

Creating differentiation can be a beautiful Challenge



2 0 t h A n n u a l R e p o r t 2 0 0 5 - 2 0 0 6



We help you build homes
(A subsidiary of GRUH Limited)

Daunting Challenge...

Promising Opportunity

A major chunk of India's population is made up of people who have regular occupations and reasonably stable sources of income. Being part of the informal sector, their day to day earnings do not however lend themselves to the strait jacket of conventional norms of income documentation and mortgage repayment terms. As a result, it is difficult to entertain their need for housing loans. The irony: it is their future which stands mortgaged in perpetuity. At GRUH we have been continuously examining ways to cater to this section of the population.



In this year's report, we would like to present a few glimpses of the challenges which GRUH has had to overcome in taking housing finance to the people who need it most. At the end of the day, it proves that there is no such thing as an 'impossible case'. We realize that the art of possible comes from our ability to reorient our own norms and compliance structures keeping in mind the limitations of business prudence. GRUH SUVIDHA is a small 'first step' to bring these sections of the population into the financial services mainstream. It is a whole new terrain where there are daunting marketing challenges but equally promising market opportunity.



**GRUH
FINANCE
LIMITED**

We help you build homes

Tailormade

"We are tailors by profession and GRUH has considered our daily income and given us a home loan. The process of taking the loan was very easy and now we are living happily in our home."

Jethva Kirtibhai Babubhai,
Jethva Deepakbhai Babubhai,
Jethva Babubhai Hirjibhai
Junagadh Branch



Report  Junction.com



**GRUH
FINANCE
LIMITED**

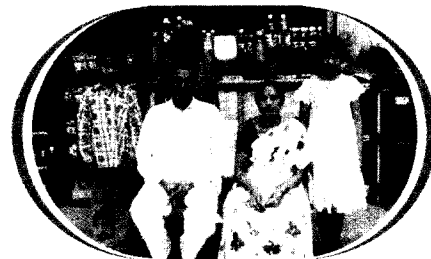
We help you build homes

Leaves from our GRUH SUVIDHA Case Book

Preferential treatment...to one & all

My wish was fulfilled by GRUH Finance by granting a loan to a small businessman like me. Other housing finance companies give a big preference to government employees or big traders. I am very thankful to GRUH Finance for the faith they showed in a Dhaba owner like me and granted a loan. I wish that the company will keep on fulfilling the dreams of owning home of middle class businessmen.

- V S Patil
Amravati Branch



They add new dignity to my labor

"I am a sweeper working for different offices. GRUH calculated my income from the details of my work and sanctioned the loan. I could own a house only because of GRUH. I really liked the helpful nature of the staff. They helped me whenever I required. I have never seen such behavior in any other finance company I approached for a home loan."

- Babubhai Mod
Bhuj Branch



We help you build homes

Report Junction.com

Leaves from our GRUH SUVIDHA Case Book

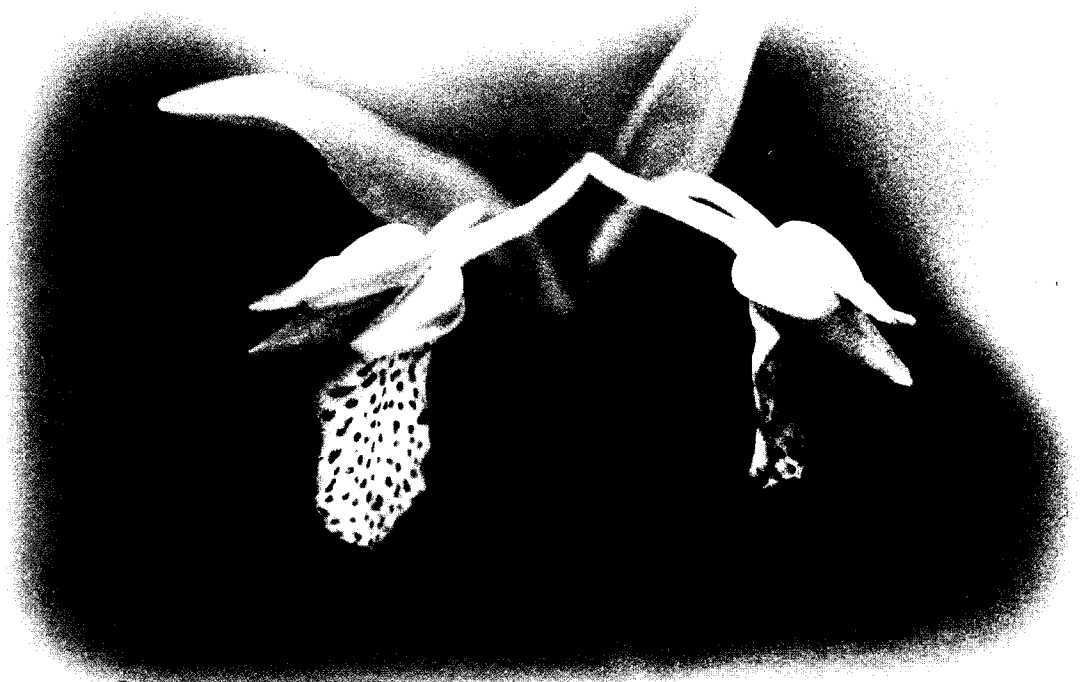
The courage to dream again

"How can a person like me, who drives a Chhakda for a livelihood, even dream of owning a home? But I dared. I thought there are many banks and I will get assistance from any of them. Then, when I approached them, my dream was shattered. None of them was willing to give me a loan."

Then I went to GRUH and within no time, I got the loan! I will remember for life my meeting with the staff who were speaking my language, understanding my requirement and helping me like a friend. Today five months have passed and I am repaying the EMI regularly. Now I am sure, more people like me would dare to own their own home. It is thanks to GRUH!"



- Pravinkumar Jayantibhai Patel
Himatnagar Branch



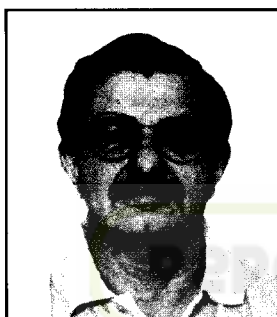
Never be afraid to
turn over a new leaf



BOARD OF DIRECTORS



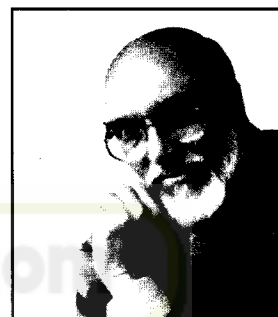
Mr. K. M. Mistry
Chairman



Mr. S. M. Palia



Mr. Rohit C. Mehta



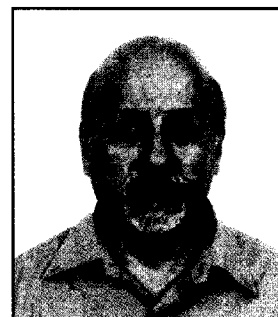
Mr. Prafull Anubhai



Ms. Renu S. Karnad



Mr. K. G. Krishnamurthy



Mr. R. K. Pandey



Mr. Sudhin Choksey
Managing Director



BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :

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 Fellow Member of the Institute of Chartered Accountants of India. Mr. Mistry is the Chairman of Intelenet Global Services Pvt. Ltd., 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., The Great Eastern Shipping Co. Ltd., Sun Pharmaceutical Industries Ltd., NextGen Publishing 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 Steel 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 Clubs International. He has also been the President of Federation of Indian Chambers of Commerce & Industry. He is the Chairman of Torrent Power AEC 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, research and cultural institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Centre for Science Technology and Policy (CSTEP), ATIRA, Saptak (An Indian Classical Music organization) etc. He has done his B.Sc.(Econ.) from the London School of Economics and attended PMD at Harvard Business School. He has 30 years of experience in top management of Textile and other businesses. Presently he is a Director in companies like Unichem Laboratories Limited, Torrent Cables Ltd., The EMSAF – Mauritius (The Emerging Markets South Asian Fund), Mahavir Spinning Mills 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 Delhi University. She has been employed with HDFC since 1978 and was appointed as the Executive Director of HDFC in 2000. She is in charge of overall lending business activities of HDFC. She is the Chairperson of HDFC Venture Capital Ltd. and Home Loan Services India Pvt. Ltd. She is also a director in companies like Credit Information Bureau (India) Ltd., HDFC Bank Ltd., HDFC Asset Management Co. Ltd., HDFC Chubb General Insurance Limited, HDFC Realty Ltd., Intelenet Global Services Pvt. Ltd., Intelenet BPO Services Ltd., ICI India Ltd., HDFC Standard Life Insurance Company Limited, etc. 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 26 years. He has been currently deputed as a director of HDFC Venture Capital Limited. Mr. Krishnamurthy is a graduate from IIT, Kharagpur with a management degree from Jamnalal Bajaj Institute of Management, Mumbai. He has been appointed on the board of GRUH since 2004. He is a director in companies like HDFC Realty Ltd., THDC Ltd., Inorbit Malls (India) Pvt. Ltd., Rockfort Estate Developers Ltd. and Indian Association for Savings and Credit.
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. 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. and Deepak Nitrite Ltd. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.



MANAGEMENT TEAM

Mr. Kamlesh Shah	General Manager (Corporate Office)	Chief Financial Officer
Mr. Avinash Srivastava	Deputy General Manager (Maharashtra)	Mr. Jayesh Jain
Mr. Amit Chokshi	Deputy General Manager (Gujarat)	
Mr. Utpal Kapadia	Deputy General Manager (Information Systems)	
Mr. Suresh Iyer	Chief Manager (Operations)	Company Secretary
Mr. Nilesh Mehta	Senior Manager (HRM)	Mr. Marcus Lobo

Area Managers

Mr. Manish Gandhi
Mr. Umesh Agrawal
Mr. Amit Rashiwadekar
Mr. Dahyabhai Vadher
Mr. Dharmesh Bhavsar
Mr. Dushyant Joshi
Mr. Rahul Anklesaria
Mr. Rajendra Rajput

Area In-Charges

Mr. Amar Vyas
Mr. Anand Rehpade
Mr. Ashish Mehta
Mr. Santosh Kulkarni
Mr. Srinivas Kulkarni

REGISTERED OFFICE

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

AUDITORS

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

SOLICITORS AND ADVOCATES

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

BANKERS

ABN Amro Bank N.V. * Allahabad Bank * Bank of Baroda * Bank of India * Bank of Maharashtra
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 * Kotak Mahindra Bank Ltd. * The Jammu and Kashmir Bank Ltd.
State Bank of India * State Bank of Patiala * State Bank of Saurashtra * State Bank of Travancore
Syndicate Bank * UCO Bank * Union Bank of India * UTI Bank Ltd. * Vijaya Bank

DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd., Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate, Mumbai 400 021.



HIGHLIGHTS

(Rs. in crores)

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Operational and Financial Highlights							
Loan Disbursements	360	300	218	202	189	184	167
Net Interest Income	36	28	21	20	19	15	12
Fees and Other Income	6	5	7	6	5	5	4
Operating Cost	12	10	9	8	9	8	7
Operating Profit	30	23	19	18	15	12	9
Provision for Contingencies & Write Offs (Net)	4	3	4	5	6	5	3
Profit Before Tax	26	20	15	13	9	7	6
Profit After Tax	22	17	13	11	8	6	5
Stockholder's Equity	87	73	63	59	53	48	44
Borrowed Funds	1080	806	572	555	487	450	444
Loan Assets	1069	817	582	556	480	452	420
Investments	23	22	19	21	16	12	11

Key Financial Ratios

Capital Adequacy Ratio (%)	14.24	15.71	19.26	18.26	17.65	11.47	10.15
Debt Equity Ratio (times)	12.41	11.04	9.08	9.41	9.19	9.38	10.09
Loans to Total Assets (%)	91.64	92.71	91.25	89.76	87.96	88.86	85.31
Gross NPA to Loan Assets (%)	1.48	1.95	1.68	1.87	3.53	5.00	5.28
Net NPA to Loan Assets (%)	0.23	0.66	0.30	0.81	2.43	3.90	4.34
Net Interest Margin to Average Assets (%)	3.51	3.72	3.35	3.47	3.61	2.97	2.65
Fees and Other Income to Average Assets (%)	1.23	0.68	1.13	0.98	0.89	0.83	0.94
Non-Interest Expenses to Average Assets (%)	1.12	1.25	1.36	1.45	1.57	1.33	1.36
Cost to Income Ratio (%)	27.73	28.46	30.76	33.47	36.87	39.19	47.33
PAT to Average Assets (%)	2.12	2.20	2.12	1.76	1.54	1.22	0.98
Return on Average Networth (%)	27.04	24.42	21.73	18.08	15.66	13.08	12.08

Measuring Shareholders Wealth

Earning Per Share - Basic (Rs.)	8.18	6.31	5.03	3.84	3.02	2.28	1.62
Dividend Per Share (Rs.)	2.50	2.10	1.80	1.50	1.20	0.80	0.50
Dividend Payout Ratio (%)	34.85	37.98	40.40	44.01	39.72	38.68	26.74
Book Value Per Share as at March 31, (Rs.)	32.79	27.72	23.91	22.34	20.18	18.40	16.87
Market Price Per Share as at March 31, (Rs.)	93.30	45.05	29.70	15.90	17.85	8.75	7.90
Price to Value Ratio (times)	2.85	1.63	1.24	0.71	0.88	0.48	0.47
Market Capitalisation as on March 31,	247	119	79	42	47	23	21



DIRECTORS' REPORT

TO THE MEMBERS,

Your directors are pleased to present the Twentieth Annual Report of your Company with the audited accounts for the year ended March 31, 2006.

FINANCIAL RESULTS (Rs. in crores)

	For the year ended March 31, 2006	For the year ended March 31, 2005
Profit Before Tax	26.23	20.67
Provision for Tax (Net of deferred tax and FBT)	4.55	3.96
Profit After Tax	21.68	16.71
Add:		
Balance brought forward from last year	2.98	2.38
Less : Short provision of Income – tax for earlier years (Net)	0.00	0.07
Amount Available for Appropriation	<u>24.66</u>	<u>19.02</u>
Appropriations:		
Special Reserve	11.75	8.00
General Reserve	2.20	1.70
Proposed Dividend	6.63	5.56
Additional Tax on Proposed Dividend	0.93	0.78
Balance Carried to Balance Sheet	<u>3.15</u>	<u>2.98</u>
	<u>24.66</u>	<u>19.02</u>

Dividend

Your directors recommend payment of dividend of Rs. 2.50 per share for the year ended March 31, 2006 as against a dividend of Rs. 2.10 for the previous year.

Disbursements

Loan disbursements during the year were Rs. 360.17 crores as against Rs. 299.83 crores in the previous year representing a growth of 20.12%. GRUH continued to focus on the retail segment and disbursed Rs. 354.67 crores to 11,456 families. Cumulative disbursements as at March 31, 2006 were Rs. 2,102.82 crores.

Golden Jubilee Rural Housing Finance Scheme

GRUH disbursed Rs. 152.39 crores in respect of 5,616 dwelling units during the year under the Golden Jubilee Rural Housing Finance Scheme of the Government of India. Cumulative disbursements under the scheme were Rs 670.68 crores in respect of 35,874 dwelling units.

Insurance Cover

GRUH has an arrangement with HDFC Standard Life Insurance Company Limited (HDFC-SL) to act as a referral agent for marketing its life insurance products. Under this arrangement, GRUH has been referring customers to HDFC-SL for life insurance cover under loan cover assurance products.

GRUH also has an arrangement with The Oriental Insurance Company Limited to act as the collecting agent for insurance premium for loan customers wherein customers can take insurance cover for the property financed by GRUH.

Non Performing Assets

As per the prudential norms of National Housing Bank (NHB), GRUH's NPAs stood at Rs. 15.86 crores as at March 31, 2006 constituting 1.48% of the total outstanding loans of Rs. 1,069.13 crores. The NPAs at the end of the previous year were Rs. 15.93 crores, constituting 1.95% of the total outstanding loans of Rs. 816.53 crores.

GRUH is required to carry a provision of Rs 3.13 crores towards NPAs of Rs. 15.86 crores as at March 31, 2006 as per the norms of NHB. However, GRUH has adequate provision of Rs.13.36 crores, which is more than required under the norms. As a result, net NPAs of the Company of Rs. 2.50 crores were 0.23 % of the outstanding loans of Rs. 1,069.13 crores.

During the year, GRUH could also effect recoveries of loans aggregating to Rs. 0.63 crores in respect of loans written off in the earlier years. GRUH has also taken possession of properties of the defaulting borrowers under the SARFAESI Act and has sold a few of such acquired properties.

NHB Refinance

GRUH availed refinance aggregating to Rs. 238.70 crores from NHB. A major portion of the refinance availed has been under the Golden Jubilee Rural Housing Finance Scheme. The refinance outstanding as at March 31, 2006 was Rs 360.88 crores.

Bank Term Loans

GRUH received sanctions from banks amounting to Rs. 447.50 crores of which GRUH availed loans aggregating to Rs. 443.75 crores. The outstanding bank term loans as at March 31, 2006 were Rs. 438.33 crores.