



GRUH

GRUH Finance Limited

(A Subsidiary of HDFC Limited)

June 2018



GRUH 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)
- Recognized by NHB for Refinance facility
- Retail Network of 194 offices across 11 States & one Union Territory
- Consistent track record of Dividend Payout



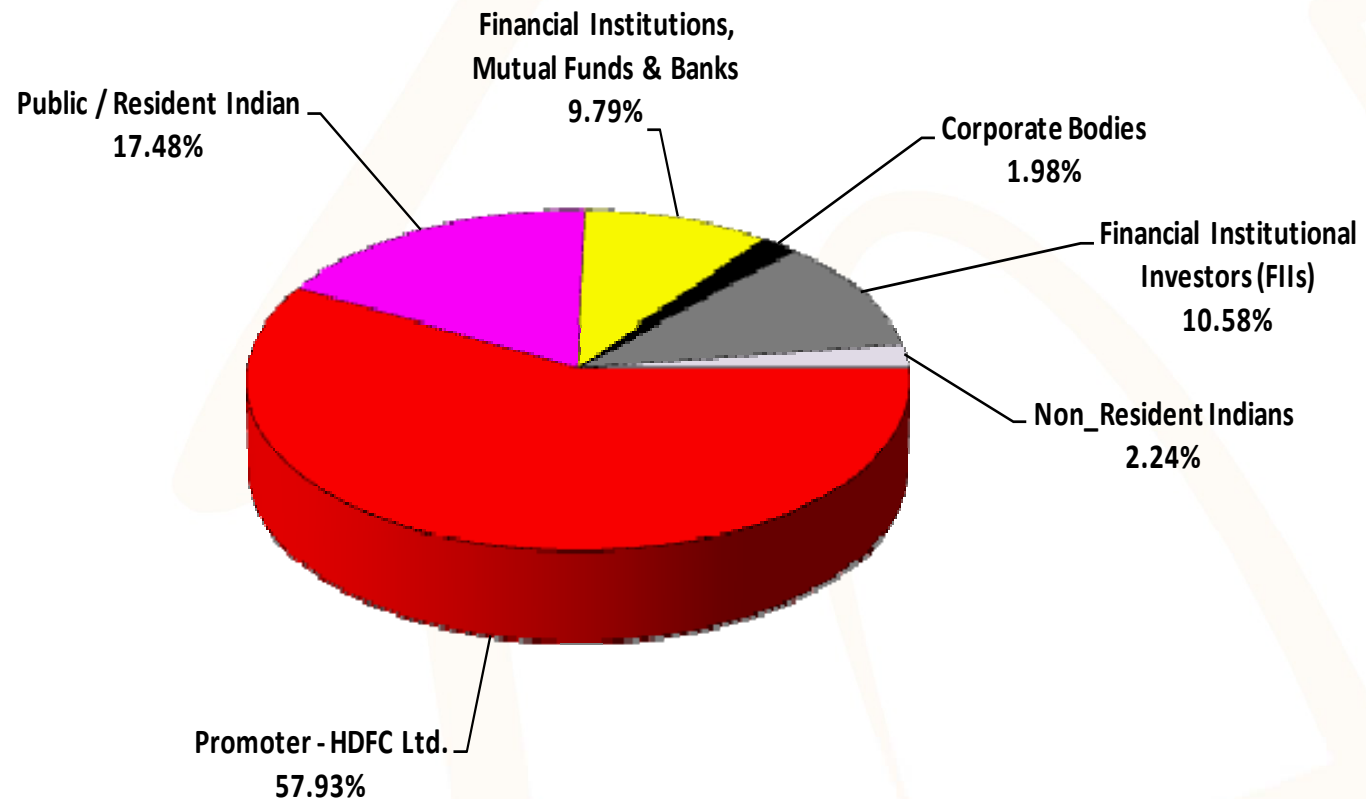
Ratings

- Public Deposits :
 - ‘MAAA’ by ICRA (since 2013) and
 - ‘FAAA’ by CRISIL (since 2013)
- Non-Convertible Debentures : ‘AAA (Stable)’ by ICRA and CRISIL (since 2015)
- Subordinated NCD: ‘AAA (Stable)’ by ICRA and CRISIL (since 2015)
- Commercial Paper : ‘A1+’ by ICRA and CRISIL (since 2005)

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



Shareholding Pattern as on June 30, 2018



GRUH's contribution to Housing Stock

- Cumulative Housing Units Financed – 4,24,495
- Cumulative Disbursement of Rs. 29,682 Crore
- Cumulative Housing Units Financed in Rural Areas - 2,15,571
- Cumulative Disbursement in Rural Areas^(*) Rs. 12,270 Crore
- Cumulative Disbursement under Pradhan Mantri Awas Yojna (PMAY) since June'2015 up to June'2018 Rs. 3,271 Crore towards 38,015 Housing units
- Presence in 133 Districts of 11 States
- Servicing customers in 1,217 Taluka places in 11 States

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



Highlights of Q-I FY 2018-19

- Loan Disbursement during the period – Rs. 1,226 Crore
- Average Loan Per Unit Disbursed during the year - Rs. 9.02 Lac
- Outstanding Loan Assets of Rs. 15,857 Crore
- Average Loan Outstanding Per Unit - Rs. 7.90 Lac
- Expected Credit Loss (ECL) Provisions of Rs.99 Crore on Outstanding Loan Assets of Rs.15,857 Crore
- Profit After Tax – Rs.115 Crore



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



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

	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 instalment (EMI)



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

Overall Contribution of Banks & HFCs as on June 2018
(Since Inception in June 2015)

Scheme name	Units	Subsidy amount (Rs. in Crore)
EWS/LIG	1,33,213	2,890.50
MIG	35,204	736.80
Total	1,68,417	3,627.30

Source : Bloomberg



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

Loans Sanctioned & Eligible Under CLSS as on June 2018

Scheme name	Units	Sanctioned Amount (Rs. in Crore)
EWS/LIG	35,213	3,066.17
MIG	2,802	412.03
Total	38,015	3,478.20

Claims Received Under CLSS as on June 2018

Scheme name	Units	Subsidy amount (Rs. in Crore)
EWS/LIG	19,484	439.74
MIG	985	20.14
Total	20,469	459.88



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.12,270 Cr.
- Cumulative Housing Units Financed in Rural Areas – 2,15,571
- Servicing Customers in 750 Talukas in Rural Areas
- Loan Disbursement in Rural Areas during the Period – Rs. 378 Cr. in respect of 4196 cases



GRUH's FINANCIAL PERFORMANCE FOR Q-I FY 2018-19



Ind AS Transition

- In line with direction issued from Ministry of Corporate Affairs and National Housing Bank, GRUH has adopted Indian Accounting Standards (Ind AS) with effect from 1st April 2018. Results of Q1 FY 1819 are prepared and published in compliance with Ind As requirements. Additionally, for the same quarter of previous year (Q1 FY1718), figures have been restated as per Ind AS.
- Few key changes are provisions based on Expected Credit Loss, origination fee income and referral pay out to be accounted following Effective Interest Rate, NCD issue expenses to be charged to P&L A/c, Charge on account of ESOPs vested after April 1, 2017 being transition date.
- Opening net worth as on April 1, 2017 and earnings of FY 17-18 are adjusted and restated with Ind AS norms.



ECL- Key Differences : Indian GAAP and Ind AS

COMPONENTS	NHB REGULATIONS	Ind AS 109
Assets Classification Norms	<ul style="list-style-type: none"> •Standard Assets – Performing •Sub-Standard Assets – NPA < 15 months •Doubtful Assets – NPA > 15 months •Loss Assets – non-recoverable 	Based on ECL Model : <ul style="list-style-type: none"> •Stage 1 : Performing - 1 to 30 DPD •Stage 2 : Under-performing – 31 to 89 DPD •Stage 3 : Non-performing – 90 and above DPD
Incurred vs Future Expected Loss	Rule-based Provisions : Provision based on fixed percentage for different class of loan assets with assessment of current information i.e. incurred losses (i.e. standard, sub-standard and doubtful and loss assets.)	Based on historical trend, current conditions and expected future condition (forward-looking view) i.e. expected losses
Product Differentiation	Uniform approach across products, sectors, geography	Differential ECL measurement for different portfolio segments. Segmentation basis homogenous risk characteristics of products.
Time Value of Money	Not considered. Absolute value of recovery matters irrespective of time of recovery.	Factored in through discounting of expected recovery to the present value based on time.
Income Recognition	No income recognition on NPA assets.	Interest recognised on all accounts are accounted on the Net Carrying Value (NCV)
Exposure	<ul style="list-style-type: none"> •Fund based facility •Interest not collected to be excluded •Interest not to be accrued for NPA assets 	Interest recognised on all accounts are accounted on the Net Carrying Value (NCV)

Ind AS Transition

KEY CHANGES	IMPACTED LINE ITEM	IGAAP	IND AS
Mutual Fund	Income from operations	Held for maturity and hence no impact	Fair value method
SLR	Income from operations	Premium is amortised over residual tenure	Net present Value discounted under Goal seek method is followed.
Fee Income	Fees Income	Booked upfront	Amortized based on Effective Int. Rate
Referral Commission	Fees Income	Booked as exp. upfront	Amortized based on Effective Int. Rate
Credit costs	Credit costs	As Specified by Regulator	Expected Credit Loss (ECL) Model
ESOP valuation	Employee cost	Intrinsic Value method No charge to P&L	Option value under Black & Scholes pricing model Charged to P&L



The result published are after above adjustments

Ind AS Transition

KEY CHANGES	IMPACTED LINE ITEM	IGAAP	IND AS
Interest Income on NPAs	Income from Operations	Not recognised	As on April 1, 2017, credited to reserve. There after incremental amount is recognised in P&L.
NCD issue expenses	Finance cost	Adjusted in securities premium	Amortised through P&L based on Effective Interest Rate
Gratuity provision	Staff Expenses	Fully charged to P&L	Charged to P&L to the extent of increase in staff and salary. Charge on account of assumptions used by actuary is charged to Other Comprehensive Income



The result published are after above adjustments



Provision Under ECL Methodology

Ind AS 109 is the new accounting standard on financial instruments, implemented for first time globally. Currently under Indian GAAP, loan losses are provided on incurred loss model which will move to expected loss model under Ind AS.

Under expected credit loss model, all possible risk are being covered. Thus, Expected credit loss model is more stricter and realistic which depicts true risk entity possess based on all these factors.

ECL methodology prescribed under Ind AS is based on the principle of providing for expected credit losses, rather than incurred losses.

ECL methodology facilitates granular analysis of portfolio thereby translating true risk of a portfolio into provisions.



Provision Under ECL Methodology

Under the income recognition and asset classification / prudential norms laid down by the regulator, Housing Finance Companies mandatorily follow a rule based graded provisioning requirement based on an objective criteria as prescribed by the NHB which is a hybrid of the incurred loss model and the expected loss model.

The incurred loss model does not mandate loss models or sophistication in computation of credit loss whereas the ECL Model is data intensive and necessitates fairly sophisticated credit modelling skills.

The entity needs to compute and apply point in time estimates of Probability of Default (PD) and an unbiased Loss Given Default (LGD) under the ECL methodology used through the cycle estimates and downturn LGD estimates.



Provision Under ECL Methodology

- In order to facilitate smooth transition during the first year of Ind-AS implementation, the following relaxations are given by SEBI to the listed entities to which Ind-AS Rules are applicable from the accounting period beginning on or after April, 1, 2016:
- For all first three quarters of FY 18-19, publishing of figures for full year FY 17-18 is not mandatory.
- Companies are only required to give corresponding period figure of previous year under Ind AS and reconciliation profit under Ind AS and Indian GAAP of comparative period.



Provision Under ECL Methodology

Ind AS required GRUH to provide for entire Expected Credit Losses on the legacy Loan Portfolio as on April 1, 2017.

In line with above, excess provisions carried have been adjusted to the opening reserves as on April 1, 2017. As per Ind AS norms, GRUH now carries provision of Rs. 99.03 Cr (0.62%) towards Expected Credit Losses on total loan assets of Rs.15,857 Cr as on June 30, 2018. As on June 30, 2017, the said requirement was Rs. 90.70 crores (0.66%) on total loan assets of Rs. 13,665 crores.

While GRUH has broadly estimated the impact, it will take three-four more quarters for the impact to smoothen.



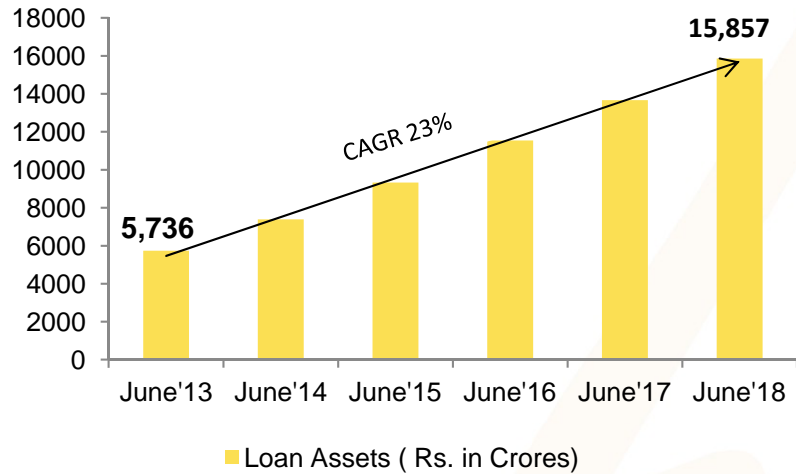
Reconciliation of Net profit as reported under erstwhile Indian GAAP and Ind AS for Q1 FY 17-18

Particulars	(Rs. in Crore)
Net profit reported as per previous Indian GAAP	72.24
<u>Add/(Less):</u> Adjustments for GAAP difference	
Increase in interest income pursuant to application of effective interest rate method	6.25
Increase in borrowing cost pursuant to application of effective interest rate method	(0.54)
Decrease in provision due to expected credit loss	16.67
Increase in employee benefit expense due to fair valuation of employee stock options	(1.08)
Others	0.23
Deferred tax impact on Ind AS adjustments	2.17
Net profit before other comprehensive income as per Ind AS	95.94
Other comprehensive income after tax	(0.13)
Total comprehensive income as per Ind AS	95.81

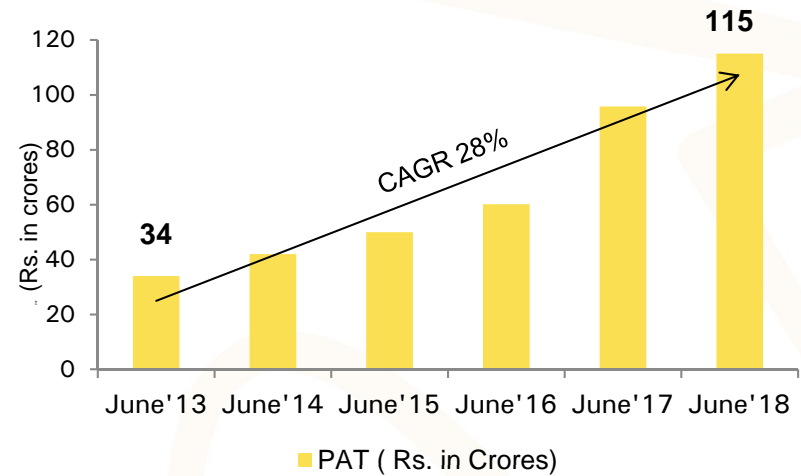
CAGR (%) As At June 30, 2018

Particulars	3 Years	5 Years	7 Years	10 Years
Disbursements	17	17	21	20
Loan Assets	19	23	25	24
Net-Interest Margin	23	23	23	25
Profit After Tax	32	28	27	31

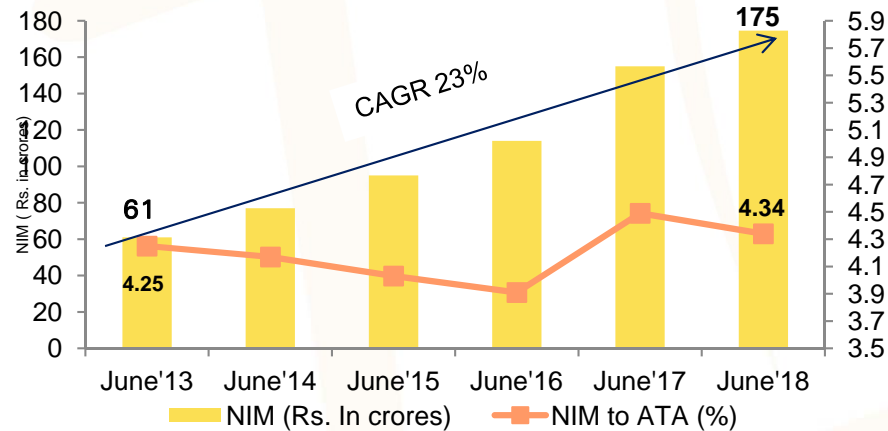
Loan Assets (Rs. in Crore)



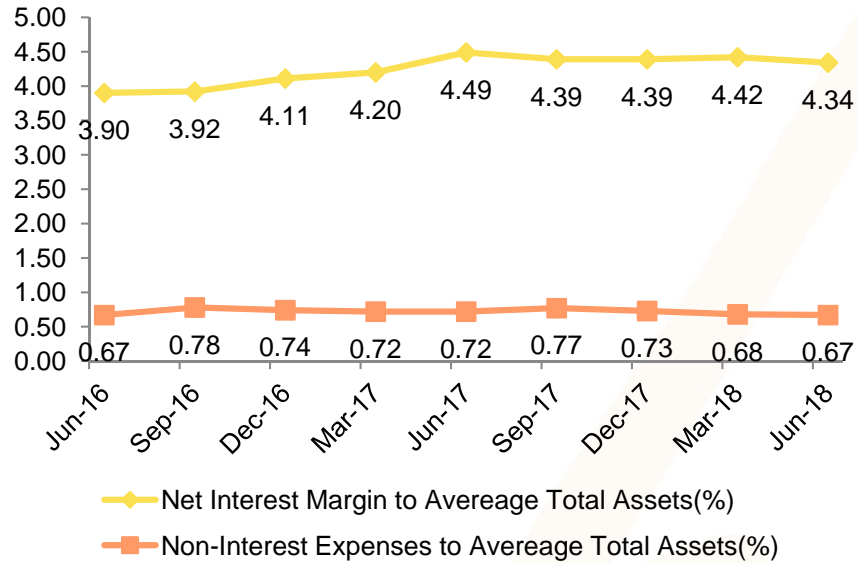
Profit After Tax



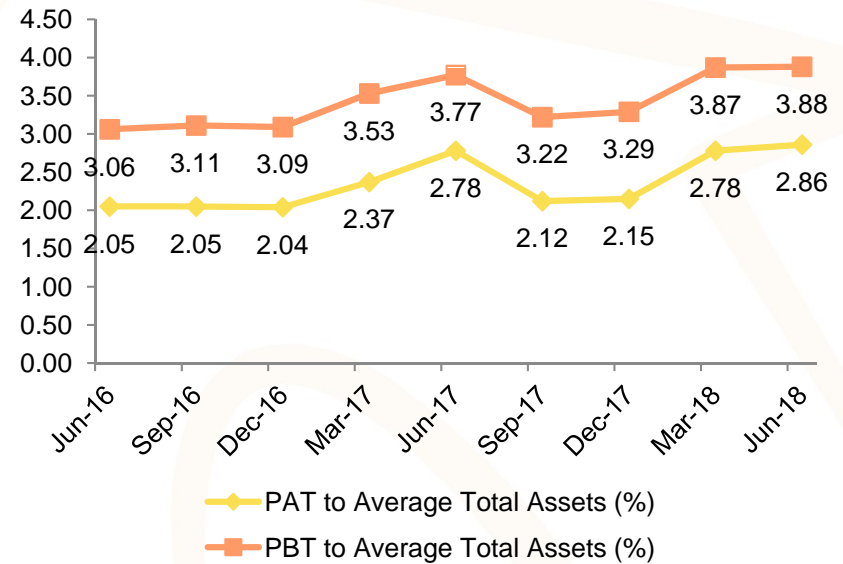
NIM & NIM to Average Total Assets



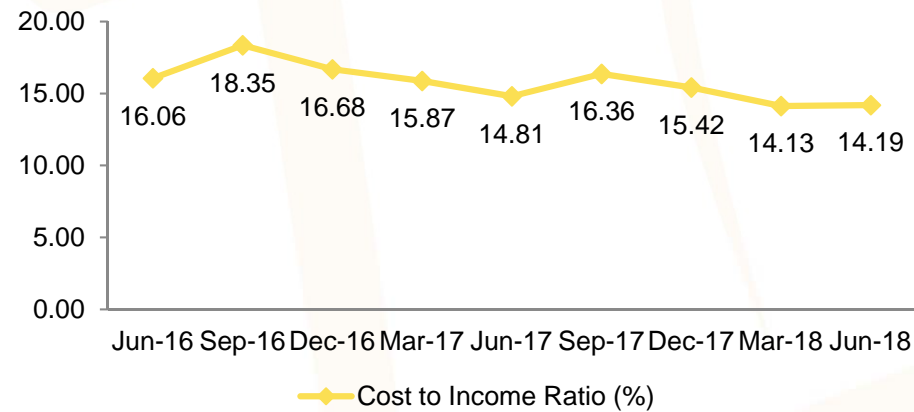
NIM & NIE to Average Total Assets



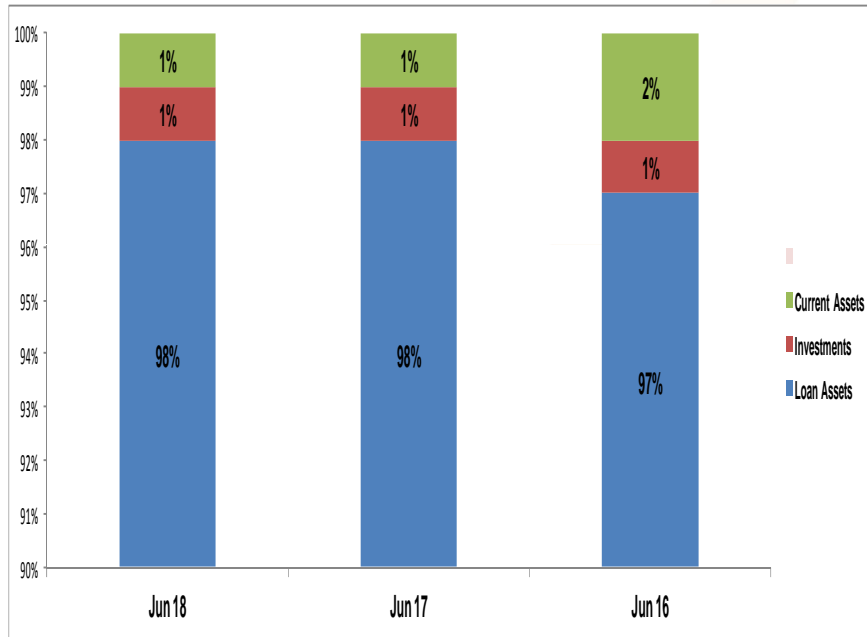
PBT & PAT to Average Total Assets



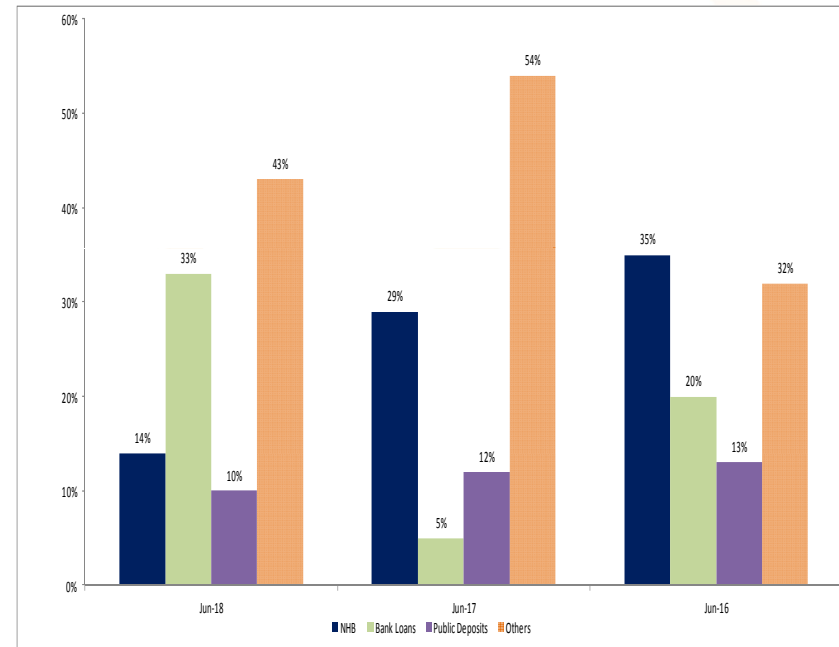
Cost to Income Ratio (%)



Assets Profile



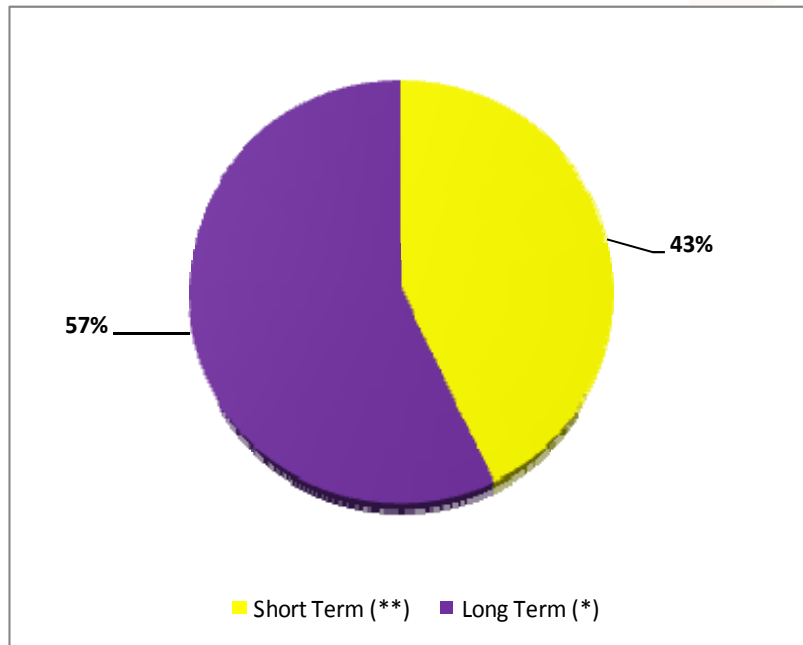
Sources of Borrowing



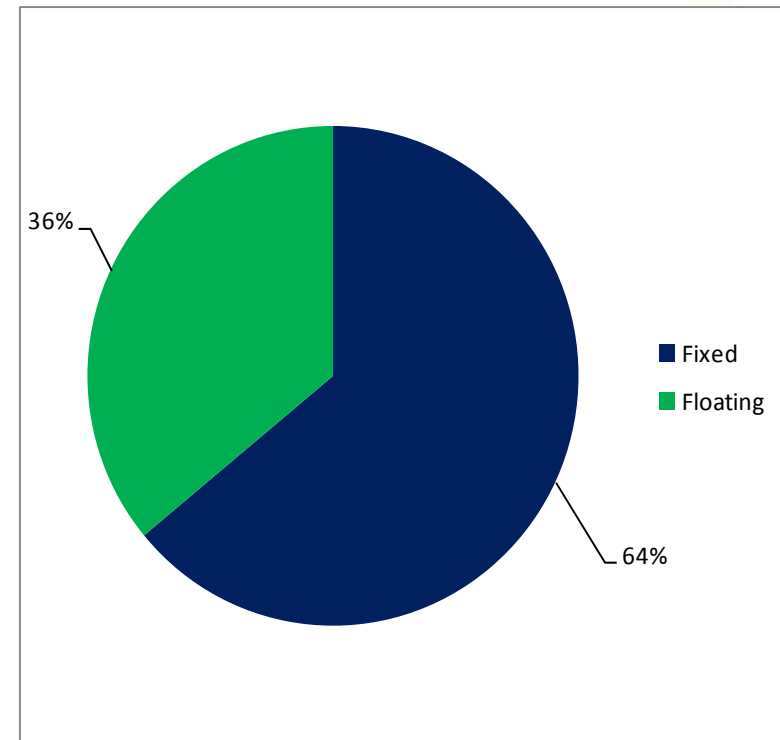
Borrowing Profile

As on June 30, 2018

Tenure Base



ROI Base



(*) Average tenure 4.60 years

(**) Average tenure less than one year

Outstanding Loans

(Rs. in Crore)

	As at June 30, 2018		As at June 30, 2017		Growth
	Amount	%	Amount	%	%
Home Loans	13,105.35	82.65	11,231.80	82.19	16.68
LAP & NRP Loans	2,040.77	12.87	1,887.84	13.82	8.10
Developer Loans	711.23	4.48	545.55	3.99	30.37
Total	15,857.35	100.00	13,665.19	100.00	16.04



Balance Sheet

As on June 30,

(Rs. in Crore)

	<u>2018</u>	<u>2017</u>	<u>Growth (%)</u>
<u>Sources of Funds</u>			
Share Capital	146	73	100
Reserves & Surplus	1,263	1,030	23
Borrowings	14,412	12,463	16
Current Liabilities & Provisions	337	360	(6)
Deferred Tax Liability (Net)	111	115	(4)
	16,269	14,041	16
<u>Application of Funds</u>			
Loan Assets	15,857	13,665	16
Investments	171	155	11
Current Assets	225	207	9
Fixed Assets	16	14	11
	16,269	14,041	16



Income Statement

As on June 30,

(Rs. in Crore)

	<u>2018</u>	<u>2017</u>	<u>Growth (%)</u>
Interest income	438	392	12
Interest expenses	263	237	11
Net interest Margin	175	155	13
Non-Interest Income	14	13	16
Non-Interest Expenses	28	26	9
Provisions for Expected Credit Loss and Write Offs	4	11	(66)
CSR Expenses	1	1	-
Profit Before Tax	156	130	20
Provision for Taxation	41	34	20
Profit After Tax	115	96	20



Key Financial Ratios

As on June 30,

	<u>#2018</u>	<u>2017</u>
Net Interest Margin / ATA (%)	4.34	4.49
Non Interest Exp. / ATA (%)	0.67	0.72
PAT/ATA (%)	2.86	2.78
Cost to Income Ratio (%)	14	15
Return on Equity (%)	32	35

ATA = Average Total Assets

Shareholders had approved Bonus Shares in the ratio of 1:1 in their AGM held on May 30, 2018

* During FY 12-13, w.e.f. July 26, 2012, face value of equity share of GRUH was sub-divided to Rs. 2 per equity share from Rs. 10 per equity share. GRUH allotted Bonus shares in ratio of 1:1 during June'2014.



Productivity Ratios

As on June 30,

	<u>2018</u>	<u>2017</u>
Average No. of Employees	684	663
Average No. of Retail offices	190	183
Profit After Tax Per Employee (Rs. in Lac)	67	58
Total Assets Per Employee (Rs. in Lac)	2,371	2,113



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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