Annual Report 2012 - 13



Silver Jubilee Year

pnb Housing Finance Limited

Ghar Ki Baat

25 Years of Service
25 Years of Happiness

# 25 Years Journey of PNBHFL!

25 is a magical number, not too young and not too mature either. It is just the right age to be in one's lifetime. It is an age of exciting opportunities, an age for exciting adventures ahead and an age to learn from ones past mistakes.

Yes, PNBHFL has entered into its 25th year in 2013. But it seems the journey has just begun for the financial powerhouse to step out of the shadows and come in the limelight. The first step has been taken by entering the top 5 HFC club of India.

We have started walking a tightrope and are doing the right things; is partly endorsed by the accolades being received from Bloomberg and Franchisee India as the Fastest Growing HFC-North and West region and our Organisation Change Story has been awarded in the category of "Special Commendation Award" by Best Change Intervention of Asia Seminar 2013 - organisations that have successfully designed, executed and managed change. .

We have been recognised and acknowledged for our best in class human resource practices and enjoy strong equity in management talent market and makes us an" employer of choice" anchored in our core values of **"People First, Customer Centric and Ethical Standards"**. Our human resource philosophy, strategy and processes have been designed to attract and retain quality management team and keep our people highly engaged, motivated and committed to bring customer delight.

Quality and Success should not be an event but should become a habit and we move towards that goal with standardization of processes and strengthening our internal systems.

Besides the branch delivery model, PNBHFL also developed a strong base of in-house sales team, a dedicated call centre and versatile e-medium to make its services available in a simple and easily accessible manner. Extending our reach is enabled through our rationalized geographical spread further augmented by a distribution model which is founded on the basic principles of quality, integrity and ingenuity.

Cherishing the solidity of its parent, PNB, and the tenacity of contemporary operating model to connect with our customers, PNBHFL displays élan and robustness of a caring organisation.

Our mission is to exhibit the highest standards of customer service. We have been investing in world-class technology, building robust processes, delivering personalised doorstep services, improved branch infrastructure and setting newer benchmarks for customer delight to differentiate us from our peers.

The Company's aspiration to enhance and sustain its position as one of the most preferred housing finance company is anchored in the quality and dynamism of our Human Capital.

Finally in the 25$^{th}$ year, for all of us at PNBHFL, "Sky is not the limit, for there are footprints on the moon too !!"

# Message from the Managing Director



Dear Stakeholders,

Financial Year 2012-13 has been, remarkably an eventful and gratifying period for PNBHFL. We have been successful on almost all spheres of business activity and the re-building exercise that we had planned and designed during the previous year.

Some highlights for the year gone by:

- We sourced, processed and successfully underwrote 16170 loan applications out of which 10976 loans were approved, indicating an acceptance rate of 67% - a mature rate of acceptance.
- Out of those approvals, about 8200 loans got disbursed in the same period (75% disbursement to sanction ratio), which shows that these approvals were credit worthy and were in accordance to our customer expectations.
- The company disbursed loans worth INR 3682 crore, which reflects a growth of 142% over the previous year.
- The end net receivable (ENR) stands at INR 6620 crore as on March 31, 2013, which is 67% Yo Ygrowth at the portfolio level – making PNBHFL the fastest growing HFC in the country.
- Gross NPAs were at 0.56% of the ENR as on 31 March 2013, which is amongst the lowest in the industry.
- The Total income for the year was INR 661 crore, which marks a growth rate of 43%.
- On deposits, we reinforced the confidence in our brand and grew by almost 190%. Our deposit book today stands at INR 1050 crore (16% of our asset book).
- Profit after tax (PAT) grew by 22% at INR 91.5 crore.

During FY 2012-13 your Company has entered the top 5 HFC club in the country with one of the lowest delinquencies and NPA levels in the industry; it is indeed a very satisfying moment for us to have traversed this distance in portfolio quality and growth.

I sincerely thank all our devoted and talented employees for putting their heart and soul in achieving these milestones for the year. We are indeed privileged to have one of the best human capital in the industry.

We also enjoyed the glory and honour of being the “Fastest Growing HFC” in North & West as recognised and awarded by Annual Real Estate Awards instituted by Franchise India and Bloomberg in FY 2012-13.

The Year ahead:

FY 2013-14, is our “Silver Jubilee Year” during the year our main focus will be on “Total Quality” - while we are committed to significant growth during the year. We will continuously focus on quality measurement and quality monitoring.

Though the macroeconomics continues to be sluggish - sharing our business plan for FY 2013-14, we are targeting incremental disbursements to grow by 35% which should render a portfolio growth of 50%. Company deposits are going to be an area of business priority and the planned growth is significant in these challenging times.

We are also targeting a PAT growth in excess of 25% during the FY 2013-14.

I look forward to building a sustainable, profitable and well respected business - with a long term focus on customer delight.

However, achievements will not be at the cost of happiness index of our human capital. We will strive to have a working culture of inclusiveness, ecosystem of comfortable working environment; where everyone performs and grows with the organization - personally as well as professionally.

We will fail in our duty, of being a good corporate citizen, if we do not actively participate in social welfare – during FY 2013-14 organised efforts will be made to deliver to the society at large.

I would like to thank all the stakeholders, our learned and respected Directors who have displayed their unconditional faith in our vision and execution prowess and have steered us through the critical, maiden, year of business process reengineering (BPR). We are sure, their guidance and support will continue for a long time.

Finally we are once again poised to be the fastest growing HFC in the country - with the solid foundation created last year, it is now time that we attain greater heights keeping our core values and humility intact.

Sanjaya Gupta

Managing Director

# Board of Directors



**Sh. K. R. Kamath**
*Chairman of Board*



**Sh. Rakesh Sethi**
*Member Business Process & Appointments Committee*



**Sh. Tejinder Singh Laschar**
*Member Audit & Business Process Committee*



**Sh. G N Bajpai**
*Member Marketing Committee*



**Sh. P K Gupta**
*Member Audit & Appointments Committee*



**Sh. S K Jain**
*Member Credit Committee*



**Sh. Anand Dorairaj**
*Member Audit & Appointments Committee*



**Sh. Vivek Vig**
*Member Credit & Business Process Committee*



**Sh. S S Bhatia**
*Member Credit and Marketing Committee*



**Sh. Sanjaya Gupta**
*Managing Director*

# Senior Management



**Shaji Varghese**
Business Head



**Ajay Gupta**
Chief Risk Officer



**Nitant Desai**
Chief Operations &
Technology Officer



**Anshul Bhargava**
Chief People Officer



**Sanjay Jain**
Company Secretary &
Chief Finance Officer

# Performance Highlights

(Rs. in Crores)

| Year | 03-04 | 04-05 | 05-06 | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 | 11-12 | 12-13 |
|---|---|---|---|---|---|---|---|---|---|---|
| Loan Approvals | 350 | 354 | 463 | 750 | 731 | 756 | 850 | 1391 | 1668 | 6091 |
| Loan Disbursement | 285 | 298 | 393 | 652 | 677 | 683 | 805 | 1267 | 1508 | 3682 |
| Loan Outstanding | 776 | 899 | 1100 | 1541 | 1916 | 2186 | 2507 | 3167 | 3970 | 6620 |
| Deposit Outstanding | 155 | 165 | 166 | 191 | 224 | 264 | 304 | 220 | 363 | 1051 |
| Total Income | 90 | 87 | 102 | 153 | 227 | 277 | 316 | 364 | 463 | 661 |
| Profit Before Tax | 21 | 16 | 25 | 33 | 57 | 76 | 94 | 97 | 103 | 126 |
| Profit After Tax | 15 | 11 | 18 | 28 | 41 | 53 | 67 | 69 | 75 | 91 |
| Dividend % | 11 | 11 | 7 | 10 | 20 | 20 | 20 | 22 | 22 | 25 |
| Earning Per Share Rs. | 5 | 4 | 6 | 9 | 14 | 18 | 22 | 23 | 25 | 22 |
| Net Worth | 88 | 95 | 110 | 131 | 163 | 208 | 267 | 326 | 392 | 609 |

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# DIRECTORS' REPORT TO THE MEMBERS

Your Directors have the pleasure in presenting the 25th Annual Report together with the Audited Accounts of the company for the year ended on March 31, 2013.

## 1. Silver Jubilee Year

The Company has entered its twenty fifth (silver jubilee year) of operations. Three years ago, the Company had started Business Process Transformation and Re-engineering Project (BPR) to transform the Company to an operationally robust enterprise to take on bigger and tougher challenges in the future.

Your Directors are happy to report that the Company has achieved these major objectives, which are reflected in business and financial numbers. The Company has re-vamped policies, systems and processes and is now poised for sustained growth in years to come.

## 2. New initiatives under BPR

A snapshot of few accomplishments for the year gone by is as under;

- A valuable core human capital pool was created which is self-motivated, inspired and knowledgeable.
- Refurbishment of physical infrastructure (important offices and hardware etc.) to facilitate future business growth. Additional space of more than 36500 sq. ft. was created.
- New processes and systems, operating nuances were implemented which will have a multiplier effect in enhancing efficiency, security, compliance and rendering better customer experience.
- In order to improve customer reach, there was a complete re-vamp of the business distribution strategy involving internal sales team and third party agencies.
- To improve the look and feel, the Company's website was revamped; standardization of marketing collaterals, signage and other customer communication documents were recreated to be contemporary and customer friendly. An outbound contact centre was also established.
- A team of seasoned underwriters and a technical support group with civil engineers was established to support underwriting variety of loan types. Risk containment unit was established to avoid frauds.
- Concerted efforts were made for creating a robust IT platform, which can support current as well as future flow of business needs.

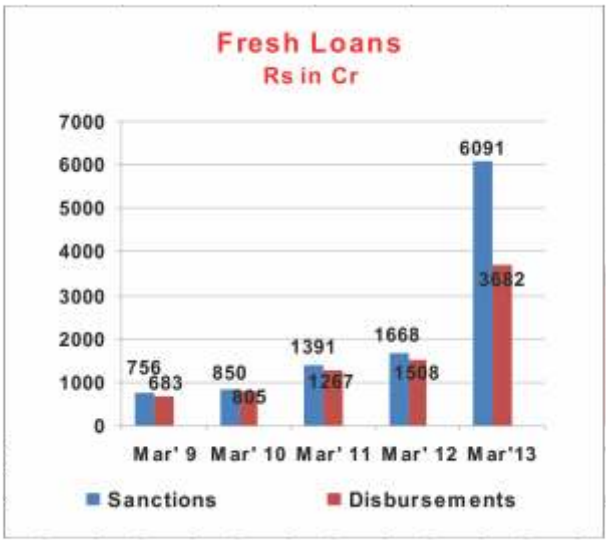
## 3. Awards and recognition

During the year Company has been awarded in the category of "outstanding contribution to real estate sector through growth in home loans in North and West region" by annual real estate awards for developers and brokers instituted by Franchisee India in association with Bloomberg.

## 4. Loans Performance

4.1 During the year, the Company has sanctioned loans to 10976 customers amounting to Rs. 6091 crore as compared to Rs. 1668 crore in previous year, recording a growth of 276%. Loans disbursed during the year were Rs. 3682 crore as compared to Rs. 1508 crore in previous year, recording a growth of 143%.

Out of the total fresh business, Rs. 4814 crore loans were sanctioned for housing and Rs. 1277 crore were sanctioned for non-housing purposes. Cumulative sanctions and disbursements as at March 31 2013 were Rs. 14617 crore and Rs. 11276 crore respectively.



In order to de-risk geographical concentration, 45% of incremental disbursements were from West and South zones. The geographical mix of outstanding portfolio is 62% North, 22% West and 16% South.

Out of total loan sanctions, loans amounting to Rs. 270 Crore are eligible under Golden Jubilee Rural Housing Scheme of Government of India, in respect of 3327 units.

### 4.2 Loans outstanding

During the year, Loans outstanding grew by 67% and stood at Rs. 6619 crore in respect of 37248 loan accounts. Loan outstanding comprises Rs. 4835 crore for Housing and Rs. 1784 crore for non-housing loans. The average ticket size, at portfolio level, for individual loans as on 31st March 13 was Rs. 17.77 lac. The average ticket size for fresh loans sanctioned during the year was Rs.55.50 lacs'.

During the year under review, Rs 1033 crore was received by way of scheduled re-payment and pre-payment of loan amount.

### 4.3 Asset Quality:

Company continues to maintain high quality of loan assets. Gross non-performing assets as on 31st March '13 were Rs. 37.09 crore (Rs 41.27 crore) and net non-performing assets (after provision as per NHB Directions) were Rs. 23.40 crore (Rs 26.61 crore).




The overall loan delinquencies is at 2.18%, gross and net non-performing assets at 0.56% and 0.35% respectively were amongst the lowest in the industry.

Company has 112 re-possessed properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) amounting to Rs. 32.03 crore (Rs 26.51 crore).

## 5. Financial Performance

(Rs. in lacs)

| | March 13 | March 12 |
|---|---|---|
| Profit/Loss before tax | 12604.48 | 10258.49 |
| **Less:** Provision for Tax | | |
| -Current year | 3455.00 | 2896.00 |
| -Deferred Tax | -1.66 | -157.74 |
| **Profit/Loss After Tax** | **9151.14** | **7520.23** |
| **Add**: Balance brought for-ward from the previous year | 1170.06 | 936.90 |
| | **10321.21** | **8457.13** |
| **Appropriation of Profits** | | |
| Transfer to Special Reserve (including u/s 29C of NHB Act, 1987) | 1900.00 | 1520.00 |
| Transfer to General Reserve | 6000.00 | 5000.00 |
| Proposed Dividend | 1026.11 | 660.00 |
| Dividend distribution Tax | 174.39 | 107.06 |
| Balance carried to Balance Sheet | 1220.71 | 1170.06 |
| | **10321.21** | **8457.13** |

### 5.1 Income

During the year, the Company earned total income of Rs. 661 crore as compared to Rs 463 crore in previous year, recording a growth of 43%. Out of total income, interest income on loans grew by 45% at Rs. 606 crore as against Rs. 419 crore in previous year. Investment and other income increased by 25% to Rs. 55 crore as against Rs. 44 crore in the previous year.

### 5.2 Expenditure

Total expenditure during the year was Rs. 523 crore as compared to Rs. 354 crore in previous year, a growth of 48%. Out of total expenditure, interest expenditure was Rs. 462 crore (Rs. 315 crore) and operating expenditure was Rs. 61 crore (Rs. 39 crore).