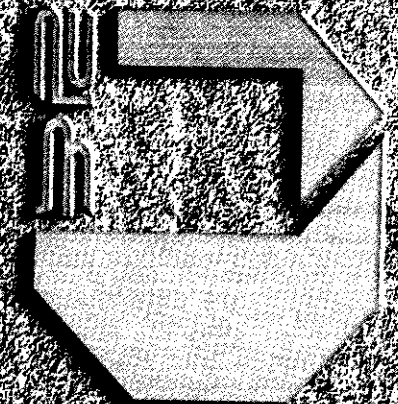


ANNUAL REPORT 1999-2000



**GRUH
FINANCE
LIMITED**

ANNUAL REPORT 1999-2000



The corporate arena is a never ending race where last year's finish is the new year's beginning... where challenges bring out the best in you.

GRUH has experienced its share of challenges and equally, the exhilaration of working with dedication and team spirit to raise the productivity bar and deliver on stakeholder expectations.

The youthful spirit and a flexible and close knit team; its consistent focus on core competencies; its ability to use the latest technology and its feet-on-the-ground approach to business expansion and growth; most importantly its transparency and professionalism have helped GRUH to set out on a new growth path.

'People' have made the big difference; so have our many stakeholders who have helped to provide cheer-leadership, support and guidance at every turn of the road.

We acknowledge the dedication, the confidence and the efforts of our staff, the support and faith of our customers and we hope and pledge to move on to new standards of service; making each day better than the one before.

And as we go past the millennium we pay tribute to our founder Mr. H.T. Parekh – a legend whose vision institutionalised housing finance and turned it into a catalyst for urban and rural development.

Today GRUH ranks 6th among 29 HFCs in the country in terms of volume of disbursements.

It is a tribute to foresight and vision and an inspiration to do even better in the years ahead.



| | |
|--|----|
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NOTICE

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH 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, THE 23RD JUNE, 2000 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, 2000, 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. Rohit C. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Satish Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Anil Singhvi 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.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the appointment of Mr. Sudhin Choksey as the Managing Director of the Company for a period of five

years with effect from May 5, 2000, upon the terms and conditions of appointment including remuneration as set out in the draft agreement to be entered into by the Company with him and submitted to the meeting duly Initialled by the Chairman for the purpose of identification and which agreement is hereby specifically approved.

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the 'Board') be and is hereby authorised to vary and/or modify the terms and conditions of the Agreement that may be entered as per the said draft including remuneration, commission and perquisites payable to Mr. Sudhin Choksey in such manner as may be agreed to between the Board and Mr. Sudhin Choksey within and in accordance with the limits prescribed in Schedule XIII to the Companies Act, 1956 or in accordance with the changes that may be effected in Schedule XIII of the Companies Act, 1956 and/or any amendments and / or modifications that may be made by the Central Government in that behalf from time to time or any amendments or re-enactment of the relevant provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of profits of the Company in any financial year during the term of office of Mr. Sudhin Choksey, the remuneration mentioned in the above referred draft agreement except commission shall be paid to the said Managing Director Mr. Sudhin Choksey as minimum remuneration and the same shall be subject to Section II of Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments

and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors to give effect to the aforesaid resolutions."

By Order of the Board

Marcus Lobo
Company Secretary

May 5, 2000

Registered Office :

"GRUH"
Netaji Marg,
Nr. Mithakhali Six Roads,
Ellisbridge,
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 relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item No.7 above is annexed hereto.
- (C) The Register of Members and Share Transfer Books of the Company will remain closed from June 17, 2000 to June 23, 2000 (both days inclusive).
- (D) Copies of all documents referred to in the notice and the explanatory statement 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.
- (E) 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.



- (F) The Company has transferred the unclaimed dividends declared for the financial year 1994-95 to the General Revenue Account of the Central Government. All members who have either not received or have not encashed their dividend warrants for the financial years 1995-96, 1996-97 and 1997-98 are requested to write to the Company's share department at the aforesaid address, mentioning the relevant folio No.(s), for issuance of duplicate dividend warrant(s).
- (G) Members are requested to promptly notify to the Company any changes in their addresses.

ANNEXUE TO THE NOTICE

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item No. 7

The members of the Company had vide resolution passed by them at the 10th Annual General Meeting of the Company held on July 19, 1996 appointed Mr. Sudhin Choksey as the Whole-time Director designated as Executive Director for a period of 5 years with effect from May 3, 1996. Effective November 1, 1998, Board asked him to discharge the responsibility as the CEO of the Company. Considering his contribution to the improved performance of the Company and the quality of leadership provided by Shri Sudhin Choksey after his appointment as CEO, the Board felt that the Company would greatly benefit from the experience and leadership of Shri Sudhin Choksey and accordingly decided to appoint Shri Sudhin Choksey as the Managing Director of the Company, instead of the Whole-time Director, for a fresh period of 5 years with effect May 5, 2000 with the revised terms of appointment and remuneration. Accordingly, subject to the approval of the members in the General Meeting, the Board of Directors at its Meeting held on May 5, 2000 has appointed Mr. Sudhin Choksey as the Managing Director of the Company for a period of five years with effect from May 5, 2000 as per the terms of appointment and

remuneration specified in the draft agreement approved by the Board to be placed before the ensuing Annual General Meeting.

Subject to the limits prescribed in Part II of Schedule XIII to the Companies Act, 1956, the said Managing Director, Mr. Sudhin Choksey (the appointee) shall be paid the following remuneration :

I. Salary :

Monthly salary within the range of Rs.40,000/- to Rs.60,000/- as may be decided by the Board of Directors or a Committee thereof.

II. Commission :

As may be fixed by the Board of Directors or a Committee thereof as permitted by law, subject to the ceiling of the annual salary.

III. Perquisites :

Perquisites (including allowances) in such form and to such extent as may be decided by the Board of Directors or a Committee thereof subject to the annual salary.

IV. Other Benefits :

Other benefits to appointee shall include use of car (with driver) and telephone for the Company's business at residence (the expenses whereof, excepting car for private use and personal long distance calls, would be borne and paid by the Company), contribution to Provident Fund and Superannuation Fund and all other benefits as are applicable to senior employees of the Company (including but not limited to gratuity, leave entitlement, encashment of leave, entitlement to housing and other loans in accordance with the schemes of the Company).

V. Minimum Remuneration :

In the event of any loss, absence or inadequacy of profits of the Company in any financial year during the term of office of the appointee, the remuneration as above except commission shall be paid to him as minimum remuneration, and the same shall be subject to Section II of Part II of Schedule XIII to the Companies Act, 1956.

In accordance with the Resolution, within the aforesaid

limits, the amount of salary, commission and perquisites payable to the appointee (including the types and amount of each type of perquisite) will be decided by the Board of Directors or a Committee from time to time as it may deem fit in its absolute discretion. Further, the appointee shall be entitled to benefits as provided to senior employees, in accordance with schemes made by the Company from time to time.

The valuation of perquisites will be as per the Income-tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

VI. Other Terms :

Apart from the above terms & conditions governing remuneration, the draft agreement contains further terms and conditions as to the term of office, the powers, the reimbursement of expenses incurred by him for the business of the Company, provision for earlier determination of the appointment by either party by giving six months' notice in writing, etc. The agreement also provides for variation in terms of appointment / agreement in accordance with the provisions of the Companies Act in force from time to time.

This may be treated as an abstract of the terms and conditions governing the appointment of the said Managing Director and the Memorandum of Interest of Directors therein.

Mr. Sudhin Choksey is interested in the resolution relating to his appointment as the Managing Director of the Company since it relates to his appointment as such.

None of the Directors except Mr. Sudhin Choksey is, in any way, concerned or interested in the said resolution.

By Order of the Board

Marcus Lobo
Company Secretary

May 5, 2000

Registered Office :

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



HIGHLIGHTS

Operational Highlights

(Rs.in Crore)

| | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | Cumulative |
|---|---------|---------|---------|---------|---------|------------|
| Loan Disbursements | 73.21 | 79.01 | 89.29 | 127.92 | 105.53 | 650.13 |
| Growth (%) | 59.35 | 7.92 | 13.01 | 43.26 | 30.26 | 29.45 |
| Cumulative Investment made possible in the Housing Sector | | | | | | 1096.58 |

Financial Indicators

(Rs.in Crore)

| | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 |
|---|---------|---------|---------|---------|---------|
| Gross Income | 37.54 | 48.67 | 54.62 | 57.65 | 69.08 |
| Profit After Tax | 4.54 | 4.07 | 1.03 | 1.08 | 4.29 |
| Share Capital | 13.25 | 13.25 | 13.25 | 13.25 | 26.50 |
| Networth | 29.35 | 29.59 | 29.42 | 28.04 | 47.00 |
| Long Term Borrowings | 121.84 | 174.98 | 182.24 | 239.65 | 308.83 |
| Deposits | 68.94 | 116.11 | 104.18 | 105.72 | 136.16 |
| Outstanding Loans | 160.90 | 218.92 | 264.89 | 338.54 | 419.84 |
| Loans to Total Assets (%) | 73.10 | 68.27 | 83.86 | 87.16 | 85.31 |
| Individual Loans to Outstanding Loans (%) | 60.82 | 61.04 | 76.24 | 89.22 | 92.21 |
| Capital Adequacy Ratio (%) | 12.89 | 10.78 | 9.61 | 10.86 | 10.15 |
| PAT to Average Total Assets (%) | 2.25 | 1.50 | 0.32 | 0.31 | 0.98 |
| PAT to Average Networth (%) | 21.16 | 13.79 | 3.47 | 3.77 | 11.43 |
| Non Interest Expenses to Average Total Assets (%) | 1.90 | 1.81 | 1.71 | 1.42 | 1.15 |
| Book value (Rs. per share) | 22.15 | 22.34 | 22.20 | 21.17 | 17.74 |
| EPS (Rs.) | 3.42 | 3.07 | 0.77 | 0.82 | 1.62 |



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. HASMUKH ADHIA, IAS
(Nominee of Govt. of Gujarat)

(From July 13, 1999)

MR. P.N. ROY CHOWDHURY, IAS
(Nominee of Govt. of Gujarat)

(Upto July 13, 1999)

MR. T.C.A.RANGADURAI, IAS
(Nominee of Govt. of Gujarat)

MR. SUDHIN CHOKSEY

Managing Director



BOARD COMMITTEES

Executive Committee of Directors

Mr. S.M. Palia, Chairman

Mr. Rohit C. Mehta

Mr. Nasser Munjee

Mr. Prafull Anubhai

Mr. Satish Mehta

Mr. Anil Singhvi

Mr. Sudhin Choksey

Audit Committee

Mr. S.M. Palia, Chairman

Mr. Prafull Anubhai

Mr. Satish Mehta

Mr. Anil Singhvi

Compensation Committee

Mr. Narotam Sekhsaria, Chairman

Mr. S.M. Palia

Mr. Nasser Munjee

Investment Committee

Mr. S.M. Palia, Chairman

Mr. Satish Mehta

Mr. Anil Singhvi

Mr. Sudhin Choksey

Share Transfer Committee

Mr. S.M. Palia, Chairman

Mr. Prafull Anubhai

Mr. Sudhin Choksey



SENIOR EXECUTIVES

| | |
|-------------------------|---|
| Mr. Kamlesh Shah | Dy. General Manager (Corporate Office) |
| Ms. Harismita Trivedi | Chief Manager (HRD) |
| Mr. Avinash Srivastava | Senior Manager (Resources) |
| Mr. Rishi Kapil | Manager (Accounts & Taxation) |
| Mr. Utpal Kapadia | Manager (Information Systems) |
| Mr. Amit Chokshi | Area Manager, Ahmedabad & North Gujarat |
| Mr. S. Kalyanraman Iyer | Area Manager, South Gujarat |
| Mr. Kaushal Mulani | Area Manager, Western Maharashtra |
| Mr. Sanjay Sathe | Area Manager, Central Maharashtra |
| Mr. Marcus Lobo | Company Secretary |

RETAIL OUTLETS

Gujarat

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

Maharashtra

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

REGISTERED OFFICE

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

AUDITORS

SORAB S. ENGINEER & CO.
 Chartered Accountants

SOLICITORS & ADVOCATES

M/s. SINGHI & CO.,
 Advocates, Solicitors and Notary.

BANKERS

• Bank of Baroda • Bank of India • Central Bank of India • Centurion Bank Ltd. • Dena Bank
 • Development Credit Bank Ltd. • ICICI Bank Ltd. • IDBI Bank Ltd. • Indian Overseas Bank
 • State Bank of India • State Bank of Patiala • State Bank of Saurashtra • Syndicate Bank • UTI Bank Ltd.



DIRECTORS' REPORT

To The Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report with the audited accounts for the year ended March 31, 2000.

FINANCIAL RESULTS :

(Rs. in lac)

| | For the year ended March 31, 2000 | For the year ended March 31, 1999 |
|--|---|---|
| Profit Before Tax | 489.03 | 162.28 |
| Provision for Tax | 60.00 | 54.00 |
| Profit After Tax | 429.03 | 108.28 |
| Short Provision for Income Tax for earlier years | 0.00 | (-) 78.00 |
| Adjustment of Lease Equalisation Fund | 0.00 | (-) 40.82 |
| Prior Period Income | 0.00 | 4.51 |
| Transfer from Special Reserve | 0.00 | 76.00 |
| Transfer from Habitat Development Fund | 30.00 | 0.00 |
| Profit & Loss Account balance brought forward | 8.87 | 63.90 |
| Amount available for appropriation | 467.90 | 133.87 |
| Appropriations : | | |
| Special Reserve | 210.00 | 125.00 |
| General Reserve | 30.00 | 0.00 |
| Proposed Dividend | 103.36 | 0.00 |
| Tax on Proposed Dividend | 11.37 | 0.00 |
| Balance carried to Balance Sheet | 113.17 | 8.87 |

DIVIDEND :

Your Directors are pleased to recommend a modest dividend of 5% for the year ended March 31, 2000.

BUSINESS ENVIRONMENT :

Business Overview

The encouraging Finance Budget for 1999-2000 and the political stability at the Centre had set the stage for the revival phase of the Indian economy. As a result, overall business sentiments improved and optimism prevailed during the year.

The economy witnessed initial signs of recovery in the industrial sector. Despite lower

agricultural growth, the overall economic growth for the year has been around 6%. For the first time in the last two decades, the inflation rate stayed below 4%. RBI continued with its policy of improving liquidity in the market and this resulted in lowering of interest rates during the year.

The liberal provisions made in the Budget for the housing sector had a positive impact in encouraging demand for housing. Banks, Housing Finance Companies (HFCs) and other agencies in the formal sector have registered an overall growth of the order of 30% in the home loan business during the year.

The market also witnessed the entry of financial institutions venturing into retail housing business with low priced loan products for housing. Nationalised banks have intensified their efforts to originate home loans and to refinance existing home loans in the market. HFCs also reduced interest rates on home loans to retain their market share. Industry saw an all time low pricing on home loans in terms of interest rates, reduced fees and waiver of various charges.

To manage the increasing competition and the price war on home loans, GRUH introduced a three-tier pricing strategy linked to the duration of loan. This strategy has met with success. GRUH was the first HFC to re-introduce the 20 year home loan product in the market. In spite of being a regional player, GRUH continued its focus on the market segment where it has a niche and stepped up its disbursements of home loans to individuals, achieving a 28% growth in disbursements.

Business Outlook

The business outlook is optimistic with the industrial recovery and a low rate of inflation. To give a further boost to the economy, RBI has reduced the bank rate and further lowered the Cash Reserve Ratio (CRR) to improve liquidity. Banks and HFCs have also announced reductions in their lending rates.

As players in the housing industry continue to compete with each other for a larger share of the urban market and with the pricing of home loans being at an all time low, competition is expected to intensify further. The scene is also expected to gradually shift



towards deeper pockets of semi-urban and rural areas where demand for housing has been rising. The major concern for the players is the reduced interest margins that are already under pressure. Another area of concern for GRUH in particular is the drought situation in the state of Gujarat.

GRUH is nevertheless, optimistic of the growth phase ahead with spurt in the demand for housing caused by the low finance cost on home loans, coupled with realistic pricing of real estate property. With the gradual shift towards these locations taking place even at the macro level, GRUH's expertise of successfully operating in the semi-urban and rural areas adds to its confidence. GRUH has plans to further expand its retail network for a better reach. With its high level of customer care, GRUH is confident of achieving the increased business volume.

BUSINESS STRATEGY AT GRUH :

GRUH reviewed its business strategy in January 1998. It was decided to give a thrust to individual home loans with penetration of operation through wider network of retail offices in the market segment that caters to the needs of middle and low income households in rural, semi-urban and urban areas. It was also emphasized to improve and maintain cost efficiencies for sustained profitability.

GRUH has since then been pursuing the strategy with a very focussed approach in increasing the volume of individual home loans and reducing costs. In the span of the last two years, GRUH has disbursed Rs.286.96 crore to individuals for home loans. This strategy of large volumes in individual home loan disbursements has also improved the risk profile of

GRUH's loan portfolio. Individual home loans with a recovery ratio of 99.60% today constitute 92% of the total loan portfolio of GRUH as against 76% in 1997-98. GRUH has also succeeded in reducing its costs and the ratio of non-interest expenses to average assets has been brought down to 1.36% as on March 31, 2000 from 1.90 % as on March 31, 1998.

GRUH intends to play the role of a low cost originator of home loans in the western region of the country and sell its loan portfolio to larger HFCs, Financial Institutions, Banks and other investors. The objective of this strategy is to maintain GRUH's niche in the local market with its reputation of an excellent service provider to the retail borrowers while maintaining a track record of healthy recovery. GRUH shall continue its endeavour to penetrate deeper into markets by establishing retail offices in the rural and semi-urban areas of Gujarat and Maharashtra.

REVIEW OF BUSINESS OPERATIONS :

Financial Results

GRUH has registered a Profit after Tax of Rs. 4.29 crore for the year ended March 31, 2000. The rise in profits are a result of a 30% growth in disbursements and a 22% improvement in the ratio of non interest expenses to average total assets over the previous year.

During the year, GRUH has securitised Individual home loans aggregating to Rs. 30.69 crore. The surplus aggregating Rs. 6.70 crore arising out of this transaction, which is the residual between the Equated Monthly Installments (EMIs) recoverable from the individual borrowers and the EMIs payable to the buyer of the loans has been recognised during the year and

credited to EMI recoverable account. Out of such surplus, GRUH has set aside Rs. 3.42 crore towards Reserve for Contingencies. This surplus has enabled GRUH to write off Rs. 2.16 crore during the year apart from making the required provisioning for NPAs. GRUH has also made an additional provision towards permanent diminution in the market value of long term investments aggregating Rs. 0.45 crore. Such Provisioning and write offs have helped GRUH strengthen its Balance Sheet.

Reserves and Surplus as on March 31, 2000 stood at Rs. 21.62 crore up from Rs. 15.68 crore as on March 31, 1999. With an increase in the Equity Capital during the year on account of the conversion of the Fully Convertible Debentures aggregating to Rs. 13.25 crore, the Company's Networth has risen to Rs. 47.00 crore as on March 31, 2000.

Lending

Total disbursements during the year were Rs.166.63 crore registering a growth of 30% over the previous year. Cumulative disbursements as at March 31, 2000 were Rs. 650.13 crore. GRUH has recorded an average compounded growth rate of 30% in respect of disbursements over the last 5 years.

GRUH disbursed Rs 160.84 crore to individuals as against Rs 126.12 crore during the previous year, and registered a growth of 28%. GRUH has financed over 9000 dwelling units during the current year with an average loan of Rs. 1.77 lac. The loan to cost ratio was 72% and the average area of dwelling unit financed was 66 Sq. Mtrs.

GRUH has financed 3625 dwelling units and disbursed