



Gen

*The excitement of being part of a  
youthful new generation*

26<sup>TH</sup> ANNUAL REPORT 2011 - 2012



Last year we published a silver jubilee tribute to Shri H. T. Parekh called 'Moments of Joy'.

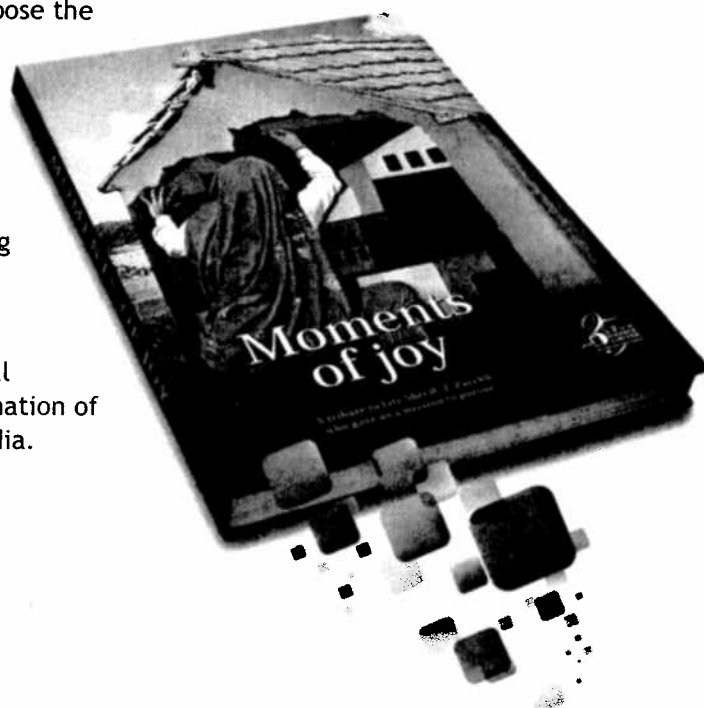
In this compact Coffee Table Book, we showcased rural borrowers whose lives have changed because of the enormous aspirational impact of small ticket mortgage finance and home ownership.

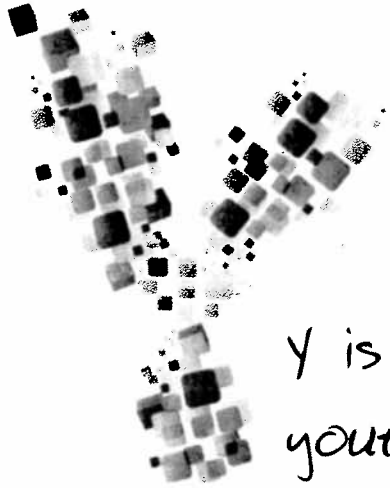


This book, 'Moments of Joy', was a way of reminding all of us about a vision which our founder set for us. It was a vision which seemed utopian and far-fetched. At that time, many people thought that Indians were too accustomed to doles and freebies and so, the concept of mortgage loans for housing would never take off. The legal framework was unfriendly; processes and systems were not in place. Hence, people felt that borrowers would choose the dishonest option and renege on their loan repayments. But, it was the sheer conviction of one man who, at the young age of 66 (after his retirement as Chairman of ICICI Ltd.), successfully launched HDFC and GRUH.

Today both institutions have forged many trend-setting trails. And we pay tribute to this 'young and youthful mind' which refused to be overwhelmed by the odds.

As you see excerpts from the book in this year's annual report, we invite you to recall the vision and determination of a man who changed the face of home ownership in India.





*Y is the hallmark of a  
youthful new generation*

In developed countries, researchers and trend watchers are paid large sums of money to identify and report on emerging 'demographic cohorts'. This term refers to groups of people and their common defining characteristics. Trend watchers classify such groups with special tags such as 'baby boomers', 'millennials', 'Gen-X', 'Gen-Y', and so on.

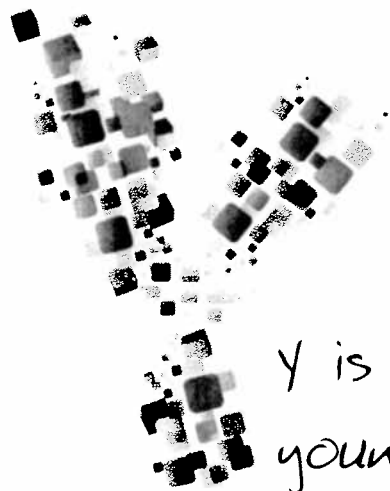
A large number of marketing companies, entertainment channels, media and even aspiring Presidential candidates make use of this demographic data to sharpen their agenda and appeals by tuning in to 'generation change'.

Generation-**Y** is a youthful new generation which constitutes the bulwark of GRUH's customer base.

Co-incidentally, **Y** is also the 25<sup>th</sup> letter in the English alphabet. It has a lot of meaning and significance for GRUH at this juncture, since we have just completed 25 years of commitment to our valued constituency of stakeholders.

We invite you to explore the big **Y** behind GRUH's consistent, efficient growth, even as we re-dedicate our youthful energies to newer, horizon-stretching aspirations.





Y is all about  
young India's potential

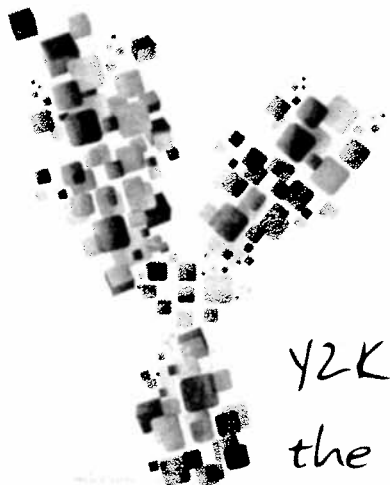
As part of the process of learning and knowledge-capture last year, we travelled to many locations and interviewed a wide cross-section of GRUH borrowers. We took photographs. We recorded opinions. We tracked what people were doing and how their standards had improved after they crossed the threshold into a home of their own.

Many of these people were twenty-somethings for whom a home had actually become the first step towards fuelling their upwardly mobile aspirations.

The one common thing about all these people is that they believed in themselves. They seemed to have amazing confidence in their own individual capacity to bring about change. Some of them were secondary school literates; some freshly minted graduates in their first job. Some were drop-outs who had to give up their studies and strike out on their own. These are the 'real India'. They are the people who constitute India's huge informal sector and who will fuel service-driven growth in future. They run green grocery businesses, tiffin (meal) services, kerbside food (paani-puri stalls) or even beauty parlours and a chain of 'paan-bidi' (betel leaf and tobacco) stores. They provide essential transportation in their tiny rickshaws. They could be women rolling out papads (snacks) in their co-operative venture. They may even be lowly paid agricultural labourers. But they have one thing in common:

***They are part of the GRUH family. They are part of the real India and they represent an emerging demographic dividend.***





*Y2K now represents  
the new millennials*

For us at GRUH, Y2K and beyond is all about the huge opportunity that lies untapped in India's small towns and villages. There are many reasons why GRUH is uniquely positioned to tap into this potential. The first is the unique distribution channel and outreach programme which GRUH has tested and perfected over the years. This third party channel is the GRA (GRUH Referral Associate). GRAs are trained to understand borrower needs. They spread the cult of home ownership and co-ordinate up to the point of sourcing the loan. Thereafter the GRUH team takes over at the sensitive stages of credit, legal and technical evaluations, loan approval and disbursement. GRAs have become a powerful marketing tool and over 50 % of total disbursements now come from the GRA channel.

### **Outreach**

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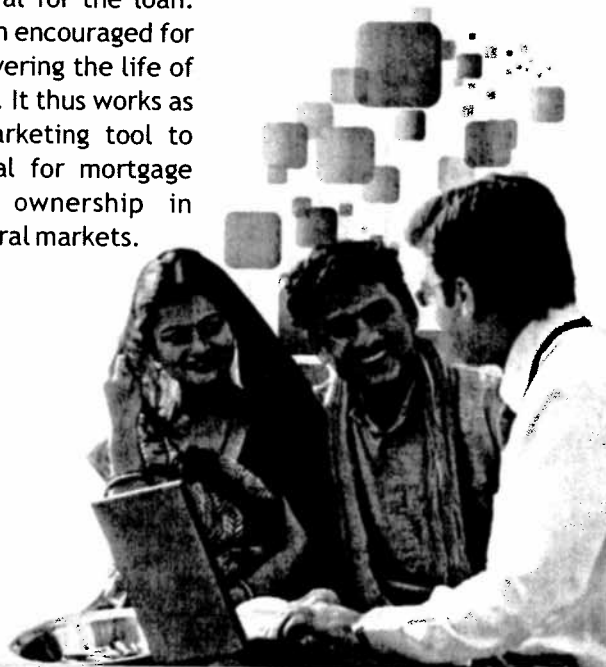
In tandem with the GRA model, GRUH has developed a robust outreach programme. It is a nucleus for collecting installments and also providing customer services like enquiry handling, file opening, disbursement and loan servicing.

Complementing the home-grown distribution model are three vital marketing ingredients: Processes, Products and Methodologies.

GRUH has become a learning organisation with customised mechanisms for need evaluation, efficient processing and localised marketing of each loan product.

The proprietary Credit Score Methodology enables GRUH to PRICE each loan efficiently: offering fine-tuned interest rates.

Insurance is proactively used as a risk mitigator and collateral for the loan. Life insurance has been encouraged for its valuable role in covering the life of the principal borrower. It thus works as a fall-back and a marketing tool to actualise the potential for mortgage finance and home ownership in informal sectors and rural markets.

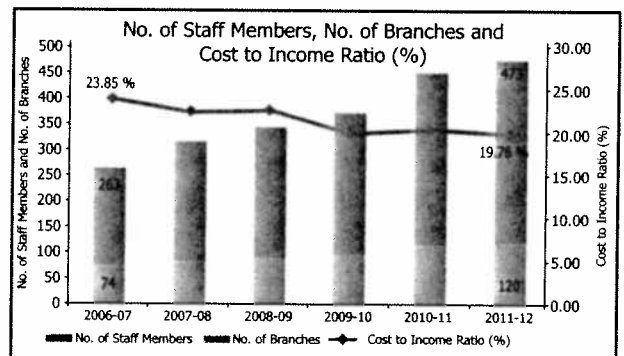




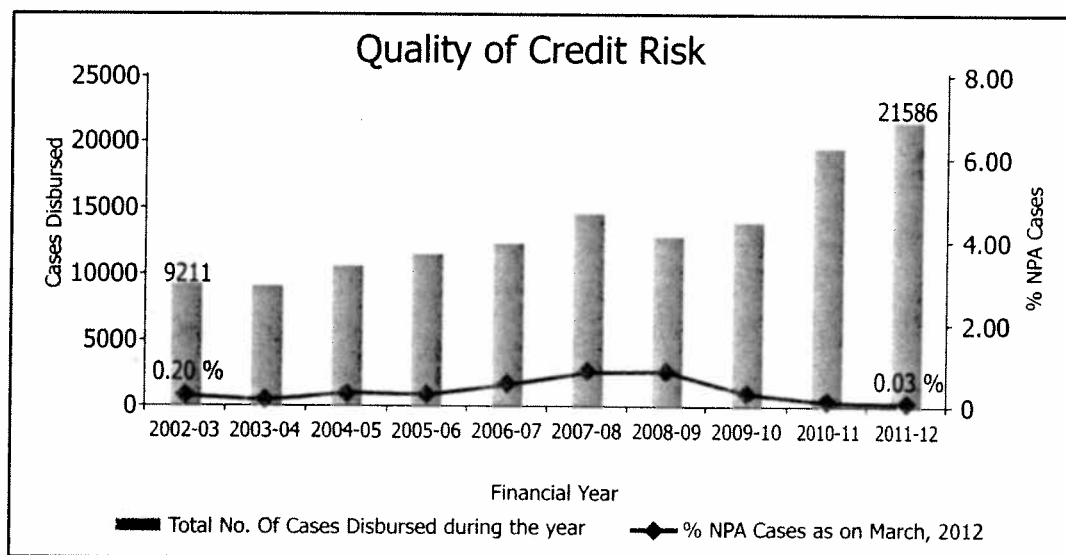
*Y is about consistent,  
efficient growth*

Growth is always plotted along a horizontal time frame (X axis) where **Y** represents the vertical axis. The Y-axis shows consistency in delivering performance and continuing efficiency.

A significant indicator of GRUH's consistency is its adherence to its original mission and mandate. Loans to individuals for purchase, repair or renovation have registered a constant increase and a sizeable jump of over 50 % in the last two years. When you move from a 'profile of the customer' to the 'profile of the properties', you find that about 75 % of GRUH's loans have gone to people who built their own homes. This is the real rural housing potential where there is huge unfulfilled hunger for shelter. GRUH has developed a comfort level of dealing with such borrowers. They actually construct, deal with labour and buy services. Hence, the expertise is quite different from dealing with borrowers in urban areas who usually purchase a ready house or tenement.



It is from this perspective that GRUH's smaller numbers make a big impression, especially when compared on vital parameters of growth, safety and consistent value addition.



## HIGHLIGHTS

(₹ in crores)

Financial Highlights	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Loan Disbursements	1487	1211	780	655	632	474	360	300	218	202
Net Interest Income	179	143	115	85	74	52	36	28	21	20
Fees & Other Charges	17	14	12	7	6	6	6	5	6	5
Operating Cost	39	32	25	21	18	14	12	9	9	9
Operating Profit	159	127	103	72	63	44	30	23	19	18
Provisions & Write Offs (net)	(4)	1	8	3	4	7	4	3	4	5
Profit Before Tax	163	126	94	70	59	37	26	20	15	13
Profit After Tax	120	92	69	50	42	30	22	17	13	11
Stockholders' Equity	386	318	265	221	190	164	87	73	63	59
Borrowed Funds	3833	2966	2323	2245	1773	1305	1080	806	572	555
Loan Assets	4077	3177	2454	2091	1774	1379	1070	818	584	556

## Key Financial Ratios

Capital Adequacy Ratio (%)	13.95	13.32	16.55	16.21	18.15	16.31	14.24	15.71	19.26	18.26
Loans to Total Assets (%)	94	94	92	83	88	91	89	88	87	86
Gross NPAs to Loan Assets (%)	0.52	0.81	1.11	0.94	1.11	1.36	1.48	1.95	1.68	1.87
Net NPAs to Loan Assets (%)	0	0	0	0	0	0	0.23	0.66	0.30	0.81
Net Interest Margin to Average Assets (%)	4.64	4.73	4.42	3.73	4.18	3.82	3.37	3.49	3.19	3.26
Cost to Income Ratio (%)	20	20	20	22	22	24	28	29	32	34
PAT to Average Assets (%)	3.12	3.02	2.65	2.21	2.39	2.17	2.03	2.09	2.02	1.66
Return on Average Network (%)	34	31	28	24	24	24	27	24	22	18

## Measuring Shareholders' Wealth

Earnings Per Share (₹)	34.13	26.19	19.89	14.51	12.22	9.40	7.36	6.31	5.03	3.84
Dividend Rate (%)	115	110*	65	48	40	30	25	21	18	15
Dividend Payout Ratio (%)	39	49	38	39	38	41	35	38	40	44
Book Value Per Share as at March 31 (₹)	109.34	91.00	76.21	63.74	54.91	47.42	32.79	27.72	23.91	22.34
Market Price Per Share as at March 31 (₹)	636.95	360.20	217.75	93.70	154.35	137.35	93.30	45.05	29.70	15.90
Price to Value Ratio (times)	5.83	3.96	2.86	1.47	2.81	2.90	2.85	1.63	1.24	0.71
Price to Earning Ratio (times)	19	14	11	6	13	15	11	7	6	4
Market Capitalisation (in Crores)	2249	1266	756	325	535	476	247	119	79	42

## BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :



Mr. Keki M. Mistry  
Chairman

**Mr. Keki M. Mistry**, the non-executive Chairman of the Company is the Vice Chairman & Chief Executive Officer of Housing Development Finance Corporation Limited (HDFC). He is a Fellow of the Institute of Chartered Accountants of India. Mr. Mistry serves as a director on the board of several companies including HDFC Bank Limited, HDFC Standard Life Insurance Co. Ltd., HDFC ERGO General Insurance Company Limited, HDFC Asset Management Company Ltd., Greatship (India) Ltd., The Great Eastern Shipping Co. Ltd., Sun Pharmaceutical Industries Ltd., NextGen Publishing Ltd., Infrastructure Leasing & Financial Services Ltd., Shrenuj & Company Ltd., Torrent Power Ltd., Bombay Stock Exchange Ltd., etc. He has been on the board of GRUH since 2000 and has been Chairman of the Company since 2002. He is a member of the Audit Committee and Compensation Committee of GRUH.



Mr. S.M. Palia

**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., ACC Limited., Tata Motors Limited, The Bombay Dyeing & Mfg. Co. Ltd., and AI Champdany Industries Limited. 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 Committee and the Compensation Committee of GRUH.



Mr. Prafull Anubhai

**Mr. Prafull Anubhai**, is a Corporate Advisor. He is associated with educational and research institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Ahmedabad University, CSTEP (Centre for Science Technology and Policy), ATIRA etc. He is the Chairman of the Board of Management of the Ahmedabad University. He is the member of the Governing Board of Ahmedabad Education Society. He is also the Hon. Director of Saptak Archives, an institution dedicated to the preservation and dissemination of Indian Classical Music. 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 as a Chief Executive of Textile Manufacturing Operations and presently he is a Director in companies like Unichem Laboratories Ltd., Vardhman Textiles Ltd., Vardhman Special Steels Ltd., Birla Sun Life Trustee Co. Pvt. Ltd, Torrent Cables Ltd, EMSAF (Emerging Market South Asia Fund) – Mauritius etc. He has been on the board of GRUH since 1987. He is a member of the Audit Committee of GRUH.



Mr. K.G. Krishnamurthy

**Mr. K.G. Krishnamurthy**, is the Managing Director & CEO of HDFC Property Ventures Limited (HPVL). Prior to that, he was employed with HDFC as Senior General Manager – Technical Services. He played a major role in HPVL's successful closure of India's first real estate venture fund scheme, HDFC India Real Estate Fund with a corpus of 1.20 billion dollars. He is a graduate from IIT Kharagpur with a management degree from Jamnalal Bajaj Institute of Management, Mumbai. He has vast experience of over two decades in real estate and has been widely consulted by the industry on real estate matters. He has offered his services to the Asian Development Bank - to develop a housing package for Project Affected Persons under Karnataka Urban Infrastructure Project, and to the US AID to build-up a mortgage market in Sri Lanka. Besides his responsibilities within the HDFC group, he is on the board of several companies including HDFC Venture Capital Limited, Indian Association for Savings and Credit, Vascon Engineers Limited, New Consolidated Construction Co. Ltd., etc. He has been appointed on the board of GRUH since 2004. He is a member of Shareholders'/ Investors' Grievance Committee of GRUH.



## **BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :**



Ms. Renu S. Karnad

**Ms. Renu Sud Karnad**, the Managing Director of HDFC is a graduate in law from the University of Mumbai and holds a Master's degree in economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She has been employed with HDFC since 1978. She is responsible for the lending operations of HDFC. She is the Chairperson of HDFC Property Ventures Ltd. She is also a director in companies like Credit Information Bureau (India) Ltd., HDFC Bank Ltd., HDFC Asset Management Company Ltd., HDFC Standard Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, Indraprastha Medical Corporation Limited, Bosch Ltd., Akzo Nobel India Ltd., etc. She has been on the board of GRUH since 2000. She is a member of the Compensation Committee of GRUH.



Mr. Rohit C. Mehta

**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 Cables Ltd. He is on the board of reputed companies like Gujarat Hotels Ltd., Universal Trustees Pvt. Ltd, etc. He has been on the board of GRUH since 1987 and was the Chairman of the Company from 1987 to 1998. He is Chairman of Shareholders'/ Investors' Grievance Committee of GRUH and a member of the Audit Committee of GRUH.



Mr. S.G. Mankad

**Mr. S.G. Mankad**, IAS (retd), holds Masters in History from University of Delhi. He has served in various capacities both in Government of India and the State of Gujarat. His last assignment was as Chief Secretary, Govt. of Gujarat. He has served as a Director/Chairman on Board of several cement, power, fertilizer, and finance companies. He is chairman of Gujarat Institute of Desert Ecology (GUIDE) and is associated with several educational institutions and NGOs. He is the Chairman of Bhavnagar Energy Co. Ltd., Gujarat International Finance Tec- City Co. Ltd., and Director in IL&FS Education & Technology Services Ltd., Deepak Nitrite Ltd., Navin Fluorine International Ltd, Gujarat Gas Co. Ltd. and Shri Dinesh Mills Ltd. He is on the Board of GRUH since 2010. He is a member of Shareholders'/ Investors' Grievance Committee of GRUH.



Mr. Kamlesh Shah

**Mr. Kamlesh Shah**, the Executive Director of GRUH is a Chartered Accountant from the Institute of Chartered Accountants of India. He has been employed with GRUH since 1990. He has the working experience of handling functional areas of operations, finance, human resources and administration. He is on the Board of GRUH since 2010.



Mr. Sudhin Choksey  
Managing Director

**Mr. Sudhin Choksey**, the Managing Director of GRUH, is a Fellow Member of the Institute of Chartered Accountants of India. He was appointed as the CEO of the Company in 1998 and the Managing Director in 2000. He has been on the Board of GRUH since May 1996. He has the working experience of handling functional areas of finance, commercial and general management both in India and abroad. He is a director on the board of Deepak Nitrite Ltd., Gujarat Ambuja Exports Ltd. and Hunnar Shaala Foundation for Building Technology and Innovations. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.

### **MANAGEMENT TEAM**

Amit Chokshi	Suresh Iyer	S. Narendra
Manish Gandhi	Harish Sharma	Jayesh Gangwani
Ajay Kumar	Sadashiv Pimplaskar	Venu Menon
Jayesh Jain	Chief Financial Officer	
Marcus Lobo	Company Secretary	

### **TERRITORY MANAGERS**

Dharmesh Bhavsar	Umesh Agrawal
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### **AREA HEADS**

Anil Dave	Dushyant Joshi	Dahyabhai Vadher
Rupali Shelar	Santosh Kulkarni	Anand Rehpade
Amar Vyas	Hiren Visavadiya	Ashish Sutaria
Harshal Vaidya	Rakesh Chowdhary	Rakesh Hardiya
Om Prakash	Shilpa Kulkarni	Ravindra Golannavar
Pritesh Karnawat	K R Partha	Srinivas Kulkarni
Mehul Buch	Shakti Pratap Singh	Sandeep Kambli
Deven Varadkar	Rahul Jakotiya	Vikas Jain
Pramod A	Manisha Shah	

### **REGISTERED OFFICE**

" GRUH" , Netaji Marg, Near Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006.  
 Phone : 91-79-2642 1671 to 75, 3290 1222/23 Fax : 2656 0649

### **AUDITORS**

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

### **SOLICITORS AND ADVOCATES**

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

### **BANKERS**

Allahabad Bank \* Axis Bank Ltd. \* Bank of Baroda \* Bank of India \* Bank of Maharashtra  
 Bank of Nova Scotia \* Central Bank Of India \* Canara Bank \* Dena Bank \* Development Credit Bank Ltd.  
 HDFC Bank Ltd. \* ICICI Bank Ltd. \* IDBI Ltd. \* Indian Overseas Bank \* IndusInd Bank Ltd. \* Kotak Mahindra Bank Ltd.  
 The Jammu and Kashmir Bank Ltd. \* State Bank of India \* State Bank of Patiala \* State Bank of Mysore  
 State Bank of Travancore \* Syndicate Bank \* UCO Bank \* Union Bank of India \* Vijaya Bank

### **DEBENTURE TRUSTEES**

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