selectively offer other forms of consumer finance to our existing borrowers who display steady credit quality and improvement in their disposable incomes.

7. Reduction of funding costs

Our Company has utilized various sources of funding to optimize our funding costs, protect interest margins and maintain a diverse funding portfolio that will enable us to further achieve funding stability and liquidity. We have sourced our funding primarily from banks, refinance from NHB, public deposits, and Non Convertible Debentures (NCDs). We have diversified our resources profile by accessing funds from multilateral agencies at competitive rates.

DHFL has a credit rating of AA+ from CARE which allows it to access debt finance at competitive rates of interest. Based on its improved ratings, DHFL expects to source increased funding at competitive rates from the capital markets and reduce its proportion of bank finance to bring down our funding costs.

8. Optimizing cost of operations

We expect to reduce our operating costs as a percentage of top-line via efficient implement and utilization of our technical resources and optimal utilization of our manpower and infrastructure. This will be enabled by leveraging on our existing fixed costs while simultaneously increasing our business and manpower productivity.

Our Company utilizes the services of its employees for business origination, which enables us to maintain high asset quality. The lower levels of NPAs experienced by our Company results in savings on recovery costs.

9. Inorganic growth by acquisitions

DHFL is planning strategic alliances and acquisitions as a part of its growth strategy. Our management believes that such strategies will help in immediate expansion of our geographic presence and customer base.

SUMMARY OF THE ISSUE AND THE INSTRUMENT

The following is a general summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information appearing elsewhere in this Preliminary Placement Document, including under "Issue Procedure", "Description of the Shares" and "Placement". This information contained in Description of Shares shall prevail in the event of any inconsistency with the terms set out in this section.

Issuer	Dewan Housing Finance Corporation Limited
Issue Size	[●] Equity Shares of our Company of Rs.10 each
Issue Price	Rs.[●] per Equity Share The Floor Price of the Issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI Guidelines is Rs. 209.48 per Equity Share with reference to on January 7, 2008 as the Relevant Date.
Authority for the Issue	The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted on January 4, 2008. The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the Extraordinary General Meeting of our shareholders held on February 6, 2008.
Eligible Investors	QIBs as defined in clause 2.2.2B (v) of the SEBI Guidelines
Equity Shares outstanding immediately prior to and after the Issue	60,522,975 Equity Shares outstanding immediately prior to the Issue. Immediately after the Issue, [●] Equity Shares will be outstanding.
Dividends	Shareholders will be entitled to receive dividends, as per the provisions of the Indian Companies Act, 1956 (the "Companies Act"). The declaration and payment of dividends, if any, on the Company's issued and outstanding Shares and the amounts thereof, will depend upon, among other things, the amount of the Company's distributable profits and reserves calculated on an unconsolidated basis, its earnings, financial condition and cash requirements, applicable restrictions under Indian law and other relevant factors the Board of Directors of the Company may deem relevant. Cash dividends on the Shares, if any, will be paid in Rupees and subject to any restrictions imposed by Indian law. For more information, see "Dividends and Dividend Policy" and "Taxation".
Indian Taxation	The Indian Income Tax Act, 1961 (the "Income Tax Act") is the law relating to taxes on income in India. The Income Tax Act provides for the taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, been accrued or to have arisen in India. For more information, see "Taxation".
Voting Rights of Holders of Shares	Shareholders may attend and vote at shareholders' meetings on the basis of one vote for each Share held. See "Description of the Shares".
Listing	Our Company shall make applications to each of the Stock Exchanges to obtain in-principle approval for the listing of the Equity Shares on the Stock Exchanges.
Transferability Restriction	▪ This Issue and sales of shares will be subject to certain restrictions. ▪ Pursuant to SEBI Guidelines the Equity Shares being allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on a recognized stock exchange in India. See "Placement", "Placement Procedures" "Transfer Restrictions", "Transfer Restrictions and Selling Restrictions" for other transfer restrictions relating to offers and sales of the Equity Shares. The Company cannot be certain that these restrictions will not have any impact on the price of shares.
Closing Date	The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about [●], 2008 (the "Closing Date")

Ranking	The Equity Shares being issued shall be subject to the provisions of our Company's Memorandum & Articles of Association and Listing Agreement with the Stock Exchanges and shall rank pari passu in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the date of Issue, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For details see "Description of the Equity Shares".
Governing Law:	The Placement Agreement will be governed by Indian law.
Listing and Trading Markets	The only trading markets are BSE and NSE.
Use of Proceeds	The net proceeds from this Issue, after deducting management and placement fees but before deduction of other expenses are expected to be approximately Rs.[●] million which the Company intends to use towards disbursement of housing and related loans and for general corporate purposes. The net proceeds of this Issue (after deduction of fees and commissions) are expected to be approximately Rs. [●] million. We intend to use the net proceeds received from the Issue towards Housing Finance and general corporate purposes. See "Use of Proceeds" for further details.
Lock up	Our Company has agreed not to: (1) directly or indirectly, offer, pledge, sell, contract to sell, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Shares or any other securities of our Company substantially similar to the Equity Shares, including, but not limited to options, warrants or other securities that are convertible into, exercisable or exchangeable for, or that represent the right to receive, Equity Shares or any such substantially similar securities, whether now owned or hereinafter acquired, (2) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of the Shares or any such substantially similar securities, whether now owned or hereinafter acquired; whether any such transaction described in paragraphs (1) or (2) above is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (3) publicly announce its intention to enter into the transactions referred to in (1) or (2) above for a period of 180 days after the Closing Date without the prior written consent of the Lead Manager and Sole Lead Manager and Sole Book-Runner .
Placement Procedure	The Issue is being made to QIBs only, in reliance on Chapter XIII-A of the SEBI Guidelines. Accordingly, the Company will circulate serially numbered copies of this Placement Document either in electronic form or physical form to not more than 49 QIBs. Each QIB will also receive a Bid Cum Application Form which, in order to be considered for an allotment of Shares, such QIB will be required to complete and return to the Lead Manager and Sole Book-Runner. See "Placement Procedure".
Risk Factors	Prior to making an investment decision, Eligible Investors should consider carefully the matters discussed under the section entitled "Risk Factors".
Security Codes:	
ISIN	INE-202B01012
NSE Code	DEWANHOUS
BSE Code	511072

Note:

- Under clause 13A.2.2 of the SEBI Guidelines a minimum of 10% of the specified securities issued shall be allotted to Mutual Funds. However, if no Mutual Fund is agreeable to take up the minimum portion mentioned above or any part thereof, such minimum portion or part thereof may be allotted to other QIBs;

- For each placement under this Preliminary Placement Document, there shall be at least two allottees for an issue of size up to Rs.2.5 billion and at least five allottees for an issue size in excess of Rs.2.5 billion. Further, no single allottee shall be Allotted Equity Shares in excess of 50% of the Issue Size;

- Investors shall not be allowed to withdraw their Bids / Applications after closure of the Issue;

- The aggregate funds that can be raised through QIP's in one financial year shall not exceed five times of the net worth of the Company at the end of its previous financial year. This Placement shall not exceed five times of the Company's net worth at the end of its previous financial year;

- The shareholders resolution approving this Issue, passed under sub-section (1A) of Section 81 of the Companies Act will remain valid for a period of twelve months from the date of passing of the resolution. There shall be a gap of at least six months between each placement in case of multiple placements of equity shares pursuant to authority of the same shareholders' resolution; and

- A copy of the Preliminary Placement Document shall be filed with SEBI for record purpose within 30 days of the allotment of the Equity Shares

The share price data for Dewan Housing Finance Corporation Limited on the NSE is provided below -

The average of the weekly high and low of the closing prices of the Equity Shares quoted on NSE during the six months preceding the relevant date i.e. January 7, 2008 is Rs.107.35 per Equity Share.

Date	Day	Close Price	High	Low	Average
July 9, 2007	Monday	80.50	81.15	79.40	80.28
July 10, 2007	Tuesday	80.50			
July 11, 2007	Wednesday	80.70			
July 12, 2007	Thursday	81.15			
July 13, 2007	Friday	79.40			
July 16, 2007	Monday	82.75	84.30	81.00	82.65
July 17, 2007	Tuesday	81.10			
July 18, 2007	Wednesday	81.00			
July 19, 2007	Thursday	84.30			
July 20, 2007	Friday	81.70			
July 23, 2007	Monday	85.85	85.85	77.60	81.73
July 24, 2007	Tuesday	82.20			
July 25, 2007	Wednesday	79.05			
July 26, 2007	Thursday	81.35			
July 27, 2007	Friday	77.60			
July 30, 2007	Monday	76.15	78.55	71.50	75.03
July 31, 2007	Tuesday	78.55			
August 1, 2007	Wednesday	71.50			
August 2, 2007	Thursday	73.75			
August 3, 2007	Friday	75.15			
August 6, 2007	Monday	73.10	73.25	71.70	72.48
August 7, 2007	Tuesday	73.25			
August 8, 2007	Wednesday	73.10			
August 9, 2007	Thursday	72.45			
August 10, 2007	Friday	71.70			
August 13, 2007	Monday	72.25	72.35	67.05	69.70
August 14, 2007	Tuesday	72.35			
August 16, 2007	Thursday	68.45			
August 17, 2007	Friday	67.05			
August 20, 2007	Monday	67.80	67.80	63.40	65.60
August 21, 2007	Tuesday	63.90			
August 22, 2007	Wednesday	63.85			
August 23, 2007	Thursday	63.40			
August 24, 2007	Friday	63.55			
August 27, 2007	Monday	65.40	69.00	65.40	67.20
August 28, 2007	Tuesday	68.05			
August 29, 2007	Wednesday	67.10			
August 30, 2007	Thursday	69.00			
August 31, 2007	Friday	68.45			
September 3, 2007	Monday	69.55	70.95	69.10	70.03
September 4, 2007	Tuesday	70.95			
September 5, 2007	Wednesday	70.90			
September 6, 2007	Thursday	70.95			
September 7, 2007	Friday	69.10			
September 10, 2007	Monday	71.35	71.35	68.30	69.83
September 11, 2007	Tuesday	69.75			
September 12, 2007	Wednesday	69.50			
September 13, 2007	Thursday	70.00			
September 14, 2007	Friday	68.30			
September 17, 2007	Monday	69.65	74.75	69.65	72.20
September 18, 2007	Tuesday	70.05			

Date	Day	Close Price	High	Low	Average
September 19, 2007	Wednesday	70.60			
September 20, 2007	Thursday	74.75			
September 21, 2007	Friday	74.50			
September 24, 2007	Monday	73.10	74.00	71.50	72.75
September 25, 2007	Tuesday	73.90			
September 26, 2007	Wednesday	74.00			
September 27, 2007	Thursday	71.50			
September 28, 2007	Friday	73.80			
October 1, 2007	Monday	73.05	75.35	72.10	73.73
October 3, 2007	Wednesday	75.35			
October 4, 2007	Thursday	73.60			
October 5, 2007	Friday	72.10			
October 8, 2007	Monday	68.40	70.00	68.40	69.20
October 9, 2007	Tuesday	69.35			
October 10, 2007	Wednesday	69.45			
October 11, 2007	Thursday	70.00			
October 12, 2007	Friday	68.40			
October 15, 2007	Monday	69.50	69.90	67.30	68.60
October 16, 2007	Tuesday	69.90			
October 17, 2007	Wednesday	67.30			
October 18, 2007	Thursday	68.75			
October 19, 2007	Friday	67.55			
October 22, 2007	Monday	67.55	86.55	67.55	77.05
October 23, 2007	Tuesday	72.90			
October 24, 2007	Wednesday	80.55			
October 25, 2007	Thursday	80.80			
October 26, 2007	Friday	86.55			
October 29, 2007	Monday	102.90	113.40	102.90	108.15
October 30, 2007	Tuesday	104.95			
October 31, 2007	Wednesday	113.30			
November 1, 2007	Thursday	113.40			
November 2, 2007	Friday	112.95			
November 5, 2007	Monday	124.10	142.85	124.10	133.48
November 6, 2007	Tuesday	127.90			
November 7, 2007	Wednesday	139.95			
November 8, 2007	Thursday	138.75			
November 9, 2007	Friday	142.85			
November 12, 2007	Monday	135.15	141.10	135.15	138.13
November 13, 2007	Tuesday	137.30			
November 14, 2007	Wednesday	137.15			
November 15, 2007	Thursday	139.45			
November 16, 2007	Friday	141.10			
November 19, 2007	Monday	154.75	156.00	140.65	148.33
November 20, 2007	Tuesday	156.00			
November 21, 2007	Wednesday	148.20			
November 22, 2007	Thursday	141.40			
November 23, 2007	Friday	140.65			
November 26, 2007	Monday	147.70	154.50	147.20	150.85
November 27, 2007	Tuesday	149.40			
November 28, 2007	Wednesday	147.20			
November 29, 2007	Thursday	154.50			
November 30, 2007	Friday	153.95			
December 3, 2007	Monday	161.65	182.55	161.65	172.10
December 4, 2007	Tuesday	169.75			
December 5, 2007	Wednesday	178.25			
December 6, 2007	Thursday	182.55			

Date	Day	Close Price	High	Low	Average
December 7, 2007	Friday	178.95			
December 10, 2007	Monday	179.35	186.10	179.35	182.73
December 11, 2007	Tuesday	181.20			
December 12, 2007	Wednesday	186.10			
December 13, 2007	Thursday	185.55			
December 14, 2007	Friday	181.70			
December 17, 2007	Monday	173.10	173.10	167.70	170.40
December 18, 2007	Tuesday	167.70			
December 19, 2007	Wednesday	168.40			
December 20, 2007	Thursday	169.30			
December 24, 2007	Monday	177.80	205.85	177.80	191.83
December 26, 2007	Wednesday	186.70			
December 27, 2007	Thursday	196.05			
December 28, 2007	Friday	205.85			
December 31, 2007	Monday	216.15	238.10	216.15	227.13
January 1, 2008	Tuesday	227.00			
January 2, 2008	Wednesday	238.10			
January 3, 2008	Thursday	229.45			
January 4, 2008	Friday	229.90			

The average of the weekly high and low of the closing prices of the Equity Shares quoted on NSE during the for two weeks preceding the relevant date i.e. January 7, 2008 is Rs.209.48 per equity share.

Date	Day	Close Price	High	Low	Average
December 24, 2007	Monday	177.80	205.85	177.80	191.83
December 26, 2007	Wednesday	186.70			
December 27, 2007	Thursday	196.05			
December 28, 2007	Friday	205.85			
December 31, 2007	Monday	216.15	238.10	216.15	227.13
January 1, 2008	Tuesday	227.00			
January 2, 2008	Wednesday	238.10			
January 3, 2008	Thursday	229.45			
January 4, 2008	Friday	229.90			

The floor price of the issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI Guidelines is Rs.209.48 per Equity Share.

MARKET PRICE INFORMATION

Our Company's Equity Shares have been listed on the BSE since February 11th, 1985 and the NSE since September 27th, 2002. As our Equity Shares are actively traded on BSE and the NSE, our stock market data are given separately for each of these Stock Exchanges.

The table set forth the reported high and low prices of our Company's Equity Shares and also the volume of trading activity for fiscal year 2005, 2006 and 2007.

Year ending March 31,	Date of High	High	Volume on date of High (no of shares)	Date of Low	Low	Volume on date of Low (no of shares)
2007	June 1, 2006	101.80	7,241,029	July 24, 2006	51.00	197,889
2006	September 1, 2005	83.50	2,184,384	April 5, 2005	35.20	25,618
2005	February 9, 2005	42.00	612427	June 11, 2004	22.02	3,089

(Source BSE Website)

Year ending March 31,	Date of High	High	Volume on date of High (no of shares)	Date of Low	Low	Volume on date of Low (no of shares)
2007	June 1, 2006	101.80	11,376,443	July 24, 2006	51.00	159,714
2006	September 1, 2005	87.40	4,821,909	April 5, 2005	35.20	21,870
2005	February 9, 2005	42.00	656,285	August 27, 2004	21.50	15,200

(Source NSE Website)

Monthly high and low prices for the six months preceding period from July, 2007 till the date of filing of the Preliminary Placement Document.

Month	Date	High (Rs)	Volume (No of shares)	Date	Low (Rs)	Volume (No of shares)	Average Closing (Rs)
July	July 23, 2007	89.90	1,141,601	July 27, 2007	75.00	150,731	80.85
August	August 1, 2007	77.60	111,194	August 24, 2007	61.10	22,636	69.30
September	September 20, 2007	77.25	358,783	September 10, 2007	67.00	148,549	71.20
October	October 31, 2007	114.70	1,011,205	October 12, 2007	60.90	104,066	76.97
November	November 20, 2007	164.00	397,998	November 2, 2007	106.00	227,886	140.00
December	December 31, 2007	214.60	99,945	December 3, 2007	154.40	85,056	180.84

(Source BSE Website)

Month	Date	High (Rs)	Volume (No of shares)	Date	Low (Rs)	Volume (No of shares)	Average Closing (Rs)
July	July 24, 2007	90.00	553,370	July 27, 2007	75.00	164,677	80.99
August	August 1, 2007	77.80	147,987	August 24, 2007	62.30	52,191	69.30
September	September 20, 2007	77.70	642,832	September 10, 2007	67.10	130,589	71.31
October	October 31, 2007	115.00	1,794,932	October 17, 2007	62.00	241,852	76.92
November	November 20, 2007	164.00	499,903	November 2, 2007	106.00	301,409	140.17
December	December 31, 2007	216.15	161,130	December 3, 2007	154.95	43,879	181.37

(Source NSE Website)

Market Price on the first working day following the Board Meeting approving the Qualified Institutional Placement, in this case, January 4, 2008.

Date	Open	High	Low	Close
January 7, 2008	235.00	237.90	218.50	219.80

(Source BSE Website)

Date	Open	High	Low	Close
January 7, 2008	235.00	235.00	218.40	218.90

(Source NSE Website)

Details of the total volume of equity shares traded on BSE during the last six months from the date of filing of the Preliminary Placement Document with the Stock Exchange.

Month	Volume
August	1,959,126
September	2,067,569
October	11,735,879
November	6,475,865
December	1,957,041
January	2,656,603

(Source BSE Website)

Details of the total volume of equity shares traded on NSE during the last six months from the date of filing of the Preliminary Placement Document with the Stock Exchange.

Month	Volume
August	1,382,733
September	3,527,896
October	14,272,101
November	8,240,123
December	2,410,224
January	3,303,922

(Source NSE Website)

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges and, as a result, are likely to affect the market price of the Equity Shares.

The following table sets forth, for the periods indicated, certain information reported by the Federal Reserve Bank of New York concerning with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) for the periods indicated based on the noon buying rate in New York City for cable transfers of Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The column titled "Average" in the table below is the average of the daily noon buying rate on the last business day of each month during the year and the average of the daily noon buying rate on each business day during the quarter or the month.

Year/Period	Period end Noon Buying	Period Average	High	Low
2000	46.75	45.14	46.90	43.65
2001	48.27	47.28	48.27	46.44
2002	48.00	48.62	49.06	48.00
2003	45.55	46.53	47.83	45.33
2004	43.27	45.26	46.45	43.27
2005	44.95	44.00	46.26	43.05
2006	44.11	45.18	46.83	43.89
2007	39.41	41.19	44.49	38.48

(Source: Federal Reserve Bank of New York)

USE OF PROCEEDS

The total proceeds of the Issue will be Rs.[●]. After deducting Management and Placement fees, but before deducting other associated expenses, the net proceeds of the Issue are estimated to be approximately Rs.[●].

Our Company intends to use the net proceeds received from the issue towards disbursement of housing and related loans and for general corporate purposes.

In accordance with the policies set up by the Board, the management can exercise flexibility in deploying the proceeds received by us from this issue.

CAPITALIZATION

The following table shows as at December 31, 2007:

- Our Company's actual capitalization;
- Our Company's capitalization as adjusted for the Issue, each on a standalone basis

This table should be read in conjunction with our Company's un-audited financial statements as of and for the nine months ended December 31, 2007, the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial statements and information contained elsewhere in this Preliminary Placement Document.

Particulars	**As at December 31, 2007** ***(Rs. in million)***	**As at December 31, 2007** ***(US$ million)***	**As adjusted for the Issue** ***(Rs. in million)***	**As adjusted for the Issue** ***(US$ million)***
Loan Funds:				
Secured Loans	36,366.09	925.11	[•]	[•]
Unsecured Loans	2,048.04	52.10	[•]	[•]
Total Debt	**38,414.13**	**977.21**	**[•]**	**[•]**
Shareholders' Funds:				
Equity Shares of par value Rs.10 each, issued and outstanding	605.23	15.40	[•]	[•]
Redeemable 1% Non-Convertible Preference Shares	70.00	1.78		
Reserves and surplus	3,653.54	92.94	[•]	[•]
Total Shareholders' Funds	**4,328.77**	**110.12**	**[•]**	**[•]**
Total Capitalization	**42,742.90**	**1,087.33**	**[•]**	**[•]**

 # will update on determination of Issue Price

The authorized capital of the Company is Rs. 2,500 Million divided into Rs. 100 Million equity shares, 88.75 Million preference shares and 50 Million unclassified shares. The issued capital is 61,223,244 equity shares of face value Rs. 10 each and 7,000,000 Redeemable 1% Non-Convertible Preference Shares of Rs. 10 each.

The subscribed and paid up capital is 60,522,975 equity shares of face value Rs. 10 each and 7,000,000 Redeemable 1% Non-Convertible Preference Shares of Rs. 10 each, 4,000,000 of which are Redeemable on March 27, 2008, and the balance 3,000,000 are Redeemable on December 9, 2010.

Other than as stated above, there has been no change in the capitalization statement of the Company since December 31, 2007. Since December 31, 2007 there has been no change in the contingent liability, borrowings, repayment thereof and guarantees issued by the Company.

The Company has made a placement of 7,065,456 Equity shares with Caledonia Investments plc in terms of the Investment Agreement dated March 27, 2006.

DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividend to its shareholders upon recommendation by its Board of Directors and on approval of the majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both.

Dividends are generally declared as a percentage of par value of a company's shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Shares as on record date for which such dividend is payable. In addition, as is permitted by the Articles of Association, the Board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date, which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of the equity shares held by him is outstanding. Dividend is payable within 30 days of approval by shareholders at the annual general meeting.

Our Company’s dividend policy is based on the need in balancing the twin objectives of appropriately rewarding shareholders with dividends and retaining capital to maintain a healthy Capital Adequacy Ratio. The declaration and payment of dividend will be recommended by our Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, liquidity, capital requirements and overall financial condition.

The dividend declared by us on the Equity Shares during the last fiscal year has been presented below:

Particulars	**Fiscal 2007**	**Fiscal 2006**	**Fiscal 2005**
Equity Shares			
Face value of Equity Shares (Rs. per share)	10.00	10.00	10.00
Interim Dividend (Rs. in million)	50.12	50.11	-
Final Dividend (Rs. in million)	75.18	75.17	100.23
Dividend Tax (Rs. in million)	20.98	17.57	13.10
Dividend per Equity Share (Rs.)	2.5	2.5	2.0
Dividend Rate (%)	25%	25%	20%
Redeemable 1% Non-Convertible Preference Shares			
Face value of Preference Shares (Rs. per share)	10.00	-	-
Interim Preference Dividend (Rs. in million)	0.08	-	-
Final Preference Dividend (Rs. in million)	0.13	-	-
Dividend Tax (Rs. in million)	0.03	-	-
Dividend per Equity Share (Rs.)	1	-	-
Dividend Rate (%)	1%	-	-
Optionally Convertible Preference Shares			
Face value of Preference Shares (Rs. per share)	25.00	25.00	-
Interim Preference Dividend (Rs. in million)	9.57	-	-
Final Preference Dividend (Rs. in million)	9.04	-	-
Dividend Tax (Rs. in million)	2.88	-	-
Dividend per Equity Share (Rs.)	3.00	-	-
Dividend Rate (%)	12%	-	-
9% Cumulative Redeemable Preference Shares			
Face value of Preference Shares (Rs. per share)	10.00	10.00	10.00
Interim Preference Dividend (Rs. in million)	-	-	-
Final Preference Dividend (Rs. in million)	-	-	3.97
Dividend Tax (Rs. in million)	-	-	0.52
Dividend per Equity Share (Rs.)	-	-	7.94
Dividend Rate (%)	-	-	9%

Under the current provisions of the Income Tax Act, 1961, a company has to pay 'dividend distribution tax" of 17% (inclusive of a surcharge on dividend distribution tax and education cess on dividend distribution tax and surcharge) on the total amount distributed as dividends. These taxes are not payable by the shareholders nor are they withheld or deducted from the dividend payments set forth above. For further details, see the section tilted “Taxation”.

The form, frequency and amount of future dividends on the Shares will depend upon our earnings, cash flow, financial conditions and other factors and shall be at the discretion of the Board.

OUR SELECTED HISTORICAL FINANCIAL INFORMATION

The selected consolidated financial information as of and for the three years ended March 31, 2007, March 31, 2006 and March 31, 2005, as set forth below, have been derived from the audited financial statements and stand alone financials for the nine months ended December 31, 2007 has been derived from the un-audited financial statements beginning on page 139 of this Preliminary Placement Document. The financial information of our Company included in this Preliminary Placement Document does not reflect its results of operations, financial position and cash flows for the future and its past operating results are no guarantee of future operating performance. These audited financial statements are prepared and presented in accordance with Indian GAAP. For a summary on significant accounting policies and the basis of the presentation of the financial statements, please refer to the notes to the audited financial statements included in this Preliminary Placement Document.

The selected financial and operational data set forth below should be read in conjunction with the Sections titled "Business Overview" and "Management's Discussion and Analysis of the Financial Condition and Results of Operations", and the audited financial statements beginning on pages 63, 45 and 116 respectively of this Preliminary Placement Document.

Summary of Consolidated Balance Sheet for the last three financial years

(Rs. in million)

	As at the financial year ended March 31,		
Particulars	**2007**	**2006**	**2005**
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	742.86	677.86	501.16
Equity Share Warrants	25.01	25.01	-
Reserves and surplus	2,963.14	2,063.16	1,452.37
Sub Total	**3,731.01**	**2,766.04**	**1,953.53**
Minority Interest	**175.97**	**162.44**	**140.66**
Loan Funds			
Secured Loans	30,979.22	21,936.09	14,587.23
Unsecured Loans	3,423.57	2,435.81	2,101.50
Sub Total	**34,402.78**	**24,371.90**	**16,688.73**
Total	**38,309.77**	**27,300.37**	**18,782.92**
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	532.27	520.40	379.75
Less : Accumulated Depreciation	79.76	72.16	74.00
Net Block	**452.51**	**448.24**	**305.76**
Housing and Other Loans	**35,531.83**	**24,867.78**	**16,701.11**
Investments	**822.64**	**833.30**	**1,069.74**
Deferred Tax Assets (Liabilities)	**(35.21)**	**(20.93)**	**(7.69)**
Current Assets, Loans and Advances	2,056.01	1,602.48	1,113.43
Less : Current Liabilities and Provisions	518.00	430.51	405.12
Net Current Assets	**1,538.01**	**1,171.97**	**708.31**
Miscellaneous Expenditure (To the extent not written off)	**-**	**-**	**5.69**
Total	**38,309.77**	**27,300.37**	**18,782.92**

Summary of Consolidated Profit and Loss Account for the last three financial years

(Rs. in million)

Particulars	**For the financial year ended March 31,**		
	2007	**2006**	**2005**
INCOME			
Income from Operations	3,568.14	2,447.23	1,786.22
Other Income	3.90	4.19	24.27
Total Income	**3,572.03**	**2,451.41**	**1,810.49**
EXPENDITURE			
Interest & Other Charges	2,466.78	1,586.48	1,147.44
Payment to and Provision for Employees	132.46	107.57	96.71
Operational & Other Expenses	230.97	211.43	134.03
Provision for contingencies	57.41	29.18	52.69
- Bad Debt Written Off	29.72	21.29	-
Less: Provision for Contingencies Reserve used for Bad Debts	29.72	21.29	-
Less: Transferred from General Reserves	-	-	25.47
Net	57.41	29.18	27.22
Total Expenditure	**2,887.62**	**1,934.66**	**1,405.39**
Profit Before Depreciation, Tax and exceptional items	**684.41**	**516.75**	**405.10**
Depreciation	21.51	15.96	12.30
Profit before tax and exceptional items	**662.90**	**500.78**	**392.80**
Add: Long term Capital gain on Sale of lease hold Land	-	49.94	-
Less: Provision for Taxation	124.69	94.98	79.81
Profit after tax (Before minority interest)	**538.21**	**455.74**	**313.00**
Add : Balance B/F from previous year	99.96	19.28	34.72
Less : Prior period adjustment	-	0.19	1.16
Less : Minority share in profits	23.00	19.59	18.55
Profit Available for Appropriation	**615.17**	**455.23**	**328.01**
Special Reserve under Section 36(l)(viii) of the Income Tax Act 1961	191.91	133.00	127.50
Transfer to General Reserve	127.50	67.50	51.00
Proposed Equity dividend	79.04	81.09	102.29
Proposed Preference Shares	9.16	-	-
Interim Dividend Paid on Equity	53.66	53.65	12.47
Interim Dividend Paid on Preference Shares	9.65	-	-
Tax On Dividend	26.65	20.05	15.47
Surplus carried to Balance Sheet	**117.59**	**99.96**	**19.28**

Un-audited Stand alone Financial Results for the Third quarter and nine months ended December 31, 2007

(Rs. in million)

Particulars	**Quarter Ended**		**Nine months ended**		**Year ended (Audited)**
	December 31, 2007	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**	**March 31, 2007**
Net Sales / Interest Earned / Operating Income	1,411.60	886.21	3,749.67	2,298.63	3,319.05
Other Income	1.25	4.09	4.31	6.30	3.90
Total Income	**1,412.84**	**890.30**	**3,753.99**	**2,304.94**	**3,322.95**
Interest Expenses	(962.07)	(625.34)	(2,652.23)	(1,601.75)	(2,321.58)
Expenditure	(141.03)	(92.18)	(390.68)	(265.86)	(387.34)
Operating Profit	**309.74**	**172.78**	**711.08**	**437.33**	**614.02**
Depreciation	(7.18)	(4.56)	(17.73)	(12.96)	(19.47)
Profit before Tax	**302.55**	**168.22**	**693.35**	**424.36**	**594.55**
Tax	(74.50)	(33.00)	(162.00)	(75.50)	(110.54)
Net Profit	**228.05**	**135.22**	**531.35**	**348.86**	**484.02**
Equity Capital	605.23	501.23	605.23	501.23	501.23
Basic And Diluted EPS after Extraordinary item	3.98	2.70	9.46	6.96	9.22
Nos. of Shares – Public	27,879,086	20,813,630	27,879,086	20,813,630	20,813,630
Percent of Shares-Public	46.06	41.53	46.06	41.53	41.53

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated below, the following discussion and analysis of our financial condition is based on our audited financial statements as of and for year ended March 31, 2005, March 31, 2006, March 31, 2007 and unaudited standalone financial results for nine months ended December 31, 2006 and nine months ended December 31, 2007 referred to in this Preliminary Placement Document as the "Financial Statements" This discussion should be read together with "Financial Statements" and related annexure and notes included elsewhere in this Preliminary Placement Document. We prepare our Financial Statements in accordance with Indian GAAP, which differs in some respects from U.S. GAAP.

Overview

DHFL has been in the business of housing finance since 1984. Our Company has successfully grown over the years to be recognized as one of the leading players in the industry. We exert a pan-India presence and plan to boost our operations to tap the burgeoning markets in the Northern and North-Eastern parts of India. As on 31st March, 2007, we cover 155 locations across India via our network.

We have been able to maintain our statutory ratios at comfortable levels, and have succeeded in curtailing out NPA levels over the years, and we expect to maintain our performance going forward.

Our Consolidated Operational Income and Profit after Tax (PAT) for the financial year ending March 31, 2007 is Rs.3,568.14 million and Rs.538.21 million respectively and standalone Operational Income and Profit after Tax (PAT) for the nine months ending December 31, 2007 is Rs. 3,753.99 million and Rs. 531.35 million respectively. Our Company's revenue and Profit after tax has grown at a CAGR of 41.34% and 31.13% respectively over the last three years.

Factors affecting Results of Operation

Our Company's results of operations have been, and will be, affected by many factors, some of which are beyond our control. This section sets out certain key factors that senior management believe have affected our results of operations during the period under review or could affect our results of operations in the future. Differences in the timing of the impact of certain of these factors may make it difficult to compare our financial information for the period under review. For a discussion of certain additional factors that may adversely affect our results of operations and financial condition, please refer Section titled "Risk Factors" on page 16 of this Preliminary Placement Document.

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance.

- **Changes in Government policy relating to the Housing Finance industry.**

  The Indian government has implemented policies to sustain the growth of the Housing Finance industry, including policies such as stipulation to maintain Capital Adequacy Ratio, provisions for contingency, disclosure of Non Performing Assets etc. Any modification or withdrawal of these policies could adversely impact the profitability of Housing Finance companies in general and may also adversely affect our financial results and operations.

- **Credit Risk**

  Credit risk is the risk of financial loss arising out of the inability or unwillingness of a customer to meet his obligations. The credit risk arises because of the quality of the loan portfolio and it is extremely important to control this risk in Housing Finance Industry. Any inability to control such risk could adversely affect our financial results and operations.

- **Volatility in the interest rate of borrowings**

  In recent past we have seen a substantial increase in the cost of borrowing on account of high interest rate which result into mismatch of the profile of Assets and liabilities. Any volatility in the interest rate could adversely affect our results of operations.

- **Our ability to manage growth**

  We have experienced rapid growth in the past three years, which creates pressure and increasing demand on our management and other resources. Any inability to address the challenges associated with such rapid expansion will adversely affect our financial results and operations.

- **Liquidity Risk**

  Managing liquidity risk is essential to maintain the confidence of depositors and counterparties. Any inability to meet our financial obligation in a timely manner, could affect our business of operation and future growth of our Company.

- **Leveraging Risk**

  Our Company has maintained the Capital Adequacy above 12% which is stipulated by NHB. This enables to pursue growth and fosters confidence of debt providers and rating agencies. Our inability to maintain capital adequacy requirement could impact long term solvency and could affect our business growth.

Our Results of Operations

The following table presents selected financial information that has been derived from our audited consolidated financial statement of our Company for the year ending March 31, 2005, March 31, 2006 and March 31, 2007.

(Rs. in million)

Particulars	For the financial year ended March 31,					
	2007	**% of total Income**	**2006**	**% of total Income**	**2005**	**% of total Income**
INCOME						
Income from Operations	3,568.14	99.89%	2,447.23	99.83%	1,786.22	98.66%
Other Income	3.9	0.11%	4.19	0.17%	24.27	1.34%
Total Income	**3,572.03**	**100.00%**	**2,451.41**	**100.00%**	**1,810.49**	**100.00%**
EXPENDITURE						
Interest & Other Charges	2,466.78	69.06%	1,586.48	64.72%	1,147.44	63.38%
Payment to and Provision for Employees	132.46	3.71%	107.57	4.39%	96.71	5.34%
Operational & Other Expenses	230.97	6.47%	211.43	8.62%	134.03	7.40%
Provision for contingencies	57.41		29.18		52.69	
- Bad Debt Written Off	29.72		21.29		-	
Less: Provision for Contingencies Reserve used for Bad Debts	29.72		21.29		-	
Less: Transferred from General Reserves	-		-		25.47	
	57.41	1.61%	29.18	1.19%	27.22	1.50%
Total Expenditure	**2,887.62**	**80.84%**	**1,934.66**	**78.92%**	**1,405.39**	**77.62%**
Profit Before Depreciation, Tax and exceptional items	**684.41**	**19.16%**	**516.75**	**21.08%**	**405.1**	**22.38%**
Depreciation	21.51	0.60%	15.96	0.65%	12.3	0.68%
Profit before tax and exceptional items	**662.9**	**18.56%**	**500.78**	**20.43%**	**392.8**	**21.70%**
Add: Long term Capital gain on Sale of lease hold Land	-		49.94	2.04%	-	
Less: Provision for Taxation	124.69	3.49%	94.98	3.87%	79.81	4.41%
Profit after tax (Before minority interest)	**538.21**	**15.07%**	**455.74**	**18.59%**	**313**	**17.29%**
Add : Balance B/F from previous year	99.96		19.28		34.72	
Less : Prior period adjustment	-		0.19		1.16	
Less : Minority share in profits	23		19.59		18.55	
Profit Available for Appropriation	**615.17**		**455.23**		**328.01**	
Special Reserve under Section 36(l)(viii) of the Income Tax Act 1961	191.91		133		127.5	
Transfer to General Reserve	127.5		67.5		51	
Proposed Equity dividend	79.04		81.09		102.29	
Proposed Preference Shares	9.16		-		-	
Interim Dividend Paid on Equity	53.66		53.65		12.47	
Interim Dividend Paid on Preference Shares	9.65		-		-	
Tax On Dividend	26.65		20.05		15.47	
Surplus carried to Balance Sheet	**117.59**		**99.96**		**19.28**	

Income from Operation

Our consolidated income from operation comprises mainly the interest income on housing loan disbursed to our customers. We also generate revenue from deposits, Bonds, mutual funds and other miscellaneous income.

(Rs. in million)

Particulars	For the financial year ended March 31,		
	2007	**2006**	**2005**
Interest – Loans	3,323.91	2,145.14	1,636.35
Interest /Income on Deposits, Bonds and Mutual Funds	69.05	101.06	49.72
Dividend	27.05	1.90	-
Fees	70.66	75.67	53.46
Other Operational Income	77.47	123.44	46.69
Grand Total	**3,568.14**	**2,447.23**	**1,786.22**
Y-o-Y growth	**45.80%**	**37.01%**	**-**

Our consolidated income from operation increased from Rs.1,786.22 million in fiscal 2005 to 3,568.14 million in fiscal 2007. Our revenue has grown by 37.01% and 45.80% in fiscal 2006 and fiscal 2007 respectively. Our revenue has grown at a CAGR of 41.34% over the last three financial years. Our average return on the loan book was 10.36% in fiscal 2005 which has increased to 11.70% in fiscal 2007.

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

Interest and other Charges

Our interest cost comprises mainly the cost of borrowed funds from Banks and financial institutions. It also comprises the interest towards deposits, Debenture interest and other charges.

(Rs. in million)

Particulars	For the financial year ended March 31,		
	2007	**2006**	**2005**
Interest on Loans	2,002.58	1,261.47	868.19
Interest on Deposits	57.39	85.51	113.34
Interest on Debentures	394.82	235.26	161.41
Interest on Others	10.89	3.13	4.13
Finance Charges	1.11	1.11	0.37
Grand Total	**2,466.78**	**1,586.48**	**1,147.44**
Y-o-Y growth	**55.49%**	**46.62%**	**-**

Our consolidated interest and other charges has increased from Rs.1,147.44 million i.e. 63.38% of total income during fiscal 2005 to Rs.2,466.78 million i.e. 69.06% of total income during fiscal 2007. The expenditure has increased by 46.62% in fiscal 2006 and 55.49% in fiscal 2007. The reason for increase in expenses is mainly on account of increase in the rate of interest prevailing in the market. The average cost of funds was 7.79% in fiscal 2005 which has increased to 9.23% in fiscal 2007.

Other Operational Expenses

(Rs. in million)

Particulars	For the financial year ended March 31,		
	2007	**2006**	**2005**
Payment to and provision for employees	132.46	107.57	96.71
Operational and other expenses	230.97	211.43	134.03

Total operational cost	**363.43**	**319.00**	**230.74**
Y-o-Y growth	**13.93%**	**38.25%**	**-**

Our operational expenses for the fiscal 2005 was Rs.230.74 million i.e. 12.74% of total income and Rs.363.43 million i.e. 10.17% in fiscal 2007. Our operational cost has decreased by 2.57% of total income mainly on account of our ability to generate more revenue with available fixed resources.

Dividend

Our Company has declared an interim dividend of 10% on the Equity Shares, 12% on the Optionally Convertible Preference Shares and 1% on the Redeemable Convertible Preference Shares for the financial year 2006-07. Further, our Company has also declared a final dividend of 15% for the financial year 2006-07 to our shareholder of the Equity Shares. In financial year 2005-06, our Company had declared an interim dividend of 12% and final dividend of 13% to the equity shareholders.

Debt Structure – Secured Loans

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
From National Housing Bank	4,038.20	2,953.93	2,351.74
From Scheduled Banks	22,502.32	14,166.27	8,599.76
Foreign Currency Loan From Scheduled Banks	-	187.92	580.37
From Financial Institutions	1,479.69	1,777.21	1,202.86
Non-Convertible Debentures	2,868.33	2,817.00	1,829.87
Interest accrued and due	90.67	33.77	22.64
Grand Total	**30,979.22**	**21,936.09**	**14,587.23**

Our Outstanding Secured Loans as on March 31, 2007 was Rs.30,979.22 million compared to Rs.14,587.33 million in fiscal 2005. During the year March, 2007, The National Housing Bank extended refinance to our Company aggregating to Rs.1,162 million. During the year ended march 31, 2007, our Company has availed a term loan of Rs.10,365.3 million from Banks and Financial Institutions.

Housing Loans Approvals and Disbursements

Loan approvals during the year ended March 31, 2007, were Rs. 16,163.10 million as against Rs.8,003.90 million in the fiscal 2005, representing a CAGR of 42.11%. Loan disbursements during the year ended March 31, 2007 were Rs. 15,728.80 million as against Rs.6,804.10 million in the fiscal 2005, representing a CAGR of 52.04%. During the year ended March 31, 2007, Rs.1,105.2 million (including Rs.180 million disbursed by our subsidiary) was disbursed under the Golden Jubilee Rural Housing Refinance Schemes of the NHB.

(Rs. in million)

Particulars	**2005**	**2006**	**2007**
Sanctions	8,003.90	13,551.40	16,151.80
Disbursements	6,804.10	11,988.60	15,728.80

The growth of DHFL's housing loan business has continued to be good throughout. In value terms, housing loan approvals as well as disbursements have shown a CAGR of 42.11% and 52.04% in the last 3 years, despite stiff competition from other players in the market.

Capital Adequacy and Non Performing Assets

Our Company's Capital Adequacy ratio was stood at comfortable level of 14.06% in fiscal 2007 as against the minimum requirement of 12% stipulated by the National Housing Board (NHB). Our non performing loans were improved to

1.05% of total loan portfolio as compared to 1.36% in fiscal 2005. Our Company has made adequate provisions for the assets on which installments are overdue for more than three months. Our Company has initiated various measures for speedy recovery and also taken action under the Securitization and reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

(Rs. in million)

Particulars	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Capital Adequacy Ratio	16.46%	13.33%	14.06%
Total Loan Portfolio	16,701.10	24,867.78	35,531.83
Gross Non Performing Assets	278.88	330.14	456.52
Provision for Contingencies	52.02	60.66	84.85
Net Non Performing Assets	**226.86**	**269.48**	**371.67**
% of NPA of the total loan portfolio	***1.36***	***1.08***	***1.05***

Investments:

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Equity Shares			
a) Quoted	10.19	10.32	36.06
b) Unquoted	22.98	11.73	1.30
Investment in Equity shares (a+b) [A]	**33.17**	**22.04**	**37.36**
Mutual Funds [B]	**619.27**	**631.91**	**841.82**
Bonds Redeemable (Fully Paid) [C]	**185.43**	**189.93**	**198.97**
Total Investments [A+B+C]	**837.86**	**843.87**	**1,078.14**
Less : Provision for diminution in the value of investment	15.22	10.57	8.40
Net Investments	**822.64**	**833.30**	**1,069.74**
Market value of quoted Investments	**9.70**	**38.42**	**70.85**

Fixed Assets:

Our gross block of fixed asset (including Capital work in progress) as on March 31, 2007 was at Rs.532.27 million as against Rs.379.75 million as at March 31, 2005. We charge depreciation on fixed assets on Written Down Value Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Depreciation on Fixed Assets added/disposed off during the year is provided on pro-rata basis.

Related Party Transaction

We have entered into transactions with a number of related parties. For details regarding our related party transactions, please refer the disclosures given in section titled "Financial Information" on page 116 of this Preliminary Placement Document.

Comparison of Financials for the year ended March 31, 2007 vis-à-vis March 31, 2006

Income from Operation

Our Income from Operation mainly consists of interest on housing loan disbursed to our customers. Our income from operation was Increase from Rs.2,447.23 million in fiscal 2006 to Rs.3,568.14 million in fiscal 2007 representing the growth of 45.80% as compared to the corresponding previous year. During the fiscal 2007, our average return on loan book has improved to 11.70% from 10.80% in fiscal 2006. The reason for increase in interest income is mainly on account of increase in the disbursement by 75.20% and 32.65% during fiscal 2006 and 2007 respectively.

Our Company also generates the revenue from interest income on Deposits and Bonds, Fees and other miscellaneous receipts. Our other revenue constitutes Rs.244.23 million i.e. 6.84% of total income during the fiscal 2007 and Rs.302.08 million i.e. 12.32% of total income during fiscal 2006.

Interest and Other Charges

Our interest and other expenses has increased from Rs.1,586.48 million i.e. 64.72% of total income in fiscal 2006 to Rs.2,466.78 million i.e. 69.06% of total income in fiscal 2007. The main reason for increase of interest cost is mainly on account of increase in the rate of borrowed funds. Our average cost of funds has increased from 7.70% in fiscal 2006 to 9.23% in fiscal 2007.

Provisions for Contingencies

During the financial year ended March 31, 2007, we have provided Rs.57.41 million for provisions and contingencies as compared to Rs.29.18 million in the corresponding previous year. The provision for contingencies has increased from 1.19% of total income in fiscal 2006 to 1.61% in fiscal 2007.

Earning before Depreciation, Tax and Amortization (EBDTA)

Our EBDTA during the fiscal 2007 was Rs.684.41 million i.e. 19.16% of total income vis-à-vis Rs.516.75 million i.e. 21.08% of total income during the fiscal 2006. Our EBDTA margin has declined by 1.92% of total income mainly on account of increase in the cost of borrowed funds. During the year, our average cost of borrowed funds has increased to 9.23% vis-à-vis 7.70% in fiscal 2006.

Depreciation and Amortization

Depreciation pertains to the depreciation on Building, Computers, Office equipments, Vehicles and Furniture & Fixtures. Depreciation charged on fixed assets was Rs.21.51 million in fiscal 2007 vis-à-vis Rs.15.96 million during the fiscal 2006. We charge depreciation on fixed assets on Written Down Value (WDV) Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Provision for taxation

During the fiscal 2007, our Company has provided Rs.124.69 million i.e. 3.49% of total income for taxation vis-à-vis Rs.94.98 million i.e. 3.87% of total income in fiscal 2006.

Profit after tax and before minority interest and exceptional item

Profit after tax and before minority interest and exceptional item was Rs.538.21 million in fiscal 2007 vis-à-vis Rs.405.80 million in the fiscal year 2006. Our profit margin was declined by 1.48% of total income during the fiscal 2007 mainly on account of increase in the rate of interest on borrowed funds as explained above.

Comparison of Financials for the year ended March 31, 2006 vis-à-vis March 31, 2005

Income from Operation

Our Income from Operation mainly consists of interest on housing loan disbursed to our customers. Our income from operation was Increase from Rs.1,786.22 million in fiscal 2005 to Rs.2,447.23 million in fiscal 2006, representing the growth of 37.01% as compared to the corresponding previous year. During the fiscal 2006, our average return on loan book has improved to 10.80% from 10.36% in fiscal 2005. The reason for increase in interest income is mainly on account of increase in the disbursement by 75.20% and 35.30% during fiscal 2006 and 2005 respectively.

Our Company also generates the revenue from interest income on Deposits and Bonds, Fees and other miscellaneous receipts. Our other revenue constitutes Rs.149.87 million i.e. 8.28% of total income during the fiscal 2005 and Rs.302.08 million i.e. 12.32% of total income during fiscal 2006.

Interest and Other Charges

Our interest and other expenses has increased by 1.34% of total income from Rs.1,147.44 million i.e. 63.38% of total income in fiscal 2005 to Rs.1,586.48 million i.e. 64.72% of total income in fiscal 2006. The main reason for increase of interest cost is mainly on account of increase in liability towards interest on bank loans and debentures.

Provisions for Contingencies

During the financial year ended March 31, 2006, we have provided Rs.29.18 million for provisions and contingencies as compared to Rs.52.69 million in the corresponding previous year. The provisions for contingencies has Decreased from 1.50% of total income in fiscal 2005 to 1.19% in fiscal 2006.

Earning before Depreciation, Tax and Amortization (EBDTA)

Our EBDTA during the fiscal 2006 was Rs.516.75 million i.e. 21.08% of total income vis-à-vis Rs.405.10 million i.e. 22.38% of total income during the fiscal 2005. Our EBDTA margin has declined by 1.30% of total income mainly on account of increase in liability towards interest on debenture to the debenture holders.

Depreciation and Amortization

Depreciation pertains to the depreciation on Building, Computers, Office equipments, Vehicles and Furniture & Fixtures. Depreciation charged on fixed assets was Rs.15.96 million in fiscal 2006 vis-à-vis Rs.12.30 million during the fiscal 2005. We charge depreciation on fixed assets on Written Down Value (WDV) Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Provision for taxation

During the fiscal 2006, our company has provided Rs.94.98 million i.e. 3.87% of total income for taxation vis-à-vis Rs.79.81 million i.e. 4.41% of total income in fiscal 2005.

Profit after tax and before minority interest and exceptional item

Profit after tax and before minority interest and exceptional items was Rs.405.81 million in fiscal 2006 vis-à-vis Rs.313.00 million in fiscal year 2005. Our profit margin increased by 1.30% of total income during the fiscal 2006 mainly on account of increase in the volume of business resulting into decline in fixed expense cost as a percentage to total income.

Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our working capital and capital expenditure requirements primarily through fresh issue of capital, funds generated from our operations and financing from banks / other financial institutions in the form of term loans and working capital facilities. In many cases, significant amounts of our working capital are required to finance the housing loans to the customers. We believe that we will have sufficient capital resources from our operations, net proceeds of this Issue and borrowings to meet our capital requirements for at least the next 12 months.

Statement of Cash flows

The following table sets out financial information derived from the cash flow statements of our company. The table below summarizes our cash flows for the periods indicated:

(Rs. in million)

Particulars	**For the year ended March 31,**		
	2007	**2006**	**2005**
Net cash Inflow/ (Outflow) from Operating activities	587.34	411.24	345.08
Net cash Inflow/ (Outflow) from Investing activities	(3.36)	218.76	(662.85)
Net cash Inflow/ (Outflow) from Financing activities	(201.83)	(207.87)	640.99
Net increase/ (decrease) in Cash and Cash equivalents	**382.16**	**422.14**	**323.22**

Operating Activities: Net cash generated from operating activities during the year ended March 31, 2007 was Rs.587.34 million. The operating profit before working capital changes was Rs.739.79 million and the difference was largely due to increase in receivables and inventories.

Investing activities: Our investments are primarily to purchase fixed assets used in branch offices. During the year ended March 31, 2007, Rs.272.45 million was deployed additionally towards purchase of fixed assets.

The net cash used for our investment activities in fiscal 2006 was Rs.218.76 million. We have used Rs.108.50 million for purchase of fixed assets.

The net cash used for our investment activities in fiscal 2005 was Rs.662.85 million out of which Rs.191.01 million used for purchase of fixed assets and Rs.496.98 million used for purchase of Investment.

Financing activities: Net cash used for financing activities was Rs.201.83 million during the year ended March 31, 2007. During the fiscal 2005, we have generated Rs.640.99 million from our financing activity.

Contingent Liabilities

As of March 31, 2007, our contingent liability consists of guarantees provided by our Company amounting to Rs.21.45 million and as of March 31, 2006 it was Rs.23.26 million.

Market Risks

Our Company is exposed to market risks and operational risk, including policy changes by the Government, changes in interest rates, Liquidity risk and Leveraging risk, however such risks historically have not a material impact on our results of operations or financial condition due to strong risk management policies in force. For more detail please refer to the Section titled "Business Overview" on page 63 of this Preliminary Placement Document.

The information in this section is derived from various government publications and other industry sources. Neither we, nor any other person connected with the issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.

Overview

The Indian Housing Sector

India's robust economic growth and the resultant increasing incomes are speeding up the pace of urbanization. This, along with the increasing finance penetration, has led to a housing boom in the past few years. The total stock of housing by 2007 is estimated at ~129.4 million units, expected to grow at a compound annual growth rate (CAGR) of 3.4% till 2011, adding, on an average, 4.6 million units annually till 2011. The current stock represents 86.08 billion sq ft floor space area (FSA). On an average, the addition to FSA is estimated to be 4.6 billion sq ft till 2011, growing at a CAGR of 4.75 per cent over the next 5 years.

Increasing household formation, driven by growth in population, urbanization and income growth, is primarily driving demand for housing. This demand manifests through an increase in housing stock and area of stock. Estimated annual additions in urban areas are expected to grow at 9% from 1.96 billion sq ft to around 3 billion sq ft, primarily reflecting increased urbanization. Corresponding annual additions in units will grow at 6% to reach 3.09 million units in 2007-11 from 2.31 million units in 2002-06. Estimated annual additions in rural areas have grown at 4% from 1.36 billion sq ft in 2002-06 to 1.66 billion sq ft. Corresponding annual additions in units in rural areas are estimated to grow at 1% to 1.59 million in 2007-11 from 1.48 million in 2002-06.

Key demand drivers:

The demand for housing is a product of three different variables. First and foremost is the primary need that is driven by increasing population. Secondly, economic growth and consequent urban migration have caused changes in preferences towards more nuclear families, causing a perceptible lowering of the household size. Finally, increasing affordability has driven households to invest in larger houses, thereby increasing area requirements as they shift into the higher income class.

Demand driver	Units demand	FSA demand
Population growth	↑	↑
Urbanisation	↑	↓
Nuclearisation	↑	↓
Affordability	↑	↑
Income growth		
Housing finance		
Tax incentives		

Source: CRISIL Research

- ***Increasing Population***

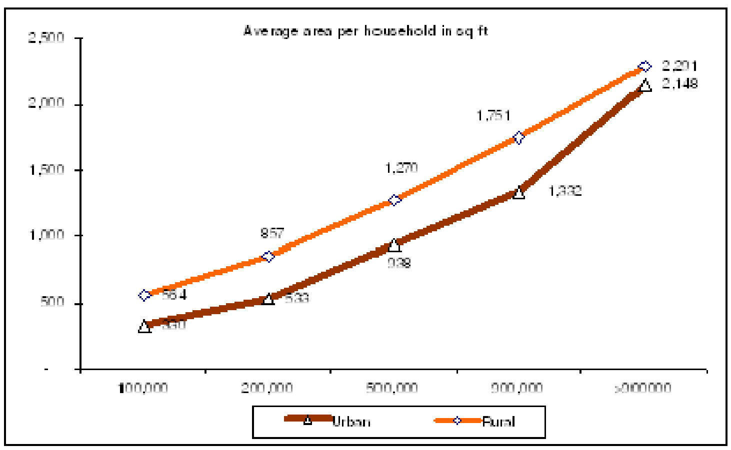
India is home to more than 1 billion people. This represented around 191 million households in 2001. India's population growth has been 2.3 per cent in the last decade. The growth rate has declined in the last couple of decades. The population growth is expected to slow further to 1.5 per cent in the next decade. Population growth has a direct bearing on the requirement for housing units and, through this, on FSA requirements. Further, in the current scenario, population growth is actually occurring in the younger age brackets.

- ***Urbanization***

The share of urban population has increased steadily in the past to around 27% of total. In the past, urban population has grown at 2.77 per cent, a little higher than the overall population growth of 2.3%. Going forward, with accelerating urbanization, it is expected to translate into an urban population growth of 2.27% till the year 2011 compared with an overall population growth of 1.5%. This difference in growth rates implies a narrowing gap between the urban and rural population. Urbanization has a twin impact on housing demand. On the one hand, it reduces the area per household, and on the other, there is an increasing need for more nuclear families, leading to the formation of more number of households.

- ***Nuclearisation***

Nuclearisation refers to the formation of nuclear families from joint families. Nuclearisation is primarily driven by employment-related migration, which is predominantly to urban areas. Nuclearisation, like urbanization, has twin impact. It reduces the area per household, but increases overall household formation, thereby increasing the demand for housing units. The fact that urban house prices are higher also leads to buying smaller areas in comparable income categories. Hence, the difference in rural and urban areas per household has reduced at higher incomes as affordability is higher.



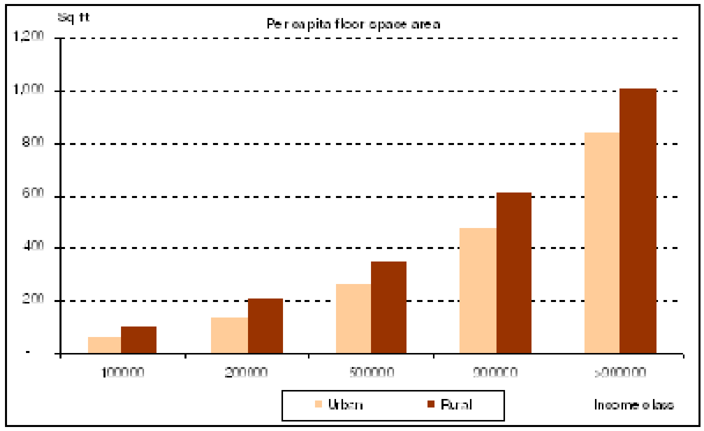
Source: CRISIL Research

- ***Income growth***

There has been a steady movement of households into higher income categories. The movement is more pronounced in the high-income categories. Urban households with incomes above Rs. 500,000 are further expected to grow by 12% in the next 5 years on an increased base. Rural households, in the same income class, are expected to grow by 7%. The growth rate, though comparatively lower than the past 5-year average, reflects an adjustment of a higher base in higher incomes.

- ***Changing floor space requirements***

Floor space requirements increase with increasing incomes. Area available in rural areas is higher than that for urban areas in corresponding income brackets. With increasing incomes, the per capita floor space area (PCFSA) increases drastically.



Source: CRISIL Research

- ***Housing finance***

The penetration of housing finance has been a key driver of housing. Low interest rates in the past 5 years, along with increasing housing finance penetration, have driven the boom in house purchases. However, interest rates have seen an upward movement in the past few months. As a response, banks and financial institutions have offered home loans with increasing tenures. This avenue for reducing the impact of the rising interest rates has nearly been exhausted. Further interest rate hikes, if any, will most likely bear significant direct impact on household cash outflows.

The Housing Finance Industry

Equipped with a cost-of-fund advantage, banks have aggressively maintained interest rates at competitive levels to foster disbursement growth over the last 5 years. Also, their huge branch networks have helped increase the penetration of housing finance over the years. The low-interest-rate scenario, which gave rise to opportunity cost arbitrage, coupled with affordable property prices, has driven the disbursement growth of 34% CAGR over the past 5 years. Competition compelled the players to push up the loan-to-value (LTV) ratios to as high as 85% leading to an increase in demand.

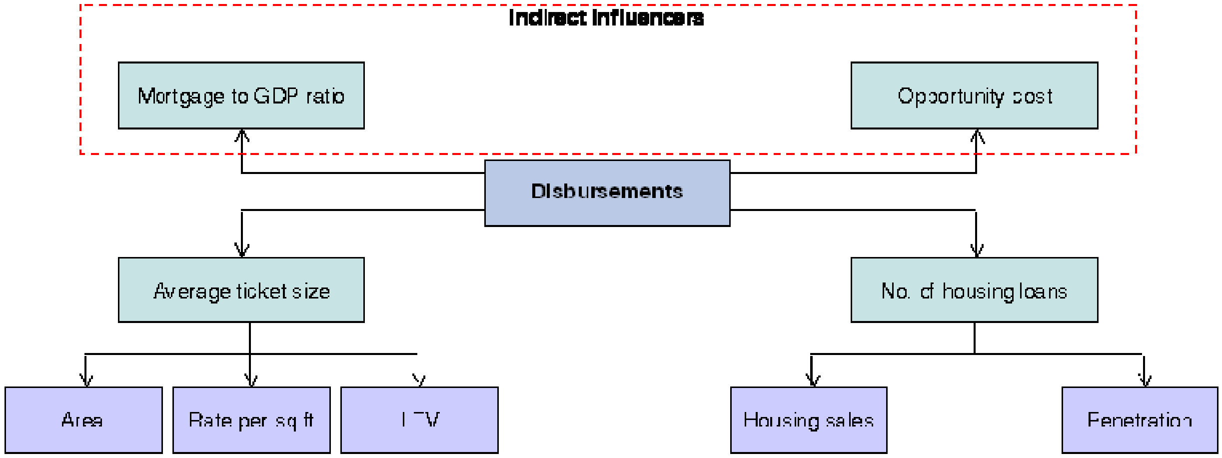
Between 2001-02 and 2006-07, the average ticket size has grown 2.5 times for new urban houses and 2 times for new rural houses. However, in the last year or so, financers have become cautious about the risk attached with the asset, as property prices as well as interest rates have increased inordinately. To safeguard themselves, financers have decreased the average LTV for new disbursements resulting in slowdown in demand for the current year.

- ***Disbursements***

  Disbursements in the housing finance sector, which grew at a robust 43% CAGR from 2000-01 to 2004-05, dropped to around 15 per cent from 2004-05 till 2006-07. The initial growth was driven by rise in income levels, coupled with a decline in interest rates, both of which more than compensated for the increase in housing prices. Subsequently, housing prices and interest rates moved up; as the increase in income levels failed to draw level, growth slowed down.

  Estimates of the Eleventh Five Year Plan Working Committee place the urban housing shortage at 24.7 million units and the rural shortage at 47.43 million units in 2007. Property prices are forecast to increase at a lower rate than in the past. This would help income catch up and, consequently, demand will augment. However, due to the current high-interest-rate scenario, demand is likely to be postponed to later years, when the expected benign interest rate environment would also help propel demand for loans. Therefore, disbursements are expected to grow at a CAGR of 15 per cent till 2011-12.

  Disbursements in the housing finance industry are affected by some factors such as the average ticket size and the number of housing loans disbursed. These directly influence disbursements and are quantifiable, while some factors that indirectly influence disbursements are not quantifiable.



Source: CRISIL Research

Key Drivers of Disbursement Growth

The number of customers availing housing loans depends mainly on the growth of housing sales, besides the penetration of housing finance in this market, which has increased due to the aggressive strategies followed by banks over the past few years.

- ***Penetration***

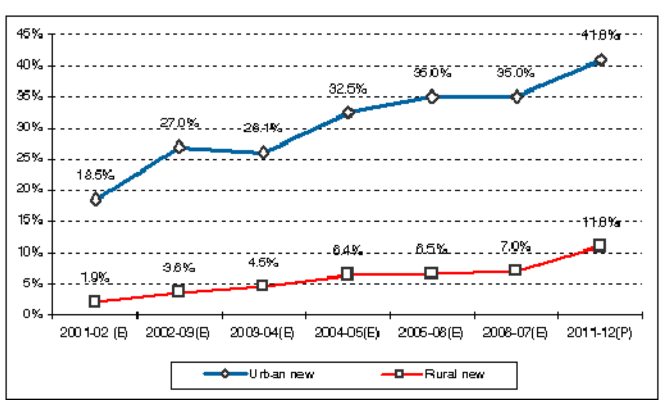
The penetration in urban areas is estimated to have increased to around 35% due to the following:

- Good branch network of financers
- Increasing acceptability of loans among customers, as property prices have moved up significantly
- Comfortable customer earning profile, as the majority of customers are from the salaried class
- Main contributor for priority sector lending in urban areas
- Comfort of financers in the sale of collateral in case of defaults

The penetration in rural areas is lower at about 6.5% as a result of the following:

- Private banks are yet to set up a good branch network in these areas
- Income of majority of people is from agriculture, which is seasonal in nature
- High risk on the resale value of the collateral in case of default, as it requires good local knowledge
- Agriculture loans are major drivers in the priority sector in these areas

Housing penetration is expected to improve slightly and reach 41% in urban areas and 11% in rural areas by 2011-12.

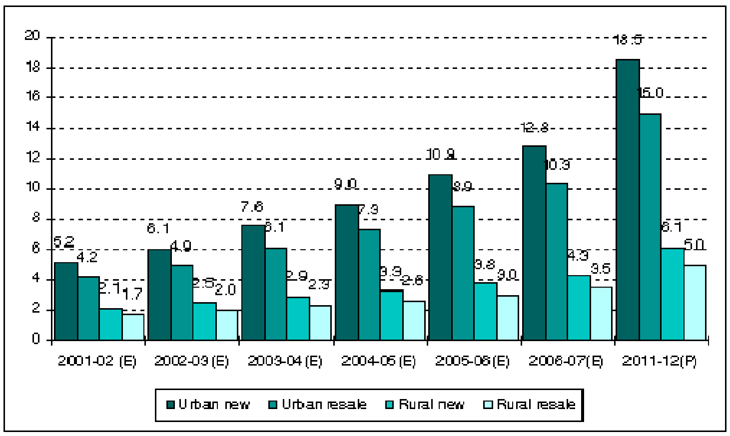


- ***Average ticket size***

The average ticket size for new homes is estimated to have grown at a CAGR of 20% or around 2.5 times in urban areas and at a CAGR of 15% or 2 times in rural areas over the past 5 years. The growth was essentially the result of higher property prices and LTV. Average ticket size is expected to grow at a CAGR of 9.7% and 7.6% in urban and rural areas, respectively, over the next 5 years.

The loan to value ratio has been rising over the years, due to the sharp increase in property prices. Escalating property prices reduce the proportion of loan in the property value, leading to a more comfortable scenario for financers. However, the possibility that prices may have peaked in 2006-07 has made financers more cautious. Also, the income rise in the past few years has not been commensurate with the increase in property prices. As a result, financers have reduced the LTV levels to 70% on incremental disbursements in 2007-08. Nevertheless, in the long run, the LTV is expected to return to 2006-07 levels of 75% due to competitive pressures.

Average ticket size for new houses



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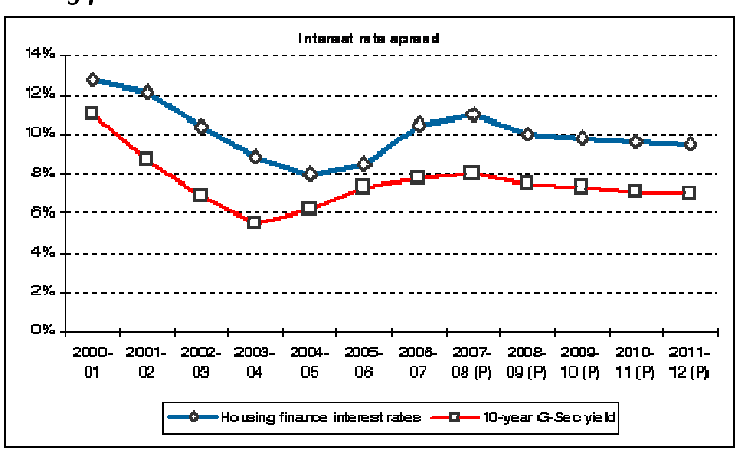
- ***Opportunity cost arbitrage***

The tax rebate on housing loans and the declining interest rate environment since 2003-04 caused effective interest rate on housing loans to be lower than 5-year fixed deposit rates. In such a scenario, any person would prefer to place available funds in fixed deposits and avail a loan to buy the house. Such a scenario has been prevailing in the housing finance market since 2003-04, resulting in huge disbursement growth.

Housing finance rates

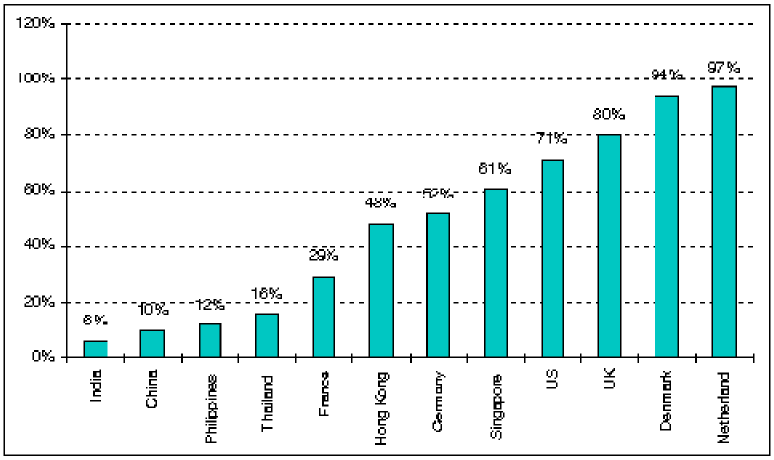


CRISIL Research

- ***Mortgage to GDP lowest among the region***

India has the lowest mortgage to GDP ratio; even countries affected by the Asian crisis have a higher ratio. Hence, it shows that India is highly underleveraged as compared with other countries. As India's GDP grows, it could cause a rise in income levels and boost the credit offtake in the economy, leading to the mortgage to GDP ratio moving upwards.

Mortgage to GDP Ratio (2006)



CRISIL Research

In conclusion, housing finance disbursements are expected to increase as the income catches up with the rise in property prices. Housing, being one of the low risk asset classes for financers, would keep contributing to a major portion of their retail lending portfolio. Besides, the higher proportion of floating rate loans, which helps financers manage the interest rate risk, would provide a push to disbursements.

<u>Housing Finance Market Trends</u>

Prior to 1998, banks were not allowed to offer extend home loans. Banks commanded a natural advantage over HFCs in terms of a larger deposit base, access to low-cost funds and size of the branch network. When banks were allowed to offer home loans in 1998, these natural advantages began to assert themselves and HFCs began rapidly losing share to the former. In terms of share of disbursements, HFCs reported a decline in share from 70% in 2001 to 34% in 2005.

The gainers have been the banks with ICICI Bank being the largest gainer. ICICI Bank has seen its share rising from 3.7% in 2001 to 27% in 2005, while SBI and associates have seen their share increase from 11% to 14% and the other nationalized banks increased their collective share from 15% to 25%. HFC's have lost share in the same period, with their share of direct disbursements declining.

The housing finance industry has witnessed modest consolidation in the past 5 years, with the share of the top four players increasing from 43.3% in 2000 to 70% in 2005.

With interest rates moving northwards over the last 2 years, changes have been noticed in the housing finance industry. Some variables which are important indicators of development in this industry include:

- ***Interest rates***

Two types of interest rate loans available in the market:

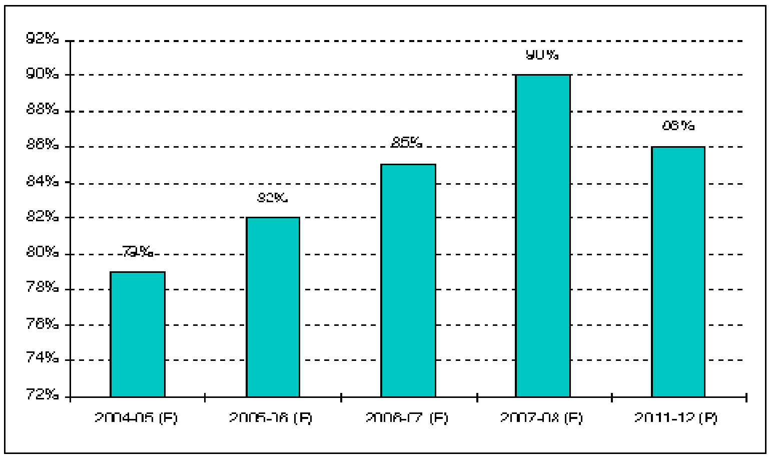
- Fixed, and
- Floating

In a fixed interest rate loan, the interest rate remains constant over the tenure of the loan. In a floating interest rate loan, the borrower has to pay at a rate that is linked to the benchmark prime lending rates of financiers.

Housing loans are offered for an average tenure of 13-15 years, while liabilities for financers are generally for less than 10 years. Also, as floating rate loans are reset when the cost of funds for financers increase, they do not carry much interest rate risk. Therefore, fixed rate loans, for which the financer bears the interest rate risk, are priced higher than floating rate loans.

In 2004-05, interest rates on housing loans had hit a trough; thereafter, they began to rise. Increase in liquidity and credit offtake had caused the Central bank to take steps to curtail growth. Hence, the Reserve Bank of India (RBI) increased CRR and repo rates multiple times. This led to an increase in housing loan rates, which reached a high of 11-12% in mid-2007.

Proportion of floating rate loans

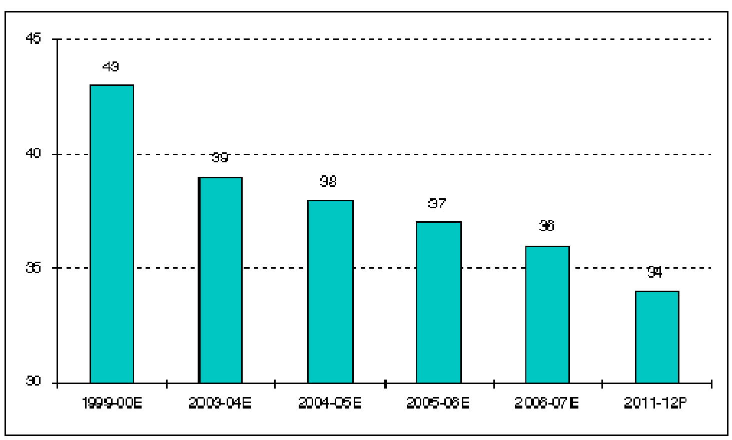


CRISIL Research

Since 2004-05, when interest rates started to rise, the proportion of floating rate loans has been increasing. This has been primarily due to the indirect push from players for floating rates loan by way of higher spread between fixed rate loans and floating rate loans. Also, an increasing interest rate scenario made borrowers opt for floating rate loans in the anticipation that interest rates might stabilize going forward.

By 2011-12, interest rates are expected to start falling and more disbursements with fixed rate structure are expected.

- ***Average age of borrowers***



CRISIL Research

From 1999-00 to 2004-05, salaries are estimated to have increased at a higher rate than the rise in property prices. This had made houses more affordable for individuals. Also, the growth rate in salaries has been higher for those in the younger age bracket than people who are close to retirement. This, coupled with tax incentives announced by the government, has prompted more and more young people to buy houses. Going forward, the average age of the borrower is expected to decline slightly, as the profile of outstanding age mix would shift in favor of a younger age mix as seen in the last few years. This would be supported by growth in salaries and a preference for accumulating assets to enjoy tax benefits.

- ***Net profitability margins***

Net profitability margin of HFCs	2002-03	2003-04	2004-05	2005-06	2006-07
Yield on average outstanding loans (1)	12.69%	10.50%	8.97%	8.92%	9.78%
Cost of debt (2)	9.62%	7.46%	6.27%	6.27%	7.19%
Spread (3) = (1)-(2)	3.07%	3.04%	2.69%	2.65%	2.59%
Opex/average outstanding loans (4)	0.67%	0.66%	0.61%	0.57%	0.52%
NPM (5) = (3)-(4)	2.40%	2.38%	2.09%	2.08%	2.07%
Source: Annual reports, CRISIL Research					

Till 2005-06, interest rates had been declining. As a result, the profitability of players had also dropped. Net margins declined sharply in 2004-05 due to a dip in spread. During this period, yields as well as cost of funds were decreasing, but yield declined at a faster pace than cost of funds. Higher competition among players to capture good growth during this period led to a higher decline in yields. Although operating expenses have been steadily declining, the drop has not been sharp enough to compensate for the narrowing spreads.

Interest rates reached a high in the beginning of 2007-08. Thereafter, they have shown a downward bias, at least during the festive season. Profitability of players is expected to be higher in 2007-08 than in 2006-07, as the increase in housing loan rates is likely to exceed the rise in the cost of funds.

- ***Non-performing assets***

CRISIL estimates Net NPA for the industry to be about 1% in 2006-07 and expects them to remain at same levels in 2007-08. However, the asset quality needs to be watched going forward. The key risks to asset quality are:

- Origination risk

  It pertains to the underwriting standards of financers. Over the past few years, the credit risk metrics have been made lenient, thereby pushing the LTV, IIR and tenure to higher levels. This increasing risk appetite in the housing finance sector raises delinquency-related concerns.

- Concentration risk

  The analysis of the outstanding portfolio at the end of 2006-07 reveals that the portfolio is highly skewed towards last 3 years' disbursements. The last 2 years' disbursements form more than 50 percent of the portfolio. Therefore, as this portfolio ages, NPAs could increase.

- Asset price risk

  A sharp fall in prices could result in negative equity, which denotes that the loan amount outstanding is higher than the property prices. This could push up delinquency rates.

For the overall industry, 4-5% of the outstanding portfolio at the end of March 2004 was estimated to have had an IIR above 50% and tenure above 15 years. This proportion had increased at the end of March 2006 to 7-8%, which led to an increase in absolute values of NPAs. But, NPAs have not increased in percentage terms due to high growth in outstanding over the years. However, the main factor determining the movement of NPAs would be property prices - if property prices drop, NPAs may increase.

- ***Sources of funds***

HFC's Funding Mix	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Debentures	14%	18%	21%	27%	28%	31%
Bank loans	26%	30%	35%	38%	39%	38%
Fixed deposits	37%	32%	26%	17%	14%	13%

NHB refinance	6%	6%	4%	5%	4%	3%
Others	17%	15%	15%	12%	16%	14%
Total	100%	100%	100%	100%	100%	100%
Source: CRISIL Research						

The increasing liquidity in the market, which has become a concern for the RBI, has been used by housing finance companies to raise funds. Companies have been raising more funds through debentures and loans from banks. The proportion of debentures in the funding profile has moved up from 14% in 2001-02 to 31% in 2006-07. Besides, the proportion of loans from banks has moved up from 26% to 38% during the same period. Also, in the increasing interest rate environment, the proportion of refinancing from NHB has declined.

Banks' Funding Mix	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Demand deposits	11%	11%	12%	12%	12%
Saving bank deposits	20%	22%	22%	22%	23%
Term deposits	60%	61%	60%	58%	56%
Borrowings	8%	6%	6%	8%	9%
Total	100%	100%	100%	100%	100%
Source: Statistical tables relating to banks in India, CRISIL Research					

Banks predominantly rely on deposits to meet their funding requirements, as savings and demand deposits are the most economical source of funds for them. Hence, banks are at an advantage vis-à-vis housing finance companies, which have limited capabilities in raising deposits (a housing finance company cannot raise savings and demand deposits). Also, due to deposits, the proportion of borrowing in banks' funding mix is low.

- ***Market share***

Almost all retail finance segments, which had been dominated by NBFCs a few years ago, have been captured by banks to a large extent; the housing finance industry is no exception. HFCs had a market share of around 70% a few years ago. But post the aggressive entry of banks into this market, HFCs have been constantly losing their market shares. Today, the market share scenario has almost reversed, with banks picking up around 64% of the business. ICICI Bank has led the way by moving from zero per cent market share in 2000-01 to about 28% in 2006-07. It has become the leader in the housing finance market. Among HFCs, only HDFC has been able to maintain a decent market share and constitutes around 72% of the total business undertaken by HFCs.

<u>Primary success factors for a player in the housing finance industry</u>

Primary success parameters for a company operating in the housing finance industry include:

- Branch network enabling proximity to point of purchase.
- Access to low-cost funds
    - Low cost of debt
    - Regulatory arbitrage
    - Operating expenses
    - Technology
- Economies of scale
    - Distribution of costs over wider product base
    - Business per branch
    - Absolute size
- Knowhow of local markets

Banks have a clear advantage over HFCs in areas such as branch network, access to low-cost funds and low operating costs due to the wide range of products and services they offer.

Housing finance industry is facing tough competition from banks and witnessing declining spread (for HFCs). Hence, the players should have sustainable advantages to remain profitable in the long-term.

BUSINESS OVERVIEW

Unless stated otherwise, the financial data in this section is as per our consolidated financial statements prepared in accordance with Indian GAAP set forth elsewhere in this DRHP. In this section only, any reference to "we", "us" or "our" refers to Dewan Housing Finance Corporation Limited.

Overview

DHFL is promoted by the Wadhawan Group since 1984 with the prime objective of meeting the financing needs of the middle and lower income segments by providing adequate financial resources to fulfill their housing requirements. DHFL has evolved in to one of the largest private sector HFC's in India.

Our Company has received approvals from the Reserve Bank of India to be recognized as a Housing Finance Company ("HFC") in April, 1986. Subsequently, our Company received a Certificate of Registration from the National Housing Bank ("NHB") to carry on the business of a housing finance institution on 31st July 2001.

As on December 31, 2007, DHFL is present at 159 locations across India via its network of 59 branch offices, 71 service centers and 29 camp locations. We also have our international representative offices located in London and Dubai.

Our Company has received P1+ credit rating from CRISIL for the short term debt which indicates strong capacity for timely payment of our financial commitments. Our Company enjoys CARE AA+ (FD) credit rating for our Fixed Deposits and Non Convertible Debentures indicating 'high safety'. Our Company also enjoys a CARE AA rating for our Redeemable Preference Shares and for our subordinate debts.

During the year 2003-04, as part of our growth strategy to boost our pan-India presence, our Company and our Promoters have together acquired a 91.22% equity stake in Vysya Bank Housing Finance Limited, a housing finance Company registered with the NHB having operations in the States of Karnataka, Andhra Pradesh, Tamil Nadu and Maharashtra.

DHFL has set up a Venture Capital Fund named DHFL Venture Capital Fund (The Fund) which has received the registration from the Securities and Exchange Board of India (SEBI). The Company has also promoted DHFL Venture Capital India Pvt Ltd., i.e. Asset Management Company (AMC) being the Investment Manager of the Fund and DHFL Ventures Trustee Company Private Limited, the Trustee Company for the Fund. The Fund invests in Real Estate projects. DHFL owns 36% stake in the AMC.

Our Consolidated Operational Income and Profit after Tax (PAT) for the financial year ending March 31, 2007 is Rs.3,568.14 million and Rs.538.21 million respectively and standalone Operational Income and Profit after Tax (PAT) for the nine months ending December 31, 2007 is Rs. 3,749.68 million and Rs. 531.35 million respectively. Our Company's revenue and Profit after tax has grown at a CAGR of 41.34% and 31.13% respectively over the last three years.

Operational & Financial Parameters (Stand Alone)	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Capital Adequacy Ratio (%)	17.12%	16.46%	13.33%	14.06%
Debt Equity ratio	8.48	8.26	8.39	8.96
Net Interest Margin	3.61	3.17	3.08	2.97
Asset Book (Rs. Mn.)	11,258.8	15,292.7	22,887.49	33,019.74
RoA (%)	1.8	1.5	1.6	1.4
Dividend Payout Ratio (%)	25.0	20.0	25.0	25.0
Net NPA (%) *	0.98	1.28	1.25	1.23
Borrowings (Rs. Mn.)	11,174.6	15,665.7	22,696.00	32,147.05

** 180 days basis for FY 2003 – 04, 90 days basis for FY 2004 – 05, FY 2005 – 06, and FY 2006 – 07*

Competitive Strengths

1. **Extensive industry experience**

DHFL has been in the housing finance business since 1984. We believe that our experience helps us in providing value added advantages to our customers and manifests in our ability to identify housing finance requirements and address them with flexible products to suit the financing requirements of our customers. DHFL has, in the past, tied up with corporate clients, co-operative societies to cater to the housing finance needs of their employees / members. As of March 31, 2007, nearly 84% our total outstanding assets comprised of home loans.

2. Strong network coverage

As on December 31, 2007, DHFL is present at 159 locations across India via its network of 59 branch offices, 71 service centers and 29 camp locations. We also have our international representative offices located in London and Dubai.

3. Unique business model

Unlike other HFCs and Banks which operate on the Direct Selling Agents (DSA) model, DHFL relies on its employees to build customer relationships which, we believe, translates into better understanding of customer financing requirements, greater brand awareness and consequently, improved credit appraisal mechanisms. As on December 31, 2007, we had 107,774 borrowers.

4. Niche Marketing Strategy

DHFL concentrates on lending to the Middle and Lower Middle Income ("LMI") segments. We have developed robust credit appraisal mechanisms to target unconventional class of customers including the likes of entrepreneurs, traders, rurally employed professionals, etc. Stemming from the scarce presence of other Banks and HFC's who are more focused on the conventional class of customers including organized, salaried-class and Mid to High-Income customer segments whose credit quality is relatively easier to assess, and who have greater access to various forms of financing.

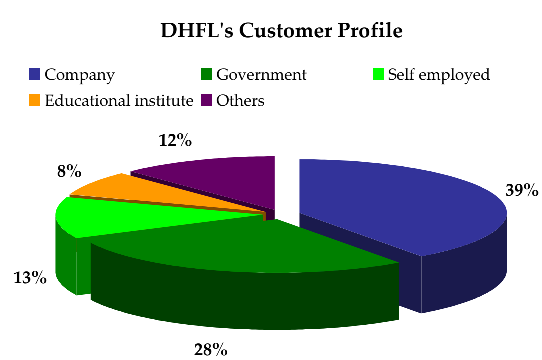
Therefore, DHFL's primary competition stems from Local moneylenders, who charge higher interest rates (usually ranging between 15% to 30% p.a.), and co-operative banks who have localized presence and slack nature of operations.

DHFL believes that this segment presents a huge potential going forward as Government focus turns towards inclusive growth to broad base the effects of economic prosperity.

5. Strong Asset Quality

Improvement in our asset quality has been consistent and significant in the last few years. Our Company has taken substantial measures to augment recovery and contain NPAs. Our Company has implemented the provisions of SARFAESI Act to our advantage for recovery of NPAs. These efforts have yielded results and Net NPAs have been successfully brought down over the last three years.

We concentrate on financing to individuals. As shown in the following graph, DHFL has lent over 75% of its assets to salaried individuals, who by their stable nature of income, result in lower delinquencies.



6. **Professional management**

Our Company has a professionally managed Board which oversees and guides our strategy and operations. Our Board has constituted several sub-committees such as the Risk Management Committee, Shareholders'/Investors' Grievance Committee, etc, for timely decision making and to ensure effective governance. The members of our management team and our employees share our common vision of excellence in execution and exhibit a diverse set of backgrounds with substantial experience including credit evaluation, risk management, treasury, technology and marketing. The diversity of experience helps us adapt a creative and cross-functional approach. For further details on our Board and Senior Management see the section titled "Board of Directors and Senior Management" beginning on page 77 of this Preliminary Placement Document.

7. **Centralized and modern technology platform**

Our Branch offices are electronically linked to a central server resulting in improved operational efficiency and cost effective services. We have upgraded our existing information technology systems with newer applications packages which have enhanced connectivity resulting in the development of a centralized credit information database which can be accessed online on a real time basis resulting in increased efficiency. An increased focus on marketing, together with upgrades in technology and expansion of our centralized network allows us to intensify and focus on our products

Our Business Strategy

Our Company is systematically implementing the following business strategy to expand our business which is described below:

1. **Maintain strong asset quality through disciplined risk management**

We have maintained high quality loan and investment portfolios through careful targeting of our customer base, a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. Our ratio of net non-performing assets to customer assets was 1.23% as of March 31, 2007 as per Indian GAAP. We believe we can maintain strong asset quality appropriate to the loan portfolio composition, while achieving growth.

2. **Focus on high earnings growth coupled with low volatility**

Our total interest income has grown at a compound average rate of 41.34% during the three-year period ending March 31, 2007 and our net profit grew at a compound average rate of 33.63% during the same period. We intend to maintain our focus on steady earnings growth through conservative risk management techniques and low cost funding. In addition, we aim not to rely heavily on revenue derived from trading so as to limit earnings volatility.

3. **Strengthening the Brand**

Being one of the foremost HFC's in India, DHFL enjoys considerable brand loyalty within its target market with over 100,000 serviced customers to date. DHFL has a strong word-of-mouth presence in its target segments. We plan to boost our market share by continuing to focus on our competitive strengths, expanding our service network, and exploiting cross selling opportunities to boost our business.

4. **Expanding network and connectivity**

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

DHFL is expanding its pan-India presence by setting up new offices across regions where we have been hitherto not present including Northern and North Eastern India.

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

5. Tapping new Segments

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

6. Customization of Products and Services

Some of our Company's current products and services are specially designed to suit the needs of specific segments of customers and we continuously emphasize on the development of more new products in this category. Our Company has introduced a Reverse Mortgage scheme called "Saksham" for the first time in India. "Saksham" helps senior citizens of the country in monetization of their residential property which they own and use as a primary place of residence.

In addition, our Company is planning to selectively offer other forms of consumer finance to our existing borrowers who display steady credit quality and improvement in their disposable incomes.

7. Reduction of funding costs

Our Company has utilized various sources of funding to optimize our funding costs, protect interest margins and maintain a diverse funding portfolio that will enable us to further achieve funding stability and liquidity. We have sourced our funding primarily from banks, refinance from NHB, public deposits, and Non Convertible Debentures (NCDs). We have diversified our resources profile by accessing funds from multilateral agencies at competitive rates.

DHFL has a credit rating of AA+ from CARE which allows it to access debt finance at competitive rates of interest. Based on its improved ratings, DHFL expects to source increased funding at competitive rates from the capital markets and reduce its proportion of bank finance to bring down our funding costs.

8. Optimizing cost of operations

We expect to reduce our operating costs as a percentage of top-line via efficient implement and utilization of our technical resources and optimal utilization of our manpower and infrastructure. This will be enabled by leveraging on our existing fixed costs while simultaneously increasing our business and manpower productivity.

Our Company utilizes the services of its employees for business origination, which enables us to maintain high asset quality. The lower levels of NPAs experienced by our Company results in savings on recovery costs.

9. Inorganic growth by acquisitions

DHFL is planning strategic alliances and acquisitions as a part of its growth strategy. Our management believes that such strategies will help in immediate expansion of our geographic presence and customer base.

APPROVALS AND DISBURSEMENTS

Loan approvals during the year ended March 31, 2007, were Rs. 15,028.9 million as against Rs.12,570.2 million in the previous year, representing a growth of 19.56%. Loan disbursements during the year ended March 31, 2007 were Rs. 14,728.7 million as against Rs.11,103.0 million in the previous year, representing a growth of 32.66%. Computation chart showing approval and disbursement for last 5 years are given below:

(Rs. in million)

Particulars	2003	2004	2005	2006	2007

Sanctions	4,473.6	5,259.4	7,414.6	12,570.2	15,028.9
Disbursements	4,186.5	4,685.4	6,337.6	11,103.0	14,728.7

DHFL's housing loan business has continued its growth streak. In value terms, housing loan approvals as well as disbursements have witnessed a growth of ~100% over the last 3 years, despite stiff competition from other players in the market.

CAPITAL ADEQUACY NORMS

HFCs are to maintain a minimum capital adequacy norm of 12% of the risk weighted assets and off-balance sheet items. A recent amendment to The Housing Finance Companies (NHB) Directions, 2001 has reduced the risk weight for individual loans from 75% to 50%. In line with international norms, the Reserve Bank of India (RBI) has also reduced the risk weight on individual housing loans to 50% for banks.

As on March 31	2002	2003	2004	2005	2006	2007
Capital Adequacy Ratio	16.39%	19.92%	17.12%	16.46%	13.33%	14.06%

Our Company's capital Adequacy ratio was at a comfortable lavel of 14.06% as on March 31, 2007 as against the minimum requirement of 12% stipulated by the National Housing Bank (NHB).

OUR PRODUCTS AND SERVICES

Our Company offers various housing finance products as under:

1. ***Home Loans for***

   i. Plots
   ii. Construction
   iii. Purchase of Flats
   iv. Improvement Loans
   v. Extension Loans, and
   vi. Home Loans for women

2. ***Other Loans including***

   vii. Lease Rental Financing
   viii. Mortgage Loans
   ix. Non Resident Property Loans, and
   x. Reverse Mortgage Loans

- **Home Loans for purchase or construction**

  DHFL Home Loans are offered to Individuals, Co-operative Societies, Corporate bodies and Associations of Persons. The home loan seeker can avail loans upto Rs.10 million but not exceeding 85% of the cost of the property. The actual loan amount is determined after taking into account factors like repayment capacity, age, educational qualifications, stability and continuity of income, number of dependents, co-applicant's income, assets, liabilities, saving habits etc. The tenure of the loan ranges from 1 to 20 years / the retirement age of 60 years whichever is earlier (65 years for self employed individuals). The size of the EMI depends on the quantum of loan, interest rate applicable and tenure of loan. Our existing retail prime landing rate is 14.50%.

  DHFL has a Regressive Payment Scheme meant for home loan seekers who are due for retirement within the term of the loan and have applied jointly with an eligible younger co-applicant. Prepayment of the loan, ahead of the contracted schedule in part or full, is permitted subject to payment of nominal fees / charges as stipulated by DHFL from time to time.

- **Home Improvement Loan**

  Home Improvement Loans are offered to Individuals for the purpose of renovation and repainting their homes.

Customers can avail these loans upto Rs.10 million but all loans availed not exceeding 85% of the total documented cost of the property. The actual loan amount is determined after taking into account factors like repayment capacity, age, educational qualifications, stability and continuity of income, number of dependents, co-applicant's income, assets, liabilities, saving habits etc. The tenure of the loan ranges from 1 to 10 years. The term however does not extend beyond the retirement age or 60 years whichever is earlier (65 years for the self employed individuals). The size of the EMI depends on the quantum of loan, interest rate applicable and tenure of loan.

- **Home Extension Loan**

  Home Extension Loans are offered to individuals who wish to extend the existing accommodation, say by adding a bedroom, enclosing open balcony, building an extra room on the terrace etc. The customers can avail these loans upto Rs.10 million but not exceeding 85% of the cost of the extension. The actual loan amount is determined after taking into account factors like repayment capacity, age, educational qualifications, stability and continuity of income, number of dependents, co-applicant's income, assets, liabilities, saving habits etc. The tenure of the loan ranges from 1 to 20 years. The term, however, does not extend beyond the retirement age or 60 years whichever is earlier (65 years for the self employed individuals). The size of the EMI depends on the quantum of loan, interest rate applicable and tenure of loan.

- **Home Loan for Women**

  This product has been developed to cater to the large potential segment of working women.

- **NRI Home Loans**

  NRI Home Loans are offered to Non Resident Indians (NRIs) for buying residential properties in India. These loans can be availed for purchase, construction, improvement & extension also. The NRI's can avail these loans upto Rs.10 million but not exceeding the 85% of the cost of property / estimate (for improvement / extension). The actual loan amount is determined after taking into account factors like repayment capacity, age, educational qualifications, stability and continuity of income, number of dependents, co-applicant's income, assets, liabilities, saving habits etc. The tenure of the loan ranges from 1 to 10 years. The term however does not extend beyond the retirement age or 60 years whichever is earlier. The size of EMI depends on the quantum of loan, interest rate applicable and tenure of loan.

- **Mortgage Loans**

  DHFL's Mortgage Loans can be availed by professionally qualified individuals who are salaried or self employed, against the mortgage of their residential property. The loan seekers can avail these loans upto Rs.10 million. The actual loan amount is determined after taking into account factors like repayment capacity, age, educational qualifications, stability and continuity of income, number of dependents, co-applicant's income, assets, liabilities, saving habits etc. The tenure of the loan ranges from 1 to 7 years. This term however does not extend beyond the retirement age or 60 years whichever is earlier. (65 years for self employed individuals).

- **Reverge Mortgage Loans**

  A reverse mortgage is a loan that enables senior home owners, age 60 & older to convert part of their home equity into income without having to sell their home, give up title or make monthly mortgage payment. The loan only becomes due when the last borrower(s) permanently leaves the home.

  Our Reverse Mortgage Product is called Saksham

  Saksham is a unique offering from DHFL for senior citizens of India. This is a reverse mortgage scheme where the customer gets a regular fixed sum of money based on the value of the property that the customer resides in.

  In a reverse mortgage, DHFL pays a fixed sum of money every month (or every quarter, as per the customer’s need). This sum of money supplements the customer’s pension income.

  Advantages of Saksham:

  - Remain Independent
  - Continue to reside in one’s owned accommodation
  - No Monthly mortgage payments
  - Freedom & Flexibility

- **Lease rental Financing**

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

Value Added Services:

For the first time in the history of the Housing Finance in India DHFL introduced a scheme linking housing loan with Quadruplicate Protection Plan which provides added benefits like Natural Calamities Risk Cover, Accident Risk Cover etc., to the extent of the Loan Liability at no extra cost to the borrowers.

Our Company has an arrangement with SBI Life Insurance for providing life insurance cover to those of its borrowers who are interested in such a life cover. We have also successfully launched our **Insurance Services Cell** to leverage on our brand equity and distribution network. By cross – selling various products to its customers, we also retain our present customer base and also generate fee- based income leading to high returns.

BRANCH NETWORK

We have 59 branch offices across India, besides the head office at Mumbai. The branches also organize outreach programmes, which are spread over 71 service centers and 29 camp locations across the country.

RISK MANAGEMENT

Our Company is exposed to various risks that are inherent in the lending business, with the major risks being credit risk, market risk, liquidity risk, legal risks, interest rate risk, and operational risk. Our Company places emphasis on risk management measures to ensure an appropriate balance between risk and return. Our Company has taken steps to implement more robust and comprehensive policies and procedures to identify, measure, monitor and manage risk. Risk management is a board-driven function with the overall responsibility of risk management assigned to the Risk Management Committee of the Board of Directors. At the operational level, risk management is assigned to the Credit Risk Management Committee (CRMC), and the Asset Liability Management Committee (ALCO). Our Company has also established a risk management function and a Credit Monitoring and Administration Department (CMAD). We conduct risk profiling on a quarterly basis for the purpose of self-assessment.

Liquidity risk management

Liquidity risk can be defined as the Asset-Liability mismatch caused due to the difference in the maturities profile of the Assets and Liabilities. Housing Finance Companies (HFCs) in particular are more exposed to this kind of risk in view of the fact that the assets generated by HFCs are of an average tenor of 10-12 years. As against this, the liabilities contracted are of a tenor of 7-10 years. This is more narrowed down in the current market scenario since the lenders are reluctant to take the exposures of longer tenors.

In order to maintain the liquidity ratio at desired levels, it is required to generate the short-term assets from the long-term debts. This apart from providing comfort on the liquidity front earns the higher spread for the Company and helps in mitigating the interest rate risks.

The Asset Liability Management Committee (ALCO), which comprises of senior management, apprises the Board periodically on ALM issues.

Our Company maintains diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Our operations are principally funded by borrowings from Banks, NHB, public deposits and general financing through the domestic debt markets.

Our Company actively monitors its liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of borrowers, while also meeting the requirement of lending groups, and to be able to consider investment opportunities as these arise.

Interest rate risk management

The borrowings of the Housing Finance Companies (HFCs) are largely linked to benchmarks like the Prime Lending Rates (PLRs) and hence the debt of the Company is mainly floating in nature. This exposes the HFCs to the Interest Rate Risk. Consequently, the Interest rates need to be managed in order to mitigate the risk.

As on December 31, 2007, 74% of its assets are floating rate loans and 79% of its liabilities are floating rate borrowings. The business of the Company is impacted by a change in interest rates although the floating rate loans only re-price semi-annually. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing date. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category, would then give an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities.

Our Company prepares interest rate risk reports on a semi-annual basis and reports the same to the NHB on this basis. Our Company follows a prudent policy in respect of managing its assets and a liability so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. Our Company uses interest rate swaps on a limited basis for the purpose of hedging interest rate mismatches.

- **Credit Risk Management**

HFC's face credit risk because of the lack of hard data and historical performance measures with which to assess the real risk. This is typical of developing markets. The credit risk also arises on account of the quality of the mortgage loan portfolio and it is extremely important to control this risk in housing finance industry.

Our Company is in the process of implementing an automated application scoring system of credit appraisal based on customer credit criteria. These criteria vary between loan products and typically include factors such as the applicant's income and certain stability factors such as the employment and dependency details, age and educational status and other financial obligations of the applicant and the loan-to-value ratio. Our Company believes that the introduction of this system will assist DHFL's credit risk management as it will improve the objectivity of the credit appraisals and result in the application of uniform appraisal standards throughout DHFL's offices.

Operational Risk

Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. DHFL attempts to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures, undertaking regular contingency planning and providing employees with continuous training.

INSURANCE

Our Company has taken Health and Personal Accident Policy for our employees and dependants, the details of which are as follows:

Sr No	Insurer	Policy No	Period of Insurance	Property Insured	Sum Insured (Rs. in million)
1	Cholamandalam MS General Insurance Co. Ltd.	HWT-00000768-000-00	September 9, 2007 to September 8, 2008	Group for Employees and Dependants	60.68
2	Cholamandalam MS General Insurance Co. Ltd.	APG-00002403-000-00	July 18, 2007 to July 17, 2008	Group Personal Accident Policy for Employees and Dependants	93.30
3	Cholamandalam MS General Insurance Co. Ltd.	PSP-00036138-000-00	April 01, 2007 to March 21, 2008	Building, fixture furniture and plant and machinery	250.04

FINANCIAL INDEBTEDNESS

Sr. No.	Name of the Lender	Sanction Limits as on 30/12/2007 (Rs. in million)	Outstanding as on 30/12/2007 (Rs. in million)
A)	**Secured Term Loans from Consortium Banks**		
	Allahabad Bank	1,435.00	1,169.59
	Andhra Bank	500.00	365.57
	Bank of Baroda	4,100.00	2,611.90
	Bank of India	4,200.00	2,690.26
	Bank of Maharashtra	1,250.00	927.26
	Canara Bank	850.00	480.00
	Central Bank of India	4,500.00	4,028.55
	Corporation Bank	750.00	606.24
	Dena Bank	1,200.00	924.41
	Development Credit Bank	250.00	93.52
	Federal Bank	250.00	125.89
	IDBI	2,900.00	1,815.00
	Indian Bank	1,000.00	249.98
	Indian Overseas Bank	650.00	310.02
	Oriental Bank of Commerce	1,500.00	1,223.18
	Punjab & Sind Bank	1,250.00	774.39
	Punjab National Bank	2,080.00	1,204.89
	South Indian Bank Limited	730.00	527.53
	State Bank Of Bikaner and Jaipur	250.00	249.99
	State Bank of Hyderabad	350.00	149.91
	State Bank of Travancore	500.00	486.83
	Syndicate Bank	1,050.00	803.97
	UCO Bank	1,850.00	1,584.00
	Union Bank of India	4,395.00	3,602.77
	United Bank Of India	1,500.00	750.00
	Yes Bank	750.00	708.73
	Total (A)	**40,040.00**	**28,353.82**
B)	**National Housing Bank**	3,950.00	3,028.33
	Total (B)	**3,950.00**	**3,028.33**
C)	**Financial Institutions**		
	Asian Development Bank	918.60	857.36
	General Insurance Corporation Ltd.	50.00	25.72
	International Finance Corporation	566.19	323.54
	Life Insurance Corporation Ltd.	150.00	80.00
	National Insurance Company Ltd.	50.00	33.33
	TOTAL (C)	**1,734.79**	**1,319.95**
D)	**NCD**	4,005.00	3,664.00
	Total (D)	**4,005.00**	**3,664.00**
	Grand Total (A+B+C+D)	**49,729.79**	**36,366.09**

Our Company has entered in to a Memorandum of Entry dated December 28, 2007 with all the Lenders, with Union Bank of India as the Lead Bank. The original title deeds of all properties owned by our Company are with Union Bank.

HUMAN RESOURCE

We have experienced Promoters and management whom we rely on to anticipate industry trends and capitalize on new business opportunities that may emerge. We believe that a combination of our reputation in the market, our working environment and competitive compensation programs allow us to attract and retain these talented people. Our Company's HR policy is encapsulated by our belief about **"Getting extra ordinary work out of ordinary people"**. Our Company's HR policies and practices have focused on recruiting and training employees who can empathize and deal with potential and existing borrowers.

The management has also, simultaneously, molded its policies relating to hiring, deployment, transfers, promotion, training, including its performance-linked bonuses, with the clear aim of building a 'cadre-based organization', whose cadre understands the company's customers, their problems, issues and aspirations; and is committed to the cause of providing housing finance for the majority of Indians.

As on December 31, 2007, we have 543 permanent employees as compared to 437 employees as o March 31, 2007.

Particulars	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**	**December 31, 2007**
No. of Permanent Employees	410	416	437	543

Category	**No. of Employees**
Administrative	21
Finance, Account and Auditing	26
Senior Personnel	13
Legal and Secretarial	8
Information Technology	9
Human Resource	5
Others	3
Sub Total (A)	**85**
Branch Personnel	
North, Central and East Zone	87
West Zone	169
South Zone	202
Sub Total (B)	**458**
Grand Total (A) + (B)	**543**

Our Branch comprises of the following personnel:

Branch Manager: He is in overall charge of the branch with emphasis on Business Development. He is responsible for all budgeting activities pertaining to the Branch as well as strategy formulation.

The major functions in a Branch are Credit Appraisal, Accounts, Technical Appraisal, Marketing and Recovery.

Appraisal officer: The primary responsibility of the Appraisal Officer is to ascertain the creditworthiness of a loan application under prevailing company norms. Once the loan application is processed by the Appraisal Officer, it is forwarded for Sanctioning. Depending on the number of Loan Applications being in warded for processing, the Appraisal officer can be assisted by one or two Assistants.

Technical Officer: Once the loan application is processed, the Technical Officer makes Technical visits to the actual site for on-site verification of the details of the property mentioned by the applicant. His primary responsibility is to ensure that the specifications of the property are as per existing company norms. The Technical Officer is usually an engineer, a B.E. (Civil) or having a Diploma in Civil Engineering with at least 2 years experience in Housing Finance.

Accounts Officer: The primary responsibility is to maintain proper books of Accounts in the Branch including payment of EMIs by the customers. Depending upon the number of live files in a Branch the Accounts Officer can be assisted by a Cashier and an Assistant Accountant.

Recovery Officer: The Recovery Officer is primarily responsible for Recovery and Collections from existing customers. His job is to ensure that the existing customers are regular in their payments. The Recovery Officer is usually a Graduate in any discipline with minimum 2 years of experience in Recovery.

Marketing Officer: The Marketing Officer is responsible for marketing activities for new business generation. Usually, a Graduate in a related discipline with a minimum of 2 years of experience in Marketing / Sales Retail Finance Products.

Our success depends on our ability to recruit, train, and retain quality employees and workers. We have a policy to provide the new employees with necessary training and skills required for their successful performance. We conduct regular appraisal of our employees to identify their training needs and career planning. There have been no reported strikes, closures and our Company enjoys excellent industrial relations.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India that are applicable to us. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

1. The National Housing Bank Act, 1987 (the "Act")

The Act was enacted by an act of Parliament in 1987 in order to establish NHB. The primary objective of the Act in setting up NHB was to establish a bank as a principal agency promoting housing finance institutions both at local and regional levels by providing financial support to such institutions and other matters incidental thereto. Under the Act, the supervision, direction and management of NHB have been vested with its Board of Directors to carry on business as listed in the chapter "Business of the National Housing Bank" in the Act. The business includes setting up mutual funds, co-ordination with LIC, Unit trust of India and General Insurance Corporation of India for the promotion of housing finance activities. While the Act permits NHB to borrow money from financial institutions, it lays down restrictions on housing finance institutions receiving deposits from the Public. The Act provides that the Government may make amendments thereto and NHB may be liquidated only by an Order of the Government. The Reserve Bank of India has vide its letter No. DFC (Bom) No.4829/BM(Mh) HF (D) – 1 85-86 dated April 2, 1985 reclassified our Company as a Housing Finance Company as it was then defined in paragraph 2(1)(g) of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977. Our Company has obtained Certificate of Registration being No. 01.0014.01 from National Housing Bank (wholly owned by the Reserve Bank of India) to carry on business of a housing finance institution on July 31, 2001.

2. The Housing Finance Companies (NHB) Directions 2001 (the "NHB" Guidelines)

In order to regulate the housing finance system in India, NHB, in exercise of the powers conferred on it under the Act, issued the NHB Guidelines to HFCs in Notification No. NHB.HFC.DIR.1/CMD/2001.

The objective of the NHB Guidelines is to regulate matters relating to acceptance of deposits by HFCs, prudential guidelines for income recognition, accounting standards, directions to auditors, asset classification, provision for bad and doubtful assets, capital adequacy and concentration of credit / investments to be observed by HFCs and matters to be included in the auditors' report by the auditors of HFCs.

The NHB Guidelines state that no HFC having net owned funds of less than Rs.2.50 million, shall accept deposits. No HFC shall lend against its own shares and any outstanding loan granted by an HFC against its own shares on the date of commencement of the NHB Guidelines shall be recovered by the HFC in accordance with the repayment schedule in the NHB Guidelines. The NHB Guidelines set out provisions relating to prudential guidelines on income recognition, income from investments accounting standards, accounting for investments, asset classifications and concentration on credit / investment.

3. Refinance scheme for housing applicable to HFC, 2003 (the "Scheme")

The objective of the Scheme is to provide refinance assistance to HFCs in respect of their direct lending up to Rs. 10 million to individuals for the purchase, construction, repair and upgrade of housing units.

HFCs to be eligible to draw refinance from NHB should be registered with NHB to carry out housing finance activity. In addition, they should (i) provide long term finance for purchase, construction, repair and upgrading of dwelling units by home-seekers, (ii) invest at least 75% of capital employed by way of long term finance for housing, (iii) have net owned fund of not less than Rs. 100 million, and (iv) its non performing assets should not be more than 5% of net advances. The financial assistance can be drawn by HFCs in respect of loans already advanced by them and also for prospective disbursements. Financial assistance under the Scheme will be provided either at fixed or floating rates of interest. The re finance amount will be repayable within a period of not less than 2 years and not exceeding 15 years by way of 60 equal quarterly installments or less as may be specified by NHB. HFCs will have the option to choose the repayment period as per their requirement and the repayment of principal and payment of interest will be on quarterly basis. HFCs may repay the whole or any part of the amount earlier than the due date by giving 2 months notice to NHB of an intention to effect such repayment before the due date. HFCs should generally obtain a mortgage in respect of the property to be financed as security for the loan advanced by them. Where it is not feasible, HFCs should accept at their discretion security as they may deem appropriate to fully secure the loan with a charge properly created in their favor. The security for refinance from NHB may generally be secured by a charge on the book debts of an HFC. If at any time NHB is of the opinion that the security provided by the HFC has become inadequate to cover the outstanding refinance, it may advice the HFC to provide and furnish to NHB additional security such as a charge on immovable / movable property or the guarantee of Promoter.

4. Capital Adequacy Requirements

The NHB Guidelines require every HFC to maintain a minimum capital ratio of two tiers of Capital. Tier I capital, under the NHB Guidelines is that capital which is derived after deducting from the owned fund, only those investments and deposits which in the aggregate exceed 10% of the owned fund. For the purposes of definition, investments are investments in shares of other HFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance arrangement made to subsidiaries and companies in the same Group and deposits with subsidiaries and companies in the same group. Tier II capital includes preference shares (other than those compulsorily convertible in to equity), revaluation reserves at a discounted rate of 55% and general provisions and loss reserves, hybrid and subordinated debt. For the purposes of definition, only those general provisions and the loss reserves are to be included which are not attributable to the actual diminution in value or identifiable potential loss in any specific asset and are available to meet the unexpected losses to the extent of 1.25% of the risk weighted assets. The aggregate of all these items should not exceed the Tier-I capital.

Under the current NHB Guidelines, the aggregate Tier I and Tier II capital of an HFC shall not be less than 12% of its aggregate risk weighted assets and the risk adjusted value of its off-balance sheet items. However, the total Tier II capital shall not at any time exceed 100% of its Tier I capital.

Under the NHB Guidelines, degrees of credit risk expressed as percentage weightings have been assigned to balance sheet assets. Hence, the value of each asset is multiplied by the relevant risk weight to arrive at its risk adjusted value. The aggregate shall be taken in to account for calculating the minimum capital adequacy ratio of an HFC.

5. The Companies Act, 1956

The Companies Act deals with issue, allotment and transfer of securities and various aspects relating to company management. It provides for standard of disclosure in public issues of capital, particularly in the fields of company management and projects, information about other listed companies under the same management, and management perception of risk factors. It also regulates underwriting, the use of premium and discounts on issues, rights and bonus issues, payment of interest and dividends, supply of annual report and other information.

6. The Securities and Exchange Board of India Act, 1992

The main legislation governing the activities in relation to the securities markets is the Securities and Exchange Board of India Act, 1992 (the "SEBI Act") and the rules, regulations and notifications framed thereunder. The SEBI Act was enacted to provide for the establishment of SEBI whose function is to protect the interests of investors and to promote the development of, and to regulate, the securities market. Pursuant to the SEBI Act, SEBI has formulated various rules and regulations to govern the functions and working of these intermediaries. SEBI also issues various circulars, notifications and guidelines from time to time in accordance with the powers vested with it under the SEBI Act.

7. Securities Contract (Regulation) Act, 1956

The SCRA and the Rules framed thereunder also define securities that can be traded in India and also lay down the terms and conditions for trading in such securities. The SCRA and the Rules also provide for recognition and regulation of stock exchanges in India including the BSE of which the Company is a member.

8. Shops and Establishments legislations in various States

Our Company is governed by the various Shops and Establishments legislations, as applicable, in the states where it has its branch offices. These legislations regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

9. Foreign Exchange Management Act ("FEMA") and the Regulations made thereunder:

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Government of India, the implementation of which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals are required from the RBI for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

10. Act Relating to Recovery of Non Performing Assets:

As a part of the financial sector reforms, the government of India promulgated the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act in 2002 (the "SARFESI"). The SARFESI gives banks and other lenders increased powers in the recovery of the collateral underlying non-performing assets. The SARFESI also provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. These assets are to be sold on a "without recourse" basis only.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors represents the interests of shareholders and is responsible for our general management and approves our strategic and operational plans.

As per our Articles of Association, our Board shall consist of not less than 3 (three) Directors and not more than 17 (seventeen) Directors, of which not less than two thirds of the total number of Directors of our Company shall be persons whose periods of office is liable to determination by retirement of Directors by rotation. We currently have 9 (Nine) Directors. The minimum and maximum number of Directors may be increased or decreased by an ordinary resolution of our Company's shareholders, subject to the provisions of our Company's Articles of Association and the Companies Act.

Board of Directors

The Board of Directors has the ultimate responsibility for the management and administration of our affairs, unless otherwise directed by the Articles of Association, or Indian law.

The following table sets forth the composition of our Board of Directors as of the date of this Preliminary Placement Document.

Sr. No.	Name of the Directors and Address	Age (Years)	Date of Appointment	Qualification	Designation
1	**Mr. Rakesh Kumar Wadhawan** 22/23 Sea View Palace, Pali Hill, Bandra (West) Mumbai - 400 050	55	April 14, 1984	B. Com., D.B.M.	Chairman
2	**Mr. Kapil Wadhawan** 22/23 Sea View Palace Pali Hill, Bandra (West) Mumbai - 400 050	34	September 24, 1996	M.B.A.	Vice Chairman & Managing Director
3	**Mr. Sarang Wadhawan** 22/23 Sea View Palace Pali Hill, Bandra (West) Mumbai - 400 050	31	October 4, 2000	M.B.A.	Non Executive Director
4	**Mr. R.P. Khosla** 20A Palam Marg, Vasant Vihar, New Delhi – 110 057	77	August 18, 1993	IAS (Retd.)	Non Executive, Independent Director
5	**Mr. Waryam Singh** 1401-02Stellar Tower Lokhandwala Complex Andheri (West) Mumbai 400 053	57	March 31, 1997	B.Com.	Non Executive, Independent Director
6	**Mr. G.P. Kohli** 1403-04 Dheeraj Enclave, Off. Western Express High, Borivali (West), Mumbai – 400 066	67	August 18, 1993	M.A.	Non Executive, Independent Director

7	**Mr. Ashok Kumar Gupta** 401,DheerajDhan, St. Alexiuos Road, Bandra (West), Mumbai - 400050	57	October 25, 2002	F.C.A, L.L.B.	Non Executive, Independent Director
8	**Mr. R.S Hugar** "Pitambar", Kalyan Nagar, 10 Cross University Road, Dharwad – 580 007	67	July 30, 2002	M.A. Econometrics	Non Executive, Independent Director
9	**Mr. Antonio Hambro** Caledonia Investment PLC, Cayzer House, 30 Buckingham Gate, London SWIE NN	60	October 22, 2007	B.A. (Economics and Law), M.B.A	Independent, Nominee Director of Caledonia Investment PLC
10	**Ajay Vazirani** Ali Chambers, Ground Floor, Homi Modi 2nd Cross Lane, Fort, Mumbai – 400 023	36	January 4, 2008	BA. LLB	Independent, Additional Director

The following are brief biographies of our Directors:

1. **Mr. Rakesh Kumar Wadhawan** is our Promoter, Chairman and Non-Executive Director on our Board. He is a commerce graduate and holds a diploma in business management. He has over thirty years of experience in the industry of housing finance. He has been associated with our Company since its inception and has been instrumental in the promotion of Dewan Housing Finance Corporation Limited.

2. **Mr. Kapil Wadhwan** is the Vice-Chairman and Managing Director of our Company. He is a commerce graduate from University of Mumbai and holds an M.B.A. degree in finance from the Edith Cowan University, Perth, Australia. Before taking over as the Managing Director, he was the Executive Director on the board of DHFL. He has been associated with us since 1996 and is responsible for the day to day activities of our Company.

3. **Mr. Sarang Wadhawan** is a Non-Executive Director on our Board. He holds an M.B.A degree from Clark University and graduated in 1999. He specializes in the field of corporate finance, investments and derivatives, fixed income securities and technical analysis. He has been associated with our Company since 2000.

4. **Mr. Waryam Singh** is a Non-Executive Director on our Board. He is a commerce graduate from Bombay University. He has over 25 years of experience in the fields of banking and finance, civil construction and land development. He has been associated as the director on the boards of Libra Realtors Private Limited from 1995 to 2004 and Dinshaw Trapinex Builders Private Limited from 1995 to 1997. He has held the position of the chairman of the board of directors of Punjab and Maharashtra Co-operative Bank from 1999 to 2007. He has been associated with our Company since 1997.

5. **Mr. Ashok Kumar Gupta** is a Non-Executive Director on our Board. He is a graduate in commerce and law and is also a chartered accountant. He is a senior partner of Ashok Jayash and Associates, a chartered accountancy firm. He has been associated with our Company since 2002.

6. **Mr. Anthony Hambro** is a Non-Executive Director on our Board and is a nominee of Caledonia Investments PLC. He is an Associate Director of Caledonia Investments PLC, and has been associated with the company since 2002. After a 17 year banking career at Samuel Montagu and Grindlays Bank, in 1984 he set up his own corporate finance consultancy, Anthony Hambro & Co. From 1994 to 2002, he was an executive director of Ockham Holdings PLC a listed insurance business. He is also non-executive director of India Investment

Partners Ltd, Novae Group PLC, Marketform Group Ltd. and on DHFL Venture Capital Pvt. Ltd.,

7. **Mr. R.S Hugar** is the former Chairman & Managing Director of Corporation Bank and has over two decades of experience in banking, finance and treasury operations. He has a Bachelors degree in Economics. He is also a Certified Associate from the Indian Institute of Bankers ("CAIIB"). He has been on the Board of the Company since July 31, 2002.

8. **Mr. G.P. Kohli** is the former Managing Director of Life Insurance Corporation of India (LIC) and has vast experience in insurance, housing, human resource development, information technology and marketing, having worked in different positions with LIC. Mr. Kohli has been on the Board of the Company since May 23, 2001.

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

10. **Ajay Vazirani,** is a Solicitor and a Partner with Hariani & Co., Advocates and Solicitors. He has completed his graduation from Jai Hind College, Mumbai and thereafter completed his law graduation from The Government Law College, Mumbai. He also is credited with substantial experience in real estate, corporate and commercial, deals relating to private placement of equity, and venture capital funding. He also handles matters relating to dispute resolution including court litigation and arbitration. He has been on the Board of the Company since January 4, 2008**.**

Interest of our Directors

As of December 31, 2007, following directors held Equity Shares of our Company.

Name of Director	Number of Equity Shares held as at December 31, 2007
Mr. Rakesh Kumar Wadhawan	5,098,744
Mr. Kapil Wadhawan	5,929,339
Mr. Sarang Wadhawan	1,835,572
Mr. Waryam Singh	103,320
Mr. Ashok Kumar Gupta	300

All the Directors, including the Independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of remuneration or commission and reimbursement of expenses payable to them under the Articles of Association. The Executive Directors will be interested to the extent of remuneration paid to them for services rendered as officers of our Company.

As at December 31, 2007, no loans were granted by our Company to, or guarantees provided to the benefit of, our Company's Directors. There is no pecuniary relationship or transaction of our Company with any Non-Executive Director.

For further details regarding our related party transactions, please refer the disclosures given in section titled "Financial Information" on page 116 of this Preliminary Placement Document.

Remuneration of our Directors

For the year ended March 31, 2007, the remuneration of our Directors is as follows:

(Rs. per annum in million)

Name of Director	Remuneration paid as at March 31, 2007
Mr. Kapil Wadhawan	2.84

Borrowing Power of the Board

Our Company at its Annual General Meeting held on July 23, 2007, passed a resolution authorizing the Board of

Directors pursuant to the provisions of section 293(1)(d) for borrowing any sum of money from time to time from any one or more of the Company's bankers as it may deem requisite for the purpose of the business of the Company notwithstanding that monies to be borrowed together with monies already borrowed (apart from the Company's Bankers in the ordinary course of the business) will exceed in the aggregate of the paid up Capital and free reserves, i.e. to say reserves not set apart for any specific purpose provided however that the total amount upto which money may be borrowed by the Board of Directors of the Company shall not exceed the sum of Rs.100,000 million (Rupees one hundred thousand million only).

Corporate Governance

Our corporate governance policies recognize the accountability of the Board and the importance of the transparency to all our constituents, including employees, customers, investors and the regulatory authorities and of demonstrating that the shareholders are the ultimate beneficiaries of our economic activities.

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

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

Board Committees

Audit Committee

The Audit Committee is constituted in accordance with the requirements under Section 292A of the Companies Act and Clause 49 of the listing agreement with the Stock Exchanges.

The Audit Committee was constituted by our Board of Directors vide their meeting dated on May 17, 2002. The Audit Committee was reconstituted on July 31, 2003.

The Audit Committee members are Mr. R. S. Hugar, Mr. Ashok Kumar Gupta and Mr. G. P Kohli.

The Audit Committee met on three occasions during the period ended December 31, 2007 from April 1, 2007. The duties of the Audit Committee include, among others:

The Audit Committee of the Company is formed primarily to monitor and supervise the Company's financial reporting process and to ensure that the disclosure of the financial information is correct, sufficient and credible in accordance with the provisions of the Listing Agreement and Section 292A of the Companies Act, 1956. In addition to this function, the responsibilities of the Board also include but are not limited to the following functions:

- To oversee the financial reporting process and disclosures of financial information
- To review quarterly/ half yearly and annual financial statements before submission to the Board with special emphasis on accounting policies, compliance of Accounting Standards and other legal requirements relating to financial statements.
- To review the findings of the internal investigation and periodic audit reports.
- To hold discussions with the external auditors about the scope of audit.
- To recommend appointment/removal of statutory auditors and fixing their remuneration.

- To review all issues which are required to be reviewed by the audit committee pursuant to the listing agreement with the stock exchanges and the Companies Act, 1956 with the management and the internal and external auditors.

- To review with the management the financial statements with reference to any related party transactions.

- To review the observations of internal and statutory auditors in relation to all areas of operation of the Company, including internal control systems.

- To examine all taxation matters, including related legal cases and the Company's asset/liability management strategy (ALCO).

- To review the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- To review with the management the financial statements of the Subsidiary Companies.

- To ensure the independence and objectivity of the independent auditor.

- To ascertain the reasons for the defaults in the payment to the depositors, debenture holders, shareholders and creditors.

- Any other terms of reference as may be included from time to time in Clause 49 of Listing Agreement.

Finance Committee

The Finance Committee was constituted by our Directors vide their Board meeting held on October 20, 2000 and was reconstituted on July 31, 2003.

The Committee comprises of Mr Rakesh Kumar Wadhawan, Mr Kapil Wadhawan and Mr G. P. Kohli.

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

- To borrow funds for the purpose of the Company's business in accordance with section 292 of the Companies Act, 1956 but not exceeding the overall limit upto which the Board of Directors of the Company is authorized/to be authorized under section
- 293(1)(d) of the Companies Act, 1956.

- To consider and approve/accept the letters of sanction by the term lending institutions/banks/NHB and other bodies corporate, opening and/or closing of the current accounts/cash credit/overdraft/fixed deposits or other account(s) with any bank and authorize the Directors/officers of the Company for the same.

- To authorize operation of accounts of the Company with its bankers and to vary the existing authorization to operate the same and granting of general /specific power of attorney to the officers at the branches for routine matters and any such matters pertaining to the routine functions.

- To approve the change/s of rates of interest of all loan products and on public deposits or on debentures, debts or any other instruments/ financial products issued by the Company.

- To consider and approve the allotment of any issue of securities by the Company, be it by way of preference shares of all types, public issue of equity shares including Rights Offer, preferential issue of equity shares including firm allotment, employees stock option plan/schemes, bonds, debentures and any other financial instrument of like nature.

- To grant approvals of loans upto Rs 30 crore to any person, firm or body corporate at any time or from time to time subject to the limits prescribed under the Housing Finance Companies (NHB) Directions, 2001, as may be applicable.

During the period ended December 31, 2007 from April 1, 2007, the Finance Committee has met on twelve occasions.

Remuneration and Compensation Committee

The Remuneration and Compensation Committee was constituted by our Directors vide their Board meeting held on October 17, 2003 and was reconstituted on January 27, 2005.

The Committee comprises of Mr R. S. Hugar, Mr R. P. Khosla and Mr G. P. Kohli

The terms of reference of the Committee are:

The terms of reference of the Remuneration and Compensation Committee includes the recommendation of annual remuneration and the periodic increments payable to the Executive Director(s) which is further approved by the Board. The Committee is also empowered to recommend to the Board the appointment/ reappointment of the executive/ non-executive Directors, the induction of Board members into various Committees. The Committee also ensures that the overall remuneration payable to the Directors does not exceed the limits prescribed by the Companies Act, 1956 and is within the limits approved by the shareholders. The Remuneration Committee was renamed as 'Remuneration and Compensation Committee' with effect from May 15, 2006 in accordance with the SEBI (Employee Stock Option Scheme) Guidelines and was entrusted with the following additional responsibilities:

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

During the period ended December 31, 2007 from April 1, 2007, the Remuneration Committee has met once.

Investors/ Shareholders' Grievance Committee

The Investors/ Shareholders' Grievance Committee was constituted by our Directors vide their Board meeting held on January 24, 2002 and was reconstituted on July 31, 2003.

The Committee comprises of Mr Waryam Singh and Mr Kapil Wadhawan.

The terms of reference of the Committee are:

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

During the period ended December 31, 2007 from April 1, 2007, three meetings of the Shareholders' Grievance Committee has been held.

Policy on disclosures and internal procedure for prevention of insider trading

In compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1997, as amended till date on Prohibition of Insider Trading, the Company has a comprehensive code of conduct and the same is being strictly adhered to by its management, staff and relevant business associates. The code expressly lays down the guidelines and the procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them on the consequences on non compliance thereof. The Company follows quiet periods (closure of trading window) prior to the publication of price sensitive information. During the period, the Company has set up a mechanism where the management and relevant staff and business associates of the Company are informed about the same and are advised not to deal in Company's securities.

Senior Management

In addition to our Board of Directors as set forth above, the following are members of our senior management. All members of our senior management are our employees on a full time basis.

Name	Designation	Age (in years)
Mr. Bikrum Sen	Chief Executive Officer	53
Mr. Rajeev Sathe	Chief Operating Officer	51
Mr. Prashant Chaturvedi	Head Finance and Resources	33
Mr. S. Y. Sankhe	Company Secretary	54
Mr. J. N. Shah		

The following are brief biographies of our senior management:

Mr. Bikrum Sen is a Fellow of the Sloan Foundation, and a founder member of the Worldwide Association of Financial Engineers. Mr. Sen did his graduation in English literature, post graduation in Law and completed his Sloan fellowship program from the London Business School specializing in international investments and risk management. He has close to 3 decades of experience in the field of Investment Banking Finance, having worked in senior positions in London, Paris, New York and Tokyo. As the head of treasury of American Express Bank in Mumbai and CEO of Indian Capital Corp, a specialized fixed income and derivatives house, he launched three new debt products/concepts in the Indian debt market, including MIBOR-linked, RUF (revolving underwriting facility), and securitization of lease rentals.

Mr. Rajeev Sathe is a senior banker with about three decades of diverse managerial experience in banking operations with the State Bank of India. He is an engineer and post graduate in bank management (NIBM), with a dissertation on applying IT for control of priority sector advances. In India he has handled a wide gamut of credit in rural and semi urban areas, retail banking, SSI and large corporates. Internationally he has managed trade finance, operations and IT in USA. He has developed and marketed financial and IT based banking products and h as driven initiatives like six sigma in banking operations and provided management consultancy services for quality and productivity improvements in the manufacturing industry

Mr. Prashant Chaturvedi is a Chartered Accountant and a Company Secretary. He is the Head (Finance and Resources) of our Company. His responsibilities in our Company include ensuring availability of funds at competitive rates from capital markets, multilateral agencies and banking systems, ensuring the private placement of our Equity Shares and treasury management.

Mr. S. Y. Sankhe has completed his M.Com. from Pune University, his LL.B from Bombay University, C.A.I.I.B under the Indian Institute of Bankers, Bumbay and his A.C.I.S from the Institute of Chartered Secretaries, U.K. Mr. Sankhe is also a qualified F.C.S. (Fellow member of Institute of Company Secretaries of India, New Delhi). He has been associated with the Union Bank of India from 1975 to 1983, with Orkay Industries Limited as the General Manager, Finance and Company Secretary from 1983 to 1998 and with KFA Corporation Limited as the General Manager, Finance and Company Secretary from 1998 to 2003.

Mr. J. N. Shah is a B. Com., F.C.A., is the General Manager (Accounts & Taxation) and reports to the VC & MD on accounts and taxation related issues. Prior to joining our Company in February 1993, Mr. Shah has worked with Purity Textiles Pvt. Ltd. as Manager (Accounts & Finance), P. J. Pipes and Vessels Pvt. Ltd as Manager (Accounts and Banking), Govind Rubber Ltd. in the position of Chief Accountant, and Bedrock Limited as Accounts Officer.

Compensation of our senior management

We have paid an aggregate remuneration and granted benefits to our senior management of Rs.8.6 million in fiscal 2007 and Rs.4.4 million in fiscal 2006. Howeverr, for the fiscal 2006, Mr Rajiv Sathe was not a part of our Company.

Interest of our Senior Management

The total interests of the senior management in our Company's Equity Shares as at December 31, 2007 are set out in the table below:

Name of Senior Management	Number of Equity Shares held
Mr. Bikrum Sen	8,322
Mr. Rajeev Sathe	Nil
Mr. Prashant Chaturvedi	250
Mr. S. Y. Sankhe	Nil
Mr. J. N. Shah	450

Transactions with Senior Management

There have been no transactions during the current or previous fiscal year between our Company and any of its senior management, which, because of their unusual nature or the circumstances in which they have been entered into, are or should be required to be disclosed in our Company's accounts or approved by its shareholders and there are no such transactions during an earlier fiscal year which remain in any respect outstanding or unperformed.

Employee Stock Option Schemes

As at date of this Preliminary Placement Document, our Company has no existing Employee Stock Option or Purchase Scheme in place.

ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

Our Company was originally incorporated as "Dewan Housing Finance & Leasing Company Ltd." on April 11, 1984 under the Companies Act, 1956. The name of our Company was subsequently changed to "Dewan Housing Development Finance Ltd." on the September 26, 1984 and later to "Dewan Housing Finance Corporation Ltd." on August 25, 1992.

Our Registered office is located at Warden House, Sir P M Road, Fort, Mumbai - 400 001, India.

Our Corporate office is located at Dheeraj Arma, 6th Floor, Anant Kanekar Marg, Bandra (East), Mumbai – 400 051, India.

Our Company made an initial public offering of its Equity Shares in 1985 and is currently listed on both BSE and the NSE. The Promoters and the Promoter Group have an aggregate 53.94 % shareholding in our Company.

Capital Structure as at date of this Preliminary Placement Document

(Rs. in million)

Authorized Share Capital	
150,000,000 Equity Shares of Rs.10 each	1,500.00
7,500,000 Preference Shares of Rs.25 each	187.50
81,250,000 Preference Shares of Rs.10 each	812.50
Total	**2,500.00**
Issued Share Capital	
61,213,944 Equity Shares of Rs.10 each	612.14
7,000,000 Redeemable 1% Non-convertible Preference Shares of Rs.10 each	70.00
Subscribed and Paid-up Share Capital	
60,522,975 Equity Shares of Rs.10 each	605.23
7,000,000 Redeemable 1% Non-convertible Preference Shares of Rs.10 each	70.00
Share Premium Account	[•]

Principal Shareholders:

The following table contains shareholding information as of December 31, 2007.

Category	Number of shareholders	Number of Equity Shares	Percentage (%)
Promoter/ Promoter Group	10	32,643,889	53.94
Non-Promoters			
Mutual Funds/ UTI	4	24,879	0.04
Financial Institutions/Banks	2	1,059	0.00
FIIs	9	4,722,294	7.80
Sub-total	**15**	**4,748,232**	**7.84**
Others			
Private Corporate Bodies	577	10,399,727	17.18
Individuals & Clearing Members	15,592	12,688,311	20.97
NRIs	93	42,816	0.07
Sub-total	**16,262**	**23,130,854**	**38.22**
Grand Total	**16,287**	**60,522,975**	**100.00**

The shareholding pattern of persons belonging to the category of "Promoters and Promoter Group" as at December 31, 2007 has been set out in the table below:

Sr. No.	Name of the Shareholder	Number of shares	Percentage (%)
	Mr. Kapil Wadhawan	5,929,339	9.80

	Mr. Dheeraj Wadhawan	5,302,250	8.76
	Mr. Rakesh Kumar Wadhawan	5,098,744	8.42
	Ms. Aruna Wadhawan	4,932,737	8.15
	M/s. Wadhawan Holding Private Limited	3,376,768	5.58
	Ms. Damyanti Wadhawan	2,340,769	3.87
	Mr. Sarang Wadhawan	1,835,572	3.03
	Ms. Malti Wadhawan	1,827,710	3.02
	Ms. Anu S Wadhwan	1,000,000	1.65
	Ms. Pooja Wadhawan	1,000,000	1.65

The shareholding pattern as at December 31, 2007, of persons belonging to the category "Public" and who are holding more than 1% of the total number of our Company's issued and paid-up share capital has been set out in the table below:

Sr. No.	Name of shareholder	Number of Equity Shares	Percentage holding (%)
1.	Caledonia Investments PLC (FDI)	7,065,456	11.67
2.	Hemisphere Infrastructure India Private Limited	2,300,000	3.80
3.	Sapphire Land Development Private Limited	1,952,425	3.23
4.	Galaxy Infraprojects and Developers Private Limited	1,933,596	3.19
5.	Caledonia Investments PLC	1,732,782	2.86
6.	Citigroup Global Markets Mauritius Private Limited	1,422,166	2.35
7.	Awas Developers and Constructors Private Limited	1,320,000	2.18
8.	Swiss Finance Corporation (Mauritius) Limited	825,405	1.36
	Total	**18,551,830**	**30.64**

OVERVIEW OF OUR SUBSIDIARY

DHFL Vysya Housing Finance Limited

DHFL Vysya Housing Finance Limited ("DVHFL") was incorporated as Vysya Bank Housing Finance Limited under the Companies Act on November 26, 1990. Its registered office is located at S 401, Brigade Plaza, Ananda Rao Circle, S.C. Road, Bangalore - 560 009, India. On July 2, 2003, DHFL and its Promoters acquired 91.21% shareholding in it. Subsequent to the acquisition, its name was changed to DVHFL on October 15, 2003. DVHFL is engaged in the business of providing housing finance and is a housing finance company registered with NHB.

Shareholding pattern

The shareholding pattern of DVHFL as of December 31, 2007 is as follows:

Name of the Shareholder	Number of Shares	% of Shareholding
Individual Promoters – Wadhawan Family	2,356,791	33.28%
Corporate Promoter – DHFL	4,120,989	58.20%
Total Promoters Holdings	**6,477,780**	**91.48%**
Banks	465,000	6.57%
Bodies Corporate	37,000	0.52%
Trust and Charitable Institutions	5,000	0.07%
Resident Individuals	95,925	1.35%
Grand Total	**7,080,705**	**100.00%**

Board of Directors

The Board of Directors of DVHFL as of December 31, 2007 are as follows:

1. Mr. Kapil Wadhawan - Chairman
2. Mr. Sarang Wadhawan -
3. Mr. R. S. Hugar -
4. Mr. N. Nambirajan – Managing Director
5. Mr. Bikram Sen
6. Mr. Ashok Kumar Gupta

Financial Information

(Figures in million except per share data)

Particulars	For the year ending March 31, 2005	2006	2007
Paid up Equity Share Capital	70.81	70.81	70.81
Reserve and surplus (excluding Revaluation Reserve)	294.2	317.8	350.18
Income from Operations	178.08	194.42	254.64
Profit/ (loss) after tax	44.39	46.87	55.03
Earning per share (EPS) Rs.	6.3	6.62	7.77
Net assets value (NAV) Rs.	51.55	54.88	59.46

Associate Companies

1. Housing Development & Infrastructure Limited

Housing Development & Infrastructure Limited ("HDIL") was incorporated under the Companies Act, 1956 on July 25, 1996. Its registered office is at 9/01, Dheeraj Arma, Anant Kanekar Marg, Bandra (East) Mumbai 400051. HDIL is engaged in the business of construction activities. HDIL is listed on BSE and the NSE.

Financial Performance

(Rs. in million)

Particulars	For the year ending March 31, 2005	2006	2007
Paid up Equity Share Capital	100.00	500.00	1,800.00
Reserve and surplus (excluding Revaluation Reserve)	610.79	1,349.99	5,468.30
Sales and other income	1,875.85	6,383.81	19,557.60
Profit/ (loss) after tax	145.79	1,139.20	5,418.31
Earning per share (EPS) Rs.	2.75	6.33	30.10
Net assets value (NAV) Rs.	13.42	10.24	40.31

Wadhawan Food Retail Private Limited ("WFRPL")

Wadhawan Food Retail Private Limited ("WFRPL") was originally incorporated as Wadhawan Super Markets (India) Private Limited under the Companies Act on August 17, 2005. Its name was changed to its present name on November 8, 2005. Its registered office is at Madhava C-4, E Block, Bandra Kurla Complex, Bandra (East) Mumbai - 400 051. Wadhawan Food Retail Private Limited is engaged in the business of retail activities. Currently, this Company has 100 outlets under the brand name "Spinach".

Shareholding pattern

The shareholding pattern of WFRPL as of December 31, 2007 is as follows:

Name of the Shareholder	Number of Shares	% of Shareholding
Wadhawan Retail Ventures Private Limited	4,200,000	16.80
Wadhawan Holding Private Limited	3,700,000	14.80
Wadhawan Realtors Private Limited	3,390,000	13.56
Wadhawan Consolidated Holding Private Limited	4,300,000	17.20
Dewan Housing Finance Corporation Ltd	4,975,000	19.90
Wadhawan Hospitality & Investments Pvt. Ltd.	2,025,000	8.10
Mr. Rakesh Kumar Wadhawan	500,000	2.00
Mr. Dheeraj Wadhawan	500,000	2.00
Ms. Aruna Wadhawan	505,000	2.02
Ms. Malti Wadhawan	205,000	0.82
Mr. Sarang Wadhawan	200,000	0.80
Mr. Kapil Wadhawan	500,000	2.00
Grand Total	**10,000,000**	**100.00**

Financial Information

(Figures in Rs. million except share data)

Particulars	For the year ended march 31, 2006	2007
Paid up Equity Share Capital	100.00	100.00
Reserve and surplus (excluding Revaluation Reserve)	(3.53)	(49.45)
Sales and other income	11.69	468.36
Profit/ (Loss) After Tax	(3.36)	(45.97)
Earning Per Share (EPS) Rs.	(12.58)	(4.60)
Net assets value (NAV) per equity Share (Rs.)	9.65	5.06

PLACEMENT PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and prospective investors are assumed to have appraised themselves of the same from the Company or the Lead Manager and Sole Book-Runner. Prospective investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.

Qualified Institutions Placements

The Issue is being made in reliance upon the SEBI Guidelines through the mechanism of Qualified Institutions Placements, pursuant to which an Indian listed company may issue and allot Equity Shares, fully convertible debentures, partly convertible debentures or any other security (excluding warrants) on a private placement basis to QIBs as defined in clause 2.2.2B (v) of the SEBI (DIP) Guidelines and below.

The Company has applied for and received the approval of the Indian Stock Exchanges under Clause 24(a) of the listing agreements. The Company has also filed a draft of this Placement Document with the Indian Stock Exchanges.

Issue Procedure

1. The Company and the Lead Manager and Sole Book-Runner shall circulate the Placement Document either in electronic form or physical form to not more than 49 QIBs.

2. The Lead Manager and Sole Book-Runner shall deliver to such QIBs a Bid cum Application form (each, a "Bid cum Application Form"). The list of QIBs to whom the Bid cum Application Form is delivered shall be determined by the Lead Manager and Sole Book-Runner at their sole discretion. Unless this Placement Document and Bid cum Application Form is pre-numbered serially and addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.

3. QIBs may submit their bids/applications through the Bid cum Application Form during the bidding period to the Lead Manager and Sole Book-Runner.

4. QIBs would have to indicate the following in the Bid cum Application Form:

    a. the full official name of the QIB;

    b. the number of Equity Shares bid for;

    c. the price at which they are willing to apply for the Equity Shares, provided that QIBs may also indicate that they are willing to submit a bid at "Cut-off Price" which shall be any price as may be determined by the Company in consultation with the Lead Manager and Sole Book-Runner at or above the minimum price calculated in accordance with clause 13A.3 of the SEBI Guidelines ("the Floor Price") (being, in the case of the Company, Rs.209.48); and

    d. the details of the dematerialized account(s) to which the Equity Shares should be credited.

Note: Each sub-account of an FII will be considered as an individual QIB and separate Bid cum Application Form would be required from each sub-account for submitting bids.

5. Based on the Bid cum Application Forms received from the QIBs who have received a serially numbered copy of this Placement Document either in electronic form or physical form, the Company shall decide: (i) the price at which the Equity Shares will be offered (the "Offer Price"), which shall be at or above the Floor Price; and (ii) the number of Equity Shares to be issued, in each case, in consultation with the Lead Manager and Sole Book-Runner. The Company shall notify the Indian Stock Exchanges of the Offer Price. On determination of the Offer Price, each QIB to whom an allocation shall be made shall be sent Confirmation of Allocation Note (each, a "CAN"). Each CAN shall contain details of the number of Equity Shares allocated to the QIB, the details of the amounts payable by the QIB for the allocation of Equity Shares in its name and the date applicable to the respective QIB on which payment of the application monies is required to be made in respect of the Equity Shares. The decision of the

Company and the Lead Manager and Sole Book-Runner in this regard shall be at their sole and absolute discretion.

6. After the receipt of the Bid cum Application Forms, the bid Closing Date shall be notified to the Indian Stock Exchanges and the QIBs shall be deemed to have been given notice of the same. Upon receipt of the application monies from the QIBs, the Company shall issue and allot the Equity Shares to those QIBs as per the details provided for in their respective CANs. The Company shall intimate to the Indian Stock Exchanges the details of such allocation.

7. After receipt of the in-principle approval of the Indian Stock Exchanges, the Company shall credit the Equity Shares into the depository participant accounts of the QIBs.

8. The Company shall then apply for the final trading and listing permissions from the Indian Stock Exchanges.

9. The Equity Shares that have been so allotted and credited to the depository participant accounts of the QIBs shall be eligible for trading on the Indian Stock Exchanges only upon the receipt of final trading and listing approvals from the Indian Stock Exchanges.

10. The Indian Stock Exchanges shall notify the final trading and listing permissions, which are ordinarily available on their websites, and the Company shall communicate the receipt of the final trading and listing permissions from the Indian Stock Exchanges to those QIBs to whom the Equity Shares have been allotted. The Company shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Indian Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Indian Stock Exchanges or the Company.

Qualified Institutional Buyers

Only QIBs as defined in clause 2.2.2B(v) of the SEBI (DIP) Guidelines are eligible to invest. Currently these include:

- public financial institutions as defined in section 4A of the Companies Act, 1956;
- scheduled commercial banks;
- mutual funds registered with the SEBI ("Mutual Funds");
- FIIs;
- multilateral and bilateral development financial institutions;
- venture capital funds registered with the SEBI;
- foreign venture capital investors registered with the SEBI;
- state industrial development corporations;
- insurance companies registered with Insurance Regulatory and Development Authority, India;
- provident funds with minimum corpus of Rs.250 million; and
- pension funds with minimum corpus of Rs.250 million.

FIIs are permitted to participate in the Issue through the portfolio investment scheme. FIIs are permitted to participate in the Issue, subject to compliance with all applicable laws and such that the shareholding of the FIIs does not exceed the specified limits in this regard. The Company and the Lead Manager and Sole Book-Runner are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the draft of the Placement Document is filed with the Indian Stock Exchanges. QIBs are advised to make their own independent investigations and satisfy themselves that they are eligible to bid. QIBs are advised to ensure that any single bid from them does not exceed the investment limits or maximum number of Equity Equity Shares that may be held by them under applicable laws or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that any requisite compliances pursuant to this

allotment such as public disclosures under applicable laws are complied with. QIBs are advised to consult their advisers in this regard. Further, QIBs are required to satisfy themselves that their bids would not eventually result in triggering a tender offer under the Takeover Code.

Note: Affiliates or associates of the Lead Manager and Sole Book-Runner who are QIBs may participate in the Issue in compliance with applicable laws.

Application and Bidding

Bid cum Application Form

QIBs shall only use the serially numbered Bid cum Application Form supplied by the Lead Manager and Sole Book-Runner in either electronic form or by physical delivery for the purpose of making a bid in accordance with the terms of this Placement Document.

By making a bid for Equity Equity Shares pursuant to the terms of this Placement Document, each QIB will be deemed to have given the following representations and warranties and to have agreed to comply with the provisions set out under "Placement — Selling Restrictions", namely:

a. the QIB confirms that it is a Qualified Institutional Buyer in terms of Clause 2.2.2B(v) and is eligible to participate in the Issue;

b. the QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Company, no veto rights or right to appoint any nominee director on the Board of the Company other than that acquired in the capacity of a lender;

c. the QIB has no right to withdraw its bid after the Bid Closing Date;

d. the QIB confirms that if allotted Equity Equity Shares pursuant to this Placement Document, it shall, for a period of one year from allotment, sell the Equity Equity Shares so acquired only on the floor of the Indian Stock Exchanges;

e. the QIB confirms that the QIB is eligible to bid and hold Equity Equity Shares so allotted and together with any Equity Shares held by the QIB prior to the Offering and the QIB further confirms that the holdings of the QIB, do not, and shall not, exceed the level permissible as per any regulations applicable to the QIB;

f. the QIB confirms that the bid would not eventually result in triggering an open offer under the Takeover Code; and

g. the QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the allotment to the QIB shall not exceed 50 per cent of the aggregate amount of the Issue.

For the purposes of this statement:

(i) the expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

(ii) "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.

Submission of Bid cum Application Form

All Bid cum Application Forms shall be duly completed including price and the number of Equity Shares bid. All Bid cum Application Forms duly completed along with copy of the PAN card shall be submitted to the Lead Manager and Sole Book-Runner. The Bid cum Application Form shall be submitted within the Bidding Period to the Lead Manager and Sole Book-Runner either in electronic form or through physical delivery at the following address:

Name:	**Motilal Oswal Investment Advisors Private Limited**
Address:	113/114, 11th Floor, Bajaj Bhawan, Nariman Point, Mumbai - 400 021
Contact Person:	Mr. R. Anand / Mr. Nitin Gera
Contact No:	+91-22-3980 4380
Fax No:	+91-22-3980 4315
Email:	dhfl@motilaloswal.com

The Lead Manager and Sole Book-Runner shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Build-up of the Book

The QIBs shall submit their bids through the Bid cum Application Forms within the Bidding Period to the Lead Manager and Sole Book-Runner who shall maintain the Book. The Lead Manager and Sole Book-Runner shall not be required to provide any written acknowledgement to the Investors.

Price Discovery and Allocation

The Company, in consultation with the Lead Manager and Sole Book-Runner, shall finalize the Offer Price which shall be at or above the Floor Price.

Method of Allocation

The Company shall determine the allocation in consultation with the Lead Manager and Sole Book-Runner in compliance with Chapter XIII-A of the SEBI (DIP) Guidelines. Bids received from QIBs at or above the Offer Price shall be grouped together to determine the total demand. Any allocation to all such QIBs will be made at the Offer Price. Allocation shall be decided by the Company in consultation with the Lead Manager and Sole Book-Runner on a discretionary basis for a maximum of 49 investors.

Allocation to Mutual Funds for up to a minimum of 10 per cent of the aggregate amount of the Issue shall be undertaken subject to valid bids being received at or above the Offer Price.

THE DECISION OF THE COMPANY AND THE LEAD MANAGER AND SOLE BOOK-RUNNER IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION, EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE OFFER PRICE. NEITHER THE COMPANY NOR THE LEAD MANAGER AND SOLE BOOK-RUNNER ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of Equity Shares shall not be less than:

- two, where the issue size is less than or equal to Rs.2.5 billion; or
- five, where the issue size is greater than Rs.2.5 billion,

provided that no single allottee shall be allotted more than 50 per cent of the aggregate amount of the Issue.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this paragraph.

THE DECISION OF THE COMPANY AND THE LEAD MANAGER AND SOLE BOOK-RUNNER IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL QIBS.

The maximum number of allottees of Equity Shares shall not be greater than 49 allottees.

CAN

Based on the Bid cum Application Forms received, the Company and the Lead Manager and Sole Book-Runner will decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them and the details of the amounts payable for allotment of the same in their respective names shall be notified to such Investors. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date ("Designated Date"), being the date of credit of the Equity Shares to the investor's account, as applicable to the respective QIBs. The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN. The dispatch of the serially numbered Placement Document and the CAN by the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Lead Manager and Sole Book-Runner and to pay the entire Offer Price for all the Equity Shares allocated to such QIB.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, SUB-ACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Each scheme or fund of a mutual fund will have to submit separate Bid cum Application Forms. Demographic details like address, bank account etc. will be obtained from the Depositories in accordance with the dematerialised account details given above. By submitting the Bid cum Application Form, the QIB will be deemed to have made the representations and warranties as specified under the section, "Notice to Investors" and further that such QIB shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Indian Stock Exchanges.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

Bank Account for Payment of Application Money

The Company has opened a special bank account (the "Account") with [●], in terms of the arrangement between the Company and the Bank. Each QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the CAN. If the payment is not made in favor of the Account within the time stipulated in the CAN, the CAN of the concerned QIBs is liable to be cancelled. In the case of cancellations or default by the QIBs, the Company and the Lead Manager and Sole Book-Runner have the right to reallocate the Equity Shares at the Offer Price among existing or new QIBs at their sole and absolute discretion.

Payment Instructions

The payment of the application money shall be made by the QIBs in the name of "[●] QIP Account" as per the payment instructions provided in the CAN. QIBs may make payment through cheques or electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected. Payment through cheques should only be through high value cheques payable at Mumbai.

Designated Date and Allotment of Equity Shares

a. The Equity Shares will not be allotted unless the QIBs pay the Offer Price to the Account as stated above.

b. In accordance with the SEBI (DIP) Guidelines, Equity Shares will be issued and allotment shall be made only in dematerialized form to QIBs. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act, 1996.

c. The Company reserves the right to cancel the Issue at any time up to allotment without assigning any reasons whatsoever.

d. Post allotment and credit of Equity Shares into the QIBs' depositories accounts, the Company will apply for trading/listing approvals from the Indian Stock Exchanges.

e. The Payment Collection Bank shall not release the monies lying to the credit of the Account to the Company until such time that the Company delivers to the Payment Collection Bank the approval of the Indian Stock Exchanges for the final listing and trading of the Equity Shares offered in this Issue.

f. In the unlikely event of any delay in the allotment or credit of the Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty will be payable by the Company.

Submissions to the SEBI

The Company shall submit this Placement Document to the SEBI within 30 days of the date of allotment for record purposes.

Other Instructions

Permanent Account Number

The copy of the PAN cards or PAN allotment letter is required to be submitted along with the payment for the Equity Shares allocated to the QIBs through the CAN. Without this information, the CAN will be liable to be cancelled. It is to be specifically noted that the applicant should not submit the GIR number or any other identification number instead of the PAN as the bids are liable to be rejected on this ground.

Company's Right to Reject Bids

The Company in consultation with the Lead Manager and Sole Book-Runner may reject bids, in part or in full, without assigning any reasons whatsoever. The decisions of the Company and the Lead Manager and Sole Book-Runner in relation to a bid shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares pursuant to the Issue shall be only in a dematerialized form (i.e., not in the form of physical certificates but to be fungible and to be represented by the statement issued electronically).

a. A QIB applying for Equity Shares must have at least one beneficiary account with either of the depository participants of either NSDL or CDSL prior to making the bid.

b. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the depository participant) of the QIB.

c. Equity Shares in electronic form can be traded only on those stock exchanges which have electronic connectivity with NSDL and CDSL. All the stock exchanges where the Company's Equity Shares are proposed to be listed have electronic connectivity with NSDL and CDSL.

d. The trading of the Equity Shares of the Company will be in dematerialized form only for all QIBs in the dematerialized segment of the respective exchanges.

a) The Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Bid cum Application Form on part of the QIBs.

PLACEMENT

Placement Arrangement

On February 5, 2008, the Lead Manager entered into a Memorandum of Understanding with our Company, (the "MOU"), pursuant to which the Lead Manager has agreed to use their best efforts to place up to such number of the Equity Shares, the aggregate subscription amount of which shall be the Rupee equivalent of up to 2,000 million, to QIBs, pursuant to Chapter XIII-A of the SEBI Guidelines, outside the United States, in reliance on Regulation S under the United States Securities Act of 1933, as amended.

The MOU provides that the obligations of the investors to pay for and accept delivery of our Equity Shares offered by this Preliminary Placement Document is subject to the approval of certain legal matters by the counsels to the BRLM and to other conditions. The MOU also provides that our Company will indemnify the BRLM against certain liabilities.

Applications shall be made to list the Equity Shares and admit them to trading on the Indian Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares. See "Risk Factors".

The Preliminary Placement Document or the Final Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and that, with the exception of QIBs, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs.

In connection with the Issue, the Lead Manager (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Lead Manager may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Lead Manager may purchase Equity Shares and be allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes (see "P-Notes").

The Lead Manager and other affiliates have performed investment banking and advisory services for our Company from time to time for which they have received customary fees and expenses. The Lead Manager and other affiliates may, from time to time, engage in transactions with and perform services for our Company in the ordinary course of their business for which they may receive customary compensation.

Lock-up

Our Company has agreed that it will not, for a period of 180 days from the date of the Placement Document, without the prior written consent of the Lead manager and Sole Lead Manager and Sole Book-Runner, directly or indirectly, (a) offer, issue, contract to issue, grant any option, right or warrant for the issuance and allotment, or otherwise dispose of or transfer, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to, any Equity Shares or securities convertible into or exchangeable or exercisable for such Equity Shares (including any warrants or other rights to subscribe for any Equity Shares), (b) enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Equity Shares, whether any such aforementioned transaction is to be settled by allotment of any Equity Shares or such other securities, in cash or otherwise, or (c) publicly disclose the intention to make any such offer, issuance and allotment or disposition, or to enter into any such transaction, swap, hedge or other arrangement. Our Promoters and members of the Promoter Group have agreed to not, directly or indirectly, sell his/its existing equity shareholding in our Company to any person for a period of 180 days from the date of allotment of the Equity Shares under this Issue.

SELLING RESTRICTIONS

Certain Distribution and Solicitation Restrictions

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

Australia

This Preliminary Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "Australian Corporations Act"), has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this Preliminary Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Preliminary Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this Preliminary Placement Document.

European Economic Area (Members of the European Union, Iceland, Norway and Liechtenstein)

This Preliminary Placement Document has not been submitted to the national securities regulator of any country in the European Economic Area for approval.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Equity Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Equity Shares to the public in that Relevant Member State at any time:

- at any time, to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- at any time, to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a balance sheet with a total balance of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, (in the case of (2) and (3)) as shown in its last annual or consolidated accounts; or
- at any time, in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression an "offer of Equity Shares" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant

Member State

Subscribers will be required to make certain representations relating to their status which will determine the suitability of the subscriber as a purchaser of the Equity Shares, which will survive the completing the issuance of the Equity Shares.

Hong Kong

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The Equity Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law. No. 25 of 1948 as amended) (the "SEL") and disclosure under the SEL has not been and will not be made with respect to the Equity Shares. No Equity Shares have, directly or indirectly, been offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except (1) pursuant to an exemption from the registration requirements of the SEL and (2) in compliance with any other relevant laws, regulations and governmental guidelines of Japan.

New Zealand

This Preliminary Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the "New Zealand Securities Act"). This Preliminary Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2) (a) (ii) of the New Zealand Securities Act ("Habitual Investors"). By accepting this Preliminary Placement Document, you represent and warrant that if you receive this Preliminary Placement Document in New Zealand you are a Habitual Investor and you will not disclose this Preliminary Placement Document to any person who is not also a Habitual Investor.

Singapore

This Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act 2001 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on the terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

United Arab Emirates

This Preliminary Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the “UAE”). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange.

The Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom

The Lead Manger has represented, warranted and agreed in the Placement Agreement that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) to persons who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or circumstances in which section 21(1) of the FSMA does not apply to the Company; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. The Equity Shares can only be marketed, offered or sold to UAE Government investment organizations and or to UAE financial institutions holding appropriate authorizations from the UAE Central Bank to engage in such activities.

Certain Transfer Restrictions

Resale of Equity Shares by QIBs, except on recognized stock exchanges, are not permitted for a period of one year from the date of allotment, pursuant to Chapter XIII-A of the SEBI Guidelines. Because the following additional restrictions will apply, purchasers of Equity Shares are advised to consult their own legal counsel prior to making any offer, sale, resale, pledge or transfer of the Equity Shares.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE and has not been prepared or independently verified by us or the Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai. The SEBI Act granted the SEBI powers to regulate the business of Indian securities markets, including stock exchanges and other financial intermediaries, promote and monitor self-regulatory organizations, prohibit fraudulent and unfair trade practices and insider trading and regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued guidelines concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeovers of companies, buybacks of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants.

Stock Exchange Regulations

India's stock exchanges are regulated primarily by SEBI, as well as by the Central Government acting through the Ministry of Finance, Stock Exchange Division, under the SCRA and the Securities Contract Regulation Rules 1957 (the "SCRR") which, along with the rules, by-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges, under which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of our obligations under such agreement, subject to our receiving prior notice of such intent of the stock exchange. SEBI has the power to direct the amendment of listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges on their own requires the prior approval of SEBI.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines, 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. A company may be delisted through a voluntary delisting sought by the Promoters of the said company or a compulsory delisting by the stock exchange or due to any acquisition of shares of the said company or scheme of arrangement, or consolidation of holdings by the person in control of management by which the public shareholding falls below the limit specified in the listing conditions or in the listing agreement. A company may voluntarily delist from the stock exchange where its securities are listed provided that an exit opportunity has been given to the investors at an exit price determined in accordance with a specified formula. Such exit opportunity need not be given in cases where securities continue to be listed on a stock exchange having nationwide trading terminals. The procedure for compulsory delisting also requires the company to make an exit offer to the shareholders in accordance with the abovementioned guidelines. The SEBI has the power to amend listing agreements and by-laws of the stock exchanges in India.

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the sensex of BSE or the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place varying individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers. At the discretion of the stock exchanges and under instructions from SEBI, stock exchanges can also impose ad hoc margins for specific stocks in the event of extreme volatility in price movement.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI Guidelines, and be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which, in the case of our Company, is currently the Registrar of Companies, 100, Everest Building, Marine Drive, Mumbai - 400 002. A company's directors and Promoters may be subject to civil and criminal liability for misstatements in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosures by public companies and investor protection which also has to be complied with. Prior to the repeal of certain rules in mid-1992, the Controller of Capital Issues of the Central Government regulated the prices at which companies could issue securities. The SEBI Guidelines now permit companies to price their issues of securities freely.

All companies, including public limited companies, are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders, audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation, which include sections pertaining to corporate governance and the management's discussion and analysis. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements on a quarterly basis, and is required to inform stock exchanges immediately regarding any stock-price-sensitive information.

The Companies Act further allows buyback of securities, issuance of sweat equity shares and mandatory compliance with accounting standards issued by the ICAI.

The Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide sector reporting, to increase their disclosure of Related Party Disclosures from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets.

Indian Stock Exchanges

There are now 23 stock exchanges in India. Most of the stock exchanges have their governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualization as part of a move towards greater investor protection. The BSE and NSE together hold a dominant position among the stock exchanges in terms of number of listed companies, market capitalization and trading activity.

NSE

The NSE serves as a national exchange, providing nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities, including government securities, debentures, public sector bonds and units. The principal aim of the NSE is to enable investors to buy or sell securities from anywhere in India, serving as a national market for securities. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. The NSE does not categorize shares into groups as in the case of BSE, except in respect of the trade to trade category. NSE uses satellite communication technology to energies participation from about 2,737 VSATs from nearly 266 cities spread over the Country. The NSE commenced operations in the wholesale debt market in June 1994, in capital markets in November 1994 and derivatives in June 2000. The average daily traded value in the Future & Options (F&O) market segment was Rs.330.36 billion in March, 2007. In NSE, there were 1,002, 63 and 845 members in the Capital Market, Wholesale Debt market and F & O segments respectively. A total of 12,743 (1,186 corporates, 862 partnership firms and 10,695 individuals) sub brokers were affiliated to 502 trading members of the exchange on March 30, 2007. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. The market capitalization of the trading on the capital market segment was Rs.33673.50 billion on March 31, 2007. With a wide network in major metropolitan cities, screen-based trading, a central monitoring system and greater transparency.

BSE

The BSE, the oldest stock exchange in India, was established in 1875. The BSE switched over to on-line trading from May 1995. As of September 30, 2007, the BSE had 950 members, comprising 178 individual members, 749 Indian companies and 23 foreign institutional investors. Only a member of the BSE has the right to trade in the stocks listed on the BSE. In September 30, 2007, there were 4,871 listed companies trading on the BSE and the market capitalization of stocks trading on the BSE was Rs.52,029.55 billion. The average daily turnover on the BSE was Rs.61.57 billion in September, 2007. BSE has a nation-wide reach with a presence in 417 cities and towns of India. Derivatives trading commenced on the BSE in 2000. The BSE has also wholesale and retail debt trading segments. The retail trading in government securities commenced in January 2003.

Takeover Code

Disclosures and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code, which prescribes certain thresholds or trigger points that give rise to these obligations. The Takeover Code is under constant review by the SEBI and was last amended on May 28, 2007.

The salient features of the Takeover Code are as follows:

Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert) who acquires shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the shares or voting rights in a company is required to disclose the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company's shares are listed at every such stage within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisitions of shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean equity shares or any other security which entitles a person to receive shares with voting rights.

A person who holds more than 15% of the shares or voting rights in any company is required to make an annual disclosure of his holdings to that company within 21 days of the end of each financial year (which in turn is required to disclose the same to each of the stock exchanges on which the company's shares are listed). Further, such person who holds 15% or more but less than 55% of the shares or voting rights in any company is required to disclose any purchase or sale of shares aggregating to 2% or more of the share capital of the company, to the company and to each of the stock exchanges where the shares of the company are listed within two days of (i) the receipt of intimation of allotment of shares or (ii) the annual sale or acquisitions of shares or voting rights, as the case may be.

Promoters or persons in control of a company are also required to make periodic disclosure of their holdings in the same manner as above, annually within 21 days of the end of each financial year as well as from the record date for entitlement of dividend.

An acquirer who, along with persons acting in concert, acquires 15% or more of the shares or voting rights of a company would be required to make a public announcement offering to acquire a further 20% of the shares of the company. Since we are an Indian listed company, the provisions of the Takeover Code will apply to us. However, no acquirer may acquire shares or voting rights through market purchases or preferential allotment which, taken together with the shares held by such acquirer, entitle him to exercise more than 55% of the voting rights in the company. Any acquisition of shares or voting rights in the aforesaid manner beyond 55% is required to be divested within one year in the manner provided in the Takeover Code.

An acquirer who, together with persons acting in concert with him/her, has acquired 15% or more, but less than 55%, of the shares or voting rights in the shares of a company, cannot acquire additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year unless such acquirer makes a public announcement offering to acquire a minimum of another 20% of the shares of the company. Any further acquisition of shares or voting rights by an acquirer who, together with persons acting in concert, holds 55% or more but less that 75% of the shares or voting rights in a company (or, where the company concerned has made the initial listing of its equity shares by making an offer of atleast 10% of its post-issue paid up capital to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of another 20% of the shares or voting rights of that company. However, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement of the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement within the timeframe provided therein.

In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting capital of the company. However, the public announcement requirement will not apply to any change in control which takes place pursuant to a special resolution passed by way of a postal ballot of the shareholders of the company.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are "Frequently" or "Infrequently" traded (as defined in the Takeover Code). Where the shares are Frequently traded, the minimum offer price shall be the highest of:

- the negotiated price under the agreement for the acquisition of shares or voting rights in the company;
- the highest price paid by the acquirer or persons acting in concert with him/her for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement; or
- the average of the weekly high and low of the closing prices of the shares of the company as quoted on the stock exchange where the shares of the company are most frequently traded during the 26 weeks or the average of the daily high and low of the closing prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

The open offer for acquisition of a further minimum of 20% of shares of a company has to be made by way of a public announcement which is to be made within four working days of entering into an agreement for acquisition or deciding to acquire shares or voting rights exceeding the relevant percentages of shareholding in the company and/ or control over the company.

The Takeover Code provides that an acquirer who seeks to acquire any shares or voting rights whereby the public shareholding in the target company may be reduced to a level below the limit specified in the listing agreement with the stock exchange for the purpose of listing on a continuous basis may acquire such shares or voting rights only in accordance with SEBI Delisting Guidelines. Further, the Takeover Code contains penal provisions in case of violation of any provisions.

The Takeover Code permits conditional offers as well as the acquisition and subsequent delisting of all shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been set out. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfill his/her obligations. In addition, the Takeover Code introduces the "chain principle" by which indirect acquisition by virtue of acquisition of companies, whether listed or unlisted, whether in India or abroad of a company listed in India will oblige the acquirer to make a public offer to the shareholders of each such company which is indirectly acquired.

The Takeover Code does not apply, inter alia, to certain specified acquisitions including the acquisition of shares (i) by allotment in a public and rights issue subject to the fulfillment of certain conditions, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of clients, (iv) in unlisted companies, (v) pursuant to a scheme of reconstruction or amalgamation, (vi) pursuant to a scheme under the Sick Industrial Companies (Special Provisions) Act, 1985, (vii) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and their relatives, provided the relevant conditions are complied with, (viii) through inheritance on succession, (ix) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to their respective promoters or to other venture capital undertakings or (x) by companies controlled by the Central or State Government unless such acquisition is made pursuant to a disinvestment process undertaken by the Central Government or a State Government. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the Takeover Panel seeking exemption from the requirements of the Takeover Code.

In addition, the Takeover Code does not apply to the acquisition of global depositary receipts, so long as they are not converted into shares carrying voting rights where the issuer is a public listed company. In order to ensure brevity for floating stocks of listed companies, SEBI has recently notified amendments to the listing agreement. All listed companies are required to ensure that their minimum level of public shareholding remains at or above 25% of the total number of issued shares of a class or kind, for every such class or kind of its shares which are listed. This requirement does not apply to those companies who at the time of the initial public offer of their equity shares had offered at least 10% of its post-issue paid up capital to the public pursuant to Rule 19(2)(b) of the SCRR, nor to companies that have reached a size of 20,000,000 or more in terms of the number of listed shares and Rs.10,000 million or more in terms of market capitalisation. However, such listed companies are required to maintain the minimum level of public shareholding of 10% of the total number of issued ordinary shares of a class or kind for the purposes of the listing. Failure to comply with this clause in the Listing Agreement requires the company to delist its shares pursuant to the terms of the SEBI Delisting Guidelines and may result in penal action being taken against the listed company pursuant to the SEBI Act, 1992.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the ''Depositories Act'') which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialized trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialized trading in specified scripts for all retail investors. SEBI has subsequently significantly increased the number of scripts in which dematerialized trading is compulsory for all investors. However, even in the case of scripts notified for compulsory dematerialized trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants registered with the depositaries established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depositary in our books and this depositary shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depositary. Every person holding equity shares of our Company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives in India is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities", as defined in the SCRA. Trading in derivatives in India takes place wither on an independent derivative exchange or on separate segments of the existing stock exchanges. The derivative exchanges or the derivative segments of the stock exchanges functions as a self-regulatory organisation under the supervision of SEBI. Derivative products were introduced in four phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

Insider Trading

The Insider Trading Regulations prevent insider trading in India by prohibiting an insider from dealing, either on his/her own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The insider is also prohibited from communicating, counseling or procuring any unpublished price-sensitive information while in possession of such information. The prohibition under Regulation 3A also extends to a company dealing, while in the possession of unpublished price-sensitive information, and is not restricted to insiders alone. It is to be noted that recently the SEBI has amended the Insider Trading Regulations to provide certain defenses to the prohibition on insiders in possession of unpublished price-sensitive information dealing in securities.

On a continuing basis under the Insider Trading Regulations, any person who holds more than 5% of the shares or of the voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by him and any change in shareholding or voting rights (even if such change results in the shareholding falling below 5%). If there has been a change in such holdings since the last disclosure made, provided such change exceeds 2% of the total shareholding or voting rights in the company, such disclosure is required to be made within four working days of (i) the receipt of intimation of allotment of the shares or (ii) the acquisition or the sale of the shares or voting rights.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse thereof. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading, which is to be implemented by all listed companies and other such entities.

All directors, officers and substantial shareholders in a listed company are required to make periodic disclosures of their shareholding as specified in the Insider Trading Regulations.

EXCHANGE CONTROLS

Restrictions on Conversion of Indian Rupees

There are restrictions on conversion of Rupees into U.S. dollars. Before February 29, 1992, RBI determined the official value of the Rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, RBI announced relaxations of the payment restrictions previously applicable to certain transactions. Since August 1994, the Central Government has substantially complied with its obligations to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument to manage the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment. The Central Government has also relaxed restrictions on capital account transactions by resident Indians since 1999. For example, resident Indians are now permitted to remit up to US$200,000 for any capital account transaction.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.

General

The Authorized Share Capital of the Company is Rs. 250,00,00,000 (Rupees Two Hundred and Fifty Crore only) divided into 15,00,00,000 (Fifteen Crore) Equity Shares of Rs. 10/- (Rupees ten only) each, 75,00,000 (Seventy Five Lakh) Preference Shares of Rs.25 (Rupees twenty five only), 8,12,50,000 (Eight Crore Twelve Lakh Fifty Thousand) Preference Shares of Rs. 10/- (Rupees ten only) each.

Dividend

The profits of the Company which it shall from time to time determine, subject to the provisions of Section 205 of the Act, to divide in respect of any year or other period, shall be applied first in paying the fixed preferential dividend on the capital paid up on the preference shares if any and secondly in paying a dividend declared for such year or other period on the capital paid upon the equity shares. Where the capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carry interest, confer the right to dividend or to participate in profits. All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly. The Company in general meeting may subject to the provisions of Section 205 of the Act declare a dividend to be paid to the members according to their right and interests in the profits and may fix the time for payment. No larger dividend shall be declared that is recommended by the Board but the Company in general meeting may declare a smaller dividend

Where a dividend has been declared by the Company but which has not been paid or claimed within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days open a Special Account in that behalf in any Schedule Bank called, "The unpaid Dividend Account of Dewan Housing Finance Corporation Limited" and transfer therein the total amount of dividend that has remained unpaid or unclaimed as aforesaid. Any money transferred to the unpaid dividend account of a Company in pursuance of this Section, which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund established under sub-section (1) of Section 205 C.

The Directors may retain the dividends payable upon shares in respect of which any person in under the transmission Article entitled to become a member or which any person under that is entitled to transfer until such person shall duly become a member in respect thereof shall transfer the same. Any one of the several persons who are registered as a joint-holder of any share may give effectual receipts of all dividends and payments on account of dividend in respect of such shares.

Alteration of Share Capital

The Company may subject to the provisions of Section 78, 80 and 100 to 105 and other applicable provisions (if any) of the Act, from time to time by special resolution reduce its capital and any capital redemption reserve account or any share premium account in any manner for the time being authorized by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise.

The company may in general meeting alter the conditions of its Memorandum of Association as follows:

(a) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.

- Sub-divide its shares, or any of them into shares of smaller amount so however, that in the sub-division the proportion between the amount paid and amount, if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

- Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.

Preference Shares

Subject to the provisions of Section 80 and other applicable provision of the Act, the Company shall have power to issue Preference Shares of such face value with such rights, privileges, and conditions to security, redemption, conversion into Equity shares, rate of dividend, right of accumulation of dividend, etc, as the Board of Directors of the Company may deem fit.

General Meetings of Shareholders

The Directors may, whenever they think fit, call an extraordinary general meeting provided however if at any time there are not in India Directors capable of acting who are sufficient in number to form a quorum any Directors present In India may call an extra ordinary general meeting in the same manner as possible as that in which such a meeting may be called by the Board. The Board of Directors of our Company shall on the requisition of such members of member our Company as is specified in subsection (4) of Section 169 of the Act forthwith proceed to call an extraordinary meeting of our Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the other provisions of section 169 of the Act and of any statutory modification there of for time being shall apply.

Five members entitled to vote and present in person shall be a quorum for a general meeting.

The Chairman of the Board, shall, if willing preside as Chairman at every general meeting, annual or extraordinary. If there be no such Chairman or if at any meeting, he shall not be present within fifteen minutes after the time appointed for holding such meeting or being present declines to take the chair, the Director present may choose one of the members to be chairman and in default of their doing so the members present shall chose one of the Directors to be chairman if no Director present be willing to take the Chair shall, on a show of hands elect one of their members to be chairman of the meeting if a poll is demanded on the election of the Chairman it shall be taken forth with in accordance with the provisions of the Acts and these Articles, and the Chairman under the said provisions. If some other person is elected Chairman as a result of the Poll, he shall be the Chairman for the rest of the meeting .

Voting Rights

On a show of hands every member present in person and being a holder of Equity shares shall have one vote and every person present either as a proxy on behalf of a holder of Equity Shares or as a duly authorised representative of a body corporate being a holder of Equity Shares, if he is not entitled to vote in his own rights, shall have one vote. On a poll the voting rights of a holder of Equity shares shall be as specified in Section 87 of the Act.

The voting rights of the holders of the Preference Shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provisions of section 87 of the Act.

A person becoming entitled to a share shall not before being registered as a member in respect of the share entitled to exercise in respect thereof any right conferred by membership in relation to meetings of our Company. Where there are joint holders of any of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting either personally or by proxy then that one of the said persons so present whose name stands prior in order in the said register in respect of such share shall alone be entitled to vote in respect thereof, Several executors or administrators of a deceased member in whose name any share stands shall for the purpose of this Article be deemed joint-holders therof. The instrument appointing a proxy shall be in writing under the hand of the appointer or his Attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its Attorney. This instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarized certified copy of the power of authority shall be deposited at the office not less than forty eight hours before the time of holding meeting at which the person named in the instrument proposes to vote in default the instrument or proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of transfer of the share in respect of which the vote is given. Provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received at the office or by the Chairman of the Meeting before the vote is given. Provided nevertheless that the Chairman of the Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in the form set out in Schedule IX to the Act. No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes and no member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of our Company in respect of any share registered in his name on which any calls or other sum presently payable by him have not been paid or in regard to which our Company has exercised any right or line.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty. Our Company has entered into an agreement for such depository services with National Securities Depository Limited and the Central Depository Services India Limited.

The SEBI requires that our Company's shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Company shall keep a book called the register of transfer in which every transfer or transmission of shares will be entered.

The shares are freely transferable, subject only to the provisions of the Companies Act, under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it, or the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"), or any other similar law, our Company Law Board may, on an application made by a company, a depository incorporated in India, an investor, the SEBI or other parties, direct a rectification of the register of members. If a company without sufficient cause refuses to register a transfer of shares within two months from the date on which the instrument of transfer is delivered to the company, the transferee may appeal to the Indian Company Law Board seeking to register the transfer of equity shares. Our Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act, 2002, the Indian Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, which is expected to come into force shortly, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal.

The Companies Act provides that the shares or debentures of a publicly listed company shall be freely transferable. Subject to the provisions of section 111 of the Act, the Board without assigning any reason such refusal, may within one month from the date on which the instrument of transfer was delivered to our Company, refuse to register any transfer of a share upon which our Company has lien and, in the case of a share not fully paid up, may refuse to register to a transferee of whom the Board does not approve. However, the registration of transfer of a share shall not be refused on the ground of the transfer being either alone or jointly with any other person or persons indebted to the company on any account whatsoever.

A transfer may also be by transmission. The executors or administrators' or the holder of a succession certificate in respect of shares of a deceased member (not being one of several joint-holders) shall be the only person whom our Company shall recognise as having any title to the shares registered in the name of such member and, in case of the death of any one or more of the joint-holders of any registered shares, the survivors shall be only persons recognised by our Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognising any legal representative or heir or person otherwise claiming title to the shares our Company may require him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation, as the case may be, from a competent Court, provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with production of probate or letter of administration or a succession certificate or such other legal representation upon such terms as to indemnify or otherwise as the Board may consider desirable.. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer. Subject to the provisions of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferee has been delivered to our Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the the letter of allotment of shares, The installment of transfer of any shares shall be signed both by or on behalf of transferees and the transferor shall be deemed to remain the holder of such share until none of the transferee is entered in the Register in respect thereof.

Reconstruction

If the Company shall be would up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively and if in a winding up the assets available for distribution among the members shall be more than sufficient to pay the whole of the capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid at the commencement of the winding up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of share issued upon special terms and conditions.

LEGAL PROCEEDINGS

Except as described below, our Company is not involved in any legal proceedings, and no proceedings are threatened, which may have, or have had, a material adverse effect on the business, properties, financial condition or operations of Our Company. Our Company believes that the number of proceedings in which our Company is involved is not unusual for a company of its size in the context of doing business in India.

Proceedings filed by the Company

The total amount of claims involved in the following proceedings filed by our Company is Rs.179.4 million

Civil Cases

Our Company has filed 29 (twenty nine) Civil Suits for recovery which are pending with various Civil Courts across India for an amount aggregating to Rs.8.98 million.

22 (twenty two) Civil Suits filed by our Company for recovery have been decreed in favour of our Company and are pending execution of such decrees for amounts, aggregating to Rs.2.98 million.

Our Company has filed 3 (three) Miscellaneous Petitions which are pending in various Courts across India for an amount aggregating to Rs.1.58 million, for obtaining vacant possession of immovable property against which the Company had issued housing loans.

Our Company has filed a petition before the Debt Recovery Tribunal, Vizag which is pending, for an amount of Rs.0.8 million.

Petitions under The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002.

Our Company has filed 50 (fifty) petitions under section 14 of the SARFAESI Act, 2002 which are pending in various Courts across India aggregating to Rs.34.34 million.

Notices

Our Company has issued 279 demand notices u/s 13(2) of the SARFAESI Act, 2002 to defaulting borrowers and guarantors, calling upon them to discharge their dues aggregating to Rs.107.15 million.

Our Company has issued 321 notices u/s 138 of the Negotiable Instruments Act, 1881 to defaulting borrowers for dishonor of cheques aggregating to Rs.23.58 million.

Proceedings filed against the Company

The total amount of claims involved in the following proceedings filed against our Company is Rs.3.6 million

Labour matters

There are 2 (two) labour petitions filed against our Company for payment of gratuity and payment of wages and reinstatement aggregating to Rs.0.2 million.

Consumer Cases

There are 20 (twenty) Consumer Complaints filed against our Company across various Consumer Courts across India aggregating to Rs.1.23 million, inter alia alleging refund of processing fees, pre-payment charges and other miscellaneous claims.

Miscellaneous Petitions

There are 12 (twelve) Miscellaneous Petitions filed against our Company in various Courts across India aggregating to Rs.2.17 million. These Miscellaneous Petitions are filed in various courts by the borrowers / third parties during the normal business operations in which DHFL has been made a party.

TAXATION

The following is a summary of the material Indian tax consequences of owning and disposing of Equity Shares purchased in this Issue.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Dewan Housing Finance Corporation Limited, ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits, where applicable have been/would be met.

TAX BENEFITS AVAILABLE TO THE COMPANY

1. Under the Income Tax Act, 1961

A. **The Company**

1. The company is eligible under section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.

2. The company would be eligible for depreciation @ 15% on the cost of Plant & Machinery as per the provisions of Income Tax Act, 1961. Further the company would be entitled to depreciation @ 80% of the cost of Plant & Machinery in the nature of energy saving devices and would also be entitled to depreciation on its other assets as per Rule 5 of the Income Tax Rules, 1962.

3. As per provisions of section 32(1)(iia) of the Income Tax Act, 1961 the company would be entitled to additional depreciation @ 20% of the actual cost of new Plant & Machinery during previous year ending on or after 31.3.2006 subject to the fulfillment of other conditions specified under the said section.

4. Deduction under section 80IA of the Income Tax Act.

   As per the provisions of section 80IA of the Income Tax Act, The Company is eligible for income tax expemption from the profits from Power plant for the period of 10 (ten) consecutive assessment years commencing from initial assessment year 2004-05 in which undertaking has started power generation.

5. Under Section 115 JAA (1A) of the Income Tax Act, 1961 tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006. 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 not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose.

B. The Shareholders

I. Resident Indians

1. Under Section 10(34) of the Income Tax Act, 1961 income earned by way of dividend on the shares of the company is exempt from income-tax in the hands of the shareholders.

2. Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.

3. As per the provisions of section 111A of the Income Tax Act, 1961 tax on short term capital gain is charged to tax @ 10% (plus applicable surcharge and education cess) provided the capital gain arises from the transfer of equity shares of the company which are held for a period of not more than 12 months and on which security transaction tax has been charged.

4. As per the provisions of section 112 of the Income Tax Act, 1961 the long term capital gains arising from the transfer of shares of the company being long term capital asset, other than as mentioned in point 2 above, shall be chargeable to tax @ 20% (plus applicable surcharge and education cess) after indexation as provided in second proviso to Section 48, or @ 10% (plus applicable surcharge and education cess) without indexation.

5. Long term capital gains as stated in point 4 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds /shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections. In the case of individual or HUF members, exemption is also available u/s 54F subject to the fulfillment of the conditions specified in the said section.

6. In terms of section 88E of the Income Tax Act, 1961 the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions subject to the fulfillment of other conditions specified under the said section.

7. Under section 48 of the Income Tax Act, 1961 if the company's shares are sold after being held for not less than twelve months, [in cases not covered under section 10(38) of the Act] if any will be treated as long term capital gains and the gains shall be calculated by deducting from the sale consideration, the indexed cost of acquisition. No deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004.

II. Non-Resident Indians

1. Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.

2. In the case of Non Resident Indians taxability of long term capital gains and short term capital gains is similar to resident Indians. Refer paras above.

3. Further under Section 115E of the Income Tax Act, 1961 income by way of long term capital gains arising from the transfer of shares (otherwise than as mentioned in paras B.I.2 and B.I.4 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess) subject to the fulfillment of other conditions specified under Chapter XII –A of the Income Tax Act, 1961. Further above said long term capital gains shall be exempt under section 115F of Income Tax Act, 1961 subject to the fulfillment of other conditions specified under the said section.

4. Under section 115G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.

5. Rebate of Securities Transaction Tax paid is available under section 88E of the Income Tax Act, 1961. Refer para B.I.7 above.

III. Foreign Institutional Investors (FII)

1. Any income by way of dividends received on the shares of the company is entitled to be exempted u/s 10(34) of the Income Tax Act, 1961.

2. Under Section 10(38) of the Income Tax Act, 1961 long term capital gains arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. equity shares held for the period of more than twelve months) and on which security transaction tax has been charged is exempt.

3. Under Section 115AD(1)(iii) of the Income Tax Act, 1961 income by way of long term capital gain arising from the transfer of shares (otherwise than as mentioned in 2 above) held in the company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation are not available to FIIs.

4. Short term capital gains on transfer of securities shall be chargeable @ 30% / 10% (plus applicable surcharge and education cess) as per clause (ii) to Section 115AD of the Income Tax Act, 1961.

5. Long term capital gains as stated in point 3 above on sale of shares of the company shall be exempt from income tax if such gains are invested in bonds/shares specified in section 54EC or section 54ED of the Income Tax Act, 1961 subject to the fulfillment of the conditions specified in the said sections.

IV. Venture Capital Companies/ Funds

In terms of section 10(23FB) of the Income Tax Act, 1961 all venture capital companies /funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the company.

V. Mutual Funds

As per the provisions of section 10(23D) of the Income Tax Act, 1961 any income of Mutual funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder or any other Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax.

2. Benefits available under the Wealth Tax Act, 1957

All assesses are entitled to exemption from wealth tax in respect of the shares of the company as shares or securities are not included in the definition of asset u/s 2(ea) of the Wealth Tax Act, 1957.

3. Benefits available under the Gift-tax Act, 1958

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax under the erstwhile Gift Tax Act. However, under section 56(2) (v) of the Income Tax Act, 1961, where any sum of money (which could include gift of shares also) exceeding twenty five thousand rupees is received without consideration by an individual or a Hindu undivided family from any person on or after the 1st day of September, 2004, the whole of such sum, would be taxed as income in the hand of the recipient, Provided that this clause shall not apply to any sum of money received:

a) from any relative; or
b) on the occasion of the marriage of the individual; or
c) under a will or by way of inheritance; or
d) in contemplation of death of the payer.

For the purposes of this clause, “relative” means -

a) spouse of the individual;
b) brother or sister of the individual;
c) brother or sister of the spouse of the individual;
d) brother or sister of either of the parents of the individual;
e) any lineal ascendant or descendant of the individual;
f) any lineal ascendant or descendant of the spouse of the individual;
g) spouse of the persons referred to in clauses (b) to (f).

4. Benefits available Under Central Excise Tariff

In respect of the Capital goods and allied machinery being purchased for ongoing projects, the benefit of Cenvat credit is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

5. Benefits available Under Finance Act 1994 -Service Tax

In respect of services availed for ongoing projects, the benefit of Cenvat-Service Tax is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

6. Benefits available Under Export Import Policy

Import of Capital Goods under Export Promotion Capital Goods scheme (EPCG scheme) at concessional rate of duty subject to fulfillment of obligations.

Notes:

- All the above benefits are as per the current tax laws and will be available only to the sole/ first named holder in case the Equity Shares are held by joint holders.
- In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

INDEPENDENT ACCOUNTANTS

Our audited consolidated and stand alone financial statements for fiscal years 2005, 2006, 2007 were audited by M/s. B. M. Chaturvedi & Co., our Company's statutory auditors who have agreed to the inclusion of their audit report in this Preliminary Placement Document. Our Company's un-audited results for the nine months ended December 31, 2007 and December 31, 2006 have been subjected to limited review by the statutory auditors of our Company. M/s. B. M. Chaturvedi & Co. have also given their consent for the conversion of all the figures in the financial statements or results from lakhs to million.

GENERAL INFORMATION

1. We were incorporated on April 11, 1984 under the name of Dewan Housing Finance & Leasing Company Limited and received our certificate of commencement of business on April 11, 1984. Subsequently the name of our Company has changed to Dewan Housing Development Finance Limited with effect from September 26, 1984 and later to Dewan Housing Finance Corporation Limited with effect from August 25, 1992.

2. The Issue was authorized and approved by our Board of Directors on January 4, 2008, and approved by the shareholders in their meeting held on February 6, 2008.

3. We have obtained consent from Caledonia Investments P.L.C., London, who currently own 11.67% of the total shareholding of our Company.

4. We shall apply for in-principle approval to list the Equity Shares on BSE and the NSE.

5. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our Registered Office.

6. We have obtained all consents, approvals and authorizations required in connection with this Issue.

7. There has been no significant change in our financial position since December 31, 2007, the date of our last published interim financial results.

8. Except as disclosed in this Preliminary Placement Document, there are no litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.

9. Our Company's auditors are M/s. B. M. Chaturvedi and Co., Chartered Accountants.

10. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.

11. The Floor Price for the Issue is Rs. 209.48 per Equity Share of face value of Rs.10 each on January 7, 2008 as the Relevant Date. The Floor price calculated as per clause 13A.3 of the SEBI Guidelines.

FINANCIAL STATEMENTS

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To
The Board of Directors
Dewan Housing Finance Corporation Limited

Dear Sirs,

1. We have examined the attached Financial Information of Dewan Housing Finance Corporation Limited and it's Subsidiary as set out in paragraph 2 below, stamped and initialed by us for identification, which have been prepared in accordance with the provisions of Clause 13 A.7.2 read with Items 11.a to 11.h of Schedule XXIA to, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as 'the SEBI Guidelines') issued by the Securities and Exchange Board of India in pursuance of Section 11 of The Securities and Exchange Board of India Act 1992. The aforesaid Financial Information has been prepared for inclusion in the Final Placement Document to be submitted to the Stock Exchanges by the Company in connection with its proposed offering of Equity Shares of Rs.10/- each of the Company to Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutions Placement under Chapter XIII – A of the SEBI Guidelines.

2. The Financial Information represents the Balance Sheet of the Company as at March 31, 2007 and March 31, 2006 and the related Statement of Profit and Loss and Cash Flow Statements for each of the years/period ended on those dates together with Notes on Accounts thereon including significant accounting policies.

3. The aforesaid Financial Information have been extracted from the financial statements of the Company for each of the two years ended March 31, 2007 and March 31, 2006 which have been audited by us. These financial statements for the year ended March 31, 2006 and March 31, 2007 have been adopted by the members of the Company. We report that there are no qualifications in the Auditors' Reports in respect of above financial years which require adjustments to the said Financial Information.

4. In our opinion and according to the information and explanations given to us, the Financial Information as stated in the above paragraphs, are in accordance with Clause 13 A.7.2 read with Items 11.a to 11.h of Schedule XXIA of the SEBI Guidelines.

5. This report is intended solely for your information and inclusion in the Preliminary / Final Placement Document for submission to the Stock Exchanges in connection with the proposed private placement of equity shares as referred to in paragraph 1 above and is not to be used, referred to or distributed to any other parties for any other purpose without our prior written consent.

For **M/s. B. M. Chaturvedi & Co.**
Chartered Accountants

B. M. Chaturvedi
Partner
Membership No. 17607

Place: Mumbai
Date: February 5, 2008

CONSOLIDATED BALANCE SHEET

(Rs. in million)

Particulars	Schedules	As at the financial year ended March 31,		
		2007	2006	2005
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	742.86	677.86	501.16
Equity Share Warrants	2	25.01	25.01	-
Reserves and surplus	3	2,963.14	2,063.16	1,452.37
Sub Total		**3,731.01**	**2,766.04**	**1,953.53**
Minority Interest		**175.97**	**162.44**	**140.66**
Loan Funds				
Secured Loans	4	30,979.22	21,936.09	14,587.23
Unsecured Loans	5	3,423.57	2,435.81	2,101.50
Sub Total		**34,402.78**	**24,371.90**	**16,688.73**
Total		**38,309.77**	**27,300.37**	**18,782.92**
APPLICATION OF FUNDS				
Fixed Assets	6			
Gross Block		532.27	520.40	379.75
Less : Accumulated Depreciation		79.76	72.16	74.00
Net Block		**452.51**	**448.24**	**305.76**
Housing and Other Loans	7	**35,531.83**	**24,867.78**	**16,701.11**
Investments	8	**822.64**	**833.30**	**1,069.74**
Deferred Tax Assets (Liabilities)	9	**(35.21)**	**(20.93)**	**(7.69)**
Current Assets, Loans and Advances	10	2,056.01	1,602.48	1,113.43
Less : Current Liabilities and Provisions	11	518.00	430.51	405.12
Net Current Assets		**1,538.01**	**1,171.97**	**708.31**
Miscellaneous Expenditure (To the extent not written off)		**-**	**-**	**5.69**
Total		**38,309.77**	**27,300.37**	**18,782.92**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in million)

Particulars	**Schedules**	**For the financial year ended March 31,**		
		2007	**2006**	**2005**
INCOME				
Income from Operations	12	3,568.14	2,447.23	1,786.22
Other Income		3.90	4.19	24.27
Total Income		**3,572.03**	**2,451.41**	**1,810.49**
EXPENDITURE				
Interest & Other Charges	13	2,466.78	1,586.48	1,147.44
Payment to and Provision for Employees	14	132.46	107.57	96.71
Operational & Other Expenses	15	230.97	211.43	134.03
Provision for contingencies		57.41	29.18	52.69
- Bad Debt Written Off		29.72	21.29	-
Less: Provision for Contingencies Reserve used for Bad Debts		29.72	21.29	-
Less: Transferred from General Reserves		-	-	25.47
Net		57.41	29.18	27.22
Total Expenditure		**2,887.62**	**1,934.66**	**1,405.39**
Profit Before Depreciation, Tax and exceptional items		**684.41**	**516.75**	**405.10**
Depreciation		21.51	15.96	12.30
Profit before tax and exceptional items		**662.90**	**500.78**	**392.80**
Add: Long term Capital gain on Sale of lease hold Land		-	49.94	-
Less: Provision for Taxation		124.69	94.98	79.81
Profit after tax (Before minority interest)		**538.21**	**455.74**	**313.00**
Add : Balance B/F from previous year		99.96	19.28	34.72
Less : Prior period adjustment		-	0.19	1.16
Less : Minority share in profits		23.00	19.59	18.55
Profit Available for Appropriation		**615.17**	**455.23**	**328.01**
Special Reserve under Section 36(l)(viii) of the Income Tax Act 1961		191.91	133.00	127.50
Transfer to General Reserve		127.50	67.50	51.00
Proposed Equity dividend		79.04	81.09	102.29
Proposed Preference Shares		9.16	-	-
Interim Dividend Paid on Equity		53.66	53.65	12.47
Interim Dividend Paid on Preference Shares		9.65	-	-
Tax On Dividend		26.65	20.05	15.47
Surplus carried to Balance Sheet		**117.59**	**99.96**	**19.28**

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in million)

Sr. No.	Particulars	For the Year ended March 31, 2007	2006	2005
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before Tax	662.90	509.03	396.40
	Adjustments for:			
	Depreciation	21.51	15.96	12.30
	Preliminary Exps.	-	-	1.37
	Loss on sale of Assets	1.47	10.63	0.40
	Provision for Contingencies	57.41	29.18	27.22
	Profit on sale of Investments	(3.50)	(75.58)	(10.62)
	Prior Period Adjustment	-	-	(1.16)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**739.79**	**489.23**	**425.90**
	Adjustments for:			
	(Increase)/Decrease in Current Assets	(61.18)	14.20	(24.89)
	(Increase)/Decrease Current Liabilities	80.29	5.68	7.69
	CASH GENERATED FROM OPERATIONS	**758.90**	**509.11**	**408.70**
	Contingency Reserve utilized	(2.19)	(2.89)	17.52
	Tax paid	(169.36)	(94.98)	(81.15)
	NET CASH FROM OPERATING ACTIVITIES	**587.34**	**411.24**	**345.08**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(Addition)/ Deduction to Investments	9.51	309.66	(496.98)
	Repayment of Class 'B' PTC of housing loans securitized	14.38	17.61	19.82
	Net addition to Fixed Assets	(27.24)	(108.50)	(191.01)
	Reduction in Other Fixed Assets			5.31
	NET CASH USED IN INVESTING ACTIVITIES	**(3.36)**	**218.76**	**(662.85)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Reissue of Equity Shares	-	0.43	501.13
	Proceeds from issue of OCPS	-	529.91	-
	Proceeds from issue of Convertible Warrants	-	25.01	-
	Proceeds from Redeemable Preference Shares	650.00	-	-
	Loan received from Banks/ Institutions	11,984.29	9,131.97	6,604.65
	Refinance loans received from NHB	1,162.01	908.42	1,079.57
	Proceeds from issue of NCDs	3,970.00	2,461.13	1,630.00
	Fixed Deposit received	238.12	368.83	461.53
	Housing Loan repayments	4,168.68	3,194.48	2,093.08
	Other Loan repayments	884.85	295.86	190.76
	Preference Share Capital redeemed	-	-	(50.00)
	NCD redeemed	(2,718.67)	(1,012.87)	(1,081.07)
	Loans repaid to Banks/Institution	(3,872.35)	(3,078.47)	(3,118.40)
	Refinance loans repaid to NHB	(282.17)	(591.30)	(217.39)
	Fixed deposit repaid	(450.37)	(584.67)	(905.09)
	Housing Loan disbursed	(14,147.10)	(9,248.74)	(5,735.39)
	Other loan disbursed	(1,584.84)	(2,425.88)	(686.72)
	Dividend & Tax thereon	(174.63)	(163.04)	(122.03)
	Share Premium utilized	(29.67)	(18.94)	-
	NCD & Share Issue Expenses			**(36.34)**
	NET CASH USED IN FINANCING ACTIVITIES	**(201.83)**	**(207.87)**	**640.99**
	NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)	**382.16**	**422.14**	**323.22**

	Cash and Cash Equivalents at the beginning of the year	1,217.25	795.11	471.89
	Cash and Cash Equivalents at the end of the year	**1,599.41**	**1,217.25**	**795.11**

SCHEDULE 1 - SHARE CAPITAL

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Authorized			
10,00,00,000 Equity Shares of Rs.10/- each	1,200.00	1,100.00	750.00
75,00,000 Preference Share of Rs.25/- each	187.50	187.50	-
8,12,50,000 Preference Share of Rs.10/- each	812.50	812.50	100.00
5,00,00,000 Unclassified Share of Rs.10/- each	500.00	500.00	-
Total	**2,700.00**	**2,600.00**	**850.00**
Issued			
5,08,22,788 Equity Shares of Rs.10/- each	508.23	508.23	508.14
70,65,456 Optionally Convertible Preference Shares of Rs.25/- Each	176.64	-	-
65,00,000 Redeemable 1% Non-Convertible Preference Shares of Rs.10 each	25.00	-	-
Total	**709.86**	**508.23**	**508.14**
Subscribed and paid up			
5,01,22,519 Equity shares of Rs.10/- each	501.23	501.23	501.13
70,65,456 Optionally Convertible Preference Share of Rs.25/- each	176.64	176.64	-
65,00,000 Redeemable 1% Non-Convertible Preference Shares of Rs.10 each	65.00	-	-
Share Forfeited			
Balance payment as per last Balance Sheet	-	0.03	0.03
Less: Transfer to capital Reserve	-	0.03	-
Total	**742.86**	**677.89**	**501.16**

SCHEDULE 2 – EQUITY SHARE WARRANT

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Upfront payment of 33,35,000 equity warrants convertible into equity share Capital	25.01	25.01	-
Total	25.01	25.01	-

SCHEDULE 3 – RESERVES AND SURPLUS

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
a) Capital Reserve			
Balance as per last Balance Sheet	12.25	12.22	0.69
Add : Forfeited Share a/c	-	0.03	-

Sub Total	**12.25**	**12.25**	**0.69**
b) Capital Redemption Reserve			
Balance as per last Balance Sheet	77.50	77.50	77.50
c) Share Premium			
Balance as per last Balance Sheet	925.55	590.88	590.88
Add: Received during the year	585.00	353.61	-
	1,510.55	**944.49**	**590.88**
Less: Utilized during the year	19.87	18.94	-
Sub Total	**1,490.68**	**925.55**	**590.88**
d) Contingency Reserve			
Balance as per last Balance Sheet	17.52	17.52	-
Add: Created During the Year	-	-	17.52
Sub Total	**17.52**	**17.52**	**17.52**
e) Contingency Reserve II			
Balance as per last Balance Sheet	3.67	6.56	6.56
Add: transferred from Contingency Provisions	-	-	-
Less: Transferred to P&L A/c	2.19	2.89	-
Sub Total	**1.48**	**3.67**	**6.56**
f) General Reserve			
Balance as per last Balance Sheet	157.92	90.42	85.89
Add: Transferred from Profit & Loss A/c	127.50	67.50	51.00
	285.42	**157.92**	**136.89**
Less : Transfer to Contingency Provision	-	-	25.47
Sub Total	**285.42**	**157.92**	**(111.42)**
e) Special Reserve under section 36(i)(viii) of the Income Tax Act, 1961.			
Balance as per last Balance Sheet	768.79	635.79	501.02
Add: Transferred from Profit & Loss A/c	191.91	133.00	127.50
Sub Total	**960.70**	**768.79**	**628.52**
f) Balance in Profit & Loss Account	117.59	99.96	19.28
Grand Total	**2,963.14**	**2,063.16**	**1,223.14**

SCHEDULE 4 – SECURED LOANS

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
From National Housing Bank	4,038.20	2,953.93	2,351.74
From Scheduled Banks	22,502.32	14,166.27	8,599.76
Foreign Currency Loan From Scheduled Banks	-	187.92	580.37
From Financial Institutions	1,479.69	1,777.21	1,202.86
Non-Convertible Debentures	2,868.33	2,817.00	1,829.87
Interest accrued and due	90.67	33.77	22.64

Grand Total	**30,979.22**	**21,926.09**	**14,587.23**

SCHEDULE 5 – UNSECURED LOANS

(Rs. in million)

Particulars	As at the financial year ended March 31,		
	2007	2006	2005
Fixed Deposit	276.07	375.14	465.61
Cumulative Fixed Deposits	414.51	524.27	645.67
Other Deposits	6.19	109.24	11.19
From Banks	650.00	650.00	650.00
Non-Convertible Debentures (Subordinate Issue)	800.00	450.00	-
Others-Non Convertible Debentures	1,250.00	300.00	300.00
Interest accrued and due	26.80	27.17	29.04
Grand Total	**3,423.57**	**2,435.81**	**2,101.50**

SCHEDULE 6 – FIXED ASSETS

(Rs. in million)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As at April 1, 2006	Addi-tions	Dedu-ctions	As at March 31, 2007	Upto March 31, 2006	During for the year	Dedu-ction	Upto March 31, 2007	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005
Building	306.60	0.09	1.02	305.67	7.05	4.98	0.24	11.79	293.88	299.55	172.68
Furniture & Fixtures	51.82	8.17	1.41	58.58	13.95	3.41	0.89	16.47	42.11	37.90	22.09
Office Equipments	26.94	4.44	0.23	31.14	4.76	1.40	0.10	6.05	25.09	22.15	14.09
Vehicles	14.82	1.23	0.44	15.61	3.68	1.36	0.18	4.86	10.75	11.14	6.55
Computers	62.98	13.71	0.43	76.27	30.47	10.36	0.25	40.58	35.68	32.50	31.26
Leasehold Lands	-	-	-	-	-	-	-	-	-	-	59.09
Capital Work in Progress	45.00	-	-	45.00	-	-	-	-	45.00	45.00	-
Total	**508.16**	**27.64**	**3.53**	**532.27**	**59.92**	**21.51**	**1.67**	**79.76**	**452.51**	**448.24**	**305.76**
Previous year	**379.75**	**231.97**	**91.32**	**520.40**	**74.00**	**15.96**	**17.79**	**72.16**	**448.24**	**305.76**	**132.76**

SCHEDULE 7– HOUSING AND OTHER LOANS

(Rs. in million)

Particulars	As at the financial year ended March 31,		
	2007	2006	2005
1) Housing Loans	30,438.84	20,656.65	14,978.29
2 (i) Securitized Individual Housing Loans [I]	752.12	752.12	752.12
Less : i) Mortgaged Backed Class A PTC held by Financial Institute at the end of the year	(83.80)	(143.56)	(215.11)
ii) Partly redeemed (Class A PTC)	(467.79)	(408.02)	(336.47)

iii) Partly redeemed (Class B PTC)	(65.01)	(57.28)	(48.76)
Sub Total	**135.53**	**143.27**	**151.78**
2 (ii) Securitized Individual Housing Loans [I]	697.89	697.89	697.89
Less : i) Mortgaged Backed Class A PTC held by Financial Institute at the end of the year	(273.72)	(348.36)	(448.49)
ii) Partly redeemed (Class A PTC)	(344.62)	(269.98)	(169.85)
iii) Partly redeemed (Class B PTC)	(29.21)	(22.57)	(13.47)
Sub Total	**50.34**	**56.99**	**66.08**
3) Other Loans	4,907.10	4,010.88	1,504.96
Grand Total	**35,531.83**	**24,867.78**	**16,701.11**

Note: Balance Investment in Mortgaged Backed Class B PTC consists of securitised housing loan held by the company at the end of year.

SCHEDULE 8 - INVESTMENTS

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Equity Shares			
a) Quoted	10.19	10.32	36.06
b) Unquoted	22.98	11.73	1.30
Investment in Equity shares (a+b) [A]	**33.17**	**22.04**	**37.36**
Mutual Funds [B]	**619.27**	**631.91**	**841.82**
Bonds Redeemable (Fully Paid) [C]	**185.43**	**189.93**	**198.97**
Total Investments [A+B+C]	**837.86**	**843.87**	**1,078.14**
Less : Provision for diminution in the value of investment	15.22	10.57	8.40
Net Investments	**822.64**	**833.30**	**1,069.74**
Market value of quoted Investments	**9.70**	**38.42**	**70.85**

SCHEDULE 9 – NET DEFERRED TAX ASSETS/ (LIABILITIES)

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Deferred Tax Assets			
On Accounts Of Provision for contingency	28.65	21.77	20.17
On Accounts Of Others	0.06	0.17	0.13
Sub Total	**28.71**	**21.93**	**20.30**
Deferred Tax Liability			
On Accounts Of Depreciation	(21.84)	(16.44)	(9.62)
On Accounts Of Others -D	(42.09)	(26.42)	(18.37)
Sub Total	**(63.92)**	**(42.86)**	**(27.99)**
Net Deferred Tax assets [Liabilities]	**(35.21)**	**(20.93)**	**(7.69)**

SCHEDULE 10 – CURRENT ASSETS LOANS AND ADVANCES

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Interest accrued but not due on investment	**8.11**	**6.05**	**13.97**
Sundry Debtors			
(Secured, Considered Good [PEMI])			
Outstanding for more than six month	13.44	3.14	11.49
Others	11.26	15.70	7.11
Sub Total	**24.70**	**18.84**	**18.59**
Cash & Bank Balance			
Cash in hand	12.20	8.59	7.46
Cash at Bank			
With Scheduled Banks-			
- in Current Account	1,285.38	1,013.93	407.02
- in Reinvestment & Short Term Deposits	301.83	194.73	380.64
Sub Total	**1,599.41**	**1,217.25**	**795.11**
Loans & Advances			
Installments due from borrowers (EMI) (secured)	126.46	84.18	72.49
Advance and other amounts recoverable in cash or in kind or for value to be received	259.46	199.22	176.25
Inter Corporate Deposits including interest receivable thereon to subsidiary Company	-	-	3.39
Deposits	37.88	76.94	33.62
Sub Total	**423.79**	**360.34**	**285.75**
Grand Total	**2,056.01**	**1,602.48**	**1,113.43**

SCHEDULE 11 – CURRENT LIABILITIES AND PROVISIONS

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
Current Liabilities			
Interest Accrued but not due	123.59	154.96	55.86
Sundry Creditors & Other Liabilities	229.47	116.81	165.00
Advance received	50.97	25.91	16.66
Unclaimed Dividend	5.00	3.79	2.22
Sub Total	**409.02**	**301.47**	**239.73**
Provisions			
For Taxation (Net of Advance & TDS)	(86.40)	(27.83)	(6.37)
For Proposed Equity Dividend	93.55	84.37	105.89
For Tax On Dividend	15.94	11.83	13.84
Provision for contingencies incl. provision for diminution in Investment	**23.09**	**68.38**	**113.36**
As per last Balance sheet (Including Contingencies Reserve)	71.22	60.43	60.78

Add : Provision during the year	57.41	29.18	52.69
	128.64	89.62	113.46
Less : Utilized During the year	27.53	18.39	53.03
Balance Provision at the end of the year	101.11	71.22	60.43
Less : Shown as diminution in Investment separately	15.22	10.57	8.40
Sub Total	**85.89**	**60.66**	**52.04**
Grand Total	**518.00**	**430.50**	**405.12**

SCHEDULE 12 – MISCELLANEOUS EXPENDITURE

(Rs. in million)

Particulars	**As at the financial year ended March 31,**		
	2007	**2006**	**2005**
(to the extent not written off or adjusted during the year)			
i) Share Issue Expenses			
As per last Balance Sheet	-	1.86	0.39
Less : Written off during the year		-	1.95
Less : Written off during the year		1.86	0.48
Sub Total	**-**	**-**	**1.86**
ii) NCD Issue Expenses			
As per last Balance Sheet-NCD	-	3.83	3.04
Add : During the year		-	1.69
Less : Written off /adjusted during the year		3.83	0.89
Sub Total	**-**	**-**	**3.83**
Grand Total	**-**	**-**	**5.69**

SCHEDULE 13 – INCOME FROM OPERATION

(Rs. in million)

Particulars	**For the financial year ended March 31,**		
	2007	**2006**	**2005**
Interest – Loans	3,323.91	2,145.14	1,636.35
Interest /Income on Deposits, Bonds and Mutual Funds	69.05	101.06	49.72
Dividend	27.05	1.90	-
Fees	70.66	75.67	53.46
Other Operational Income	77.47	123.44	46.69
Grand Total	**3,568.14**	**2,447.23**	**1,786.22**

SCHEDULE 14 – INTEREST AND OTHER CHARGES

(Rs. in million)

Particulars	**For the financial year ended March 31,**		
	2007	**2006**	**2005**
Interest on Loans	2,002.58	1,261.47	868.19
Interest on Deposits	57.39	85.51	113.34
Interest on Debentures	394.82	235.26	161.41
Interest on Others	10.89	3.13	4.13

Finance Charges	1.11	1.11	0.37
Grand Total	**2,466.78**	**1,586.48**	**1,147.44**

SCHEDULE 15 – PAYMENT TO AND PROVISION FOR EMPLOYEES

(Rs. in million)

Particulars	**For the financial year ended March 31,**		
	2007	**2006**	**2005**
Salaries and Bonus	103.08	86.13	80.43
Staff Welfare Expenses	21.80	15.49	10.28
Contribution to Provident Fund & Other Funds	7.58	5.95	6.00
Grand Total	**132.46**	**107.57**	**96.71**

SCHEDULE 16 – OPERATIONAL AND OTHER EXPENSES

(Rs. in million)

Particulars	**For the financial year ended March 31,**		
	2007	**2006**	**2005**
Rent	16.56	13.63	18.31
Rates & Taxes	10.24	1.67	0.81
Conveyance & Motor Car Expenses	8.19	7.99	8.00
Travelling Expenses	15.70	12.21	11.78
Printing & Stationery	7.37	8.98	6.16
Advertisement & Business Promotion	34.33	34.17	15.99
Insurance	7.76	6.99	5.11
Legal & Professional Charges	39.00	35.37	16.12
Postage, Telephone & Telegram	22.10	20.29	16.84
General Repairs & Maintenance	9.29	6.98	5.70
Electricity Charges	7.93	7.12	4.56
Bank Charges	21.38	18.94	-
Directors Sitting Fees	0.91	1.19	0.80
Brokerage	5.17	6.59	7.59
Loss On Sale Of Assets	1.48	10.63	0.40
Commission to Directors	1.90	1.75	1.68
Credit Rating Charges	7.91	6.66	2.38
CIBIL Charges	0.13	0.11	-
Expenses under Miscellaneous Heads	12.12	10.13	10.45
Lease Line Expenses	1.52	-	1.37
Grand Total	**230.97**	**211.43**	**134.03**

SCHEDULE 17 – EARNING PER SHARE

(Rs. in million)

Particulars	For the financial year ended March 31,		
	2007	2006	2005
Net Profit Attributable to Equity Shareholders			
Profit after tax	538.21	455.75	313.00
Less: Minority Interest	(23.00)	(19.59)	18.55
Less : Preference Share dividend	(18.82)	-	3.97
Tax on above	(2.91)	-	0.52
Net Profit attributable to equity shareholders	**493.48**	**436.16**	**289.95**
No. of Equity shares (Number)	50,122,519	50,122,519.00	50,113,219
Weighted Average of No. of Equity Shares	50,122,519	50,113,958.00	37,834,990
Nominal value of Equity Shares (Rs.)	10.00	10.00	10.00
Earning Per Share (Rs.)	**9.85**	**8.70**	**7.66**

SCHEDULE 18 – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:-

1. Basis of preparation of financial statements:

The financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 and Housing finance Companies, (NHB) Direction 2001. Accounting Standards (AS) referred to in the notes are as issued by the Institute of Chartered Accountants of India.

Accounting policies not specifically referred to otherwise are consistent with the generally accepted accounting principles followed by the company.

2. Principles of consolidation

The consolidated financial statements relate to Dewan Housing Finance Corporation Ltd. (The Company) and its subsidiary company DHFL Vysya Housing Finance Ltd. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the company and its subsidiary company are combined on a line-by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21-and "Consolidated Financial Statements".

b) The difference between cost on investment in the subsidiary over the net assets at the time of acquisition of shares in the subsidiary is recognized in the financial statements as Capital Reserve.

c) Minority interest's share of net profit of consolidated subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.

d) Minority interest's share of net assets of consolidated subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.

e) In case of associates where the company directly or indirectly holds more that 20% of equity, Investments in associates are accounted for using equity method in accordance with Accounting Standard (AS) 23-"Accounting for investments in associates in consolidated financial statements".

f) The Company will account for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealized profits and losses resulting from the transactions between the Company and its associates to the extent of its share, through its profit and loss account to the extent such change is attributable to the associate's profit and loss account and through its reserves for the balance, based on the available information. However, during the current year company has made investment for the first time in associate companies and has no transactions related to income or expenditure.

g) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

3. Interest on housing loans:

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

4. Interest & other related financial charges:

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

5. Revenue Recognition:

a. Interest on performing assets is recognized on accrual basis and on non-performing assets on realisation basis as per the guidelines prescribed by the National Housing Bank. The interest income (payment) is adjusted for gain (loss) on corresponding hedge contracts / interest swap derivatives, wherever executed.

b. Dividend income on investments and penal interest income on delayed EMI/PEMI are recognised on receipt basis.

6. Foreign Exchange Transactions:

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

7. Provision for Contingencies:

Provision for Contingencies has been made for diminution in investment value and on non-performing housing loans and other assets as per the Prudential Norms prescribed by the National Housing Bank.

8. Investments:

All Investments, other than Investments in mutual funds and quoted shares including investment in associate companies, are in the nature of long term Investments and are valued at cost as per Accounting Standard (AS 13) on "Accounting for Investments" and the guidelines issued by the National Housing Bank. However, full provisions for diminution in the value of said Investments is made.

9. Fixed Assets:

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

10. Impairment of Assets:

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

11. Special Reserve:

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

12. Prepaid Expenses:

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

13. Employees Retirement Benefits:

a. Company's contribution in respect of Employees' Provident Fund is made to Government provident fund and is charged to Profit & Loss Account.

b. Gratuity & Leave encashment payable at the time of retirement are charged to Profit & Loss Account on the basis of actuarial valuation.

14. Earnings per share:

The earnings per share has been computed as per Schedule "P" in accordance with Accounting Standard (AS-20) on, "Earnings per share" and is also shown in the profit & loss account.

15. Income Tax:

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

16. Housing and Other Loans:

Housing Loans include outstanding amount of Housing Loan disbursed directly or indirectly to individual and other borrowers. It also includes unredeemed Class 'B' PTC of securitised housing loans, which are held for the benefit and on account of the Holding / Subsidiary Company and other loans includes mortgage loan, non residential property loan and loan against the lease rental income from properties in accordance with directions of National Housing Bank. EMI due from borrowers against the housing loans are shown as current assets as loans and advances.

17. Securitised Assets :

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

B. NOTES TO ACCOUNTS

For the Financial Year 2006-07

1. Non Convertible Debentures (NCD) of Holding Company amounting to Rs.2,868.33 million (Rs.2,816.99 million) are secured / to be secured by way of first charge as per note B-2 herein below and are redeemable at par, in one or more installments, on various dates with the earliest redemption being September 10, 2007 and the last being March 17, 2018.

2. Secured term loans of Holding Company and Subsidiary Company from the National Housing Bank, other Banks, International Finance Corporation (IFC Washington), Asian Development Bank (ADB, Manila), Financial Institutions and Secured Non Convertible Debentures are secured/to be secured by way of first charge to and in favour of the participating banks, Institutions, National Housing Bank and Debenture Trustees jointly ranking pari passu inter-se, on the company's whole of the present and future book debts outstanding, investments including all the receivable of the company and other movable assets wherever situated. They are further secured / to be secured on paripasu basis by constructive delivery of various title deeds of certain immovable properties, to the Union Bank of India, acting for itself and as an agent of other participating lenders and Debenture trustees, and are also guaranteed by three directors of the company.

3. The unsecured loans received by the Holding Company from bank are guaranteed by the three directors of the company and backed by the Demand Promissory Notes issued by the company.

4. Term loans of holding company include short-term foreign currency loan of Rs. Nil million (Rs.187.92 million) and cash credit received from banks, which are secured on pari passu basis with other term loans.

5. As certified by the management, loans given by the Holding and Subsidiary Company are secured by equitable mortgage/ registered mortgage of the property and assets financed and/or assignment of Life Insurance Policies and/or personal guarantees and/or undertaking to create a security and are considered good.

6. Interest Income of Holding Company on loans includes income of Rs.39.17 million (Rs.41.76 million) being income from Securitization of certain housing loans

7. Pursuant to Shareholders' approval of Holding Company in the Extra Ordinary General Meeting held on March 27, 2006 ;

   (a) The Holding Company, on 9th June 2006, has allotted 25,00,000 Non Convertible Redeemable Preference Shares (NCRPS), aggregating to Rs.250.00 million to ICICI Bank Limited bearing face value of Rs.10/- each with a premium of Rs.90/- per share, carrying dividend @ 1% per annum, and are redeemable at the end of 18 months from the date of allotment @ Rs.114.20 per share.

   (b) The Holding Company, on March 26, 2007, has allotted 40,00,000 Non-Convertible Redeemable Preference Shares (NCRPS), aggregating to Rs.400.00 million to ICICI Bank Ltd. bearing a face value of Rs.10/- each with a premium of Rs. 90/- per share, carrying dividend @ 1% per annum, and are redeemable at the end of 12 months from the date of allotment @ Rs.109.99 per share.

8. The Non Performing Assets (NPA) of Holding Company consisting of the principal loans outstanding where payments of EMI / PEMI were in arrears for over 90 days amounted to Rs.438.71 million (Rs.303.82 million). As per the prudential norms prescribed by NHB, the Holding Company is required to carry a contingency provision of Rs.80.66 million (Rs.56.32 million) in respect of Non Performing Housing Loan, Non-Housing Standard Assets and Other loan Assets. Company has also provided for Rs.12.10 million (Rs.8.44 million) in respect of diminution in the value of Investment, Holding Company has written off Rs.27.53 million (Rs.18.39 million) as bad debts and by way of one time settlement to recover some of its NPA and Loss Accounts. The Holding Company has withdrawn equal amount from Contingency Provisions created out of the profits of the earlier years. Company has made, during the year, required provision of Rs.56.57 million (Rs.29.12 million) for Contingencies at the end of the year in accordance with guidelines on Prudential Norms issued by National Housing Bank. (NHB).

   In the case of Subsidiary Company, the Non Performing Assets comprising of the principal loans outstanding including arrears of interest in respect of financing for housing and real estate projects where payments of EMI / PEMI were in arrears for over 90 days amounted to Rs.18.98 million [Rs.26.32 million]. As per the prudential norms prescribed by NHB, Company is required to carry a contingency provision of Rs.3.22 million [Rs.4.34 million] in respect of Non Performing Housing Loan Assets, Rs.0.96 million [Nil] in respect Non Housing Standard Assets and Rs.3.12 million [Rs.2.13 million] in respect of diminution in the value of Investment in Government

Securities. Company has written off Rs.2.19 million [Rs.2.89 million] by way of one time settlement to recover some of its NPA Accounts. Since this pertains to previous years for which necessary Contingency Reserves were created at that time, equal amount has been withdrawn from Contingency Reserves Account II created out of the profits of the earlier years and this has not affected current year profit. Company has made during the year required provision of Rs.0.84 million [Rs.0.07 million] for Contingency in accordance with guidelines of Prudential Norms issued by National Housing Bank.

9. The Holding Company has issued during the year 9.60% Unsecured Redeemable Non Convertible Subordinated Debentures (Tier II capital) redeemable at the end of 7 years from the date of allotment aggregating to Rs.350.00 million to Institutional Investors and the Banks. The Debentures are subordinated to present and future senior indebtedness of the Holding Company as per its residual maturity and qualifies as Tier – II Capital in line with National Housing Bank (NHB) guidelines for assessing capital adequacy.

10. Unsecured Deposits and Unsecured Non Convertible Debentures of the Holding Company due and payable within one year are Rs.1,222.79 million (Rs.1,286.79 million) in respect of the Holding Company and Rs.79.54 million (Rs.134.67 million) in respect of the Subsidiary Company.

11. During the year, the Holding Company utilized Rs.19.87 million (Rs.18.94 million) out of the Share Premium Account in accordance with section 78 of the Companies Act, 1956 towards the premium paid/payable on the redemption of the Non Convertible Redeemable Preference Shares of the Holding Company on pro rata basis for the period during the year. The tax impact on the proportionate premium for the current year amounting to Rs.4.01 million has been considered for current year's income tax provision.

12. Other operational income of Holding Company includes penal charges Rs.18.87 million (Rs.18.58 million), prepayment charges of Rs.24.29 million (Rs.12.42 million),income on sale of investments Rs.3.50 million (Rs.75.39 million), Rent income of Rs.17.46 million (Rs.8.20 million) and Commission income of Rs.4.23 milion (Rs.0.24 million).

13. As per Accounting Standard (AS-18) on "Related Party Disclosures" the disclosure of transactions with related parties as defined therein are given in the respective balance sheets of the Holding and Subsidiary company.

14. The Holding Company's Income tax assessment has been completed up to the assessment year 2005-06. Additional demands have been raised by the departments which are pending in appeal. Company has deposited the additional tax so demanded which is pending in appeals. Company has been advised that appeals will be allowed and refunds will be received in due course of time based on the similar case laws on the subject. The Subsidiary Company's income tax assessment has been completed upto the assessment year 2004-05. There is no pending tax demand on the Company.

15. The Holding Company has derecognized interest income on non-performing assets as on March 31, 2007 of Rs.48.34 million (Rs.30.77 million) and the Subsidiary Company has de-recognised Rs.3.36 million (Rs.4.64 million), in terms of the requirements of the National Housing Bank (NHB).

16. Provision for taxation of the Holding Company includes Rs.93.66 million (Rs.65.42 million) as provision for the current year income tax, Rs.2.98 million (Rs.4.56 million) for Fringe Benefit Tax and Rs.13.90 million (Rs.12.71 million) for Deferred Tax liability for the year.

17. The main business of the Holding & Subsidiary Company is to provide loans for the purchase or construction of residential houses and all other activities of the company revolve around the main business and as such there are no separate reportable segments as specified in Accounting Standard (AS-17) on "Segment Reporting", and under paragraph 25 (2) of the Housing Finance Companies (NHB) Directions 2001, which needs to be reported.

18. Managerial Remuneration and Auditor's Remuneration details with respect to the Holding Company and the Subsidiary company are given in the respective balance sheets.

19. There is no amount payable by the Holding or the Subsidiary company to any small-scale industrial undertaking.

20. Expenditure in foreign currency incurred on Foreign travel by the Holding Company amounting to Rs.0.75 million (Rs.0.56 million).

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

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

23. Related Party Transactions (Standalone)

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

i. COMPANIES

1. Subsidiary Company
   a. DHFL Vysya Housing Finance Limited

2. Associates
   a. DHFL Insurance Services Limited
   b. DHFL Properties Services Limited
   c. DHFL Venture Capital Fund (Trust)
   d. DHFL Venture Capital India Pvt. Ltd.
   e. DHFL Venture Trustee Company Pvt. Ltd.
   f. Dish Hospitality Pvt. Ltd.
   g. Housing Development & Infrastructure Limited
   h. Libra Realtors Pvt. Ltd.
   i. Wadhawan Holdings Pvt. Ltd.
   j. Wadhawan Food Retails Pvt. Ltd.
   k. Wadhawan Hospitality & Investment Pvt. Ltd.

ii. OTHERS

1. Rakesh Kumar Wadhawan
2. Sarang Wadhawan
3. Rakesh Kumar Wadhawan Education Trust

iii. KEY MANAGEMENT PERSONNEL

1.	Shri Kapil Wadhawan	Vice Chairman & Managing Director
2.	Shri Bikrum Sen	Chief Executive Officer
3.	Shri Prashant Chaturvedi	Chief Financial Officer
4.	Shri Rajeev Sathe	Chief Operating Officer
5.	Shri S. Y. Sankhe	Company Secretary

Nature of Transaction	**Subsidiary Company**	**Associate Company**	**Key Management Personnel**
(excluding reimbursements)	**2006 - 07**	**2006 - 07**	**2006 - 07**
1) Investment in			
Opening Balance	166.73	269.23	-
Investment Made	-	11.29	-
Investment Redeemed	-	-	-
Closing Balance	166.73	280.52	-
2) Equity Warrants Subscription by			
Opening Balance	-	25.03	-
Investment Made	-	-	-

Investment Redeemed	-	-	-
Closing Balance	-	25.03	-
3) Advances recoverable in cash or kind			
Opening Balance	-	-	-
Advances during the year	350.00	12.81	-
Recovered during the year	350.00	6.40	-
Closing Balance	-	6.41	-
4) Income			
Dividend	10.30	-	-
Interest	4.72	-	-
Rent	-	12.30	-
5) Expenditure			
Professional charges	-	0.04	-
Remuneration	-	-	6.59
			(4.85)
Rents, Rates, & Taxes	-	9.54	-
Other Expenditure	-	0.91	-

For the Financial Year 2005-06

2. Non Convertible Debentures (NCD) of Holding Company amounting to Rs.2,816.99 million (Rs.1,829.87 million) are secured / to be secured by way of first charge as per note B-2 herein below and are redeemable at par, in one or more installments, on various dates with the earliest redemption being July 24, 2006 and the last being November 25, 2010.

3. Secured term loans of Holding Company from the National Housing Bank, other Banks, International Finance Corporation (IFC Washington), Asian Development Bank (ADB, Manila), Financial Institutions and Secured Non Convertible Debentures are secured/to be secured by way of first charge to and in favour of the participating banks, Institutions, National Housing Bank and Debenture Trustees jointly ranking pari passu inter-se, on the company's whole of the present and future book debts outstanding, investments including all the receivable of the company and other movable assets wherever situated. They are further secured / to be secured on pari pasu basis by constructive delivery of various title deeds of certain immovable properties, to the Union Bank of India, acting for itself and as an agent of other participating lenders and Debenture trustees, and are also guaranteed by three directors of the company.

4. The unsecured loans received by the Holding Company from bank are guaranteed by the three directors of the company and backed by the Demand Promissory Notes issued by the company.

5. Term loans of holding company include short-term foreign currency loan of Rs.187.92 million (Rs.580.37 million) and cash credit received from banks, which are secured on pari passu basis with other term loans. The foreign currency loans are fully covered with foreign exchange risk management arrangement, whereby it is fully protected from foreign exchange fluctuations.

6. As certified by the management, loans given by the Holding and Subsidiary Company are secured by equitable mortgage/ registered mortgage of the property and assets financed and/or assignment of Life Insurance Policies and/or personal guarantees and/or undertaking to create a security and are considered good.

7. Interest Income of Holding Company on loans includes income of Rs.41.76 million (Rs.48.30 million) being income from Securitisation of certain housing loans

8. Leasehold Company has disposed off its leasehold property acquired earlier for Employees's housing which could not be developed due to Regulatory restrictions and has earned profits of Rs.49.94 million shown as an exceptional item as per Accounting Standard (AS-5).

9. Pursuant to Shareholders' approval of Holding Company in the Extra Ordinary General Meeting held on March 27, 2006 ;

   (a) the Holding Company has allotted 70,65,456 Optionally Convertible Preference Shares (OCPS) bearing a face value of Rs.25 each with a premium of Rs.50 per share, carrying dividend of Rs.3 per preference share per annum inclusive of dividend distribution tax, aggregating to Rs.529.91 million to M/s Caledonia Investments Plc London, by way of Foreign Direct Investment in India, with the option to the investor, to convert the same at any time after 13 months but before 18 months from the date of allotment into 70,65,456 equity shares bearing a face value of Rs.10 each with a premium of Rs.65 per share as per the prevalent SEBI guidelines. No dividend on OCPS subscribed on March 27, 2006 has been considered since it is to be paid annually in arrears.

   (b) the Holding Company has allotted 33,35,000 convertible warrants, which entitles the holder thereof, to subscribe to one equity share of Rs.10 each at a premium of Rs.65 per share, after 13 months but before 18 months from the date of allotment of the said warrants to M/s Wadhawan Holding Private Limited, a Promoter group company who has paid upfront amount of Rs.25.01 million being 10 % value of the shares as per the prevalent SEBI guidelines.

   (c) the Holding Company received Preferential issue proceeds of OCPS and convertible warrants of the aggregate amount of Rs.554.92 million on March 27, 2006 which remained unutilised till the end of the year and were retained as bank balance and will be used for the operations of the Company.

10. The Non Performing Assets (NPA) of Holding Company consisting of the principal loans outstanding where payments of EMI / PEMI were in arrears for over 90 days amounted to Rs. 303.82 million (Rs.241.11 million). As per the prudential norms prescribed by NHB, the Company is required to carry a contingency provision of Rs.56.32 million (Rs.46.28 million) in respect of Non Performing Housing Loan, Non-Housing Standard Assets and Other loan Assets and Rs.8.44 million (Rs.7.76 million) in respect of diminution in the value of Investment in Government Securities. The Holding Company has written off Rs.18.39 million (Rs.46.45 million) as bad debts and by way of one time settlement to recover some of its NPA and Loss Accounts. Since this pertains to previous years for which necessary Contingency Provisions were created at that time, equal amount has been withdrawn from Contingency Provisions created out of the profits of the earlier years and this has not effected current year profit. Company has made, during the year, required provision of Rs.29.12 million (Rs.26.58 million) for Contingencies in accordance with guidelines of Prudential Norms issued by National Housing bank. The amount of provision based on Non performing Assets as given in the Holding Company's Balance Sheet.

11. The Holding Company has issued during the year 8% Unsecured Redeemable Non Convertible Subordinated Debentures (Tier II capital) redeemable at the end of 7 years from the date of allotment aggregating to Rs.450.00 million to Institutional Investors.

12. The Board of Directors of the Holding Company has reissued 9300 forfeited Equity Shares during the year to its 51 employees at a price of Rs.46 per share based on SEBI guidelines.

13. The Holding Company has settled and established a Venture Capital Fund named DHFL Venture Capital Fund (The Fund) which has received the registration from the Securities and Exchange Board of India (SEBI). The Company has also promoted DHFL Venture Capital India Pvt. Ltd., i.e. Asset Management Company (AMC) being the Investment manager of the Fund and DHFL Ventures Trustee Company Private Limited, the Trustee Company for the Fund. The Company has proposed to invest up to Rs.350 million or 15% of its Net Owned Funds, whichever is lower. The Company has subscribed to 45% equity share capital of both the AMC & Trustee Company. The Company has also subscribed to 3500 units of Rs.35.00 million of the Dream Fund –I (DHFL Real Estate Asset Management Fund I) and has also provided advance subscription for the units of the above fund for Rs.225 million.

14. Unsecured Deposits and Unsecured Non Convertible Debentures of the Holding Company due and payable within one year are Rs.1,286.79 million (Rs.141.07 million).

15. Other operational income of Holding Company includes penal charges Rs.18.58 million (Rs.12.23 million), prepayment charges of Rs.12.42 million (Rs.15.12 million), income on sale of investments Rs.75.39 million (Rs.10.62 million), Rent income of Rs.8.20 million (Rs. NIL) and Commission income of Rs.0.24 million (Rs. NIL).

16. As per Accounting Standard (AS-18) on "Related Party Disclosures" the disclosure of transactions with related parties as defined therein are given in the respective balance sheets of the Holding and Subsidiary company.

17. The Holding Company's Income tax assessment has been completed up to the assessment year 2004-05. Additional demands have been raised by the departments which are pending in appeal. Company has deposited the additional tax so demanded which is pending in appeals. Company has been advised that appeals will be allowed and refunds will be received in due course of time based on the similar case laws on the subject.

18. The Holding Company has written off during the year the entire outstanding opening balance of Miscellaneous Expenses pertaining to Share/NCD issue expenses of the past of Rs.5.69 million along with current year's issue and capital raising expenses amounting to Rs.13.25 million against the securities premium account in accordance with the provisions Section 78 of Companies Act, 1956. If the Company had continued with the earlier policy, its miscellaneous expenses would have been higher by Rs.15.15 million and share premium account by Rs.18.94 million and profit of the year lower by Rs.3.79 million.

19. Provision for taxation of the holding company includes Rs.65.42 million (Rs.59.62 million) as provision for the current year income tax, Rs.4.56 million for Fringe Benefit Tax and Rs.12.71 million (Rs.6.99 million) for deferred Tax liability for the year.

20. The main business of the Holding & Subsidiary Company is to provide loans for the purchase or construction of residential houses and all other activities of the company revolve around the main business and as such there are no separate reportable segments as specified in Accounting Standard (AS-17) on "Segment Reporting", and under paragraph 25 (2) of the Housing Finance Companies (NHB) Directions 2001, which needs to be reported.

21. As required under Section 205 (C) of the Company's Act, 1956 the Holding Company has transferred Rs.0.25 million (Rs.0.22 million) to the Investor Education protection Fund (IEPF) during the year. There were no amounts due for transfer to IEPF on the date of Balance Sheet.

22. Contingent Liability consists of Guarantees provided by the Holding Company of Rs.23.26 million (Rs.17.51 million)

23. Managerial Remuneration and Auditor's Remuneration details with respect to the Holding Company and the Subsidiary company are given in the respective balance sheets.

24. There is no amount payable by the Holding or the Subsidiary company to any small-scale industrial undertaking.

25. Expenditure in foreign currency incurred on Foreign travel by the Holding Company amounting to Rs.0.56 million (Rs.0.84 million).

26. The subsidiary company has De-recognized interest income on Non Performing Assets as on March 31, 2006 of Rs.4.64 million (Rs.5.48 million) in terms of the requirement of the National Housing bank.

27. Term loans received by the Subsidiary Company from the National Housing Bank and other Banks are secured/ to be secured by way of first charge to and in favor of the National Housing bank and other banks and jointly ranking pari passu inter se, on the Company's book debts and whole of the present and future movable and immovable assets wherever situated.

28. The Non Performing Assets (NPA) of Holding Company consisting of the principal loans outstanding including arrears of interest in respect of financing for housing and real estate projects where payments of EMI / PEMI were in arrears for over 90 days amounted to Rs.26.32 million (Rs.37.76 million). As per the prudential norms prescribed by NHB, the Holding Company is required to carry a contingency provision of Rs.4.34 million

(Rs.5.76 million) in respect of Non Performing Housing Loan and Rs.2.13 million (Rs.0.64 million) in respect of diminution in the value of Investment in Government Securities. The Company has written off Rs.2.89 million by way of one time settlement to recover some of its NPA and Loss Accounts. Since this pertains to previous years for which necessary Contingency Provisions were created at that time, equal amount has been withdrawn from Contingency Provisions created out of the profits of the earlier years and this has not effected current year profit. Company has made, during the year, required provision of Rs.0.07 million (Rs.0.64 million) for Contingencies in accordance with guidelines of Prudential Norms issued by National Housing bank. The amount of provision based on Non Performing Asstes is given in the Subsidiary Company's Balance Sheet.

29. Unsecured Deposits and unsecured non convertible debentures of the Subsidiary Company due and payable within one year are Rs.134.67 million (Rs.141.31 million).

30. The subsidiary Company's Income tax assessment has been completed upto assessment year 2004-05. There is no pending tax demand on the company.

31. The subsidiary Company under the same management of earlier Holding Company i.e. ING Vysya Bank Limited, had acquired certain fixed assets and leased then out to two parties on which full depreciation was provided by the Company in the past. There were certain amounts outstanding to be recovered from those lessees whose accounts became NPA prior to change of the management and therefore according to SPA those accounts underlined leased out fixed assets and related liabilities were taken over by the earlier Holding Company and hence particulars of these assets have been deleted from the fixed asset schedule of the Company during the year.

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

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

34. Related Party Transactions (Standalone)

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

i. COMPANIES

1. Subsidiary Company
   a. DHFL Vysya Housing Finance Limited

2. Associates
   a. DHFL Insurance Services Limited
   b. DHFL Properties Services Limited
   c. DHFL Venture Capital Fund (Trust)
   d. DHFL Venture Capital India Pvt. Ltd.
   e. DHFL Venture Trustee Company Pvt. Ltd.
   f. Wadhawan Holdings Pvt. Ltd.

ii. OTHERS

1. Rakesh Kumar Wadhawan
2. Sarang Wadhawan
3. Rakesh Kumar Wadhawan Education Trust

iii. KEY MANAGEMENT PERSONNEL

1.	Shri Kapil Wadhawan	Vice Chairman & Managing Director
2.	Shri Bikrum Sen	Chief Executive Officer
3.	Shri Prashant Chaturvedi	Chief Financial Officer

4. Shri S. Y. Sankhe Company Secretary

Nature of Transaction	Subsidiary Company	Associate Company	Key Management Personnel
(excluding reimbursements)	**2005 - 06**	**2005 - 06**	**2005 - 06**
1) Investment in			
Opening Balance	166.73	-	-
Investment Made	-	269.23	-
Investment Redeemed	-	-	-
Closing Balance	166.73	269.23	-
2) Equity Warrants Subscription by			
Opening Balance	-	-	-
Investment Made	-	25.03	-
Investment Redeemed	-	-	-
Closing Balance	-	25.03	-
3) Advances recoverable in cash or kind			
Opening Balance	80.00	8.22	-
Advances during the year	350.00	14.13	-
Recovered during the year	430.00	22.35	-
Closing Balance	-	-	-
4) Income			
Dividend	8.24	-	-
Interest	2.76	-	-
Rent	-	-	-
5) Expenditure			
Professional charges	-	-	-
Remuneration	-	-	4.85
			(4.39)
Rents, Rates, & Taxes	-	-	-
Other Expenditure	-	-	-

UNAUDITED STANDALONE BALANCE SHEET AS AT THE NINE MONTH ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

(Rs. in Million)

Particulars	As at the nine months ended December 31,	
	2007	2006
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	675.23	702.86
Equity Share Warrants	0.00	25.01
Reserves and surplus	3,653.54	2,509.41
Sub Total	**4,328.77**	**3,237.28**
Loan Funds		
Secured Loans	36,366.09	27,378.42
Unsecured Loans	2,048.04	3,339.69
Sub Total	**38,414.13**	**30,718.11**
Total	**42,742.90**	**33,955.39**
APPLICATION OF FUNDS		
Fixed Assets		
Gross Blocks	530.38	498.20
Less : Accumulated Depreciation	78.47	56.68
Net Block	**451.91**	**441.51**
Housing and Other Loans	**39,340.45**	**30,054.36**
Investments	**970.66**	**934.65**
Deferred Tax Assets (Liabilities)	**(38.21)**	**(24.31)**
Current Assets, Loans and Advances	2,826.04	3,020.30
Less : Current Liabilities and Provisions	807.95	471.12
Net Current Assets	**2,018.09**	**2,549.18**
Miscellaneous Expenditure (To the extent not written off)	**-**	**-**
Total	**42,742.90**	**33,955.39**

UNAUDITED STANDALONE PROFIT AND LOSS ACCOUNT FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

(Rs. in Million)

Particulars	As at the nine months ended December 31,	
	2007	**2006**
INCOME		
Income from Operations	3,749.68	2,301.43
Other Income	4.31	4.72
Total Income	**3,753.99**	**2,306.15**
EXPENDITURE		
Interest & Other Charges	2,652.23	1,601.73
Payment to and Provision for Employees	111.15	74.54
Operational & Other Expenses	199.53	155.06
Provision for contingencies	80.00	37.50
- Bad Debt Written Off		0.00
Less: Provision for Contingencies Reserve used for Bad Debts	3.14	0.00
Less: Transferred from General Reserves	3.14	0.00
Net	80.00	37.50
Total Expenditure	**3,042.91**	**1,868.83**
Profit Before Depreciation, Tax and exceptional items	**711.08**	**437.32**
Depreciation	17.73	12.96
Profit before tax and exceptional items	**693.35**	**424.36**
Add: Long term Capital gain on Sale of lease hold Land	-	0.00
Less: Provision for Taxation	162.00	75.50
Profit after tax	**531.35**	**348.86**
Add : Balance B/F from previous year	144.46	113.45
Profit Available for Appropriation	**675.81**	**462.31**
Special Reserve under Section 36(l)(viii) of the Income Tax Act 1961	0.00	0.00
Transfer to General Reserve	0.00	0.00
Proposed Equity dividend	0.00	0.00
Interim Dividend Paid on Equity Shares	90.78	50.12
Interim Dividend Paid on Preference Shares	6.80	9.65
Tax On Dividend	16.55	8.38
Surplus carried to Balance Sheet	**561.68**	**394.16**
Earnings Per Share (EPS)	**9.46**	**6.96**

DECLARATION

Our Company certifies that all relevant provisions of Chapter XIII-A of the SEBI Guidelines have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter XIII-A of the SEBI Guidelines and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

Signed by

____

Mr. Kapil Wadhawan
(Vice Chairman and Managing Director)

Date: February 6, 2008

Place: Mumbai

REGISTERED OFFICE OF OUR COMPANY

Dewan Housing Finance Corporation Limited
Warden House, 2nd Floor,
Sir P M Road, Fort,
Mumbai - 400 001, India

BOOK RUNNING LEAD MANAGER TO THIS ISSUE

Motilal Oswal Investment Advisors Private Limited
113/114, Bajaj Bhawan,
11th Floor, Nariman Point,
Mumbai - 400 021, India

LEGAL ADVISORS TO THIS ISSUE

Khaitan & Co.
Advocates & Solicitors
4th and 5th Floor,
Meher Chambers,
R. K. Marg,
Ballard Estate,
Mumbai – 400 001
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AUDITORS TO OUR COMPANY

M/s B. M. Chaturvedi & Co.
Chartered Accountants,
32, Jolly Maker Chambers II,
Nariman Point,
Mumbai 400 021, India