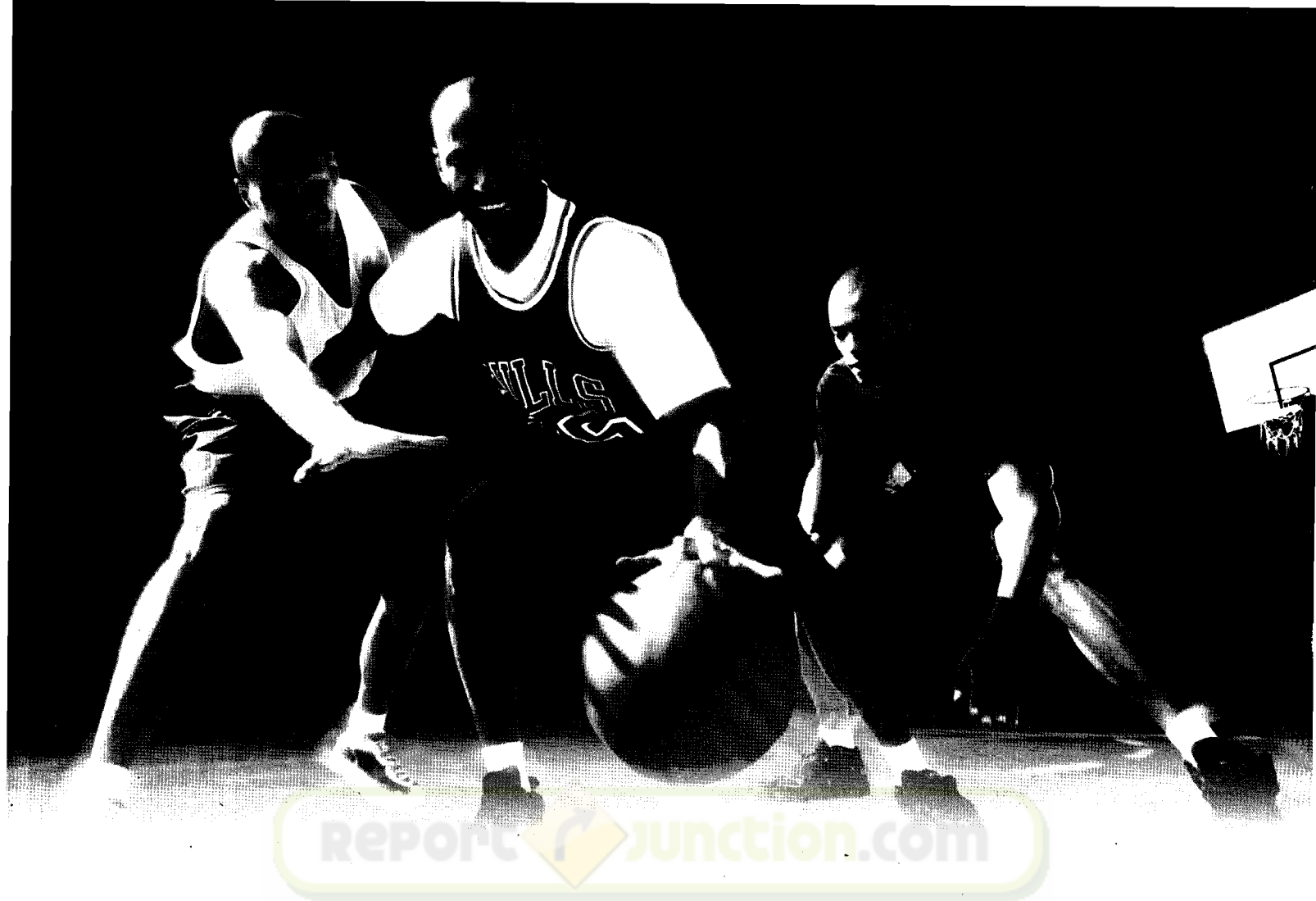




Champions are made from something they have deep inside them:
a desire, a dream, a vision.

- Muhammed Ali





The Spirit of Sportsmanship

Different sports call for a different set of actions. However, one thing that remains common in every game is the element of competition, which a sportsman tackles with courage. The real test of the player is to take up the challenges against a tough opponent in the competition arena without resorting to negative means. A true sportsman believes that it's not about defeating the opponent, but giving your best to the game without taking away the true emotions of mutual respect, fairness and honesty.

Basically the spirit of sportsmanship encapsulates taking victory and failure in the same stride and believing in oneself to deliver the best.

Fair play... is our business

In aggressive sports like rugby and football, we have the concept of the rough and tumble of a team struggle which is referred to as a 'scrum'. This is a situation where opposing teams fight in a virtual no-holds barred competition where it is not unusual for someone to even get hurt.

The housing finance market today seems to sometimes ominously resemble the scrum. There are many players. Everyone wants to score on loan disbursements, perhaps ignoring the danger of getting hurt through bad loans.

GRUH has countered all forms of competition effectively by promptly responding with innovations. Its belief in the spirit of competition rightly reflects in the quote by Gill Atkinson, "Thank God for competition. When our competitors upset our plans or outdo our designs, they open new infinite possibilities of our own work to us."

Recently, GRUH has plunged into the wide unorganized sector with "GRUH SUVIDHA" Scheme for offering home-finance to individuals lacking income proofs that are traditionally asked for. The only requirement under this scheme is the 'will to pay' and the 'ability to pay'. In the buyer's market, this

scheme acts as a real test of a lender's credit-assessment skills. GRUH's success in 'Suvidha' can open new gateways for many HFCs like it did with its first innovation of Rural Housing Finance.

Apart from testing new waters, GRUH believes in customization and offering product options to its customers. The initiator of tenure-based pricing in India, GRUH is now ready to introduce 'Daily reducing balance'. The peak of providing customized services shall be 'Risk-based pricing', where GRUH shall offer interest rates directly linked to the credit rating of the customer.

GRUH's commercial sense is always coupled with social responsibility. The best example is its initiative in offering loans to earthquake-affected families of Gujarat at subsidized rates. Gruh continues to help the people of Kutch to rebuild their homes after the devastating effect the earthquake had, on their lives.

GRUH's mature experience has taught it to drive forward with innovation and hard work, keeping away from practices that will yield only short-term results. Net NPA to Net Loan ratio of 0.31% is the best example, which also reflects GRUH's concern for the hard-earned money of its stakeholders.





BOARD OF DIRECTORS

MR. K. M. MISTRY	Chairman
MR. S. M. PALIA	
MR. ROHIT C. MEHTA	
MR. PRAFULL ANUBHAI	
MS. RENU S. KARNAD	
MR. K. G. KRISHNAMURTHY	
MR. R. K. PANDEY	
MR. SUDHIN CHOKSEY	Managing Director

18TH ANNUAL GENERAL MEETING

Date : June 28, 2004
 Day : Monday
 Time : 10.00 a.m.
 Venue : H.T.Parekh Convention Centre,
 Ahmedabad Management
 Association (AMA), ATIRA Campus,
 Dr. Vikram Sarabhai Marg,
 Ahmedabad 380 015.

REGISTERED OFFICE

"GRUH", Netaji Marg, Near Mithakhali Six Roads,
 Ellisbridge, Ahmedabad 380 006.
 Phone : 91-79-2642 1671 to 75
 Fax : 2656 0649

CONTENTS

Board of Directors	4
Brief profile of Directors	5
Directors' Report	8
Management Discussion and Analysis Report	13
Report of Directors on Corporate Governance	19
Auditors' Certificate on Corporate Governance	23
Information for Shareholders	26
Accounts with Auditors' Report	29



HIGHLIGHTS

Operational Highlights

(Rs. in Crores)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Loan disbursements	127.92	166.63	183.58	188.80	202.16	218.13
Cumulative disbursements						1442.82
Average compounded growth rate						11.12
Cumulative investment made possible in the Housing sector						2293.62

Financial Highlights

(Rs. in Crores)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Profit and Loss Account						
Interest Income	55	65	75	79	78	76
Interest Expenses	46	53	60	60	58	55
Net Interest Income	9	12	15	19	20	21
Other Income	3	4	5	5	6	7
Net Revenues	12	16	20	24	26	28
Operating Cost	5	5	6	7	7	8
Operating Result	7	11	14	17	19	20
Depreciation	4	2	2	2	1	1
Amount Written Off (Net)	1	2	4	5	3	2
Provision for Contingencies	0	1	1	1	2	2
Profit Before Tax	2	6	7	9	13	15
Provision for Taxation (Net of Deferred Tax)	1	1	1	1	2	2
Profit After Tax	1	5	6	8	11	13
Balance Sheet						
Stockholders' Equity	28	45	49	53	59	63
Deposits	106	135	164	177	185	163
Borrowings	240	309	286	310	370	409
Loans Outstanding	337	420	452	480	556	582
Investments	24	11	12	16	21	19
Key Ratios						
Loans to Total Assets (%)	87.36	85.31	88.86	87.96	89.76	91.25
Net Interest Margin to Average Assets (%)	2.37	2.65	2.97	3.61	3.47	3.35
Non-Interest Expenses to Average Assets (%)	1.42	1.09	1.01	1.05	0.99	0.95
Fees to Average Assets (%)	0.87	0.93	0.88	0.95	0.90	0.90
PAT to Average Assets (%)	0.31	0.98	1.22	1.54	1.76	2.12
Capital Adequacy Ratio (%)	10.86	10.15	11.47	17.65	18.26	19.26
Return on Average Networth (%)	3.73	11.80	12.93	15.66	18.08	21.73
Earning Per Share (Rs.)	0.82	1.62	2.28	3.02	3.84	5.03
Dividend Per Share (Rs.)	0.00	0.50	0.80	1.20	1.50	1.80
Dividend Payout Ratio (%)	0.00	30.86	35.09	39.74	39.06	35.79
Book Value Per Share as at March 31 (Rs.)	21.36	16.87	18.40	20.18	22.34	23.91
Market Price Per Share as at March 31 (Rs.)	9.00	7.90	8.75	17.85	15.90	29.70

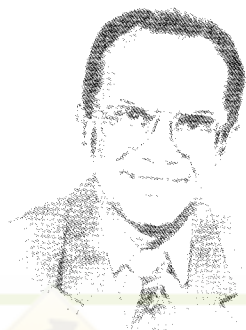
BOARD OF DIRECTORS



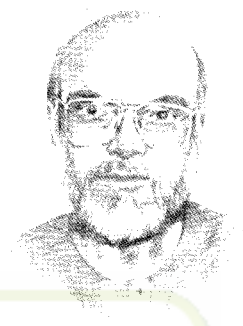
Mr. K. M. Mistry
Chairman



Mr. S. M. Palia



Mr. Rohit C. Mehta



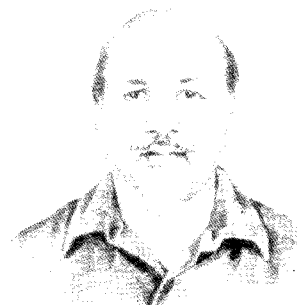
Mr. Prafull Anubhai



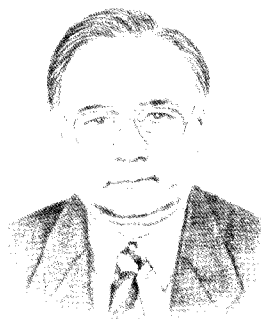
Ms. Renu S. Karnad



Mr. K. G. Krishnamurthy



Mr. R. K. Pandey



Mr. Sudhin Choksey
Managing Director

BRIEF PROFILE OF THE DIRECTORS OF GRUH :

- Mr. K. M. Mistry, the non-executive Chairman of the Company is the Managing Director of Housing Development Finance Corporation Limited (HDFC). He is a Chartered Accountant and a Fellow Member of the Institute of Chartered Accountants of India. Mr. Mistry serves as a director on the board of reputed companies like HDFC Bank Ltd., HDFC Chubb General Insurance Co. Ltd., HDFC Standard Life Insurance Co. Ltd., Credit Information Bureau (India) Ltd., The Great Eastern Shipping Co. Ltd., Sun Pharmaceutical Industries Ltd. and Infrastructure Leasing & Financial Services Ltd. He has been on the board of GRUH since 2000. He is a member of the Audit Committee and Compensation Committee of GRUH.
- Mr. S. M. Palia, is a development banker. He holds a degree in Commerce, Law and Banking [CAIIB, CAIB (London)] and has 25 years working experience in Industrial Development Bank of India (IDBI) in various capacities. He retired as Executive Director of IDBI in 1989. He is on the board of reputed companies like Tata Iron & Steel Company Ltd. and The Associated Cement Companies Ltd. He has been on the board of GRUH since 1993. He was Vice Chairman of the Company from 1993 to 2000 and Chairman of the Company for one year from January 2001. He is Chairman of the Audit, Compensation and Shareholders'/ Investors' Grievance Committees of GRUH.
- Mr. Rohit C. Mehta, is a prominent and successful industrialist possessing a wide and varied experience in the management of business and industry. He is a Law Graduate from the Bombay University. He was International President of Lions' Club International. He has also been the President of Federation of Indian Chambers of Commerce & Industry. He is the Chairman of Ahmedabad Electricity Co. Ltd. and Rajesh Malleables Ltd. He is a director of Cama Hotels Ltd. and Gujarat Hotels Ltd. He has been on the board of GRUH since 1987 and was Chairman of the Company from 1987 to 1998. He is a member of the Audit Committee of GRUH.
- Mr. Prafull Anubhai, is a management consultant and is associated with educational institutions like Indian Institute of Management (IIMA), AES (Ahmedabad Education Society), etc. He has done his B.Sc.(Econ.) from the London School of Economics and attended PMD at Harvard Business School. He has been a visiting faculty at IIMA. He has 30 years of experience as a Chief Executive of Textile Manufacturing Operations and presently he is a Director in companies like Unichem Laboratories Ltd., Torrent Cables Ltd., The EMSAF – Mauritius (The Emerging Markets South Asian Fund), Mahavir Spinning Ltd. (Vardhman Group), Birla Sun Life Trustee Co. Pvt. Ltd., etc. He has been on the board of GRUH since 1987. He is a member of the Audit Committee and the Shareholders'/ Investors' Grievance Committee of GRUH.
- Ms. Renu S. Karnad, is the Executive Director of HDFC. She is a graduate in law and holds a Master's Degree in economics from the University of Delhi. She has been employed with HDFC since 1978. She has been appointed as the Executive Director of HDFC in 2000. She is in charge of overall lending business activities of HDFC. She is a director in companies like Credit Information Bureau (India) Ltd., HDFC Bank Ltd., HDFC Asset Management Co. Ltd., HDFC Chubb General Insurance Limited and ICI India Ltd. She has been on the board of GRUH since 2000. She is a member of the Compensation Committee of GRUH.
- Mr. K. G. Krishnamurthy, is working with HDFC as Sr. General Manager – Technical Services and has been with HDFC for over 21 years. He is a graduate from IIT, Kharagpur with a management degree from Jamnalal Bajaj Institute of Management, Mumbai. He has been appointed as an Additional Director on the board of GRUH since January 2004. He is a director in companies like HDFC Realty Ltd., Tata Housing Development Co. Ltd. and Rockfort Estate Developers Ltd.
- Mr. R. K. Pandey, is working with the National Housing Bank (NHB) as Deputy General Manager (IT) and has been with the NHB since 1989. He is a nominee director of NHB. He holds a Master's degree in Physics. He has been on the board of GRUH since 2003.
- Mr. Sudhin Choksey, the Managing Director of GRUH, is a Chartered Accountant from the Institute of Chartered Accountants of India. He has been employed with GRUH since 1993 and was the Executive Director of the Company since 1996. He was appointed as the CEO of the Company in 1998 and the Managing Director in 2000. He has the working experience of handling functional areas of finance, commercial and general management both in India and abroad. He is a director of Gujarat State Financial Services Ltd. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.



SENIOR EXECUTIVES

Mr. Kamlesh Shah	General Manager (Corporate Office)
Mr. Avinash Srivastava	Regional Manager
Mr. Amit Chokshi	Regional Manager
Mr. S. Kalyanraman Iyer	Regional Manager
Mr. Utpal Kapadia	Chief Manager (Information Systems)
Mr. Suresh Iyer	Sr. Manager (Resources and Business Development)
Mr. Nilesh Mehta	Manager (Personnel and Administration)
Mr. Jayesh Jain	Chief Accounts Officer
Mr. Marcus Lobo	Company Secretary

AREA MANAGERS

Mr. Manish Gandhi	Ahmedabad
Mr. Umesh Agrawal	Aurangabad
Mr. Amit Rashiwadekar	Kolhapur
Ms. Neelam George	Nagpur
Mr. Dahyabhai Vadher	Palanpur
Mr. Dushyant Joshi	Rajkot
Mr. Rahul Anklesaria	Vadodara

AREA IN – CHARGES

Mr. Jayesh Mehta	Junagadh
Mr. Amar Vyas	Kutch
Mr. Rajiv Rathod	Nashik
Mr. Tushar Hebalkar	Thane
Mr. Dharmesh Bhavsar	Vapi

AUDITORS

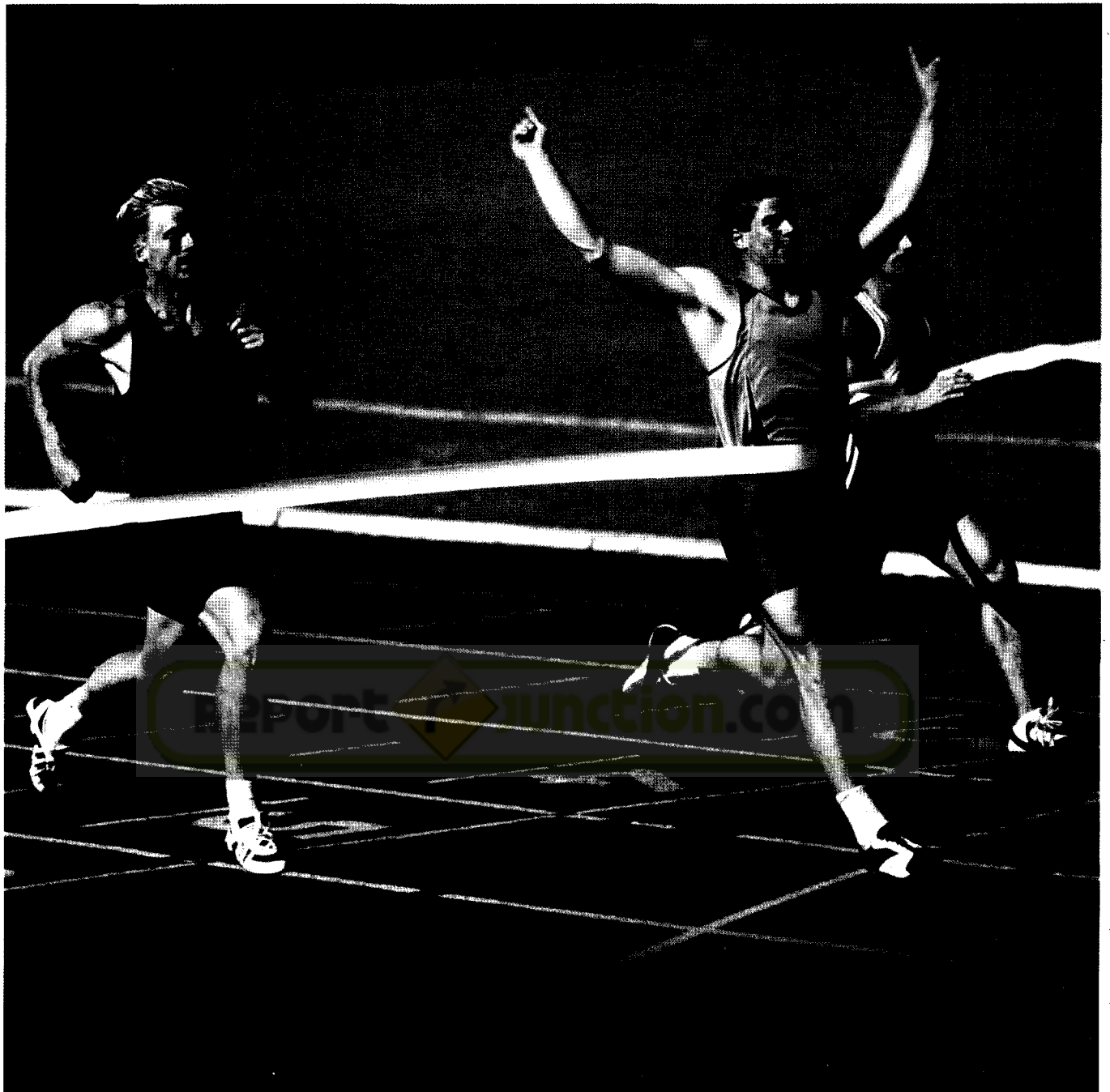
M/s. SORAB S. ENGINEER & Co.,
Chartered Accountants

SOLICITORS AND ADVOCATES

M/s Singhi & Co.,
Advocates, Solicitors and Notary

BANKERS

* Allahabad Bank * Bank of Baroda * Bank of India * Bharat Overseas Bank * Bank of Nova Scotia
 * Central Bank of India * Centurion Bank Ltd. * Canara Bank * Dena Bank * Development Credit Bank Ltd.
 * HDFC Bank Ltd. * ICICI Bank Ltd. * IDBI Bank Ltd. * Indian Overseas Bank * The Jammu and Kashmir Bank Ltd.
 * State Bank of India * State Bank of Patiala * State Bank of Saurashtra * Syndicate Bank * UCO Bank
 * Union Bank of India * Vijaya Bank



Moving ahead in tough times

GRUH endeavors in channelising its internal forces. Every move from GRUH has been an undaunted approach to focus on its goals, without being deviated through external market pressures

DIRECTORS' REPORT

TO THE MEMBERS,

Your directors are pleased to present the Eighteenth Annual Report of your Company with the audited accounts for the year ended March 31, 2004.

FINANCIAL RESULTS

(Rs. in lacs)

	For the year ended March 31, 2004	For the year ended March 31, 2003
Profit Before Tax	1569.57	1202.11
Provision for Tax (net of deferred tax)	237.65	183.28
Profit After Tax	1331.92	1018.83
Add : Balance brought Forward from last year	514.98	424.58
Less : Adjustment of deferred tax for earlier years	120.89	0.00
Amount Available for Appropriation	1726.01	1443.41
Appropriations:		
Special Reserve	850.00	425.00
General Reserve	100.00	55.00
Proposed Dividend	477.00	397.50
Additional Tax on Proposed Dividend	61.12	50.93
Balance Carried to Balance Sheet	237.89	514.98
	1726.01	1443.41

Dividend

Your directors recommend payment of dividend of 18% (Rs.1.80 per share) for the year ended March 31, 2004 as against a dividend of 15% for the previous year.

Disbursements

Loan disbursements during the year were Rs. 218.13 crores as against Rs. 202.16 crores in the previous year. Cumulative disbursements as of March 31, 2004 were Rs. 1442.82 crores. GRUH continued to focus on the individual home loan segment and disbursed Rs. 213.72 crores to 9,007 families.

The market witnessed increased competition which led to a steep decline in pricing of individual home loans. As a result, not only have spreads come under pressure but operational and credit risks have also increased in the market place. GRUH, however, thought it prudent not to align the prices in line with the competition, thereby eroding the thin margins

available on the home loan business. While this strategy did prevent GRUH from registering growth in line with the leading players, it proved advantageous in terms of sustaining spreads, improving recoveries and improving overall profitability levels.

Sanctions for the year have shown a growth of 17% over the previous year, which reflects a positive outlook for the year to come.

Golden Jubilee Rural Housing Finance Scheme - August 1997

GRUH disbursed Rs. 92.33 crores to 4,228 dwelling units during the year under the Golden Jubilee Rural Housing Finance Scheme of the Government of India. Cumulative disbursements under the scheme have been Rs. 389.72 crores in respect of 24,926 dwelling units.

Rehabilitation Scheme For Earthquake Affected Families

The devastating earthquake of January 26, 2001 had caused large scale destruction and damage to residential properties in Kutch and five other districts of Gujarat. As reported in 2001, GRUH has taken an active lead in mitigating the difficulties of not only its customers but also other individuals and families affected by the earthquake. GRUH has dispensed the requirement of original income and property documents and has also written off loans and waived installments in deserving cases over the last three years. Your directors are happy to state that GRUH has been actively promoting loans under National Housing Bank's (NHB) rehabilitation scheme at Kutch, where the task of relocating sites to affected families has been initiated by the state government during the year. As of March 31, 2004 GRUH has disbursed Rs. 20.34 crores under the scheme to 1,210 families.

GRUH Suvidha

Under the GRUH Suvidha scheme, which offers flexible repayment option to the customers, GRUH disbursed Rs. 2.37 crores to 136 families during the year. Since this loan product has been designed to target the self employed and skilled workers where income proofs are not easily available, GRUH promoted the product very cautiously from select branch offices. However, looking at the satisfactory recovery performance of the loans disbursed so far, GRUH has drawn up plans to offer this product from all its branches in the coming year.

Atal Grameen Griha Yojana

The Government of India has announced the "Atal Grameen Griha Yojana" with a view to facilitate credit flows to housing sector in the rural areas of the country. While the government is in the process of formulating a scheme under which banks and Housing Finance Companies (HFCs) can deliver credit for rural housing, your directors are confident that GRUH will make a useful contribution under the scheme, once it is launched by the government.