



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 Network Worth (%)	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 Jammalal 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 Intrade 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

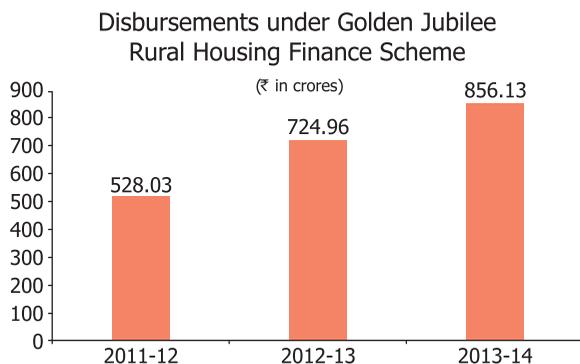
THE REWARDS OF CONSISTENCY

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.

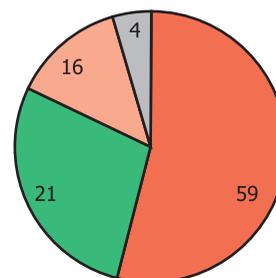
Our sound financials are borne out not only by the "AAA" rating from CRISIL but also the "AAA" rating by ICRA for our Fixed Deposit Program. There is an ever-increasing number of HFCs (both small as well as branches of big corporate houses) that have entered this market. It is significant that most of 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

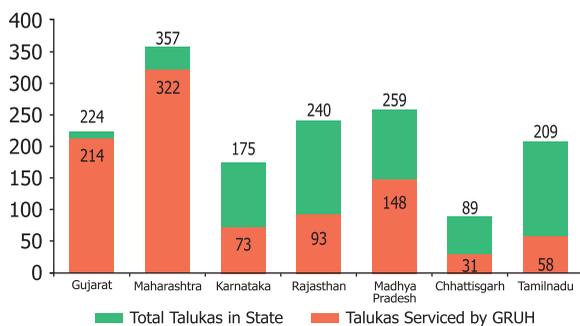


Disbursements under Rural Housing Fund Scheme (Since April 1, 2007)

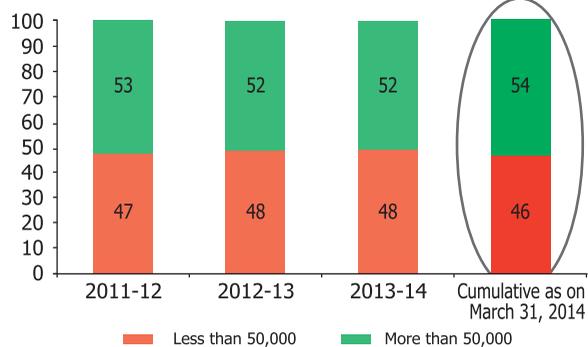
Category of Customers	₹ in crores	%
Individuals in Rural areas with annual income up to ₹ 2 Lacs	504.43	59
Backward Class	185.39	21
Women	136.32	16
Minority Community	33.11	4
Total	859.25	100



Taluka Penetration - Customers being Serviced



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	143.59	110.12
	<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

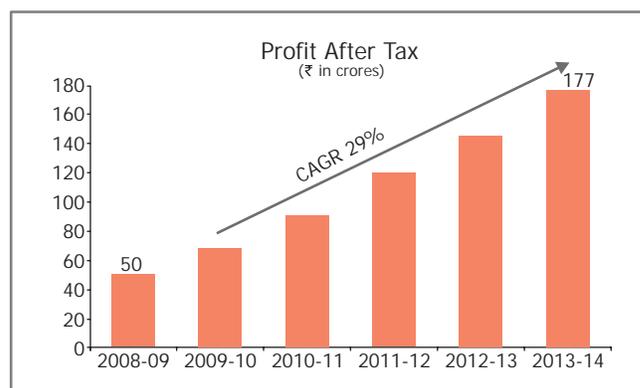
In order to facilitate the capitalisation of the Securities Premium Account to the extent of issue of bonus shares, the authorised share capital of the Company is being increased from ₹ 50 crores to ₹ 100 crores by creation of 25 crores equity shares of ₹ 2 each.

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

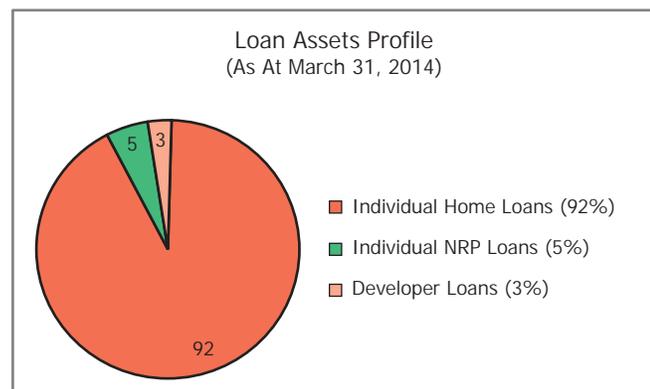
The Government of India has launched the Credit Risk Guarantee Fund Scheme for Low Income Housing in urban areas. GRUH has signed the agreement with the Credit Risk Guarantee Fund Trust (CRGFT) for participating in the scheme. A claim in respect of 33 loan accounts aggregating to ₹ 1.15 crores has been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

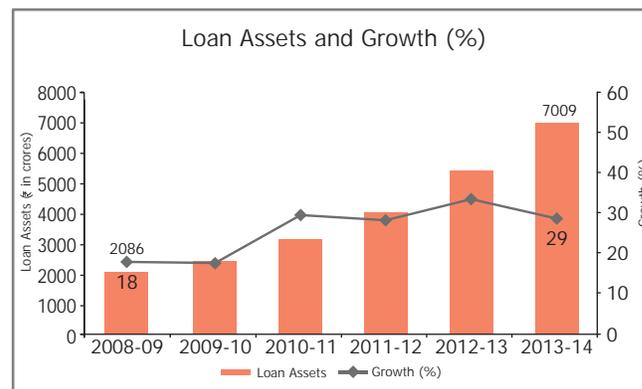
GRUH received refinance sanction of ₹ 875 crores from NHB during the year. GRUH availed refinance aggregating to ₹ 1,304.23 crores including ₹ 27.38 crores under the Rural Housing Fund. The refinance outstanding as at March 31, 2014 was ₹ 2,946.58 crores.

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.



Non-Convertible Debentures (NCDs)

During the year, GRUH did not raise any NCDs on a private placement basis. The outstanding NCDs as at March 31, 2014 stood at ₹ 80.70 crores. NCDs are rated "ICRA AA+", indicating high safety with regard to timely payment of interest and principal. This rating carries a stable outlook.

Commercial Paper

GRUH's commercial paper is rated "CRISIL A1+" and "ICRA A1+" indicating highest safety as regards repayment. These ratings carry a stable outlook. As at March 31, 2014, outstanding commercial paper was ₹ 455 crores.

Deposits

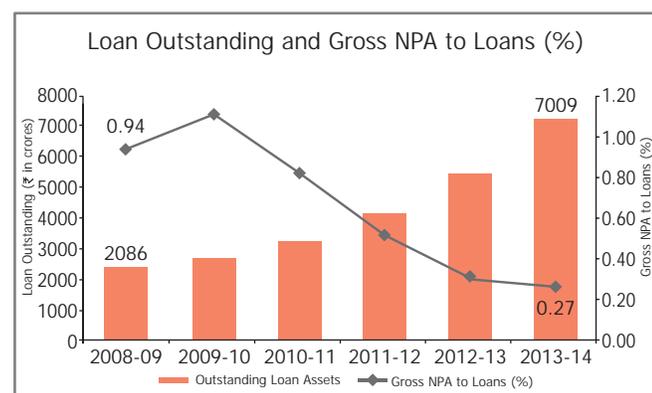
GRUH mobilised deposits of ₹ 452.51 crores and experienced a renewal ratio of 59.31% during the year. The outstanding balance of deposits as at March 31, 2014 was ₹ 1,002.88 crores.

Deposit programme is rated "FAAA" by CRISIL and "MAAA" by ICRA. These ratings indicate highest safety as regards repayment of principal and interest. Both ratings carry a stable outlook.

Unclaimed Deposits

As at March 31, 2014, public deposits amounting to ₹ 3.57 crores had not been claimed by 681 depositors. 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 205C of the Companies Act, 1956, deposits 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 ₹ 1.52 lacs was transferred to the IEPF during the year. In terms of Section 205C of the Companies Act, 1956, no claim would lie against the Company or the said fund after the said transfer.



Unclaimed Dividends

As at March 31, 2014, dividend amounting to ₹ 90.16 lacs 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 205C of the Companies Act, 1956, 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 ₹ 4.20 lacs in respect of the financial year 2005-06 was transferred to IEPF during the year. Unclaimed dividend amounting to ₹ 4.69 lacs in respect of the financial year 2006-07 is due for transfer to IEPF in August 2014. In terms of Section 205C of the Companies Act, 1956, no claim would lie against the Company or the said fund after the said transfer.

During the year, unclaimed Rights Issue Refund money aggregating to ₹ 19,650/- in respect of the financial year 2005-06 remaining unclaimed for a period of seven years with the Company was transferred to IEPF.

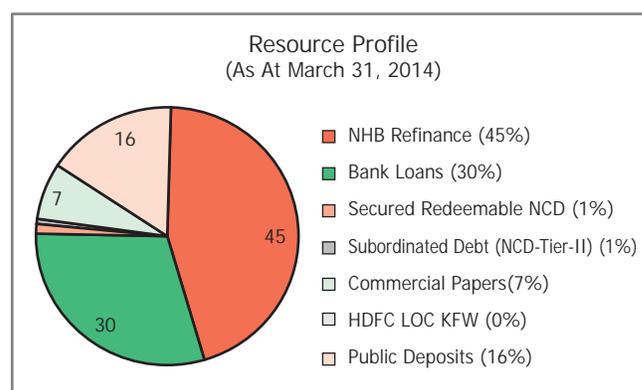
Dematerialisation of Shares

As at March 31, 2014, 98.10% of equity shares of GRUH have been dematerialised by shareholders through National Securities Depository Limited and Central Depository Services (India) Limited.

Risk Management Framework

The Company has a Risk Management Framework, which provides the mechanism for risk assessment and mitigation. 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 and efficacy of mitigation measures.



Investments

GRUH continues to maintain its Statutory Liquid Ratio (SLR) as stipulated by NHB. Accordingly, GRUH carried investments in approved securities aggregating to ₹ 123.12 crores as at March 31, 2014 to meet the requirement of the SLR. GRUH has classified its investments as long-term and valued them at cost. Adequate provision, towards loss, if any, to be experienced on redemption of investments on maturity has been made.

Regulatory Guidelines

Over and above the provisioning required for non performing assets, GRUH is required to carry a provision of ₹ 25.76 crores on standard individual home loans of ₹ 6,441.33 crores and a provision of ₹ 5.06 crores on standard loans other than individual home loans of ₹ 548.84 crores as at March 31, 2014. Accordingly, GRUH carries a total provision of ₹ 50.46 crores (₹ 19.64 crores in respect of non performing assets and ₹ 30.82 crores in respect of standard assets).

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 National Housing Bank Act, 1987, empowers NHB to levy a penalty on Housing Finance Companies for contravention of the Act or any of its provisions. NHB has not levied any penalty on GRUH during the year.

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 16.37% as against the minimum requirement of 12%. Tier – I capital was 14.71% 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.

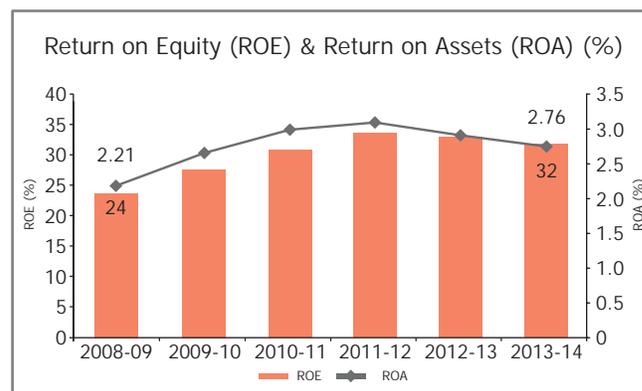
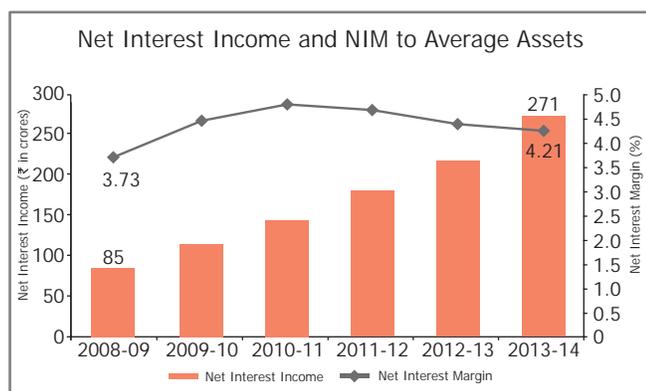
Human Resource Development

At GRUH, human resource development is considered vital for effective implementation of business plans. Constant endeavours are being made to offer professional growth opportunities and recognitions, apart from imparting training to employees. During the current year, besides the in-house induction training programmes in lending operations, recoveries and accounts, employees were also nominated to training programmes conducted by NHB and other institutions. 382 employees underwent different training programmes.

GRUH's staff strength as at March 31, 2014 was 546.

Employees Stock Option Scheme

The stock options granted to directors and eligible employees operates under the scheme ESOS-2011. The disclosures as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines, 1999, as amended, have been made in the annex to this report.



Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Expenditure

GRUH does not have any foreign exchange earnings and expenditure. Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable to GRUH.

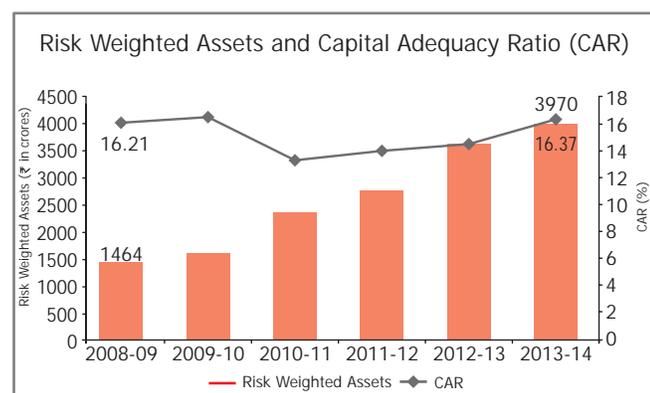
Particulars of Employees

GRUH had 2 employees as at March 31, 2014 employed throughout the year who were in receipt of remuneration of ₹ 60 lacs or more per annum.

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of such employees are set out in the annex to the Directors' Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all shareholders of the Company excluding the annex. Any shareholder interested in obtaining a copy of the said annex may write to the company secretary at the registered office of the Company.

Directors

In accordance with Articles 134 and 135 of the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr. Kamlesh Shah, director is liable to retire by rotation at the ensuing AGM and is eligible for re-appointment. Mr S.M. Palia, Mr. Rohit C Mehta, Mr Prafull Anubhai and Mr. S G. Mankad, directors of the Company, are being appointed as independent directors for three consecutive years for a term upto March 31, 2017 as per provisions of Section 149 and other applicable provisions of the Companies Act 2013.



Subject to the approval of the members in the general meeting, the Board of Directors re-appointed Mr Sudhin Choksey as Managing Director effective April 1, 2014 for a period of 3 years as per the terms specified in the draft agreement to be placed before the ensuing AGM.

Necessary resolutions for the appointment /re-appointment of the aforesaid directors have been included in the notice convening the ensuing AGM and details of the proposal for appointment / re-appointment are mentioned in the explanatory statement of the notice.

Your directors commend their appointment / re-appointment.

All the directors of the Company have confirmed that they are not disqualified from being appointed as directors in terms of Section 274(1)(g) of the Companies Act, 1956.

Auditors

M/s. Sorab S. Engineer & Co., Chartered Accountants, statutory auditors of the Company having registration number 110417W retire at the ensuing AGM and are eligible for re-appointment.

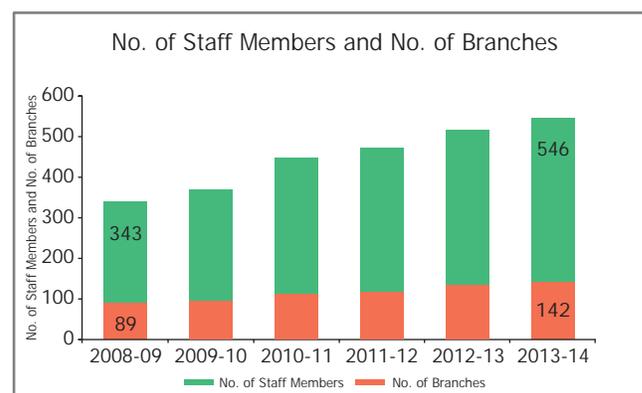
The Company has received a certificate from the statutory auditors to the effect that their re-appointment, if made, would be within the limits prescribed. The statutory auditors have also confirmed that they hold a valid certificate issued by the "Peer Review Board" of The Institute of Chartered Accountants of India.

Management Discussion and Analysis Report and Report of the Directors on Corporate Governance

In accordance with clause 49 of the listing agreements, the Management Discussion and Analysis Report and Report of the Directors on Corporate Governance form part of this report.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your directors state that:



- i. In the preparation of annual accounts, the applicable accounting standards have been followed;
- ii. Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit of the Company for the year ended on that date;
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. The annual accounts of the Company have been prepared on a going concern basis.

Acknowledgements

Your directors take this opportunity to place on record their appreciation to all employees for their hard work, spirited efforts, dedication and loyalty to GRUH. The employees have worked based on principles of honesty, integrity and fair play and this has helped GRUH in maintaining its growth. The directors also wish to place on record their appreciation to shareholders, depositors, referral associates, NHB, financial institutions and banks for their continued support.

On behalf of the Board of Directors

Mumbai
April 11, 2014

Keki M. Mistry
Chairman

ANNEX TO THE DIRECTORS' REPORT

Disclosure pursuant to Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Details of stock options granted, vested, exercised and lapsed during the year under review are as under :

Scheme(s)	Grant Price (₹)	Options Granted	Options Vested	Options Exercised and shares allotted	Options Lapsed	Total Options in force as on March 31, 2014#
ESOS – 2011	317.85	-	3,14,386	3,30,895*	15,393	3,28,787
ESOS -2011-Tr II	548.80	-	11,476	-	9,200	31,750

* Five (5) shares of ₹ 2/- each were allotted on exercise of one (1) stock option in view of the share split.

Total Options in force is a total of options vested and not yet exercised and options not yet vested.

Other details are as under :

Options granted during the year :	Nil
Pricing formula for the Scheme(s) :	N.A.
Money realised by exercise of options :	The Company received ₹ 10.52 crores on account of stock options exercised during the year.
Details of options granted to : (i) Directors & Senior managerial personnel; (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; (iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant :	Since there was no grant during the year, hence not applicable
Variation of terms of options :	Nil
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) – 20 :	₹ 9.79

<p>Disclosure of difference between the employee compensation cost using intrinsic value of stock options instead of fair value of the options and the impact of difference on profits and on EPS of the Company :</p>	<p>ESOS 2011 and ESOS 2011 Tranche II : Since the options were granted at the market price, the intrinsic value of the option is nil. Consequently the accounting value of the option (compensation cost) was also nil. However, if fair value of the options according to Black-Scholes–Mertons Option Pricing Model was to be used for calculating the accounting value of the option, the compensation cost would have been ₹ 0.76 crores, the profit after tax would have been lesser by ₹ 0.76 crores and basic and diluted EPS would have been ₹ 9.82 & ₹ 9.75 respectively.</p>																																																								
<p>Weighted average exercise prices and weighted average fair values of options :</p>	<p>ESOS 2011 : All the options were granted at an exercise price of ₹ 317.85 per option and hence the weighted average price is ₹ 317.85 per option. The weighted average fair value of the option (using the Black-Scholes–Mertons Option Pricing Model) works out to ₹ 51, ₹ 67 and ₹ 75 for the options vested on February 10, 2012, February 10, 2013 and February 10, 2014 respectively.</p> <p>ESOS 2011 Tranche II: All the options were granted at an exercise price of ₹ 548.80 per option and hence the weighted average price is ₹ 548.80 per option. The weighted average fair value of the option (using the Black-Scholes–Mertons Option Pricing Model) works out to ₹ 70, ₹ 101 and ₹ 116 for the options vested on October 25, 2012 and October 25, 2013 and options vesting on October 25, 2014 respectively.</p>																																																								
<p>A description of the method and significant assumptions used during the year to estimate the fair values of options, at the time of grant including the following weighted average information:(a) risk free interest rate (b) expected life (c) expected volatility of share price (d) dividend yield rate (e) the price of underlying share in the market at the time of option grant :</p>	<table border="1"> <thead> <tr> <th colspan="4">ESOS – 2011</th> </tr> <tr> <th>Assumption Parameters</th> <th>February 10, 2012</th> <th>February 10, 2013</th> <th>February 10, 2014</th> </tr> </thead> <tbody> <tr> <td>Risk free interest rate(%)</td> <td>7.54</td> <td>7.65</td> <td>7.85</td> </tr> <tr> <td>Expected life (days)</td> <td>455</td> <td>821</td> <td>1186</td> </tr> <tr> <td>Expected volatility of share price (%)</td> <td>30</td> <td>30</td> <td>30</td> </tr> <tr> <td>Dividend yield rate (%)</td> <td>2.20</td> <td>2.90</td> <td>3.75</td> </tr> <tr> <td>Market price of equity shares on the date of grant ranged from</td> <td>₹ 316 to ₹ 330</td> <td>₹ 316 to ₹ 330</td> <td>₹ 316 to ₹ 330</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="4">ESOS – 2011-Tranche II</th> </tr> <tr> <th>Assumption Parameters</th> <th>October 25, 2012</th> <th>October 25, 2013</th> <th>October 25, 2014</th> </tr> </thead> <tbody> <tr> <td>Risk free interest rate(%)</td> <td>8.65</td> <td>8.69</td> <td>8.61</td> </tr> <tr> <td>Expected life (days)</td> <td>366</td> <td>731</td> <td>1096</td> </tr> <tr> <td>Expected volatility of share price (%)</td> <td>25</td> <td>25</td> <td>25</td> </tr> <tr> <td>Dividend yield rate (%)</td> <td>2.20</td> <td>2.90</td> <td>3.75</td> </tr> <tr> <td>Market price of equity shares on the date of grant ranged from</td> <td>₹ 545 to ₹ 559</td> <td>₹ 545 to ₹ 559</td> <td>₹ 545 to ₹ 559</td> </tr> </tbody> </table>	ESOS – 2011				Assumption Parameters	February 10, 2012	February 10, 2013	February 10, 2014	Risk free interest rate(%)	7.54	7.65	7.85	Expected life (days)	455	821	1186	Expected volatility of share price (%)	30	30	30	Dividend yield rate (%)	2.20	2.90	3.75	Market price of equity shares on the date of grant ranged from	₹ 316 to ₹ 330	₹ 316 to ₹ 330	₹ 316 to ₹ 330	ESOS – 2011-Tranche II				Assumption Parameters	October 25, 2012	October 25, 2013	October 25, 2014	Risk free interest rate(%)	8.65	8.69	8.61	Expected life (days)	366	731	1096	Expected volatility of share price (%)	25	25	25	Dividend yield rate (%)	2.20	2.90	3.75	Market price of equity shares on the date of grant ranged from	₹ 545 to ₹ 559	₹ 545 to ₹ 559	₹ 545 to ₹ 559
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Conviction

THE CHALLENGE OF INTROSPECTING

The rhetoric of 'striving for perfection' begins with the process of candid introspection to bolster our convictions during times of inflation and recessionary pressures.

In its 28 years, GRUH has had to constantly innovate and improvise in order to establish a workable paradigm for mortgage finance in the rural areas. Estimating the level of income of borrowers (in the informal sector), coping with geographic realities and cultural diversity represent one kind of challenge. In contrast to this, the challenges which the housing mortgage finance sector faced last year were stagnation in real estate demand, unaffordable prices, and major swings in market sentiment. Through all this we at GRUH have been constantly vigilant and responsive to the customer need. The market peaks and troughs have inspired us to stick to our original mandate and renew our determination to protect our customer's interests and prepare for the good times ahead.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Overview

At the macro economy level, the challenges of the previous financial year in terms of low GDP growth, sticky inflation, sluggish Index of Industrial Production, slowdown in the investment cycle and a widening current account deficit continued during the financial year 2013-14.

During the year under review, the Reserve Bank of India (RBI), stated that managing inflation would be the top most priority of the Central Bank. The RBI brought focus on the Consumer Price Index (CPI) following the steep fall in the value of Rupee. The target for inflation levels has been set at 8% and 6% for the current year and for the next financial year respectively. During the year, with a view to contain inflation, the RBI increased the Repo Rate by 75 basis points but lowered Cash Reserve Ratio by 25 basis points so that the liquidity does not come under pressure. As a result of all these factors, the interest rates remained high during the year and also witnessed steep peaks during the few months following the fall of rupee to its lowest ebb.

Market Scenario

The scenario in the real estate sector did not improve and the demand fell to its lowest during the year. With bulging of inventories of unsold properties, there was also a drop in the launch of new residential projects and developers did not reduce prices. In fact, few pockets witnessed marginal rise in property prices. As a result, the demand for properties remained sluggish. The overall weaker demand for properties slowed down disbursements of home loans during the year. This trend is expected to continue in the near future for the next 12 to 15 months.

During the year, policy makers tried to regulate the lending rates in respect of the Urban and Rural Housing Fund made available to banks and HFCs. This step has discouraged intermediaries like HFCs to participate in the programme of Government in promotion of rural housing and affordable

housing in the urban areas. HFCs have represented to the National Housing Bank (NHB) to remove such caps.

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). GRUH offers developer finance and mortgage loans on a selective basis.

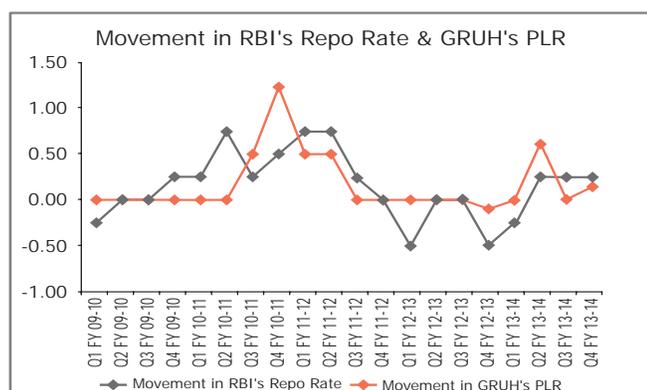
Home loan products are being offered at variable and fixed rates giving customers an option to decide on the type of interest rate risk. Customers are also offered an option to select the mode of calculation of interest on loans, since GRUH offers loans on annual, monthly and daily rest basis.

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.

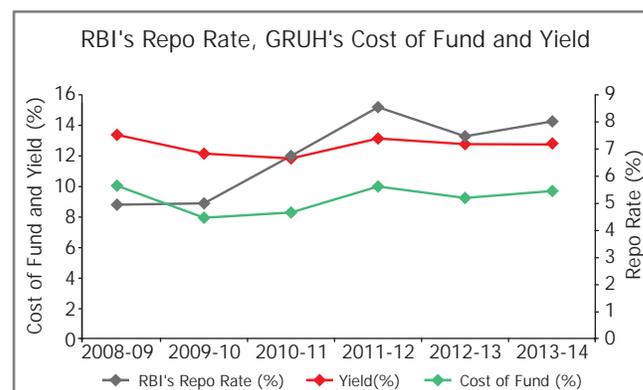
With a view to enable uniform processing of credit risk assessment, GRUH has adopted a credit score methodology. The pricing of each loan is linked to the credit score. This methodology enables GRUH to offer finer interest rates to deserving families, where credit risk is low and charge a higher rate of interest where credit risk is high.

Marketing Efforts

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 61.45% of



Source : RBI



Source : RBI

total disbursements made during the year and GRUH paid referral fees of ₹ 6.63 crores to GRAs for sourcing of business.

GRUH is operating in seven states - Gujarat, Maharashtra, Karnataka, Rajasthan, Madhya Pradesh, Chhattisgarh and Tamil Nadu. GRUH established 8 new offices in these states during the year. GRUH now has 142 retail offices across these seven states.

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 instalments besides providing services of enquiry handling, file opening and effecting disbursements.

Disbursements

GRUH disbursed ₹ 2,577.47 crores during the year as against ₹ 2,174.39 crores in the previous year. GRUH disbursed loans of ₹ 2,231.34 crores (previous year ₹ 1,794.48 crores) for home purchase, repair and renovation and registered a growth of 24% in the retail home loan segment. GRUH disbursed home loans to 31,280 families (previous year 26,175 families) and the average home loan to individuals was ₹ 7.64 lacs during the year as against ₹ 7.36 lacs during the previous year.

GRUH disbursed loans of ₹ 143.76 crores (previous year ₹ 82.60 crores) for purchase of NRP and ₹ 202.37 crores (previous year ₹ 297.31 crores) to developers.

Cumulative disbursements as at March 31, 2014 stood at ₹ 12,094.25 crores with a Compound Annual Growth Rate (CAGR) of 32 % over the past 5 years period.

CAGR (%) As At March 31, 2014				
Particulars	3 Years	5 Years	7 Years	10 Years
Loan Assets	30	27	26	28
NIM	24	26	27	29
PAT	24	29	29	30

Insurance Products

GRUH has made arrangement with an Insurance Company for providing property insurance of the property mortgaged. During the year, GRUH referred 30,279 customers under this arrangement in respect of property cover of ₹ 2,639.49 crores.

GRUH also continued to persuade its customers to take insurance cover on the life of the principal income earner as the collateral for its loans. The policies are assigned in favour of GRUH. During the year, 12,019 customers have taken the life cover from these insurance companies in respect of life cover of ₹ 694.52 crores under its various tie-up arrangements.

Loans

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 Board of Directors.

During the year, GRUH's total outstanding loans increased to ₹ 7,009.04 crores from ₹ 5,437.80 crores and registered a growth of 29%. CAGR over the past 5 years period has been 27%.

The total outstanding loans at variable rates stood at ₹ 6,960.05 crores (previous year ₹ 5,396.70 crores), which was 99.30% (previous year 99.24%) of the total outstanding loans. Loans to total assets stood at 96.77% as at March 31, 2014.

GRUH's outstanding home loans to individuals of ₹ 6,459.14 crores and other loans to individuals for non residential property of ₹ 341.88 crores constituted 92.15% and 4.88% respectively of the total outstanding loans. GRUH experienced a prepayment ratio of 10.67% (previous year 10.23%) in respect of individual loans. The outstanding loans to developers of ₹ 208.02 crores constituted 2.97% of the total outstanding loans.

The average yield realised on the loan assets during the year was 12.75% (previous year 12.82%).

Recoveries and Provision for Contingencies

As per the prudential norms prescribed by NHB, an asset is a non-performing asset (NPA) if the interest or principal instalment is overdue for 90 days. HFCs are required to carry provision at the prescribed rates depending on the ageing of such overdues. As per the prudential norms, the income on such NPAs is not to be recognised. Apart from the provisioning on NPAs, HFCs are also required to carry a provision of 0.40% on Standard Individual Home Loans and 1% on standard loans to individual (other than home loans) and Developer Loans for commercial properties. Apart from this, GRUH is also required to carry provision of 0.75% on Standard Developer Loans for residential properties. Accordingly, GRUH has identified NPAs, not recognised income in respect of such NPAs and also made the required provisions on NPAs and standard loans.

As per the prudential norms of NHB, GRUH is required to carry a provision of ₹ 30.82 crores on Standard Loans of ₹ 6,990.17 crores and a provision of ₹ 7.60 crores on non-performing loans of ₹ 18.87 crores as at March 31, 2014. GRUH carried a provision of ₹ 30.82 crores on Standard Loans and a provision of ₹ 19.64 crores in respect of NPAs and Contingencies as against the requirement of ₹ 7.60 crores. As a result, GRUH's net NPAs are Nil (previous year ₹ 2.70 crores) on the outstanding loans of ₹ 7,009.04 crores as at March 31, 2014.

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

GRUH carried properties aggregating to ₹ 10.34 crores acquired in settlement of dues at the beginning of the year. During the year, GRUH acquired properties aggregating to ₹ 2.76 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 ₹ 1.35 crores during the year. As at March 31, 2014, GRUH carried properties worth ₹ 11.75 crores which was 1.81% 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 ₹ 1.24 crores as surplus from cash management schemes of mutual funds and ₹ 13.64 crores by way of interest on deposits placed with banks. At the end of the year, GRUH maintained ₹ 67.50 crores by way of short-term 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, 2014 GRUH has invested ₹ 123.12 crores in approved

securities comprising government securities, government guaranteed bonds, NHB 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 ₹ 2.66 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 from the retail market.

Endeavours at GRUH always 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 structure 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.

The borrowings which are maturing within twelve months from the end of the year, constituted 11% (previous year 22%) of the total borrowings of ₹ 6,447.49 crores (previous year ₹ 4,914.52 crores). The outstanding borrowings at fixed rate stood at ₹ 2,487.85 crores (previous year ₹ 2,481.31 crores), which was 38.59% (previous year 50.49%) 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 ₹ 6,675.66 crores during the year and repaid loans aggregating to ₹ 6,125.16 crores. Term

Product wise Disbursements Growth

	(₹ in crores)		
	2013-14	2012-13	Growth %
Individual Home Loans	2,231.34	1,794.48	24
NRP Loans	143.76	82.60	74
Developer Loans	202.37	297.31	(32)
Total	2,577.47	2,174.39	19

Product wise Loan Asset Growth

	(₹ in crores)		
	2013-14	2012-13	Growth %
Individual Home Loans	6,459.13	4,963.62	30
NRP Loans	341.88	230.66	48
Developer Loans	208.03	243.52	(15)
Total	7,009.04	5,437.80	29

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 was ₹ 1,915 crores as at March 31, 2014.

GRUH availed refinance of ₹ 1,304.23 crores from NHB. Outstanding refinance from NHB as at March 31, 2014 of ₹ 2,946.58 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.

The outstanding balance of NCDs as at March 31, 2014 was ₹ 80.70 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. These ratings carry a stable outlook.

The outstanding subordinated debt as at March 31, 2014 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. 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 CAR.

GRUH raised ₹ 8,965 crores through issuance of commercial paper and retired ₹ 8,560 crores during the year. 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. Both ratings carry a stable outlook. The outstanding balance of commercial paper as at March 31, 2014 was ₹ 455 crores.

During the year, GRUH received fresh deposits of ₹ 393.44 crores, renewed deposits of ₹ 59.07 crores and experienced outflow of deposits of ₹ 99.58 crores. The renewal ratio (the ratio of deposits renewed to the deposits maturing during the year) experienced by GRUH was 59.31%. The outstanding deposits have increased from ₹ 649.95 crores at the beginning of the year to ₹ 1,002.88 crores by the end of the year and registered a growth of 54.30%. The outstanding balance of public deposits constituted 15.55% of the total outstanding borrowings as at March 31, 2014.

GRUH's retail deposit programme is rated by ICRA and CRISIL. GRUH's Deposit Programme is rated "FAAA" by CRISIL and "MAAA" by ICRA. These ratings indicate highest safety as regards repayment of principal and interest. Both ratings carry a stable outlook.

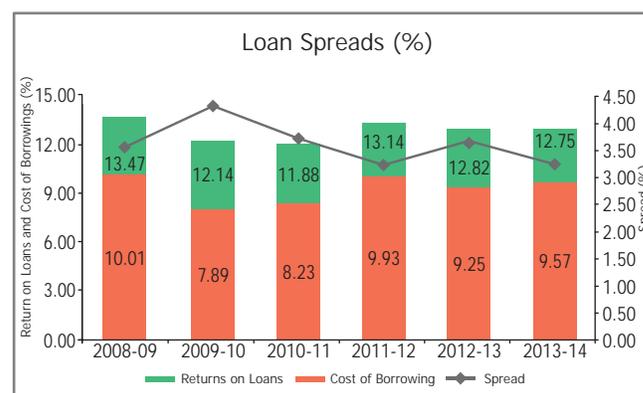
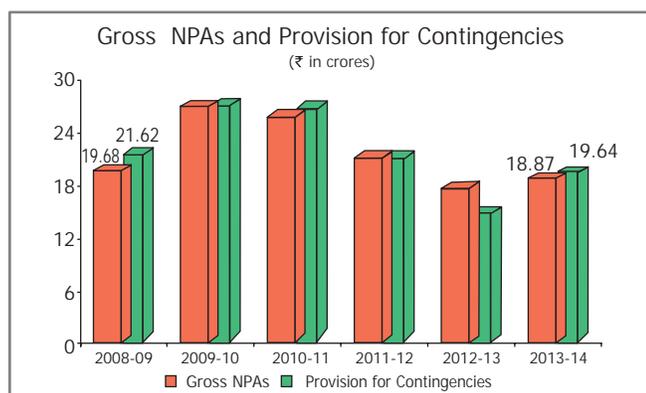
GRUH has been offering brokerage to its deposit referral associates. The brokerage structure is linked to the term of deposits mobilised. GRUH has been amortising the brokerage paid over the tenure of deposits mobilised.

The average cost of total borrowings experienced during the year was 9.57% per annum (previous year 9.25%).

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, 2014 of ₹ 6,447.49 crores were within the permissible limit of 16 times the net owned funds. Of this, the public deposits of ₹ 1,002.88 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, 2014 was 16.37% as against NHB's prescribed limit of 12%. The Capital Adequacy on account of Tier I Capital was 14.71% while the Capital Adequacy on account of the Tier II Capital was 1.66%.

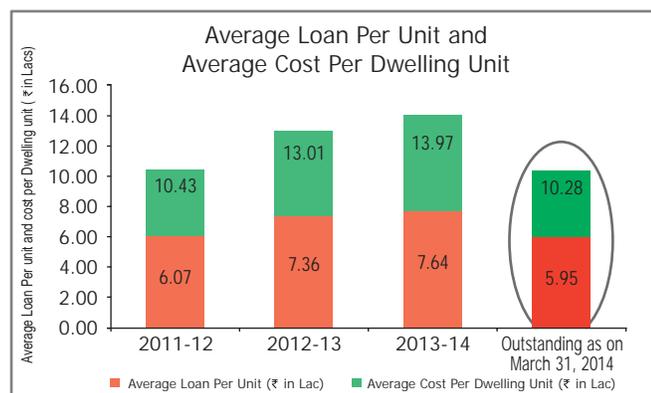
Central Registry

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. All Banks & HFCs which fall under the purview of SARFAESI Act are required to register with CERSAI and submit the data in respect of all properties mortgaged in its favour. The lending institutions are required to pay fees for uploading the data for creation as well as release of mortgage.

GRUH is registered with CERSAI. GRUH has uploaded 29,651 records in respect of loans disbursed during the year. GRUH has paid fees of ₹ 118.39 lacs to Central Registry towards uploading the data for creation of mortgage and ₹ 33.57 lacs towards release of mortgage.

Risk Management

GRUH has formulated a risk management framework which lays the procedure for risk assessment and mitigation. The Risk Management Committee (RMC) comprises the Managing Director as the chairman and the members include senior managers holding key positions in the Company. The RMC



apprises the Audit Committee of the key risks associated with the business of the Company and the measures to mitigate them.

The Audit Committee has been periodically reviewing the risk profile of the Company and evaluating the adherence by the branches / functions of the systems and processes in place for monitoring, evaluation, assessment and mitigation of risk through a systematic and effective audit programme.

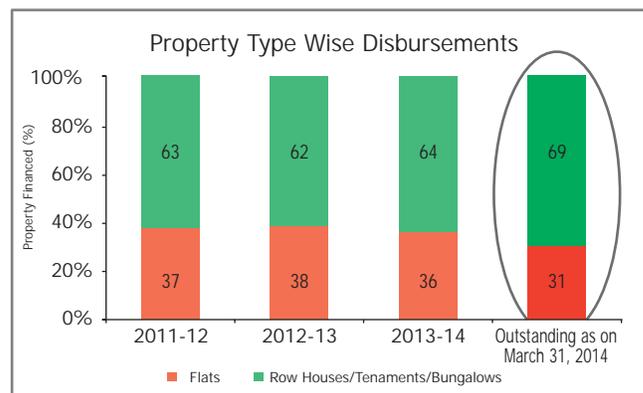
GRUH manages various risks like financial risk, operational risk, marketing risk, external risk and regulatory risks associated with the mortgage business. The critical risks which can significantly impact profitability and financial strength are credit risk, interest rate risk and liquidity risk. GRUH manages credit risk through internal credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profile.

Inspection by National Housing Bank (NHB)

NHB, under section 34 of the NHB Act, 1987, carries out inspection at a regular interval. During the year, NHB carried out such inspection. NHB conducted comprehensive inspection of select few branches and also inspected GRUH's lending, resource raising, fixed deposit mobilization and accounting activities. NHB's inspection report has not reported any lapses except for their observations on few specific transactions. The inspection report was reviewed by the Audit Committee and the Board. The compliance report along with management comments on the observations made in the inspection report have been submitted to NHB.

Internal Audit and Control

GRUH has an adequate system of internal control in place which has been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliance with regulations and for ensuring reliability of financial reporting. GRUH has documented procedures covering all financial and operating functions.



GRUH has robust internal audit programme, where the internal auditors, an independent firm of chartered accountants, conduct a risk-based audit with a view to not only test adherence to laid down policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

IT Audit and Security

Information system is the backbone of GRUH's business. GRUH has implemented an application software developed by Tata Consultancy Services (TCS) and it has been enhanced and modified by the in-house IT Software Development Group. The application software is integrated to record and process lending and deposit mobilization and accounting transactions of GRUH across its branches.

The Information System at GRUH operates under centralized IT environment and all the branches are connected through MPLS VPN connectivity. The centralized IT environment enables prompt communication between its retail offices and head office and also provides highway for easy and quick MIS and preparation of various monthly reports.

Considering the significant dependence of GRUH's operations on its IT system, GRUH also takes initiative in maintaining adequate control for data integrity and its confidentiality. The Application Software and IT System at GRUH are upgraded from time to time.

Since installation of IT system, from time to time, GRUH carries out audit of its IT system from external agency. The external agency's suggestions and recommendations are reported to Audit Committee. Suggestions of external agency are given due consideration and are implemented.

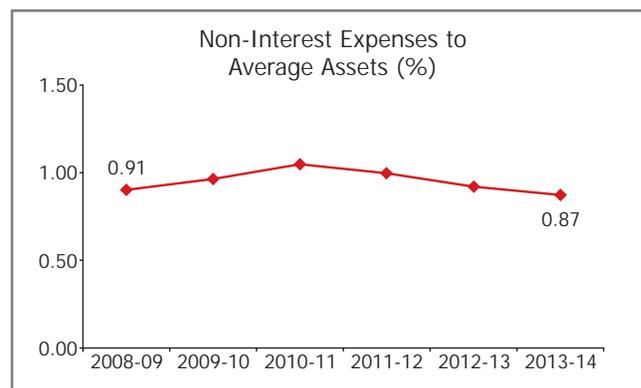
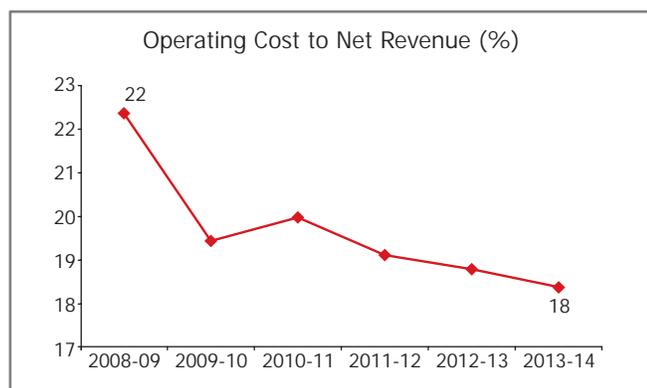
Statement of Profit and Loss

Key elements of the statement of profit and loss for the year ended March 31, 2014 are:

- Profit before tax grew by 24% as against 21% in the previous year.
- Profit after tax grew by 21% as against 21 % in the previous year.
- Current year income tax provision amounted to ₹ 68.20 crores as compared to ₹ 51.44 crores in the previous year. The effective income tax rate for the year is 28% as against 26% in previous year.
- Pre-tax return on average assets was 3.81% in the current year as against 3.96% in the previous year. Post-tax return on average assets was 2.76% as against 2.94% in the previous year.
- Return on average net worth for the year was 32.23% as against 33.28% in the previous year.
- Ratio of net interest margin to average assets was 4.21% for the current year as against 4.38% in the previous year.
- GRUH's cost to income ratio was 18.69% for the year as against 19.26% in the previous year.
- The Earnings Per Share (Basic) was ₹ 9.86 for the current year as against ₹ 8.21 for the previous year.

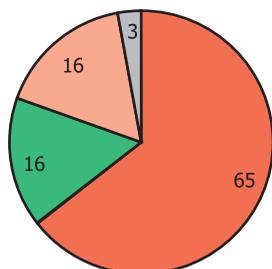
Human Resource

The enthusiasm of staff members continued to be high in sustaining positive growth of disbursements and in maintaining healthy recoveries. With the high level of commitment and loyalty by staff members, GRUH is confident to face the challenges of the tougher market conditions.



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

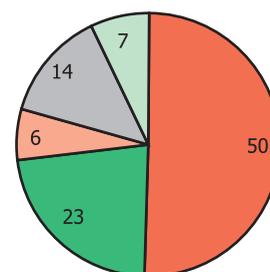
Properties Financed - Loan to Value Ratio (LTV) wise Distribution



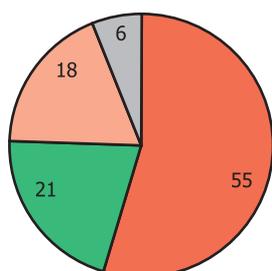
LTV in %	No.	%	
Up to 75	1,64,781	65	■
76 to 80	40,933	16	■
81 to 85	42,041	16	■
> 85	7,795	3	■
Total	2,55,550	100	

Properties Financed - Location wise Distribution

Population at Location	No.	%	
Up to 50,000	1,28,852	50	■
> 50,000 to 2,00,000	58,436	23	■
> 2,00,000 to 5,00,000	15,604	6	■
> 5,00,000 to 25,00,000	34,721	14	■
> 25,00,000	17,937	7	■
Total	2,55,550	100	



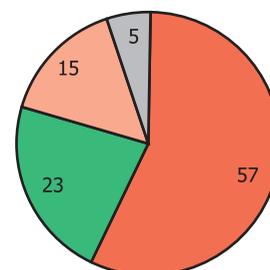
Properties Financed - Loan Amount Wise Distribution

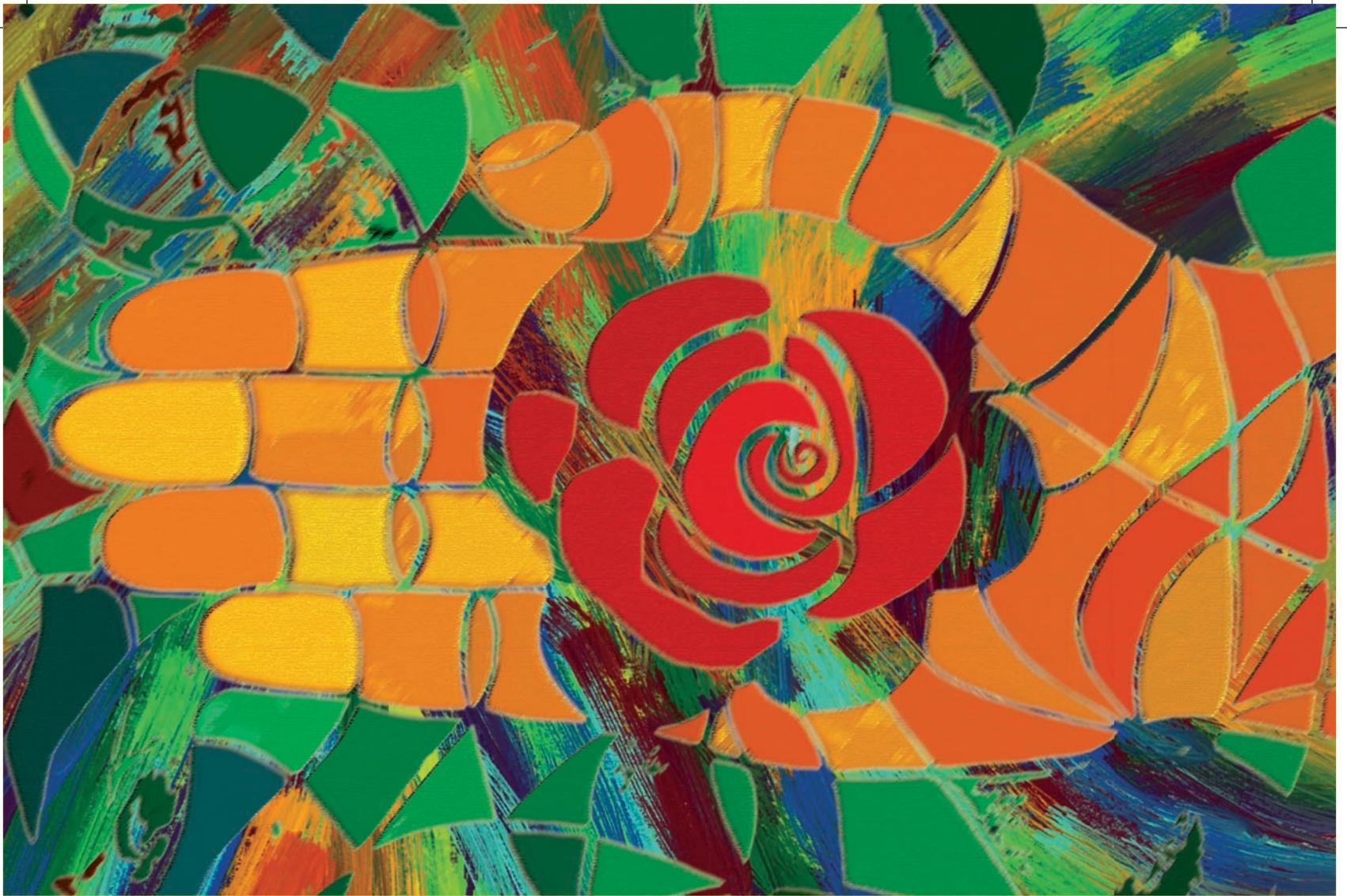


Loan Amount (₹)	No.	%	
Up to 3,00,000	1,39,595	55	■
> 3,00,000 to 5,00,000	53,986	21	■
> 5,00,000 to 10,00,000	46,225	18	■
> 10,00,000	15,744	6	■
Total	2,55,550	100	

Property Financed - Family Income Wise Distribution

Family Income (₹)	No.	%	
Up to 15,000	1,46,204	57	■
> 15,000 to 25,000	57,650	23	■
> 25,000 to 50,000	39,014	15	■
> 50,000	12,682	5	■
Total	2,55,550	100	





Faith

DELIVERING ON CUSTOMER EXPECTATIONS

When we talk of 'striving for perfection in an imperfect world', we at GRUH understand that our performance has to be measured at the touchstone of customer expectations. During the year under review, our disbursements have been impacted by the pressure of recessionary forces. But we have minimized the impact and resisted the temptation to push up the numbers at the cost of customer comfort. We believe that we are here for the long haul. And in the year gone by we have made concerted efforts to nurture our customer counseling and strengthen our outreach relationships.

We believe that the markets are ready to throw up green shoots of growth. And as this happens, the positive image created over the years will provide a tangential boost to our disbursements and sustain us at the bottomline.

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

Corporate Governance is, essentially, a philosophy. It encompasses not only the regulatory and legal requirements, but also the voluntary practices developed by the company to protect the best interests of all stakeholders. However, in the harsh realities of day to day economic stress and competitive growth, corporate governance can only deliver on an avowed philosophy if there is a strong and sustainable framework. It is this framework which fosters a high level of business ethics with effective supervision, transparency and accountability at all levels. A good corporate governance framework incorporates a system of robust checks and balances between Key players; namely, the Board, the management, auditors and various stakeholders. The role and responsibilities of each entity must be clearly understood and transparency must be enforced at each level and at all times.

Spin-offs from good Corporate Governance

Investors worldwide are looking for new areas and avenues to invest their funds but the emphasis is on safety of their funds rather than high returns. These investors value companies which show commitment to customer satisfaction; companies which nurture long-term stakeholder value. In the ultimate analysis, strong governance is, therefore, indispensable for the development of a resilient and vibrant capital market. It is an important instrument for investor protection.

Company's philosophy on Corporate Governance

GRUH has been fortunate to have a strong set of values drawn from its promoter and parent company, Housing Development Finance Corporation Limited (HDFC).

At GRUH, we have assigned the highest importance to elements of good corporate governance like transparency, accountability and responsibility in every sphere of management practice be it with customers, shareholders, regulators, government, bankers, vendors or staff members. We have strived to introduce a high level of professionalism in carrying out the business with a strong belief that the organisation exists to serve the customer in a manner that can yield the best possible return to a shareholder. The Board of Directors at GRUH has always maintained the true spirit of being "Trustees" in directing the management team and also persisted in demanding a similar approach from the management team. The board has also inspired the management team to practice professional ethics in all its dealings.

With emphasis on transparency, integrity and accountability, the Board of Directors adopted the principles of good corporate governance by setting up an Audit Committee, Shareholders' Grievance Committee and Compensation Committee since 1997. GRUH has developed systems that allow sufficient

freedom to the board and the management to take decisions which promote growth while remaining within the framework of effective accountability. Given below is the report of the directors on corporate governance in accordance with the provisions of the listing agreement.

Board of Directors

Composition

The Board of Directors comprises of nine directors, all professionals in their own right who bring in a wide range of skills and experience to the board. All the directors of the Company, except the Managing Director and the Executive Director are non-executive directors. Brief profiles of the directors are set out elsewhere in the annual report.

Five directors are independent directors. 'Independent directors' are directors who, apart from receiving directors' remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which, in the opinion of the board, may affect independence of judgment of the director.

All directors are appointed by the members of the Company.

The composition of the board is in conformity with Clause 49 I (A) of the listing agreement. As per the Listing Agreement, no director can be a member in more than 10 committees or act as chairman of more than 5 committees across all public companies in which he is a director. Details of the Board of Directors in terms of their directorships/ memberships in committees (only audit and investor grievance) of public companies (excluding GRUH) are detailed as under:

Sr. No.	Directors	No. of Directorships	No. of Committees	
			Member	Chairman
1	Mr. Keki.M. Mistry	13	5	4
2	Mr. S.M. Palia	3	1	-
3	Mr. Rohit C. Mehta	2	1	1
4	Mr. Prafull Anubhai	4	2	3
5	Ms. Renu S. Karnad	12	2	3
6	Mr. K.G. Krishnamurthy	4	-	-
7	Mr. S.G. Mankad	10	3	1
8	Mr. Kamlesh Shah	-	-	-
9	Mr. Sudhin Choksey	2	1	1

Sr. Nos. 8 and 9 are executive directors. All other directors are non-executive directors.

Sr. Nos. 2, 3, 4, 6 and 7 are independent directors.

Tenure

As per the statute, two third of the directors should be retiring directors. One third of the directors are required to retire every year and if eligible, these directors qualify for re-appointment. The members of the Company have re-appointed Shri Sudhin Choksey as the Managing Director for a period of 5 years with effect from April 1, 2010 and also appointed Shri Kamlesh Shah as the Executive Director for a period of 5 years with effect from April 16, 2010.

Responsibilities

The board of directors represents the interest of the company's shareholders, in optimising long-term value by providing the management with guidance and strategic direction on the shareholders' behalf. The board has a formal schedule of matters reserved for its consideration and decision, which includes reviewing corporate performance, ensuring adequate availability of financial resources, regulatory compliance, safeguard interest of shareholders and reporting to shareholders.

Role of Independent directors

The independent directors play an important role in deliberations at the board meetings and bring to the Company their wide experience in the fields of finance, housing, accountancy, law and public policy. The Audit Committee consists largely of independent directors. Board members ensure that their other responsibilities do not materially impact their responsibility as a director of GRUH.

Board Meetings

The meetings of the Board of Directors are generally held at the Registered Office of HDFC, the parent company. Meetings are generally scheduled well in advance. The board meets at least once a quarter to review the quarterly performance and the financial results.

The company secretary, in consultation with the Managing Director, prepares the detailed agenda for the meetings. The board papers are circulated to the directors in advance. The members of the board have access to all information of the Company and are free to recommend inclusion of any matter in the agenda for discussion. Senior management is invited to attend the board meetings and provide clarifications as and when required.

During the year, the board met 4 times. The meetings were held on April 12, 2013, July 8, 2013, October 11, 2013, and January 16, 2014. The attendance of each director at the board meetings and at the last annual general meeting is as under:

Directors	No. of Board meetings attended	Sitting fees paid (₹)	Attendance at the 27 th AGM
Mr. Keki M. Mistry	4	60000	Yes
Mr. S.M. Palia	4	60000	Yes
Mr. Rohit C. Mehta	3	45000	No
Mr. Prafull Anubhai	4	60000	Yes
Ms. Renu S. Karnad	2	30000	No
Mr. K.G. Krishnamurthy	4	60000	Yes
Mr. S.G. Mankad	4	60000	Yes
Mr. Kamlesh Shah	4	-	Yes
Mr. Sudhin Choksey	3	-	Yes

Leave of absence was granted to the Directors who could not attend the respective meetings.

Board Committees

To enable better and more focused attention on the affairs of the Company, the board delegates particular matters to committees of the directors set up for the purpose. These specialist committees prepare the groundwork for decision-making and report at the subsequent board meeting.

The board is assisted by various committees – Audit Committee, Compensation Committee, Compensation Committee - ESOS, Committee of Directors (Allotment), Committee of Directors, Investment Committee and the Shareholders' / Investors' Grievance Committee - all chaired by an independent director.

Audit Committee

The Audit Committee is constituted in accordance with the provisions of Clause 49 II of the listing agreements and Section 292 A of the Companies Act, 1956. The Audit Committee comprises of Mr. S.M. Palia (Chairman), Mr. Keki M. Mistry, Mr. Rohit C. Mehta and Mr. Prafull Anubhai. The Audit Committee is chaired by an independent director. All the members of the committee are financially literate and have accounting and financial management expertise. The terms of reference of the Audit Committee are in compliance with its requirements of the revised Clause 49 of the listing agreement and include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, internal control systems and control procedures and ensuring compliance of the regulatory guidelines. Meetings of the Audit Committee are scheduled well in advance. The Audit Committee met four times during the year under review. The committee reviewed the quarterly financial statements before submission to the Board for approval.

The details of attendance at the Audit Committee meetings are as under:

Directors	No. of meetings attended	Sitting Fees paid (₹)
Mr. S.M. Palia	4	60000
Mr. Keki.M. Mistry	4	60000
Mr. Rohit C. Mehta	3	45000
Mr. Prafull Anubhai	4	60000

The committee reviews the reports of the internal auditors and statutory auditors along with the comments and action taken reports of the management. The committee also reviews the asset-liability management system. The Audit Committee also invites senior executives, as it considers appropriate to be present at the meetings of the committee. The head of the internal audit attends the meetings of the Audit Committee.

Compensation Committee (Remuneration Committee)

The Compensation Committee comprises of Mr. S.M. Palia (Chairman), Mr. Keki M. Mistry and Ms. Renu S. Karnad. The committee considers and approves salaries and other terms of the compensation package for the Managing Director and the Executive Director. The annual compensation of the Managing Director and the Executive Director is recommended by the committee, approved by the board and is within the limits set by the members at the annual general meetings. The committee met once during the year.

The details of attendance at the Compensation Committee meeting are as under:

Directors	No. of meetings attended	Sitting Fees paid (₹)
Mr. S.M. Palia	1	15,000
Mr. Keki.M. Mistry	1	15,000
Ms. Renu S. Karnad	1	15,000

Shareholders'/ Investors' Grievance Committee

The Shareholders'/ Investors' Grievance Committee comprise of Mr. Rohit C. Mehta (Chairman), Mr. S. G. Mankad, Mr. K. G. Krishnamurthy and Mr. Sudhin Choksey. The committee looks into redressal of shareholder and investor complaints.

The details of attendance at the committee meetings are as under:

Directors	No. of meetings attended	Sitting Fees paid (₹)
Mr. Rohit C Mehta	5	75000
Mr. S G Mankad	5	75000
Mr. K G Krishnamurthy	1	15000
Mr. Sudhin Choksey	5	-

In order to expedite the process of share transfer, the board had delegated the authority to approve share transfers to Mr. Kamlesh Shah (Executive Director) and Mr. Marcus Lobo (Company Secretary/Compliance Officer). Share transfer formalities are normally attended to three times in a month. The details of share transfers are reported to the Board of Directors.

During the year, the Company received nil complaint from the shareholders. There are no pending share transfers.

There is no non-compliance by the Company on any matter related to the capital markets during the last three years. Similarly, there are no penalties, strictures imposed by the Stock Exchanges, SEBI or any statutory authority on any matter related to capital market.

Remuneration to Directors

During the year, the Managing Director and the Executive Director were paid an aggregate gross remuneration of ₹ 2.15 crores and ₹ 0.72 crores respectively. Elements of the remuneration package comprise of salary, perquisites and other benefits including *ex-gratia* as approved by the members at the annual general meeting held on June 29, 2010.

Non-executive directors are paid sitting fees for attending the meetings of the board or committee(s). No other payment is made to the non-executive directors.

Employee Stock Option Scheme (ESOS)

The disclosure as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, have been made in the annexure to the Directors' Report.

Proceeds from Private Placement Issues

During the year under review, the Company did not raise any non-convertible debentures. As specified in the respective offer documents, the funds of earlier issues were utilised for the purpose of onward lending for housing finance. Details thereof were provided to the Audit Committee and Board of Directors.

Transactions with Non-executive Directors

The non-executive directors of the Company do not have any material pecuniary relationship or transactions vis-à-vis Company.

Shareholding of Directors

The number of shares held by directors, including shares held by their relatives as on March 31, 2014 is as follows:

Directors	No. of equity shares held
Mr. Keki M. Mistry	1,66,450
Mr. S.M. Palia	1,10,150
Mr. Rohit C. Mehta	1,65,000
Mr. Prafull Anubhai	36,500
Ms. Renu S. Karnad	1,96,115
Mr. K.G. Krishnamurthy	1,95,525
Mr. S.G. Mankad	65,000
Mr. Kamlesh Shah	1,47,973
Mr. Sudhin Choksey	2,81,863

Share Dealing Code

In October 2011, the Company revised its share dealing code for its employees based on the SEBI (Prohibition of Insider Trading) Regulations, 1992 and amendments taken place thereafter in this regards. The code ensures that the employees deal in the shares of the Company only at a time when any price sensitive information that could be known to the employee is also known to the public at large. This code is applicable to every employee and director of the Company.

During the year, there has been no violation of the provision of the said code.

Code of Conduct

The Company has framed and adopted a Code of Conduct, which is applicable to all directors and members of the senior management in terms of Clause 49 V of the Listing Agreement. The said code, which came into effect from January 1, 2006, lays the general principles designed to guide all directors and members of the senior management in making ethical decisions. All directors and members of the senior management have confirmed their adherence to the provisions of the said code. The said code has been posted on the website of the Company i.e., www.gruh.com.

Disclosures

Related party transactions

During the year under review, there were no materially significant individual transactions with related parties or other persons, which were not in the normal course of business or

on an arm's length basis that may be perceived to have a potential conflict with the interests of the Company at large.

Transactions with related parties entered into by the Company in the normal course of business were placed before the Audit Committee. Details of related party transaction are included in the notes to the accounts.

Accounting Standards / Treatment

The Company confirms that it has complied with the applicable Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 from time to time and no accounting treatment other than what has been prescribed in the Accounting Standards has been followed.

Annual General Meetings

The Annual General Meetings for the last 3 years were held on July 14, 2011, June 18, 2012 and July 8, 2013. The AGMs were held at H.T. Parekh Convention Centre, Ahmedabad Management Association (AMA), ATIRA Campus, Ahmedabad. No special resolution was passed at the previous three Annual General Meetings. No resolution was passed using postal ballots.

Dematerialisation of shares

GRUH's shares are available for trading with National Securities Depository Ltd. (NSDL) w.e.f. July 15, 2000 and with Central Depository Services (India) Limited (CDSL) w.e.f. December 22, 2001. The ISIN allotted to GRUH's equity shares is INE580B01029.

As at March 31, 2014, 98.10% of equity shares of GRUH have been dematerialised by members through NSDL and CDSL.

Listing of Equity Shares

GRUH's shares are listed on The BSE Ltd. and National Stock Exchange of India Ltd.

The Stock Code Nos. are: BSE: 511288; NSE: GRUH

The Company has paid the listing fees for the year 2014-2015 as per the listing agreement with the respective stock exchanges.

Shareholder Relations

GRUH has over 18500 shareholders. The main source of information for the shareholders is the Annual Report that includes *inter alia*, the Directors' Report, the shareholders' information and the audited financial results. GRUH recognizes the importance of regular dialogue with its shareholders to ensure that the Company's strategy is clearly understood. Since the year 2002, the Annual Report has also included the Report of Directors on Corporate Governance and Management Discussion and Analysis Report. Shareholders are intimated through the press, email and GRUH's website, www.gruh.com of the quarterly performance and financial results of the

Company. Shareholders have an opportunity to attend the Annual General Meeting at which the business outlook is presented and relevant aspects of the Company's operations are discussed. In addition, the Corporate Office as well as the Registrar's Office (RTA), serves as a contact point for shareholders on issues such as share transfers, dividends and announcements.

Details of directors to be appointed / re-appointed at the twenty-eighth AGM are provided as an annex to the notice convening the said AGM. The annual report also contains a section on 'Shareholders' Information' which *inter alia* provides information relating to the AGM date, time and venue, shareholding pattern, distribution of shareholding, top shareholders, the monthly high and low quotations of the equity share during the year and other information as required under Clause 49 of the listing agreements.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of the Directors' Report.

CEO / CFO Certification

In accordance with the requirements of Clause 49 of the listing agreements, Mr. Sudhin Choksey, the Managing Director and CEO and Mr. Jayesh Jain, the CFO of the Company, have certified to the Board that to the best of their knowledge and belief, the financial statements and cash flow statements present a true and fair view of the Company's affairs.

Non-mandatory requirements

The Company had adopted the non-mandatory provisions relating to the Compensation Committee. The quarterly results

are published in financial newspapers, posted on the Company's web site and sent to shareholders. The Company is also moving towards a regime of unqualified financial statements. The Company shall endeavour to adopt the other non-mandatory requirements, as and when necessary.

Compliance

The Company has complied with the mandatory requirements as stipulated under Clause 49 of the listing agreements. The Company has submitted the quarterly compliance status report to the stock exchanges within the prescribed time limit.

Risk Management

The Company has formulated a risk management framework, which lays the procedures for risk assessment and mitigation. The Risk Management Committee (RMC) comprises of the Managing Director as the chairman and the members include senior managers holding key positions in the Company. The RMC appraises the Audit Committee of the key risks associated with the business of the Company and the measures to mitigate them.

Going Concern

The directors are satisfied that the Company has adequate resources to continue its business for the foreseeable future and consequently consider it appropriate to adopt the going concern basis in preparing the financial statements.

Mumbai
April 11, 2014

Keki M. Mistry
Chairman

Declaration

This is to confirm that for the year 2013-14, all Board members and senior management personnel have affirmed compliance with the Code of Conduct of GRUH.

Mumbai
April 11, 2014

Marcus Lobo
Company Secretary

Sudhin Choksey
Managing Director / CEO

AUDITOR'S CERTIFICATE

To the Members of GRUH Finance Limited

We have examined the compliance of conditions of Corporate Governance by GRUH Finance Limited, for the year ended on 31st March, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representation made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Mumbai
April 11, 2014

CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Review of the Chairman of the Audit Committee of Directors

The Audit Committee of directors, comprising of four non-executive directors – majority of them independent directors - met four times during the last financial year. The Committee reviewed with the Management and the Auditors all the issues which are required to be reviewed by the Audit Committee pursuant to the Listing Agreement with the Stock Exchanges as also the Companies Act, 1956, which *inter alia* included review of Management Discussion and Analysis of financial conditions and results of operations, and other matters pertaining to disclosures of related party transactions and disclosures of accounting treatment. The Audit Committee has also reviewed the observations of the Internal and Statutory Auditors in relation to all areas of operations of the Company as also the internal control systems. In addition, the Committee has been examining all areas of risks associated with the business of the Company and has reviewed the measures initiated by the Company for mitigating these risks. The Audit Committee has also reviewed the actions taken by the Company on various observations and queries of the Auditors. The Audit Committee oversees the implementation of the Asset Liability Management and reviews the ALM position vis-à-vis risk management.

S. M. PALIA
Chairman
Audit Committee of Directors

Review of the Chairman of the Compensation Committee of Directors

The Compensation Committee of directors, which primarily reviews the compensation payable to the Managing Director and Executive Director of the Company, met once during the last financial year. The Compensation Committee comprises of three non-executive directors. The Committee has considered the contribution of the Managing Director and the Executive Director of the Company in development of business and improving the performance of the Company and kept in view salaries paid to senior executives of other companies in the financial and banking sector, whilst fixing the remuneration of the Managing Director and the Executive Director of the Company.

S. M. PALIA
Chairman
Compensation Committee of Directors

Review of the Chairman of the Shareholders' / Investors' Grievance Committee of Directors

The Shareholders' / Investors' Grievance Committee of directors, comprising of three directors met five times during the last financial year. The Committee reviewed the different activities being carried out by the secretarial department of the Company and also reviewed the share transfers and dematerialisation of shares during the period. The Committee also reviewed the steps taken by the Company to redress the grievances of the investors. There were no complaints pending for being resolved during the year.

ROHIT C. MEHTA
Chairman
Shareholders' / Investors' Grievance Committee of Directors



Hope

LOOKING AHEAD TO VALUE DRIVEN GROWTH

In the villages where we spend a lot of our professional time, the night sky is always studded with the light of the stars. And at times like these we think of all the Indian astronomers and star gazers who created the concept of the Zodiac and the 'Nakshatras' (the 27 lunar mansions). These were studied to provide clues on changing seasons, weather and even personal destinies.

Our founder Mr. H.T. Parekh also looked at the stars even as he kept his feet firmly on the ground. He pushed ceaselessly for a mortgage finance institution to change the scenario for rural homes and happiness. Now as we cross the 28th milestone—the year of striving for perfection—we remember his mandate for an institution grounded in transparent disclosure and best practices in management and accounting. The prestigious awards we have received for 'Excellence in Financial Reporting' from the renowned South Asia Federation of Accountants (apex body of SAARC) as well as India's well known forum—the ICAI, are only a reminder that we have many challenges. But we also have many inspirations and a great future to look forward to in the years ahead. The time has come when 'makaan' (shelter) will become a priority for governments and institutions because common people have already crossed the aspiration level of 'roti' and 'kapda' (food and clothing). And GRUH is well positioned to help them make this transformative leap.

INFORMATION FOR SHAREHOLDERS

Shareholders / Investors service

GRUH has its in-house secretarial department under the overall supervision of Mr. Marcus Lobo – Company Secretary / Compliance Officer. For any assistance regarding share transfers, transmissions, change of address, non receipt of dividend, duplicate /missing share certificates and other matters pertaining to your shares, please write to the following address:

Secretarial Department : Registrar & Transfer Agent :

GRUH Finance Ltd.: "GRUH" Netaji Marg, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006 Tel : 079-32901222 - 1223; Fax : 079-2656 0649 Email:investorcare@gruh.com CIN : L65923GJ1986PLC008809	MCS Limited: Unit : "GRUH" 101, Shatdal Complex, 1 st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad- 380 009 Tel : 079-26582878-80, 26584027 Fax : 079-26581296
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Listing of Equity Shares

GRUH's shares are listed on the BSE Ltd. and National Stock Exchange of India Ltd.

The Stock Code Nos. are : BSE: 511288; NSE: GRUH

The company has paid listing fees to BSE and NSE for the financial year 2014-15.

Listing of Debt Securities

GRUH's NCDs (Series – SD-001 and SD-002 aggregating to ₹ 35 crores) are listed on the Wholesale Debt Market (WDM) segment of the National Stock Exchange of India Limited (NSE).

Debenture Trustees

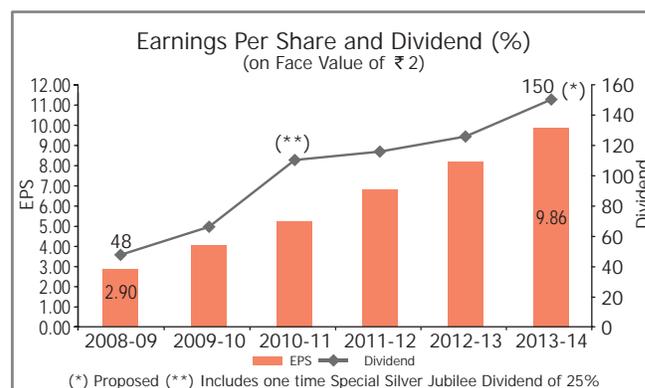
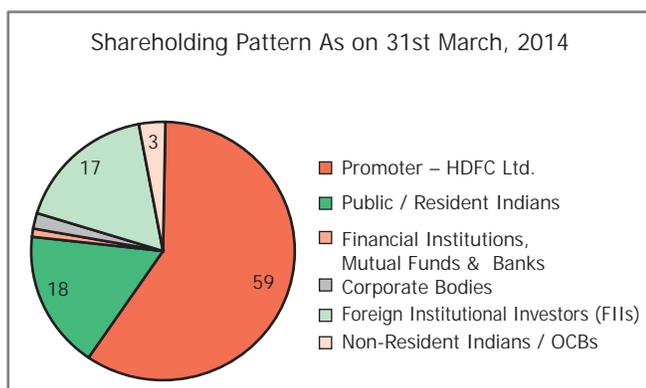
IDBI Trusteeship Services Limited, Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 021.

Shareholding Pattern as at March 31, 2014

Category	No. of Share-holders	Total No. of Shares Held	% to Capital
Promoter – HDFC Ltd.	1	106538925	59.15
Public /Resident Indians	17557	31800155	17.65
Financial Institutions,			
Mutual Funds & Banks	13	1211774	0.67
Corporate Bodies	472	3665082	2.03
Foreign Institutional Investors (FIIs)	72	31455897	17.46
Non-Resident Indians / OCBs	372	5459317	3.03
Total >>>	18487	180131150	100.00

Top ten shareholders of GRUH as at March 31, 2014

Name	No. of shares	% of Capital
Housing Development Finance Corporation Limited	106538925	59.15
Smallcap World Fund, INC	5450000	3.03
Wasatch International Growth Fund	2475083	1.37
Route One Investment Co. L.P. A/c. Route One Fund I L.P.	2047623	1.14
Route One Investment Co. L.P. A/c. Route One Offshore master Fund L.P.	1872490	1.04
Acacia Partners, LP	1848000	1.03
Matthews Asia Small Companies Fund	1704502	0.95
Dr. Sanjeev Arora	1422864	0.79
India Emerging Opportunities Fund Ltd	11657952	0.65
Ward Ferry Management Limited A/c. WF India Reconnaissance Fund Limited	1317000	0.74



Distribution of Shareholding As At March 31, 2014

No. of Shares held	Folios		Shares	
	Numbers	%	Numbers	%
Upto 500	10695	57.85	2163855	1.20
501 to 1000	2404	13.00	1904206	1.06
1001 to 5000	4426	23.94	9197520	5.11
5001 to 10000	462	2.50	3389408	1.88
10001 to 50000	354	1.91	7411196	4.11
50001 to 100000	58	0.31	4213695	2.34
100001 and above	88	0.48	151851270	83.30
Total	18487	100.00	180131150	100.00

Dematerialisation of Shares

As at March 31, 2014, 98.10 % of equity shares of GRUH have been dematerialised by shareholders through National Securities Depository Limited and Central Depository Services (India) Limited.

ISIN for NSDL & CDSL : INE 580B01029

The status of shares which have been dematerialised and shares which are held in physical form as at March 31, 2014 are as under:

Particulars	No. of shares	(%)
Shares held in physical form	3429740	1.90
Shares held in electronic form	176701410	98.10
Total Shares	180131150	100.00

Details regarding dividend paid during the last 7 years

Year	Rate (%)	Book Closure Date	AGM Date	Payment Date
2006-07	30	June 1, 2007 to June 7, 2007	July 27, 2007	July 27, 2007
2007-08	40	July 15, 2008 to July 25, 2008	July 25, 2008	July 25, 2008
2008-09	48	June 18, 2009 to June 30, 2009	June 30, 2009	June 30, 2009
2009-10	65	June 17, 2010 to June 29, 2010	June 29, 2010	June 29, 2010
2010-11	110	July 5, 2011 to July 14, 2011	July 14, 2011	July 18, 2011
2011-12	115	June 8, 2012 to June 18, 2012	June 18, 2012	June 18, 2012
2012-13	125	July 28, 2013 to July 8, 2013	July 8, 2013	July 10, 2013

NB: Shareholders who have not received the dividends may kindly contact the secretarial department.

Unclaimed Dividend and Unclaimed Deposits

The Company has transferred all unclaimed/unpaid dividends up to the financial year 2005-06 to the Investor Education and Protection Fund, as applicable. The Company has also transferred matured deposits and interest thereon for the year 2005-06 remaining unclaimed / unpaid, to the Investor Education and Protection Fund, in accordance with the current regulations.

Members who have either not received or have not encashed their dividend warrant(s) for the financial years 2006-07 to 2012-13 are requested to claim the unpaid dividend from the Company before transfer to the above mentioned fund. After transfer of unpaid/unclaimed dividend amount to the Investor Education and Protection Fund, the same cannot be claimed subsequently.

Dividends that have not been claimed by the shareholders for the financial year 2006-07 will have to be transferred to the Investor Education and Protection Fund in August 2014 in accordance with the current regulations.

The details of the unclaimed dividend and the last date for claiming the same, prior to its transfer to the IEPF, are as under:

Financial year	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2014 (₹)	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
06-07	1,018	4,69,317	0.45	July 27, '07	Aug 24, '14
07-08	1,036	6,58,664	0.48	July 25, '08	Aug 23, '15
08-09	1,099	8,51,702	0.51	June 30, '09	July 28, '16
09-10	1,101	11,08,338	0.49	June 29, '10	July 27, '17
10-11	1,083	17,61,177	0.45	July 14, '11	Aug 11, '18
11-12	1,209	19,80,402	0.49	June 18, '12	July 17, '19
12-13	1,252	21,86,019	0.49	July 8, '13	Aug 5, '20

Nomination Facility

Where shares are held in single name, in case of an unfortunate death of the shareholder, the process of transmission is cumbersome as it requires submission of succession certificate / letter of probate / will, etc. Shareholders holding shares in single name and in physical form are requested to submit the prescribed form 2B (in duplicate) to the secretarial department to avail of the nomination facility. Shareholders may contact the secretarial department for the said form. Shareholders holding shares in demat form are requested to contact their depository participants for availing the nomination facility.

Financial year

The Company follows financial year April to March.

Outstanding GDRs / ADRs / warrants

The Company does not have any GDRs/ ADRs / Warrants or any convertible instruments.

Book Closure

The register of members and share transfer books of the Company will remain closed on May 7, 2014, for the purpose of AGM/Dividend.

Dividend Payment

The Board of Directors of GRUH has recommended a dividend of 150% (₹ 3 per share) for the financial year ended March 31, 2014 for approval of the shareholders at the annual general meeting.

Dividend entitlement is as follows:

- (i) For shares held in physical form: shareholders whose names appear on the register of members of the Company as on Tuesday, May 6, 2014.
- (ii) For shares held in electronic form: beneficial owners whose names appear in the statement of beneficial position as downloaded by NSDL and CDSL as at the relevant book close date.

Dividend, if declared by the members shall be paid on or after May 28, 2014 but within the statutory time limit.

28TH Annual General Meeting

Date : May 28, 2014,

Day : Wednesday

Time : 10.30 a.m.

Venue : H.T. Parekh Convention Centre,
Ahmedabad Management Association (AMA),
ATIRA Campus, Dr. Vikram Sarabhai Marg,
Ahmedabad 380 015.

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-validation 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

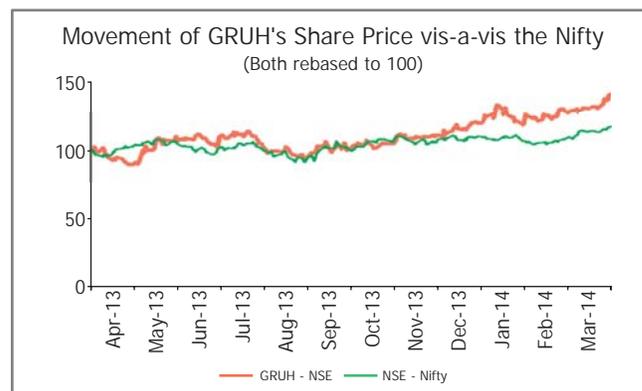
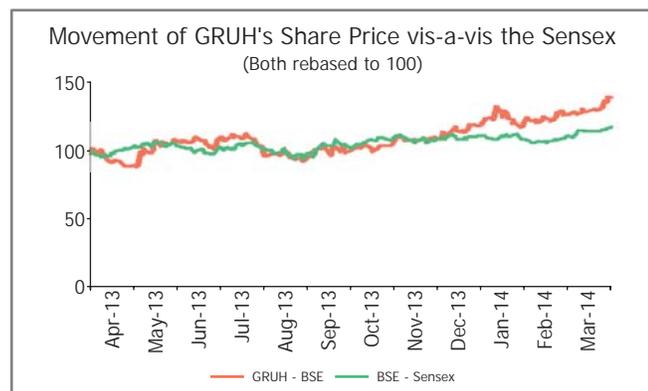
* Subject to receipt and verification of valid documents and requisite approvals.

The investors are requested to contact the Secretarial Department for availing any of the above 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 tabled at the meetings of the Investor Relations & Grievance Committee, for its review and noting.

Measuring Shareholders' Value

At GRUH, we believe in maximizing the wealth of 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	2013-14	2012-13	2011-12	2010-11	2009-10
Closing Market Capitalisation	5319.27	3753.36	2248.60	1266.38	756.14
Opening Market Capitalisation	3753.36	2248.60	1268.38	756.14	324.69
Money raised during the year from Shareholders	10.52	12.30	2.39	7.12	1.17
Net Capital Appreciation/ (Depreciation)	1555.39	1492.46	977.83	503.12	430.28
Dividend including dividend tax	63.49	52.46	47.29	45.04	26.32
Total Gain / Loss	1618.88	1544.92	1025.12	548.16	456.60
Gain / (Loss) to Opening Market Capitalisation (%)	43.13	68.71	80.82	72.50	140.63

B. Enterprise Value

Enterprise Value (EV) measures the value of a Company as on a particular date. It is calculated by making adjustments to the market capitalisation of the Company. The formula for measuring Enterprise Value is :

Enterprise Value (EV) = Market Capitalisation + Total Debt – Cash Balance

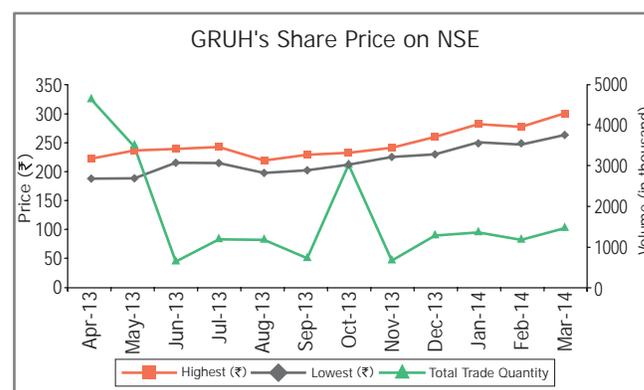
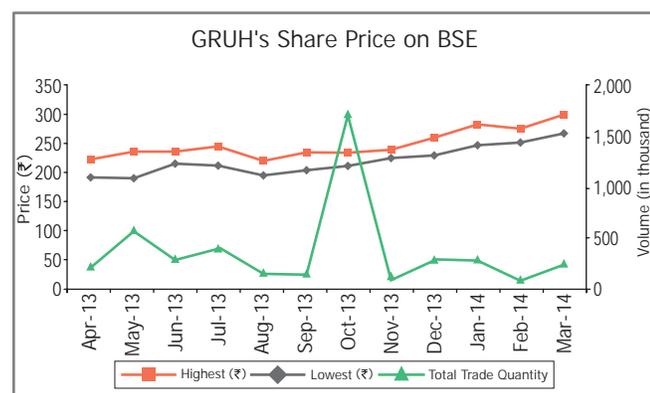
With the Enterprise Value as a measure, the companies can be compared easily irrespective of their capital structure. Moreover, Enterprise Value is used to calculate the ratio of EV to EBIDTA multiple.

EBIDTA stands for Earnings before Interest, Depreciation, Tax and other appropriations. Hence, it can be calculated by adding back the figures of interest, depreciation and other appropriations to the amount of Profit Before Tax (PBT). It indicates that the value of enterprise is equal to number of times of the Company's earnings. As the figures of Interest, depreciation and tax are added back, it makes the comparison between two enterprises easier by eliminating all the accounting and tax differences.

(₹ in Crores)

Particulars	2014	2013	2012	2011	2010
As At March 31,					
Number of Equity Shares of ₹ 2 each (Up to FY 1112, ₹ 10 each) (crores)	18.01	17.85	3.53	3.52	3.47
Market Price (₹) of face value of ₹ 2 each (Up to FY 1112, ₹ 10 each)*	295.30	210.30	636.95	360.20	217.75
Market Capitalisation	5319.27	3753.36	2248.60	1266.38	756.14
Total Debt	6447.49	4914.52	3833.00	2966.33	2323.12
Cash	15.67	13.12	114.98	93.69	135.60
Enterprise Value (EV)	11751.09	8654.76	5966.62	4139.02	2943.66
EBIDTA	790.54	603.20	475.23	328.32	276.06
EV/ EBIDTA (Times)	14.86	14.35	12.56	12.61	10.66
TOTAL INCOME	846.16	650.45	514.24	361.27	309.06
EV/TOTAL INCOME (Times)	13.89	13.31	11.60	11.46	9.52

*Considered as the price on the stock exchange where maximum number of shares have been traded.



Stock Market Data:

Monthly high and low quotations as well as the volume of shares traded at the Bombay Stock Exchange Limited and the NSE for 2013-14 along with the BSE Sensex and NIFTY are as follows:

BSE 2013-2014:

Month	Highest (₹)	Lowest (₹)	Volume of Shares traded	BSE Sensex (monthly Close)
April 2013	220.70	188.00	225482	19504
May 2013	234.80	189.00	584971	19760
June 2013	234.65	214.00	312997	19396
July 2013	245.40	209.20	410405	19346
August 2013	217.95	195.75	167193	18020
September 2013	234.00	202.00	174523	19380
October 2013	233.00	210.05	1713465	21165
November 2013	237.90	225.45	138472	20792
December 2013	257.80	229.50	304173	21171
January 2014	282.45	245.70	309407	20514
February 2014	273.90	249.10	95003	21120
March 2014	299.00	265.20	266025	22386

NSE 2013-2014:

Month	Highest (₹)	Lowest (₹)	Volume of Shares traded	NIFTY (monthly Close)
April 2013	221.05	189.10	4667119	5930
May 2013	234.70	189.10	3553125	5896
June 2013	236.70	214.05	714023	5842
July 2013	241.80	214.50	1270155	5742
August 2013	217.45	196.25	1226237	5472
September 2013	226.90	201.10	781566	5735
October 2013	232.00	211.15	3109547	6299
November 2013	237.00	226.60	698996	6176
December 2013	257.90	229.55	1352480	6304
January 2014	282.00	247.00	1410353	6090
February 2014	275.00	248.00	1249832	6277
March 2014	299.00	261.60	1485374	6704

OTHER INFORMATION :

Equity History :

Particulars	No. of shares issued (of ₹ 2 each)	Year
Subscription by Institutions	1,00,00,000	1987
Rights Issue	50,00,000	1992
Public Issue	1,07,50,000	1992
Reserved for allotment in Rights Issue (conversion of Part "A" of FCDs issued to GRUH Employees Welfare Trust)	6,25,000	1994
Rights Issue (conversion of Part "A" of FCDs issued to Shareholder(s))	1,28,75,000	1995
Reserved for allotment in Rights issue (conversion of Part "B" of FCDs issued to GRUH Employees Welfare Trust)	12,50,000	1995
Rights Issue (conversion of Part "B" of FCDs issued to Shareholder(s))	2,57,50,000	1995

Particulars	No. of shares issued (of ₹ 2 each)	Year
Rights Issue (conversion of FCDs issued to Shareholder(s))	6,62,50,000	1999
Rights Issue	3,97,50,000	2006
Allotment under ESOS	9,25,990	FY 06-07
Allotment under ESOS	62,505	FY 07-08
Allotment under ESOS	21,305	FY 08-09
Allotment under ESOS	3,65,950	FY 09-10
Allotment under ESOS	21,62,415	FY 10-11
Allotment under ESOS	7,25,025	FY 11-12
Allotment under ESOS	19,63,485	FY 12-13
Allotment under ESOS	16,36,475	FY 13-14
Total : (As at March 31, 2014)	18,01,13,150	

Note: The nominal face value of the equity shares of the Company was sub-divided from ₹ 10 per equity share to ₹ 2 per equity share, with effect from July 26, 2012. Accordingly, for ease of comparison, all issues have been represented by equity shares of ₹ 2 each.



Customization

THE CONTINUING CONUNDRUM OF UNFULFILLED DEMAND

Rural housing is still a bit like a challenging puzzle where many permutations have been tried and many more will be required, to solve the problem of meeting the staggering demand for more than 18 million homes. While it is true that construction norms have been revised to provide more incentives for investment in affordable housing, the multiplier effect of new policy initiatives like the Rural Housing Fund are still to make an impact and create the desired spin-offs.

GRUH has its package of tailor made products like GRUH SURAKSHA, GRUH SUVIDHA, GRUH SAJAVAT and GRUH SAMRUDDHI which provide a custom fit to retail borrowers from the formal to the informal and self-employed sector. As the country moves past the current preoccupation with re-constitution of Governments and review of growth initiatives, the industry will look forward to newer measures that can revive demand and fill the gap. This is an opportunity. It is also a challenge.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRUH FINANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of GRUH Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the returns received from branches not visited by us;

- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Mumbai
April 11, 2014

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Re : GRUH FINANCE LIMITED

Referred to in Paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date,

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Some of the fixed assets were physically verified by the management during the year in accordance with a regular programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) The stocks of acquired properties have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of stock of acquired properties followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of acquired properties. No discrepancy was noticed on verification between the physical properties and the book records.
- (iii) The Company has not granted / taken any loan to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii,b), (iii,c), (iii,d), (iii,e), (iii,f) and (iii,g) of paragraph 4 of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to acquisition of properties, fixed assets and with regard to the sale of properties and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no contracts or arrangements that needs to be entered in the register maintained under section 301 of the Companies Act, 1956. Consequently, requirement of clauses (v,a) and (v,b) of paragraph 4 of the order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956, the Housing Finance Companies (NHB) Directions, 2010 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) The Company is not engaged in production, processing, manufacturing or mining activities. Therefore, the provisions of clause (viii) of paragraph 4 of the order are not applicable.

- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, cess were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, following amounts have not been deposited as on March 31, 2014 on account of any dispute:

<u>Nature of Statute</u>	<u>Nature of the dues</u>	<u>(₹) in crore</u>	<u>Period to which the matter pertains</u>	<u>Forum where matter is pending</u>
Income Tax Act	Income Tax	0.23	2007-2008	Commissioner of Income Tax (Appeals)
Income Tax Act	Income Tax	0.92	2010-2011	Commissioner of Income Tax (Appeals)

- (x) The Company neither has any accumulated losses nor has incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or debenture holders.
- (xii) The loans granted by the Company are primarily secured / partly secured by the equitable mortgage of the property. Based on our examination of documents and records and evaluation of internal controls, we are of the opinion that the Company has maintained adequate documents and records wherever it has granted loans and advances on the basis of collateral security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a Nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial Institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, *prima facie*, applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.
- (xvii) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not, *prima facie*, been used during the year for long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and the records examined by us, the Company has created security and charges in respect of Debentures issued during the year.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context and size of the Company and the nature of its business and which have been provided for.

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

CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Mumbai
April 11, 2014

BALANCE SHEET AS AT MARCH 31, 2014

	Notes		March 31, 2014	(₹ in crores) March 31, 2013
<u>EQUITY AND LIABILITIES</u>				
Share Holders' Funds				
Share Capital	2	36.03		35.70
Reserves and Surplus	3	571.21		455.29
			607.24	490.99
Non-Current Liabilities				
Long-Term Borrowings	4	5,054.33		3,705.75
Other Long-Term Liabilities	5	15.52		22.06
Long-Term Provisions	6	52.87		41.70
			5,122.72	3,769.51
Current Liabilities				
Short-Term Borrowings	7	472.99		68.77
Trade Payables	8	0.80		0.75
Other Current Liabilities	9	974.35		1,215.70
Short-Term Provisions	6	65.12		54.31
			1,513.26	1,339.53
			<u>7,243.22</u>	<u>5,600.03</u>
<u>ASSETS</u>				
Non-Current Assets				
Fixed Assets				
Tangible Assets	10	10.47		10.48
Intangible Assets	11	0.56		1.30
Non-Current Investments	12	43.28		40.33
Deferred Tax Asset (Net)	13	16.90		12.46
Long-Term Loans and Advances				
Loans	14.1	6,579.62		5,015.35
Others	14.6	26.82		27.03
			6,677.65	5,106.95
Current Assets				
Current Investments	12	9.68		24.81
Cash and Bank Balances	15	83.17		22.12
Short-Term Loans and Advances	16	37.09		21.72
Other Current Assets				
Loans	17.1	429.42		422.45
Others	17.2	6.21		1.98
			565.57	493.08
			<u>7,243.22</u>	<u>5,600.03</u>
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 Registration No. 110417W
Chartered Accountants

CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Keki M. Mistry
Chairman

Directors
S. M. Palia
Rohit C. Mehta
Prafull Anubhai
Renu S. Karnad
K. G. Krishnamurthy
S. G. Mankad
Kamlesh Shah

Mumbai
April 11, 2014

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ON MARCH 31, 2014

	Notes	Current Year	(₹ in crores) Previous Year
INCOME			
Revenue from Operations	18	845.69	650.44
Other Income	19	0.47	0.01
		846.16	650.45
EXPENDITURE AND CHARGES			
Finance Cost	20	543.63	404.42
Employee Benefit Expenses	21	31.73	24.18
Establishment Expenses	22	7.14	5.94
Other Expenses	23	16.75	17.13
Depreciation and Amortisation Expenses	24	2.45	1.97
		601.70	453.64
PROFIT BEFORE TAX FOR THE YEAR		244.46	196.81
Tax Expenses :			
Current Tax		68.20	51.44
Deferred Tax (Net)		(0.70)	(0.51)
		67.50	50.93
PROFIT AFTER TAX FOR THE YEAR		176.96	145.88
Earnings per Equity Share (Face value of ₹ 2 per Share)	31		
Basic		9.860	8.209
Diluted		9.792	8.157

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 Registration No. 110417W
Chartered Accountants

CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Keki M. Mistry
Chairman

Directors
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K. G. Krishnamurthy
S. G. Mankad
Kamlesh Shah

Mumbai
April 11, 2014

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in crores)

	Current Year	Previous Year
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	244.46	196.81
Adjustments for:		
Depreciation	2.45	1.97
Brokerage Expenses Written Off	1.90	1.38
Bad Debts Written Off	0.77	1.59
Retirement Benefits	0.48	0.81
Loss on Sale of Acquired Properties	0.05	0.08
Provision for Loss to arise on Redemption of Investments	1.66	1.32
Loss / (Profit) on Sale of Tangible Assets (Net)	(0.46)	0.07
	<u>6.85</u>	<u>7.22</u>
Operating Profit Before Working Capital Changes	251.31	204.03
Changes in Working Capital:		
Increase / (Decrease) in Trade Payables	0.05	(0.43)
Increase / (Decrease) in Long-Term Provisions	(0.31)	(0.42)
Increase / (Decrease) in Short-Term Provisions	(0.21)	0.62
Increase / (Decrease) in Other Current Liabilities	(21.66)	56.55
Increase / (Decrease) in Other Long Term Liabilities	(6.54)	14.73
(Increase) / Decrease in Long-Term Loans and Advances	(0.29)	(0.59)
(Increase) / Decrease in Short-Term Loans and Advances	(14.73)	(1.07)
(Increase) / Decrease in Other Current Assets	(4.23)	0.95
Brokerage Paid	(2.91)	(2.07)
(Increase) / Decrease in Other Bank Balances	(58.50)	45.50
Stock of Acquired Properties	(1.46)	0.21
Investments (Net)	10.52	(42.03)
	<u>(100.27)</u>	<u>71.95</u>
Cash Generated from Operations	151.04	275.98
Taxes Paid (net of refunds)	(65.83)	(49.05)
Net Cash from Operations	85.21	226.93
Non Current Portion of Loans	(1,565.04)	(1,228.82)
Current Portion of Loans	(6.97)	(143.77)
	<u>(1,572.01)</u>	<u>(1,372.59)</u>
Net Cash used in operating activities before extraordinary items	(1,486.80)	(1,145.66)
Extraordinary Items	0.00	0.00
Net Cash used in operating activities	(1,486.80)	(1,145.66)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Tangible/Intangible Assets	(2.12)	(2.21)
Sale of Tangible Assets	0.88	0.03
Capital Advances	0.16	(0.10)
Net Cash used in Investing Activities	(1.08)	(2.28)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Share Allotment under Employee Stock Option Schemes	0.33	0.40
Securities Premium received	10.19	11.90
Securities Premium utilized	(0.73)	(0.42)
Dividends Paid	(44.63)	(40.61)
Dividend Distribution Tax	(7.62)	(6.63)
Unclaimed Dividend Paid	(0.09)	(0.07)
Availment/(Repayment) of Long-Term Borrowings	1,348.58	1,001.68

Availment/(Repayment) of Short-Term Borrowings	404.22	(163.58)
Changes in Current maturities of Long-Term Borrowings	(220.35)	244.12
Changes in Unclaimed Matured Deposits and Interest Accrued thereon	<u>0.53</u>	<u>(0.71)</u>
Net Cash used in Financing Activities	1,490.43	1,046.08
Net increase in Cash and Cash Equivalents	<u>2.55</u>	<u>(101.86)</u>
Cash and Cash Equivalents at the Beginning of the Year	13.12	114.98
Cash and Cash Equivalents at the end of the Year	15.67	13.12
Cash and Cash Equivalents Comprise of :		
Cash on Hand	0.05	0.04
Cheques on Hand	0.62	0.53
Balances with Banks Highly liquid investments*	<u>15.00</u>	<u>12.55</u>
Total	<u>15.67</u>	<u>13.12</u>
* Includes the following balances which are not available for use by the Company		
Unpaid Dividend Account	0.90	0.78

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 Registration No. 110417W
Chartered Accountants

CA. Chokshi Shreyas B.
Partner
Membership No. 100892

Keki M. Mistry
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Kamlesh Shah

Mumbai
April 11, 2014

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Convention

The Financial Statements have been prepared in accordance with historical cost convention, applicable Accounting Standards and relevant provisions of the Companies Act, 1956 and guidelines issued by the National Housing Bank.

The preparation of Financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

1.2 System of Accounting

The Company adopts the accrual concept in the preparation of the accounts. The Balance Sheet and Statement of Profit and Loss of the Company are prepared in accordance with the provisions contained in the Companies Act, 1956, read with Schedule VI thereto.

1.3 Inflation

Assets and Liabilities are recorded at historical cost to the Company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

1.4 Interest on Housing Loans

Repayments of housing loans is by way of Equated Monthly Instalments (EMIs) comprising principal and interest. Interest on loans is computed either on an annual rest or on a monthly rest basis. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, Pre-EMI interest is payable every month.

1.5 Income from Investment

Income from investment is accounted on an accrual basis. The gain/loss on account of investments in debentures/bonds and government securities held as long-term investments and acquired at a discount/premium, is recognised over the life of the security on a pro-rata basis.

1.6 Investments

Investments are stated at cost inclusive of related expenses and are classified into Current or Long-Term categories. Provision for diminution in value of investments is made if management perceives that there is significant permanent diminution in value of investments or in accordance with the norms prescribed by the National Housing Bank and Accounting Standard on 'Accounting for Investments' (AS-13).

1.7 Brokerage on Deposit

Brokerage, other than incentives, paid on deposits is amortised over the period of the deposit. Incentives, which is payable to agents who achieve certain collection targets, is charged to Statement of Profit and Loss.

1.8 Stock of Acquired and/or Developed Properties

Stock of acquired and/or developed properties is valued at realisable value or outstanding dues, whichever is less. In case of properties acquired and developed, the value includes appropriate share of development expenses.

1.9 Tax on Income

The accounting treatment for the Income Tax in respect of the Company's income is based on the Accounting Standard on 'Accounting for Taxes on Income' (AS-22). The provision made for Income Tax in Accounts comprises both, the current tax and deferred tax.

Deferred tax is recognised for all timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. The carrying amount of deferred tax asset/liability is reviewed at each Balance Sheet date and consequential adjustments are carried out.

1.10 Fixed Assets

Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses.

1.11 Intangible Assets

Intangible Assets comprising of Computer Software are stated at cost of acquisition, including any cost attributable for bringing the same in its working condition less accumulated amortisation. Any expenses on such software for support and maintenance payable annually are charged to revenue.

1.12 Depreciation

Fixed Assets :

- i) Depreciation is provided on all assets except office premises and residential premises on "Written Down Value Method" under section 205 (2) (a) at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956.
- ii) Depreciation on office premises and residential premises is provided on "Straight Line Method" under section 205 (2) (b) at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956.

Intangible Assets :

Computer software is amortised over a period of four years on Straight Line Basis.

1.13 Provision for Contingencies

The Company's policy is to carry adequate amounts in the Provision for Contingencies account to cover the principal amount outstanding in respect of all non-performing assets, standard assets as also all other contingencies. All loans and other credit exposures where the instalments are overdue for ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank. The provisioning policy of the Company covers the minimum provisioning required as per the NHB guidelines.

1.14 Employee Benefits

The Company has Defined Contribution Plans for post employment benefits namely Provident Fund and Superannuation Fund which are recognized by the Income Tax Authorities. These funds are administered through trustees and the Company's contributions thereto are charged to revenue every year. The Company's Contribution to State Plans namely Employee's Pension Scheme is charged to revenue every year.

The Company has Defined Benefit Plans namely leave encashment / compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end based on the Projected Unit Credit method and incremental liability, if any, is provided for in the books. Gratuity scheme is administered through trust recognised by the Income Tax Authorities.

Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in Statement of Profit and Loss as income or expense.

1.15 Contingent Liabilities

Contingent liabilities, if any, are disclosed in the notes on accounts. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liabilities after the year end till the adoption of accounts by Board of Directors and which have material effect on the position stated in the Balance Sheet.

1.16 Capital Issue Expenses

Expenses in connection with issue of Shares and Debentures are being adjusted against Security Premium as permitted by section 78 of the Companies Act, 1956.

2 SHARE CAPITAL

		(₹ in crores)	
		As At March 31, 2014	As At March 31, 2013
Authorised			
25,00,00,000	Equity Shares of ₹ 2 each (Previous Year 25,00,00,000 Shares of ₹ 2 each)	50.00	50.00
		<u>50.00</u>	<u>50.00</u>
Issued and Subscribed			
18,01,31,150	Equity Shares of ₹ 2 each (Previous Year 17,84,76,675 Shares of ₹ 2 each)	36.03	35.70
		<u>36.03</u>	<u>35.70</u>
Paid Up			
18,01,31,150	Equity Shares of ₹ 2 each (Previous Year 17,84,76,675 Shares of ₹ 2 each)	36.03	35.70
		<u>36.03</u>	<u>35.70</u>

2.1 Reconciliation of Number of Shares

Particulars	As At March 31, 2014		As At March 31, 2013	
	No. of Shares	₹ in crores	No. of Shares	₹ in crores
Equity Shares outstanding at the beginning of the year	17,84,76,675	35.70	17,65,13,190	35.30
Add : Shares allotted pursuant to exercise of stock options under ESOS	16,54,475	0.33	19,63,485	0.40
Equity Shares outstanding at the end of the year	<u>18,01,31,150</u>	<u>36.03</u>	<u>17,84,76,675</u>	<u>35.70</u>

2.2 Terms/Rights attached to Equity Shares

The Company has one class of share referred to as equity shares having a par value of ₹ 2 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

2.3 Shares held by Holding Company

Particulars	As At March 31, 2014		As At March 31, 2013	
	No. of Shares	₹ in crores	No. of Shares	₹ in crores
Holding Company - HDFC Limited	10,65,38,925		10,65,38,925	

2.4 Details of Shares held by Shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As At	As At
	March 31, 2014	March 31, 2013
Holding Company - HDFC Limited	10,65,38,925	10,65,38,925
% of Shareholding	59.15	59.69

2.5 Shares reserved for issue under options

- (a) During the year, the Company has issued 16,54,475 (Previous Year 19,63,485) shares on exercise of Options granted to its employees and Directors under ESOS Schemes.
- (b) As at March 31, 2014, the Company has following Employee Stock Option Schemes, the features of the same are as follows :

Scheme	ESOS – 2011 Tranche - II	ESOS - 2011 Tranche - I
Date of Grant	October 25, 2011	February 10, 2011
Number of options granted	51,050	11,72,849
Exercise Price per option	₹ 548.80	₹ 317.85
Date of vesting	The vesting will be as under : 30% on October 25, 2012 35% on October 25, 2013 35% on October 25, 2014	The vesting will be as under : 30% on February 10, 2012 35% on February 10, 2013 35% on February 10, 2014
Exercise Period	Within 3 years from the date of respective vesting.	Within 3 years from the date of respective vesting.
Method of settlement	Through allotment of five Equity Shares for each option granted.	Through allotment of five Equity Shares for each option granted.

- (c) Intrinsic Value Method has been used to account for the employee share based payment plans. The intrinsic value of each stock option granted under the ESOS - 2011 Tranche II and ESOS - 2011 Tranche I plan is ₹ Nil, since the market price of the underlying share at the grant date was same as the exercise price and consequently the accounting value of the option (compensation cost) is ₹ Nil.
- (d) Further details of the stock option plans are as follows :

Particulars	ESOS - 2011 Tranche II	ESOS - 2011 Tranche I
Options Outstanding at start of the year	12,285	3,49,968
Options granted during the year	Nil	Nil
Options not vested at the start of the year	28,665	3,25,107
Options Lapsed during the year	9,200	15,393
Options Exercised during the year	Nil	3,30,895
Options vested but not exercised at end of the year	20,634	3,28,787
Options not vested at end of the year	11,116	Nil
Weighted Average Exercise Price per Option	₹ 548.80	₹ 317.85

- (e) The Black-Scholes Model have been used to derive the estimated value of stock option granted, if the fair value method to account for the employee share based payment plans were to be used. The estimated value of each stock options and the parameters used for deriving the estimated value of Stock Option granted under Black-Scholes Model is as follows :

Particulars	ESOS - 2011 (Tranche - II)			ESOS - 2011 (Tranche - I)		
	Vesting on Oct. 25, 2012	Vesting on Oct. 25, 2013	Vesting on Oct. 25, 2014	Vesting on Feb. 10, 2012	Vesting on Feb. 10, 2013	Vesting on Feb. 10, 2014
Estimated Value of						
Stock Options (₹)	70.00	101.00	116.00	51.00	67.00	75.00
Share Price at Grant Date (₹)	548.80	548.80	548.80	317.85	317.85	317.85
Exercise Price (₹)	548.80	548.80	548.80	317.85	317.85	317.85
Expected Volatility (%)	25.00	25.00	25.00	30.00	30.00	30.00
Dividend Yield Rate (%)	2.20	2.90	3.75	2.20	2.90	3.75
Expected Life of Options (in days)	366	731	1096	455	821	1186
Risk Free Rate of Interest (%)	8.65	8.69	8.61	7.54	7.65	7.85

- (f) Had the compensation cost for the stock options granted under ESOS - 2011 (Tranche - I) and ESOS - 2011 (Tranche - II) been determined on fair value approach, the Company's Profit After Tax and earnings per share would have been as pro-forma amounts indicated below :

Particulars	(₹ in crores)	
	2013-14	2012-13
Profit After Tax as reported	176.96	145.88
Less : Amortisation of Compensation Cost (pro-forma)	0.76	1.89
Profit considered for computing EPS (pro-forma)	176.20	143.99
Earnings Per Share - Basic		
- as reported	9.860	8.209
- pro-forma	9.818	8.102
Earnings Per Share - Diluted		
- as reported	9.792	8.157
- pro-forma	9.750	8.051

2.6 Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	As At	As At
	March 31, 2014	March 31, 2013
On Equity Shares of ₹ 2 each		
Dividend Per Equity Share (₹)	3.00	2.50
Dividend Proposed (%)	150	125

3 RESERVES AND SURPLUS

	As At March 31, 2014	(₹ in crores) As At March 31, 2013
Special Reserve		
Opening Balance	184.21	147.21
Add : Transfer from Statement of Profit and Loss	45.00	37.00
	229.21	184.21
General Reserve		
Opening Balance	58.13	40.63
Add : Transfer from Statement of Profit and Loss	20.00	17.50
	78.13	58.13
Additional Reserve (U/S 29C of the NHB Act)		
Opening Balance	20.00	7.50
Add : Transfer from Statement of Profit and Loss	15.00	12.50
Less : Utilised during the year (Net of Deferred Tax of ₹ 3.74 crores Previous Year ₹ Nil)	7.26	0.00
	27.74	20.00
Securities Premium		
Opening Balance	82.83	71.21
Add : Received during the year	10.19	11.90
Less : Utilised during the year [Net of tax ₹ 0.25 crore (Previous Year ₹ 0.14 crore)]	0.48	0.28
	92.54	82.83
Surplus in Statement of Profit and Loss		
Opening Balance	110.12	83.70
Add : Profit for the year	176.96	145.88
Amount Available for Appropriation	287.08	229.58
Appropriation :		
Special Reserve	45.00	37.00
General Reserve	20.00	17.50
Additional Reserve (u/s 29C of the NHB Act)	15.00	12.50
Proposed Dividend	54.04	44.62
Tax on Proposed Dividend	9.18	7.58
Dividend pertaining to previous year paid during the year	0.27	0.26
	143.59	110.12
	571.21	455.29

- 3.1 As per Section 29C(i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profit every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Company under Section 36(1) (viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The Company has transferred an amount of ₹ 45 crores (Previous Year ₹ 37 crores) to Special Reserve in terms of Section 36 (1)(viii) of the Income Tax Act, 1961. The Company doesn't anticipate any withdrawal from Special Reserve in foreseeable future.
- 3.2 The Company has transferred an amount of ₹ 15 crores (Previous Year ₹ 12.50 crores) to Additional Reserve u/s 29C of the National Housing Bank Act, 1987. During the year, an amount of ₹ 7.26 crores (Previous Year ₹ Nil) net of Deferred Tax of ₹ 3.74 crores (Previous year ₹ Nil) has been transferred from Additional Reserve Account as per Section 29C of the National Housing Bank Act, 1987 pursuant to circular NHB(ND)/DRS/Pol-No.03/2004-05 dated August 26, 2004 to Provision for Contingencies Account.

3.3 In respect of equity shares issued pursuant to Employee Stock Option Scheme, the Company has paid dividend of ₹ 0.23 crore for the year 2012-13 (Previous year ₹ 0.22 crore) and tax on dividend of ₹ 0.04 crore (Previous year ₹ 0.04 crore) as approved by the shareholders at the Annual General Meeting held on July 8, 2013.

3.4 In terms of requirement of NHB's Circular No. NHB(ND)/DRS/Pol.Circular.61/2013-14 dated April 7, 2014 following information on Reserve Fund under section 29C of the NHB Act, 1987 is provided :

Particulars	(₹ in crores)	
	As At March 31, 2014	As At March 31, 2013
Balance at the beginning of the year		
(a) Statutory Reserve u/s 29C of the NHB Act, 1987	20.00	7.50
(b) Amount of Special Reserve u/s 36 (1)(viii) of the Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of the NHB Act, 1987	184.21	147.21
	204.21	154.71
Addition / Appropriation / Withdrawal during the year		
Add :		
(a) Amount transferred u/s 29C of the NHB Act, 1987	15.00	12.50
(b) Amount of Special Reserve u/s 36 (1)(viii) of the Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of the NHB Act, 1987	45.00	37.00
Less :		
(a) Amount appropriated from Statutory Reserve u/s 29C of the NHB Act, 1987	7.26	0.00
(b) Amount withdrawn from Special Reserve u/s 36 (1)(viii) of the Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987	0.00	0.00
	256.95	204.21
Balance at the end of the year		
(a) Statutory Reserve u/s 29C of the NHB Act, 1987	27.74	20.00
(b) Amount of Special Reserve u/s 36 (1)(viii) of the Income Tax Act, 1961 taken into for the purpose of Statutory Reserve u/s 29C of the NHB Act, 1987	229.21	184.21
	256.95	204.21

4 LONG-TERM BORROWINGS

(₹ in crores)

	Non-Current Portion		Current Maturities	
	As At March 31, 2014	As At March 31, 2013	As At March 31, 2014	As At March 31, 2013
Secured Borrowings				
Term Loans				
National Housing Bank	2,547.71	1,786.50	398.88	523.61
Banks	1,715.00	1,234.50	200.00	130.00
Redeemable Non-Convertible Debentures	0.00	80.70	80.70	411.00
From Holding Company				
HDFC LOC KfW	11.31	12.30	1.02	0.97
	<u>4,274.02</u>	<u>3,114.00</u>	<u>680.60</u>	<u>1,065.58</u>
Unsecured Borrowings				
Redeemable Non-Convertible Subordinated Debentures	35.00	35.00	0.00	0.00
Public Deposits	745.31	556.75	236.01	71.38
	<u>780.31</u>	<u>591.75</u>	<u>236.01</u>	<u>71.38</u>
Amount disclosed under the head "Other Current Liabilities" (Note 9)	0.00	0.00	(916.61)	(1,136.96)
	<u>5,054.33</u>	<u>3,705.75</u>	<u>0.00</u>	<u>0.00</u>

4.1 Refinance from National Housing Bank (NHB) and Term Loans from Banks :

(a) Nature of Security

Refinance from National Housing Bank (NHB) and Term Loans from Banks are secured against negative lien on all the assets of the Company excluding :

- The specific immovable property mortgaged in favour of Debenture Trustees against the Secured Redeemable Non-Convertible Debentures;
- The Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against the Public Deposits; and
- Dwelling units financed under line of credit of KfW through HDFC.

(b) Maturity Profile of Term Loans from National Housing Bank

Previous Year figures are in (bracket)

(₹ in crores)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest					
05.50% - 08.00%	128.31 (155.96)	193.73 (254.26)	95.10 (135.55)	12.69 (39.40)	429.83 (585.17)
08.01% - 10.00%	216.85 (367.65)	417.71 (428.54)	365.45 (329.94)	788.12 (598.81)	1,788.13 (1,724.94)
10.01% - 12.00%	53.72 (0.00)	107.44 (0.00)	107.44 (0.00)	460.03 (0.00)	728.63 (0.00)

(c) Maturity Profile of Term Loans from Banks :

(₹ in crores)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest 10.00%	0.00 (130.00)	66.67 (0.00)	66.67 (0.00)	66.66 (0.00)	200.00 (130.00)
10.01% - 11.50%	200.00 (0.00)	290.00 (183.75)	290.00 (210.00)	935.00 (840.75)	1,715.00 (1,234.50)

4.2 Redeemable Non-Convertible Debentures :

Nature of Security

Redeemable Non-Convertible Debentures are secured by the mortgage of specific immovable property created in favour of Debenture Trustees and by a negative lien on all the assets of the Company excluding (i) the Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against the Public Deposits and (ii) Dwelling units financed under the line of credit of KfW through HDFC .

Terms of Repayment

(₹ in crores)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest 9.01% - 10.00%	80.70 (411.00)	0.00 (80.70)	0.00 (0.00)	0.00 (0.00)	80.70 (491.70)

4.3 Term Loan under Line of Credit from Kreditanstalt fur Wiederaufbau (KfW) through HDFC :

Nature of Security

Loan from HDFC is secured by negative lien on dwelling units financed under line of credit of KfW.

Terms of Repayment

(₹ in crores)

Maturities	≤ 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Rate of interest 9.50% - 10.20%	1.02 (0.97)	2.36 (2.23)	2.86 (2.69)	6.09 (7.38)	12.33 (13.27)

4.4 Unsecured Non-Convertible Subordinated Debentures :

9.75% Redeemable Non-Convertible Subordinated Debentures, for value aggregating to ₹ 35 crores are subordinated debt to present and future senior indebtedness of the Company and qualify as Tier II Capital under National Housing Bank's (NHB) guidelines for assessing capital adequacy. These NCDs are redeemable at par on March 22, 2023 (₹ 10 crores) and on March 25, 2023 (₹ 25 crores).

4.5 Public Deposits :

Public deposits as defined in Paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

5 OTHER LONG-TERM LIABILITIES

(₹ in crores)

	Non-Current Portion		Current Portion	
	As At March 31, 2014	As At March 31, 2013	As At March 31, 2014	As At March 31, 2013
Security Deposits	1.50	2.00	0.00	0.00
Interest Accrued but not Due on Borrowings	14.02	20.06	35.60	41.13
	<u>15.52</u>	<u>22.06</u>	<u>35.60</u>	<u>41.13</u>
Amount disclosed under the head "Other Current Liabilities" (Note 9)	0.00	0.00	(35.60)	(41.13)
	<u>15.52</u>	<u>22.06</u>	<u>0.00</u>	<u>0.00</u>

6 PROVISIONS

(₹ in crores)

	LONG-TERM		SHORT-TERM	
	As At March 31, 2014	As At March 31, 2013	As At March 31, 2014	As At March 31, 2013
Provision for Retirement Benefits	2.41	2.24	1.90	2.11
Provision for Standard Assets as per NHB norms	30.82	24.52	0.00	0.00
Provision for NPAs as per NHB norms	7.60	6.58	0.00	0.00
Provision for Contingencies	12.04	8.36	0.00	0.00
Proposed Dividend	0.00	0.00	54.04	44.62
Tax on Proposed Dividend	0.00	0.00	9.18	7.58
	<u>52.87</u>	<u>41.70</u>	<u>65.12</u>	<u>54.31</u>

6.1 The movement in provision for contingencies (including provision for Standard Assets and NPAs) during the year is as under :

(₹ in crores)

Particulars	Current Year	Previous Year
Opening Balance	39.46	39.46
Addition during the year (Refer Note 3.2)	11.00	0.00
Closing Balance	<u>50.46</u>	<u>39.46</u>

7 SHORT-TERM BORROWINGS

(₹ in crores)

	As At March 31, 2014	As At March 31, 2013
Unsecured Borrowings		
Commercial Papers	455.00	50.00
Public Deposits	17.99	18.77
	<u>472.99</u>	<u>68.77</u>

7.1 Public Deposits

Public deposits as defined in Paragraph 2(1)(y) of the Housing Finance Companies (NHB) Directions, 2010, are secured by floating charge on the Statutory Liquid Assets maintained in terms of sub-sections (1) & (2) of Section 29B of the National Housing Bank Act, 1987.

8 TRADE PAYABLES

Trade Payables ₹ 0.80 crore (Previous Year ₹ 0.75 crore) include ₹ Nil (Previous Year ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the “Suppliers” covered under the Micro, Small and Medium Enterprise Development Act, 2006.

9 OTHER CURRENT LIABILITIES

(₹ in crores)

	As At March 31, 2014	As At March 31, 2013
Current Maturities of Long-Term Borrowings (Note 4)	916.61	1,136.96
Current Portion of Other Long-Term Liabilities (Note 5)	35.60	41.13
Instalments Received in Advance	5.11	3.50
Unclaimed Matured Deposits and Interest accrued thereon	3.57	3.04
Unpaid Dividends	0.90	0.77
Book Overdraft	3.52	20.09
Statutory Remittances	4.89	6.87
Other Liabilities	4.15	3.34
	974.35	1,215.70

9.1 There are no amounts due for payment to the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 as at the year end in respect of Unclaimed Matured Deposits and Unpaid Dividends.

10. TANGIBLE ASSETS

(₹ in crores)

Particulars	Gross Block (At Cost)				Depreciation and Amortisation				Net Block	
	As At 1.4.2013	Additions	Disposals	As At 31.3.2014	As At 1.4.2013	Additions	Deductions	As At 31.3.2014	As At 31.3.2014	As At 31.3.2013
Own Assets										
Freehold Land	0.97	0.00	0.00	0.97	0.00	0.00	0.00	0.00	0.97	0.97
Office Building	4.85	0.00	0.00	4.85	1.24	0.08	0.00	1.32	3.53	3.61
Residential Flat	0.22	0.00	0.22	0.00	0.06	(2,959)	0.06	0.00	0.00	0.16
Furniture and Fixtures	7.38	0.75	0.36	7.77	5.02	0.62	0.24	5.40	2.37	2.36
Office Equipments	3.40	0.83	0.31	3.92	1.38	0.34	0.19	1.53	2.39	2.02
Electrical Installation	1.15	0.10	0.00	1.25	0.80	0.07	0.00	0.87	0.38	0.35
Computers	3.38	0.34	0.25	3.47	2.48	0.47	0.23	2.72	0.75	0.90
Vehicles	0.23	0.00	0.00	0.23	0.12	0.03	0.00	0.15	0.08	0.11
	21.58	2.02	1.14	22.46	11.10	1.61	0.72	11.99	10.47	10.48
As At 31.03.2013	20.23	1.89	0.54	21.58	9.93	1.61	0.44	11.10	10.48	

11. INTANGIBLE ASSETS

(₹ in crores)

Particulars	Gross Block (At Cost)				Depreciation and Amortisation				Net Block	
	As At 1.4.2013	Additions	Disposals	As At 31.3.2014	As At 1.4.2013	Additions	Deductions	As At 31.3.2014	As At 31.3.2014	As At 31.3.2013
Own Assets										
Computer Software	3.56	0.10	0.00	3.66	2.26	0.84	0.00	3.10	0.56	1.30
As At 31.03.2013	3.24	0.32	0.00	3.56	1.90	0.36	0.00	2.26	1.30	

12 INVESTMENTS

(₹ in crores)

Government Securities (At Cost)	Non-Current		Current	
	As At March 31, 2014	As At March 31, 2013	As At March 31, 2014	As At March 31, 2013
12.60 % Government of India Loan 2018	4.24	4.24	0.00	0.00
12.30 % Government of India Loan 2016	17.24	17.24	0.00	0.00
11.83 % Government of India Loan 2014	0.00	1.44	1.44	0.00
11.43 % Government of India Loan 2015	3.51	3.51	0.00	0.00
10.50 % Government of India Loan 2014	0.00	7.42	7.42	0.00
8.07 % Government of India Loan 2017	5.68	5.68	0.00	0.00
11.50 % Government of India Loan 2015 (Purchased ₹ 11.90 crores during the year)	14.11	2.21	0.00	0.00
10.79 % Government of India Loan 2015 (Purchased during the year)	0.74	0.00	0.00	0.00
10.47 % Government of India Loan 2015 (Purchased during the year)	0.00	0.00	1.24	0.00
12.40 % Government of India Loan 2013 (Matured during the year)	0.00	0.00	0.00	26.10
	<u>45.52</u>	<u>41.74</u>	<u>10.10</u>	<u>26.10</u>
Less : Provision for Loss to arise on redemption of Investments	2.24	1.41	0.42	1.29
	<u>43.28</u>	<u>40.33</u>	<u>9.68</u>	<u>24.81</u>
Aggregate of Quoted Investments				
Book Value	45.52	41.74	10.10	26.10
Market Value	45.52	40.89	10.10	26.10

12.1 The above Investments are made as Statutory Liquid Assets in accordance with the norms prescribed by the National Housing Bank.

12.2 In case of quoted investments, where quotes are not available, book value has been considered as market value.

12.3 Disclosure as per Accounting Standard on 'Accounting for Investments' (AS 13) is as under :

Particulars	(₹ in crores)	
	As At March 31, 2014	As At March 31, 2013
Long-Term Investments	55.62	67.84
Current Investments	0.00	0.00
	<u>55.62</u>	<u>67.84</u>

13 DEFERRED TAX ASSET

In accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS 22), the Company is accounting for Deferred Tax.

The Break up of Deferred Tax Asset / Liability are as follows :

Particulars	As At	
	March 31, 2014	March 31, 2013
(a) Deferred Tax Asset		
Provision for NPAs	17.15	12.80
Others	1.96	1.78
	19.11	14.58
(b) Deferred Tax Liability		
Depreciation	0.57	0.88
Brokerage paid in Advance	1.64	1.24
	2.21	2.12
Net Deferred Tax Asset	16.90	12.46

14 LONG-TERM LOANS AND ADVANCES

14.1 Loans

	Non-Current Portion		Current Maturities	
	As At March 31, 2014	As At March 31, 2013	As At March 31, 2014	As At March 31, 2013
Home Loans				
Individuals	6,174.62	4,693.08	284.52	270.54
Others	64.20	92.06	108.17	125.21
	6,238.82	4,785.14	392.69	395.75
Other Loans				
Individuals	326.87	216.03	15.00	14.63
Others	13.93	14.18	21.73	12.07
	340.80	230.21	36.73	26.70
Amount disclosed under the head "Other Current Assets" (Note 17.1)	0.00	0.00	(429.42)	(422.45)
	6,579.62	5,015.35	0.00	0.00

14.2 Loans granted by the Company are secured or partly secured by :

- Equitable mortgage of property and / or
- Pledge of Shares, Units, Other Securities, assignments of Life Insurance policies and / or
- Hypothecation of assets and / or
- Bank guarantees, Company guarantees or Personal guarantees and / or
- Undertaking to create a security.

14.3 Loans includes ₹ 0.14 crore (Previous Year ₹ 0.16 crore) given to the Officer of the Company under the Staff Loan Scheme.

- 14.4 The Company has complied with the norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognising Non-Performing Assets (NPA) in preparation of Accounts. As per the norms, NPAs are recognised on the basis of 90 days overdue. NPAs are to be treated as Bad & Doubtful, if they remain outstanding for more than 15 months. The Company has made adequate provisions on Non-Performing Assets and Standard Assets in respect of Housing and Non-Housing Loans as prescribed under Housing Finance Companies (NHB) Directions, 2010.

Classification of loans made for Non-Performing Loan Assets are given below :

(₹ in crores)

Particulars	Standard	Sub – Standard	Bad & Doubtful	Total
As At March 31, 2014				
Home Loan				
Individuals	6,441.33	7.11	10.70	6,459.14
Others	172.37	0.00	0.00	172.37
Other Loans				
Individuals	340.81	0.31	0.75	341.87
Others	35.66	0.00	0.00	35.66
Total	6,990.17	7.42	11.45	7,009.04
Percentage to Total Loans (%)	99.73	0.11	0.16	100.00

Particulars	Standard	Sub – Standard	Bad & Doubtful	Total
As At March 31, 2013				
Home Loan				
Individuals	4,946.92	7.15	9.55	4,963.62
Others	217.27	0.00	0.00	217.27
Other Loans				
Individuals	229.72	0.11	0.83	230.66
Others	26.25	0.00	0.00	26.25
Total	5,420.16	7.26	10.38	5,437.80
Percentage to Total Loans (%)	99.68	0.13	0.19	100.00

- 14.5 The total provision carried by the Company in terms of paragraph 29(2) of the Housing Finance Companies (NHB) Directions, 2010 and NHB circular no. NHB(ND)/DRS/Pol-No. 09/2004-05 dated May 18, 2005 in respect of Housing and Non-Housing Loans is as follows :

(₹ in crores)

Particulars	Current Year			Previous Year		
	Standard Assets	Sub-Standard Assets	Doubtful Assets	Standard Assets	Sub-Standard Assets	Doubtful Assets
Housing	25.76	1.07	6.17	19.79	1.07	5.16
Non-Housing	5.06	0.05	0.31	4.73	0.02	0.33

14.6 Others

(Unsecured and Considered good)

	As At March 31, 2014	As At March 31, 2013
Stock of Acquired Properties	11.75	10.34
Rent Deposits	1.21	1.07
Other Deposits	0.82	0.67
Advance Income Tax [Net of Provision for Taxation ₹ 293.01 crores (Previous Year ₹ 225.06 crores)]	10.25	12.37
Advance recoverable in cash or in kind or for value to be received	2.74	2.37
Capital Advances	0.05	0.21
	26.82	27.03

Stock of acquired properties is valued at realisable value or outstanding dues whichever is less.

15 CASH AND BANK BALANCES

	As At March 31, 2014	As At March 31, 2013
15.1 Cash & Cash Equivalents		
(a) Balances with Banks :		
In Current Accounts	14.10	4.52
In Fixed Deposits with original maturity upto three months	0.00	7.25
In Unpaid Dividend Accounts	0.90	0.78
	15.00	12.55
(b) Cheques on hand	0.62	0.53
(c) Cash on Hand	0.05	0.04
	15.67	13.12

15.2 Other Bank Balances

Fixed Deposits with original maturity of more than three months up to twelve months	67.50	9.00
	83.17	22.12

16 SHORT-TERM LOANS AND ADVANCES

(Unsecured and Considered good unless otherwise stated)

	As At March 31, 2014	As At March 31, 2013
Instalments due from Borrowers (Secured)	18.22	16.08
Loan Against Deposit (Secured)	0.86	0.79
Advance recoverable in cash or kind or for value to be received	18.01	4.85
	37.09	21.72

16.1 Instalments due from borrowers includes ₹ 10.28 crores (Previous Year ₹ 9.51 crores) which are accrued but not due.

17 OTHER CURRENT ASSETS

	As At March 31, 2014	(₹ in crores) As At March 31, 2013
17.1 Loans		
Current Maturities of Loans (Note 14.1)	429.42	422.45
	<u>429.42</u>	<u>422.45</u>
17.2 Others		
Interest Accrued on Investments	1.72	1.56
Interest Accrued on Deposits	4.49	0.42
	<u>6.21</u>	<u>1.98</u>

18 REVENUE FROM OPERATIONS

	Current Year	(₹ in crores) Previous Year
Interest Income		
Interest on Loans	793.44	609.26
Other Interest	19.60	8.85
Fees and Other Charges	27.06	22.29
Bad Debts Recovered	0.25	2.26
Surplus from deployment in Cash Management Schemes of Mutual Funds	1.24	4.07
Other Operating Income	4.10	3.71
	<u>845.69</u>	<u>650.44</u>

18.1 Surplus from deployment in Cash Management Schemes of Mutual Funds amounting to ₹ 1.24 crores (Previous Year ₹ 4.07 crores) is in respect of Investments held as Current Investments.

18.2 Fees and Other Charges is net of Loan Referral Charges of ₹ 6.63 crores (Previous Year ₹ 4.94 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)	0.46	0.00
	<u>0.47</u>	<u>0.01</u>

20 FINANCE COST

	Current Year	(₹ in crores) Previous Year
Interest On		
Loans	305.76	249.33
Non-Convertible Debentures	23.10	47.50
Commercial Papers	124.71	45.09
Deposits	81.26	57.06
Other Charges		
Brokerage on Deposits	3.50	2.60
Bank Charges	0.50	0.73
Other Borrowing Cost	4.80	2.11
	<u>543.63</u>	<u>404.42</u>

(₹ in crores)

21 EMPLOYEE BENEFIT EXPENSES (Note 26)	Current Year	Previous Year
Salaries and Bonus	28.43	20.76
Contribution to Provident Fund and other funds	2.20	2.46
Staff Welfare Expenses	0.79	0.77
Staff Training Expenses	0.31	0.19
	31.73	24.18

(₹ in crores)

22 ESTABLISHMENT EXPENSES	Current Year	Previous Year
Rent	3.98	3.20
Rates & Taxes	0.26	0.19
Electricity Charges	0.82	0.82
Repairs & Maintenance - Building	0.05	0.04
Office Maintenance	1.90	1.58
Insurance Charges	0.13	0.11
	7.14	5.94

(₹ in crores)

23 OTHER EXPENSES	Current Year	Previous Year
Travelling and Conveyance	1.35	1.32
Printing and Stationery	1.38	1.07
Postage, Telephone and Fax	2.08	1.94
Advertising & Business Promotion	2.01	3.48
Legal and Professional Charges	3.93	3.11
Repairs & Maintenance - Others	0.71	0.65
Staff Recruitment Expenses	0.25	0.27
Bad Debts written off	0.77	1.59
Expenses for Recovery	0.64	0.73
Directors' Fees	0.12	0.13
Auditors' Remuneration :		
Audit Fees	0.10	0.10
Tax Audit Fees	0.03	0.03
Other Certification Work	0.08	0.08
Reimbursement of Expenses	0.01	0.02
	0.22	0.23
Provision for Contingencies	1.66	1.32
Miscellaneous Expenses	1.63	1.29
	16.75	17.13

(₹ in crores)

24 DEPRECIATION AND AMORTISATION EXPENSES

	Current Year	Previous Year
Depreciation on Tangible Assets (Note 10)	1.61	1.61
Amortisation of Intangible Assets (Note 11)	0.84	0.36
	2.45	1.97

25. DISCLOSURE REQUIRED BY NATIONAL HOUSING BANK

The following additional disclosures have been given in terms of the circular no. NHB/ND/DRS/Pol-No.35/2010-11 dated October 11, 2010 issued by the National Housing Bank :

25.1 Capital to Risk Assets Ratio (CRAR) :

Items	Current Year	Previous Year
(a) CRAR (%)	16.37	14.56
(b) CRAR – Tier I Capital (%)	14.71	12.93
(c) CRAR – Tier II Capital (%)	1.66	1.63

25.2 Exposure to Real Estate Sector :

Items	Current Year	Previous Year
1. <u>Direct Exposure</u>		
(a) Residential Mortgages : Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented : (Individual housing loans up to ₹ 15 lacs may be shown separately)	i) Loans ≤ ₹ 15 Lacs : ₹ 5,406.45 crores ii) Loans > ₹ 15 Lacs : ₹ 1,052.69 crores iii) Total : ₹ 6,459.14 crores	i) Loans ≤ ₹ 15 Lacs: ₹ 4,296.85 crores ii) Loans > ₹ 15 Lacs : ₹ 666.77 crores iii) Total : ₹ 4,963.62 crores
(b) Commercial Real Estate : Lending secured by mortgages on commercial real estates.	₹ 549.90 crores	₹ 474.18 crores
(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures : (i) Residential (ii) Commercial Real Estate	Nil	Nil
2. <u>Indirect Exposure</u> Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

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, 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

Maturity pattern of certain items of Assets and Liabilities As At March 31, 2013 :

(₹ in crores)

Maturity Buckets	Liabilities		Assets	
	Borrowings from Banks	Market Borrowings	Advances	Investments
1 day to 30 days (one month)	0.00	14.66	33.86	0.00
Over one month to 2 months	0.00	61.88	33.99	0.00
Over 2 months to 3 months	130.90	58.80	44.52	0.00
Over 3 months to 6 months	130.90	378.28	96.52	24.81
Over 6 months to 1 Year	261.81	41.54	213.56	0.00
Over 1 to 3 Years	866.55	485.12	735.04	14.14
Over 3 to 5 Years	675.50	98.45	644.88	26.19
Over 5 to 7 Years	415.86	62.03	595.53	0.00
Over 7 to 10 Years	244.32	39.15	909.58	0.00
Over 10 Years	948.77	0.00	2,130.32	0.00
Total	3,674.61	1,239.91	5,437.80	65.14

26. In compliance with the Accounting Standard on 'Employee Benefits' (AS 15) (Revised 2005) following disclosures have been made :

26.1 Defined Contribution Plans

The Company has recognised the following amounts in Statement of Profit and Loss which are included under Contribution to Provident Fund and Other Funds :

Particulars	(₹ in crore)	
	Current Year	Previous Year
Provident Fund	0.71	0.61
Superannuation Fund	0.61	0.53

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of the Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

26.2 State Plans

The Company has recognised expenses of ₹ 0.30 crore (Previous Year ₹ 0.29 crore) in Statement of Profit and Loss for Contribution to State Plan namely Employees' Pension Scheme.

26.3 Defined Benefit Plans

(a) Leave Encashment/Compensated Absences :

Salaries and Bonus includes ₹ 0.48 crore (Previous Year ₹ 0.81 crore) towards provision made as per actuarial valuation in respect of accumulated leave salary encashable on retirement.

(b) Contribution to Gratuity Fund :

The details of the Company's post-retirement benefit plans for its employees are given below which is certified by the actuary and relied upon by the auditors :

Particulars	(₹ in crores)	
	Current Year	Previous Year
Change in the Benefit Obligations		
Liability at the beginning of the year	5.03	3.78
Current Service Cost	0.41	0.34
Interest Cost	0.42	0.32
Benefits Paid	(0.16)	(0.03)
Actuarial loss	0.05	0.62
Liability at the end of the year	5.75	5.03
Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning of the year	4.01	2.92
Expected Return on Plan Assets	0.35	0.25
Contributions	1.02	0.86
Benefits Paid	(0.16)	(0.03)
Actuarial gain/(loss) on Plan Assets	(0.05)	0.01
Fair Value on Plan Assets at the end of the year	5.17	4.01
Total Actuarial loss to be recognised	0.10	0.61

Actual Return on Plan Assets

Expected Return on Plan Assets	0.35	0.25
Actuarial gain/(loss) on Plan Assets	(0.05)	0.01
Actuarial Return on Plan Assets	0.30	0.26

Amount Recognised in the Balance Sheet

Liability at the end of the year	5.75	5.03
Fair Value of Plan Assets at the end of the year	5.17	4.01
Amount recognised in the Balance Sheet under "Provision for Retirement Benefits"	0.58	1.02

Expense Recognised in Statement of Profit and Loss

Current Service Cost	0.41	0.34
Interest Cost	0.42	0.32
Expected Return on Plan Assets	(0.35)	(0.25)
Net Actuarial loss to be recognized	0.10	0.61
Expense recognised in Statement of Profit and Loss under "Employee Benefit Expenses"	0.58	1.02

Reconciliation of the Liability Recognised in the Balance Sheet

Opening Net Liability	1.02	0.86
Expense Recognised	0.58	1.02
Contribution by the Company	(1.02)	(0.86)
Amount recognised in the Balance Sheet under "Provision for Retirement Benefits"	0.58	1.02

Investment Pattern :

Particulars	% Invested Current Year	% Invested Previous Year
Central Government Securities	43.65	38.93
State Government Securities / Securities guaranteed by State / Central Government	11.15	15.20
Public Sector / Financial Institutional Bonds	30.42	28.94
Private Sector Bonds	5.75	4.96
Special Deposit Scheme	0.23	0.30
Investment in Insurance Company	8.70	11.24
Others (including bank balances)	0.10	0.43
	<u>100.00</u>	<u>100.00</u>

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted averages) :

Particulars	31.3.2014	31.3.2013	31.3.2012	31.3.2011
Discount Rate (%)	9.31	8.25	8.75	8.09
Expected Return on Plan Assets (%)	8.70	8.70	8.60	9.00
Proportion of employees opting for early retirement	-	-	-	-
Annual increase in Salary Cost (%)	6.00	6.00	6.00	6.00
Future changes in maximum state health care benefits	-	-	-	-

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amount for the current and previous periods are as follows :

Particulars	(₹ in crores)			
	31.3.2014	31.3.2013	31.3.2012	31.3.2011
Present value of Defined Benefit Obligation	5.75	5.03	3.78	2.75
Fair Value of Plan Assets	5.17	4.01	2.92	2.15
Surplus/(Deficit) in the Plan	(0.58)	(1.02)	(0.86)	(0.60)
Experience adjustments on plan Liabilities (loss)/Gain	(0.47)	(0.39)	(0.69)	(0.01)
Experience adjustments on plan assets (loss)/Gain	(0.05)	-	(0.02)	-

- 27.1 Contingent liability in respect of Income-tax and Interest-tax demands, amount of ₹ 15.63 crores (Previous year ₹ 13.36 crores) disputed by the Company and matters in dispute are under appeal. The Company expects to succeed in these matters before appellate authority and hence no additional provision is considered necessary. Against the said demand, ₹ 14.48 crores has been paid / adjusted and will be received as refund if the matters are decided in favour of the Company.
- 27.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is ₹ Nil (Previous Year ₹ 0.34 crore).
28. In the opinion of the Company, there is only one identified reportable Business segment i.e. Housing Finance Business Segment geographically only located in India for the purpose of Accounting Standard on 'Segment Reporting' (AS 17).

29. CATEGORY-WISE SUMMARY OF BORROWINGS AND LOANS

	(₹ in crores)	
	Current Year	Previous Year
<u>Borrowings</u>		
Bonds and Debentures	115.70	526.70
Term Loans		
Banks	4,861.58	3,674.61
Others	12.33	13.27
Commercial Papers	455.00	50.00
Deposits	1,002.88	649.94
	<u>6,447.49</u>	<u>4,914.52</u>
<u>Loans</u>		
Individual Home Loans	6,459.14	4,963.62
Individual NRP Loans	341.87	230.66
Developer Loans	208.03	243.52
	<u>7,009.04</u>	<u>5,437.80</u>

30. Consequent to the Accounting Standard on 'Related Party Disclosure' (AS 18), following persons will be considered as related persons for the year ended as on March 31, 2014 :

(a) **Holding Company**

Housing Development Finance Corporation Limited (HDFC)

(b) Fellow Subsidiary Companies

- (i) HDFC Developers Limited
- (ii) HDFC Investments Limited
- (iii) HDFC Holdings Limited
- (iv) HDFC Asset Management Co. Limited
- (v) HDFC Trustee Co. Limited
- (vi) HDFC Standard Life Insurance Co. Limited
- (vii) HDFC Realty Limited
- (viii) HDFC ERGO General Insurance Co. Limited
- (ix) HDFC Sales Private Limited
- (x) HDFC Ventures Trustee Company Limited
- (xi) HDFC Property Ventures Ltd.
- (xii) HDFC Ventures Capital Limited
- (xiii) GRIHA Investments
- (xiv) GRIHA Pte Ltd. Singapore
- (xv) Credila Financial Services Pvt. Ltd.
- (xvi) HDFC Education and Development Services Private Limited
- (xvii) HDFC Life Pension Fund Management Company Limited
- (xviii) H T Parekh Foundation
- (xix) Windermere Properties Pvt. Ltd.
- (xx) Grandeur Properties Pvt. Ltd.
- (xxi) Winchester Properties Pvt. Ltd.
- (xxii) Pentagram Properties Pvt. Ltd.
- (xxiii) Haddock Properties Pvt. Ltd.

(c) Key Management Personnel

- (i) Mr. Sudhin Choksey, Managing Director
- (ii) Mr. Kamlesh Shah, Executive Director

(Related party relationships are as identified by the Company and relied upon by the auditors.)

The nature and volume of transactions of the Company during the year with the above related parties were as follows:

2013-14	(₹ in crores)		
Particulars	Holding Company	Fellow Subsidiary Companies	Key Management Personnel
Dividend Paid	26.63	Nil	Nil
Remuneration	Nil	Nil	2.87
Insurance Premium Paid	Nil	0.04	Nil
Exercise of Stock Options	Nil	Nil	0.64
Security Deposit	Nil	0.05	Nil
Repayment of Borrowing	0.94	Nil	Nil
Interest on Borrowing	1.23	1.17	Nil
Balance As At March 31, 2014			
Account Payable	Nil	0.02	Nil
Account Receivable	Nil	0.05	Nil
Borrowing Payable	12.33	12.00	Nil

2012-13			
(₹ in crores)			
Particulars	Holding Company	Fellow Subsidiary Companies	Key Management Personnel
Dividend Paid	24.50	Nil	Nil
Remuneration	Nil	Nil	2.36
Insurance Premium Paid	Nil	0.04	Nil
Exercise of Stock Options	Nil	Nil	1.59
Loan Availed	14.00	Nil	Nil
Repayment of Borrowing	0.73	Nil	Nil
Interest on Borrowing	1.12	Nil	Nil
Balance As At March 31, 2013			
Account Payable	Nil	Nil	Nil
Account Receivable	Nil	Nil	Nil
Borrowing Payable	13.27	Nil	Nil

31. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), the Earnings Per Share is as follows :

31.1 The Earnings Per Share (EPS) is calculated as follows :

Particulars	2013-14	2012-13
(i) Profit attributable to Equity Share Holders (₹ in crores)	176.96	145.88
(ii) Weighted Average number of Shares for computation of Basic Earnings Per Share	17,94,79,244	17,77,05,201
(iii) Nominal Value of Equity Share	2	2
(iv) EPS – Basic	9.860	8.209
(v) EPS – Diluted	9.792	8.157

31.2 The Basic Earnings Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares for the respective periods. The weighted average number of shares have been derived as follows :

(a) For the year 2013-14 :

Particulars	No. of Shares	Days
(i) Equity Shares of ₹ 2 each at the beginning of the year	17,84,76,675	39
(ii) Allotment of Shares under ESOS 2011	16,54,475	326
(iii) Weighted Average number of shares for computation of Basic Earnings Per Share	17,94,79,244	

(b) For the year 2012-13 :

Particulars	No. of Shares	Days
(i) Equity Shares of ₹ 2 each at the beginning of the year	17,65,13,190	28
(ii) Allotment of Shares under ESOS 2007 and ESOS 2011	19,63,485	337
(iii) Weighted Average number of shares for computation of Basic Earnings Per Share	17,77,05,201	

31.3 The Diluted Earnings Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares, after giving dilute effect of outstanding Stock Options for the respective periods. The relevant details are as follows :

<u>Particulars</u>	<u>2013-14</u>	<u>2012-13</u>
(i) Weighted Average number of shares for computation of Basic Earnings Per Share	17,94,79,244	17,77,05,201
(ii) Dilute effect of outstanding Stock Options	12,48,070	11,25,052
(iii) Weighted Average number of shares for computation of Diluted Earnings Per Share	18,07,27,314	17,88,30,253

32. Amount remitted during the year in foreign currency on account of dividend :

<u>Particulars</u>	<u>2013-14</u>	<u>2012-13</u>
i) Number of Non-resident Shareholder	1	1
ii) Number of shares held of ₹ 2 each	6,25,000	6,25,000
iii) Year to which dividend relates	2012-13	2011-12
iv) Amount remitted (₹ in crore)	0.16	0.14

33. There are no indications which reflects that any of the assets of the Company had got impaired from its potential use and therefore no impairment loss was required to be accounted in the current year as per Accounting Standard on 'Impairment of Assets' (AS 28).

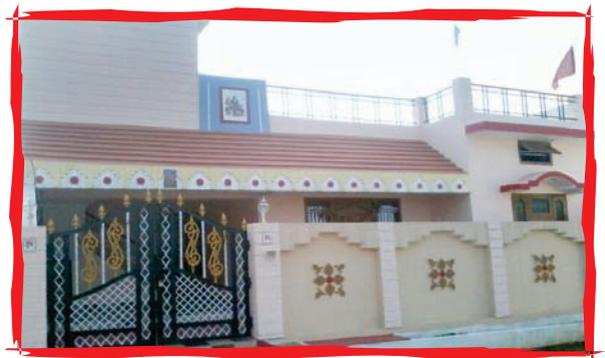
34. Figures less than ₹ 50,000 which are required to be shown separately, have been shown as actual in brackets.

35. Previous year's figures have been re-grouped / re-classified wherever necessary to correspond with current year's classification disclosure.

PROPERTIES FINANCED BY GRUH



Town : Morashi
District : Amravati
Property Cost : ₹ 7,55,000/-
Loan Amount : ₹ 6,40,000/-



Town : Rudri
District : Dhamtari
Property Cost : ₹ 11,24,000/-
Loan Amount : ₹ 5,00,000/-



Town : Tirupur
District : Tirupur
Property Cost : ₹ 7,44,000/-
Loan Amount : ₹ 5,50,000/-



Town : Kundal
District : Mehsana
Property Cost : ₹ 7,43,800/-
Loan Amount : ₹ 5,00,000/-



We believe that India is on the cusp of a major transformation of the rural economy. The drive towards aspirations and growth will trigger new hopes and dreams. Housing will thus become one of the biggest contributors to grassroot employment, savings growth and better standards of living.

In many new rural towns, this will create a new multiplier and bring a whole new generation into the reckoning. Because this generation is young and better informed, they will push for a better quality of life. The pressure will be on all of us to meet their aspirations in the present tense and thus bring about change during our own lifetime.



Registered Office: "GRUH", Netaji Marg, Near Mithakhali Six Roads,
Ellisbridge, Ahmedabad 380 006.
CIN : L65923GJ1986PL008809
Phone: 91-79-2642 1671 to 74, 3290 1222 / 23
www.gruh.com



**GRUH
FINANCE
LIMITED**

We help you build homes

FORM A

Sr. No.	Particulars	Details
1.	Name of the Company	GRUH Finance Limited
2.	Annual financial statements for the year ended	31st March, 2014
3.	Type of Audit observation	Un-qualified Audit Report
4.	Frequency of observation	Not Applicable

Sudhin Choksey
Managing Director and CEO

Jayesh Jain
Chief Financial Officer

For Sorab S. Engineer & Co.
Firm's Registration Number 110417W
Chartered Accountants

CA Chokshi Shreyas B.
Partner
Membership No. 100892

S. M. Palia
Chairman - Audit Committee
GRUH Finance Limited

A subsidiary of HDFC Ltd

GRUH FINANCE LIMITED

Regd. Office: "GRUH", Netaji Marg, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006 • phone 079 26421671-74
www.gruh.com • CIN : L65923GJ1986PLC008809



NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY-EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF GRUH FINANCE LIMITED WILL BE HELD AT 10.30 A.M., ON WEDNESDAY, THE 28TH DAY OF MAY, 2014 AT H.T. PAREKH CONVENTION CENTRE, AHMEDABAD MANAGEMENT ASSOCIATION (AMA), ATIRA CAMPUS, DR. VIKRAM SARABHAI MARG, AHMEDABAD 380 015 TO TRANSACT THE FOLLOWING BUSINESSES:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited statement of Profit and Loss for the year ended March 31, 2014, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Kamlesh Shah, (holding DIN No. 03092230), liable to retire by rotation in terms of Section 152(6) of the Companies Act, 2013 and, being eligible, offers himself for re-appointment.
4. To re-appoint the Auditors and to fix their remuneration and in this regards pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 (corresponding to Section 224 and other applicable provisions, if any, of the Companies Act, 1956), M/s. Sorab S. Engineer & Co., (Firm Registration No 110417W), Chartered Accountants, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the 4TH Annual General Meeting (after commencement of the Companies Act 2013), subject to ratification by the shareholders annually, at a remuneration to be decided by the Board of Directors in consultation with the Auditors plus applicable service tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit."

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. S. M. Palia (holding

DIN 00031145), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for three consecutive years, for a term up to 31st March 2017."

"RESOLVED FURTHER that pursuant to the provisions of sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. S.M Palia be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Rohit C. Mehta (holding DIN 00050173), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for three consecutive years for a term up to 31st March 2017."

"RESOLVED FURTHER that pursuant to the provisions of sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Rohit C. Mehta be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment

thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Prafull Anubhai (holding DIN 00040837), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and who, pursuant to the provisions of the Companies Act, 2013 (being an independent director) is no longer liable to retire by rotation and who in accordance with the Companies Act, 2013 is required to be appointed as an independent director and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for three consecutive years for a term up to 31st March 2017."

"RESOLVED FURTHER that pursuant to the provisions of sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Prafull Anubhai be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. S.G. Mankad (holding DIN 00086077), Director of the Company whose period of office is liable to determination by retirement of directors by rotation and who, pursuant to the provisions of the Companies Act, 2013 (being an independent director) is no longer liable to retire by rotation and who in accordance with the Companies Act, 2013 is required to be appointed as an independent director and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for three consecutive years for a term up to 31st March 2017."

"RESOLVED FURTHER that pursuant to the provisions of sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr.

S.G. Mankad be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of the earlier resolution passed at the 27th Annual General Meeting of the members of the Company held on 8th July 2013, the consent of the Company be and is hereby accorded under the provisions of Section 180(1)(c) of the Companies Act, 2013 (previously being Section 293(1)(d) of the Companies Act, 1956), to the Board of Directors to borrow from time to time such sum or sums of money as they may deem necessary for the purpose of the business of the Company, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from cash credit arrangement, discounting of bills and other temporary loans obtained from company's bankers in the ordinary course of business) and remaining outstanding at any point of time will exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose; Provided that the total amount up to which monies may be borrowed by the Board of Directors and which shall remain outstanding at any given point of time shall not exceed the sum of ₹ 12,000 crores (Rupees twelve thousand crores)."

10. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 13 and 61 and all other applicable provisions, if any, of the Companies Act, 2013, the existing Authorised Share Capital of ₹ 50,00,00,000/- (Rupees Fifty Crores only) divided into 25,00,00,000 (Twenty Five Crore) Equity Shares of ₹ 2/- (Rupees Two only) each be increased to ₹ 100,00,00,000/- (Rupees One Hundred Crores only) divided into 50,00,00,000 (Fifty Crores) Equity Shares of ₹ 2/- (Rupees Two only) each by creation of 25,00,00,000 (Twenty Five Crores) Equity Shares of ₹ 2/- (Rupees Two only) each, additional Shares ranking pari-passu with the existing Shares in all respects."

"RESOLVED FURTHER THAT the Memorandum of Association of the Company be altered in the following manner i.e existing Clause V of the Memorandum of

Association be deleted and the same be substituted with the following new clause as Clause V :

V. The Authorised Share Capital of the Company is Rs.100 Crores (Rupees One Hundred crores only) divided into 50,00,00,000 (Fifty Crores) Equity Shares of ₹ 2/- (Rupees Two only) each.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company (hereinafter referred to as “Board” which term shall include a Committee thereof authorized for the purpose) be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deemed necessary and to settle any question that may arise in this regard, without being required to seek any further consent or approval of the shareholders or otherwise and that the shareholders shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

11. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:

“RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 2013 including the provisions of section 63(2)(b) or any amendment or re-enactment thereof, and Article 183(a) of the Articles of Association of the Company and subject to the regulations issued by Securities and Exchange Board of India (SEBI) in this behalf and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities, consent be and is hereby accorded to the Board of Directors of the Company, (hereinafter referred to as the “Board” which expression shall also include a Committee thereof) for capitalization of a sum not exceeding ₹ 36,02,62,300/- (Rupees Thirty Six Crores, Two Lakhs, Sixty two Thousand, Three Hundred Only) from the Securities Premium Account, General Reserves or any other permitted reserves/surplus of the Company for the purpose of issue of Bonus Shares of ₹ 2/- (Rupees Two Only) each, credited as fully paid-up to the holders of the Equity shares of the Company whose names shall appear on the Register of Members on the ‘Record Date’ determined by the Board or Committee thereof for the purpose, in the proportion of 1 (One) Bonus Equity Share of ₹ 2/- for every 1 (One) fully paid-up Equity Shares of ₹ 2/- each held by them and the Bonus Shares so distributed shall, for all purposes, be treated as an increase in the paid-up Capital of the Company held by each such Member, and not as income;

RESOLVED FURTHER THAT the stock options (whether vested or not, or yet to be exercised) under the existing Employee Stock Options Scheme be suitably adjusted;

RESOLVED FURTHER THAT the Bonus Shares so allotted shall rank *pari passu* in all respects with fully paid-up Equity Shares of the Company as existing on the Record Date, save and except that they shall not be entitled to any dividend for the Financial Year 2013-14;

RESOLVED FURTHER THAT the Bonus Shares so allotted always be subject to the terms and conditions contained in the Memorandum and Articles of Association of the Company;

RESOLVED FURTHER THAT no Letter of Allotment shall be issued in respect of the Bonus Shares and in case of Members who hold Shares or opt to receive the Shares in dematerialized form, the Bonus Shares shall be credited to the respective beneficiary accounts of the Members with their respective Depository Participants and in case of Members who hold Equity Shares in certificate form, the share certificates in respect of the Bonus Shares shall be despatched, within such time as prescribed by law and the relevant authorities:

RESOLVED FURTHER THAT Board be and is hereby authorized to take necessary steps for listing of such shares on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rule and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and to give such directions as may be necessary or expedient, and to settle any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding.”

12. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. Sudhin Choksey (holding DIN No. 00036085) as the Managing Director of the Company for a period of three years with effect from April 1, 2014, and concurrent termination of the earlier

appointment for the residual tenure due for expiry on March 31, 2015, upon terms and conditions including remuneration as set out in the draft agreement to be entered into by the Company with Mr. Sudhin Choksey and placed before this meeting, duly initialed by the Chairman for the purpose of identification and which draft is hereby specifically approved."

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as 'board') be and is hereby authorized to vary and/or modify the terms and conditions of the Agreement that may be entered as set out in the said draft agreement including remuneration payable to Mr. Sudhin Choksey in such manner as may be agreed between the board and Mr. Sudhin Choksey and within the limits as prescribed in Schedule V of the Companies Act, 2013 including any amendment, modification, variation or re-enactment thereof."

"RESOLVED FURTHER THAT in the event of any loss, absence or inadequacy of the profits of the Company in any financial year, during the term of office of Mr. Sudhin Choksey, the remuneration mentioned in the above referred draft agreement shall be paid to Mr. Sudhin Choksey as minimum remuneration and the same shall be subject to the limits as set out in Section II of Part II of Schedule V of the Companies Act, 2013."

"RESOLVED FURTHER THAT any revision in the remuneration payable to Mr. Sudhin Choksey shall be within the overall limits as approved by the members in terms of this resolution and as recommended by the Nomination and Remuneration Committee to the board for its approval, from time to time."

"RESOLVED FURTHER THAT the board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any committee of directors to give effect to the aforesaid resolution."

13. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT As per the provisions of Clause 49 (IB) of the Listing Agreement, and pursuant to the provisions of Sections 197(1), 198 and other applicable provisions, if any, of the Companies Act, 2013, including any amendment, modification, variation or re-enactment thereof, the non-whole time directors of the Company in addition to sitting fees being paid / payable to them for attending the meetings of the Board of Directors of the Company (hereinafter referred to as the 'Board')

and its Committee thereof, be paid every year for a period of five years with effect from April 1, 2014, commission of an amount as may be determined by the Board from time to time, subject to an overall ceiling upto 1% (one percent) of the net profits of the Company (computed in the manner referred to in Section 198 of the Companies Act, 2013), to be divided amongst them in such manner as the Board may, from time to time, determine."

14. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 61(1A) and other applicable provisions, if any, of the Companies Act, 2013 including relevant circulars and notifications issued by the Reserve Bank of India (RBI) including the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended ("SEBI ESOP Guidelines"), issued by Securities and Exchange Board of India (SEBI), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to such other rules, regulations, guidelines that may be issued by SEBI and/or such other authorities, from time to time and subject to such approvals, consents, permissions and sanctions, as may be required from appropriate regulatory authorities/institutions or bodies, and subject to such terms and conditions as may be prescribed/imposed, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the board", which term shall be deemed to include the Compensation Committee of Directors constituted by the board to exercise its powers including the powers conferred by this resolution or include any other Committee of Directors) to create, issue, offer and allot equity shares of aggregate nominal face value, not exceeding ₹ 90,00,000 (Rupees Ninety Lacs only) represented by 45,00,000 equity shares of ₹ 2 each of the Company fully paid (or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Company as may be applicable from time to time) to the present and future permanent employees and directors excluding independent directors of the Company whether in India or abroad (hereinafter referred to as "employees"), under Employee Stock Option Scheme(s) (ESOS) to be framed by the Company in terms of this resolution on such terms and conditions and in such tranches as may be decided by the board in its sole and absolute discretion."

“RESOLVED FURTHER THAT the consent of the members be and is hereby accorded to the board to grant under ESOS, the options, if any, lapsed or that may lapse under the earlier Employee Stock Option Scheme(s) as the board may decide in its absolute discretion.”

“RESOLVED FURTHER THAT without prejudice to the generality of the above but subject to the terms mentioned in the explanatory statement to this resolution, which are hereby approved by the members or any amendment or modification thereof, the board be and is hereby authorised to formulate ESOS detailing all the terms for granting of employee stock options (including terms relating to eligibility of the said employees under the ESOS) to grant the options under the said ESOS (detailing the terms of the options) at such time or times as it may decide in its absolute discretion and is also authorised to determine in its absolute discretion, as to when the said equity shares are to be issued, the number of shares to be issued in each tranche, the terms or combination of terms subject to which the said shares are to be issued (including the combination of terms for shares issued at various points of time), the conditions under which options vested in employees may lapse, terms relating to specified time within which the employee should exercise his option in the event of his termination or resignation, terms relating to dividend on the shares to be issued, terms relating to the manner in which the Income Tax shall be recovered by the Company from the concerned eligible employee under the provisions of the Income Tax Act, 1961 and the rules made thereunder and such other terms as could be applicable to the offerings of similar nature.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to recover the income tax (including but not limited to any other charge/cess/levy that may be imposed by the Government of India thereon), if any, payable by the Company, pursuant to issue of shares/grant of options under ESOS, from the concerned eligible employee as provided in the ESOS and subject to the provisions of the Income-Tax Act, 1961 and the rules framed thereunder, as amended, from time to time.”

“RESOLVED FURTHER THAT subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution shall in all respects rank *pari passu inter se* and with the existing equity shares of the Company in all respects.”

“RESOLVED FURTHER THAT the board be and is hereby authorised to settle all questions, difficulties or doubts

that may arise in relation to the formulation and implementation of the ESOS and to the shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the board be and is hereby authorised to vary, amend, modify or alter the terms of the ESOS in accordance and subject to any guidelines rules or regulations that may be issued by an appropriate / regulatory / statutory authority.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the board be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary in relation thereto.”

“RESOLVED FURTHER THAT the board be and is hereby authorised to delegate all or any of the powers herein conferred to director(s) and/or any officer(s) of the Company to give effect to the aforesaid resolutions.”

15. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

“RESOLVED THAT pursuant to the provisions of Section 42 and other applicable provisions, if any, of the Companies Act, 2013 and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008, including any amendment, modification, variation or re-enactment thereof, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof), to issue Redeemable Non-Convertible Debentures (NCDs) for cash, upto an amount not exceeding Rs. 2000 Crores (Rupees two thousand crores only), under one or more self disclosure document, during the period commencing from the date of this meeting hereof until the conclusion of 29th (Twenty-Nineth) Annual General Meeting, on a private placement basis on such terms and conditions as the Board may deem fit and appropriate for each series as the case may be.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things

and execute all such deeds, documents, instruments and writings as it may in its sole and absolute discretion deem necessary in relation thereto.”

“RESOLVED FURTHER THAT the board be and is hereby authorized to delegate all or any of the powers herein conferred to any director(s) and/or officer(s) of the Corporation, to give effect to the resolution.”

Notes:

- (A) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (MEETING) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The proxy form duly completed and signed, should be lodged with the Company, at its registered office at least 48 hours before the time of the meeting.
- (B) The relative Explanatory Statement, pursuant to Section 102(2) of the Companies Act, 2013 (corresponding to 173(2) of the Companies Act, 1956), in respect of the special business under item No. 5 to 15 are annexed hereto.
- (C) Pursuant to the provisions of Section 91 of the Companies Act, 2013 (corresponding to 154 of the Companies Act, 1956), the Register of Members and Share Transfer Books of the Company will remain closed on Wednesday, May 7, 2014, for determining the entitlement of the shareholders to the payment of dividend.
- (D) Subject to the provisions of Section 126 of the Companies Act, 2013 (corresponding to Section 206A of the Companies Act, 1956), dividend as recommended by the Board of Directors, if declared at the meeting, will be dispatched/remitted commencing on or from May 29, 2014.
- (E) All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting and other statutory registers shall be available for inspection by the Members at the registered office of the Company during office hours on all working days between 11.00 a.m. and 1.00 p.m. on all days except Saturdays, Sundays and public holidays, from the date hereof up to the date of the annual general meeting.
- (F) In terms of the provisions of Section 124 of the Companies Act, 2013 (corresponding to Section 205A of the Companies Act, 1956), the amount of dividend not encashed or claimed within 7 (seven) years from the date of its transfer to the unpaid dividend account,

will be transferred to the Investor Education and Protection Fund established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2006-07 is due for transfer to the said Fund in August 2014. In terms of provisions of Section 124 of the Companies Act, 2013 (corresponding to Section 205C of the Companies Act, 1956), no claim shall lie against the Company or the said Fund after the said transfer.

- (G) Members who have either neither received nor encashed their dividend warrant(s) for the financial years 2006-07 upto 2012-13, are requested to write to the Company, mentioning the relevant Folio number or DP ID and Client ID, for issuance of duplicate/revalidated dividend warrant(s).
- (H) Members holding shares in physical form are requested to promptly notify in writing any changes in their address/bank account details to the Secretarial Department of the Company at “GRUH”, Netaji Marg, Mithakhali Six Roads, Ellisbridge, Ahmedabad – 380 006. Members holding shares in electronic form are requested to notify the changes in the above particulars, if any, directly to their Depository Participants (DP).
- (I) Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialisation of their shareholding so as to avoid inconvenience in future.
- (J) Voting through electronic means
 - I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 28th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL):

The instructions for e-voting are as under:

- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:
 - (i) Open email and open PDF file viz: “GRUH e-Voting.pdf” with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.

- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
 - (iii) Click on Shareholder - Login
 - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
 - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
 - (vii) Select "EVEN" of GRUH Finance Limited.
 - (viii) Now you are ready for e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to gruhscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :
- (i) Initial password will be provided separately :
EVEN (E Voting Event Number) USER ID
PASSWORD/PIN
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of www.evoting.nsdl.com
- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
 - IV. As the voting would be through electronic means, the members who do not have access to e-voting, may requisite a Physical Ballot Form from the Company. You are required to fill in the ballot form and enclose it in a sealed envelope and send it to the Scrutinizer. Unsigned, incomplete or incorrectly ticked forms shall be rejected. The ballot must be received by the Scrutinizer on or before 23rd May, 2014 (6.00 pm). The Scrutinizer's decision on the validity of the forms will be final. Members are required to vote only through the electronic system or through ballot only and in no other form. In the event a member casts his votes through both the processes, the votes in the electronic system would be considered and the ballot vote would be ignored.
 - V. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
 - VI. The e-voting period commences on 22nd May, 2014 (9:00 am) and ends on 23rd May, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 25th April, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
 - VII. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 25th April, 2014.
 - VIII. Mr. M.C.Gupta, of M. C. Gupta & Co., Company Secretaries, (Membership No. FCS:2047) (Address : A-201, Fairdeal House, Swastik Char Rasta, Navrangpura, Ahmedabad -380 009) has been appointed as the Scrutinizer to scrutinize the e-voting process (including the physical ballots received from members who don't have access to the e-voting process) in a fair and transparent manner.

- IX. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- X. The Results shall be declared at the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.gruh.com and on the website of NSDL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the NSE and BSE Limited.

MEMBERS HOLDING EQUITY SHARES IN ELECTRONIC FORM, AND PROXIES THEREOF, ARE REQUESTED TO BRING THEIR DP ID AND CLIENT ID FOR IDENTIFICATION.

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INFORMATION AS REQUIRED UNDER CLAUSE 49 (IV) (G) (i) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED/APPOINTED:

Re-appointment of Mr Kamlesh Shah (item No. 3)

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. He does not hold any other board positions in other companies. Mr. Kamlesh Shah holds 147473 shares of the Company.

Re-appointment of Mr Sudhin Choksey (item No. 12)

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. Mr. Sudhin Choksey holds 281863 shares of the Company.

Appointment of other directors (Item Nos 5 to 8)

For the details of Mr S.M. Palia, Mr Rohit C Mehta, Mr Prafull Anubhai and Mr S.G. Mankad, please refer to the below Explanatory Statement in respect of Special Business set out at item Nos. 5 to 8 of the Notice of the AGM pursuant to Section 102 of the Companies Act 2013.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 102(2) of the Companies Act, 2013.

Item No. 5

Mr. S.M Palia is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in January 1993.

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. Mr. S.M. Palia and his relatives hold 110150 shares of the Company.

Mr. S.M. Palia retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. Palia being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for three consecutive years for a term upto 31st March, 2017. A notice has been received from a member proposing Mr. Palia as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. S.M. Palia fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. S.M. Palia as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. S.M. Palia as an Independent Director. Accordingly, the Board recommends

the resolution in relation to appointment of Mr. Palia as an Independent Director, for the approval by the shareholders of the Company.

Under the Companies Act, 2013, independent directors can only receive fees under the provisions of section 197(5) and profit related commission as may be approved by the members. Accordingly, approval of the members is also being sought for the purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee from time to time, subject to the limits prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Except Mr. S.M. Palia, being an appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 5. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 6

Mr. Rohit C. Mehta is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in March 1987.

Mr. Rohit C. Mehta, is a prominent and successful industrialist possessing a wide and varied experience in the management of business and industry. He is a Law Graduate from the Bombay University. He was International President of Lions Clubs International. He has also been the President of Federation of Indian Chambers of Commerce & Industry. He is the Chairman of Torrent Cables Ltd. He is on the board of reputed companies like Gujarat Hotels Ltd., Universal Trustees Pvt. Ltd, etc. He has been on the board of GRUH since 1987 and was the Chairman of the Company from 1987 to 1998. He is Chairman of Shareholders' / Investors' Grievance Committee of GRUH and a member of the Audit Committee of GRUH. Mr. Rohit C. Mehta holds 165000 shares of the Company.

Mr. Rohit C. Mehta retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. Rohit C. Mehta being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for three consecutive years for a term upto 31st March, 2017. A notice has been received from a member proposing Mr. Rohit C Mehta as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Rohit C Mehta fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. Rohit C. Mehta as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Rohit C Mehta as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Rohit C Mehta as an Independent Director, for the approval by the shareholders of the Company.

Under the Companies Act, 2013, independent directors can only receive fees under the provisions of section 197(5) and profit related commission as may be approved by the members. Accordingly, approval of the members is also being sought for the purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee from time to time, subject to the limits prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Except Mr. Rohit C. Mehta, being an appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 6. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 7

Mr. Prafull Anubhai is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in March 1987.

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. Prafull Anubhai and his relatives hold 36500 shares of the Company.

Mr. Prafull Anubhai is a director whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act 1956. Under the Companies Act, 2013, it is required that independent directors not be liable to retire by rotation and be appointed for a fixed term. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. Prafull Anubhai being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for three consecutive years for a term upto 31st March, 2017. A notice has been received from a member proposing Mr. Prafull Anubhai as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. Prafull Anubhai fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. Prafull Anubhai as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Prafull Anubhai as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Prafull Anubhai as an Independent Director, for the approval by the shareholders of the Company.

Under the Companies Act, 2013, independent directors can only receive fees under the provisions of section 197(5) and profit related commission as may be approved by the members. Accordingly, approval of the members is also being sought for the purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee from time to time, subject to the limits prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Except Mr. Prafull Anubhai, being an appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 7. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 8

Mr. S. G. Mankad is a Non-Executive Independent Director of the Company. He joined the Board of Directors of the Company in January 2010.

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 Intrade Ltd. He is on the Board of GRUH since 2010. He is a member of Shareholders'/ Investors' Grievance Committee of GRUH. Mr. S.G. Mankad holds 65000 shares of the Company.

Mr. S. G. Mankad is a director whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of the Companies Act 1956. Under the Companies Act, 2013, it is required that independent directors not be liable to retire by rotation and be appointed for a fixed term. In terms of section 149 and other applicable provisions of the Companies Act, 2013, Mr. S. G. Mankad being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for three consecutive years for a term upto 31st March, 2017. A notice has been received from a member proposing Mr. S. G. Mankad as a candidate for the office of Director of the Company.

In the opinion of the Board, Mr. S. G. Mankad fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Mr. S. G. Mankad as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office

of the Company during normal business hours on any working day, excluding Saturday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. S. G. Mankad as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. S. G. Mankad as an Independent Director, for the approval by the shareholders of the Company.

Under the Companies Act, 2013, independent directors can only receive fees under the provisions of section 197(5) and profit related commission as may be approved by the members. Accordingly, approval of the members is also being sought for the purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee from time to time, subject to the limits prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Except Mr. S. G. Mankad, being an appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 8. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 9

In terms of the resolution passed by the members of the Company at the 27th annual general meeting held on July 8, 2013, the amount consequent to loans borrowed by the Board of Directors on behalf of the Company cannot exceed ₹ 9000 crores at any point of time. As on March 31, 2014, the total borrowings of the Company amounted to ₹ 6447.48 crores. In view of expected growth in business of the Company, it may be necessary for the Company to borrow monies from various sources consequent to which the amount outstanding could exceed the present limit of ₹ 9000 crores. Further under law, it is now required that such a resolution be by way of a special resolution. This resolution will also include within in the sub limit of ₹ 2000 crores for the borrowing of debentures, covered under Item No. 15 of the Notice.

Your Directors accordingly commend increase in the borrowing powers from ₹ 9000 crores to ₹ 12000 crores as set out in the resolution at Item No. 9 for approval of the members.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at Item No. 9.

Item No. 10

The Board of Directors, at its meeting held on 11th April, 2014 and subject to approval of members in a general meeting, has recommended issue of Bonus Shares in the proportion of 1:1 i.e. one new fully paid up Equity Share Capital of ₹ 2/- each for 1 (one) fully paid-up Equity Share Capital of ₹ 2/- each which would increase the total paid-up Equity Share Capital of the Company from ₹ 36,02,26,300/- consisting of 18,01,13,150 Equity Shares of ₹ 2/- each to ₹ 72,04,52,600/- consisting of 36,02,26,300 Equity Shares of ₹ 2/- each.

The present Authorized Share Capital of the Company is ₹ 50,00,00,000/- (Rupees Fifty Crores only) which is not adequate to accommodate the issue of proposed Bonus shares in the proportion of 1:1 i.e. one new fully paid up Equity Share of ₹ 2/- each for 1 (one) fully paid-up Equity Share of ₹ 2/- each. It is therefore proposed to increase the Authorized Share Capital of the Company from ₹ 50,00,00,000/- (Rupees Fifty Crores) divided into 25,00,00,000 (Twenty Five Crores) Equity Shares of ₹ 2/- each to ₹ 1,00,00,00,000/- (Rupees One Hundred Crore only) divided into 50,00,00,000 Equity Shares of ₹ 2/- each by creation of 25,00,00,000 (Twenty Five Crores) Equity Shares of ₹ 2/- each ranking *pari passu* with the existing Equity Shares.

As per the provisions of the Companies Act, 2013, for Increase in Authorized Share Capital, Change in Clause of Memorandum of Association requires approval of members.

None of the Directors or Key Managerial Personnel (KMP) or their relatives are in any way concerned or interested in the resolution set out at Item No.10 except to the extent of their shareholding in the Company and entitlement for Bonus and ESOS.

Item No. 11

GRUH Finance Limited was incorporated in the year 1986. Under the able leadership and management, the Company has grown from strength to strength. As on March 31, 2014, the paid-up share capital of the Company is ₹ 36,02,62,300/- and reserves and surplus stood at more than ₹ 571 crores. The Company is a regular dividend paying Company. The equity shares of ₹ 2/- each is quoted approx ₹ 300 – 315/- in the stock market. There has been demand from shareholders to issue bonus shares.

With a view to bring the share capital to a level commensurate with the total capital employed in the Company and rewarding business operation and considering accumulated reserves of more than ₹ 571 crores, the Board of Directors at its meeting held on 11th April, 2014 has recommended issue of Bonus Shares in the proportion of

1:1 i.e. one new fully paid-up Equity Share of ₹ 2/- each for every 1 (one) fully paid-up Equity share of ₹ 2/- each, to the eligible shareholders of the Company as on the Record Date to be fixed by the Board or a Committee thereof authorized for this purpose. The present paid-up Equity Share Capital of the Company is ₹ 36,02,62,300/- consisting of 18,01,31,150 Equity Shares of ₹ 2/- each. In accordance with the enabling provisions that sums not exceeding ₹ 36,02,62,300/- be drawn from the Securities Premium account, General Reserves or any other permitted reserves/surplus of the Company and capitalised and transferred to Share Capital Account towards issue and allotment of Equity Shares not exceeding 36,02,26,300 Equity Shares of ₹ 2 each as Bonus Shares, credited as fully paid-up, to the members holding Equity Shares as on the Record Date to be specified in this behalf. The Bonus Shares will be issued in the proportion of 1 (one) new Equity Share(s) for every 1 (one) Equity Share held on record date. The said Bonus Shares shall rank *pari-passu* with the then existing Equity Shares.

The approval of this resolution would be pursuant to the provisions of section 63(1)(b) of the Companies Act, 2013 and other applicable provisions.

The issue of Bonus Shares to non-residents shareholders is subject to provision of the Foreign Exchange Management Act, 1999.

The Board recommends the resolution for approval of the shareholders.

None of the Directors, Key Managerial Personnel (KMP) of the Company or their relatives are deemed to be concerned or interested in the resolutions set out at Item No.11 except to the extent of their entitlement of Bonus shares on the record date and also adjustment on ESOS entitlement yet to be exercised.

Item No. 12

The members of the Company had, vide their resolution passed at the 24th Annual General Meeting (AGM) of the Company held on June 29, 2010 re-appointed Mr. Sudhin Choksey as Managing Director of the Company for a period of 5 years with effect from April 1, 2010.

The term of office of Shri Sudhin Choksey as Managing Directors was upto March 31, 2015. However, the Board of Directors at its meeting held on April 11, 2014 have terminated the existing contract of Mr. Sudhin Choksey w.e.f March 31, 2014 and re-appointed Mr. Sudhin Choksey as the Managing Director of the Company for a period of three years with effect from April 1, 2014 upto March 31, 2017, subject to the approval of the members in the general meeting. The terms of re-appointment have been

recommended by the Nomination and Remuneration Committee (Compensation Committee) in the meeting held on April 11, 2014.

The main terms and conditions of re-appointment including remuneration of Mr. Sudhin Choksey as the Managing Director as set out in the draft agreement, subject to the limits prescribed in Part II of Schedule V of the Companies Act, 2013, placed before the Meeting are as follows:

- I. Salary: Monthly salary within the range of Rs. 5,00,000/- to Rs. 10,00,000/- as may be decided by the Board of Directors or Nomination and Remuneration Committee from time to time.
- II. Perquisites: Perquisites including allowances in such form and to such extent as may be decided by the Board of Directors or the Nomination and Remuneration Committee (or Compensation Committee) subject to a ceiling of annual salary.
- III. *Ex-Gratia*: As may be decided by the Board of Directors or Nomination and Remuneration Committee subject to the ceiling of twice the annual salary.
- IV. Other Benefits: Other benefits to the Mr. Sudhin Choksey shall include use of car (with driver) and telephone for the Company's business at residence (the expenses whereof, excepting car for private use and personal long distance calls, would be borne and paid by the Company), contribution to Provident Fund and Superannuation Fund as may be decided by the Board of Directors or Nomination and Remuneration Committee, and all other benefits as are applicable to senior employees of the Company (including but not limited to gratuity, leave entitlement, encashment of leave, entitlement to housing and other loans in accordance with schemes of the Company).
- V. Minimum Remuneration: In the event of any loss, absence or inadequacy of profits of the Company in any financial year during the term of office of Mr. Sudhin Choksey, the remuneration as above shall be paid to him as minimum remuneration subject to the limits as set out in Section II of Part II of Schedule V of the Companies Act, 2013.

In accordance with the resolution, within the aforesaid limits, the amount of salary, ex-gratia and perquisites payable to Mr. Sudhin Choksey (including the types and amount of each type of perquisite) will be decided by the Board of Directors or Nomination and Remuneration Committee (or Compensation Committee) from time to time as it may deem fit in its absolute discretion. Further, Mr. Sudhin Choksey shall be entitled to benefits as provided to senior

employees, in accordance with schemes made by the Company from time to time. The valuation of perquisites will be as per the Income – Tax Rules, 1962, in cases where the same is otherwise not possible to be valued.

- VI. Other Terms: Apart from the above terms & conditions governing remuneration, the terms of appointment provide for the term of office, the reimbursement of expenses incurred for the business of the Company, provision for earlier determination of the appointment by either party by giving six months' notice in writing etc. The agreement also provides for variation in the terms of appointment / agreement in accordance with the Companies Act, 2013 (corresponding to Companies Act, 1956), in force from time to time.

Your directors commend passing of the resolution proposed at Item No. 12.

None of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives except Mr. Sudhin Choksey are concerned or interested, financial or otherwise, in the resolution set out at Item No.12.

Item No. 13

As per the provisions of Clause 49 (IB) all fees/ compensation, payable to Non - executive directors shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.

Pursuant to the same, the approval of the Members, is sought for payment of commission to Non - executive Directors as set out in the resolution at Item No. 13 of this Notice.

The Board recommends the resolution as set out at Item No. 13 for the approval of the Members.

All the Non- executive Directors and their relatives are deemed to be interested in the resolution set out at Item No.13.

None of the other directors or Key Managerial Personnel (KMP) of the Company or their relatives are in any way, financial or otherwise, concerned or interested in the said resolutions.

Item No. 14

The Board of Directors at its meeting held on April 11, 2014 felt that in order to reward and motivate employees and to attract and retain them and to enable employees to participate in the future growth and financial success of the Company, adequate number of options may be granted to its present and future permanent employees of the Company as may be decided by the board from time to

time, and to all the directors excluding Independent Directors of the Company as on the date of grant(s), (hereinafter collectively referred to as "employees") subject to certain eligibility criteria as may be determined by the Board of Directors of the Company (hereinafter referred to as the "board" which term shall be deemed to include the Compensation Committee of Directors constituted by the board to exercise its powers including powers conferred by this resolution) under Employee Stock Option Scheme(s) (ESOS) to be formulated by the board as per the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended (SEBI ESOP Guidelines) and other laws as applicable.

In accordance with the terms of this resolution and the ESOS (to be formulated by the board for granting the employee stock options), the options would be granted in one or more tranches as may be decided by the board from time to time.

The Board at its Meeting held on April 11, 2014 recommended that stock options in respect of equity shares not exceeding 2.50% of the present paid-up equity share capital of the Company as at March 31, 2014, be granted under ESOS, subject to the approval of the members at the ensuing annual general meeting.

The following would *inter alia* be the broad terms and conditions of ESOS -

Compensation Committee:

The Compensation Committee of Directors of the Company comprising of majority of independent directors has been authorised to *inter alia* formulate, administer and supervise ESOS including framing of its terms and conditions in terms of SEBI ESOP Guidelines.

Total number of options to be granted:

The total numbers of options to be granted under ESOS shall not exceed 45,00,000 options representing 45,00,000 equity shares of ₹ 2/- each of the Company, or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Company as may be applicable from time to time.

The options which may lapse / expire or are forfeited will be available for grant to the eligible employees.

Identification of classes of employees entitled to participate in the ESOS:

All the present and future permanent employees and all the directors excluding Independent Directors of the Company in India and abroad are eligible to participate in ESOS, subject to such eligibility criteria as may be decided by the board from time to time.

Vesting, period of vesting and maximum period of vesting:

Subject to applicable laws, regulations and guidelines issued by statutory authorities in this regard, the options would be granted and vested by the board to the employees within such period and upon such terms as it may stipulate under ESOS formulated by it in that behalf, subject however that the options granted shall not vest before the expiry of at least one year from the date of respective grant(s) and the gap between the date of grant and vesting shall not exceed 3 years.

Pricing Formula:

The options would be granted to the eligible employees at the latest available closing price on the stock exchange on which shares of the Company are listed, prior to the date of the meeting of the board at which the options are granted. As the shares of the Company are listed on more than one stock exchange, the latest available closing price on the stock exchange with higher trading volume on the said date shall be considered.

Tax Liability:

The liability of paying tax, if any, on the options granted pursuant to this Scheme and the shares issued pursuant to exercise of options shall be entirely on the Employees and shall be in accordance with the provisions of Income Tax Act, 1961 and rules framed thereunder as applicable from time to time.

Exercise period and process of exercise:

The eligible employees shall be entitled to exercise the options within such period as may be determined by the board, subject to a maximum of 3 years from the date of respective vesting.

The options shall be deemed to be exercised when the company receives the written notice of exercise of options in the prescribed format, from the person entitled to exercise the option along with full payment for the shares with respect to which the options are exercised and the amount of income tax, if any.

Appraisal process for determining eligibility of the employees to the ESOS:

The board shall determine the eligibility criteria for the employees, the terms and conditions subject to which shares would be issued, the modus of grant, exercise and vesting of the options and such other terms relating to the ESOS. Whilst granting the options to the employees under ESOS, the board may *inter alia* consider the length of service, grade, performance, technical knowledge, leadership qualities, merit, future potential contribution, conduct of employee

etc and such other factors as may be deemed appropriate by it.

Notwithstanding anything contained in this resolution or the explanatory statement thereto, the board would have the absolute discretion to determine the employees eligible to be granted options under the ESOS and the quantum of options to be granted to any eligible employee.

Maximum number of options to be issued per employee and in aggregate:

The maximum number of options to be issued to any eligible employee during any one year will be decided by the board, subject however that the same shall be less than 1% of the issued equity shares of the Company as on the date of grant. The aggregate of all such options granted shall not exceed 45,00,000 or such adjusted numbers for any bonus, stock splits or consolidation or other re-organisation of the capital structure of the Company as may be applicable from time to time.

Accounting policies:

The Company shall comply with the accounting policies as specified by SEBI as per Clause 13.1 and other applicable provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

Method of valuation:

The Company shall follow the intrinsic value method to value its stock options.

Declaration:

The Company will disclose the difference between the employee compensation cost computed using the intrinsic value method and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on the profits and on the earning per share of the Company in the Directors' Report as applicable from time to time.

Listing:

The shares allotted pursuant to the exercise of the stock options, shall be listed on The Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE) and necessary applications shall be made to the said stock exchanges in that regard.

Pursuant to Section 61(1A) of the Companies Act, 2013 (corresponding to Section 81(1A) of the Companies Act, 1956), further equity shares may be issued to persons other than the existing members of the Company as specified in Section 61 (1) of the Companies Act, 2013 (corresponding

to Section 81 (1) of the Companies Act, 1956), provided the members of the Company approve the issue of such shares by way of a Special Resolution.

Consent of the members in general meeting would therefore be necessary pursuant to the provisions of Section 61(1A) of the Companies Act, 2013 (corresponding to Section 81(1A) of the Companies Act, 1956), the relevant provisions of SEBI ESOP Guidelines and the listing agreement with the stock exchanges. The resolution and the terms stated therein as also the terms stated in this explanatory statement hereinabove shall be subject to the guidelines/regulations issued/to be issued by statutory authorities in that behalf and the board shall have the absolute authority to modify the terms herein which do not conform with the provisions of the said guidelines/regulations.

The directors recommend the passing of the resolutions at Item No.14 of the notice.

Since the shares under the ESOS could be offered and issued to the directors and key managerial personnel of the Company, all the directors excluding independent directors and Key Managerial Personnel (KMP) are concerned and interested in the said resolution at Item No.14 of the notice. The members approval in accordance with this resolution is *inter alia* also being sought for authorising the board to do acts stated in the resolutions and hereinabove where they would be the beneficiaries.

Item No 15

For the purpose of the business of the company, your board has been borrowing funds, within the limits approved by you, *inter alia*, by issue of Non-Convertible Debentures (NCDs) in accordance with the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities Regulations, 2008) as amended.

In terms of Rule 14 (2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make

a private placement of its securities including NCDs subject to prior approval of the shareholders by way of special resolution. The Rules further provides that the said special resolution shall be passed in respect of all offers / invitations for such debentures made during the year.

As on March 31, 2014, the outstanding Non-Convertible Debentures were ₹ 115.70 crores.

The NCD's would be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Accordingly the approval of the members is being sought by way of special resolution as set out at Item No.15 for issue of Non-Convertible Debentures on a private placement basis during the period from the date of this meeting until the conclusion of the 29th Annual General Meeting, under one or more shelf disclosure document in or more series or tranches.

Your Directors recommend the passing of the special resolution proposed at Item No.15 of the Notice.

None of the directors or Key Managerial Personnel (KMP) of the company or their relatives, are in any way, financial or otherwise, concerned or interested in the said resolution.

April 11, 2014

By Order of the Board

Registered Office:
"GRUH"
Netaji Marg,
Nr. Mithakhali Six Roads,
Ellisbridge, Ahmedabad 380 006.
Phone 079 26421671-74 www.gruh.com
CIN : L65923GJ1986PLC008809

Marcus Lobo
Company Secretary

GRUH FINANCE LIMITED

Regd. Office: "GRUH", Netaji Marg, Nr. Mithakhali Six Roads,
Ellisbridge, Ahmedabad 380 006 • phone 079 26421671-74 www.gruh.com
CIN : L65923GJ1986PLC008809



PROXY FORM

Name of the member (s):
Registered Address:
..... E-mail ID:
Folio No. / Client Id: DP ID:

I/We, being the member (s) of shares of the GRUH Finance Limited, hereby appoint.

- 1. Name : Address :
Email Id : Signature :
- 2. Name : Address :
Email Id : Signature :
- 3. Name : Address :
Email Id : Signature :

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28TH Annual General Meeting of the Company, to be held on Wednesday, May 28, 2014 at 10:30 a.m. at H.T. Parekh Convention Centre, Ahmedabd Management Association (AMA), Atira Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015 and at any adjournment thereof in respect of such resolutions as are indicated below:

- Resolution No.
- 1..... 2..... 3..... 4..... 5.....
 - 6..... 7..... 8..... 9..... 10.....
 - 11..... 12..... 13..... 14..... 15.....

Signed this day of 2014.

Signature of Shareholder: (Affix Revenue Stamp)

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, at "GRUH", Netaji Marg, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006, not less than FORTY EIGHT HOURS before the meeting.

----- Cut here -----

GRUH FINANCE LIMITED

Regd. Office: "GRUH", Netaji Marg, Nr. Mithakhali Six Roads,
Ellisbridge, Ahmedabad 380 006 • phone 079 26421671-74 www.gruh.com
CIN : L65923GJ1986PLC008809



ATTENDANCE SLIP

(To be handed over at the entrance of the Meeting hall)
28th Annual General Meeting - May 28, 2014

I hereby record my presence at the TWENTY EIGHTH ANNUAL GENERAL MEETING of the Company at H. T. Parekh Convention Centre, Ahmedabd Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015 on Wednesday, May 28, 2014 at 10.30 a.m.

Full name of the member (In BLOCK LETTERS) :

Folio No. DP ID No. Client ID No.

No. of Shares held

Full name of proxy (In BLOCK LETTERS) :

Member's/Proxy's Signature :



