

11TH
ANNUAL REPORT
1996-97



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CS	<input checked="" type="checkbox"/>			DPY	<input checked="" type="checkbox"/>
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GRUH Finance Limited draws its inspiration from the industrious tailor bird, weaving together the homes of millions of people. With a path-breaking vision to help the rural milieu improve the quality of life, GRUH Finance is today intricately woven into the fabric of their everyday lives. Having helped thousands in Gujarat and Maharashtra to set up homes, today GRUH has gone a step further – helping the people embellish those very homes with modern amenities by offering innovative financial services that are specifically tailor-made to suit their needs. Today GRUH Finance touches the-lives of thousands of people in many ways – keeping pace with their changing needs and helping them meet their growing aspirations. At GRUH Finance this is a motto that is as inseparably woven into the corporate culture as the fibres in the tailor bird's nest :

Hopes Homes Happiness for all !

HIGHLIGHTS

Operational Highlights

(Rs. in Lac)

	1992-93	1993-94	1994-95	1995-96	1996-97	Cumulative
Loan Approvals	1866.26	3491.54	6310.26	7037.01	9588.73	33284.63
Loan Disbursements	1472.70	2565.29	4594.58	7321.24	7901.06	26629.06
Cumulative Investment made possible in the Housing Sector	10692.48	16273.34	26003.51	35209.75	48568.70	—

Financial Indicators

(Rs. in Lac)

	1992-93	1993-94	1994-95	1995-96	1996-97
Gross Income	655.24	1050.69	2067.86	3754.32	4873.14
Profit After Tax	64.38	111.04	231.10	453.77	406.52
Share Capital	515.00	515.00	785.00	1325.00	1325.00
Networth	579.03	617.96	1352.76	2934.61	2959.42
Long Term Borrowings	3849.02	6533.63	10559.25	12184.16	17498.07
Deposits	186.71	1378.19	5047.07	6893.78	11610.93
Outstanding Loans	3876.16	6130.05	9917.90	16089.90	21891.57
PAT to Average Total Assets (%)	1.63	1.69	1.72	2.25	1.50
PAT to Average Networth (%)	14.97	18.55	23.45	21.17	13.79
Debt Equity (Times)	6.97	12.80	11.53	6.50	9.84
Loans to Total Assets (%)	83.99	71.87	54.17	73.10	68.27
Non Interest Expenses to Average Total Assets (%)	3.69	3.56	3.49	3.61	3.71
Rate of Dividend (%)	10.00	12.50	15.00	18.00	12.00
Book value per share (Rs.)	11.24	12.00	17.23	22.15	22.34
EPS (Rs.)	2.17	2.16	2.94	3.42	3.07

BOARD OF DIRECTORS

Mr. ROHIT C. MEHTA		Chairman
Mr. S.M. PALIA		Vice Chairman
Mr. NASSER M. MUNJEE		
Mr. PRAFULL ANUBHAI		
Mr. ANIL C. SHAH	(Upto April 9, 1997)	
Mr. PYARALI I. FIRASTA		
Mr. NAROTAM SEKHSARIA		
Mr. B. HANUMANTHA RAO (Nominee of National Housing Bank)		
Mr. C.B. GIRIDHAR (Nominee of Govt. of Gujarat)	(Upto July 16, 1996)	
Mr. P. BASU (Nominee of Govt. of Gujarat)	(From July 16, 1996)	
Mr. CHAMAN KUMAR (Nominee of Govt. of Gujarat)	(Upto March 19, 1997)	
Mr. RAJESH KISHORE (Nominee of Govt. of Gujarat)	(From March 19, 1997)	
Mr. SUDHIN CHOKSEY		Executive Director
Mr. NITIN PALANY		Managing Director

EXECUTIVES

Mr. Kamlesh H. Shah	Deputy General Manager (Operations)
Ms. Harismita A. Trivedi	Chief Manager (HRD)
Mr. Asit M. Jivani	Senior Manager (Resources)
Mr. Mehul B. Diwanji	Manager (Accounts)
Mr. Amit R. Chokshi	Area Manager, Ahmedabad & North Gujarat
Mr. Avinash J. Srivastava	Area Manager, Saurashtra
Mr. Sanjay S. Sathe	Area Manager, Central Maharashtra
Mr. S. Kalyanaraman Iyer	Area Manager, South Gujarat
Mr. S. Sitaraman	Area Manager, Western Maharashtra

AUDITORS

SORAB S. ENGINEER & CO,
Chartered Accountants

BANKERS

o Bank of Baroda o Bank of India o Central Bank of India o Dena Bank o I C I C I Banking Corp. Ltd.
o State Bank of Patiala o State Bank of Saurashtra o Syndicate Bank o Times Bank

REGISTERED OFFICE

Ambica House, Behind C.U. Shah College, Near Income Tax Circle, Ashram Road, Ahmedabad 380 014.
Phone : 6563542, 6427507, 6421244 Fax : 91-79-441084 Gram : 'GRUH CORP'

RETAIL OUTLETS

Gujarat

Ahmedabad & North Gujarat : o Ahmedabad o Himmatnagar o Mehsana

Saurashtra : o Bhavnagar o Junagadh o Rajkot

South Gujarat : o Anand o Bharuch o Surat o Vadodara

Maharashtra

Central Maharashtra : o Pune

Eastern Maharashtra : o Nagpur

Western Maharashtra : o Panvel o Thane

CHAIRMAN'S REVIEW

GRUH enters the second decade of its operations in a period of major change. The number of players in the field for providing housing finance is increasing fast. Commercial banks are getting into providing mortgage finance in a big way. Competition has become keen. Cost of funds fluctuate from month to month. Margins are increasingly squeezed. On the other hand, with liberalisation and the expected faster growth in the economy, housing will become an important benchmark for growth. Large funds are expected to flow into housing sector throwing up major new opportunities for GRUH.

The general slow down in the economy, the liquidity crunch that continued for a major part of the year and the slump in real estate business has however, had an adverse impact on the operations of GRUH due to slow down in completion of projects in the corporate sector and consequent slow down and delays in repayments. As a result, the post tax profit of GRUH for the year was lower than last year at Rs. 406.52 Lacs. This was owing to the effects of MAT and the need for GRUH to adequately create provision for NPAs. Keeping in view these developments and the need to conserve the resources of the Company, your Directors have recommended a lower dividend at 12% for the year as compared to 18% for the previous year. It has been a difficult decision for your Directors. At this stage, I can only assure you on behalf of all my colleagues on the Board, that no efforts will be spared to enhance dividends in the coming years.

GRUH needs to plan for a quantum jump in its volume of business. GRUH's strength lies in the market segment which caters to the needs of middle and low income households. To achieve its objectives, GRUH plans to intensify its operations in the next three years in the states of **Gujarat, Maharashtra and Rajasthan**. In the medium term, GRUH will focus on middle income households in urban, semi-urban and rural areas. Its overriding managerial philosophy will be exclusive accessibility to its target audience by designing and operating internal system suited to the highest level of service to its clients.

GRUH has projected to disburse Rs.1000 crores in the next five years towards individual housing loans. Individual disbursements are expected to rise to 80% of the annual disbursements in the coming years. Keeping this strategy in mind, GRUH has responded by re-examining its organisation structure, systems, computerisation and training of manpower. Its focus is on customer delight.

Over the years, GRUH has specialised in providing housing finance in rural areas. The housing shortage in rural areas as per 1991 census is estimated at 17.72 million dwelling units. It is also estimated that another 10.75 million houses would be needed in rural areas to cover the population / household growth between 1991-2000 A.D. The total rural housing shortage has been estimated at 24.47 million houses by 2002 A.D. Considering the magnitude of the problem, I am happy to note that the Government of India while announcing the budget for the year 1997-98, proposed to initiate a scheme specially for supporting rural housing in which all agencies providing credit would be associated. National Housing Bank (NHB) has since formulated a scheme to earmark Rs. 200 crores to be utilised for rural housing by housing finance companies. Refinance by NHB at 10% p.a. for loans upto Rs. 50,000/- and at 12% p.a. for loans between Rs. 50,000/- to Rs. 2,00,000/- will leave an adequate spread for rural housing finance activity. This is the first policy initiative of its type to differentiate between urban and rural housing and needs to be welcomed. I strongly feel that no amount is too large for addressing shelter related issues in the rural areas.

Considering GRUH's experience and its strategy to further expand its network, I am confident that GRUH will be able to play a much larger role in the field of rural housing finance. I trust NHB would consider enhancing the refinance ceiling specifically for this purpose.

To enable GRUH to meet the challenges ahead, we need to strengthen our finances. The capital adequacy ratio of GRUH as at March 31, 1997 is 10.78% of the risk weighted assets as against minimum requirement of 8% prescribed by NHB. To maintain capital adequacy in the short term, GRUH is contemplating an issue of bonds in the nature of subordinated debt and preference shares for which we already have shareholders' approval. I would urge RBI and NHB to declare such bonds issued for the purpose of subordinated debt for investment in rural housing eligible for priority sector lending.

Last year, I reported to you that we had registered **GRUH Foundation** as a non-profit organisation to cater to the credit needs of households beyond the traditional formal sector. A small beginning has been made in the current year; we have been able to finance some projects for the rural poor using **KfW Line of Credit** available through HDFC. I feel much remains to be done. We also intend to enlarge the role of GRUH Foundation in the coming years. In order to create an impact, several models have been examined and I feel that an institutional framework should be created under which an institution like **GRUH Foundation** could provide support to several players operating in the field of rural habitat and microfinance and provide them connectivity to the main financial system for raising resources.

GRUH has completed 10 years of its existence and is now entering the second decade under an environment of globalisation and liberalisation of the Indian economy. Among the many casualties of a rapid pace of change in the corporate sector, are its form and its configuration. Companies will be compelled to relook at the future of their organisational structures, the skills required and be clear with respect to the roles that their organisations must play tomorrow. In the new scenario, managing the information explosion, global competition, demanding customers, manpower development, new opportunities and social responsibility is going to be critical for the success of the company. The customer comes first; the company and its employees must respond to its customers. GRUH is alive to this changing scenario and will do its best to create value for its stakeholders - shareholders, depositors and borrowers.

Arie de Geus of the 'learning organisations' puts it succinctly - "sensitivity, cohesion, tolerance and fiscal prudence clearly increase a firm's chances of living a long time". But so does a good start. If it is to live a long and successful life, the circumstances of a firm's birth may be as important as the habits it acquired in adulthood. We, at GRUH, rededicate ourselves to the 'raison d'etre' of our origin - **extending support to rural housing.**

Continuing with a strategic intent to provide rural credit efficiently and effectively, I am confident of GRUH meeting the challenges ahead.

Robert C. ...

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of GRUH Finance Limited will be held at Gujarat Chamber of Commerce & Industry hall, Ashram Road, Ahmedabad 380 009 on Thursday, the 4th September, 1997 at 4.00 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended March 31, 1997, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Nasser Munjee, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Narotam Sekhsaria who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Nitin Palany who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint the Auditors of the Company in place of the retiring Auditors to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting and to fix their remuneration and for the purpose to pass the following as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956 M/s. Sorab S. Engineer & Co., Chartered Accountants, Ismail Building, 381, Dr. D. Naorji Road, Fort, Bombay-400 001, the retiring Auditors of the Company, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors in consultation with the Auditors plus travelling and reimbursement of out-of-pocket expenses incurred by them for the purpose of audit of the Company's accounts at the Head Office as well as at all the Branch Offices of the Company."

June 21, 1997

By Order of the Board

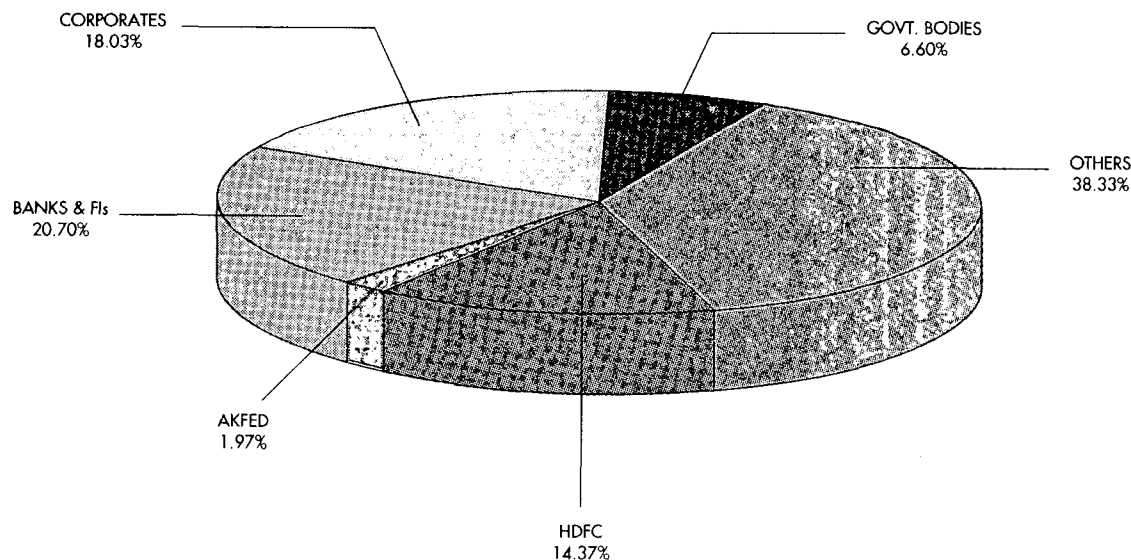
Registered Office :
Ambica House,
Behind C.U.Shah College,
Near Income Tax Circle,
Ashram Road,
AHMEDABAD 380 014

Marcus Lobo
Asst. Company Secretary

Notes:

- (A) **A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself. A Proxy need not be a Member of the Company.** The proxy form should be lodged with the Company at least 48 hours before the time of the meeting.
- (B) The Register of Members and Share Transfer Books of the Company will remain closed from August 19, 1997 to September 4, 1997 (both days inclusive).
- (C) Copies of all documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
- (D) The members are requested to note that the whole of the amount of dividend declared for the year 1993-94 remaining unpaid or unclaimed as on September 13, 1997 will be transferred to the General Revenue Account of the Central Government on or after that date and those members who have not claimed their aforesaid dividend by that date would have to approach the Registrar of Companies, Gujarat for claiming the dividend from him in terms of Section 205B of the Companies Act, 1956.
- (E) In terms of Section 224A of the Companies Act, 1956 a Special Resolution is proposed to be passed for the appointment of the Auditors of the Company as the aggregate of the shareholdings of the nationalised banks, public and other financial institutions and government companies exceed 25% of the paid-up capital of the Company.
- (F) Member Companies/Organisations are requested to send a copy of the resolution of their Governing Body authorising their representatives to attend and vote at this Annual General Meeting.
- (G) Members are requested to promptly notify to the Company any changes in their addresses.

Shareholding Pattern
(As at March 31, 1997)



DIRECTORS' REPORT

To The Members,

Your Directors present the Eleventh Annual Report with the audited accounts for the year ended March 31, 1997.

FINANCIAL RESULTS :

(Rs. in Lac)

	For the year ended March 31, 1997	For the year ended March 31, 1996
Profit Before Tax	501.52	453.77
Provision for Tax	95.00	-
Profit After Tax	406.52	453.77
Excess/(Short) Provision for earlier years	1.68	(-)1.35
Profit & Loss Account balance brought forward	225.97	124.80
Disposable Profit	<u>634.17</u>	<u>577.22</u>
Appropriations have been made as under :		
Special Reserve	186.00	100.00
Habitat Development Fund	-	20.00
General Reserve	11.00	35.00
Proposed Dividend	159.00	196.25
Tax on Dividend	15.90	-
Balance carried to Balance Sheet	<u>262.27</u>	<u>225.97</u>
	<u>634.17</u>	<u>577.22</u>

DIVIDEND :

During the year there has been a general economic slow down; basically a demand driven phenomenon which has led to an otherwise difficult economic environment for the corporate sector in general. Besides, depressed real estate market saw a further decline in demand conditions thereby adversely affecting the cashflow of many developers. As a result, the post tax

