





SAHARA HOUSINGFINA CORPORATION LIMITED

ANNUAL REPORT 2005-06

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Corporate Information

BOARD OF DIRECTORS

Shri Subrata Roy Sahara
Shri Om Prakash Srivastava
Shri Joy Broto Roy
Shri Brijendra Sahay
Shri Sakti Prasad Ghosh
Shri Ranoj Dasgupta
Shri Malka Komaraiah

CHIEF OPERATING OFFICER & COMPANY SECRETARY

Shri D.J. Bagchi

REGISTERED OFFICE

SAHARA INDIA SADAN
2A, Shakespeare Sarani
Kolkata 700071

STATUTORY AUDITORS

M/s.Chaturvedi & Company,
Chartered Accountants
60, Bentinck Street,
Kolkata 700069.

INTERNAL AUDITORS

M/s. Chaturvedi & Partners
203, Kusal Bazar, 32-33, Nehru Place
New Delhi – 110019.

BANKERS

Corporation Bank.
The Bank of Rajasthan Ltd.
Andhra Bank
State Bank of Hyderabad
Indian Overseas Bank

REGISTRARS & SHARE TRANSFER AGENTS

M/s MCS Limited
'Harmony', Plot No.6, Sector-1,
Khanda Colony, New Panvel (W),
Distt: Raigade, Mumbai-410 206.

SENIOR MANAGEMENT PERSONNEL

Shri Vivek Kapoor	Finance & Corporate Affairs
Shri Anup Kirtan	Credit & Operations
Shri K.D.Bhattacharya	Systems & Administration
Shri S.C.Maitra	Regional Business Head - East
Shri Praveen Paliwal	Regional Business Head - West
Shri T.Mohan Rao	Regional Business Head - South
Shri Sarvesh Kumar	Regional Business Head - North





SAHARA HOUSINGFINA CORPORATION LIMITED

NOTICE

Notice is hereby given that the **Fifteenth Annual General Meeting** of the members of Sahara Housingfina Corporation Limited will be held at 11 A.M. on Saturday, September 09, 2006 at Sahara India Sadan, 2A Shakespeare Sarani, Kolkata-700071 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2006, the Balance Sheet as at that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Subrata Roy Sahara, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Brijendra Sahay, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following Resolution as an ordinary Resolution:

"RESOLVED THAT M/s. Chaturvedi & Co., Chartered Accountants, Kolkata, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on such remuneration as may be fixed by the Board of Directors of the Company in consultation with M/s. Chaturvedi & Co. and reimbursement of actual travel and other out of pocket expenses incurred by them for the purpose of their audit".

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company. Proxies, in order to be effective must be deposited at the company's registered office not less than forty eight hours before the commencement of the meeting.

2. Pursuant to the provisions of Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 1, 2006 to Saturday, September 9, 2006 (both days inclusive).
3. Members are requested to bring their copies of the Annual Report and Accounts to the Meeting.
4. Members are requested to notify immediately any change in their address to the Company / Share Transfer Agents if shares are held in physical mode and to the Depository Participants if shares are held in electronic mode.
5. Members/proxies should bring the Attendance Slip duly filled in for attending the Meeting.
6. Members desirous of making a nomination in respect of their shareholding, as permitted under Section 109A of the Companies Act, 1956, are requested to submit the prescribed Form 2B (in duplicate) to the Registrar and Share Transfer Agents of the Company.
7. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
8. Members desiring any information with regard to Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the meeting.

By Order of the Board
for SAHARA HOUSINGFINA
CORPORATION LIMITED

D.J. BAGCHI

Chief Operating Officer
& Company Secretary

Place: Kolkata
Date: 10.08.2006



DIRECTORS' REPORT

To The Members,

The Directors of the Company hereby present their Fifteenth Annual Report on the Company's business and operations together with the Financial Statements for the Financial Year 2005-2006.

FINANCIAL RESULTS

Financial Results of the Company for the year ended 31st March, 2006 are summarized hereunder.

(Rupees)

Particulars	Current Year	Previous Year
Profit Before Tax	5768728	5068270
Extra ordinary item (Income from Housing Loan)	—	23737465
Provision for Taxation		
– Current Tax	1573926	4148886
– Deferred Tax	(271690)	83961
– Income Tax related to earlier years	177971	516
– Fringe Benefit Tax	172643	—
Profit After Tax	4115878	24572372
Add: Profit carried from earlier years	18476737	951506
Profit available for appropriations	22592615	25523878
Appropriations		
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	2042434	7047141
Balance carried to Balance Sheet	20550181	18476737

PERFORMANCE

Housing Finance Companies (HFCs) continued to witness robust and sustained business growth on the back of stiff competition. Your Company continued to make all required efforts to increase its volume of business and improve its overall profitability.

During the year under review, your company recorded an all round growth in financial performance in both Profit & Loss account and Balance Sheet parameters. The Income from Operations amounted to Rs. 398.32 lacs as against Rs. 242 lacs in the preceding year, representing a rise of 64.60%.

The Profit Before Tax (PBT) for the year under review

increased by 13.83% to Rs. 57.69 lacs from Rs. 50.68 lacs in the previous year.

DIVIDEND

Your Directors felt it prudent to retain the earnings for the year under review to be ploughed back in business, as well as to repay the high interest bearing debts, which shall result in further augmentation of the Company's growth and shareholders' wealth.

EQUITY SHARE CAPITAL

During the year under review, your Company successfully completed a preferential issue of



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10,00,000 equity shares @ Rs. 60/- each (comprising face value of Rs.10/- and premium of Rs. 50/- per share) as per the provisions of Chapter XIII- 'Guidelines for Preferential Issues' of the SEBI (Disclosure & Investor Protection) Guidelines, 2000.

Consequent to the above, the Paid-up capital of your Company increased to Rs.7 Cr. (Previous Year Rs. 6 Cr.) & Net Owned Fund (NOF) to Rs. 17.23 Cr. (Previous Year Rs. 10.82 Cr).

The consent of the shareholders to the aforementioned issue of shares was obtained by means of a Postal Ballot as per provisions under section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.

CAPITAL ADEQUACY RATIO (CAR):

Pursuant to the increase in the capital, the Capital Adequacy Ratio (CAR) of the Company stood at 28.25% (Previous Year 30.24%) as against the minimum requirement of 12% stipulated by the National Housing Bank (NHB).

BUSINESS RESULTS & BRANCH NETWORK

During the year under review, your Company disbursed loans aggregating to Rs. 28.51Cr. The outstanding loan portfolio as at 31.03.2006 stood at Rs. 53.28 Cr. (Previous Year Rs. 28.90 Cr.).

The cumulative Log-in, Sanction and Disbursement amount as on 31.03.2006 are as under:

Cumulative Log-in	:	Rs. 213.99 Cr.
Cumulative Sanction	:	Rs. 104.75 Cr.
Cumulative Disbursement	:	Rs. 58.84 Cr.

The Company now operates from four regions (Kolkata, Lucknow, Hyderabad and Mumbai) and thirteen branches (Kolkata, Asansol, Siliguri, Ranchi, Durgapur, Lucknow, Gorakhpur, Kanpur, Mumbai, Pune, Hyderabad, Vijayawada and Vishakapatnam) and is serving the customers through its attractive and competitive home loan schemes.

UNCLAIMED DEPOSITS

During the year under review, the Company had

neither accepted nor renewed deposits from the Public. However, as on 31st March, 2006 deposits (including Recurring Deposits) amounting to Rs.1.54 lacs (previous year Rs.1.56 lacs) was lying as unclaimed deposits. The total number of accounts involved are 36 (Previous Year 37). Depositors have been intimated regarding the maturity of their deposits.

The necessary steps to transfer the balance pertaining to above unclaimed deposits to the Investor Education & Protection Fund (IEPF) are being undertaken by your Company.

UNCLAIMED DIVIDEND

As at March 31, 2006, dividend amounting to Rs. 2.29 lacs had not been claimed by the shareholders of the Company. The Company had intimated the shareholders to lodge their claim for dividend.

Your Company is in the process of transferring the aforesaid amount to the Investor Education & Protection Fund (IEPF).

INSURANCE PROTECTION TO BORROWERS

Your Company has tied up with National Insurance Company Limited for its comprehensive insurance cover product called "NATIONAL INSURANCE SAHARA HOME LOAN SURAKSHA BIMA" which covers the borrowers of the Company against the following risks/perils/natural calamities:

(a) PERSONAL ACCIDENT INSURANCE:

- * Death due to accident;
- * Accidental loss of two limbs, two eyes or one limb and one eye;
- * Permanent total disablement from injuries other than named above.

(b) PROPERTY INSURANCE:

- * Fire
- * Storm
- * Earthquake
- * Riot, Strike and Malicious damage





- * Lightning
- * Explosion/Implosion
- * Aircraft damage, Impact damage
- * Subsidence and Landslide including Rock Slide
- * Bursting or Overflowing of Water Tanks & Pipes, Missile testing operations
- * Leakage from Automatic Sprinkler Installations, Bush Fire.
- * Other natural calamities.

The other details regarding the product (e.g. Sum insured, premium payable etc.) are explained to the borrowers during personal discussion with them at the time of credit appraisal.

APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Subrata Roy Sahara and Shri Brijendra Sahay, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

None of the aforesaid Directors of the Company is disqualified for being appointed as Directors pursuant to Section 274(1)(g) of the Companies Act, 1956.

AUDITORS

The Statutory Auditors, M/s Chaturvedi & Co., Chartered Accountants, Kolkata, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. SHCL has obtained a certificate dated 29th June, 2006 from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Board of Directors recommends their re-appointment as the Statutory Auditors of the Company for the Financial Year 2006-07, subject to the approval of the Members at the ensuing Annual General Meeting.

AUDITORS' REPORT

The observations made by the Statutory Auditors in

their report, read with the relevant notes to accounts, are self-explanatory.

PARTICULARS OF EMPLOYEES

No employee of your Company was in receipt of remuneration in excess of the limits as laid down under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

Since the Company does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption as per section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

There has been no foreign exchange earning and outgo during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956 and based on the information provided by the management, the Directors of the company confirm that:

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there are no material departures.
- in the selection of the Accounting Policies, consultation with the Statutory Auditors have been made and have applied them consistently, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the company at the end of the financial year and of the Profit of the company for that period.
- proper and sufficient care has been taken to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the





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Company and for preventing and detecting fraud and other irregularities.

- the Annual Accounts have been prepared on a Going Concern Basis.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out as an Annexure to this report.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance form part of this Annual Report.

STATUTORY DISCLOSURES

None of the Directors of the company is disqualified to be appointed as Director under the provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement with the Stock Exchange/s.

AVAILABILITY OF INFORMATION ON THE EDIFAR (ELECTRONIC DATA INFORMATION FILING AND RETRIEVAL) SYSTEM

Pursuant to Clause 51 of the Listing Agreement with the Stock Exchange, the Company has uploaded the Annual Report for the Financial Year 2004-05 along with the Balance Sheet, Profit & Loss Account and Corporate Governance Report on EDIFAR System maintained by SEBI. Apart from this, the quarterly

shareholding pattern and unaudited/audited financial statements at the end of each quarter are also being filed so that users, other than companies, can view the data submitted by the Company. The objective of e-filing is to disseminate information to various classes of market participants like investors, regulatory organisations, research institutions, etc.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the Listing Agreement, the Management Discussion and Analysis Report forms a part of this report.

ACKNOWLEDGEMENT

With initiatives already in place, and those in the pipeline, the Directors remain confident of sustained operational growth and improvement of the Company and higher levels of stakeholders' value in the coming years.

The Board wishes to place on record its appreciation to all the company's valued customers/borrowers, shareholders, debenture holders, RTA, banks, financial institutions, service providers and counsellors, for their unstinted support and continued patronage.

The Directors are grateful for the co-operation of regulatory authorities including the NHB, RBI, SEBI, Registrar of Companies, the Stock Exchanges and the Depositories. The Board also places on record its deep appreciation for the excellent support received from the employees during the year.

Place : Lucknow

Date : 30.06.2006

For and on behalf of the Board

O.P. Srivastava *Director*

S.P. Ghosh *Director*





PROFILE OF DIRECTORS & KEY MANAGERIAL PERSONNEL

Shri Subrata Roy Sahara

He is the Chairman & Managing Director of the Sahara India Pariwar. A Mechanical Engineer by training, his corporate journey started in 1978 with the business of Parabanking. His great vision and entrepreneurial skills were displayed in various fields from time to time. Under his dynamic leadership & guidance the Sahara India Pariwar has grown to a Rs.50,000 Crores Asset Based Organisation, diversified into various businesses ranging from Aviation, Infrastructure & Housing, Media & Entertainment, Computer Manufacturing, Mutual Funds, Tourism, Products, Housing Finance, Life Insurance, Hospitality and Healthcare.

Shri Om Prakash Srivastava

He is one of the Promoter Directors of the Company, who has been actively involved in the Group since its inception in 1978. He is the Deputy Managing Director of the Sahara India Pariwar supervising & monitoring the entire Para banking and other businesses of the Pariwar.

Shri Joy Broto Roy

He is one of the Promoter Directors of the Company and is actively associated with several companies under the Sahara India Pariwar. He is the Deputy Managing Director of the Sahara India Pariwar and possesses vast experiences in business and managerial affairs.

Shri Brijendra Sahay

He is a retired IAS Officer and Ex-Chief Secretary of the Government of Uttar Pradesh. He is also on the Board of other companies like Sahara India Financial Corporation Limited and Ginni International Limited.

Shri Sakti Prasad Ghosh

He is a former Executive Director of National Housing Bank. He belonged to the service cadre of Reserve Bank of India and held various important positions in RBI which included deputation of service to Unit Trust of India and NABARD. Presently, he is also on the Board of Bengal Ambuja Metro Development Limited.

Shri Ranaj Dasgupta

He holds a Masters degree in Agricultural Sciences. He is known for his administrative enterprising and dynamic qualities. He holds directorships in Gora Projects Limited, Sahara Computers & Electronics Limited, Sahara India Tourism Development Corporation Limited, Sahara India Infrastructure Development Corporation Limited and Sahara India Commercial Corporation Limited.

Shri Malka Komaraiah

He is a well known name in the Construction Industry in South India and has many successful projects to his credit. He is also involved in the Power Generation Business and also in the Board of several companies like Shalivahana Projects Ltd., Shalivahana Power Corporation Limited, Minarva Power Corporation Limited, Shalivahana Finance Limited and Rake Power Limited.

Shri D.J.Bagchi

He is a Fellow member of the Institute of Company Secretaries of India (ICSI) and a LLB, having more than 15 years' experience in the Housing Finance Industry. He is presently the Chief Operating Officer, Company Secretary & Principal Officer of the Company, possessing expertise and knowledge in Secretarial & Legal Matters and is in charge of the Company's Business Development, Resource Mobilisation and Statutory & Regulatory Compliances.





CORPORATE GOVERNANCE REPORT

(Under Clause 49 of the Listing Agreement with Stock Exchanges)

Corporate Governance is about commitment to values, pursuing excellence and maintaining transparency, accountability and ethical business standards. The passion to excel, to **Reaching Tomorrow First**, to be open and transparent and to be responsive towards our stakeholders' expectations are the core business principles around which our organizational culture evolves.

SHCL defines Corporate Governance as a mechanism through which companies are governed to enhance their wealth generating capacity through legal, ethical and transparent means.

The Company believes in continuously striving for higher levels of accountability, transparency, responsibility and fairness in all aspects of its operations. It is committed to achieving optimization of returns to all stakeholders, namely shareholders, customers / borrowers, lenders, employees, business associates and the community at large.

At SHCL, Corporate Governance practice is not merely a matter of adherence to a regulatory framework, but it is a means of achieving excellence through adoption of competitive corporate strategies, prudent business plans and strategic monitoring and mitigation of risks, while at the same time, creating checks and balances and enhancing stakeholders' value through equity and fair play.

Corporate Governance at SHCL

The company's philosophy on Corporate Governance aims to attain highest level of transparency, professionalism, accountability and integrity in its functioning and conduct of business with due respect to laws and regulations of the land. It is directed in such a way that it performs effectively keeping in view customers/borrowers, employees and long term interest of the stakeholders.

At the core of our Corporate Governance practice is the Board, which oversees management with the view to serve and protect the long-term interests of all stakeholders of the Company.

A. Board Composition

1. Size and composition of the Board

The Company strives to have a judicious mix of Executive and Non-Executive Directors. As at 31st March, 2006 the Board of Directors comprises of three Non-Executive Promoter Directors and four

Independent Directors. The composition of Board as on 31st March, 2006 is in conformity with clause 49 of the Listing Agreement. Brief profile of the Directors is highlighted elsewhere in the Annual Report.

2. Board definition of Independent Director

As per Explanation (i) to sub-Clause (1A) of revised Clause 49 of the Listing Agreement, the expression 'Independent Director' means Non-Executive Director of the Company who;

- a) apart from receiving director's remuneration, does not have any other material pecuniary relationship(s) or transaction(s) with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies;
- b) is not related to promoters or management at the board level or at one level below the board;
- c) has not been an executive of the company in the immediately preceding three financial years;
- d) is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the company, and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have material association with the entity.
- e) is not a supplier, service provider or customer of the company. This should include lessor- lessee type relationships also; and
- f) is not a substantial shareholder of the company, i.e. owning two percent or more of the block of voting shares.

The Company has followed the above provisions of the Listing Agreement in letter and spirit, while drawing up its corporate governance theory.

3. Board Membership Criteria

Technical and professional expertise, specialization in the respective fields, experience and leadership skills are some of the attributes of the Board membership. The members of the Board are competent enough to provide leadership, strategic guidance, objective judgement of management and control over the Company, while remaining accountable to shareholders.





4. Membership Term

The Board constantly evaluates the contribution of its members and recommends their reappointment to the shareholders. Non-executive Directors do not have a specified term, but they retire by rotation as per the provisions of the Company Law.

5. Board Compensation

The independent directors receive sitting fees for board/committee meetings attended by them and do not have any other material pecuniary relationship or transaction with the Company, its Promoters, Management or its Subsidiaries.

The details of Remuneration paid to Directors during the year under review are as under:

Name of Directors	Sitting Fees paid for		Total
	Board Meetings	Committee Meetings	
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
Shri J. B. Roy	30,000	30,000	60,000
Shri O. P. Srivastava	30,000	20,000	50,000
Shri Brijendra Sahay	20,000	20,000	40,000
Shri S. P. Ghosh	30,000	30,000	60,000
Shri Ranoj Dasgupta	10,000	10,000	20,000

Notes:

- a) Sitting fees of Rs. 10,000/- are paid for each Board Meeting and Audit Committee Meeting held during the year.
- b) There were no other pecuniary transactions with the Non-Executive / Independent Directors of the Company during the year.

6. Membership of other Boards

There is no limitation on the Independent Directors save those imposed by law and good corporate governance practice. Numbers of Directorship/ Committee Membership in public limited companies **other than SHCL**, of the Board members are as under:

Directors	No. of Directorships In other Companies	No. of Committee Memberships
Shri Subrata Roy Sahara	14	2
Shri Joy Broto Roy	13	8
Shri O P Srivastava	14	10
Shri Brijendra Sahay	2	—
Shri Shakti Prasad Ghosh	1	—
Shri Ranoj Dasgupta	5	3
Shri Malka Komaraiah	5	—

B. Board Meetings

1. Scheduling and selection of agenda items:

The meetings of the Board of Directors are scheduled in advance for which notice is given to each Director in writing. The Company Secretary prepares the agenda for the meeting. The file containing agenda and other relevant notes are circulated to the Directors in advance. The Directors are free to recommend any matter for inclusion in the agenda and can access any information and records of the company. On invitation, members of the senior management team also attend the meeting to provide necessary information on specific agenda items.

No Director was paid any commission or remuneration except sitting fees for attending the meetings. Sitting fees of Rs. 10,000/- was paid to the Directors for every Board and Audit Committee Meeting attended by them, except for meetings wherein the Directors, voluntarily, decided to waive the sitting fees payable by the Company.

The Directors met six times during the year under review i.e. on 30th April, 2005, 24th June, 2005, 30th July, 2005, 28th October, 2005, 24th November, 2005, and 25th January, 2006.





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Details of Board meetings held:

Date of The Board Meeting	Directors Present	No. of Resolutions Passed	Place Where Held
30.04.05	Sri O.P. Srivastava Sri Brajendra Sahay Sri S.P. Ghosh	3	Lucknow
24.06.05	Sri Joy Broto Roy Sri O.P. Srivastava Sri Brajendra Sahay Sri S.P. Ghosh	9	Lucknow
30.07.05	Sri Joy Broto Roy Sri O.P. Srivastava Sri S.P. Ghosh	6	Lucknow
28.10.05	Sri Joy Broto Roy Sri O.P. Srivastava Sri Brajendra Sahay Sri S.P. Ghosh Sri Ranoj Dasgupta	3	Noida
24.11.05	Sri Joy Broto Roy Sri O.P. Srivastava Sri Brajendra Sahay Sri S.P. Ghosh Sri Ranoj Dasgupta	3	Lucknow
25.01.06	Sri Joy Broto Roy Sri O.P. Srivastava Sri S.P. Ghosh Sri Ranoj Dasgupta	6	Lucknow





2. Appointment / Reappointment of Directors at the 15th AGM

Sri Subrata Roy Sahara and Sri Brijendra Sahay are liable to retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, have offered themselves for reappointment.

Sri Subrata Roy Sahara, 58, Chairman & Managing Director, Sahara India Pariwar was appointed as a Director liable to retire by rotation. He retires at the fifteenth AGM and is eligible for reappointment.

Sri Brijendra Sahay, 67, a retired IAS Officer and Ex-Chief Secretary of the Government of Uttar Pradesh, was appointed as a Director liable to retire by rotation. He retires at the fifteenth AGM and is eligible for re-appointment.

3. Information placed before the Board of Directors during the year includes:

The Board has unfettered and direct access to any information within the Company and to any employee of the Company. At the meetings of the Board, it welcomes the presence of managers who can provide insight into the items being considered.

The following information is regularly supplied to the Board along with the specific item agenda:

- Annual operating plans and budgets, capital budgets and any updates;
- Quarterly results of the Company;
- Minutes of meetings of Audit, Remuneration, Shareholders' / Investors' Grievance Committees, as well as abstracts of circular resolution passed;
- General notice of interests and any updates;
- Notices under Section 274(1)(g) of the Companies Act, 1956;
- Information on recruitment and/or remuneration of senior officers just below the Board level.
- Materially important litigation, show-cause, demand, prosecution, and penalty notices;
- Fatal or serious accidents or dangerous occurrences;
- Any materially relevant defaults in financial

obligations to and by the Company;

- Any issue, which involves possible public or product liability claims of a substantial nature;
- Details of any joint venture or collaboration agreement;
- Transactions that involves substantial payment, if any, towards brand equity or intellectual property; etc;
- Significant developments on the human resources front;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Non-compliance of any Regulatory or of Statutory nature, Listing requirements, as well as shareholders' services, such as non-payment of dividend, delays in share transfer, etc;
- Transfer of unpaid/unclaimed dividend/debenture interest/shareholders' refund, pending for more than 7 years, to Investors' Education and Protection Fund of the Central Government;
- Related Party Transactions;
- Risk Analysis Report;
- Social/Community Initiatives.
- Any other relevant & critical issues pertaining to the Company.

3. Related Party Transactions

Related Party Transactions with Subsidiaries, Associate companies, Key Manegerial Personnel and others, if any, are given in the Balance Sheet.

C. Board Committees

At Present the Board has constituted three committees, namely, Audit Committee, Remuneration Committee, Shareholders'/Investors' Grievance Committee to enable better and more focused attention on important issues.

The Board decides the membership criteria of the committees, its selection policy, and the terms of reference of such committees. The Chairman of the Board, in consultation with the Chairman of the concerned Committees along with the Company





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Secretary, decides the frequency and duration of the meetings.

1. Audit Committee

An Audit Committee was formed in accordance with the provisions of Section 292A of the Companies Act, 1956 and the Listing Agreement. The Committee consists of two Non-Executive Promoter Directors and three Independent Directors who are well versed in Finance, Accounts and Company Law. During the financial year 2005-06, five meetings of the Audit Committee were held i.e. on 29th April 2005, 24th June, 2005, 30th July, 2005, 28th October, 2005 and 25th January, 2006. The Audit Committee has adequate powers and terms of reference to play effective role as mentioned in clause 49 of the Listing Agreement which includes;

- Reviewing with the management, external and internal auditor, the adequacy of internal control systems and audit procedures.
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board.
- Reviewing the adequacy of Internal Audit function, reporting structure coverage and

frequency of internal audit.

- Discussion with internal auditors on any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is irregularity or failure of internal control systems of a material nature and reporting the matters to the Board.
- Discussion with External Auditors before the audit commences regarding nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to debenture holders, shareholders and creditors.
- Reviewing performance of internal and external auditors of the company.
- Review of reports of the Auditors and action taken by the Management in respect of observations and qualifications of the Auditors.

Meetings are scheduled well in advance. The Audit Committee considers and recommends the financial results for approval of the Board. The Statutory Auditors of the company are invited to attend the meeting. The composition of the present Audit Committee is as follows:

Details of Audit Committee for the financial year ended on 31 March 2006

Total No. of Members	5
Whether the Chairman is an Independent Director(Y/N)	Y
Whether the Chairman attended last AGM to answer Shareholders' queries (Y/N)	Y
Whether the Company Secretary acts as a Secretary to the Committees(Y/N)	Y
No. of members who are Non-Executive Directors	5
No. of members who are Independent Directors	3
Detail of Director having financial and accounting knowledge	Sri S. P. Ghosh, Chairman



Composition and Attendance at Audit Committee Meetings

Names of the Committee Members	Category of Director Non-Executive/ Independent	Meeting Details during F.Y. 2005-06			Whether Attended Last AGM(Y/N)
		Held	Attended	% of Total	
Sri S. P. Ghosh	Independent	5	5	100	Y
Sri Joy Broto Roy	Promoter & Non-Executive	5	4	80	Y
Sri O.P.Srivastava	Promoter & Non-Executive	5	3	60	Y
Sri Brijendra Sahay	Independent	5	3	60	N
Sri Ranoj Dasgupta	Independent	5	3	60	Y

Relationship with Statutory Auditors and Internal Auditors

The Audit Committee of the Company ensures that the Statutory Auditor gets the correct picture of the internal control practised in the Company. In addition, the periodical discussions are made with the external Auditors and their representatives relating to issues like Company's financial reporting process reviewing with the management the Annual Financial Statements before submission to the Board focusing primarily on:

- Any changes in accounting policies and practices
- Major accounting entries based on exercise of judgment by management
- Qualification in draft audit report
- Significant adjustments arising out of audit
- Compliance with Accounting Standards
- Compliance with Stock Exchange Requirements
- Management Letters/letters of internal control weaknesses issued by Statutory /Internal auditors

The auditors are encouraged to have open discussion with the Committee members and the internal auditor,

as and when required. There is no other financial, as well as personal interest with the audit firm and with their relatives, which may impair the objective of Auditor's independence.

2. Remuneration Committee

The broad terms of reference of the Remuneration Committee is to ensure that the remuneration practices of the company in respect of the Senior Executives are competitive keeping in view prevalent compensation packages so as to recruit and retain suitable individual(s) in such capacity.

The committee comprises of three Independent Directors. During the financial year ended 31st March 2006, one meeting of the committee was held on 25th January, 2006. The composition of the Remuneration Committee and the attendance of each Director at the meeting were as below:

Sl. No.	Members	Attendance
1.	Shri Brijendra Sahay	Present
2.	Shri S.P.Ghosh	Present
3.	Shri Ranoj Dasgupta	Present



SAHARA HOUSINGFINA CORPORATION LIMITED

The Remuneration Policy of the company for managerial personnel is primarily responsible for the following matters:

- Determine the remuneration of the managerial personnel based on the track record, potential and performance of the individual managers;
- Review employee performance on an Annual Basis;
- Determine increase in emoluments on the basis of such review

3. Shareholders'/Investors' Grievance Committee

As an important instrument of investor protection the Board has formed an Investors'/Shareholders' Grievance Committee to look into issues related to shareholders, like transfer/transmission of shares, issue of duplicate shares, non-receipt of dividend, annual report and other related matters. The Committee also advises on matters enabling better investor services and relations and strives its best to ensure that shareholders' related activities are given due priority and issues are resolved at the earliest.

The Shareholders' /Investors' Grievance Committee

comprises of two Independent Directors. The Company Secretary of the Company acts as the Compliance Officer. The details of the Compliance Officer are provided elsewhere in the report.

Details of Shareholders'/Investors' Grievance Committee for the financial year ended on 31 March 2006

Name of Non-Executive Chairman of the Committee	Sri S.P.Ghosh
Details of the Authority to which work related to share transfer is delegated	* MCS Limited 'Harmony', Plot No.6, Sector-1, Khanda Colony, New Panvel-W, Distt-Raigade Maharashtra- 410 206. Ph: 022-2749 2003-10. Fax:022-2749 2005
Whether the Company Secretary acts as the Compliance Officer of the Company(Y/N)	Y

* RTA business of M/s MCL Limited has since been taken over by M/s Intime Spectram Registry Ltd. w.e.f. 01.08.2006

Compliance of Shareholders'/Investors' Grievance Committee and Members' Attendance at its meetings held during F.Y.2005-06

Names of the Committee Members	Category of Director- Non-Executive /Independent	Meeting Details		
		Held	Attended	% of Total
Shri S. P. Ghosh	Independent	25	25	100
Shri Ranoj Dasgupta	Independent	25	25	100

The Compliance Officer has attended all the meetings of the Committee to effectively monitor the complaints received vis-à-vis the share transfer and other related processes and report to the Board about the same. He has also carried out his responsibility of liaison officer with the investors and regulatory authorities, such as SEBI, Stock-Exchanges, Registrar of Companies, RBI, etc. in respect of implementing laws, rules, regulations and other directives of such authorities in respect of investor service and complaints.

D. CEO/ CFO Certification

The CEO/CFO certification of the financial statements and the cash flow statement for the year has been obtained from the Chief Operating Officer, who also is the managerial person appointed u/s 269 of the Companies Act, 1956.

E. Management review and responsibility

1. Evaluation of Officers

A Management Committee headed by the COO along with the senior executives reviews the annual





performance of the officers and decides the annual increment and performance linked bonus, if any, for the concerned officers.

2. Interaction of the Board with external agencies and the employees

The Chief Operating Officer on behalf of the Board along with the other officials of the Company interacts with various external agencies, like Government Departments/Statutory and Regulatory Bodies for different business needs. The COO meets the employees on various occasions to discuss issues, which have a bearing on the business, as well as matters affecting them specifically.

3. Management Discussion and Analysis

The management Discussion and Analysis is given as a separate chapter in this Annual Report.

4. Management Development

To augment the level of knowledge of the employees, they are sent for training programmes that enable the overall development in the areas of functional and executive management.

5. Company Secretary's Compliance

The Company being listed with the Bombay Stock Exchange (BSE), the Company Secretary presents to the Board, a quarterly Compliance Report relating to the legal and regulatory compliances made during the period.

6. Code of Conduct

The Company has laid down a Code of Conduct for all the Board members and senior management of the Company. All the Board members and senior management personnel have affirmed compliance with the Code of Conduct.

7. Code for prevention of insider trading practices

The Company has laid down a Code of Conduct to be followed by its management and staff while dealing in the shares of the Company. The Code contains guidelines which advise them on procedures to be followed, disclosures to be made, closure of Trading Window and cautioning them of the consequences of violation of the Code.

Whistle Blower Policy

The Company has established a mechanism for employees to report to the Management concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. The responsibility of the management with regard to this shall be as under:

- (a) The management shall receive, retain, investigate and act on complaints and concerns collectively, the "Reports") of any employee (or , the Whistle Blower) regarding:
 1. Any actual event of violation of the SHCL's Code of Conduct;
 2. Any other possible event of violation of the Company's Code;
 3. Any event that an employee becomes aware of, that could affect the business and / or reputation of his/her own or any other Group Company.
- (b) The Management shall seek to establish an atmosphere where no reporting employee or Whistle Blower has the fear of being harassed, demoted, retaliated or threatened in any way, and thereafter maintain the same.
- (c) The Management shall take care to handle all such reports/concerns with as much confidentiality as possible such that there is no retaliation of any form against the Whistle Blower.

The management shall retain for a period of three years, all records relating to (a) any Accounting Allegation or Legal Allegation or report of a retaliatory act and (b) the investigation of any such report.

Auditors' Certificate on Corporate Governance

As per Clause 49 of the Listing Agreement, the Auditors' certificate on Corporate Governance is included elsewhere in the Annual Report.

COMPLIANCE OF NON-MANDATORY REQUIREMENTS

Shareholder Rights

Half-yearly results including summary of the significant events are presently not being sent to the Shareholders of the Company.





SAHARA HOUSINGFINA CORPORATION LIMITED

Postal Ballots

During the financial year ended 31st March, 2006, approval of shareholders was obtained by conducting a postal ballot for issue of 10,00,000 equity shares @ Rs. 60/- each, comprising of face value of Rs. 10/- and premium of Rs. 50/- per share to M/s. Gandevi Commerce Pvt. Ltd.

Shri T. S. V. Panduranga Sarma, a practicing Company Secretary was appointed as the scrutinizer to receive and scrutinize the completed ballot forms received from the shareholders and for conducting the Postal Ballot process in a fair and transparent manner. After the scrutiny of all the postal ballot forms received by Shri T.S.V. Panduranga Sarma, he submitted his report as under:

Particulars	No of ballots	No. of shares	% of total paid-up equity capital
Total Postal Ballot Forms received	38	50,07,552	83.46
Total valid Forms	38	50,07,552	83.46
Votes in favour of the Resolution	38	50,07,552	83.46
Votes against the Resolution	Nil	Nil	Nil
Total invalid Forms	Nil	Nil	Nil

On the basis of the Scrutinizer's Report, the Company announced that the 'Special Resolution' pursuant to Section 81(1A) of the Companies Act, 1956, in respect of issue of equity shares of the

Company on 'preferential offer basis' as set out in the Notice sent to the shareholders is duly approved by the shareholders with the requisite majority .





Auditors' Report on Corporate Governance

To the Members
of Sahara Housingfina Corporation Limited

We have examined the compliance of the conditions of Corporate Governance of Sahara Housingfina Corporation Limited for the year ended 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an Audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanation given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the above mention Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

For CHATURVEDI & CO.
Chartered Accountants

Pankaj Chaturvedi
Partner
Membership No. 91239

Place : Lucknow
Date : 30.06.2006





MANAGEMENT DISCUSSION & ANALYSIS REPORT

Macroeconomic Overview

The Indian economy, after a strong rebound in 2003-04 from the drought induced decline in 2002-03, appears to have settled on a steady and high growth path in recent years. A pick-up in investment, strong industrial performance, and modest inflation in spite of the high and volatile oil prices have helped not only growth but also the associated business sentiments. Industry and services have continued to expand steadily. Indeed since the beginning of the Tenth Plan in 2002-03, with annual growth of 7.0% or more, industry and services have acted as the twin engines propelling overall growth of the economy. Stock market index returns of 11% in 2004 followed by 36% in 2005 provide a good measure of investor sentiments. Strong industrial recovery was accompanied by much higher credit growth of 17.4% to industry (medium and large) in 2004-05 compared to only 5.1% in the previous year. Asset quality of banks registered significant improvements simultaneously with the rapid increase in the quantum of credit to the commercial sector. The robust industrial performance and wider option available to SCBs for recovery of their dues showed up in a significant reduction in the level of non-performing assets. The BSE Sensex crossed the 10000 mark on Feb 6, 2006. In 2005, Rs. 30325 crore of resources were raised on the primary market for equity. The number of IPO's per year, on the rise since 2002, increased from 26 to 55 between 2004 & 2005.

The encouraging signs of a pick up in investment and acceleration in growth indicate brighter prospects for the medium term. A virtuous cycle of savings and growth, that appears to be already underway, is likely to continue for some years to come. While the worry about rapidly growing imports and the burgeoning current account deficit appears to be somewhat misplaced, the possible risks to an otherwise rosy outlook arise from: inflation; interest rate; and fiscal stance.

(SOURCE: Union Budget 2006-07)

Housing Finance Industry

The Housing Finance Industry continued to show high growth rate during the year mainly on account of increased urbanisation, reasonable property prices, improved standard of living, a desire for home ownership and easy availability of credit at stable interest rates further fuelled by tax incentives on home loans.

As a result of growth in disbursement of housing loans, its share in GDP has considerably increased. However, as compared to advanced countries it is still lower. Proportion of housing loans in total non-food credit has been increasing. The share of housing loans to the non food credit in banks has increased from 3% in 1993 to 7% in 2003-04. This is likely to be more than 8% in 2005-06.

These factors driving the growth in the business are likely to continue in the next year resulting in growth in business of the company.

The demand for housing loan is likely to improve further as a result of available tax incentive in the form of deduction u/s 80C of the Income Tax Act, 1961 which enables the borrower of housing loans to claim upto Rs. 1,00,000/- as eligible deduction from taxable income in respect of principal payment of housing loans. This is in addition to the tax incentive already available to the extent of Rs.1, 50,000/- on interest payments.

Market

The major players in the Indian housing market include HFCs, scheduled commercial banks.

Changing Age Profile of Borrowers

The Indian home loan market has witnessed a distinct shift in the age profile of borrowers. Two to three years back, a large number of borrowers used to be in their late 30s and early 40s but today greater numbers of borrowers are in their mid 30s. This is because loans today are more affordable and are available at better terms. Housing Finance Companies and banks are introducing various schemes to attract this new segment of borrowers.

Higher Loan to Cost Ratio

Borrowers today are in a position to raise upto 100





percent of their borrowing requirements from the lenders. The margin contribution of the borrowers is expected to come down further with the introduction of credit guarantee by Mortgage Credit Guarantee Corporation of India being floated by the National Housing Bank.

Critical Success Factors

In view of the tough competition from banks and declining spread, the players in the Industry should have sustainable advantages to remain profitable in the long-term.

Cost of Funds

For Housing Finance Companies (HFCs) cost of funds is the most crucial determinant of profitability. After the entry of banks in the business, which have access to low cost deposits, the spread of the HFCs have come under pressure.

Cost of Operation

Cost of Operation is also instrumental in determining the profitability of the Housing Finance Companies (HFCs). The average cost of operation of HFCs ranges from 0.7 per cent to 1 per cent of average total assets (one time cost). Economics of scale are however, driven by volume.

Product Diversification

Housing Finance Industry is getting increasingly commoditized. Features like adjustable rate plans, lower processing fees, monthly rest, low EMI, lower margin money, no pre-payment penalty have become common across the Industry. As a result loan products can be differentiated by offering free add-ons.

To make the loan products more attractive, HFCs have begun to include the cost of registration, stamp duty and other associated costs while sanctioning loans. This has further lowered the threshold limit for purchasing a house.

Interest Rates

With ample liquidity in the system the debt market condition continued to be favourable. However, due to intense competition in the Industry & hardening of

interest rates, SHCL upwardly revised its lending rate structure twice (7th May, 05 and 15th Feb, 06) during the year. The housing loan borrowers continued to enjoy attractive rates of interest offered by the Company.

Competition

The housing finance industry is one of the most keenly competitive segments of the economy, with the banking sector having a significant presence. The Company, through its competitive pricing, wide distribution network and good customer service has been able to achieve a good growth in business.

Opportunities

Housing Finance Industry has been growing over 30%, year on year basis and there is an estimated shortage of 19 million units and fund shortage to the tune of Rs. 1,500 billion.

The gap between demand and supply of housing continues to be a great opportunity for housing finance companies. As per the estimate the demand for the dwelling units in the country, during next five years, would be more than 30 million units.

The appetite for housing finance is expected to remain unabated in the immediate foreseeable future. Further, investment in housing is prioritised item on National Agenda as it contributes substantially in the Country's GDP growth directly and indirectly. Tax incentives and rising income level also contribute to the growth of housing finance industry.

The Company has strengths by way of an already established brand, a strong distribution network and a competent employee base which has facilitated it to survive in competition and grow profitably.

Weaknesses

The industry was dominated by a single player about 20 years ago, the threat for housing finance company comes from new entrants namely commercial banks who have access to huge funds at relatively low cost as compared to stand alone housing finance companies.

The slow pace of reforms as reflected in the absence of clearly defined Foreclosure norms, Mortgage Credit





SAHARA HOUSINGFINA CORPORATION LIMITED

Guarantee norms, Asset Reconstruction norms, Provisional norms are a constraint in the development of the industry, though the same has found the attention of the policymakers.

Private Housing Finance Companies have a different set of regulations as compared to banks. This acts as a major hindrance in obtaining cheaper source of funds and competing with banks on the interest rate front and consequently affects the market share adversely.

Marketing

The company has taken steps to serve the customers at their door step which includes appointing Home Loan Agents, Direct Selling Agents and Home Loan Counsellors. New marketing units were opened and existing counters were upgraded.

The Company's web-site namely www.saharahousingfina.com has also proved to be good marketing tool. SHCL proposes to adopt the hub and spoke model of distribution network and has the inherent advantage of leveraging the Group's Brick and Mortar presence across the country for distribution of housing loan and related products.

Sahara Housingfina Corporation Limited also proposes to widen its fee base activities by distribution of Life Insurance products in addition to the existing distribution of mutual fund products.

Parking of Funds

The Board of Directors of the Company had directed to park surplus funds available from time to time as short-term deposit to avoid funds lying idle in the current account with the banks. This ensures adequate liquidity to support core activities, safety and optimum return.

Risk Management

SHCL manages various risks associated with the mortgage business. These risks include credit risk and liquidity risk, and interest rate risk, operational risk & market risk. SHCL manages credit risk through stringent credit norms. Liquidity risk and interest rate risk arising out of maturity mismatch of assets and liabilities are managed through regular monitoring

of the maturity profiles, and yield management by way of risk, return, and portfolio management. The company proposes to manage the increased risk through available methods of portfolio churning by the RMBS route as well as rate SWAP arrangements with Banks/Institutions. For operational risk the Company has a comprehensive internal control and security system, which provides for appropriate checks and balances. Asset-Liability management is presently not applicable to the Company.

Internal Audit and Control

The company has internal control system commensurate with the size of its operations. Adequate records and documents are maintained as required by law from time to time. Internal audits and checks are regularly conducted and internal auditor's recommendations are seriously considered for improving systems and procedures. The company's audit committee reviews the internal control system and looks into the observations of the statutory and internal auditors.

Prudential Norms of Housing Finance Companies (HFCs)

NHB has issued guidelines to HFCs on prudential norms for income recognition, provisioning, asset classification, provisioning for bad and doubtful debts, capital adequacy and concentration of credit/investments. SHCL's position with respect to the guidelines is as follows:

- SHCL's Capital Adequacy Ratio (CAR) stood at 28.25 % of the risk weighted assets, (of which Tier 1 Capital was 23.83%) as against the minimum requirement of 12 %.
- SHCL is in compliance with the limits prescribed by NHB in respect of concentration of credit/investment and on exposure to investments in real estate.

Human Resources

The progress made by the company so far has been to a great extent due to the commitment and contribution of the dedicated team of staff members. The company recognises the imperatives of developing the human resources for future development of the





company. The principal of higher productivity per employee and need based recruitment has been followed. The increase in number of offices and increase in volume of transactions have not necessarily prompted the company to go for recruitment. The total staff strength of the company as of 31st March, 2006 was 45 employees.

Outlook and Strategy:

We, at SHCL are all eager to approach our growth path through the spirit of Service to customer approach and to achieve this we have initiated various training programmes to enhance our professional skill including Customer Relationship Management (CRM).

The boom in housing construction due to long standing housing shortage in the country, coupled with improved standard of living, moderate interest rates and easy availability of finance is likely to continue in the immediate foreseeable future. The Central Government has also rightly focused its attention on housing programme to bridge the huge Demand - Supply gap. Sahara Housingfina Corporation Limited is optimistic of making a substantial contribution to the Central Government's Housing programme.

The business, however, is a low-margin, high-volume business and thus yield management on its Capital Employed, will be key to its sustainability in growth. SHCL will continue to strike and channelise its efforts in diversifying its resource basket.

Software:

A comprehensive integrated advance system solution software is being developed and operational systems were developed in-house by professionals recruited from the industry. The company plans to migrate to the web-based technology in a year's time.

Cautionary Statement:

Some of the statements included in the 'Management Discussion and Analysis Report' describing the company's objectives, estimations, projections, expectations may be "forward looking statements" based on the management's current expectations and beliefs concerning future developments and their potential effect upon the Company. Several factors could make significant difference to the company's operations. These include economic conditions affecting demand and supply, Government regulations and taxation, natural calamities, etc. over which the company does not have any direct control.









SAHARA HOUSINGFINA CORPORATION LIMITED

Shareholders' Information

Registered Office :

Sahara India Sadan
 2A, Shakespeare Sarani,
 Kolkata-700 071.
 Phone: 033-2282-9067/0811/0786/9075
 Fax: 033-2282-4910/2922
 Web-site:www.saharahousingfina.com

AGM Details

Day, Date & Time	Saturday, 9th September, 2006 , 11.00 A.M.
Venue	Sahara India Sadan 2A, Shakespeare Sarani, Kolkata-700 071.
Book Closure Date	01.09.2006 to 09.09.2006 (both days inclusive)

Name and address of Registrar & Share Transfer Agent *

<p>MCS Limited 'Harmony', Plot No.6, Sector-1, 1st Floor, Khanda Colony, New Panvel-W, Distt-Raigade Maharashtra- 410 206. Ph: 022-2749 2003-10. Fax:022-2749 2005</p>
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Compliance Officer

Shri D.J. Bagchi, Company Secretary is the Compliance Officer as required under Clause 47 of the Listing Agreement.

Share Transfer System

Share Transfers in physical form can be lodged with MCS Ltd. at the above-mentioned address. The transfers are normally processed in 10-12 days from the date of receipt if the documents are complete in all respects. Certain Directors and the Company Secretary are severally empowered to approve transfers.

(* RTA business of M/s MCS Ltd. has since been taken over by M/s Intime Spectrum Registry Ltd. (ISRL) w.e.f.01.08.2006)

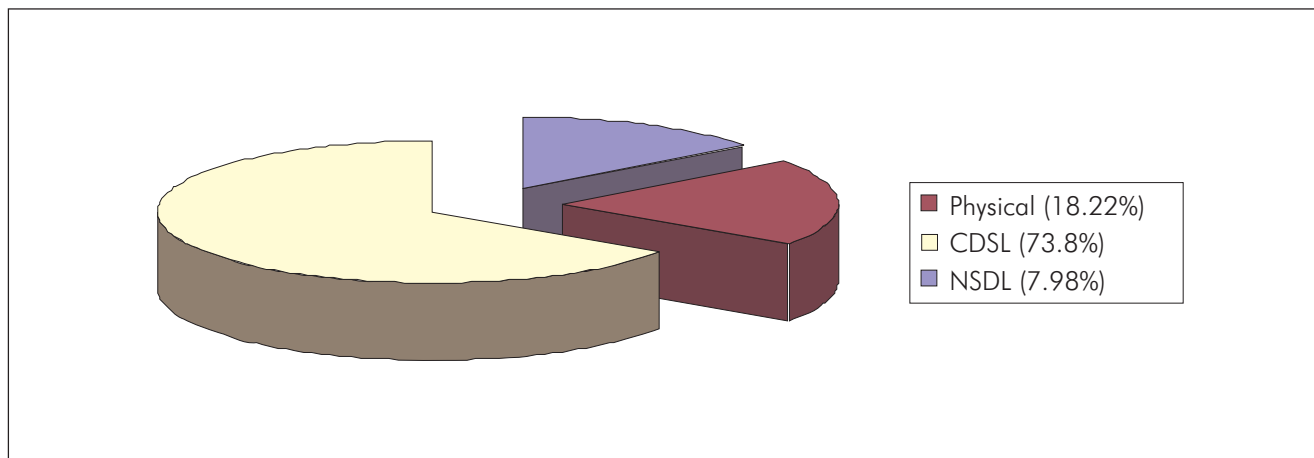
Dematerialisation of Shares and Liquidity

The Shares of the Company are compulsorily traded in dematerialised form and are available for trading under both the depository system in India – NSDL (National Securities Depositories Limited) and CDSL (Central Depository Services India Limited). As on 31st March, 2006 a total of 57, 24,769 shares of the Company, which forms 81.78% of the total shares, stand dematerialised. The processing activities with respect to the requests received for dematerialisation are completed within 15 days from the date of receipt of the request

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is **INE 135C01012**.



Demat position as on 31.03.2006



Financial Calendar (Tentative)

Financial Year 2006-07			
1. First Quarter Results	July, 2006	3. Third Quarter Results	January, 2007
2. Second Quarter Results	October, 2006	4. Annual Results	April/June, 2007

Distribution of Shareholding as on 31st March, 2006

No. of ordinary shares held	No. of shareholders	% of total No. of Shareholders	No. of shares	% of total No. of Shares
1-500	1937	85.41	382109	5.46
501-1000	180	7.94	156171	2.23
1001-2000	93	4.10	149748	2.14
2001-3000	22	0.97	57577	0.82
3001-4000	7	0.30	25162	0.36
4001-5000	4	0.17	18761	0.27
5001-10000	16	0.71	119534	1.71
10001 & Above	9	0.40	6090938	87.01
TOTAL	2268	100	7000000	100



SAHARA HOUSINGFINA CORPORATION LIMITED

Categories of Shareholding as on 31st March 2006

No. of ordinary shares held	No. of shareholders	No. of shares	%
Promoters- Indian Promoters			
- Sahara India Corp Investment Limited.	1	16,38,587	23.41
- Sahara India Investment Corporation Limited	1	29,40,000	42.00
- Sahara India Finance & Investment Limited	1	4,16,000	5.94
Total	3	49,94,587	71.35
Institutional Investors	—	—	
Mutual Fund and UTI	—	—	
Banks, Financial Institutions/ Insurance Companies	—	—	
Others			
Private Corporate Bodies:			
i) Gandevi Commerce Pvt. Ltd.	1	10,00,000	14.29
ii) Others		2,01,167	2.87
Indian Public		8,02,626	11.47
NRI/OCBs		1,620	0.02
Total		20,05,413	28.65
Grand Total		70,00,000	100.00

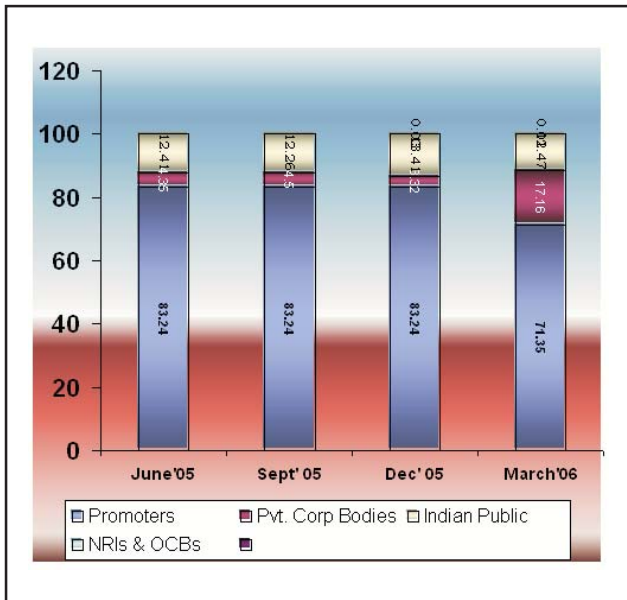
Top 10 Shareholders List (as on 31 March 2006)

Name of shareholders	No. of Shares	% of Share Capital
Sahara India Investment Corporation Limited.	29,40,000	42.00
Sahara India Corp Investment Limited	16,38,587	23.41
Sahara India Finance & Investment Limited	4,16,000	5.94
Gandevi Commerce Pvt Ltd	10,00,000	14.29
Sant Lal Jain & Sons Pvt. Ltd.	40,750	0.58
Hitesh Ramji Javeri	20,101	0.29
Veerendra Kumar V	14,450	0.21
Snehalatha Singh	11,000	0.16
Pushpak Infrastructure Pvt. Ltd.	10,050	0.14
K & A Securities Pvt. Ltd.	10,000	0.14
Jaldhara Merchant Exporters Pvt. Ltd.	10,000	0.14
Vaibhav S Shah	10,000	0.14
Total	61,20,938	87.44



Shareholding Pattern during the quarters ended June 2005, Sept 2005, Dec 2005 and March 2006.

Monthly High and Low quotation of Shares traded on the Bombay Stock Exchange Limited

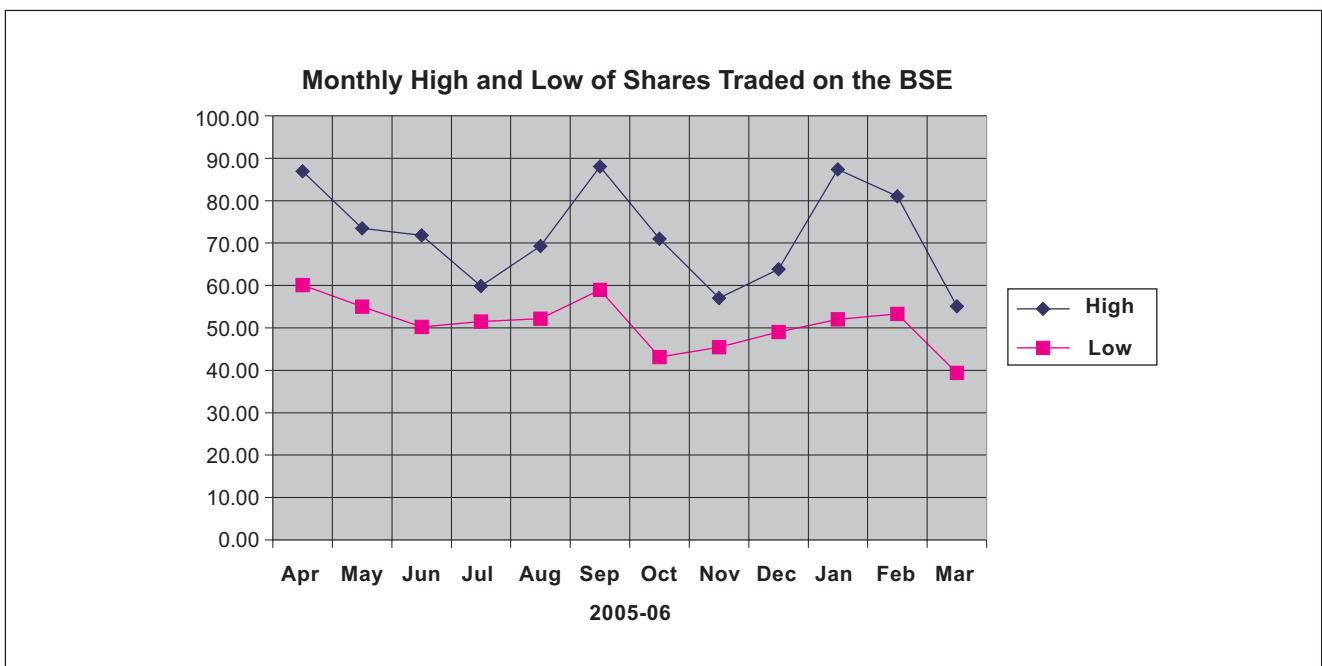


Month	HIGH(Rs.)	BSE	LOW(Rs.)
2005			
April	86.90		60.10
May	73.50		55.00
June	71.80		50.25
July	59.90		51.50
August	69.25		52.15
September	88.05		59.00
October	71.00		43.10
November	57.00		45.45
December	63.85		49.00
2006			
January	87.35		52.00
February	81.00		53.30
March	55.05		39.30

Listing on Stock Exchanges (With Stock Code)

- The Bombay Stock Exchange Limited Scrip Code: 511533

YEAR HIGH: 88.05 (Rs.) YEAR LOW: 39.30 (Rs.)





SAHARA HOUSINGFINA CORPORATION LIMITED

Means of communication

A. Publication and dispatch of half-yearly/ quarterly reports and related matters			
Sl. No	Particulars	Name	Date of Publication
1.	English Newspapers in which Quarterly / Annual results were published	The Financial Express -June Qtr -September Qtr -December Qtr -March Qtr	01.08.2005 13.10.2005 26.01.2006 01.07.2006
2.	Vernacular Newspaper in which quarterly / Annual results were published	Aajkaal -June Qtr -September Qtr -December Qtr -March Qtr	01.08.2005 13.10.2005 26.01.2006 01.07.2006
3.	Whether the Management Discussion and Analysis Report formed a part of the Annual Report		YES

B. Details regarding venue, date, and time of the last three AGMs

Financial Year	Details of location	Date/Time
2002-03	Sahara Manzil Opp. Andhra Pradesh Secretariat Hyderabad- 500 004	16.09.2003 10.15 A.M.
2003-04	Sahara India Sadan 2A, Shakespeare Sarani, Kolkata-700 071	28.09.2004 11.45 A.M.
2004-05	Sahara India Sadan 2A, Shakespeare Sarani, Kolkata-700 071	22.09.2005 11.00 A.M.

C. Details of Non-Compliance

There has been no non-compliance of any legal requirements by the Company or strictures imposed by any Stock Exchanges, SEBI or Regional Director, Company law Board, National Housing Bank over the last three years for the year ended 31st March, 2006.

D. Compliances

SHCL has complied with all mandatory requirements and has constituted Remuneration Committee and Whistle Blower Policy as suggested in non-mandatory requirements.

Redressal of Grievances

Contact:

The Chief Operating Officer & Company Secretary
SAHARA HOUSINGFINA CORPORATION LIMITED

Sahara India Sadan
2A, Shakespeare Sarani
Kolkata- 700 071

Phone: 033-2282-0811, 2282-9067

Fax: 033-2282-2922





AUDITORS' REPORT

To the members of Sahara Housingfina Corporation Limited

1. We have audited the attached Balance Sheet of **Sahara Housingfina Corporation Limited**, as at March 31, 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For CHATURVEDI & CO
Chartered Accountants

Pankaj Chaturvedi
Partner

Membership No: 91239

Place: Lucknow
Date : June 30, 2006





ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. Fixed assets have been physically verified by the management during the year pursuant to a programme for physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c. There was no disposal of fixed assets during the year.
- ii. The Company being a Housing Finance Company, the provisions related to inventories as mentioned in clause 4 (ii) of the Order is not applicable.
- iii. a. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4 (iii) (a), (b), (c) and (d) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- b. The Company has taken unsecured loan from a company listed in the Register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year and year end balance is Rs 259,194,797.
- c. In our opinion, the rate of interest and other terms and conditions on which loan had been taken, are *prima facie* not prejudicial to the interest of the Company.
- d. The Company is regular in repaying the principal amounts and the payment of interest wherever stipulated.
- iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have neither observed nor have been informed of any continuing failure to correct major weaknesses in internal control system of the Company.
- v. a. In our opinion and according to the information and explanations given to us, the particulars of all contracts or arrangements that needed to be entered into the register required to be maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b. According to the information and explanations given to us, there was no transaction with regard to sale, purchase, or supply of goods, materials or services exceeding the value of rupees five lacs in respect of any party, in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi. The Company has not accepted any deposits from the public in the current year within the meaning of Sections 58A and 58AA of the Companies Act, 1956, the rules framed there under and the Housing Finance Companies (NHB) Directions, 2001 with regard to the deposits accepted from the public. Therefore in our opinion clause (vi) of Para 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company for the current year. We are informed by the management that no order has been passed by the Company Law Board, or Reserve Bank of India or any Court or any other any Tribunal.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
- ix. a. According to the information and explanations given to us, the Company is





- generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, cess and any other statutory dues applicable to it We were informed that the operations of the Company during the year did not give rise to any liability for sales tax, custom duty, excise duty and any other statutory dues. There are no undisputed amounts payable in respect of these dues which have remained outstanding as at March 31, 2006 for a period of more than six months from the date they became payable.
- b. According to information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty or cess or any other statutory dues which have not been deposited on account of any dispute.
- x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institutions, bank or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of residential houses and properties. The Company has not granted any loans and advances by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion, and according to the information and explanations given to us, term loans have been applied for the purposes for which they were raised.
- xvii. The Company is engaged in the housing finance business and is governed by National Housing Bank [NHB] guidelines for raising deposits and deployment of its funds in its business and the company has followed the NHB guidelines for fund raising and its deployment and adhering to the Asset Liability Committee (ALCO) Management guidelines prescribed by NHB and accordingly based on those guidelines we confirm that the company has not used its short term funds in long term investments and vice versa.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised money through public issue of shares during the year. Accordingly, clause 4(xx) of the order is not applicable.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For CHATURVEDI & CO
Chartered Accountants

Pankaj Chaturvedi
Partner

Membership No: 91239

Place: Lucknow
Date : June, 30 2006





SAHARA HOUSINGFINA CORPORATION LIMITED

Balance Sheet as at March 31, 2006

	Schedule Reference	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	70,000,000	60,000,000
Reserves and Surplus	2	102,296,075	48,180,197
Loan Funds			
Secured Loans	3	210,869,078	88,326,017
Unsecured Loans	4	345,688,409	142,558,901
Deferred Tax Liability		1,422,230	1,693,920
		730,275,792	340,759,035
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	14,182,411	13,025,430
Less: Depreciation		3,500,926	2,748,170
Net Block		10,681,485	10,277,260
Investments	6	773,600	773,600
Housing Loans	7	531,621,176	289,036,199
Current Assets, Loans & Advances			
Sundry Debtors	8	730,919	540,274
Cash & Bank Balances	9	119,240,055	46,714,953
Other Loans & Advances	10	85,203,128	4,811,306
Total Current Assets		205,174,102	52,066,533
Less : Current Liabilities and Provisions	11	17,974,571	11,394,557
Net Current Assets		187,199,531	40,671,976
		730,275,792	340,759,035
Significant Accounting Policies and Notes	17	—	—

As per our report of even date attached

For CHATURVEDI & COMPANY
Chartered Accountants

Pankaj Chaturvedi
Partner
Membership No. 91239

Place : Lucknow
Date : 30.06.2006

For and on behalf of the Board

O.P. Srivastava Director
S.P. Ghosh Director

D.J. Bagchi Chief Operating Officer
& Company Secretary



Profit & Loss Account for the year ended March 31, 2006

	Schedule Reference	For the Year Ended March 31, 2006 <u>Rupees</u>	For the Year Ended March 31, 2005 <u>Rupees</u>
INCOME			
Income from Operations	12	39,831,814	24,199,782
Other Income	13	11,816,884	19,783,298
		<u>51,648,698</u>	<u>43,983,080</u>
EXPENDITURE			
Staff Expenses	14	8,029,852	6,196,318
Operating & Other Expenses	15	10,718,999	19,255,042
Interest and other Financial Charges	16	26,378,363	12,725,775
Depreciation		752,756	737,675
		<u>45,879,970</u>	<u>38,914,810</u>
PROFIT BEFORE TAX AND EXTRA ORDINARY ITEMS		5,768,728	5,068,270
Extra Ordinary Item (Income)		—	23,737,465
Less: Provision for taxation:			
- Current Tax (Including for prior years Rs. 177,971 previous year Rs. 516)		1,751,897	4,149,402
- Deferred Tax		(271,690)	83,961
- Fringe Benefit Tax		172,643	—
PROFIT/(LOSS) AFTER TAX		4,115,878	24,572,372
Add: Profit carried from earlier year		18,476,737	951,506
Profit available for appropriations		<u>22,592,615</u>	<u>25,523,878</u>
APPROPRIATIONS			
Special Reserve in terms of Section 36(1)(viii) of the Income Tax Act, 1961		2,042,434	7,047,141
Balance carried to Balance Sheet		20,550,181	18,476,737
		<u>22,592,615</u>	<u>25,523,878</u>
Earning per Share-Basic- (Rs.)		0.66	4.10
Earning per Share-Diluted-(Rs.)		0.66	4.10
Significant Accounting Policies and Notes	17		

As per our report of even date attached

For CHATURVEDI & COMPANY

Chartered Accountants

Pankaj Chaturvedi

Partner

Membership No. 91239

Place : Lucknow

Date : 30.06.2006

For and on behalf of the Board

O.P. Srivastava

Director

S.P. Ghosh

Director

D.J. Bagchi

Chief Operating Officer
& Company Secretary



SAHARA HOUSINGFINA CORPORATION LIMITED

Schedules annexed to and forming part of the Balance Sheet

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
SCHEDULE 1		
SHARE CAPITAL		
Authorised:		
30,000,000 Equity Shares of Rs.10/- each	300,000,000	300,000,000
20,000,000 Preference Shares of Rs.10/- each	200,000,000	200,000,000
	<u>500,000,000</u>	<u>500,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
7,000,000 Equity Shares of Rs.10/- each. (Previous year : 6,000,000 Equity Shares of Rs. 10/- each)	<u>70,000,000</u>	<u>60,000,000</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
Special Reserve created and maintained in terms of Section 36(1)(viii) of The Income Tax Act, 1961:		
Balance as per Last Balance Sheet	29,049,855	22,002,714
Add: Transferred from Profit and Loss Appropriation A/c	2,042,434	7,047,141
	<u>31,092,289</u>	<u>29,049,855</u>
General Reserve	501,605	501,605
Capital Reserve	152,000	152,000
Share Premium Account	50,000,000	—
Profit and Loss Account	20,550,181	18,476,737
	<u>102,296,075</u>	<u>48,180,197</u>
SCHEDULE 3		
SECURED LOANS		
Terms Loans		
From Banks	151,334,981	19,103,370
From Others	59,500,000	68,250,000
Interest accrued & due	34,097	972,647
	<u>210,869,078</u>	<u>88,326,017</u>

Notes

- The Term Loans from Andhra Bank and Gora Projects Ltd. are secured by Negative Lien on assets refinanced by them individually. Further, the term loan of Andhra Bank is secured by immovable properties of third parties and the personal guarantee of a Director and his relatives.
- Term Loan from The Bank of Rajasthan Limited is secured by negative lien over the specific assets created by the utilisation of said loan.



Schedules annexed to and forming part of the Balance Sheet

	As at March 31, 2006	As at March 31, 2005
	Rupees	Rupees
SCHEDULE 4		
UNSECURED LOANS		
9% Unsecured Non-Convertible Debentures	80,000,000	80,000,000
Loan from Body Corporate	259,194,797	62,368,797
Interest accrued and due on loan	6,493,612	190,104
	345,688,409	142,558,901

**SCHEDULE 5
FIXED ASSETS**

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.05	Additions during the period	Write off during the year	As at 31.03.06	Up to 01.04.05	for the period	Write off during the year	Up to 31.03.06	As at 31.03.06	As at 31.03.05
Buildings	5,745,548	—	—	5,745,548	682,877	93,652	—	776,529	4,969,019	5,062,671
Computers	1,552,104	784,865	—	2,336,969	282,256	308,773	—	591,029	1,745,940	1,269,848
Solar Plant	3,020,000	—	—	3,020,000	959,237	143,450	—	1,102,687	1,917,313	2,060,763
Furniture & Fixtures	1,357,512	287,896	—	1,645,408	685,982	93,096	—	779,078	866,330	671,530
Air Conditioners	123,900	50,280	—	174,180	10,860	5,964	—	16,824	157,356	113,040
Office Equipment	126,027	33,940	—	159,967	7,568	6,633	—	14,201	145,766	118,459
Electrical Fittings	70,415	—	—	70,415	4,507	3,345	—	7,852	62,563	65,908
Vehicles	1,029,924	—	—	1,029,924	114,883	97,843	—	212,726	817,198	915,041
TOTAL	13,025,430	1,156,981	—	14,182,411	2,748,170	752,756	—	3,500,926	10,681,485	10,277,260
Previous year	12,722,131	1,369,188	1,065,889	13,025,430	3,076,384	737,675	1,065,889	2,748,170	10,277,260	9,645,747

**SCHEDULE 6
INVESTMENTS**

(Non-trade, Unquoted, Long Term Government Securities)

13.75% National Housing Bank Bonds 2007 (One bond face value of Rs.500,000/- each)	500,000	500,000
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EQUITY SHARES

Indian Overseas Bank Limited (11,400 Equity Shares of face value of Rs.10/- each)	273,600	273,600
	773,600	773,600



SAHARA HOUSINGFINA CORPORATION LIMITED

Schedules annexed to and forming part of the Balance Sheet

	<u>As at March 31, 2006</u> Rupees	<u>As at March 31, 2005</u> Rupees
SCHEDULE 7		
HOUSING LOANS		
Individuals	532,801,508	289,036,199
Less : Provision for Non Performing Assets	1,180,332	—
	<u>531,621,176</u>	<u>289,036,199</u>
SCHEDULE 8		
SUNDRY DEBTORS		
Installments due from Borrowers :		
More than 3 months (*)	270,581	—
Less:Provision for Non Performing Assets	27,058	—
More than 3 months	243,523	—
Less than or equal to 3 months	487,396	540,274
(*Net of Interest Unrecognised Rs. 417,117/-)		
Previous Year Rs. Nil	<u>730,919</u>	<u>540,274</u>
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash in hand	169,636	66,808
Balance with scheduled banks:		
In current accounts	38,520,419	46,598,145
In term/fixed deposits accounts	80,550,000	50,000
	<u>119,240,055</u>	<u>46,714,953</u>



Schedules annexed to and forming part of the Balance Sheet

	As at March 31, 2006	As at March 31, 2005
	Rupees	Rupees
SCHEDULE 10		
LOANS & ADVANCES		
Inter Corporate Deposit	70,000,000	—
Refundable Deposits	621,160	533,800
Other advances	8,669,224	3,070,595
Interest accrued on Investments	735,770	11,678
Self Assessment Tax	4,120,580	—
Tax Deducted at Source	1,056,394	1,195,233
	85,203,128	4,811,306

SCHEDULE 11

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors	1,178,043	870,374
Other Current Liabilities	10,373,716	5,555,322
Advances From Customers	29,911	5,264
Investor Education and Protection Fund will be Credited with following amounts*		
Unclaimed Dividend	229,375	229,375
Unclaimed Deposits	113,480	114,480
Interest on Unclaimed Deposits	40,851	41,414
Unclaimed Dividend (Preference Shares)	5,781	5,781
	11,971,157	6,822,010

* There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.

PROVISIONS

For Taxation	5,722,812	4,268,156
For Gratuity	216,263	226,695
For Leave Encashment	64,339	77,696
	6,003,414	4,572,547
	17,974,571	11,394,557



SAHARA HOUSINGFINA CORPORATION LIMITED

Schedules annexed to and forming part of the Profit & Loss Account

	For the Year ended March 31, 2006	For the Year ended March 31, 2005
	Rupees	Rupees
SCHEDULE 12		
INCOME FROM OPERATIONS		
Interest Income	37,552,196	16,601,054
Fee Income	2,279,618	7,598,728
	<u>39,831,814</u>	<u>24,199,782</u>
SCHEDULE 13		
OTHER INCOME		
Dividend Income	11,400	280,121
Interest on term deposits (Gross, Tax deducted at source Rs. 114,935, Previous year Rs. 248,225)	1,375,988	1,706,437
Miscellaneous income (Gross, Tax deducted at source Rs. 398,310, Previous year Rs. 51,558)	10,429,496	6,708,775
Sub-standard Loan written back	—	11,087,966
	<u>11,816,884</u>	<u>19,783,298</u>
SCHEDULE 14		
STAFF EXPENSES		
Salaries, Allowances & Bonus	7,481,787	5,794,281
Contribution to Provident Fund & other funds	376,863	316,041
Staff welfare	171,202	85,996
	<u>8,029,852</u>	<u>6,196,318</u>



Schedules annexed to and forming part of the Profit & Loss Account

	For the Year ended March 31, 2006	For the Year ended March 31, 2005
	Rupees	Rupees
SCHEDULE 15		
OPERATING & OTHER EXPENSES		
Rent	1,247,867	900,843
Travelling and conveyance:		
– Directors	79,563	38,465
– Others	1,269,135	1,138,201
Legal and professional fee	2,467,982	3,070,807
Printing and stationery	624,294	543,141
Communication charges	1,115,064	911,543
General expenses	570,723	226,512
Insurance	723,601	1,423,530
Repairs and maintenance - Others	212,826	160,470
Rates, taxes and licences	139,533	2,831,856
Office maintenance	293,042	184,371
Vehicles maintenance	27,516	35,439
Advertisement and publicity	326,180	293,795
Electricity Charges	369,388	283,232
Payment to Auditors:		
– As Statutory Auditors	33,672	33,280
– As Tax Auditors	11,224	10,800
Provision for Non-performing Assets	1,207,390	—
Bad debts written off	—	400,600
Discount on Housing Loans	—	6,768,157
	10,718,999	19,255,042
SCHEDULE 16		
INTEREST AND OTHER CHARGES		
Interest on		
Term Loans	6,590,616	5,105,571
Public Deposits	29,250	—
Inter Corporate Deposit	10,904,170	215,705
Debentures	7,200,000	7,200,000
Bank and other charges	1,654,327	204,499
	26,378,363	12,725,775



17. SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. METHOD OF ACCOUNTING

The financial statements are based on historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) comprising of mandatory accounting standards issued by the Institute of Chartered Accountants of India, the directions issued by the National Housing Bank (NHB) and the provision of the Companies Act, 1956.

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

2. REVENUE RECOGNITION

Interest Income/ Fees on housing loans is accounted for on accrual basis, other than on Non Performing assets, which is accounted for on cash basis in accordance with the NHB Guidelines.

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

Dividend is accounted on accrual basis when the right to receive the dividend is established.

3. PROVISIONS ON HOUSING LOANS

Housing Loans are classified as per the NHB Guidelines, in to performing and non-performing assets classified in to sub standard, doubtful and loss assets based on criteria stipulated by NHB.

4. FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and Impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

5. DEPRECIATION

Depreciation on fixed assets is charged on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956. The depreciation is calculated on prorata basis for the assets acquired during the year.

6. INVESTMENTS

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and market value. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Cost such as brokerage, commission etc., pertaining to investment, paid at the time of acquisition, are included in investment cost.

7. TAXES ON INCOME

Tax expense for the year comprises of the current and deferred tax. Current taxes are measured at the Current rates of tax in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences that results between taxable profits and profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses under tax laws to the extent there is virtual certainty that sufficient future taxable income will be available against





such deferred tax assets can be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Profit & Loss Account in the year of change.

8. EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated by dividing the net earnings after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For calculating diluted earning per share, the number of shares comprises the weighted average shares considered for deriving basic earning per share, and also the weighted average number of shares, if any which would have been used in the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive equity shares are adjusted for the bonus shares and the sub-division of shares, if any.

9. RETIREMENT BENEFITS

The Company's contribution to the Provident Fund is deposited with Government administered provident fund and the same has been charged to Profit and Loss Account.

Provision for Gratuity has been made on the basis actuarial valuation carried out by an actuary.

Leave encashment has been provided on the basis of actuarial valuation carried out by an actuary.

10. PROVISIONS AND CONTINGENCIES

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised and are disclosed by way of a note to the accounts.

B. NOTES ON ACCOUNTS

1. Housing Loans and installments due from borrowers are secured or partly secured by
 - a. Equitable Mortgage of property and/or
 - b. Assignment of Life Insurance Policies and/or
 - c. Personal Guarantee of borrowers and/or
 - d. Undertaking to create a security.
2. In the opinion of the Board of Directors the Current Assets, Loans and Advances are approximately of the value stated above, if realized in the ordinary course of the business.

3. Earning per share

	Current Year (Rs.)	Previous Year (Rs.)
Weighted average no of Equity Shares outstanding as on last day of the Financial Year	6,038,356	6,000,000
Net profit after tax	4,115,878	24,572,372
Basic and Diluted Earnings per Share (Rs.)	0.66	4.10
Face Value of Equity Shares (Rs.)	10	10

4. Auditors' Remuneration

	Year ended March 31, 2006	Year ended March 31, 2005
Statutory Audit Fee	33,672	33,280
Tax Audit Fee	11,224	10,800
Certification and Other Charges	—	11,020
	44,896	55,100





SAHARA HOUSINGFINA CORPORATION LIMITED

5. The major components of deferred tax assets /(liabilities) are given below:

Component	As at March 31, 2006 (Rs)	As at MARCH 31, 2005 (Rs)
Deferred Tax Liability Depreciation (A)	1940148	1805430
Deferred Tax Assets Retirement Benefits Provision for doubtful debts / loans (B)	111510 406408 <u>517918</u>	111510 — <u>111510</u>
Net Deferred Tax (A) - (B)	1422230	1693920

6. Segment Information

The Company's main business is to provide loans for the purchase or construction of residential houses. All other activities of the Company are related to the main business. As such there are no separate reportable segments, as per the Accounting Standard on 'Segment Reporting' (AS 17), issued by the Institute of Chartered Accountants of India.

7. Related Party Disclosures

i. List of Related Parties

- a. Major shareholders having control over the company
Sahara India Corporation Limited (SICL)
Sahara India Investment Corporation Limited (SIICL)
Sahara India Finance & Investment Limited (SIFIL)
- b. Other Company under Common Control
Sahara India Commercial Corporation Limited (SICCL)
- c. Key Management Personnel
D.J. Bagchi, Chief Operating Officer

ii. The Company has following transaction with the related parties:

Particulars	Sahara India Commercial Corporation Limited	
	Year ended March 31, 2006 (Rs)	Year ended March 31, 2005 (Rs)
Expenses		
Interest paid	8,223,349	215,705
Rent Paid	216,000	216,000
Finance		
Loans taken	216,826,000	42,368,797
Outstanding		
Loans	259,194,797	42,368,797
Other payables	6,493,612	115,583





SAHARA HOUSINGFINA CORPORATION LIMITED

8. Sundry creditors do not include amount payable to Small Scale Industrial Undertakings (SSIs) as at March 31, 2006.
9. The balances in Sundry Debtors, Sundry Creditors and Advances are subject to confirmations and adjustments, if any. Such adjustments, in the opinion of the management, are not likely to be material.
10. The Company paid Rs. 1,000/- to the National Housing Bank (NHB) as late filing charges of Half Yearly Return as on 31st March, 2005
11. Previous year figures have been regrouped and reclassified wherever necessary to conform to current year's classification.

As per our report of even date attached

For CHATURVEDI & COMPANY

Chartered Accountants

Pankaj Chaturvedi

Partner

Membership No. 91239

Place : Lucknow

Date : 30.06.2006

For and on behalf of the Board

O.P. Srivastava *Director*

S.P. Ghosh *Director*

D.J. Bagchi *Chief Operating Officer
& Company Secretary*





SAHARA HOUSINGFINA CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR MARCH 31, 2006

(Rupees)

PARTICULARS	For the Year Ended 31.03.2006	For the Year Ended 31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit Before Tax and Extraordinary Items	5,768,728	5,068,270
Adjustments for:		
Depreciation	752,756	737,675
Provision for sub-standard assests	1,207,390	(11,087,966)
Bad debts written off	—	400,600
Extraordinary Item	—	23,737,465
Investment income-interest/dividend	(1,387,388)	(1,986,558)
	<u>572,758</u>	<u>11,801,216</u>
Operating Profit before Working Capital Changes	6,341,486	16,869,486
Adjustments for Working Capital Changes		
(Increase)/Decrease in Debtors	(217,703)	16,051,747
(Increase)/Decrease in Advances	(6,271,242)	(2,917,669)
Increase/(Decrease) in Current Liabilities	5,149,148	4,615,094
Increase/(Decrease) in Provisions	(23,789)	(14,109)
	<u>(1,363,587)</u>	<u>17,735,064</u>
Cash Generated from Operations	4,977,899	34,604,550
Direct Tax paid	(4,590,464)	(26,336)
	<u>387,435</u>	<u>34,578,214</u>
Net Cash from Operating Activities	387,435	34,578,214
B. NET CASH FLOW FROM INVESTING ACTIVITIES:		
Sale of Investments	—	56,610,736
Purchase of Fixed Assets	(1,156,981)	(1,369,188)
Income from Investments	1,387,388	1,986,558
Invested with Body Corporate	(70,000,000)	—
	<u>(69,769,593)</u>	<u>57,228,106</u>
Net Cash Utilised in Investing Activities	(69,769,593)	57,228,106
C. NET CASH FLOW FROM FINANCING ACTIVITIES:		
(Increase)/Decrease in Housing Loan(Net of Repayment)	(243,765,309)	(187,253,138)
Increase/(Decrease) in Term Loan (Net of Repayment)	122,543,061	62,692,400
Increase/(Decrease) in Unsecured Loan (net of Repayment)	203,129,508	61,518,797
Proceeds from Preferential Issue of Equity Share Capital	10,000,000	—
Proceeds from Securities Premium	50,000,000	—
	<u>141,907,260</u>	<u>(63,041,941)</u>
Net cash from financing activities	141,907,260	(63,041,941)
D. NET INCREASE IN CASH AND CASH EQUIVALENTS:		
	72,525,102	28,764,378
Cash and Cash equivalensts at the beginning of the year	46,714,953	17,950,575
Cash and Cash equivalensts at the end of the year	119,240,055	46,714,953

Notes:

- The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outflow.
- Previous year figures have been regrouped and recast wherever necessary to conform to current year classification.
- Cash and Cash equivalents as on March 31,2006 consist of following:

Cash in hand	169,636	66,808
Balance with scheduled banks		
In Current Accounts	38,520,419	46,598,145
In Term/Fixed Deposit Accounts	80,550,000	50,000
	<u>119,240,055</u>	<u>46,714,953</u>

As per our report of even date attached

For CHATURVEDI & COMPANY

Chartered Accountants

(Pankaj Chaturvedi)

Partner

Membership No. : 91239

Place : New Delhi

Date : June 30, 2006

Place : Lucknow

Date : June 30, 2006

For and on behalf of the Board

O.P. Srivastava Director

S.P. Ghosh Director

D.J. Bagchi

Chief Operating Officer
& Company Secretary





AUDITORS' CERTIFICATE

We have verified the Cash Flow Statement of Sahara Housingfina Corporation Limited from the audited financial statements of the Company for the period 1st April, 2005 to 31st March, 2006 and found the statement to be in accordance therewith and also with the requirement of clause 32 of the Listing Agreement with the Stock Exchanges.

For CHATURVEDI & CO.,
Chartered Accountants

(Pankaj Chaturvedi)
Partner

Membership No. 91239

Place : Lucknow
Date : 30.06. 2006.





SAHARA HOUSINGFINA CORPORATION LIMITED

Additional information pursuant to the Part IV of Schedule VI of the Companies Act, 1956 BALANCE SHEET ABSTRACT & GENERAL BUSINESS PROFILE

I. Registration No.: 9 9 7 8 2 State Code : 2 1
Balance Sheet Date: 3 1 0 3 2 0 0 6

II. Capital raised during the year (Amount in Rs. thousands)

Public Issue NIL Right issue NIL
Bonus Issue NIL Private Placement 1 0 0 0 0

III. Position of mobilization & deployment of funds (Amount in Rs. thousands)

Total Liabilities 7 3 0 2 7 6 Total Assets 7 3 0 2 7 6
Sources of funds :
Paid up Capital 7 0 0 0 0 Reserves & Surplus 1 0 2 2 9 6
Secured Loans 2 1 0 8 6 9 Unsecured Loans 3 4 5 6 8 9
Deferred Tax Liability 1 4 2 2
Application of funds:
Net Fixed Assets 1 0 6 8 1 Investments 7 7 4
Net Current Assets 1 8 7 2 0 0 Misc Expenditure NIL
Accumulated Losses NIL Housing Loans 5 3 1 6 2 1

IV. Performance of the company (Amount in Rs. Thousands)

Turnover 5 1 6 4 9 Expenditure 4 5 8 8 0
Profit/(Loss) Before Tax 5 7 6 9 Profit/(Loss) after Tax 4 1 1 6
Earning per Share (Rs.) 0 . 6 6 Dividend NIL

V. Generic name of principal products/services of company

Item code: NOT APPLICABLE
Product Description NOT APPLICABLE

The company is a housing finance company

Place : Lucknow
Date : 30.06.2006

For CHATURVEDI & CO.,
Chartered Accountants
Pankaj Chaturvedi
Partner
Membership No: 91239

For and on behalf of the Board

O.P. Srivastava Director
S.P. Ghosh Director
D.J. Bagchi Chief Operating Officer
& Company Secretary





FORM OF PROXY

SAHARA HOUSINGFINA CORPORATION LIMITED

Registered Office : SAHARA INDIA SADAN, 2A, Shakespeare Sarani,
Kolkata-700 071

Folio No. :/DP ID No.*& Client ID No.*

[(*) Applicable for members holding Shares in electronic form]

No. of Shares :

I/We.....of..... In the district of
.....being a member/members of SAHARA HOUSINGFINA CORPORATION LIMITED hereby
appointofor failing him/
her of..... in the district ofas my/our
proxy to attend and vote for me/us on my/our behalf at the Fifteenth Annual General Meeting of the
Company to be held on Saturday, 9th September, 2006 at 11.00 a.m. at the Registered Office of the
Company at Sahara India Sadan, 2A, Shakespeare Sarani, Kolkata 700 071 and at any adjournment
thereof.

Signed this.....day of..... 2006

Signature.....

Note : The Proxy must be returned duly completed so as to reach the Registered Office of the Comp not
less than 48 hours before the schedule time for holding the aforesaid meeting.

Affix
Re. 1/-
Revenue
Stamp

-----< TEAR HERE-----

ATTENDANCE SLIP

SAHARA HOUSINGFINA CORPORATION LIMITED

Registered Office : SAHARA INDIA SADAN, 2A, Shakespeare Sarani,
Kolkata-700 071

Folio No. :/DP ID No.*:& Client ID No.*:

[(*) Applicable for members holding Shares in electronic form]

Name:
(IN BLOCK LETTERS)

Address :
.....

I hereby record my presence at the Fifteenth Annual General Meeting of SAHARA HOUSINGFINA
CORPORATION LIMITED held on Saturday, 9th September, 2006 at 11.00 a.m. at the Registered
Office of the Company at SAHARA INDIA SADAN, 2A, Shakespeare Sarani, Kolkata 700 071

Signature of Shareholder/Proxy :

Name of Shareholder :

Notes

- (1) Member/Proxy holder are requested to bring their attendance slip with them when they come to
the meeting and hand it over at the entrance after signing it.
- (2) Members/Proxy holders who come to attend the meeting are requested to bring their copies of the
Notice and Annual Accounts.

