

28

Striving
for
perfection

in an
imperfect world



The search for perfection

The earliest mathematicians and visionaries charted the positions of the sun and the moon to create the first 'calendar' by dividing time into days, months and years. In this system we know that 28 emerged as a unique milestone. The 28th year has the same dates and days repeated in a cycle. 28 is also defined as the 'second perfect number' (related to the prime number 7; the next perfect number being 496!)

So having completed 28 years, how do we set our sights on striving for perfection when we are surrounded by the challenges of a tough imperfect world?

At GRUH we find answers in the faces and emotions of a borrower or a valued stakeholder. These emotions reflect a palette of colorful responses: from *Faith* to implicit *Trust* and *Conviction*; from *Customer loyalty* and *Customization* to the audacity of *Hope*. In abstract art, these feelings are expressed by the interplay of vibrant colors. From high energy red to environment friendly greens, to yellows that pay tribute to the sun and capture the warmth of relationships; these are contrasted with the blues of sea and sky and juxtaposed with ethereal white to express faith and fulfillment.

The images in abstract art created for these pages symbolize our pledge to strive for perfection and renew our commitment to take on the many challenges and opportunities that lie before us—unexplored.

HIGHLIGHTS

(₹ in crores)

Financial Highlights	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Loan Disbursements	2577	2174	1487	1211	780	655	632	474	360	300
Net Interest Income	271	218	179	143	115	85	74	52	36	28
Fees & Other Charges	27	22	17	14	12	7	6	6	6	5
Operating Cost	56	46	39	32	25	21	18	14	12	9
Operating Profit	246	198	159	127	103	72	63	44	30	23
Provisions & Write Offs (net)	2	1	(4)	1	8	3	4	7	4	3
Profit Before Tax	244	197	163	126	94	70	59	37	26	21
Profit After Tax	177	146	120	92	69	50	42	30	22	17
Stockholders' Equity	607	491	386	318	265	221	190	164	87	73
Borrowed Funds	6447	4915	3833	2966	2323	2245	1773	1305	1080	806
Loan Assets	7009	5438	4067	3172	2449	2086	1770	1377	1069	817

Key Financial Ratios

Capital Adequacy Ratio (%)	16.37	14.56	13.95	13.32	16.55	16.21	18.15	16.31	14.24	15.71
Debt Equity Ratio (times)	11	10	10	9	9	10	9	8	12	11
Loans to Total Assets (%)	97	97	94	94	92	82	88	90	89	87
Gross NPAs to Loan Assets (%)	0.27	0.32	0.52	0.82	1.11	0.94	1.12	1.36	1.48	1.95
Net NPAs to Loan Assets (%)	0	0.05	0	0	0	0	0	0	0.23	0.66
Net Interest Margin to Average Assets (%)	4.21	4.38	4.64	4.73	4.42	3.73	4.18	3.82	3.37	3.49
Non Interest Expenses to Average Assets (%)	0.87	0.93	1.01	1.06	0.98	0.91	1.01	1.02	1.10	1.18
Cost to Income Ratio (%)	19	19	20	20	20	22	22	24	28	29
PAT to Average Assets (%)	2.76	2.94	3.12	3.02	2.65	2.21	2.39	2.17	2.03	2.09
Return on Average Networth (%)	32	33	34	31	28	24	24	24	27	24

Measuring Shareholders' Wealth

Earnings Per Share (₹) ^	9.86	8.21	6.83	5.24	3.98	2.90	2.44	1.88	1.47	1.26
Dividend Rate (%)	150	125	115	110*	65	48	40	30	25	21
Dividend Payout Ratio (%)	36	36	39	49	38	39	38	41	35	38
Book Value Per Share as at March 31 (₹) ^	33.83	27.63	21.87	18.20	15.24	12.75	10.98	9.48	6.56	5.54
Market Price Per Share as at March 31 (₹) ^	295.30	210.30	127.39	72.04	43.55	18.74	30.87	27.47	18.66	9.01
Price to Value Ratio (times)	8.73	7.61	5.83	3.96	2.86	1.47	2.81	2.90	2.85	1.63
Price to Earning Ratio (times)	30	26	19	14	11	6	13	15	11	7
Market Capitalisation (in crores)	5319	3753	2249	1266	756	325	535	476	247	119

* Includes one time Special Silver Jubilee Year Dividend of 25%

^ During FY 1213, w.e.f. July 26, 2012, face value of equity shares of the Company was sub-divided to ₹ 2 per equity share from ₹ 10 per equity share. Previous years figures have been adjusted to reflect the revised value.

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., Next Gen Publishing Ltd., Shrenuj & Company Ltd., Torrent Power Ltd., Bombay Stock Exchange Ltd., HCL Technologies 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 The Bombay Dyeing & Mfg. Co. Ltd., Saline area vitalisation enterprises 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.



Ms. Renu S. Karnad

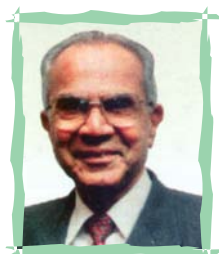
Ms. Renu Sud Karnad, the Managing Director of HDFC, holds a Master's degree in Economics from the University of Delhi and is a Law Graduate. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She has been employed with HDFC since 1978. She is responsible 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. 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, 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



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 Chamber 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. 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, Management Structure & Systems Pvt. Ltd., Botil Oil Tools (India) Pvt. Ltd., etc. He has been on the board of GRUH since 1987. He is 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., IL&FS Skills Development Corporation Ltd., Deepak Nitrite Ltd., Navin Fluorine International Ltd, Swaraj Engines Limited., National Securities Depository Limited and Mahindra Intratrade Ltd. He is on the Board of GRUH since 2010. He is a member of Shareholders'/ Investors' Grievance Committee of GRUH.



Mr. Kamlesh Shah
Executive Director

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., Hunnar Shaala Foundation for Building Technology and Innovations and Saath Livelihood Services. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.

SENIOR MANAGEMENT TEAM

Suresh Iyer
Manish Gandhi
Harish Sharma
Ajay Kumar
Narendra Rao
Dharmesh Bhavsar

Amit Chokshi
Jayesh Gangwani
Sadashiv Pimplaskar
Venu Menon
Umesh Agrawal
Dushyant Joshi
Rupali Shelar

Company Secretary Marcus Lobo

Chief Financial Officer Jayesh Jain

REGISTERED OFFICE

" GRUH" , Netaji Marg, Near Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006.
Phone : 91-79-2642 1671 to 74, 3290 1222/23 Fax : 2656 0649

Toll Free :
Loans : 18002335300
Website : www.gruh.com

Deposits : 18002337923
CIN : L65923GJ1986PLC008809

AUDITORS

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

SOLICITORS AND ADVOCATES

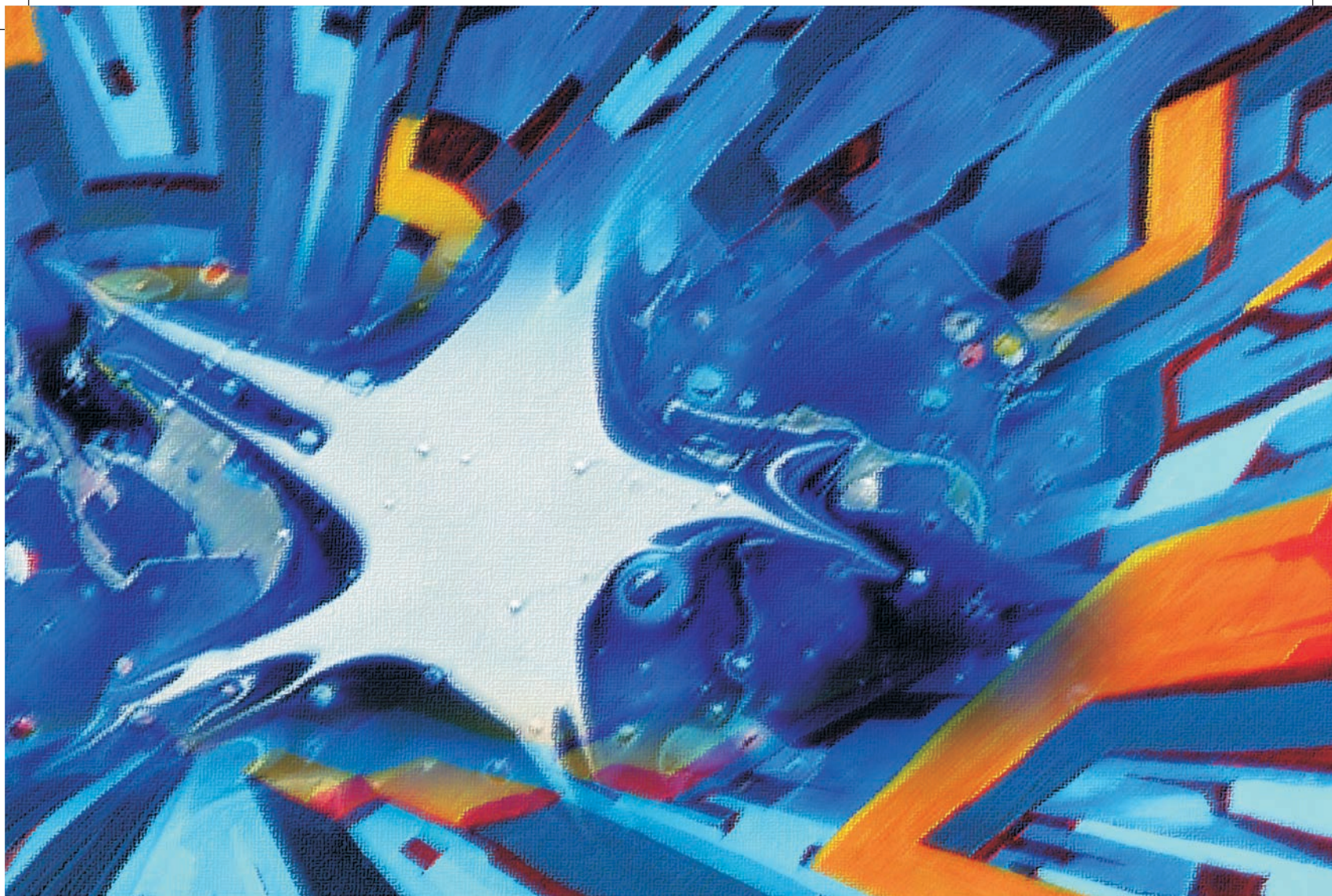
M/s Singhi & Co.,
Advocates, Solicitors and Notary

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 * Corporation Bank * Dena Bank * Development Credit Bank Ltd.
HDFC Bank Ltd. * ICICI Bank Ltd. * IDBI Bank Ltd. * Indian Overseas Bank * IndusInd Bank Ltd.
Kotak Mahindra Bank Ltd. * The Hongkong and Shanghai Banking Corporation Ltd. * The Jammu and Kashmir
Bank Ltd. * State Bank of Bikaner & Jaipur * 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

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Customer loyalty

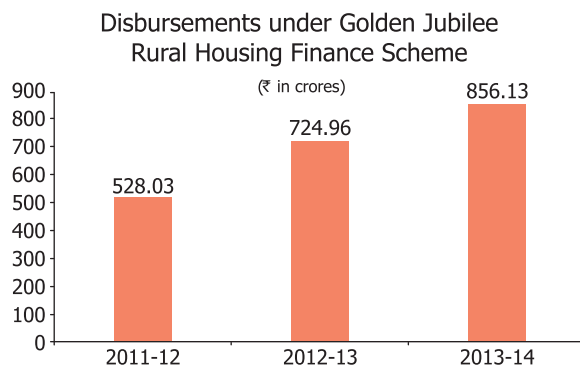
THE REWARDS OF CONSISTENCY

For 28 years now the focus at GRUH has always been like the proverbial North Star; always the same. Always: 'Customer first'.

As a result, even during stressful times we have been able to leverage on favorable Word-of-Mouth, improve our penetration and reach deeper into remote geographic locations. We have continued to target Low Income Group segments at urban and semi-urban locations. There was a time when we were a nascent institution for mortgage housing finance. Today we can justifiably claim to be a preferred brand when it comes to rural housing finance and garnering of public savings.

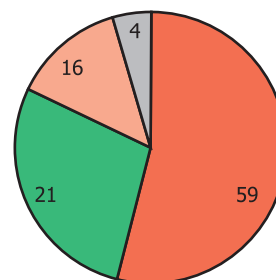
Our sound financials are borne out not only by the "AAA" rating from CRISIL but also the "AAA" rating by ICRA for our Fixed Deposit Program. There is an ever-increasing number of HFCs (both small as well as branches of big corporate houses) that have entered this market. It is significant that most of these have closely examined and replicated GRUH's business model because it has stood the test of market acceptability, feasibility and customer satisfaction.

GRUH'S RURAL FOCUS

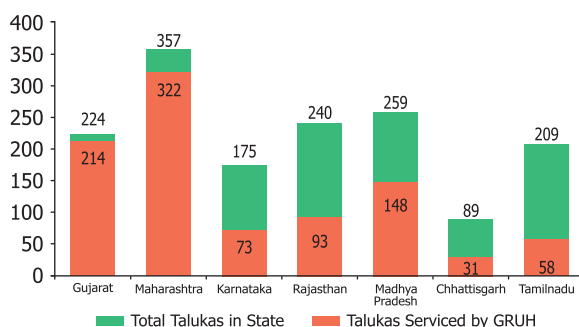


Disbursements under Rural Housing Fund Scheme
(Since April 1, 2007)

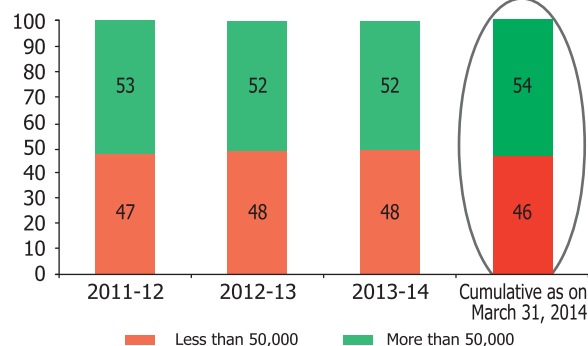
Category of Customers	₹ in crores	%	
Individuals in Rural areas with annual income up to ₹ 2 Lacs	504.43	59	■
Backward Class	185.39	21	■
Women	136.32	16	■
Minority Community	33.11	4	■
Total	859.25	100	



Taluka Penetration - Customers being Served



Loan Extended in Rural Areas (%)



DIRECTORS' REPORT

TO THE MEMBERS,

Your directors are pleased to present the Twenty Eighth Annual Report of your Company with the audited accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

(₹ in Crores)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Profit Before Tax	244.46	196.81
Provision for Tax (Net of deferred tax)	67.50	50.93
Profit After Tax	176.96	145.88
Add:		
Balance brought forward from last year	110.12	83.70
Amount available for appropriation	<u>287.08</u>	<u>229.58</u>
Appropriations:		
Special Reserve	45.00	37.00
General Reserve	20.00	17.50
Additional Reserve u/s 29C of NHB Act, 1987	15.00	12.50
Proposed Dividend	54.04	44.62
Additional Tax on Proposed Dividend	9.18	7.58
Dividend pertaining to previous year paid during the year	0.27	0.26
Balance carried to Balance Sheet	<u>143.59</u>	<u>110.12</u>
	<u>287.08</u>	<u>229.58</u>

Dividend

Your directors recommend payment of dividend of ₹ 3.00 per share of face value of ₹ 2 each for the year ended March 31, 2014 as against a dividend of ₹ 2.50 per share of face value of ₹ 2 each for the previous year. The dividend payout ratio for the year, inclusive of additional tax on dividend will be 36%.

Bonus Issue

Your directors recommend an issue of bonus shares in the ratio of one equity share of ₹ 2 each for every one existing equity share of ₹ 2 each of the Company held by the members on a date to be fixed by the board, by capitalising a part of the Securities Premium Account / General Reserve. The proposed issue of bonus shares is subject to the consent of shareholders at the forthcoming Annual General Meeting (AGM). The bonus shares shall rank *pari passu* in all respects with the existing fully paid up equity shares of the Company, including any dividend that may be declared for the financial year in which the bonus shares are allotted. The dividend declared for the year ended March 31, 2014 shall not be applicable on the Bonus Shares.

Increase in Authorised Share Capital

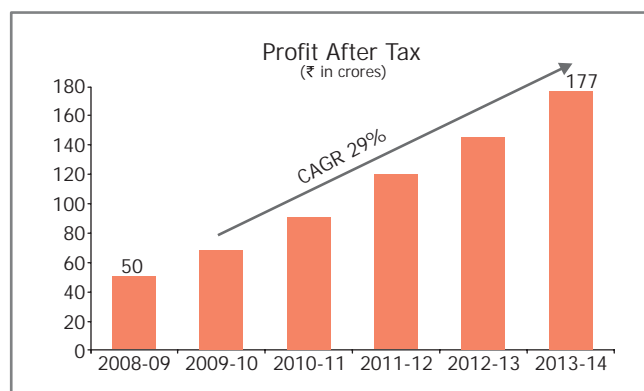
In order to facilitate the capitalisation of the Securities Premium Account to the extent of issue of bonus shares, the authorised share capital of the Company is being increased from ₹ 50 crores to ₹ 100 crores by creation of 25 crores equity shares of ₹ 2 each.

Disbursements

Loan disbursements during the year were ₹ 2,577.47 crores as against ₹ 2,174.39 crores in the previous year. GRUH continued to focus mainly on the retail segment and disbursed ₹ 2,375.10 crores to 31,555 families. Cumulative disbursements as at March 31, 2014 were ₹ 12,094.25 crores.

Golden Jubilee Rural Housing Finance Scheme

GRUH disbursed ₹ 856.13 crores in respect of 14,081 dwelling units during the year under the Golden Jubilee Rural Housing Finance Scheme of the Government of India. Cumulative disbursements under the scheme were ₹ 4,083.73 crores in respect of 1,05,394 dwelling units.



Rural Housing Fund

The National Housing Bank (NHB) has formulated a scheme called the Rural Housing Fund – 2008 (RHF). The scheme is aimed towards rural housing undertaken by families falling under the weaker section category as defined in the Reserve Bank of India guidelines on lending to the priority sector. During the year, GRUH has claimed ₹ 27.38 crores covering 582 families under this scheme. Cumulative disbursements under this scheme were ₹ 859.25 crores to 23,026 families.

Urban Low Income Housing Scheme

The Ministry of Housing and Urban Poverty Alleviation (MHUPA) has launched a special scheme called the Urban Low Income Housing Scheme to finance families in the EWS / LIG segment in urban areas. NHB is the nodal agency for monitoring this scheme. GRUH has funded customers falling under this scheme and has sent its claim to NHB aggregating to ₹ 109.37 crores in respect of 1,987 customers during the year.

Credit Risk Guarantee Fund Scheme

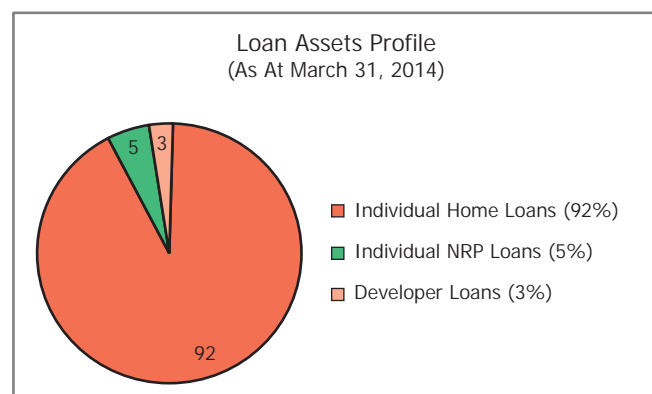
The Government of India has launched the Credit Risk Guarantee Fund Scheme for Low Income Housing in urban areas. GRUH has signed the agreement with the Credit Risk Guarantee Fund Trust (CRGFT) for participating in the scheme. A claim in respect of 33 loan accounts aggregating to ₹ 1.15 crores has been sent to CRGFT.

Loan Assets

As at March 31, 2014, the loan assets increased to ₹ 7,009.04 crores recording a growth of 29%. Loan assets in respect of the retail segment grew by 31% and stood at ₹ 6,801.02 crores.

Non-Performing Loans

As per the prudential norms of NHB, GRUH's gross non-performing loans stood at ₹ 18.87 crores as at March 31, 2014, constituting 0.27% of the total outstanding loans of ₹ 7,009.04 crores. The gross non-performing loans as at March 31, 2013 were ₹ 17.64 crores, constituting 0.32% of the total outstanding loans of ₹ 5,437.80 crores.



As at March 31, 2014, GRUH is required to carry a provision of ₹ 7.60 crores towards non-performing loans as per NHB norms. However, as a measure of precaution, GRUH carries a provision of ₹ 19.64 crores. Net non-performing loans were Nil on outstanding loans of ₹ 7,009.04 crores.

During the year, GRUH has written off ₹ 0.77 crores in respect of individual loans where the recovery was difficult in the near future. However, GRUH continued the recovery efforts in respect of written off loans of earlier years and could effect recoveries of ₹ 0.25 crores during the year in respect of such written off loans. GRUH also took possession of properties of the defaulting borrowers under the SARFAESI Act and has sold few of such acquired properties.

NHB Refinance

GRUH received refinance sanction of ₹ 875 crores from NHB during the year. GRUH availed refinance aggregating to ₹ 1,304.23 crores including ₹ 27.38 crores under the Rural Housing Fund. The refinance outstanding as at March 31, 2014 was ₹ 2,946.58 crores.

Bank Term Loans

GRUH received sanctions from banks amounting to ₹ 2,675 crores of which GRUH availed loans aggregating to ₹ 1,615 crores. The outstanding bank term loans as at March 31, 2014 were ₹ 1,915 crores.

Subordinated Debt

As at March 31, 2014, GRUH's outstanding subordinated debt stood at ₹ 35 crores. The debt is subordinated to present and future senior indebtedness of the company and has been assigned rating of "ICRA AA+" and "CRISIL AA+", indicating high safety with regard to timely payment of interest and principal. These ratings carry a stable outlook. Based on the balance term to maturity, as at March 31, 2014, ₹ 35 crores of the book value of subordinated debt is considered as Tier – II capital under the guidelines issued by NHB for the purpose of computation of Capital Adequacy Ratio.

