

DIRECTORS' REPORT

TO THE MEMBERS,

Your directors are pleased to present the 32nd Annual Report of your Company with the audited accounts for the year ended March 31, 2018.

FINANCIAL RESULTS

(₹ in crores)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit Before Tax	562.07	442.00
Provision for Tax (Net of deferred tax)	199.39	145.35
Profit After Tax	362.68	296.65
Add:		
Balance brought forward from last year	331.79	184.14
Amount available for appropriation	<u>694.47</u>	<u>480.79</u>
Appropriations:		
Statutory Reserve u/s 29C of NHB Act & u/s 36(1)(viii) of I.T. Act	106.25	84.00
General Reserve	80.00	65.00
Dividend including tax thereon pertaining to previous year paid during the year	123.00	-
Balance carried to Balance Sheet	<u>385.22</u>	<u>331.79</u>
	<u>694.47</u>	<u>480.79</u>

Dividend

Your directors recommend payment of dividend of ₹ 3.30 per equity share of face value of ₹ 2 each for the year ended March 31, 2018 as against a dividend of ₹ 2.80 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 40%. The dividend declared/recommended is in accordance with the principles and criteria as set out in the Dividend Distribution Policy which has been approved by the board of directors. The policy is provided as 'Annexure A' to this Report.

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. The proposed issue of bonus shares is subject to the consent of shareholders at the forthcoming 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, 2018 shall not be applicable on the Bonus Shares.

Changes in 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 ₹ 100 crores to ₹ 200 crores by creation of 50 crores equity shares of ₹ 2 each.

During the year, the paid up equity share capital increased as a result of allotment of 11,55,527 equity shares of the face value of ₹ 2/- each upon exercise of stock options under ESOS-2015. As at March 31, 2018, the equity share capital stood at ₹ 73,14,40,022 divided into 36,57,20,011 equity shares of ₹ 2/- each.

Disbursements

Loan disbursements during the year were ₹ 5,259 crores as against ₹ 4,125 crores in the previous year. GRUH continued to focus mainly on the retail segment and disbursed ₹ 4,645 crores to 50,137 families. Cumulative disbursements as at March 31, 2018 were ₹ 28,456 crores.

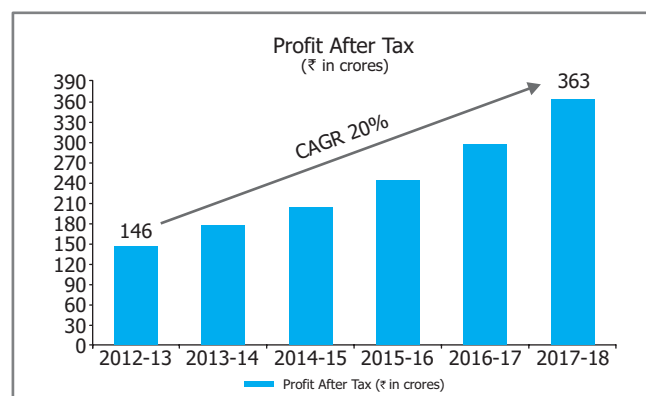
Rural Housing

During the year, GRUH disbursed ₹ 1,994 crores in respect of 21,145 loans in the rural areas. Cumulative disbursement under the rural housing has been ₹ 11,892 crores in respect of 2,11,375 loans.

Affordable Housing

GRUH has signed the MOU with the Government of India for the Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojana for EWS, LIG and MIG segments. GRUH has been an active contributor to the scheme and has disbursed ₹ 1,632 crores during the year in respect of 18,556 loans wherein the customers were eligible for Credit Subsidy. The growth in loans under the CLSS has been 104% in terms of loan amount and has been the major contributor for the growth in disbursements of the company.

During the year, GRUH submitted claims aggregating subsidy of ₹ 335.65 crores in respect of 14,234 loans aggregating loan amount of ₹ 1,304.42 crores. Of the above, GRUH received claims of ₹ 196.58 crores in respect of 8,508 loan accounts aggregating loan amount of ₹ 767.74 crores. The subsidy received is credited to the respective customers' loan account by way of prepayment and the instalment amount is reduced keeping the balance tenure constant. Claims in respect of 5,726 loans are awaiting sanction from NHB in respect of Loan amount of ₹ 536.68 crores.



Since inception of the scheme, GRUH has disbursed 32,783 loans wherein customers are eligible for CLSS subsidy in respect of loan amount of ₹ 2,739 crores of which GRUH has received claim of ₹ 319.16 crores in respect of 14,667 loans.

The majority of the claims submitted are in respect of the EWS and LIG customers.

Loan Assets

As at March 31, 2018, the loan assets increased to ₹ 15,568 crores recording a growth of 17.55%. Loan assets in respect of the retail home loans grew by 17.80% and stood at ₹ 14,900 crores.

Non-Performing Loans

As per the prudential norms of National Housing Bank (NHB), GRUH's gross non-performing loans stood at ₹ 70.09 crores as at March 31, 2018, constituting 0.45% of the total outstanding loans of ₹ 15,568 crores. The gross non-performing loans as at March 31, 2017 were ₹ 40.58 crores constituting 0.31% of the total outstanding loans of ₹ 13,244 crores.

During the year, NHB vide notification No. NHB.HFC.DIR.18/MD&CEO/2017 dated August 2, 2017 reduced the provisioning requirement on Standard Individual Housing Loans from 0.40% to 0.25%.

GRUH carries a provision of ₹ 56.35 crores on standard individual home loans of ₹ 14,465 crores and a provision of ₹ 9.53 crores on standard loans other than individual home loans of ₹ 1,033 crores as at March 31, 2018. GRUH also carries provision of ₹ 0.21 crore on Instalments Due from Borrowers of ₹ 50 crores and ₹ 0.01 crore on Loan Against Deposit and interest accrued thereon of ₹ 1.26 crore. GRUH has made the required provisions and carries a total provision of ₹ 66.10 crores in respect of standard assets. As per revised norms, as on March 31, 2018, GRUH carries Standard Assets provision which is ₹ 20.25 crores higher than the revised regulatory requirement of minimum 0.25%.

GRUH is required to carry a provision of ₹ 17.89 crores towards non-performing loans as per NHB norms. However, as a measure of prudence, your directors have decided to carry provision of ₹ 53.47 crores towards NPAs. GRUH also carries provision of ₹ 16.63 crores as contingencies. GRUH therefore carries a total provision of ₹ 136.20 crores on its total assets including standard assets and non-performing loans. Net Non-Performing Loans were Nil on outstanding loans of ₹ 15,568 crores.

During the year, GRUH has written off ₹ 1.08 crore 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 ₹ 0.29 crore

during the year in respect of such written off loans. GRUH also took possession of properties of the defaulting borrowers under the SARFAESI Act and has sold few of such acquired properties.

Borrowings

NHB Refinance

GRUH did not avail any refinance during the year. The refinance outstanding as at March 31, 2018 was ₹ 2,048.19 crores.

Bank Term Loans

GRUH received fresh sanctions from banks amounting to ₹ 1,380 crores and the same was availed during the year. The outstanding bank term loans as at March 31, 2018 were ₹ 5,638 crores.

Subordinated Debt

As at March 31, 2018, 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 AAA" and "CRISIL AAA" indicating highest degree of safety regarding timely payment of financial obligations. Based on the balance term to maturity, as at March 31, 2018, ₹ 28 crores of the book value of subordinated debt is considered as Tier – II capital under the guidelines issued by NHB for the purpose of computation of Capital Adequacy Ratio.

Non-Convertible Debentures (NCDs)

During the year, GRUH raised NCDs amounting to ₹ 2,060 crores on a private placement basis. The outstanding NCDs as at March 31, 2018 stood at ₹ 4,097 crores. NCDs are rated "ICRA AAA" and "CRISIL AAA" indicating highest degree of safety regarding timely payment of financial obligations.

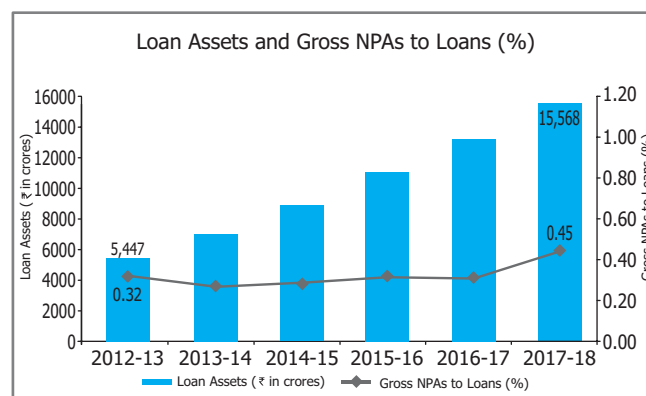
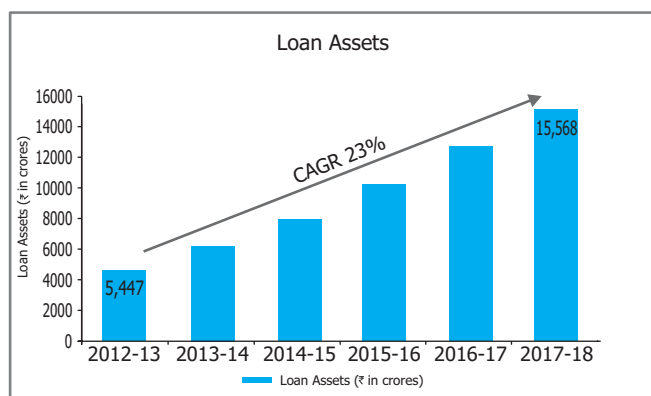
Commercial Paper

GRUH's commercial paper is rated "ICRA A1+" and "CRISIL A1+" indicating very strong degree of safety regarding timely payment of financial obligations. As at March 31, 2018, outstanding commercial paper was ₹ 770 crores.

Deposits

GRUH mobilised deposits of ₹ 477 crores and experienced a renewal ratio of 50.71% during the year. The outstanding balance of deposits as at March 31, 2018 was ₹ 1,458 crores.

GRUH's Deposit programme is rated "MAAA" by ICRA and "FAAA" by CRISIL. These ratings indicate very strong degree of safety as regards timely repayment of principal and interest.



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

Investments

GRUH continues to maintain its Statutory Liquidity Ratio (SLR) as stipulated by NHB. Accordingly, GRUH carried investments in approved securities aggregating to ₹ 214.48 crores as at March 31, 2018 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.

Unclaimed Deposits and Unclaimed NCDs

As at March 31, 2018, deposits amounting to ₹ 9.52 crores had not been claimed by 2,257 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 125 of the Companies Act, 2013, deposits, NCDs and/or interest thereon, remaining unclaimed and unpaid for a period of seven years from the date they became due for payment are required to be credited to Investor Education and Protection Fund (IEPF) established by the Government of India.

Accordingly, an amount of ₹ 4.75 lacs in respect of unclaimed deposits and interest thereon was transferred to the IEPF during the year.

As at March 31, 2018, there was no NCDs amount or interest thereon, remaining unclaimed and unpaid.

Unclaimed Dividends and Unclaimed Shares

As at March 31, 2018, dividend amounting to ₹ 1.86 crore had not been claimed by shareholders of the Company. The Company takes various initiatives to reduce the quantum of unclaimed dividend and has been periodically intimating the concerned shareholders, requesting them to encash their dividend before it becomes due for transfer to the Investor Education and Protection Fund (IEPF).

Unclaimed dividend amounting to ₹ 9.52 lacs for FY 2009-10 was transferred to the IEPF on August 3, 2017. In terms of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended, the Company transferred the corresponding shares to IEPF, where the dividends for the last seven consecutive years have not been claimed by the concerned shareholders.

Further, the unclaimed dividend in respect of FY 2010-11 must be claimed by shareholders on or before August 11, 2018, failing which the Company will be transferring the unclaimed dividend and the corresponding shares to the IEPF within a period of 30 days from the said date. The concerned shareholders, however, may claim the dividend and shares from IEPF, the procedure for which is detailed in the Shareholders' Information section.

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

Risk Management Framework

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

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

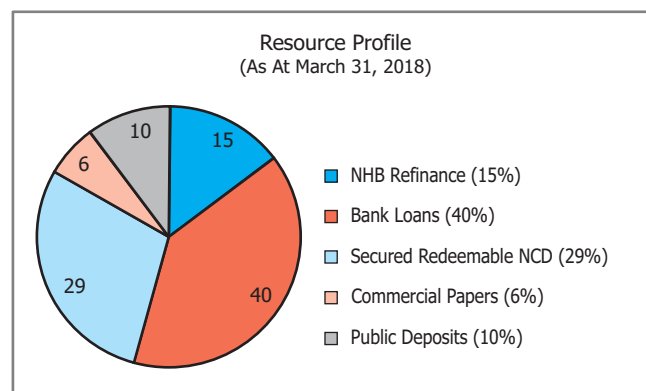
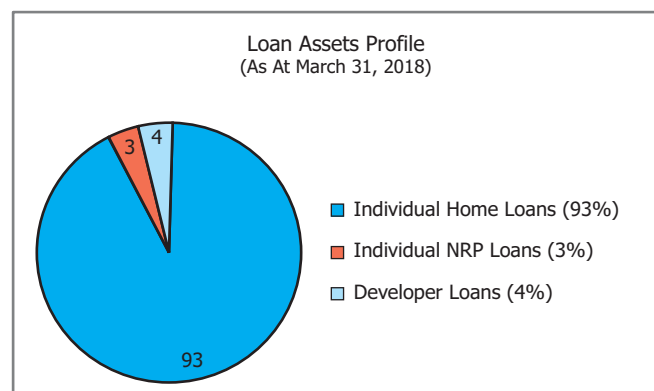
GRUH has an Asset Liability Management (ALM) policy approved by the board. The task of overseeing the ALM has been entrusted to the Audit Committee which oversees and reviews the ALM position every quarter. The ALM Committee (ALCO) comprises of the Managing Director and members of Senior Management.

During the year, the ALCO reviewed the risk arising from the gaps in the liquidity and interest rate sensitivity statements and took decisions in mitigating the risk by ensuring adequate liquidity and profitability through maturity profile of assets and liabilities.

The observations of the Audit Committee if any, on the ALM are reported to the board.

Regulatory Guidelines

GRUH continues to comply with the guidelines issued by NHB regarding accounting guidelines, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit,



credit rating, Know Your Customer(KYC) guidelines and Anti Money Laundering (AML) standards, fair practices code and real estate and capital market exposures. The details of compliances are outlined in the Management Discussion and Analysis Report.

GRUH's Capital Adequacy Ratio stood at 18.90% as against the minimum requirement of 12%. Tier – I capital was 17.68% 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

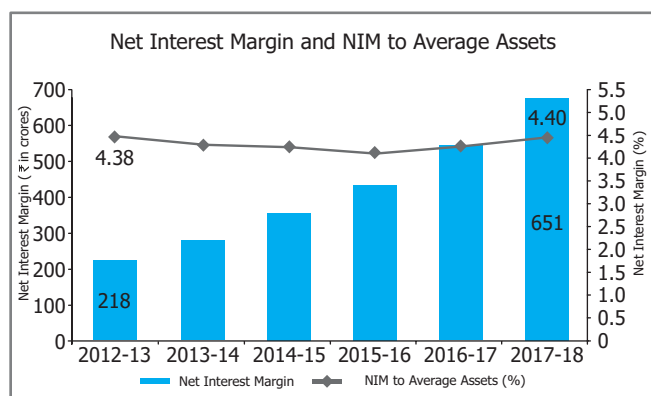
At GRUH, human resource development is considered vital for effective implementation of business plans. Constant endeavours are being made to offer professional growth opportunities and recognitions, apart from imparting training to employees. During the current year, in-house training programmes were provided to employees, *inter alia* in lending operations, recoveries, KYC, IT system & security and accounts. Employees were also nominated for training programmes conducted by NHB and other institutions. 36 employees underwent different training programmes.

GRUH's staff strength as at March 31, 2018 was 692.

Particulars of Employees

GRUH had 2 employees as at March 31, 2018 employed throughout the year who were in receipt of remuneration of ₹ 1.02 crores or more per annum or more per annum or ₹ 8.50 lacs or more per month if employed for part of the year.

In accordance with the provisions of section 197 of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, 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 136 of the Companies Act, 2013, the Directors' Report is being sent to all shareholders of the Company excluding the annex. The annex is available for inspection by the members at the registered office of the Company during business hours on working days up to the date of ensuing Annual General Meeting. Any shareholder interested in obtaining a copy of the said annex may write to the company secretary at the registered office of the Company.



Employees Stock Option Scheme

The stock options granted to directors and employees operate under the scheme ESOS-2015. There has been no material variations in the terms of the options granted under the scheme and the scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014. The disclosures as required under Regulation 14 of the said regulations have been placed on the website of the Company.

Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace

The Company is an equal opportunity employer and consciously strives to build a work culture that promotes dignity of all employees. As required under the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder, the Company has implemented a policy on Prevention of Sexual Harassment of Women at Workplace. An Internal Complaints Committee has been set up to receive complaints, investigate the matter and report to the management.

During the year, no complaint was received by the committee.

Awards and Recognitions

During the year, GRUH was the recipient of the following awards:

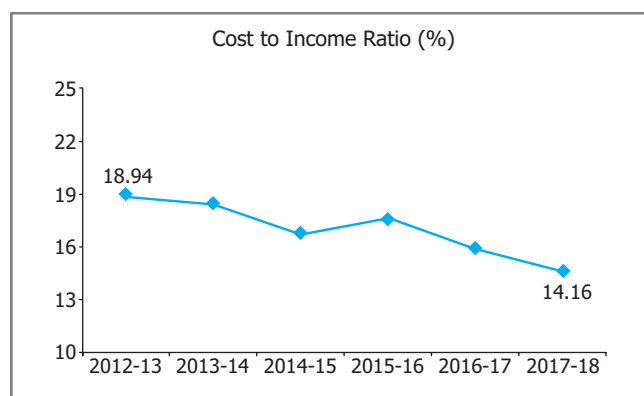
- Best Performing Primary Lending Institution under CLSS for EWS and LIG segment and Award for Maximum number of loans to EWS segment under CLSS for EWS and LIG. from the Ministry of Housing and Urban Poverty Alleviation, Government of India.
- Best Performing Primary Lending Institution under the CLSS scheme in the EWS and LIG category from the National Housing Bank at a conference sponsored by My Liveable City.
- Winner in the Affordable Housing Finance Category at the Outlook Money Awards 2017.

Auditors

Statutory Auditors

At the 31st Annual General Meeting held on June 15, 2017, the members had appointed M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018) as Statutory Auditors for a term of five years beginning from the conclusion of the 31st AGM till the conclusion of the 36th AGM, subject to them ratifying the said appointment at every AGM.

The company has received a confirmation from M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, to the effect that their



appointment, if made, at the ensuing AGM would be in terms of Sections 139 and 141 of the Companies Act, 2013 and rules made thereunder. The board proposes to the members to ratify the said appointment of M/s. Deloitte Haskins & Sells LLP, Chartered Accountants.

The Statutory Auditors have not made any adverse comments or given any qualification, reservation or adverse remarks or disclaimer in their Audit Report.

Secretarial Audit

Pursuant to the provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, GRUH has appointed Mr. M. C. Gupta of M/s M. C. Gupta & Co., a firm of Company Secretaries in practice to undertake the Secretarial Audit of the company. The Report of the Secretarial Audit is annexed herewith as 'Annexure B' to this report.

The Secretarial Auditor has not made any adverse comments or given any qualification, reservation or adverse remarks or disclaimer in their Audit Report.

Directors and Key Managerial Personnel

In accordance with Articles 134 and 135 of the Articles of Association of the Company and the provisions of the Companies Act, 2013, Mr. K. G. Krishnamurthy, Director of the Company, is liable to retire by rotation at the ensuing AGM and is eligible for re-appointment.

Ms. Renu S. Karnad, Non-executive Director of the Company, had briefly stepped down from the Board w.e.f. October 16, 2017 due to limitations on the number of board positions. The board of directors on the recommendations of the Nomination and Remuneration Committee (NRC), and subject to the approval of the members in the ensuing AGM, had appointed Ms. Renu S. Karnad as an Additional Director w.e.f. February 1, 2018.

During the year, the board of directors, on the recommendations of the NRC, had appointed Ms. Bhavna Doshi as an Additional Independent Director w.e.f. January 20, 2018 for a period of five years upto January 19, 2023 subject to the approval of the members in the ensuing AGM.

Mr. Biswamohan Mahapatra, Independent Director of the Company, completed his term on March 18, 2018. The Board of Directors had, on the recommendations of the NRC and subject to the approval of the members in the ensuing AGM, re-appointed Mr. Biswamohan Mahapatra as Independent Director for a second term w.e.f. March 19, 2018 for a period of five years upto March 18, 2023.

Necessary resolutions for the appointment / re-appointment of the aforesaid directors and their detailed profiles 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 164 of the Companies Act, 2013.

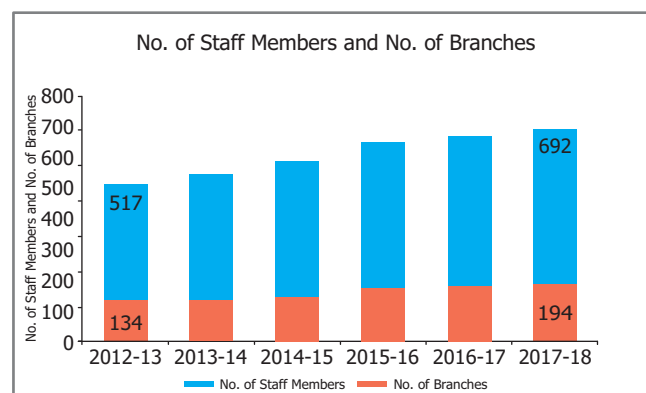
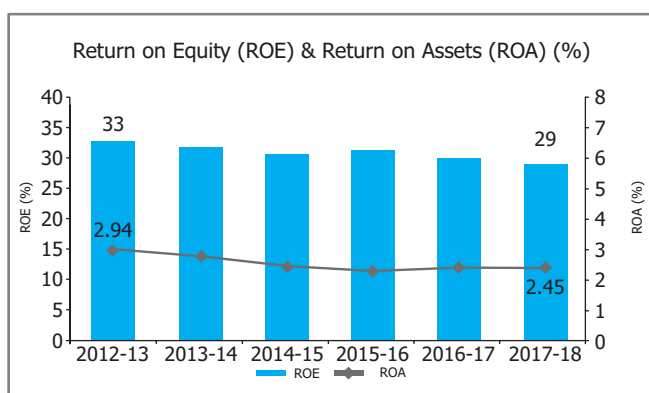
There was no change in the Key Managerial Personnel during the year.

Details of managerial remuneration as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given as per 'Annexure C' to this report.

Directors' Responsibility Statement

In accordance with the provisions of section 134(3)(c) of the Companies Act, 2013 and based on the information provided by the management, your directors state that:

- In the preparation of annual accounts, the applicable accounting standards have been followed;
- 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 the end of March 31, 2018 and of the profit of the Company for the year ended on that date;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- The annual accounts of the Company have been prepared on a going concern basis;
- Internal financial controls have been laid down to be followed by the Company and such internal financial controls were adequate and were operating effectively;
- Systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.



Corporate Social Responsibility Initiatives

In accordance with the provisions of section 135 of the Companies Act, 2013 and the rules framed thereunder, the Company has a Corporate Social Responsibility Committee of directors comprising Mr. Prafull Anubhai - Chairman, Mr. S. G. Mankad, Mr. Pankaj Patel and Mr. Sudhin Choksey and has *inter alia* also formulated a CSR Policy.

The role of the CSR Committee is to review the CSR policy, indicate activities to be undertaken by the Company towards CSR activities and formulate a transparent monitoring mechanism to ensure implementation of projects and activities undertaken by the Company towards CSR activities.

GRUH was required to spend ₹ 7.36 crores towards CSR activities during the year. GRUH has approved CSR proposals aggregating to ₹ 5.57 crores and incurred CSR expenditure of ₹ 4.37 crores during the year. Cumulatively, GRUH has incurred CSR expenditure of ₹ 11.92 crores.

GRUH has approved CSR proposals in the field of providing education, promoting health care, sanitation, education for differently abled children, promoting vocational skills, empowerment of women and gender equality and protection of national heritage, art and culture.

The Annual Report on CSR Activities, which forms part of the Directors' Report, is annexed as 'Annexure D' to this report.

Business Responsibility Reporting

As required under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015, Business Responsibility Report forms part of the Directors' Report and is annexed as 'Annexure E' to this report.

Extract of Annual Return [Form MGT-9]

The details forming part of the extract of the Annual Return in Form MGT 9 is provided as 'Annexure F' to this report.

Particulars

Particulars of loans, guarantees or investments made :

Since the Company is a housing finance company, provisions of section 186 of the Companies Act 2013 relating to loans made, guarantees given or securities provided are not applicable to the company.

As regards investments made by the Company, the details of the same are provided under Note to Accounts forming part of the annual accounts of the Company for the year ended March 31, 2018.

Particulars of Contracts or arrangements entered into with related parties:

In accordance with the provisions of section 188 of the Companies Act, 2013 and rules made thereunder, the transactions entered into

with related parties are in the ordinary course of business and on an arm's length pricing basis, the details of which are included in the notes forming part of the financial statements. There are no material related party transactions entered during the year. Accordingly, information in form AOC - 2 is not annexed. As required by NHB notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017, a policy on Transactions with Related Parties is given as 'Annexure G' to this report.

Material Changes, details of Subsidiaries, Litigations

There has been no material changes and commitments, affecting the financial position of the company which has occurred between the end of the financial year to which the financial statements relate and the date of the report.

The Company does not have any subsidiary. There has been no change in the nature of business of the Company.

No significant or material orders have been passed by the regulators or courts or tribunals impacting the going concern status of the company and / or the company's operations in future.

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

Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Accounts) Rules, 2014 are not applicable. GRUH does not have any foreign exchange earnings. GRUH has paid dividend of ₹ 0.35 crore in foreign currency.

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

In accordance with the SEBI (LODR) Regulations, 2015 and NHB Directions, the Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

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 14, 2018

Keki M. Mistry
Chairman
DIN : 00008886