



GRUH

GRUH Finance Limited

(A Subsidiary of HDFC Limited)

JUNE 2014



Profile

- Promoted by HDFC & AKFED on July 21, 1986
- Commenced operations in 1988 from Ahmedabad
- A subsidiary of HDFC - Since June 2000
- Regulated by National Housing Bank (NHB) – Wholly owned subsidiary of Reserve Bank of India (RBI)
- Recognized by NHB for Refinance facility



Profile

As on June 30, 2014

- Cumulative Housing Units Financed – 2,63,755
- Cumulative Disbursement of Rs.12,784 Cr.
- Average Loan Per Unit on Cumulative Disbursement – Rs.6.05 Lac
- Cumulative Disbursement in Rural Areas^(*) – Rs.5,333 Cr.
- Retail Network of 145 offices across 7 States.
- Consistent track record of Dividend Payout

^(*) Rural Areas are locations where populations is less than 50,000



Profile

As on June 30, 2014

- Outstanding Loan Assets of Rs. 7,378 Cr.
- Average Loan Outstanding Per Unit – Rs. 5.27 Lac
- Loan Disbursement during the period – Rs.690 Cr.
- Average Loan Per Unit on Disbursement during the Period– Rs. 8.21Lac
- Loan Disbursement in Rural Areas – Rs.283 Cr.
- Gross NPAs Rs.32.48 Cr – 0.44% of Outstanding Loan Assets of Rs.7,378 Cr.



Ratings

- Public Deposits :
 - ‘FAAA’ by CRISIL and
 - ‘MAAA’ by ICRA
- Non-Convertible Debentures : ‘AA+’ by ICRA & CRISIL
- Subordinated NCD: ‘AA+’ by ICRA & CRISIL
- Commercial Paper : ‘A1+’ by ICRA & CRISIL

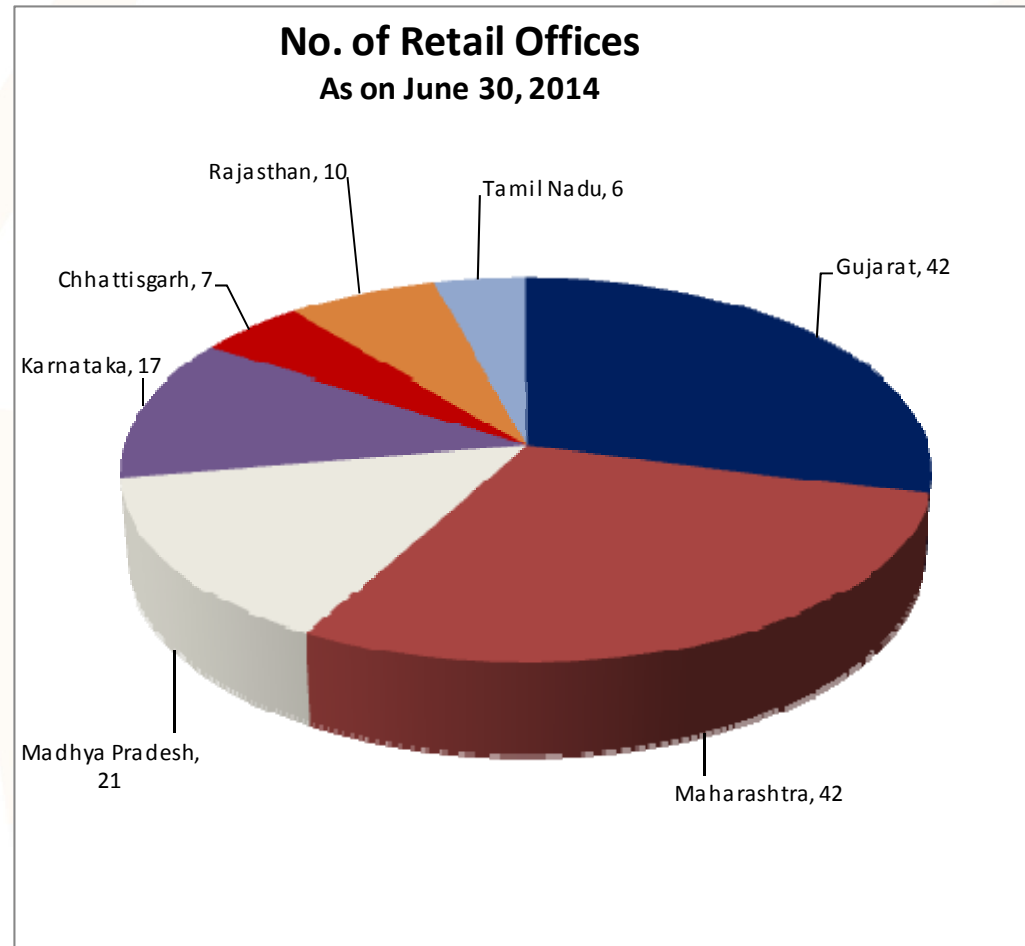
“These rating indicates high safety with regard to timely payment of interest and principal”

GRUH'S Presence

Retail Offices

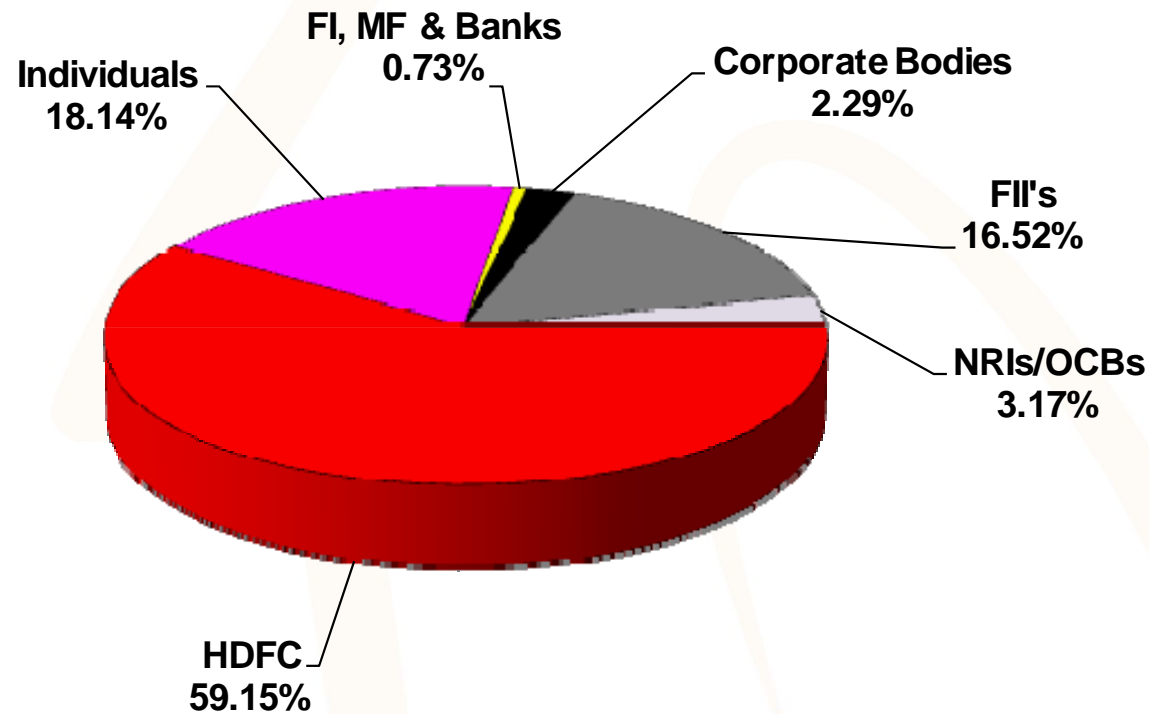
<u>FY</u>	<u>Nos.</u>
2000	- 28
2006	- 65
2010	- 95
2011	- 115
2012	- 120
2013	- 134
2014	- 145

Districts covered - 105
Taluka serviced - 951



Share Holding Pattern

As on June 30, 2014



Market Scenario

- Housing shortage of 18.78 mn units in Urban Areas & 43.67 mn in Rural Areas.
- 31% of Country's population is in Urban Areas, where shortage of housing units is estimated at 18.78 mn units (Country's population as per Census 2011 is at 1.21 bn). Rural : Urban distribution is 69:31.
- Mortgages contribute 8% of India's GDP as compared to 14% in China, 19% in Thailand, 24% in South Africa, 34% in Malaysia, 53% in Singapore, 47% in Germany and 67% in USA (*Source HOFINET*)
- Increasing Urbanisation
- Growing segment of self-employed individuals
- Growth in demand –
 - Rising disposable income
 - Fiscal incentives on both interest and principal repayments



Challenges

- Thin density at rural locations
- Rising trend of migration to urban locations
- Presence of PSU Banks and Local/Regional Co-operative Banks
- Delay in issue of construction permission at rural locations
- Difficulty in verification of title documents at rural locations
- Higher cost of operations
 - Small ticket loans and servicing of customers at scattered locations
- Higher cost of collection
 - Repayment by borrowers through outstation cheques and payments in collection account leads to delay in actual realisation of funds
- Non-acceptance of Cash



Performance Highlights

(Rs. in Crores)

Particulars	Quarter Ended 30/06/14	Quarter Ended 30/06/13	Growth (%)
Disbursement	690	567	22
Loan Assets	7378	5727	29
Net Interest Margin	77	61	27
Non-Interest Expenses	13	13	-
PAT	42	34	24
Gross NPAs on Outstanding Loans	32	26	23



Composition of Outstanding Loans

(Rs. in Crores)

	As At June 30, 2014	Composition	As At June 30, 2013	Composition	Growth
	Amount	%	Amount	%	%
Individuals					
Housing	6833	93	5314	93	29
NRP Loans	329	4	249	4	32
Developers					
Construction	216	3	164	3	32
Total	7378	100	5727	100	29



Profile of Customers

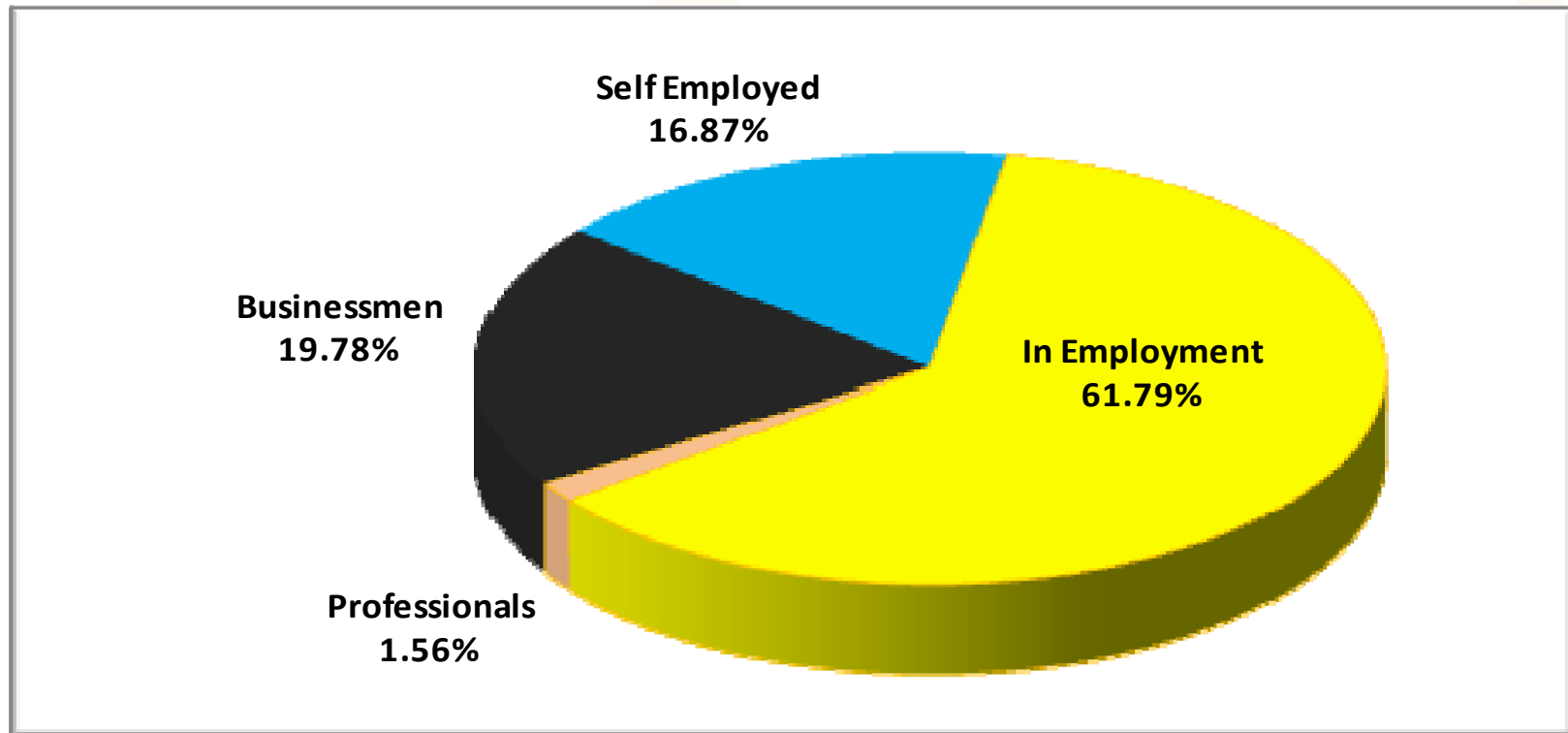
<u>As on June 30,</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
No. of Incremental Loans	8204	7028	6003
No. of Live Accounts	135802	116565	100978
Average Loan Disbursed per unit (Rs. In lac)	8.21	8.08	7.12
Average Cost per dwelling unit (Rs. In lac)	15.26	15.29	12.59
Loan amount wise break up (%)			
a) up to Rs. 5 Lakhs	15.46	17.79	22.77
b) more than 5 Lakhs up to 10 Lakhs	37.23	38.37	41.43
c) more than 10 Lakhs up to 30 Lakhs	33.09	30.38	27.06
d) more than 30 Lakhs	14.22	13.45	8.74

Profile of Customers

<u>As on June 30,</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Loans extended in areas(%)			
a) Population is less than 50,000	46.99	45.11	48.64
b) Population is more than 50,000	53.01	54.89	51.36
Average Loan to Value Ratio	65	62	57
Average Income of the Borrower	39,991	38,495	34,481
Average Installment to Income Ratio	33	31	31
Average Fixed Obligation Ratio	39	36	36

Customer Segments

As on June 30, 2014

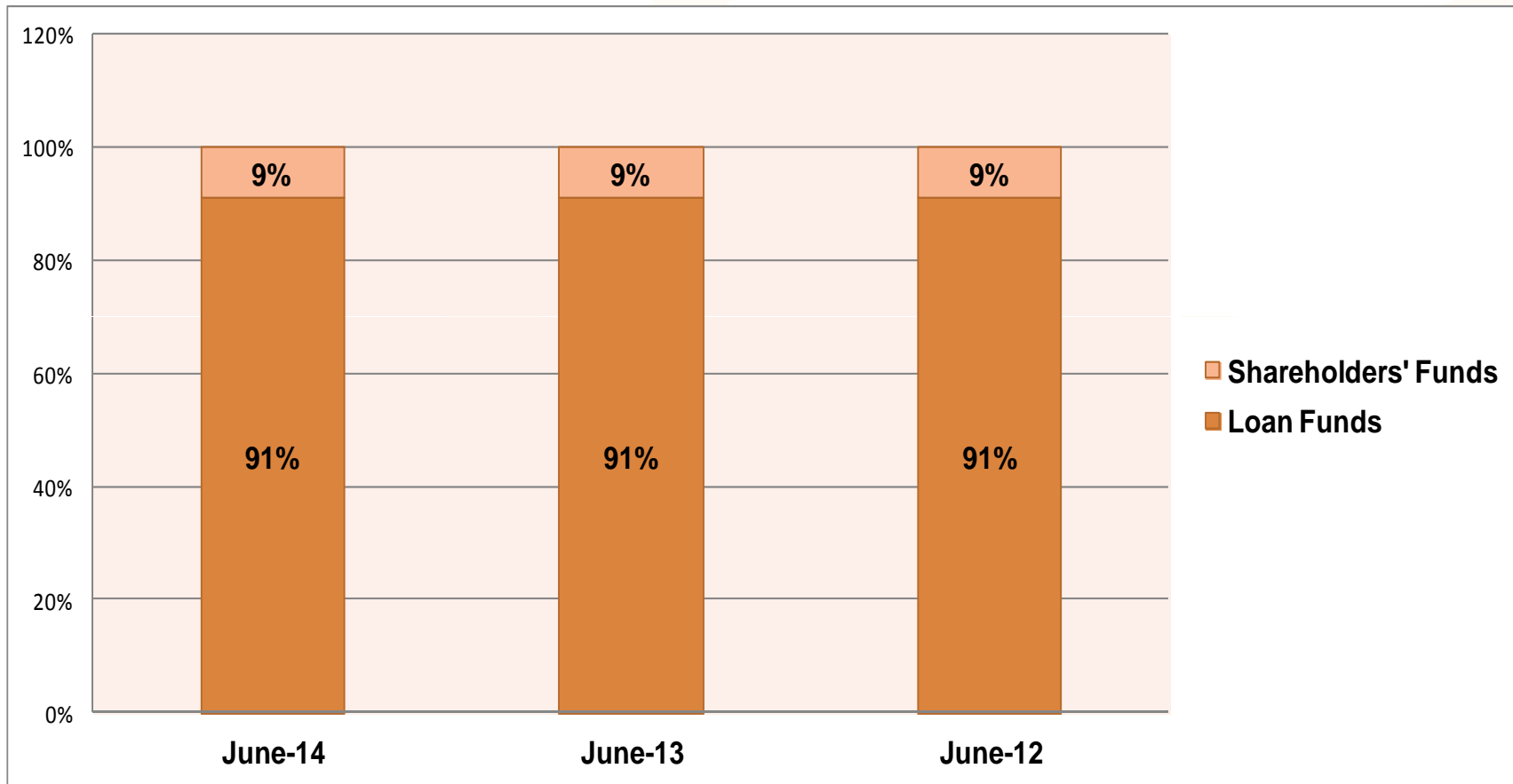


Types of Properties Financed

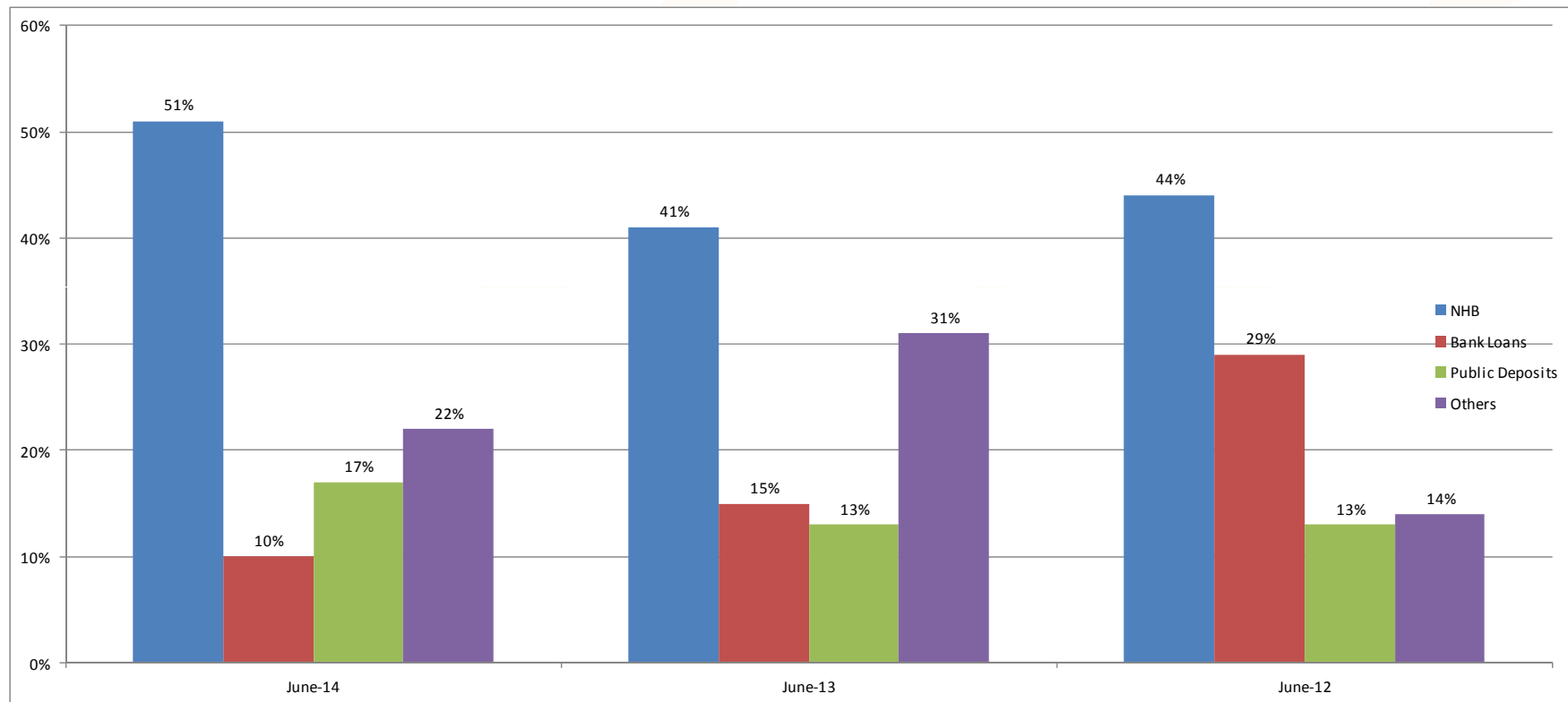
	Period Ending June 30, 2014		Period Ending June 30, 2013	
	Cases	%	Cases	%
Row House / Tenaments / Bungalows	91837	68	80080	69
Flats	42667	31	35208	30
Others	1103	1	1054	1
Total	135607	100	116342	100



Liability Profile



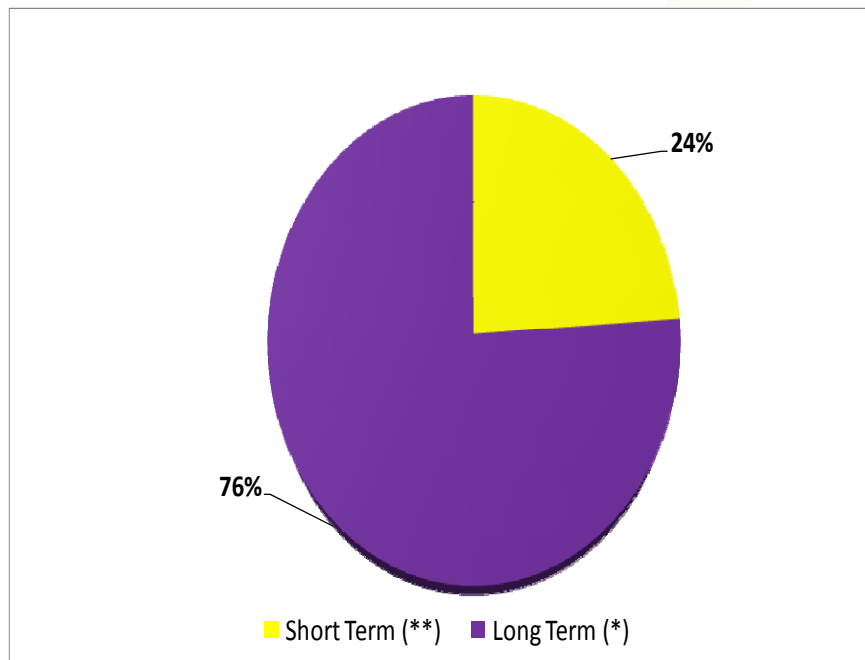
Sources of Borrowing



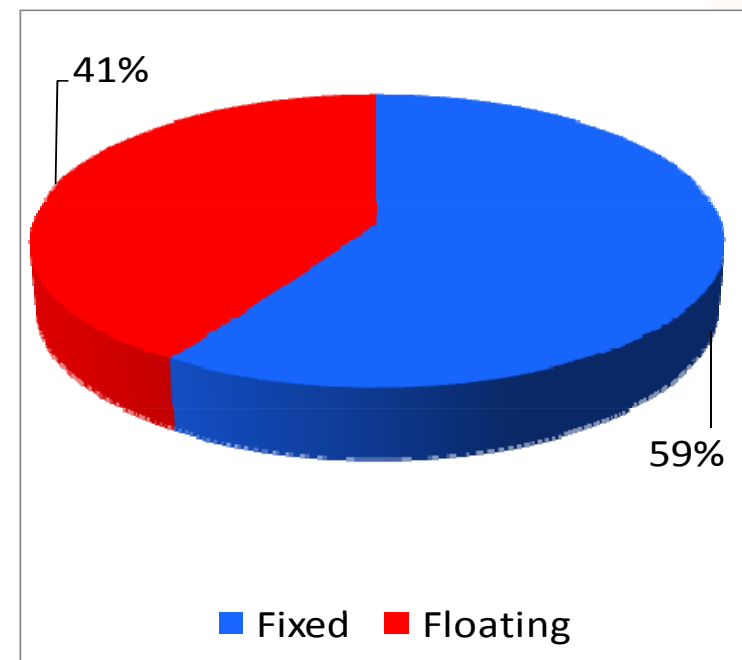
Borrowing Profile

As on June 30, 2014

Tenure Base



ROI Base



(*) Average tenure 7.81 years

(**) Average tenure less than one year



Balance Sheet

As on June 30,

(Rs. in Crores)

	<u>2014</u>	<u>2013</u>	<u>Growth (%)</u>
<u>Sources of Funds</u>			
Share Capital	72	36	101
Reserves & Surplus	585	495	18
Borrowings	6797	5161	32
Current Liabilities & Provisions	163	228	(28)
	7617	5920	29
<u>Application of Funds</u>			
Loan Assets	7378	5727	29
Investments	60	70	(15)
Current Assets	151	95	59
Fixed Assets	12	11	10
Deferred Tax Assets	16	17	(3)
	7617	5920	29



Income Statement

As on June 30,

(Rs. in Crores)

	<u>2014</u>	<u>2013</u>	<u>Growth (%)</u>
Interest income	232	177	31
Interest expenses	155	116	34
Net interest Margin	77	61	27
Non-Interest Income	10	6	50
Non-Interest Expenses	13	13	-
Provision for Contingencies/Bad Debt Written Off	12	9	21
Profit Before Tax	62	45	37
Provision for Taxation	16	11	45
Def. Tax on Special Reserve	4	0	-
Profit After Tax	42	34	24



Operating Income

As on June 30,

(Rs. in Crores)

	<u>2014</u>	<u>2013</u>	<u>Growth (%)</u>
Interest on Loans	229	174	31
Interest on Fixed Deposits and SLR Investments	3	2	49
Surplus from deployment in Cash Management Schemes/Dividends on Mutual Funds	0	1	-
Interest Income	232	177	31
Fees and Other Charges	8	5	45
Other Operating Income	2	1	98
Non-Interest Income	10	6	50



Risk Profile

Loan Assets & NPAs

As on June 30,

(Rs. in Crores)

	<u>2014</u>	<u>2013</u>	<u>Growth (%)</u>
Loan Assets (Rs.)	7378	5727	29
Provision for Standard Assets (Rs.)	32	25	27
Gross NPA (Rs.)	32	26	23
Provision for NPA (Rs.)	29	23	27
Net NPA (Rs.)	3	3	-
<u>Ratios</u>			
Gross NPA as % to Loans	0.44	0.46	(4)
Net NPA as % to Loans	0.04	0.05	(25)
Coverage Ratio(%)	91	89	3



Quarterly Financial Results

As on June 30,

(Rs. In Crore)

	<u>Q1-CY</u>	<u>Q1-PY</u>	<u>Q4-PY</u>
1. Operating income	242	183	254
2. Total Income	242	183	254
3. Interest and Other Charges	155	116	147
4. Non-interest Expenses	13	13	13
5. Provision for Contingencies/ Bad Debt Written Off	12	9	1
6. Total Expenditure	180	138	161
7. Profit Before Tax	62	45	93
8. Tax Expenses	16	11	19
9. Def. Tax on Special Reserve	4	0	0
10. Profit After Tax	42	34	74



Key Financial Ratios

As on June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Interest Margin / ATA (%)	4.17	4.25	4.30
Non Interest Expenses / ATA (%)	0.72	0.88	1.01
PBT/ATA (%)	3.31	3.11	3.21
PAT/ATA (%)	2.26	2.34	2.41
Cost to Income Ratio (%)	16	19	21

ATA = Average Total Assets



Key Financial Ratios

As on June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital Adequacy Ratio (%)	16.77	14.67	14.02
Tier – I	15.20	13.11	13.37
Tier –II	1.57	1.56	0.65

Return to Investors

As on June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Book Value (Rs.) *	18	15	12
Earnings Per Share (Rs.) *	1.16	0.94	0.75
Return on Average Networth (%)	27	26	27
Share Price (Rs. Per Share) *	201	114	72
Price to Book Value (Times)	11	8	6
Market Capitalization (Rs. In Cr.)	7239	4103	2547

*

On face value of Rs.2/- per share. Previous years figures are adjusted to give effect of sub-division of shares from Rs.10/- to Rs.2/- w.e.f. July 26, 2012 and issue of Bonus shares in the ratio of 1:1 w.e.f. June 11, 2014.



Productivity Ratios

As on June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Average No. of Employees	535	500	466
Average No. of Retail offices	141	130	121
Profit Per Employee (Rs. in Lakhs)	31	27	23
Total Assets Per Employee (Rs. in Lakhs)	1425	1185	973
Loan Assets Managed at Retail Office (Rs. In Lakhs)	5251	4406	3600



Rural Focus

(Rural location is a location where population is less than 50000.
A state is divided into districts and each District cover 10-15 Talukas and
each Taluka is a cluster of 80-100 villages)

- Cumulative Rural Disbursement of Rs.5,333 Cr.
- Disbursed 1,28,060 cases in rural segment
- Presence in 105 Districts of 7 States
- Servicing customers in 951 Taluka places in 7 States
- Disbursed Rs.4,324 Cr. To 1,08,992 families under Golden Jubilee Rural Housing Finance Scheme of Government of India
- Disbursed Rs.283 Cr. To 3,539 families under Rural Housing

Fund



NHB – Regulator for HFCs

- Established under the National Housing Bank Act, 1987
- NHB is a Wholly owned subsidiary of RBI
- Regulatory Framework for HFC
 - NHB Act, 1987
 - Housing Finance Companies (NHB) Directions, 2010
 - Guidelines
 - Circulars
- NHB is empowered to
 - Frame policy in consultation with Government & RBI
 - Give directions to HFC's and their auditors

Regulatory Norms

A. Capital Adequacy

- To maintain a minimum of Capital Adequacy Ratio of 12% consisting of Tier-I and Tier-II capital (Tier-I - 6% & Tier-II – 6%)
- Total Tier-II capital not to exceed 100% of Tier-I capital
- Deferred Tax Assets and Deferred revenue expenditure or preliminary expenses, to the extent not written off to be reduced from the networth
- The value of each asset/item is multiplied by the relevant risk weights to arrive at risk adjusted value of assets
- The aggregate to be taken into account for calculating minimum capital ratio

Regulatory Norms

B. Risk Weight

Loan Assets	Risk Weight
Housing loans to individuals secured by mortgage of immovable property, which are classified as Standard Assets (Value \leq Rs. 20 Lakhs and LTV \leq 90%)	50%
Housing loans to individuals secured by mortgage of immovable property, which are classified as Standard Assets (Value $>$ Rs.20 Lakhs and \leq Rs.75 Lakhs and LTV \leq 80%)	50%
Housing loans to individuals secured by mortgage of immovable property, which are classified as Standard Assets (Value $>$ Rs.75 Lakhs and LTV \leq 75%)	75%
Any other Housing Loan including NPAs to the extent for which provisions are not made	100%
50% of the undisbursed amount of loan in partly disbursed cases.	100%
Fund Based and non-fund based exposures to commercial real estate viz. multipurpose commercial premises, multifamily residential buildings, office buildings, industrial or warehouse space, hotels, etc.	
(a) Commercial Real Estate – Residential Buildings	75%
(b) All Other Commercial Real Estate	100%



Risk Weights (%) Based on Loan Amount and LTV Ratio ^(*)

Loan Amount	LTV		
	< = 75%	> 75% & <=80%	> 80% & <=90%
<= Rs.20 Lacs	50%	50%	50%
>Rs.20 Lacs but <= Rs.75 Lacs	50%	50%	100%
> Rs.75 Lacs	75%	100%	100%

(*) LTV Ratio is a percentage with total outstanding in the account (viz "Principal + Accrued Interest + Other Charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the HFC in the denominator.

Regulatory Norms

C. Ceiling on the Loan to Value Ratio (LTV) on Housing Loans to Individuals

Amount of housing loan to individuals	Maximum Loan to Value Ratio (LTV)
Upto Rs. 20 Lacs	90% on the housing loans
Above Rs. 20 Lacs and Upto Rs.75 Lacs	80% on the housing loans
Above Rs.75 Lacs	75% on the housing loans

In case of loans granted against the collateral of gold jewellery the LTV ratio should not exceed 60%.



Regulatory Norms

D. Classification of Loan Assets

- A Loan Asset becomes Non-Performing Asset (NPA) if interest or installment is overdue for 90 days or more
- An asset which has been classified as NPA for a period not exceeding 12 months from the date of being classified as NPA is classified as Sub-standard Asset
- An asset which remains Sub-standard for a period exceeding 12 months shall be classified as a Doubtful Asset
- Loss Asset are assets which are adversely affected by a potential threat of non recoverability due to either non-availability of security, in case of secured loans and advances; erosion in value of security, fraudulent act or omission on the part of the borrower; the debt becoming time barred under Limitation Act, 1963; inchoate or defective documentation

Regulatory Norms

E. Provisioning Norms of NHB

(a) On Standard Assets:

- 0.40% on Standard Housing Loan to Individuals
- 0.75% on Standard Loans – Commercial Real Estate – Residential Buildings
- 1.00% on All other Standard Housing Loans to Individuals and other Commercial Real Estate

(b) On NPAs (Non Performing Assets)

- Sub-standard Assets: (Loan assets wherein the principal or interest on the loans is outstanding for more than 90 days)

General provision of 15% on outstanding loans which are classified as Sub-standard Assets

- Doubtful Assets: (Loan assets which have continued in the Sub Standard category for a period of more than a year)

Provision to the extent of 25% to 100% of secured portion depending upon the period for which asset has remained doubtful.

(Up to 1 year 25%; 1 to 3 years – 40%; and More than 3 years 100%)

- Loss Assets: (dues are not recoverable and/or the asset is not covered by realizable security of 100%)

The entire assets to be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding should be provided for.

Provisioning Norms on Loan Assets

Classification of Loan Assets	No of Days Outstanding	Rate of Provisioning
i. Standard Housing Loan to Individuals	-	0.40%
ii. Standard Loans – Commercial Real Estate – Residential Buildings	-	0.75%
iii. All other Standard Housing Loans to Individuals and other Commercial Real Estate	-	1.00%
Substandard	90 days to 454 days	15%
Doubtful		
i. Upto 1 Years	455 days to 819 days	25%
ii. 1 to 3 Years	820 days to 1549 days	40%
iii. > 3 Years	1550 days & above	100%

Regulatory Norms

F. Acceptance Public Deposits

- Deposits has the same meaning as u/s 45 I(bb) of the RBI Act.
- SLR to be maintained at 12.5% on non-exempt deposits
- HFC not to accept or renew any public deposit
 - Which is repayable on demand or on notice
 - Which is payable less than 12 months or payable later than 120 months
- Public Deposits Not to exceed 5 times of Net Owned Funds
- Total Deposits not to exceed 16 times Net Owned Funds



Regulatory Norms

G. Concentration of Credit / Investment

HFCs are required to limit the concentration of Credit/Investment subject to the following ceilings:

1	Lending to a single borrower	15% of owned fund
2	Lending to a group of borrower	25% of owned fund
3	Invest in shares of other companies	15% of owned fund
4	Invest in shares of a single group of companies	25% of owned fund
5	Lend to and invest in a single party	25% of owned fund
6	Lend to and invest in a single group of parties	40% of owned fund

Within the overall ceiling on concentration of Credit/Investment as mentioned above, investment of an HFC in the shares of another HFC (other than its subsidiary/ies) should not exceed 15% of the equity capital of the investee Company.

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