

CAVEAT - Outside circle of competence,
so it may get funny at
places. Take this
review seriously at
your own risk.



DISCLOSURE - No holdings



*Tribute to the GRUH-ini
A driving force for
future momentum and growth*

29th ANNUAL REPORT
2014 - 2015

Reviewed By -
Vishal Khandelwal
[safa.niveshak.com]

Date - 21st Aug. 2015

All round growth over the years
(10-yr & 5-yr CAGR)

HIGHLIGHTS

Financial Highlights

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Loan Disbursements	3,121	2,577	2,174	1,487	1,211	780	655	632	474	360
Net Interest Income	344	271	218	179	143	115	85	74	52	36
Fees & Other Charges	33	27	22	17	14	12	7	6	6	6
Operating Cost	64	56	46	39	32	25	21	18	14	12
Operating Profit	318	246	198	159	127	103	72	63	44	30
Provisions & Write Offs (Net)	17	2	1	(4)	1	8	3	4	7	4
Profit Before Tax	301	244	197	163	126	94	70	59	37	26
Profit After Tax	204*	177	146	120	92	69	50	42	30	22
Stockholders' Equity	711	607	491	386	318	265	221	190	164	87
Borrowed Funds	8,216	6,447	4,915	3,833	2,966	2,323	2,245	1,773	1,305	1,080
Loan Assets	8,915	7,009	5,438	4,067	3,172	2,449	2,086	1,770	1,377	1,069

Key Financial Ratios

Capital Adequacy Ratio (%)	15.36	16.36	14.56	13.95	13.32	16.55	16.21	18.15	16.31	14.24
Debt Equity Ratio (times)	12	11	10	10	9	9	10	9	8	12
Loans to Total Assets (%)	97	97	97	94	94	92	82	88	90	89
Gross NPAs to Loan Assets (%)	0.28	0.27	0.32	0.52	0.82	1.11	0.94	1.12	1.36	1.48
Net NPAs to Loan Assets (%)	0	0	0.05	0	0	0	0	0	0	0.23
Net Interest Margin to Average Assets (%)	4.18	4.21	4.38	4.64	4.73	4.42	3.73	4.18	3.82	3.37
Non-Interest Expenses to Average Assets (%)	0.78	0.87	0.93	1.01	1.06	0.98	0.91	1.01	1.02	1.10
Cost to Income Ratio (%)	17	19	19	20	20	20	22	22	24	28
PAT to Average Assets (%)	2.48	2.76	2.94	3.12	3.02	2.65	2.21	2.39	2.17	2.03
Return on Average Networkworth (%)	31	32	33	34	31	28	24	24	24	27

Measuring Shareholders' Wealth

Earnings Per Share (₹) ^	5.57	4.93	4.11	3.41	2.62	1.99	1.45	1.22	0.94	0.74
Dividend Rate (%)	100*	150	125	115	110**	65	48	40	30	25
Dividend Payout Ratio (%)	43	36	36	39	49	38	39	38	41	35
Book Value Per Share as at March 31 (₹) ^	19.64	16.92	13.82	10.94	9.10	7.62	6.37	5.49	4.74	3.28
Market Price Per Share as at March 31 (₹) ^	244	147.65	105.15	63.70	36.02	21.78	9.37	15.44	13.74	9.33
Price to Value Ratio (times)	12.42	8.73	7.61	5.83	3.96	2.86	1.47	2.81	2.90	2.85
Price to Earnings Ratio (times)	44	30	26	19	14	11	6	13	15	11
Market Capitalisation (in crores)	8,867	5,319	3,753	2,249	1,266	756	325	535	476	247

Profit After Tax is arrived after providing Deferred Tax Liability of ₹ 19.33 crores on Special Reserve which was required to be created from FY 2014-15.

** 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 and hence adjusted for Split and Bonus shares.

@ The Company allotted bonus shares in the ratio of 1:1 during June'2014. Dividend is for the full year on enhanced capital post issue of bonus shares.

10-yr
CAGR
27%
29%

30%

31%

28%

26%

27%

(₹ in crores)

5-yr
CAGR

32%
25%

25%

26%

24%

22%

29%

10-yr
CAGR
25%

22%

49%

5-yr
CAGR

23%

21%

64%

* Market cap has grown at 2-3x the rate of growth in EPS & BV. This is how high quality businesses pay over time (when bought at good prices).

Disbursements → Loans given during the year.

* Up 21% during FY 15

* Avg size - Rs. 8.2 Lac / family



DIRECTORS' REPORT

TO THE MEMBERS,

Your directors are pleased to present the Twenty Ninth Annual Report of your Company with the audited accounts for the year ended March 31, 2015.

FINANCIAL RESULTS

(₹ in crores)

	For the year ended March 31, 2015	For the year ended March 31, 2014
Profit Before Tax	300.84	244.46
Provision for Tax	77.71	67.50
Deferred Tax on Special Reserve	19.33	0.00
Profit After Tax	203.80	176.96
Add:		
Balance brought forward from last year	143.59	110.12
Amount available for appropriation	<u>347.39</u>	<u>287.08</u>
Appropriations:		
Special Reserve	56.87	45.00
General Reserve	40.00	20.00
Additional Reserve u/s 29C of NHB Act, 1987	0.00	15.00
Amount utilised towards Corporate Social Responsibility Activities	1.93	0.00
Proposed Dividend	72.68	54.04
Additional Tax on Proposed Dividend	14.80	9.18
Dividend pertaining to previous year paid during the year	0.00	0.27
Balance carried to Balance Sheet	<u>161.11</u>	<u>143.59</u>
	<u>347.39</u>	<u>287.08</u>

Changes in Share Capital

During the year under review, the paid up share capital increased as a result of the 1:1 Bonus Issue, whereby your Company allotted 18,01,31,150 Bonus shares. The paid up share capital also increased as a result of allotment of 31,22,280 equity shares of the face value of ₹ 2/- each upon exercise of stock options under ESOS-2011 (Tranche-I) and ESOS-2011 (Tranche-II). Consequently the equity share capital has increased from ₹ 36,02,62,300 divided into 18,01,31,150 equity shares of ₹ 2/- each to ₹ 72,67,69,160 divided into 36,33,84,580 equity shares of ₹ 2/- each.

Disbursements

Loan disbursements during the year were ₹ 3,120.87 crores as against ₹ 2,577.47 crores in the previous year. GRUH continued to focus mainly on the retail segment and disbursed ₹ 2,834.37 crores to 34,608 families. Cumulative disbursements as at March 31, 2015 were ₹ 15,215.12 crores.

Golden Jubilee Rural Housing Finance Scheme

GRUH disbursed ₹ 1,296.14 crores in respect of 18,719 dwelling units during the year under the Golden Jubilee Rural Housing Finance Scheme of the Government of India. Cumulative disbursements under the scheme were ₹ 5,379.87 crores in respect of 1,24,113 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.

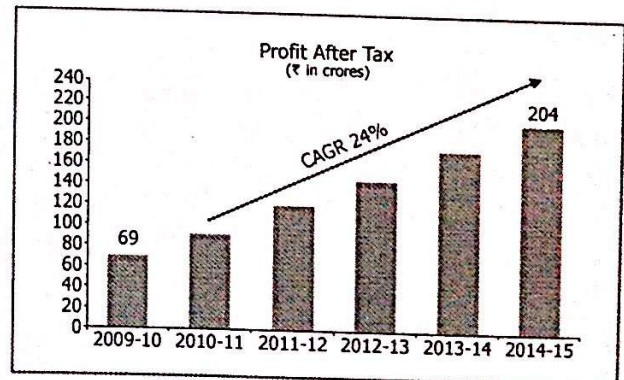
During the year, GRUH disbursed ₹ 301.06 crores in respect of 4,679 loans in rural areas wherein the loans meet the criteria laid down under the scheme.

Urban Low Income Housing Scheme

The Ministry of Housing and Urban Poverty Alleviation (MHUPA) launched a special scheme called the Urban Low Income Housing Scheme (LIH) in January 2012 to finance families in the EWS / LIG segment in urban areas. NHB is the nodal agency for monitoring this scheme.

Dividend

Your directors recommend payment of dividend of ₹ 2.00 per equity share of face value of ₹ 2 each for the year ended March 31, 2015 on the enhanced paid-up capital of the Company post the issue of bonus shares in the ratio of 1:1. Considering that the Company declared a 1:1 bonus during the year, the effective dividend for the year is ₹ 4.00 per equity share (pre-bonus) as compared to ₹ 3.00 per share in the previous year. Although the bonus shares were allotted on June 11, 2014, dividend on these shares will be payable for the entire financial year. The dividend payout ratio for the year inclusive of additional tax on dividend will be 43% as against 36% in the previous year.



During the year, GRUH disbursed ₹ 428.52 crores in respect of 8,845 loans in urban areas wherein the loans meet the criteria laid down under the scheme. The cumulative disbursement under the scheme since its inception in January 2012 is ₹ 1,331.42 crores in respect of 27,979 loans.

Refinance Scheme for Women

NHB launched a special refinance scheme in July 2013 aimed at financing women applicants in urban areas wherein the property is owned by women.

During the year, GRUH disbursed ₹ 86.55 crores in respect of 1,168 loans in urban areas wherein the loans meet the criteria laid down under the scheme. The cumulative disbursements under the scheme since its inception in July 2013 is ₹ 146.87 crores in respect of 2,076 loans.

Credit Risk Guarantee Fund Scheme

Under the Credit Risk Guarantee Fund Scheme (CRGFS) for Low Income Housing in urban areas, GRUH has disbursed ₹ 37.09 crores in respect of 1,935 loans during the year. The cumulative disbursements in respect of loans covered by Credit Risk Guarantee Cover is ₹ 39.54 crores in respect of 2,008 loans.

The cumulative portfolio approved by the CRGFT for Credit Risk Guarantee cover is ₹ 4.25 crores in respect of 110 loans since inception of the scheme.

Loan Assets

As at March 31, 2015, the loan assets increased to ₹ 8,915.35 crores recording a growth of 27%. Loan assets in respect of the retail segment grew by 26% and stood at ₹ 8,594.60 crores.

Non-Performing Loans

As per the prudential norms of NHB, GRUH's gross non-performing loans stood at ₹ 25.05 crores as at March 31, 2015, constituting 0.28% of the total outstanding loans of ₹ 8,915.35 crores. The gross non-performing loans as at March 31, 2014 were ₹ 18.87 crores constituting 0.27% of the total outstanding loans of ₹ 7,009.04 crores.

GRUH is required to carry a provision of ₹ 32.80 crores on standard individual home loans of ₹ 8,200.30 crores and a provision of ₹ 6.20 crores on standard loans other than individual home loans of ₹ 690 crores as at March 31, 2015. GRUH also carries provision of ₹ 0.10 crore on Installments Due from Borrowers of ₹ 22.49 crores and ₹ 0.01 crore on Loan Against Deposit of ₹ 1.14 crores. Accordingly, GRUH carries a total provision of ₹ 39.11 crores in respect of standard assets.

GRUH is required to carry a provision of ₹ 8.47 crores towards non-performing loans as per NHB norms. However, as a measure of precaution, GRUH carries a provision of ₹ 25.05 crores. Net Non Performing Loan was Nil on outstanding loans of ₹ 8,915.35 crores.

GRUH therefore carries a total provision of ₹ 64.17 crores on its total assets including standard assets and non performing loans.

During the year, GRUH has written off ₹ 2.03 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 ₹ 0.37 crore 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.

Regulatory Guidelines

GRUH continues to comply with the guidelines issued by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit, credit rating, 'Know Your Customer' - (KYC), fair practices code and real estate and capital market exposures. The details of compliances are outlined in the Management Discussion and Analysis Report.

The task of overseeing the implementation of the Asset Liability Management (ALM) has been entrusted to the Audit Committee which oversees and reviews the ALM position vis-à-vis risk management.

GRUH's Capital Adequacy Ratio stood at 15.36% as against the minimum requirement of 12%. Tier - I capital was 13.89% against the minimum requirement of 6%.

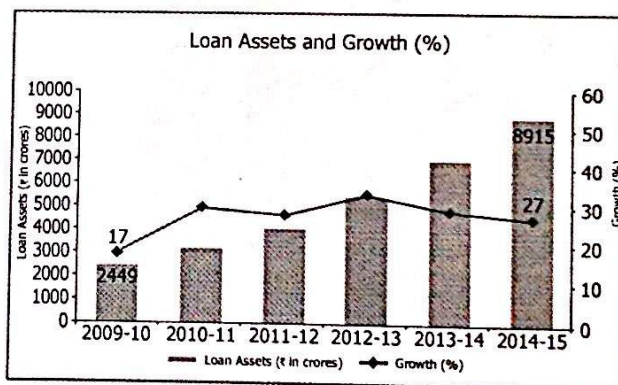
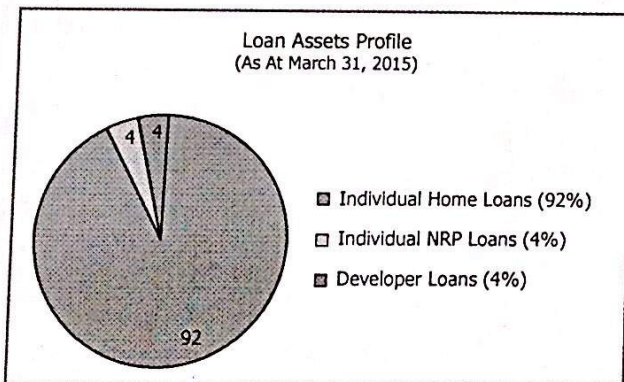
The Government of India has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under Section 21 of the SARFAESI Act, 2002 to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. Accordingly, GRUH is registered with CERSAI and has been submitting data in respect of its loans.

NHB Refinance

GRUH received refinance sanction of ₹ 1,150 crores from NHB during the year. GRUH availed refinance aggregating to ₹ 940.23 crores including ₹ 130.67 crores under the Rural Housing Fund. The refinance outstanding as at March 31, 2015 was ₹ 2,777.17 crores.

Bank Term Loans

GRUH received fresh sanctions from banks amounting to ₹ 2,065 crores of which GRUH availed loans aggregating to ₹ 1,925 crores. The outstanding bank term loans as at March 31, 2015 were ₹ 2,700 crores.



* Cap. Adequacy Ratio (CAR) → Measure of bank's / NBFC's financial strength. It's the ratio of Capital (Net worth + Subordinated Debt) to Loans. Minimum as per GoI → 12%. Simply put, it's the capital set aside to protect depositors.

* CAR of Indian Banks & NBFCs (FY15)

	CAR (%)
Gruh	15.4
Repro	20.3 → Highest
Axis	15.1
Kotak	17.6
HDFC Bank	16.8
ICICI	17.0
SBI	12.0 → Lowest
HDFC	16.1
PNB	12.2
BoB	12.6
Yes Bank	15.6

* While CAR ensures safety, a consistently high CAR may mean that the bank/NBFC is not doing enough business.

Subordinated Debt

As at March 31, 2015, 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. Based on the balance term to maturity, as at March 31, 2015, ₹ 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.

Non-Convertible Debentures (NCDs)

During the year, GRUH raised NCDs amounting to ₹ 650 crores on a private placement basis. The outstanding NCDs as at March 31, 2015 stood at ₹ 650 crores. NCDs are rated "ICRA AA+" and "CRISIL AA+", indicating high safety with regard to timely payment of interest and principal.

Commercial Paper

GRUH's commercial paper is rated "ICRA A1+" and "CRISIL A1+" indicating highest safety as regards repayment. As at March 31, 2015, outstanding commercial paper was ₹ 750 crores.

Deposits

GRUH mobilised deposits of ₹ 396.63 crores and experienced a renewal ratio of 58% during the year. The outstanding balance of deposits as at March 31, 2015 was ₹ 1,292.11 crores.

Deposit programme is rated "MAAAA" by ICRA and "FAAAA" by CRISIL. These ratings indicate highest safety as regards repayment of principal and interest.

There has been no default in repayment of deposits or payment of interest during the year. All the deposits accepted by the Company are in compliance with the requirements of NHB guidelines and Chapter V of the Companies Act, 2013.

Unclaimed Deposits and Unclaimed NCDs

As at March 31, 2015, deposits amounting to ₹ 7.97 crores had not been claimed by 879 depositors. The total amount of unclaimed deposits as at March 31, 2015 was ₹ 8.40 crores, which includes ₹ 0.43 crore towards unclaimed interest on deposits. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits and subsequent reminders have been sent.

As per the provisions of Section 125 of the Companies Act, 2013, deposits/ NCDs or interest thereon, remaining unclaimed and unpaid

for a period of seven years from the date they became due for payment are required to be credited to Investor Education and Protection Fund (IEPF) established by the Government of India. Accordingly, an amount of ₹ 9.60 lacs was transferred to the IEPF during the year. In terms of Section 125 of the Companies Act, 2013, no claim would lie against the Company after the said transfer.

As at March 31, 2015, there was no NCDs amount or interest thereon, remaining unclaimed and unpaid.

Unclaimed Dividends

As at March 31, 2015, dividend amounting to ₹ 1.05 crores has not been claimed by shareholders. GRUH has been intimating the shareholders to lodge their claim for dividend from time to time.

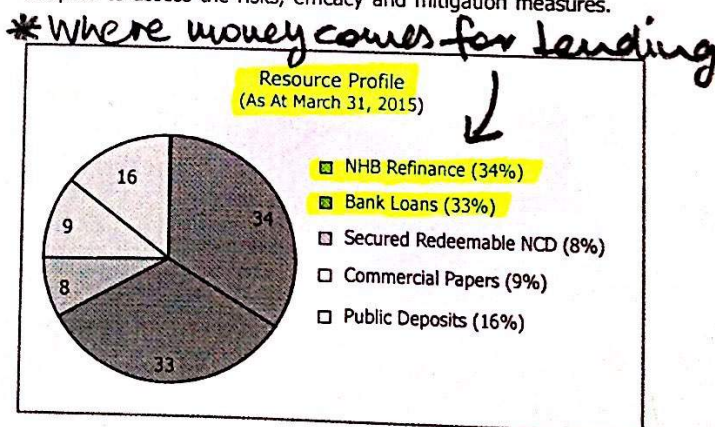
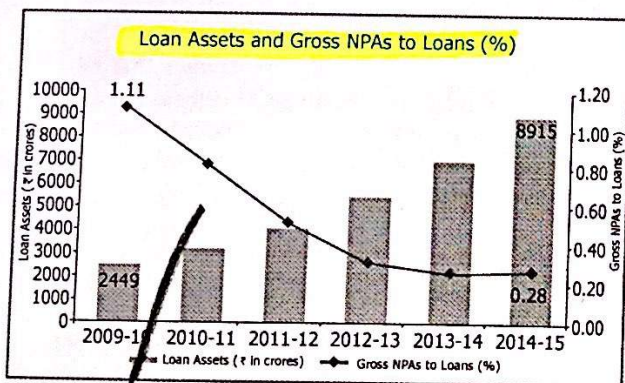
As per the provisions of Section 125 of the Companies Act, 2013, dividends remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account are required to be credited to the IEPF. Accordingly, unclaimed dividend amount of ₹ 4.47 lacs in respect of the financial year 2006-07 was transferred to IEPF during the year. Unclaimed dividend amounting to ₹ 5.78 lacs in respect of the financial year 2007-08 is due for transfer to IEPF in August 2015. In terms of Section 125 of the Companies Act, 2013, no claim would lie against the Company after the said transfer.

In terms of the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has made the relevant disclosures to the Ministry of Corporate Affairs (MCA) regarding unclaimed dividends and unclaimed matured deposits along with interest accrued thereon. The Company has uploaded the prescribed information on www.iepf.gov.in and www.gruh.com.

Risk Management Framework

The Company has a Risk Management framework approved by the Board of Directors. Company's Risk Management framework provides the mechanism for risk assessment and mitigation. The Board has delegated responsibility of overseeing Risk Management framework to the Audit Committee. The Risk Management Committee (RMC) of the Company comprises the Managing Director, the Executive Director and members of Senior Management.

During the year, the RMC reviewed the risks associated with the business of the Company, its root causes and the efficacy of the measures taken to mitigate the same. Thereafter, the Audit Committee and the Board of Directors also reviewed the key risks associated with the business of the Company, the procedures adopted to assess the risks, efficacy and mitigation measures.



* Reduction in NPAs a good sign, suggesting less no. of borrowers are defaulting on payments as % of loan assets.

* Showing FY14 nos. in FY15 AR is a serious mistake in shareholder communication. Not expected from such businesses!

ANNEXURE C TO DIRECTORS' REPORT - DISCLOSURES ON MANAGERIAL REMUNERATION

Details of remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided below:

- a : No of permanent employees on the rolls of the Company : 579
- b : The percentage increase in the median remuneration of employees in FY 2015 stood at 15.03%.
- c : Relationship between the average increase in remuneration and the Company's performance:

Given below are key financial parameters which reflected the Company's performance.

Parameters	March 31, 2014 (₹ in crores)	March 31, 2013 (₹ in crores)	Growth %
Loan Assets	7,009.04	5,437.80	29
NIM	270.66	217.75	24
Operating Profit	246.18	197.54	24
Profit Before Tax	244.46	196.81	24
Profit After Tax	176.96	145.88	21
EPS (adjusted for Bonus and Split)	4.93	4.11	20
Market Capitalisation	5,319	3,753	42
Gross NPAs %	0.27	0.32	-
Cost to Income Ratio %	18.69	19.26	-
Return on Equity %	32.23	33.28	-

Why are they still stuck on FY14? Even Repco did the same in its FY15 AR!

- d : Average percentile increase already made in salaries of employees other than managerial personnel in last financial year and its comparison with the percentile increase in managerial remuneration.

The average increase in the remuneration of all employees was 15.73% for the FY 2013-14. The average increase in remuneration of the Key managerial personnel was 17.26%.

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Company. Further, the criteria for remuneration of non-managerial personnel is based on an internal evaluation of key performance areas (KPIs), while the remuneration of the managerial personnel is based on the remuneration policy as recommended by the Nomination & Remuneration Committee and approved by the board of directors.

There were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

- e : Percentage increase in the remuneration of each director and key managerial personnel in FY 2015 is given below. Further details are given in MGT-9.

Names	Designation	Increase in Remuneration (%)
Mr. Keki M. Mistry - Chairman	Non-Executive	188.89
Ms. Renu S. Karnad	Non-Executive	216.67
Mr. K. G. Krishnamurthy	Non-Executive	266.67
Mr. S. M. Palia	Independent	296.30
Mr. Rohit C. Mehta	Independent	76.47
Mr. Prafull Anubhai	Independent	171.21
Mr. S. G. Mankad	Independent	171.11
Mr. Biswamohan Mahapatra@	Independent	-
Mr. Kamlesh Shah	Executive Director	17.55
Mr. Sudhin Choksey	Managing Director	16.87
Mr. Marcus Lobo	Company Secretary	15.99
Mr. Hitesh Agrawal ^	CFO	20.51
Mr. Jayesh Jain*	CFO	16.28

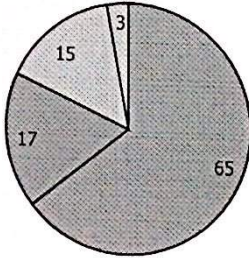
Were they underpaid earlier? Surprising to see such sharp jumps in compensation of non-executive and independent directors.

@ Mr. Biswamohan Mahapatra was appointed as director w.e.f. March 19, 2015
^ Mr. Hitesh Agrawal Appointed w.e.f. January 19, 2015
* Mr. Jayesh Jain Resigned w.e.f. August 19, 2014

* Nice Business Stats

PROFILE OF GRUH'S CUSTOMERS - CUMULATIVE DISBURSEMENTS IN INDIVIDUAL SEGMENT

Properties Financed - Loan to Value Ratio (LTV) wise Distribution

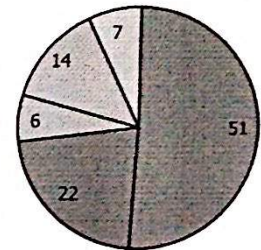


LTV in %	No.	%	
Up to 75	1,88,912	65	■
76 to 80	50,244	17	■
81 to 85	43,188	15	■
> 85	7,814	3	■
Total	2,90,158	100	

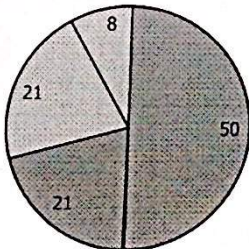
Properties Financed - Location wise Distribution

* Majority of financing is at extremely small towns/rural areas

Population at Location	No.	%	
Up to 50,000	1,48,844	51	■
> 50,000 to 2,00,000	64,143	22	■
> 2,00,000 to 5,00,000	17,675	6	■
> 5,00,000 to 25,00,000	39,481	14	■
> 25,00,000	20,015	7	■
Total	2,90,158	100	



Properties Financed - Loan Amount Wise Distribution



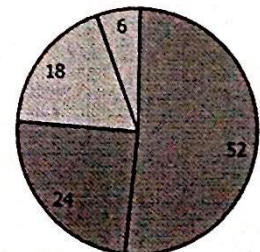
Loan Amount (₹)	No.	%	
Up to 3,00,000	1,45,501	50	■
> 3,00,000 to 5,00,000	60,976	21	■
> 5,00,000 to 10,00,000	60,294	21	■
> 10,00,000	23,387	8	■
Total	2,90,158	100	

← Small ticket loans are 50% of total loans given

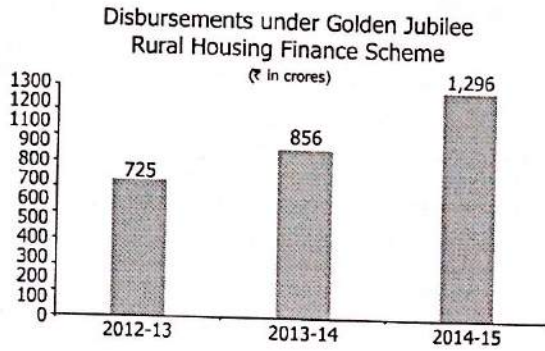
Property Financed - Family Income Wise Distribution

* Banks generally do not lend at such low income levels. I tried for a loan at this income level in 2003, and was rejected.

Family Income (₹)	No.	%	
Up to 15,000	1,50,239	52	■
> 15,000 to 25,000	69,487	24	■
> 25,000 to 50,000	52,760	18	■
> 50,000	17,672	6	■
Total	2,90,158	100	



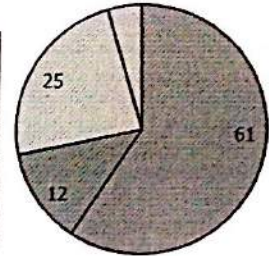
GRUH's RURAL FOCUS



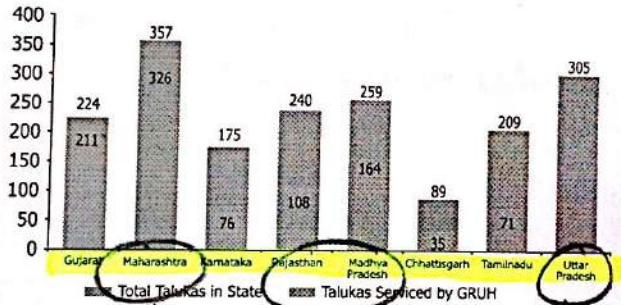
Disbursements under Rural Housing Fund Scheme (Since April 1, 2007)

**Class & community segregation! Why?*

Category of Customers	₹ in crores	%
Individuals in Rural areas with annual income up to ₹ 2 Lacs	911	61
Backward Class	185	12
Women	375	25
Minority Community	33	2
Total	1,504	100

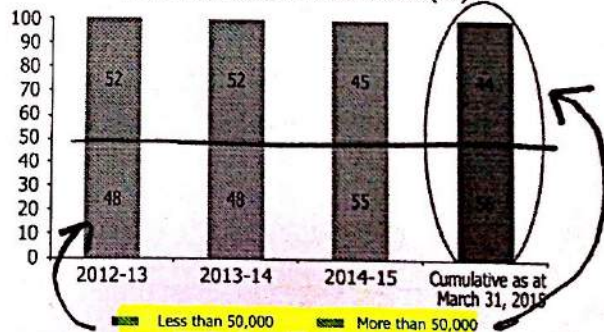


Taluka Penetration - Customers being Serviced



Grui's biggest outlets.

Loan Extended in Rural Areas (%)



** Rising share of small ticket-size (< 50k) loans.*

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Overview

The new government at the centre has infused optimism in the sentiments in general. The Reserve Bank of India has managed to bring down the CPI inflation to 6% from the double digit level of inflation which persisted over the previous two years. A large part of disinflation has been on account of the slump in international crude oil prices. The Union Budget has also announced initiatives to boost investment. As a result, the outlook for the GDP growth has improved.

However, the unseasonal rains and hailstorms during the last month could have adverse impact on the agriculture and CPI inflation. Hence, what remains to be seen is the pace with which the acceleration takes place without increasing the inflation.

The Reserve Bank of India, in its endeavours to boost the pace of growth, reduced repo rate twice during the year. In its recent bi-monthly policy, RBI has also indicated that it will continue to be accommodative in further easing of the rates if the inflation remains within the acceptable range and transmission to lending rates.

It is therefore expected that the credit growth which had declined to 9% - lowest in the decade from 14% during the previous year; is likely to improve during the new financial year. The asset quality which had deteriorated in general across the banking sector during the year under review, is expected to remain weak until economic growth gathers momentum. Even, net-interest margins are expected to follow the similar pattern after experiencing decline by the banking sector.

During the year, the regulator for Housing Finance Companies (HFC)-National Housing Bank (NHB) stipulated that HFCs are required to create Deferred Tax Liability in respect of Special Reserve being created by HFCs. As a result, the reported Profit After Tax (PAT) gets adversely impacted. GRUH is of the opinion that generally HFCs would not be required to utilise Special Reserve since specific provisions towards Standard Loan Assets and Non Performing Loans are being made. Hence, in all probabilities, such creation of Deferred Tax Liability will not get crystallized in the long term period but HFCs will report lower PAT due to such accounting entry.

Market Scenario

There has been no change in the status of demand in the real estate sector and inventory of unsold properties had bulged to an all time high level. As a result, most of the lenders stepped up the disbursals of loans against existing properties. The spurt in mortgage loans, at a time when the economy has been at its lowest ebb; could prove

** Defying "economic" fundamentals*

difficult while effecting recoveries. Hence the risks have increased in the housing finance market when the demand for new residential properties is very sluggish and property valuations have increased. The market scenario has become much more discouraging and it is expected that the scenario might not change for a further period of 12 to 15 months.

However, in line with the Central Government's Housing for all - 2022 programme, various State Governments have taken up housing projects in the affordable segment through their agencies viz. Municipal Corporations, Housing Boards, Development Authorities or through specialised agencies set up for the purpose.

GRUH is working with these agencies and lending to beneficiaries who are in the EWS and LIG segment. GRUH has been trying to minimise the risk while lending to these segments as much as possible by entering into Tripartite agreements wherein the government agencies are a party.

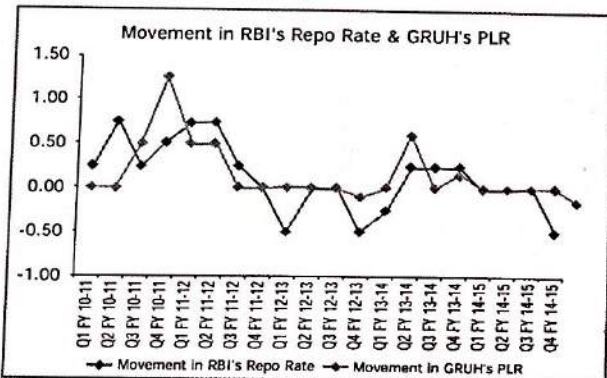
Loan Products

GRUH's major focus has been to provide home loans to individuals and families for purchase, construction and extension. GRUH also provides loans for repair and renovation of houses and home loans to families in the self-employed category where formal income proofs are not easily available and the repayment capacity of such families are appraised based on their cash flows. Apart from extending home loans, GRUH offers loans for purchase and construction of non-residential properties (NRP) and also offers mortgage loans against existing residential and commercial properties. GRUH offers developer loans on a selective basis.

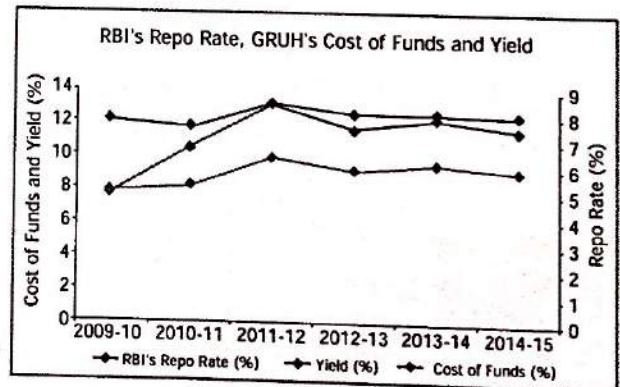
Home loan products are being offered at variable and fixed rates, giving customers an option to decide on the type of interest rate risk. Customers are also offered an option to select the mode of calculation of interest on loans, since GRUH offers loans on annual, monthly and daily rest basis.

GRUH also offers loans with a credit guarantee cover wherein the loans are guaranteed by the Credit Risk Guarantee Fund Trust (CRGFT) set up by the Government of India. The selection criteria for loans which can be guaranteed by the CRGFT are laid down by the Government of India and loans are identified by GRUH which meet these specific criteria.

** Realty prices still high!*



Source : RBI



Source : RBI

** Not a Lucrative unit for banks as they want formal income proofs, and thus Gruh enjoys some entry barriers.*

GRUH also offers home loans under the Rural Housing Fund (RHF) scheme of NHB wherein loans are given in rural areas for select categories viz. Backward classes or Minority Community or Women owners or families having annual household income less than ₹ 2 lacs. Since NHB offers refinance at concessional rate of interest under the scheme, the ultimate rate of interest applicable on loans to beneficiaries is regulated with a cap on the spread.

GRUH has launched a special scheme viz. GRUH Subh Lakshmi under the RHF scheme wherein property is owned by women applicants in rural areas.

With a view to enable uniform processing of credit risk assessment, GRUH has adopted a credit score methodology. The pricing of each loan is linked to the credit score. This methodology enables GRUH to offer finer interest rates to deserving families, where credit risk is low and charge a higher rate of interest where credit risk is high. The credit score parameters and risk weightage are reviewed on regular basis and modified in line with the changing risk profile. The rate of interest bands are also reviewed on regular basis and aligned with the prevailing rates in the market.

Marketing Efforts ** Good!*

To ensure a deeper geographic reach, GRUH has been sourcing retail business through third party channels by appointment of GRUH Referral Associates (GRAs). GRAs only source loans while GRUH retains control over the credit, legal and technical appraisals. Business sourced through GRAs was 61% of total disbursements made during the year and GRUH paid referral fees of ₹ 8.10 crores to GRAs for sourcing of business.

GRUH is operating in eight states - Gujarat, Maharashtra, Karnataka, Rajasthan, Madhya Pradesh, Chhattisgarh, Tamil Nadu and Uttar Pradesh. GRUH established 12 new offices, including its first office in Uttar Pradesh, during the year. GRUH now has 154 retail offices across these eight states. GRUH's staff strength as at March 31, 2015 was 579.

GRUH conducts outreach programmes from each of the retail offices to potential taluka places. The outreach marketing programme also serves as collection centre for collecting installments besides providing services of enquiry handling, file opening and effecting disbursements.

Disbursements

GRUH disbursed ₹ 3,120.87 crores during the year as against ₹ 2,577.47 crores in the previous year. GRUH disbursed loans of ₹ 2,721.11 crores (previous year ₹ 2,231.34 crores) for home purchase, repair and renovation and registered a growth of 21.95% in the retail home loan segment. GRUH disbursed home loans to 33,625 families

(previous year 31,280 families) and the average home loan to individuals was ₹ 8.39 lacs during the year as against ₹ 7.64 lacs during the previous year.

GRUH disbursed loans of ₹ 113.26 crores (previous year ₹ 143.76 crores) for purchase of NRP and ₹ 286.50 crores (previous year ₹ 202.37 crores) to developers.

Cumulative disbursements as at March 31, 2015 stood at ₹ 15,215.12 crores with a Compound Annual Growth Rate (CAGR) of 28% over the past 3 years period.

Insurance Products

GRUH has an arrangement with The Oriental Insurance Company Limited for providing property insurance of the property mortgaged. During the year, GRUH referred 33,887 customers under this arrangement in respect of property cover of ₹ 3,062.90 crores.

GRUH has an arrangement with three life Insurance service providers. GRUH continued to persuade its customers to take insurance cover on the life of the principal income earner as the collateral for its loans through this arrangement. The policies are assigned in favour of GRUH. During the year, 15,291 customers have taken the life cover from these insurance companies in respect of life cover of ₹ 1,005.55 crores under its various tie-up arrangements.

Loans ** I hope they don't missell!*

The loan approval process at GRUH is decentralised with varying approval limits. Approvals of lending proposals are carried out by retail sanctioning committees up to the limits delegated. Approvals beyond certain limits are referred to the Committee of Management. Larger proposals, as appropriate, are referred to the Committee of Directors, set up by the Board.

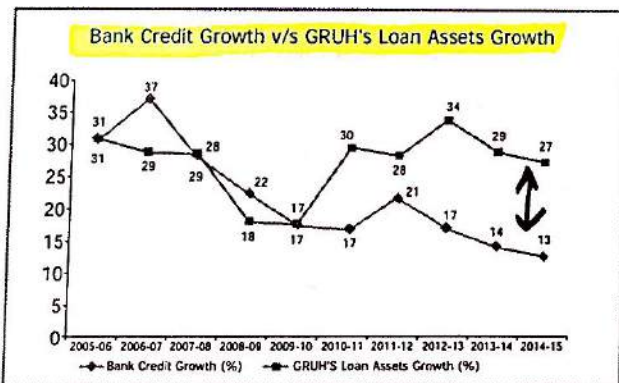
During the year, GRUH's total outstanding loans increased to ₹ 8,915.35 crores from ₹ 7,009.04 crores and registered a growth of 27%. CAGR over the past 3 years period has been 30%.

The total outstanding loans at variable rates stood at ₹ 8,662.30 crores (previous year ₹ 6,960.05 crores), which was 97.16% (previous year 99.30%) of the total outstanding loans. Loans to total assets stood at 97.10% as at March 31, 2015.

GRUH's outstanding home loans to individuals of ₹ 8,223.16 crores and other loans to individuals for non-residential premises (NRP) of ₹ 371.44 crores constituted 92.24% and 4.17% respectively of the total outstanding loans. GRUH experienced a prepayment ratio of 11.44% (previous year 10.67%) in respect of individual loans. The outstanding loans to developers of ₹ 320.75 crores constituted 3.59% of the total outstanding loans.

The average yield realised on the loan assets during the year was 12.65% (previous year 12.75%).

** Avg rate of interest borrowers pay; higher than normal rates.*



Particulars	CAGR (%) As At March 31, 2015			
	3 Years	5 Years	7 Years	10 Years
Loan Assets	30	29	26	27
NIM	24	24	25	29
PAT	19	24	25	28

** Gruh continues to do much better than the banking industry.*

* Clean Balance sheet. ^{net} Zero NPAs.

Provision for Standard Assets, NPAs and Contingencies

As per the prudential norms prescribed by NHB for Standard Loan Assets, HFCs are required to carry a provision of 0.40% on Individual Home Loans, 1% on Individual NRP Loans, 0.75% on Developer Loans for residential projects and 1% on Developer loans for commercial projects.

Accordingly, GRUH has made a provision of ₹ 39.00 crores towards Standard Loan Assets comprising Individual Home Loans, Individual NRP Loans and Developer Loans aggregating to ₹ 8,890.30 crores. Further, GRUH carries a provision of ₹ 0.10 crore towards standard assets in respect of installments due from borrowers of ₹ 22.49 crores and a provision of ₹ 0.01 crore in respect of standard assets on loan against GRUH's Fixed Deposits of ₹ 1.14 crores.

As per the prudential norms of NHB, GRUH has identified Non Performing Assets (NPAs) and made required provisions on such NPAs besides not recognising income in respect of such NPAs. An asset is NPA if the interest or principal installment is overdue for 90 days.

GRUH's NPAs as at March 31, 2015 were ₹ 22.86 crores in respect of Individual Home Loans and ₹ 2.19 crores in respect of Individual NRP Loans. There were no NPAs under Developer Loans. As per prudential norms of NHB, GRUH is required to carry a provision of ₹ 8.47 crores towards such NPAs. However, GRUH has fully provided for these NPAs and as a result, GRUH's Net NPAs are Nil (previous year Nil) on the outstanding loans of ₹ 8,915.35 crores as at March 31, 2015. GRUH thus carries excess provision of ₹ 16.59 crores as contingencies.

During the year, GRUH has written off an amount of ₹ 2.03 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 ₹ 0.37 crore in respect of written off loans.

GRUH carried properties aggregating to ₹ 11.75 crores acquired in settlement of dues at the beginning of the year. During the year, GRUH acquired properties aggregating to ₹ 2.16 crores in settlement of dues under the SARFAESI Act. GRUH also made efforts to dispose off the acquired properties and could dispose off properties valuing ₹ 2.04 crores during the year. As at March 31, 2015, GRUH carried properties worth ₹ 11.87 crores which was 1.53% of GRUH's capital funds, well within the 20% limit stipulated by NHB.

Investments

The Investment Committee constituted by the Board of Directors is responsible for approving investments in line with limits as set out by

the board. The decisions to buy and sell up to the approved limit delegated by the board are taken by the Managing Director, who is assisted by two senior managers. The investment function is carried out primarily to support the core business of housing finance to ensure adequate levels of liquidity and to maintain investment in approved securities in respect of public deposits raised as per the norms of NHB.

Considering the time lag between raising of resources and its deployment, the surplus funds are generally being parked with liquid fund schemes of mutual funds and short-term deposits with banks. During the year, GRUH earned ₹ 0.34 crore as surplus from cash management schemes of mutual funds and ₹ 6.51 crores by way of interest on deposits placed with banks. At the end of the year, GRUH maintained ₹ 88.47 crores by way of deposits with banks.

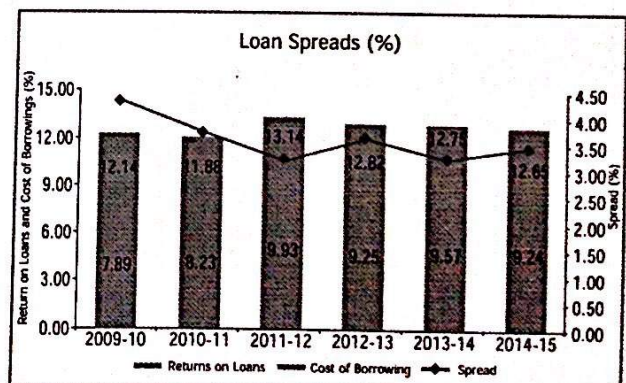
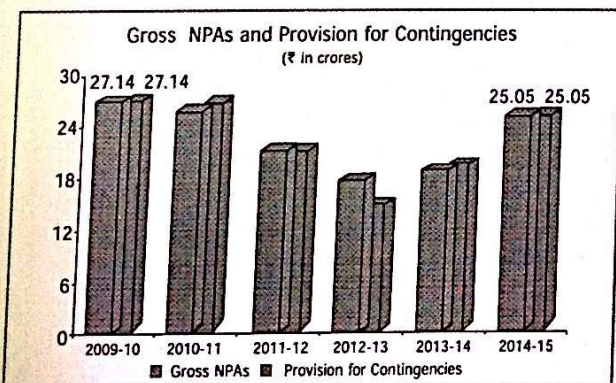
As per NHB guidelines, HFCs are required to maintain Statutory Liquid Ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.50% of the public deposits. As at March 31, 2015 GRUH has invested ₹ 172.37 crores in approved securities comprising government securities, government guaranteed bonds and deposits with scheduled banks, which is higher than the limits prescribed by NHB.

GRUH has classified its investments in SLR securities as long-term investments and valued them at cost. GRUH carries a provision of ₹ 4.09 crores towards losses, if any, that would arise on redemption of investments on maturity.

Borrowed Funds

GRUH has been raising funds for its lending activities from banks by way of term loans, from NHB by way of refinance, by private placement of non-convertible debentures (NCDs), by issuance of commercial paper and mobilisation of public deposits.

Endeavours at GRUH have been to maintain a prudent mix of fixed rate borrowings and variable rate borrowings with a view to minimise the weighted average cost of borrowings and maintain a healthy spread on its lending activities. GRUH has also been funding its operations through short-term borrowings in the form of commercial paper and short tenure loans from banks. While such a mix enables GRUH to sustain a healthy net-interest margin, it raises the risks of asset liability mismatch. To minimise the risk arising on account of such mismatch, GRUH has set internal norms on the quantum of short-term borrowings so that a prudent balance is maintained in keeping the cost of funds low to an extent that the risk arising from the mismatch could be managed.



* Borrowing profile

The borrowings which are maturing within twelve months from the end of the year, constituted 19.37% (previous year 11%) of the total borrowings of ₹ 8,215.59 crores (previous year ₹ 6,447.50 crores). The outstanding borrowings at fixed rate stood at ₹ 3,911.39 crores (previous year ₹ 2,487.85 crores), which was 47.61% (previous year 38.59%) of the total outstanding borrowings.

GRUH continued to borrow for both long and short-term from the banking sector at competitive rates. GRUH raised fresh loans from banks aggregating to ₹ 1,925.00 crores during the year and repaid loans aggregating to ₹ 1,140.00 crores. Term loans from banks are secured by a negative lien on all assets of the Company excluding the specific immovable property mortgaged in favour of the Debenture Trustees for issuance of NCDs, Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against Public Deposits and negative lien on the dwelling units financed from Line of credit of KfW through HDFC. Outstanding balance of bank loans were ₹ 2,700 crores as at March 31, 2015.

GRUH availed refinance of ₹ 940.23 crores from NHB and repaid refinance of ₹ 1,109.64 crores. Outstanding refinance from NHB as at March 31, 2015, of ₹ 2,777.17 crores is secured by a negative lien on all assets of the Company excluding the specific immovable property mortgaged in favour of the Debenture Trustees for issuance of NCDs, Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against Public Deposits and negative lien on the dwelling units financed from Line of credit of KfW through HDFC.

GRUH raised ₹ 650 crores through issuance of NCDs and retired ₹ 80.70 crores of NCDs during the year. The outstanding balance of NCDs as at March 31, 2015 was ₹ 650 crores. The NCDs are secured by mortgage of a specific immovable property, negative lien on all assets of the Company excluding the Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against Public Deposits and negative lien on the dwelling units financed from Line of credit of KfW through HDFC. GRUH's NCDs are rated "ICRA AA+" and "CRISIL AA+" indicating high safety with regard to timely payment of interest and principal.

The outstanding subordinated debt as at March 31, 2015 stood at ₹ 35 crores. The debt is subordinated to present and future senior indebtedness of the Company and is rated "ICRA AA+" and "CRISIL AA+", indicating high safety with regard to timely payment of interest and principal. Based on the balance term to maturity, as at March 31, 2015, ₹ 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 CAR.

GRUH's short term borrowings including commercial paper and short term NCDs are rated "CRISIL A1+" and "ICRA A1+". These ratings

indicate highest safety regarding timely payment of interest and principal. The outstanding balance of commercial paper as at March 31, 2015 was ₹ 750 crores.

During the year, GRUH received fresh deposits of ₹ 396.63 crores, and repaid deposits of ₹ 107.40 crores. The renewal ratio (the ratio of deposits renewed to the deposits maturing during the year) experienced by GRUH was 58%. The outstanding deposits have increased from ₹ 1,002.88 crores at the beginning of the year to ₹ 1,292.11 crores by the end of the year and registered a growth of 28.84%. The outstanding balance of public deposits constituted 15.73% of the total outstanding borrowings as at March 31, 2015.

GRUH's Deposit Programme is rated "MAAA" by ICRA and "FAAA" by CRISIL. These ratings indicate highest safety as regards repayment of principal and interest.

GRUH has been offering brokerage to its deposit referral associates. The brokerage structure is linked to the term of deposits mobilised. GRUH has been amortising the brokerage paid over the tenure of deposits mobilised.

The average cost of total borrowings experienced during the year was 9.24% per annum (previous year 9.57%).

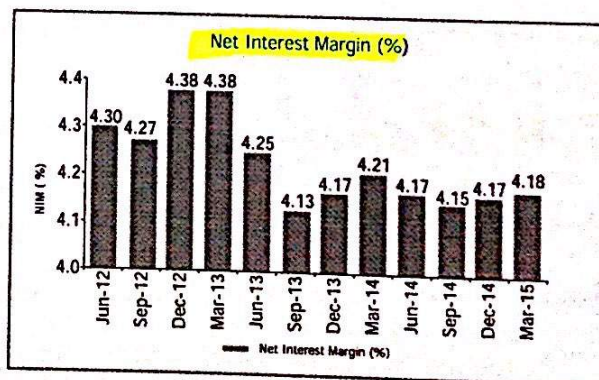
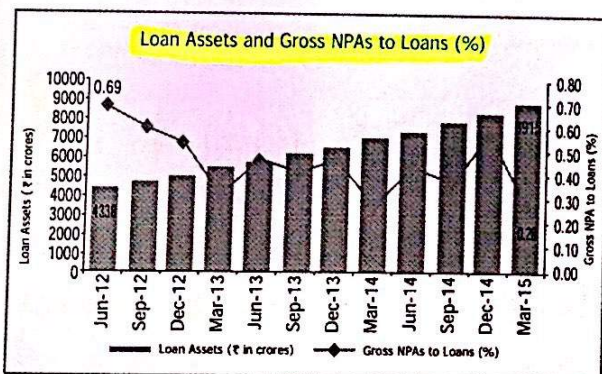
NHB Guidelines and Prudential Norms

GRUH has complied with the guidelines issued by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit, credit rating, "Know Your Customer" (KYC), Fair Practices Code, grievance redressal mechanism, recovery of dues, channel partners and real estate and capital market exposures.

GRUH had no investment in excess of the limits prescribed by NHB with any one Company or any single group of companies. GRUH has not made investment in any of the promoter group companies or in the stock markets.

GRUH's total borrowings as at March 31, 2015 of ₹ 8,215.59 crores were within the permissible limit of 16 times the net owned funds. Of this, the public deposits of ₹ 1,292.11 crores were also within the limit of 5 times the net owned funds as prescribed by NHB. GRUH has complied with the guidelines issued by NHB regarding the ceiling on interest rates offered on deposits and brokerage paid to the deposit referral associates.

GRUH's Capital Adequacy Ratio as at March 31, 2015 was 15.36% as against NHB's prescribed limit of 12%. The Capital Adequacy on account of Tier I Capital was 13.89% while the Capital Adequacy on account of the Tier II Capital was 1.47%.



* Net Interest Margin (NIM) is an imp. no. to look at in an NBFC. It's a measure of difference between Interest Income generated and Interest Expenses paid, relative to the amount of Interest-Earning Assets.

* NIM of Indian Banks & NBFCs (FY15)

	NIM (%)
Gruh	4.2 → Better than average
RepcO	4.5
Axis	3.8
Kotak	4.9 → Highest
HDFC Bank	4.4
ICICI	3.5
SBI	3.5
HDFC	4.0
PNB	3.2
BOB	2.3 → Lowest
Yes Bank	3.2

* NIM is similar to GP or gross profit margin of non-financial companies, and thus an important number to look at over a period of time, and as compared to the industry

Service Standards

GRUH is committed to providing effective and prompt service to its investors. The Secretarial Department has been entrusted with the responsibility of ensuring that the investors of the Company are serviced in accordance with the service standards. Listed below are the service standards adopted by the Company in respect of various services being rendered by the Secretarial Department.

Nature of Service	Time Taken*
Transfer of shares	10 working days
Issue of duplicate/re-valuation of dividend warrant(s)	7 working days
Change of address/ECS/Bank details	7 working days
Registration of Nomination	4 working days
Transmission of shares/Deletion of name	10 working days
Split/Replacement/Consolidation of share certificate(s)	10 working days

* Subject to receipt and verification of valid documents and requisite approvals.

The investors are requested to contact the Secretarial Department for availing any of the said services. The Company has designated an exclusive e-mail address viz. investorcare@gruh.com, which would enable investors to post their grievance.

A status report on adherence to the said service standards is reviewed by the Company secretary on a monthly basis and a detailed report is presented at the meetings of the Stakeholders Relationship Committee, for its review and noting.

Measuring Shareholders' Value :

At GRUH, we believe in maximizing the wealth of its shareholders and our endeavors are in the direction of providing maximum value to our shareholders either in the form of dividend or capital appreciation. The value of Shareholders' return is measured as follows:

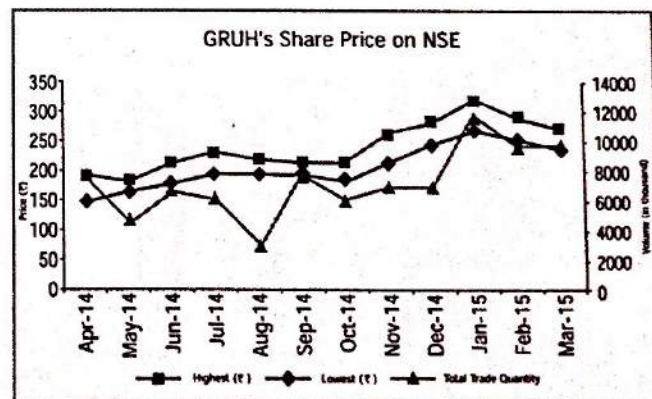
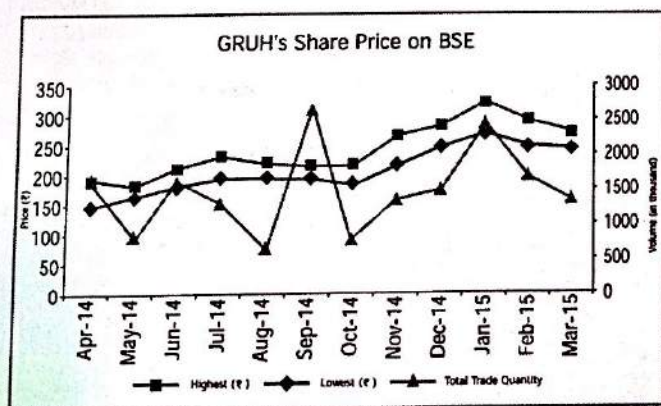
A. Total Shareholders' Return :

Total Shareholders' return includes the dividend paid by the Company as well as the capital appreciation of the shares of the Company in the stock markets. During the past five years return to shareholders has been as follows :

(₹ in crores)

Particulars	2014-15	2013-14	2012-13	2011-12	2010-11
Closing Market Capitalisation	8,866.58	5,319.27	3,753.36	2,248.60	1,266.38
Opening Market Capitalisation	5,319.27	3,753.36	2,248.60	1,266.38	756.14
Money raised during the year from Shareholders	10.56	10.52	12.30	2.39	7.12
Net Capital Appreciation	3,536.75	1,555.39	1,492.46	979.83	503.12
Dividend including Dividend Tax	87.48	63.49	52.46	47.29	45.04
Total Gain	3,624.23	1,618.88	1,544.92	1,027.12	548.16
Gain to Opening Market Capitalisation (%)	68.13	43.13	68.71	81.11	72.50

* Rs 100 has grown to Rs 1,268 in 5 years... a 12-bagger!



* A different kind of Balance Sheet than non-finance companies

BALANCE SHEET AS AT MARCH 31, 2015

	Notes	March 31, 2015	March 31, 2014
(₹ in crores)			
<u>EQUITY AND LIABILITIES</u>			
Share Holders' Funds			
Share Capital	2	72.68	36.03
Reserves and Surplus	3	638.81	571.21
		711.49	607.24
Non-Current Liabilities			
Long-Term Borrowings	4	6,624.14	5,054.33
Deferred Tax Liability (Net)	13	18.78	0.00
Other Long-Term Liabilities	5	35.94	15.52
Long-Term Provisions	6	66.43	52.87
		6,745.29	5,122.72
Current Liabilities			
Short-Term Borrowings		973.18	472.99
Trade Payables	8	0.92	0.80
Other Current Liabilities	9	661.50	974.35
Short-Term Provisions	6	89.14	65.12
		1,724.74	1,513.26
		<u>9,181.52</u>	<u>7,243.22</u>
<u>ASSETS</u>			
Non-Current Assets			
Fixed Assets			
Tangible Assets	10	12.73	11.03
Intangible Assets	11	1.00	0.00
Non-Current Investments	12	50.50	43.28
Deferred Tax Asset (Net)	13	0.00	16.90
Long-Term Loans and Advances			
Loans	14.1	8,380.31	6,579.62
Others	14.6	31.87	26.82
Other Non-Current Assets	17.2	21.20	0.00
		8,497.61	6,677.65
Current Assets			
Current Investments	12	29.32	9.68
Cash and Bank Balances	15	74.07	83.17
Short-Term Loans and Advances	16	39.06	37.09
Other Current Assets			
Loans	17.1	535.04	429.42
Others	17.2	6.42	6.21
		683.91	565.57
		<u>9,181.52</u>	<u>7,243.22</u>

D/E → 11x
(Normal for banks/NBFCs)

Money Lent

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.
As per our report of even date attached
For Sorab S. Engineer & Co.

* Sources of Long-Term Borrowings (% of Total)

	Gmuh	Repro	Rate of Interest
Banks	38%	74%	10 - 11.5%
National Housing Bank	36%	23%	5.5 - 10.5%
Redeemable NCDs	10%	3%	~ 9.5%
Public Deposits	15%	NIL	

Source - Gmuh's & Repco's FY15 ARs



* Long Term Loans & Advances (FY15, % of total)

	Gmuh	Repro
Home loans	96%	81%
Other Loans	4%	19%

→ Gmuh has relatively larger portion of loans advanced for "safer" asset like "home".

* Good Operational performance
in FY15

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015

	Notes	Current Year	(₹ in crores) Previous Year
INCOME			
Revenue from Operations	18	1,060.31	845.69
Other Income	19	0.01	0.47
		<u>1,060.32</u>	<u>846.16</u>
EXPENDITURE AND CHARGES			
Finance Cost	20	677.73	543.63
Employee Benefit Expenses	21	35.19	31.73
Establishment Expenses	22	8.02	7.14
Other Expenses	23	37.25	16.75
Depreciation and Amortisation Expenses	24	1.29	2.45
		<u>759.48</u>	<u>601.70</u>
PROFIT BEFORE TAX FOR THE YEAR		<u>300.84</u>	<u>244.46</u>
Tax Expenses :			
Current Tax		80.56	68.20
Deferred Tax (Net)		(2.85)	(0.70)
Deferred Tax on Special Reserve	3.2	19.33	0.00
		<u>97.04</u>	<u>67.50</u>
PROFIT AFTER TAX FOR THE YEAR		<u>203.80</u>	<u>176.96</u>
Earnings per Equity Share			
(Face value of ₹ 2 per Share)	33		
Basic		5.571	4.930
Diluted		5.566	4.896
Significant Accounting Policies	1		

The accompanying notes are an integral part of the financial statements.
As per our report of even date attached

For Sorab S. Engineer & Co.
Firm's Registration No. 110417W
Chartered Accountants

CA. N. D. Anklesana
Partner
Membership No. 10250

Keki M. Mistry
Chairman

Sudhin Choksey
Managing Director

Hitesh Agrawal
Chief Financial Officer

Directors
S. M. Palka
Prafull Anubhai
Renu S. Karnad
K. G. Krishnamurthy
S. G. Mankad
Biswamohan Mahapatra
Kamlesh Shah

Marcus Lobo
Company Secretary

Mumbai
April 16, 2015

* Cost to Income is an important ratio to calculate from a bank's / NBFC's P&L Statement.
It is calculated as -

$$\text{Cost to Income} = \frac{\text{Operating Exp.}}{(\text{NII} + \text{Non-Interest Income})}$$

Here, NII = Net Interest Income
= Interest Income - Interest Expenses

* Cost to Income Ratio (FY15, %.)

	Ratio
Grubh	17.0
Repsco	21.0
Axis	40.7
Kotak	52.1 → Highest
HDFC Bank	44.6
ICICI	36.8
SBI	49.8
HDFC	7.6 → Lowest
PNB	46.7
BOB	43.6
Yes Bank	41.3

* Banks have high C/I due to their branch network, unlike an NBFC like Grubh, Repco, and HDFC

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

(₹ in crores)

	<u>Current Year</u>	<u>Previous Year</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	300.84	244.46
Adjustments for :		
Depreciation	1.29	2.45
Brokerage and Incentive Expenses written off	3.40	1.90
Bad Debts Written off	2.03	0.77
Retirement Benefits	0.41	0.48
Loss on Sale of Acquired Properties	0.23	0.05
Provision for NPAs, Standard Assets and Contingencies	13.71	0.00
Provision for Loss to arise on redemption of SLR Investments	1.98	1.66
Loss/(Profit) on sale of Tangible Assets (Net)	0.02	(0.46)
	<u>23.07</u>	<u>6.85</u>
Operating Profit Before working Capital Changes	323.91	251.31
Changes in Working Capital :		
Increase / (Decrease) in Trade Payables	0.12	0.05
Increase / (Decrease) in Long-Term Provisions	(0.56)	(0.31)
Increase / (Decrease) in Short-Term Provisions	(0.24)	(0.21)
Increase / (Decrease) in Other Current Liabilities	(11.09)	(21.66)
Increase / (Decrease) in Other Long-Term Liabilities	20.42	(6.54)
(Increase) / Decrease in Long-Term Loans and Advances	(0.54)	(0.29)
(Increase) / Decrease in Short-Term Loans and Advances	(3.04)	(14.73)
(Increase) / Decrease in Other Current Assets	(0.21)	(4.23)
Amount spent and utilised on CSR Activities	(1.93)	0.00
Brokerage and Incentive Paid	(6.47)	(2.91)
(Increase) / Decrease in Other Bank Balances	(19.47)	(58.50)
Stock of Acquired Properties	(0.35)	(1.46)
Investments (Net)	(28.84)	10.52
	<u>(52.20)</u>	<u>(100.27)</u>
Cash Generated from Operations	271.71	151.04
Taxes Paid (Net of refunds)	(79.77)	(65.83)
Net Cash from Operations	191.94	85.21
Non-Current Portion of Loans	(1,802.72)	(1,565.04)
Current Portion of Loans	(105.62)	(6.97)
	<u>(1,908.34)</u>	<u>(1,572.01)</u>
Net Cash used in operations before extraordinary items	(1,716.40)	(1,486.80)
Extraordinary items	0.00	0.00
Net Cash used in Operating Activities	(1,716.40)	(1,486.80)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Tangible / Intangible Assets	(4.05)	(2.12)
Sale of Tangible Assets	0.04	0.88
Capital Advances	(0.26)	0.16
Net Cash used in Investing Activities	(4.27)	(1.08)

* Unlike non-finance companies, banks & NBFCs have negative "Cash from Operations" or Net Cash Outflows, because that's their "business" - to give out cash and earn interest on it.

16 SHORT-TERM LOANS AND ADVANCES
 (Unsecured and Considered good unless otherwise stated)

	As At March 31, 2015	(₹ in crores) As At March 31, 2014
Installments due from Borrowers (Secured)	22.49	18.22
Loan Against Deposit (Secured)	1.14	0.86
Advance recoverable in cash or kind or for value to be received	15.43	18.01
	39.06	37.09

16.1 Installments due from borrowers includes ₹ 9.00 crores (Previous Year ₹ 10.28 crores) which are accrued but not due.

17 OTHER ASSETS

	(₹ in crores)			
	Non-Current		Current	
	As At March 31, 2015	As At March 31, 2014	As At March 31, 2015	As At March 31, 2014
17.1 Loans				
Current Maturities of Loans (Note 14.1)	0.00	0.00	535.04	429.42
	0.00	0.00	535.04	429.42
17.2 Others				
Non-Current Bank Balances (Note 15.2)	21.20	0.00	0.00	0.00
Interest Accrued on Investments	0.00	0.00	2.63	1.72
Interest Accrued on Deposits	0.00	0.00	3.79	4.49
	21.20	0.00	6.42	6.21

18 REVENUE FROM OPERATIONS

	Current Year	(₹ in crores) Previous Year
Interest Income		
Interest on Loans	1,007.00	793.44
Other Interest	14.06	19.60
Fees and Other Charges	33.10	27.06
Bad Debts Recovered	0.37	0.25
Surplus from deployment in Cash Management Schemes of Mutual Funds	0.34	1.24
Other Operating Income	5.44	4.10
	1,060.31	845.69

* How Gruh earns...

↑ 27% YoY

18.1 Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹ 0.34 crore (Previous Year ₹ 1.24 crores) is in respect of Investments held as Current Investments.

18.2 Fees and Other Charges is net of Loan Referral Charges of ₹ 8.10 crores (Previous Year ₹ 6.63 crores).

19 OTHER INCOME

	Current Year	(₹ in crores) Previous Year
Other Non-Operating Income	0.01	0.01
Profit on Sale of Fixed Assets (Net)	0.00	0.46
	0.01	0.47

* Where Gruh spends money...

		(₹ in crores)	
		Current Year	Previous Year
20	FINANCE COST		
	Interest On		
	Loans	338.52	305.76
	Non-Convertible Debentures	14.04	23.10
	Commercial Papers	197.60	124.71
	Public Deposits	117.93	81.26
	Other Charges		
	Brokerage on Deposits	3.40	3.50
	Bank Charges	0.49	0.50
	Other Borrowing Cost	5.75	4.80
		677.73	543.63
21	EMPLOYEE BENEFIT EXPENSES (Note 26)		
	Salaries and Bonus	31.87	28.43
	Contribution to Provident Fund and other funds	2.07	2.20
	Staff Welfare Expenses	1.03	0.79
	Staff Training Expenses	0.22	0.31
		35.19	31.73
22	ESTABLISHMENT EXPENSES		
	Rent	4.52	3.98
	Rates and Taxes	0.23	0.26
	Electricity Charges	0.91	0.82
	Repairs and Maintenance - Building	0.01	0.05
	Office Maintenance	2.23	1.90
	Insurance Charges	0.12	0.13
		8.02	7.14
23	OTHER EXPENSES		
	Travelling and Conveyance	1.57	1.35
	Printing and Stationery	1.48	1.38
	Postage, Telephone and Fax	2.68	2.08
	Advertising and Business Promotion	3.12	2.01
	Legal and Professional Charges	6.39	3.93
	Repairs and Maintenance - Others	0.88	0.71
	Staff Recruitment Expenses	0.31	0.25
	Bad Debts written off	2.03	0.77
	Expenses for Recovery	0.58	0.64
	Directors' Fees	0.30	0.12
	Auditors' Remuneration :		
	Audit Fees	0.13	0.10
	Tax Audit Fees	0.04	0.03
	Other Certification Work	0.10	0.08
	Reimbursement of Expenses	0.02	0.01
		0.29	0.22
	Provision for NPAs, Standard Assets & Contingencies	13.71	0.00
	Provision for Loss to arise on redemption of SLR Investments	1.98	1.66
	Miscellaneous Expenses	1.93	1.63
		37.25	16.75

* While I don't understand ALM table much, it largely shows the Liquidity risk faced by bank/NBFC, or the ability to meet current & future cash-flow obligations, both expected & unexpected.

25.3 Asset Liability Management

Assets and Liabilities are classified in the maturity buckets as per the guidelines issued by the National Housing Bank.

Maturity pattern of certain items of Assets and Liabilities As At March 31, 2015 :

(₹ in crores)

Maturity Buckets	Liabilities		Assets	
	Borrowings from Banks	Market Borrowings	Advances	Investments
1 day to 30 days (one month)	0.00	38.14	41.92	0.00
Over one month to 2 months	0.00	399.94	42.08	0.00
Over 2 months to 3 months	99.64	415.79	48.19	20.04
Over 3 months to 6 months	99.64	38.71	146.56	9.28
Over 6 months to 1 Year	374.27	125.32	256.29	0.00
Over 1 to 3 Years	1,171.43	1,191.13	1,015.33	40.92
Over 3 to 5 Years	998.71	475.42	965.46	8.45
Over 5 to 7 Years	664.96	16.52	878.03	1.13
Over 7 to 10 Years	412.89	37.45	1,371.84	0.00
Over 10 Years	1,655.63	0.00	4,149.65	0.00
Total	5,477.17	2,738.42	8,915.35	79.82

Maturity pattern of certain items of Assets and Liabilities As At March 31, 2014 :

(₹ in crores)

Maturity Buckets	Liabilities		Assets	
	Borrowings from Banks	Market Borrowings	Advances	Investments
1 day to 30 days (one month)	0.00	9.39	35.10	0.00
Over one month to 2 months	0.00	218.42	35.17	0.00
Over 2 months to 3 months	99.72	12.28	45.82	0.00
Over 3 months to 6 months	99.72	316.94	96.36	0.00
Over 6 months to 1 Year	399.44	237.26	216.97	9.68
Over 1 to 3 Years	1,075.54	586.62	843.30	39.21
Over 3 to 5 Years	924.66	150.17	665.48	4.07
Over 5 to 7 Years	627.76	16.59	689.86	0.00
Over 7 to 10 Years	440.15	38.24	1,068.88	0.00
Over 10 Years	1,194.60	0.00	3,312.10	0.00
Total	4,861.59	1,585.91	7,009.04	52.96

* Basically, ALM shows how much Assets a bank/NBFC has to meet its Liabilities at different Maturity Buckets (time periods). Gruh's ALM looks comfortable.

* ^{and RoA} ROE_a of Banks & NBFCs (FY15)

	ROE (%)	ROA (%)
Grubh	31.0	2.5 → Highest
Repsco	16.1	2.3
Axis	17.8	1.7
Kotak	14.1	1.9
HDFC Bank	19.4	1.9
ICICI	14.6	1.8
SBI	10.6	0.7
HDFC	21.6	2.7
PNB	8.5	0.5 → lowest
BOB	9.2	0.5
Yes Bank	21.3	1.6

* Now you know why private sector banks command premium valuations to public sector banks - the former earn higher return on equity and assets. Grubh, with its low cost to income, and better yields on loans, earns the highest ROE in the industry. Thus, the super-premium valuations.

* NPA's (FY15)

	Gross NPA (%)	Net NPA (%)
Ctruh	0.3	0.0 → Best
RepcO	1.3	0.5
Axis	1.3	0.4
Kotak	1.6	0.8
HDFC Bank	0.9	0.3
ICICI	3.3	1.4
SBI	4.3	2.1
HDFC	0.3	0.0 → Best
PNB	6.6	4.1 → Worst
BOB	3.7	1.9
Yes Bank	0.4	0.1

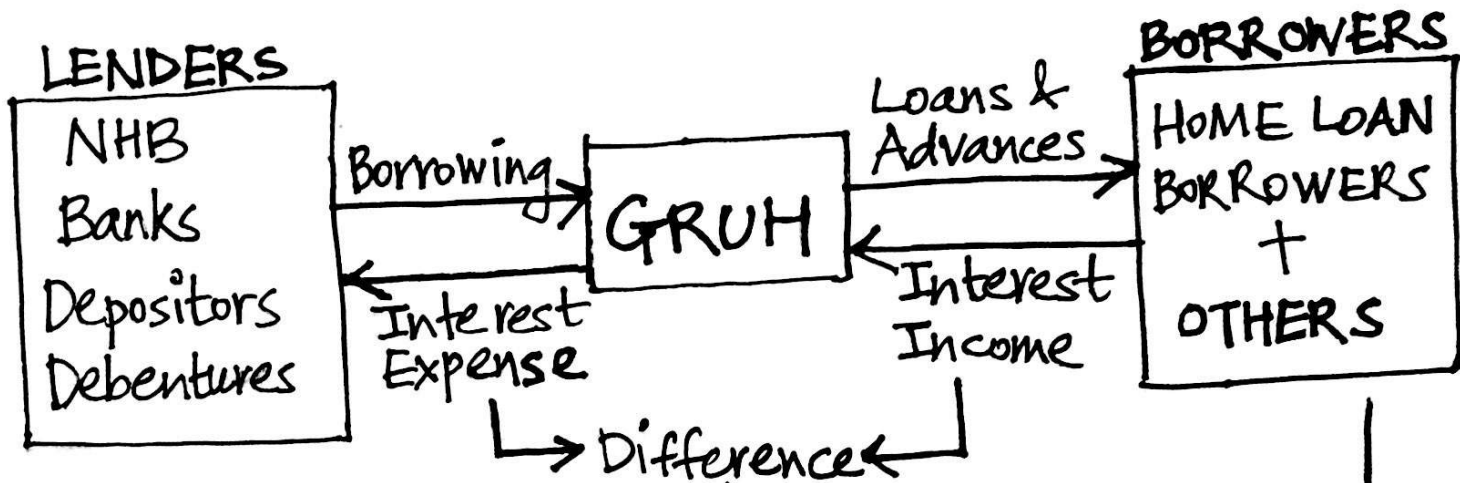
* NPA → Interest and/or installment of principal that has been "due" for a specified period of time. As per RBI, this period for Indian banks is 90-days. Low NPAs = High asset quality, and Ctruh beats everyone on this account.

Grubh Vs Repco (FY15, Rs Cr.)

	Grubh	Repco	Repco/Grubh
Loan Book	8,915	6,013	67%
Disbursements	3,121	2,181	70%
Net Interest Income	344	237	69%
Net Profit	204	123	60%
Net Interest Margin	4.2%	4.5%	Repco
Gross NPA	0.3%	1.3%	Grubh
Net NPA	0%	0.5%	Grubh
ROA	2.5%	2.3%	Grubh
ROE	31%	16.1%	Grubh
Capital Adequacy	15.4%	20.3%	Repco

* Repco is around 70% of Grubh in terms of business and income, but 60% in terms of profits. Grubh → More profitable business

Gruh's Business Model



NIM (Net Interest Margin) ← **Net Interest Income (NII)**
 + Non-Interest Income
 - Employee Costs
 - Admin & other Costs
 - Taxes

Profit after Tax (PAT)

PAT/Assets (ROA) PAT/Equity (ROE)

(NII / Avg Earning Assets)
 Higher is better

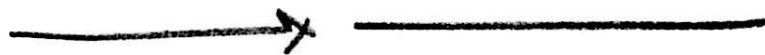
When some borrowers don't pay back

NPA

Lower is better

* Observations -

1. FY15 performance was good on all accounts - disbursements, interest income, RoE etc. Profit growth was lower than revenue growth, thanks to excess provision made towards gross NPAs, which stood at 0.3%. (still among the lowest in the industry), nearly at historically low levels.
2. RoE & RoA at industry-beating levels, which shows in the stock's valuations (P/B $\approx 14.7x$ v/s HDFC's $\approx 4.4x$)
3. Built up of unsold inventory by developers, thanks to artificially high realty prices, a risk to disbursements growth. Gruh is however working to mitigate it by increasing lending for resale homes.
4. Business doing well despite overall slowdown and high competition, is a sign of excellent managerial abilities.



Disclosure - No holdings. Please do your own homework. Buying stocks on someone else's research can bring your Gruh (house) down!