



GRUH

GRUH Finance Limited

(A Subsidiary of HDFC Limited)

DEC 2018



GRUH PROFILE



- Promoted by HDFC & AKFED on July 21, 1986
- Commenced operations in 1988 from Ahmedabad
- A subsidiary of HDFC LTD
- Regulated by National Housing Bank (NHB)
- Recognized by NHB for Refinance facility
- Retail Network of 195 offices across 11 States & one Union Territory
- Consistent track record of Dividend Payout

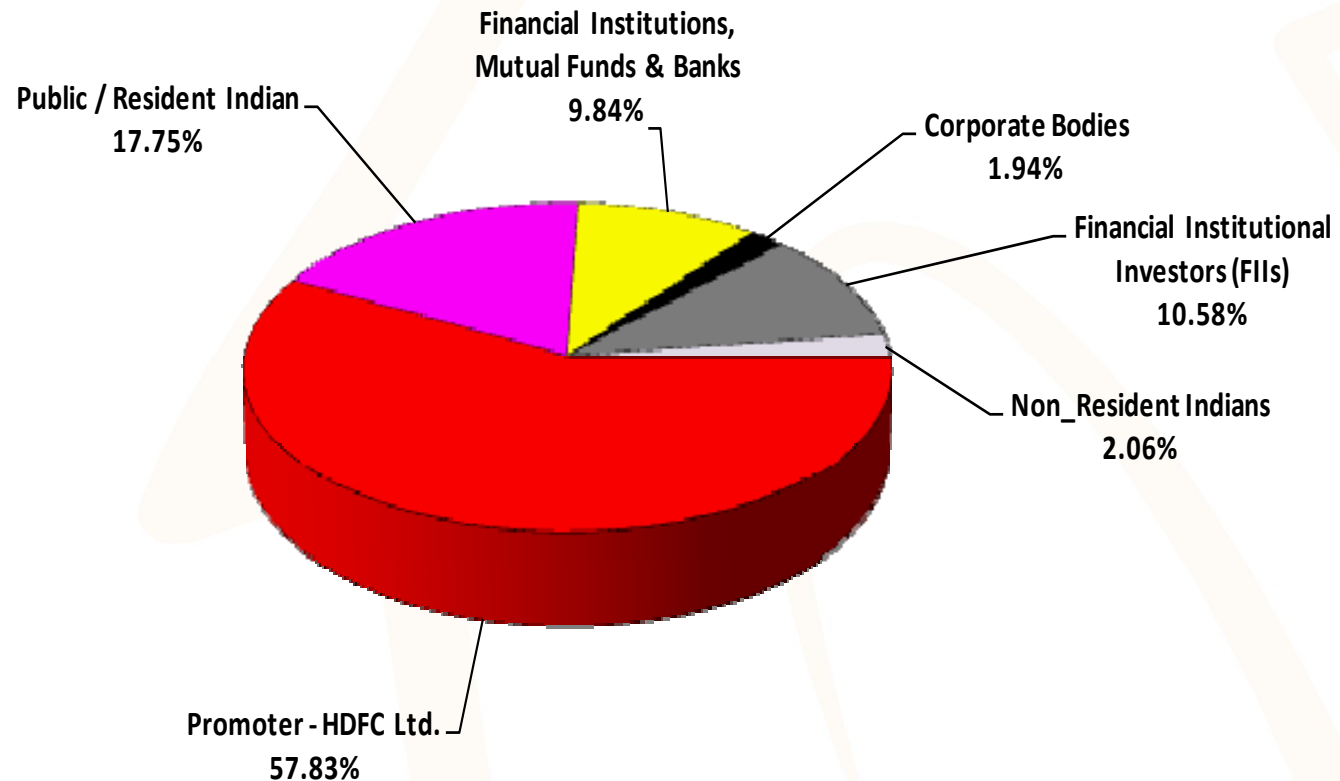


Merger

The Board of Directors of GRUH Finance Limited approved the merger of GRUH into Bandhan Bank on January 7, 2019. The merger would be subject to regulatory and shareholder approvals. The share exchange ratio accepted by the Boards of Bandhan Bank and GRUH is 568 equity shares of face value of ₹ 10 each of Bandhan Bank to be issued for every 1,000 equity shares of face value of ₹ 2 each of GRUH.



Shareholding Pattern as on Dec 31, 2018



Ratings

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

“These ratings indicate high safety with regard to timely payment of interest and principal”

@ indicates ‘on watch with negative implications’ post merger announcement of Jan. 7, 2019.



GRUH's contribution to Housing Stock

- Cumulative Housing Units Financed – 4,44,830
- Cumulative Disbursement of Rs. 32,059 Crore
- Cumulative Housing Units Financed in Rural Areas - 2,22,607
- Cumulative Disbursement in Rural Areas^(*) Rs. 13,041 Crore
- Cumulative Disbursement under Pradhan Mantri Awas Yojna (PMAY) since June'2015 Rs. 4,638 Crore for 48,516 Housing units
- Presence in 134 Districts of 11 States
- Servicing customers in 1,253 Taluka places in 11 States and 1 UT

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



Performance Highlights



PERFORMANCE HIGHLIGHTS

- Loan Disbursement during the period – Rs. 3,603 Crore
 - Average Loan Per Unit Disbursed during the year - Rs. 9.46 Lac
- Outstanding Loan Assets of Rs. 16,852 Crore
 - **95% of the Loans are Retail**
 - **46% of the loans are at location where population is less than 50,000**
- **GRUH required to carry provision of Rs. 46.81 Crore (0.28%) of Loan Assets towards Expected Credit Losses (ECL) as against Rs. 49.91 crore (0.30%) of Loan Assets required in previous quarter. However, GRUH carried provisions of Rs. 130.86 Crore (0.78%)**
- Profit After Tax – Rs. 317.23 Crore for Nine Months period



PERFORMANCE HIGHLIGHTS

Performance of the 9 Months Period

	Dec'18	Dec'17	Growth %
Loan Assets	16,852	14,775	14
Disbursement	3,603	3,748	(4)
Profit After Tax	317	274	16



Key Financial Ratio

Key Ratios	As At Dec'2018	As At Sept'2018	As At Dec'2017
Net Interest Margin to ATA (%)	3.94	4.08	4.47
Yield on Average Loans (%)	11.31	10.93	11.39
Cost of Borrowings (%)	8.23	7.55	7.71
Cost to Income Ratio (%)	16.17	15.93	14.84
Credit Cost to Loan Assets (%)	0.28	0.30	0.28
Non-Interest Expense to ATA (%)	0.70	0.71	0.72
Return on Assets (%)	2.50	2.57	2.55
Return on Equity (%)	25.42	27.27	28.80
Loans to Total Assets (%)	83	91	98
Gross NPAs (%)	0.87	0.88	0.73



Balance Sheet

(Rs. in Crore)

	Dec'2018	Dec'2017	Growth (%)
<u>Sources of Funds</u>			
Share Capital	146.55	73.13	100
Reserves & Surplus	1612.93	1351.62	19
Borrowings	18168.51	13211.22	38
Current Liabilities & Provisions	384.82	555.04	(31)
	20312.81	15191.01	34
<u>Application of Funds</u>			
Loan Assets	16851.86	14774.66	14
Investments	143.14	152.13	(6)
Current Assets	(*) 3265.53	194.44	1579
Fixed Assets	15.02	14.41	4
Deferred Tax Assets (Net)	37.26	55.37	(33)
	20312.81	15191.01	34

(*) Includes Liquid Funds and Bank Deposits of Rs. 2980 Crore



Income Statement

(Rs. in Crore)

Particulars	Dec'2018	Dec'2017	Growth (%)
Interest income	1426.49	1210.85	18
Interest expenses	926.61	731.56	27
Net interest Margin	499.88	479.29	4
Non-Interest Income	46.30	42.53	9
Non-Interest Expenses	88.27	77.40	14
Provisions for Expected Credit Loss and Write Offs	13.76	60.16	(77)
CSR & ESOP Expenses	7.47	5.02	49
Profit Before Tax	436.68	379.24	15
Provision for Taxation	119.45	105.12	14
Profit After Tax	317.23	274.12	16



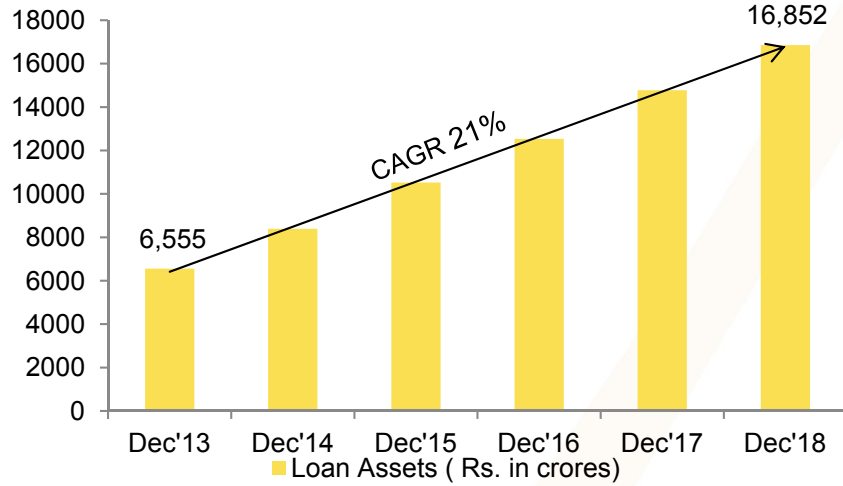
Reconciliation of Net profit as reported under erstwhile Indian GAAP and Ind AS for Q3 & 9 Months FY 17-18

(Rs. in Crore)

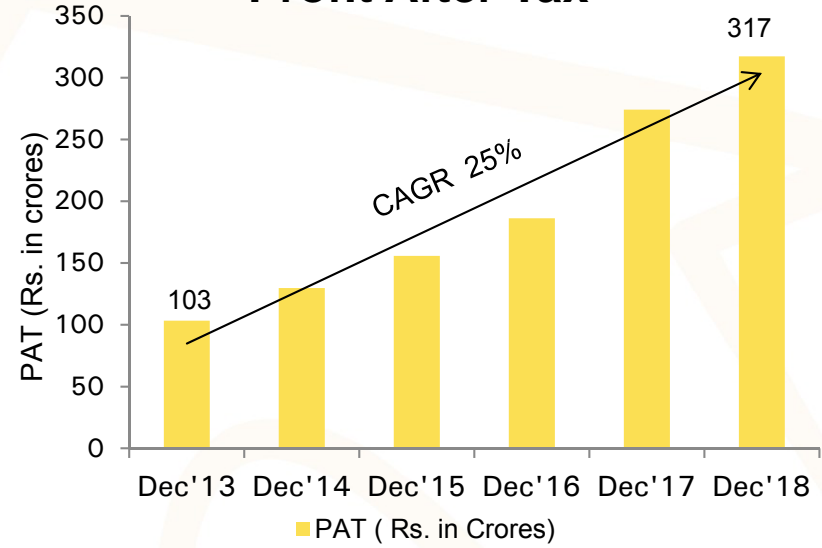
Particulars	Q3 FY 17-18	For 9 Months Period FY 17-18
Net Profit reported as per previous Indian GAAP	82.16	232.17
Add/(Less) : Adjustments for GAAP difference		
Increase in interest income pursuant to application of effective interest rate method	4.28	12.69
Increase in borrowing cost pursuant to application of effective interest rate method	(0.38)	(1.85)
Decrease in provision due to expected credit loss	(1.83)	14.84
Increase in employee benefit expense due to fair valuation of employee stock options	(0.88)	(3.01)
Reclassification of net actual loss on Employee defined obligations	0.22	0.53
Deferred tax	7.27	19.28
Net profit before other comprehensive income as per Ind AS	90.84	274.65
Other comprehensive income after tax	(0.22)	(0.53)
Total comprehensive income as per Ind AS	90.62	274.12



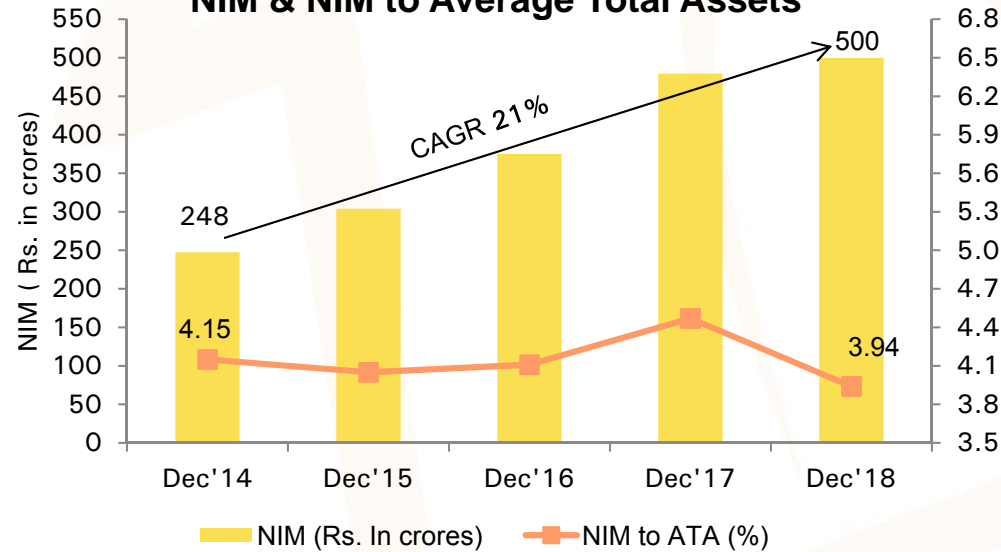
Loan Assets



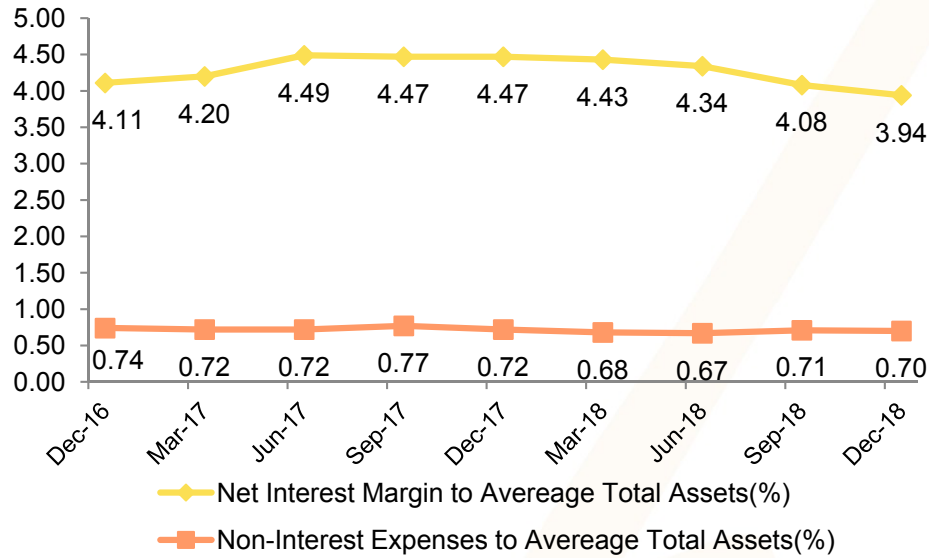
Profit After Tax



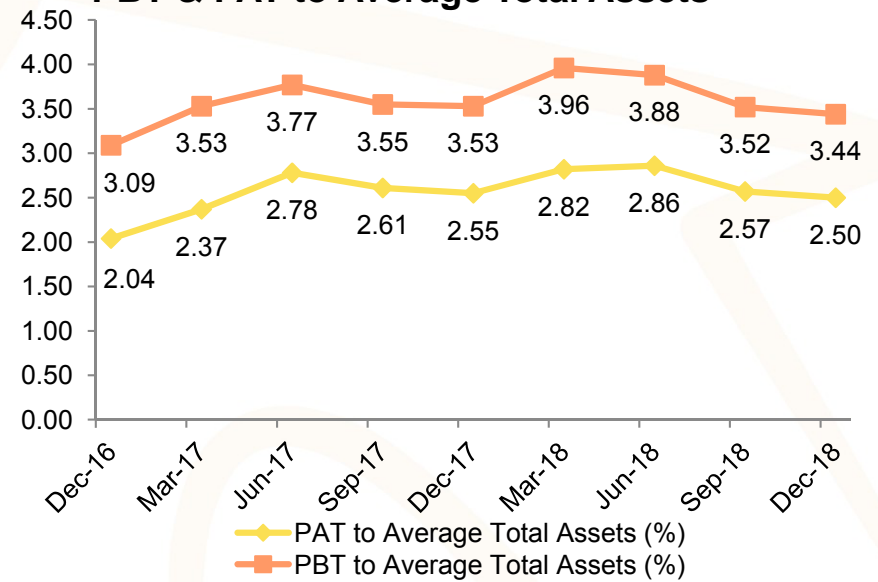
NIM & NIM to Average Total Assets



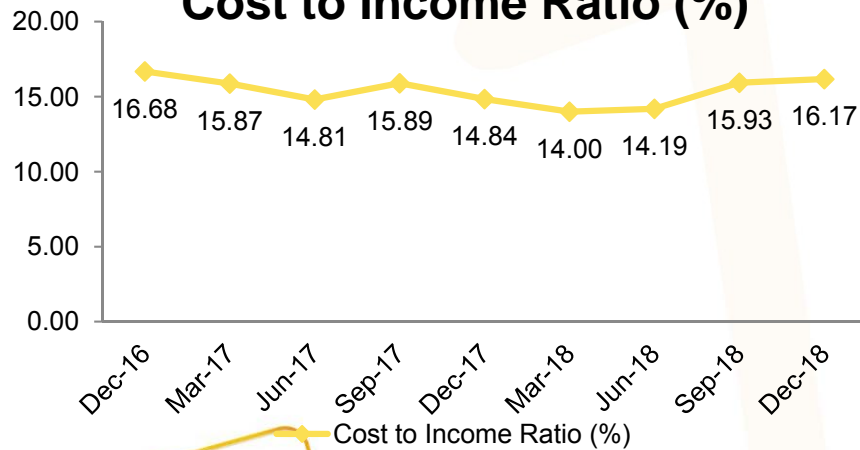
NIM & NIE to Average Total Assets



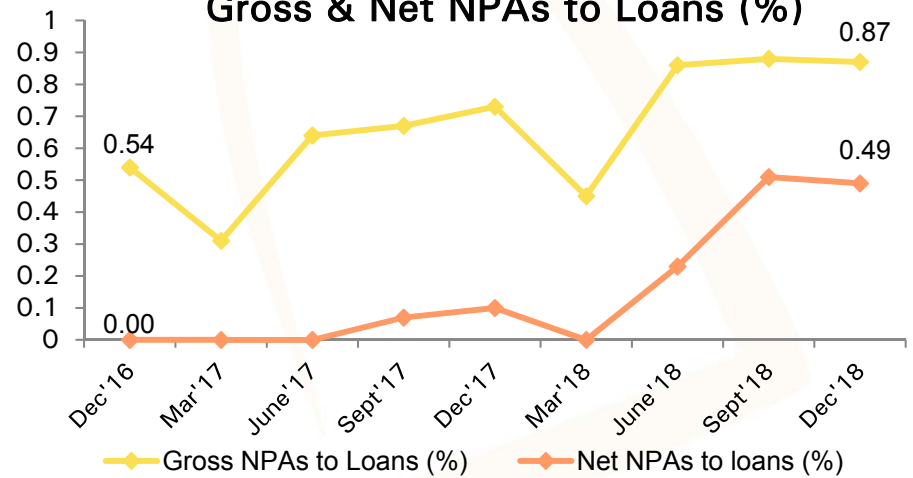
PBT & PAT to Average Total Assets



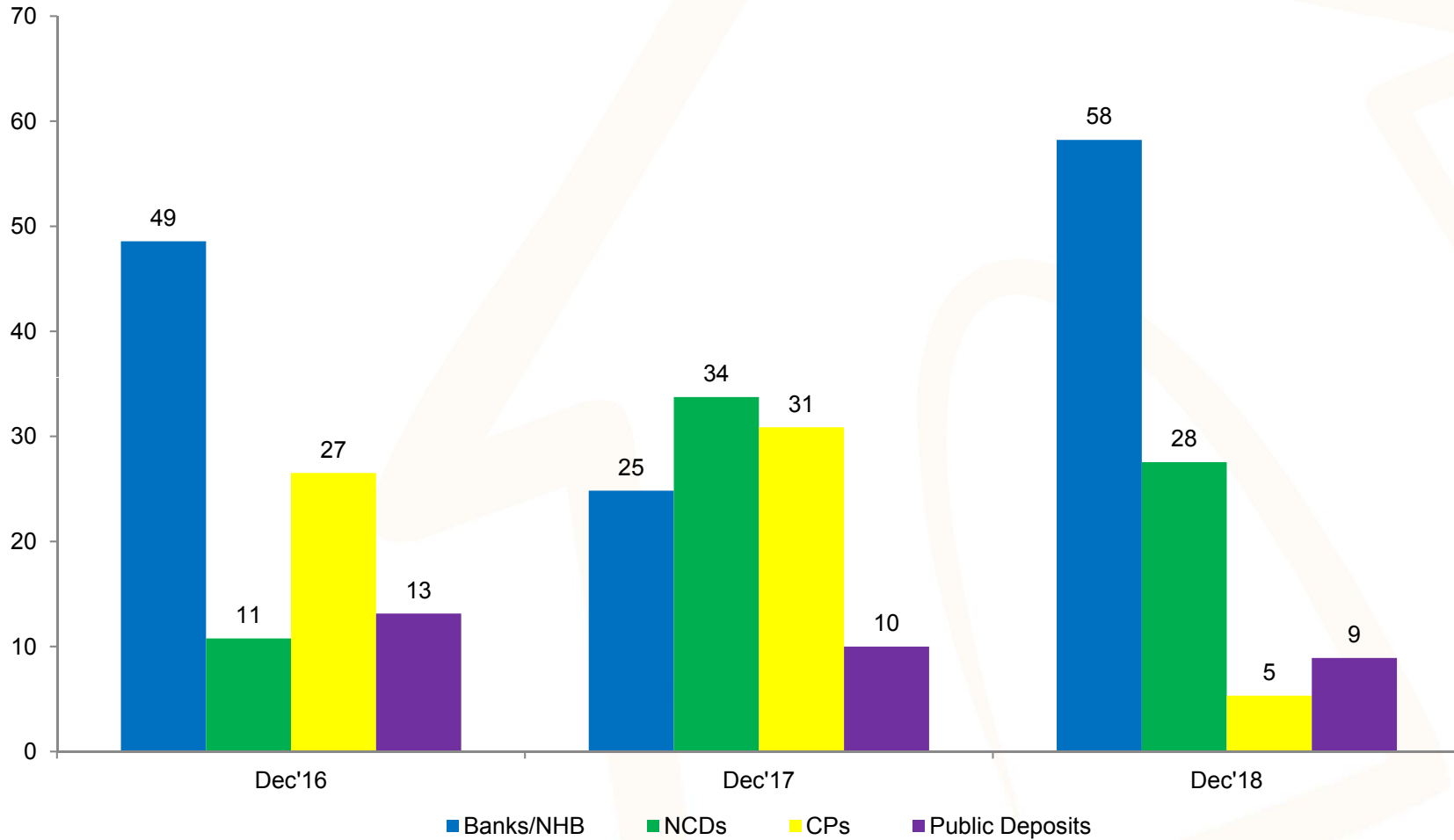
Cost to Income Ratio (%)



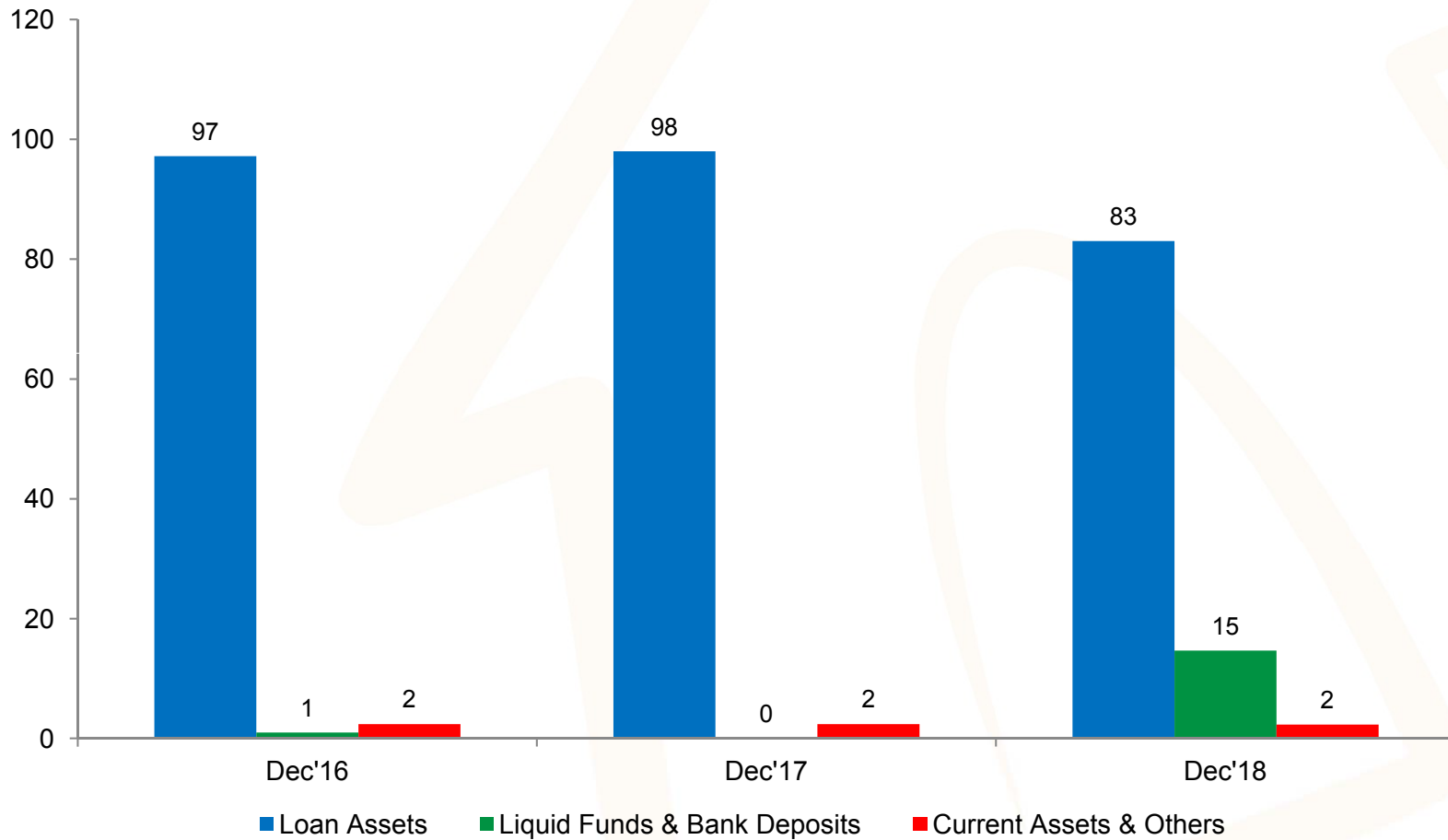
Gross & Net NPAs to Loans (%)



Composition of Borrowings



Composition of Assets



Interest Rate profile of Loan Assets and Borrowings

(% Composition)

	Fixed Rate	Variable Rate	Total
Loans	5	95	100
Borrowings	61	39	100

NPAs under Ind AS

(Rs. In Crore)

Particulars	For 9 Months FY 1819	H 1 FY 1819	For 9 Months FY 1718
Loan Assets	16,852	16,663	14,775
Stage - III Loan Assets	146	147	108
ECL Provision required as per Ind AS norms on Total Loan Assets	47	50	40
ECL Provision required as per Ind AS on Total Loan Assets (%)	0.28	0.30	0.28
Actual Provisions carried in Books	131	129	159
Actual ECL Provision carried in Books (%)	0.78	0.77	1.08
Excess Provisions carried towards ECL under Ind AS	84	79	119



NPAs under NHB Norms

(Rs. In Crore)

Particulars	For 9 Months FY 1819	H 1 FY 1819	For 9 Months FY 1718
Loan Assets	16,852	16,663	14,775
Gross NPAs	146	147	108
Gross NPAs (%)	0.87	0.88	0.73
Provisions as per NHB Norms:			
- Standard Assets	67	67	66
- NPAs	33	32	24
	100	99	90
Actual Provisions carried in Books	131	129	159
Excess Provisions carried towards NPAs	31	30	69
Net NPAs (%)	0.49	0.51	0.10



Market and Business Overview



Market Scenario

- Housing shortage of 10 mn units in Urban Areas & 43.67 mn in Rural Areas.
- Country's population is growing at 1.2% p.a.
- 32% of Country's population is in Urban Areas, where shortage of housing units is estimated at 10 mn units
- Increasing Urbanization and rising trend of migration to urban locations
- Growth in demand –
 - Rising disposable income
 - Competitive home loan interest rates
 - Stable property prices
 - Fiscal incentives on both interest and principal repayments
- Mortgages contribute 10% of India's GDP as compared to 22% in China, 20% in Thailand, 36% in South Africa, 32% in Malaysia, 56% in Singapore, 42% in Germany and 63% in USA *(Source HOFINET)*



Introduction of Real Estate (Regulatory & Development) Act, 2016 (RERA)

Brings in accountability, functions in a more transparent manner and improves visibility of delivery to buyers.

Customer's Benefit

- Raising the transparency levels.
- Likely to restore confidence of buyers and investors in the real-estate sector.
- Securing Customers Interest - 70% of the amount deposited shall be withdrawn by the promoter in proportion to the % completion of the project alongwith architect, engineer and chartered accountant certificate.

Developer's Benefit

- Access to funds at competitive rates, which will lead to rationalization of prices within the sector.
- Growth opportunity for organised and established developers



Government Initiatives - Government focus on Affordable Housing

Demand side incentives

Interest Subsidy Scheme

(CLSS – Credit Linked Subsidy Scheme)

- Promotion of affordable housing for weaker section
- Interest rate subsidy scheme under Pradhan Mantri Awas Yojna (PMAY) for middle income groups
- Interest subsidy (between Rs. 2.20 to 2.70 lac) for first time home buyers with annual income upto Rs.18 lac

Fiscal Incentives

- Tax incentives on interest and principal amount for home loan borrowers

GST rate reduced from 12% to 8%

- GST on affordable housing reduced from 12% to 8%
- Lower GST rate also applicable to buyers under Interest subsidy scheme

Supply side incentives

Income Tax Exemption

- 100% tax deduction on Affordable Housing Projects for developers
- This exemptions to increase supply in under serviced segment

'Infrastructure' status accorded to Affordable Housing

- Infrastructure' status for affordable housing, easing access to institutional credit

Budgetary Allocation

- Rs. 29000 Crore allocated to PMAY in FY 18
- Govt. projected spending for infrastructure sector between FY 18 to FY 24 – Rs. 5,60,000 Crore

Operation Highlights



OUTSTANDING PORTFOLIO

Composition of Outstanding Loan Portfolio

(Rs. In Crore)

	As on Dec'2018		As on Dec' 2017		Growth
	Amount	%	Amount	%	%
Retail Loans					
- Home Loans	13,976.45	82.94	12,170.56	82.37	14.84
- Mortgage & NRP Loans	2,068.26	12.27	2,013.41	13.63	2.72
	16,044.71	95.21	14,183.97	96.00	13.12
Developer Loans					
- Construction	807.15	4.79	590.69	4.00	36.65
Total	16,851.86	100.00	14,774.66	100.00	14.06



Product Wise Loan Outstanding

Composition of Outstanding Portfolio (%) as on

Product wise	Dec'2018	Dec'2017	Dec'2016	Dec'2015	Dec'2014
Home Loans	82.94	82.37	81.47	82.68	86.07
Mortgage & NRP	12.27	13.63	14.46	13.22	10.40
Developer Loans	4.79	4.00	4.07	4.10	3.53
Total	100.00	100.00	100.00	100.00	100.00



Profile of Individual Loans

Operations Details	Dec'2018	Dec'2017	Dec'2016	Dec'2015	Dec'2014
1. Average loan per unit (Rs. In Lac)	8.07	7.74	7.33	6.89	6.35
2. Avg. cost per dwelling unit (Rs. In Lac)	13.12	12.42	12.18	11.76	10.96
3. Average FOIR (%)	36	38	37	37	36
4. Average LCR (%)	66	60	65	64	64



Key Financial Ratios

As on Dec 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital Adequacy Ratio* (%)	19.34	18.09	17.81
Tier – I	18.19	16.73	16.29
Tier –II	1.15	1.36	1.51

** Minimum Regulatory Requirement of 12%*



Productivity Ratios

As on Dec 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Average No. of Employees	692	682	657
Average No. of Retail offices	194	188	179
Profit After Tax Per Employee (Rs. in Lac)	61	54	38
Total Assets Per Employee (Rs. in Lac)	2,919	2,206	1,964



Key Features of the CLSS Scheme for a First Time Owner of a House

Particulars	EWS	LIG	MIG-I	MIG-II
Household Income (Rs. in Lac p.a.)	3	6	12	18
Maximum loan amount eligible for subsidy	6	6	9	12
Interest Subsidy (% per annum)	6.5%	6.5%	4%	3%
Loan tenure	20	20	20	20
Carpet Area (Sq mtrs.)	30	60	160	200
Maximum Interest Subsidy* (in Lac)	2.67	2.67	2.35	2.30

* NPV discount rate at 9% for 20 years

EWS = Economically Weaker Sections
 LIG = Low Income Groups individuals.
 MIG = Medium Income Groups individuals.

The Interest Subsidy on home loan is credited to the beneficiary's loan account by reducing amount of equated monthly installment (EMI)



PMAY - Credit Linked Subsidy Scheme (EWS/LIG & MIG) Contribution of GRUH

Loans Disbursed Under PMAY - CLSS

Category	For 9 Months FY18-19 Units	For 9 Months FY 17-18 (Units)	Growth (%)
EWS/LIG	12043	11538	4.38
MIG	1789	1523	17.47
Total	13832	13061	5.90



Challenges At Rural Areas

- 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, i.e. small ticket loans and servicing of customers at scattered locations



Performance Under Rural Area

(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 30 -100 villages)

- Cumulative Rural Disbursement of Rs. 13,041 Crore
- Cumulative Housing Units Financed in Rural Areas – 2,22,607
- Loan Disbursement in Rural Areas during the Period – Rs. 1,149 Crore in respect of 11,232 cases



Awards and Accolades

- Winner in Affordable Housing Finance Category at the Outlook Money Awards 2017.
- Best Performing Primary Leading Institution under CLSS for EWS/LIG segment
- Highest number of loans to EWS segment under CLSS for EWS/LIG.
- CNBC Bajar Gujarat Ratna Award 2015-16 for “Excellence in Financial Sector” Gujarat.
- Award under the Chief Minister Awas Yojna Scheme for Affordable Housing for servicing highest customers in the LIG segments in Gujarat Housing Board (GHB) Scheme.
- ICAI awards for excellence in financial reporting for year 2007-08 and 2010-11.
- South Asia Federation of Accountants (SAFA) awards for excellence in financial reporting for year 2010-11.
- ICAI Award 2015 to GRUH’s MD under the CA Business Leader - Financial Sector category.
- Silver Trophy of The Financial Express “CFO of the year Award 2017” in the Large Enterprises – Services Category.



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