

A beautiful world outside



... a close knit family within



13TH ANNUAL-REPORT 1998-99

door is one of life's most meaningful symbols.

It is the signalling system of values for a world on the outside; a gateway to affinity for those who dwell inside.

The ornate 'open' door on our cover this year is symbolic of the many beautiful experiences we have been able to share as we continued to open doors of opportunity and meaningful initiative for everyone who has crossed our path.

As GRUH emerges from a time of major transition, it is fitting to record a round of appreciation to all who have demonstrated that a time of transition can also be a time of great revival; a time of 'keeping the faith.'

To our managers and staff; to our borrowers and our bank of small savers; to our shareholders and our many supportive publics - we pledge to move on from strength to strength - keeping before us our goal of growing through core competencies and opening new doors... for the GRUH family within - and the beautiful world outside.



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HIGHLIGHTS

Operational Highlights

(Rs. in Crore)

	1994-95	1995-96	1996-97	1997-98	1998-99	Cumulative
Loan Approvals	63.10	70.37	95.89	106.95	147.85	587.65
Loan Disbursements	45.95	73.21	79.01	89.29	127.92	483.50
Growth (%)	79.10	59.35	7.92	13.01	43.26	38.26
Cumulative Investment made possible in the Housing Sector						867.51

Financial Indicators

(Rs. in Crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Gross Income	20.68	37.54	48.67	54.62	57.65
Profit After Tax	2.31	4.54	4.07	1.03	1.08
Share Capital	7.85	13.25	13.25	13.25	13.25
Networth	13.53	29.35	29.59	29.42	28.04
Long Term Borrowings	105.59	121.84	174.98	182.24	239.65
Deposits	50.47	68.94	116.11	104.18	105.72
Outstanding Loans	99.18	160.90	218.92	264.89	337.00
Book value per share (Rs.)	17.23	22.15	22.34	22.20	21.17
Loans to Total Assets (%)	54.17	73.10	68.27	83.86	87.16
Individual Loans to Outstanding Loans(%)	72.26	60.82	61.04	76.24	89.22
PAT to Average Total Assets (%)	1.72	2.25	1.50	0.32	0.31

BOARD OF DIRECTORS

MR. NAROTAM SEKHSARIA

Chairman

MR. S.M. PALIA

Vice Chairman

MR. ROHIT C. MEHTA

MR. NASSER M. MUNJEE

MR. PRAFULL ANUBHAI

MR. SATISH MEHTA

MR. ANIL SINGHVI

MR. B. HANUMANTHA RAO

(Nominee of National Housing Bank)

MR. RAJESH KISHORE, IAS

(Upto September 25, 1998)

(Nominee of Govt. of Gujarat)

MR. P.N. ROY CHOWDHURY, IAS

(From September 25, 1998)

(Nominee of Govt. of Gujarat)

MR. P. BASU, IAS

(Upto January 30, 1999)

(Nominee of Govt. of Gujarat)

MR. T.C.A. RANGADURAI, IAS

(From January 30, 1999)

(Nominee of Govt. of Gujarat)

MR. NITIN PALANY

(Upto December 31, 1998)

MR. SUDHIN CHOKSEY

CEO & Executive Director



EXECUTIVES

Mr. Kamlesh Shah
Ms. Harismita Trivedi
Mr. Rishi Kapil
Mr. Utpal Kapadia
Mr. Marcus Lobo

Deputy General Manager (Operations)
Chief Manager (HRD)
Manager (Accounts)
Manager (Information Systems)
Company Secretary

Mr. Amit Chokshi
Mr. Avinash Srivastava
Mr. Kalyanaraman Iyer
Mr. Kaushal Mulani
Mr. Sanjay Sathe

Area Manager, Ahmedabad & North Gujarat
Area Manager, Saurashtra
Area Manager, South Gujarat
Area Manager, Western Maharashtra
Area Manager, Central Maharashtra

AUDITORS

SORAB S. ENGINEER & CO.
Chartered Accountants

BANKERS

• Bank of Baroda • Bank of India • Centurion Bank Ltd. • Central Bank of India • Dena Bank • HDFC Bank Ltd. • ICICI Banking Corp. Ltd. • IDBI Bank Ltd. • State Bank of India • State Bank of Patiala • State Bank of Saurashtra • Syndicate Bank • Times Bank

REGISTERED OFFICE

"GRUH" Netaji Marg, Near Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006
Phone : 91-79-6421671 to 75 Fax : 91-79-6560649

RETAIL OUTLETS

Gujarat

Ahmedabad & North Gujarat : Ahmedabad • Himmatnagar • Mehsana
Saurashtra : Bhavnagar • Bhuj • Jamnagar • Junagadh • Rajkot
South Gujarat : Anand • Bharuch • Surat • Vadodara • Vapi

Maharashtra

Central Maharashtra : Aurangabad • Kolhapur • Pimpri • Pune
Eastern Maharashtra : Nagpur
Western Maharashtra : Borivli • Nasik • Panvel • Thane



NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTEENTH ANNUAL GENERAL MEETING OF THE MEMBERS OF GRUH FINANCE LIMITED WILL BE HELD AT GUJARAT CHAMBER OF COMMERCE AND INDUSTRY, ASHRAM ROAD, AHMEDABAD 380 009 ON FRIDAY, 30TH JULY, 1999 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, 1999, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Narotam Sekhsaria who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. M. Palia who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Nasser Munjee who retires by rotation and being eligible, offers himself for re-appointment.
5. 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. Naoraji Road, Fort, Mumbai-400 001, the retiring Auditors of the Company, be and are hereby reappointed 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."

By Order of the Board

Marcus Lobo
Company Secretary

May 11, 1999

Registered Office :

"GRUH"
Netaji Marg,
Nr. Mithakhali Six Roads,
Ellis Bridge,
AHMEDABAD 380 006

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 its registered office 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 July 15, 1999 to July 30, 1999 (both days inclusive).
- C) 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.
- D) 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.
- E) Members are requested to promptly notify to the Company any changes in their addresses.



DIRECTORS' REPORT

To The Members,

Your Directors present the Thirteenth Annual Report with the audited accounts for the year ended March 31, 1999.

FINANCIAL RESULTS :

(Rs. In lac)

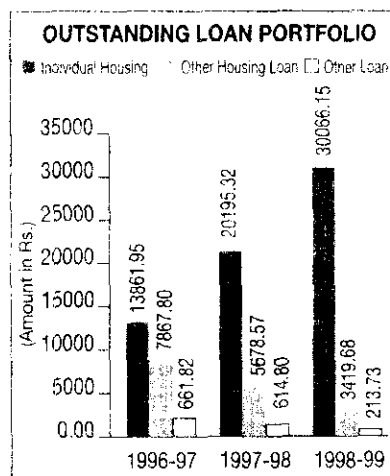
	For the year ended March 31, 1999	For the year ended March 31, 1998
Profit Before Tax	162.28	149.51
Provision for Tax	54.00	47.00
Profit After Tax	108.28	102.51
Short Provision for Income Tax for earlier years	(-) 78.00	0.00
Adjustment of Lease Equalisation Fund	(-) 40.82	0.00
Prior Period Expense / Income	4.51	5.87
Transfer from Special Reserve	76.00	0.00
Profit & Loss Account balance brought forward	63.90	262.27
Amount available for appropriation	133.87	370.65
Appropriations :		
Special Reserve	125.00	156.00
General Reserve	0.00	5.00
Proposed Dividend	0.00	132.50
Tax on Proposed Dividend	0.00	13.25
Balance carried to Balance Sheet	8.87	63.90
	133.87	370.65

OVERVIEW:

The overall economic scenario during the year continued to remain depressed. The sentiments also remained low throughout the year in view of the uncertain political scenario. However, towards the end of the year, the encouraging finance bill came as the silver lining.

The finance bill is expected to spur an upward movement in the core sectors of the economy and the housing sector in particular. The various sops offered to the housing sector would encourage demand for housing loans and also make available, larger resources from the banking sector to meet the requirements of the housing finance companies. The reforms proposed in simplifying the foreclosure laws would go a long way in strengthening housing finance companies and also accelerate the introduction of securitisation of housing loans as a means of raising resources.

GRUH continued to pursue the strategy to focus on individual housing loans. The strategy has contributed in improving the risk profile of GRUH's loan portfolio. The individual housing loan portfolio with recovery of 99.63%, now constitutes 89% of the total outstanding loan portfolio as against 76% at the end of the previous year. Loan to individuals, which increased by 49% during the year has been the major contributor in improving the risk profile; apart from recoveries in few of the corporate and builders' loans.



With the increase in demand for home loans expected as a result of the increase in the quantum of tax benefit available to individual borrowers under the new finance bill, GRUH would continue to focus on individual households in rural, semi-urban and urban areas. Though declining interest rates and increasing competition would put pressures on interest spreads, a widely developed retail network and a focus on deeper penetration coupled with high level of customer care would enable GRUH to achieve higher business volumes.

DIVIDEND:

In order to strengthen the internal resources of GRUH, your Directors are of an opinion that the profits be ploughed back to support GRUH's growth. Hence your Directors do not recommend any dividend for the year.

LENDING OPERATIONS:

Approvals & Disbursements

Loan approvals and disbursements during the year were Rs.147.85 crore and Rs.127.92 crore respectively and registered a growth of 38% and 43% over the previous year. Cumulative loan approvals and disbursements as at March 31, 1999 were Rs. 587.65 crore and Rs. 483.50 crore respectively. GRUH has recorded an average compounded growth rate of 38% in respect of disbursement over the last 5 years.

During the year, disbursements of Rs.126.12 crore were made to individuals as against Rs.84.52 crore during the previous year, registering a growth of 49% over the previous year.

Nearly 69% of cumulative approvals to individuals are in the rural areas with population less than 50,000. 58% of GRUH's customers have a family income of less than Rs.5000/- p.m. and 29% of the loans extended are for amounts less than Rs.50,000/-.

During the year, GRUH has financed 3133 dwelling units and disbursed Rs 28.31 crore under the Golden Jubilee Rural Housing Scheme of the Government of India.

Keeping in line with the business strategy of largely focussing on individual loans, GRUH has disbursed only Rs 1.80 crore to the corporate sector and developers.

Repayments:

During the year, recoveries have improved substantially under the individual housing loan portfolio. Under this category, Non Performing Assets (NPA) have reduced to 0.37% of the principal amount affected from 0.52% for the previous year. Recovery to demand ratio for individual housing loans also registered an improvement from 98.29% as on March 31, 1998 to 99.22% at the end of the current financial year. Principal amount affected by NPA, under the individual category stands at Rs.1.29 crore of the outstanding individual loan portfolio of Rs.300.66 crore.

In respect of loans to the corporate sector and developers, GRUH continues to experience delayed payments as a result of a slump in the demand at high end of the market and declining property prices. Persistent recovery efforts are being made to reduce the NPA level in this category, which stands at Rs.17.28 crore.

Provision for NPAs as required in accordance with NHB guidelines, has been fully made during the year for both the categories. Considering the aggregate provision of Rs.3.15 crore available in the books as on March 31, 1999, towards specific NPAs and reserve for contingencies, net NPA in the books stands at Rs.15.42 crore which is 3.99% of the total assets.

RESOURCE MOBILISATION:

During the year GRUH raised Rs. 31 crore as term loans from commercial banks under priority sector for onward lending to individuals. GRUH has also availed Rs 44.19 crore as refinance from National Housing Bank.

The deposit base has been maintained with a better renewal ratio. Since the year witnessed a reduction in

