



# GRUH

## GRUH Finance Limited

(A Subsidiary of HDFC Limited)

SEPT 2018



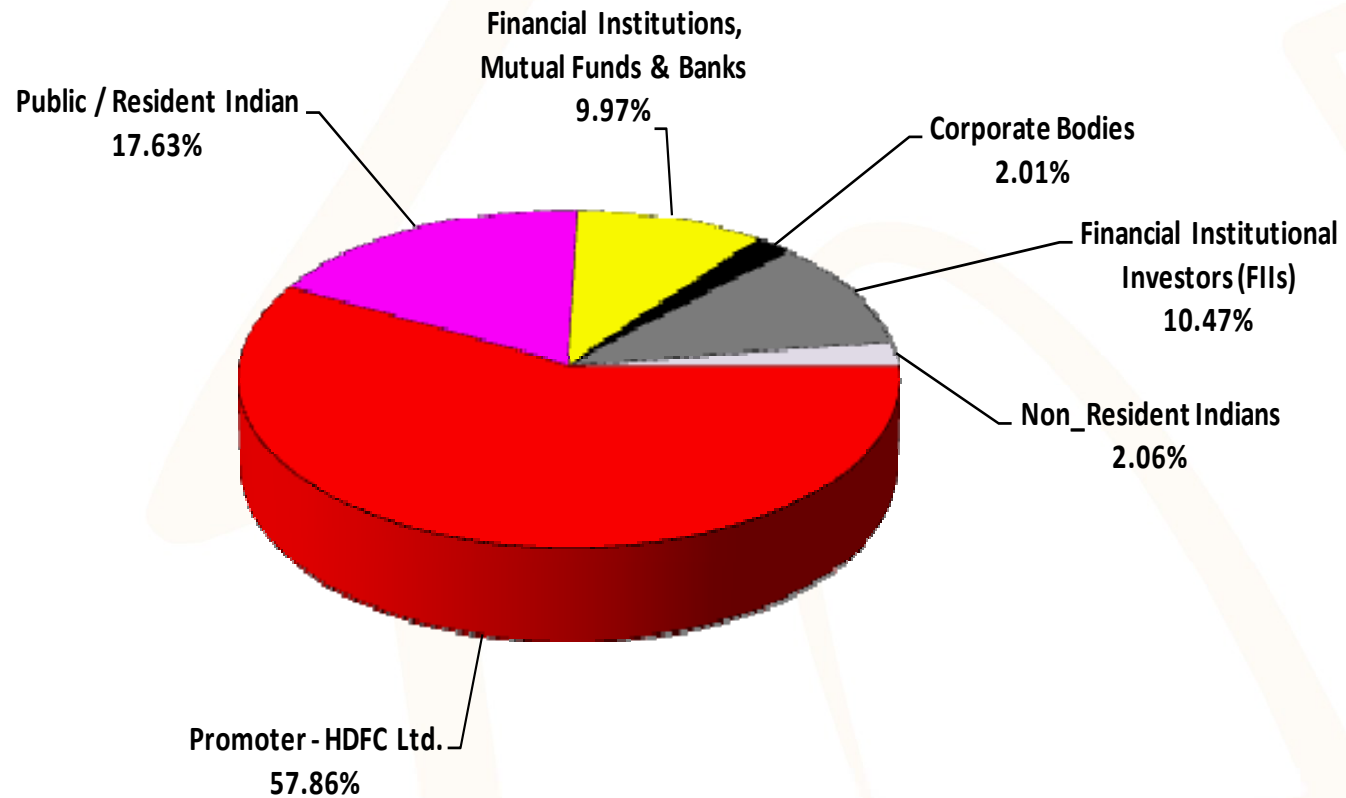
# GRUH PROFILE



- 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 194 offices across 11 States & one Union Territory
- Consistent track record of Dividend Payout



# Shareholding Pattern as on Sept 30, 2018



# Ratings

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

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

## GRUH's contribution to Housing Stock

- Cumulative Housing Units Financed – 4,38,030
- Cumulative Disbursement of Rs. 31,193 Crore
- Cumulative Housing Units Financed in Rural Areas - 2,20,341
- Cumulative Disbursement in Rural Areas<sup>(\*)</sup> Rs. 12,771 Crore
- Cumulative Disbursement under Pradhan Mantri Awas Yojna (PMAY) since June'2015 Rs. 4,164 Crore for 44,336 Housing units
- Presence in 133 Districts of 11 States
- Servicing customers in 1,306 Taluka places in 11 States and 1 UT

<sup>(\*)</sup> Rural Areas are locations where populations is less than 50,000



# Performance Highlights

## July 2018 – Sept 2018



## PERFORMANCE HIGHLIGHTS

- Loan Disbursement during the period – Rs. 2,738 Crore
  - Average Loan Per Unit Disbursed during the year - Rs. 9.41 Lac
- Outstanding Loan Assets of Rs. 16,663 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. 49.91 crore (0.30%) of Loan Assets towards Expected Credit Losses (ECL). However, GRUH carried provisions of Rs.129 .03 Crore (0.77%).**
- Profit After Tax – Rs. 220 Crore for the half-year and Rs. 105 Crore for 2<sup>nd</sup> Quarter





## PERFORMANCE HIGHLIGHTS

### Performance of the Half-year

	Sept'18	Sept'17	Growth %
Loan Assets	16,663	14,271	17
Disbursement	2,738	2,483	10
Profit After Tax	220	184	20

### Performance of the Quarter

	Sept'18	Sept'17	Growth %
Disbursement	1,511	1,283	18
Profit After Tax	105	88	20



## Key Financial Ratio

Key Ratios	As At Sept'2018	As At June'2018	As At Sept'2017
Net Interest Margin to ATA (%)	<b>4.08</b>	4.34	4.47
Yield on Average Loans (%)	<b>10.93</b>	11.03	11.31
Cost of Borrowings (%)	<b>7.55</b>	7.40	7.65
Cost to Income Ratio (%)	<b>15.93</b>	14.19	15.89
Credit Cost to ATA (%)	<b>0.29</b>	0.26	0.26
Non-Interest Expense to ATA (%)	<b>0.71</b>	0.67	0.77
Return on Assets (%)	<b>2.57</b>	2.86	2.61
Return on Equity (%)	<b>27.27</b>	29.53	30.04
Loans to Total Assets (%)	<b>91</b>	98	97
Gross NPAs (%)	<b>0.88</b>	0.86	0.67



# Balance Sheet

(Rs. in Crore)

	Sept'2018	Sept'2017	Growth (%)
<u>Sources of Funds</u>			
Share Capital	146.48	73.08	100
Reserves & Surplus	1515.25	1256.80	21
Borrowings	16489.48	12921.97	28
Current Liabilities & Provisions	352.06	413.65	(15)
	18503.27	14665.50	26
<u>Application of Funds</u>			
Loan Assets	16662.89	14271.39	17
Investments	209.77	155.40	35
Current Assets	(*) 1573.15	171.63	817
Fixed Assets	15.25	13.95	9
Deferred Tax Assets (net)	42.21	53.13	(21)
	18503.27	14665.50	26

(\*) Includes Bank Deposits of Rs.1438 Crore



# Income Statement

(Rs. in Crore)

Particulars	Sept'2018	Sept'2017	Growth (%)
Interest income	<b>902.20</b>	793.79	14
Interest expenses	<b>553.21</b>	479.42	15
Net interest Margin	<b>348.99</b>	314.37	11
Non-Interest Income	<b>30.53</b>	26.84	14
Non-Interest Expenses	<b>60.43</b>	54.17	12
Provisions for Expected Credit Loss and Write Offs	<b>12.24</b>	34.14	(64)
CSR & ESOP Expenses	<b>5.18</b>	3.25	59
Profit Before Tax	<b>301.67</b>	249.65	21
Provision for Taxation	<b>81.24</b>	66.15	23
Profit After Tax	<b>220.43</b>	183.50	20



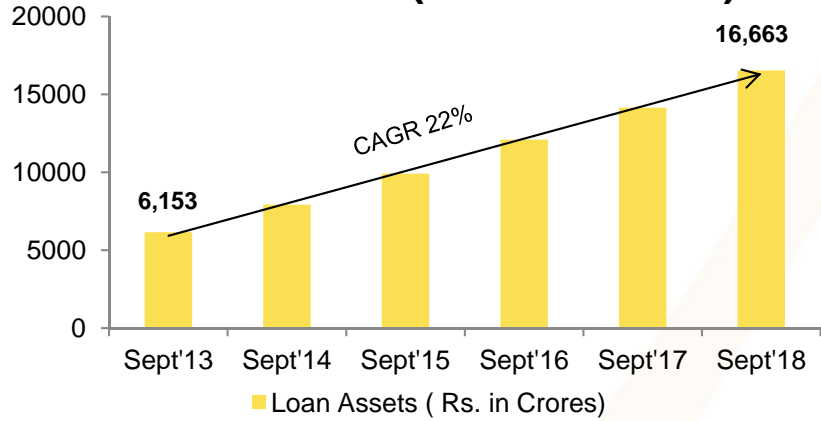
## Reconciliation of Net profit as reported under erstwhile Indian GAAP and Ind AS for Q2 & H1 FY 17-18

(Rs. in Crore)

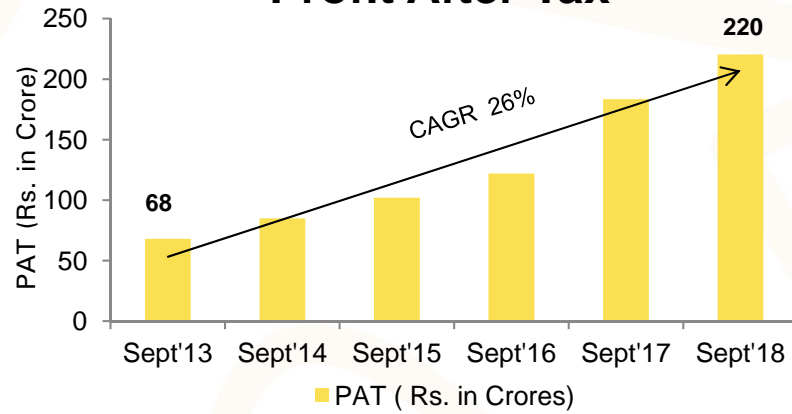
Particulars	Q2 FY 17-18	H1 FY 17-18
Net profit reported as per previous Indian GAAP	<b>77.77</b>	<b>150.01</b>
Add/(Less) : Adjustments for GAAP difference		
Increase in interest income pursuant to application of effective interest rate method	2.21	8.46
Increase in borrowing cost pursuant to application of effective interest rate method	(0.94)	(1.48)
Decrease in provision due to expected credit loss	-	16.67
Increase in employee benefit expense due to fair valuation of employee stock options	(1.05)	(2.13)
Others	0.03	0.26
Deferred tax impact on Ind AS adjustments	9.85	12.02
Net profit before other comprehensive income as per Ind AS	<b>87.87</b>	<b>183.81</b>
Other comprehensive income after tax	(0.18)	(0.31)
Total comprehensive income as per Ind AS	<b>87.69</b>	<b>183.50</b>



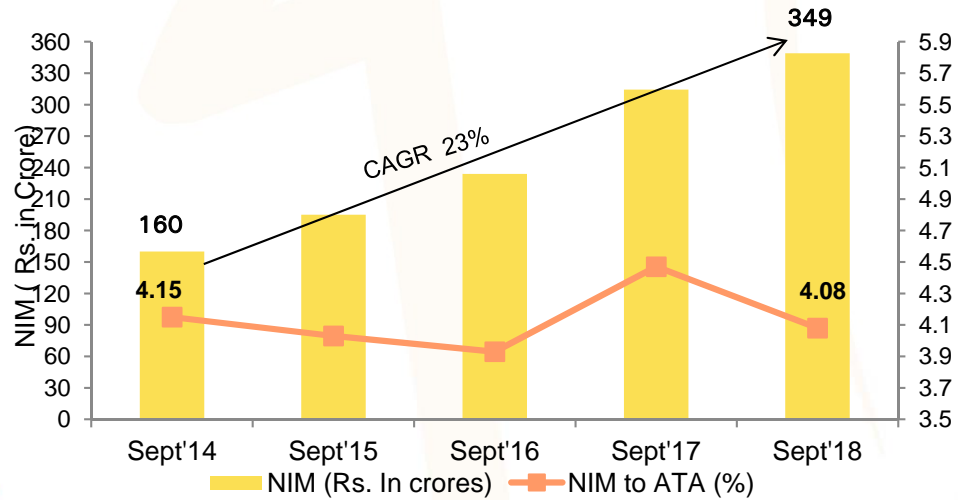
### Loan Assets (Rs. in Crores)



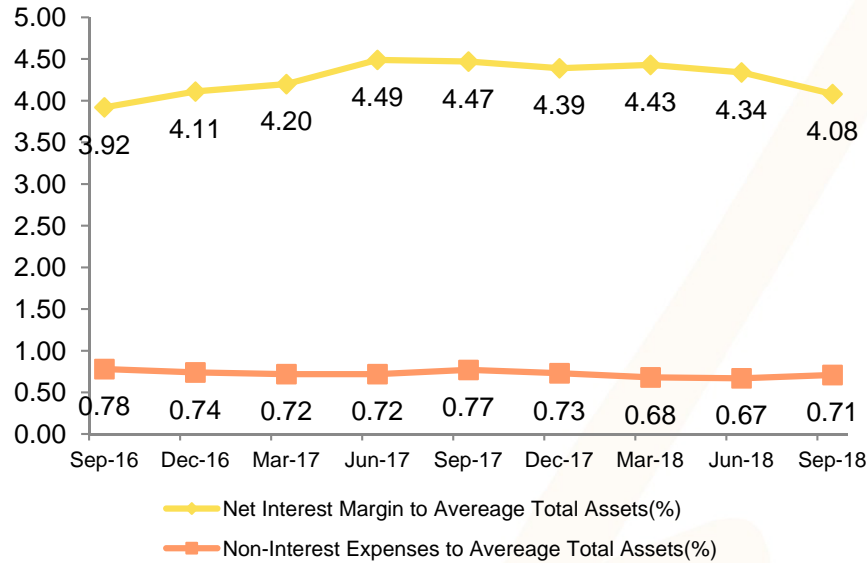
### Profit After Tax



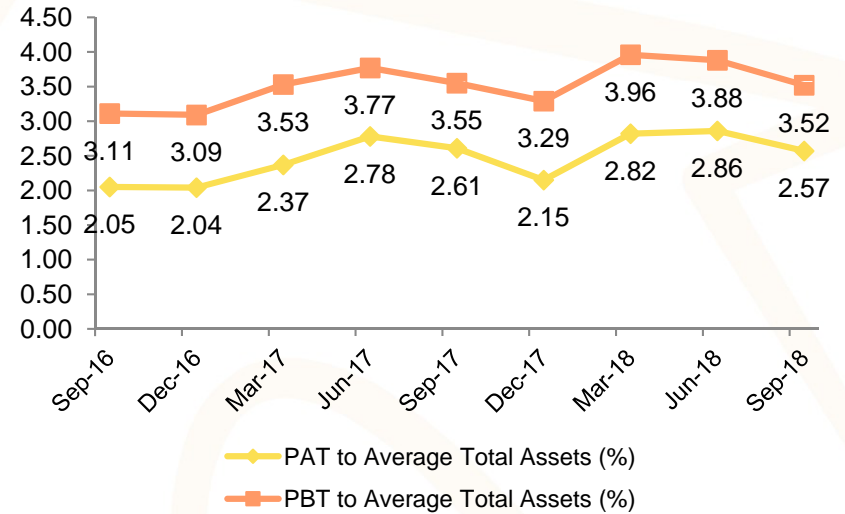
### NIM & NIM to Average Total Assets



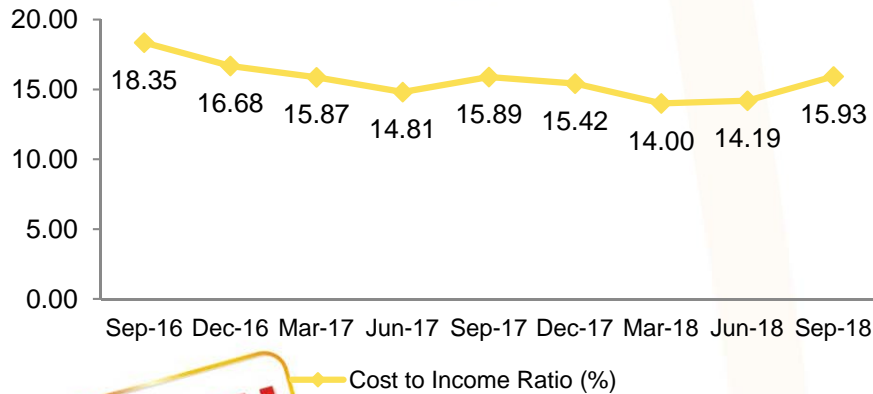
### NIM & NIE to Average Total Assets



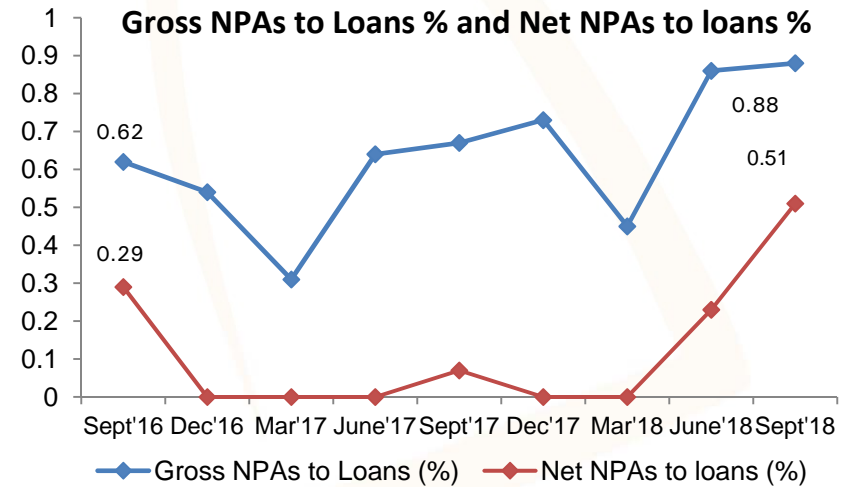
### PBT & PAT to Average Total Assets



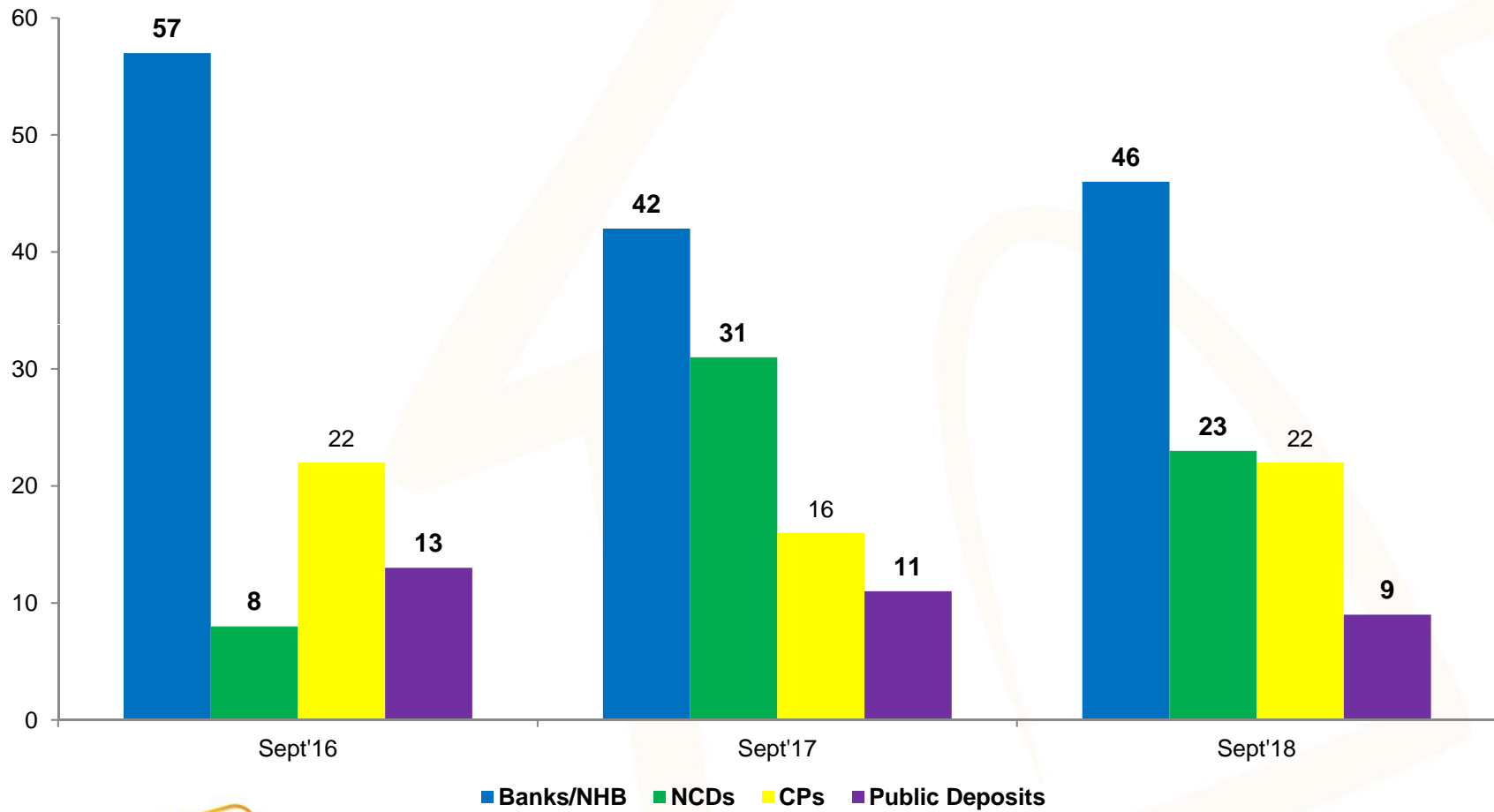
### Cost to Income Ratio (%)



### Gross NPAs to Loans % and Net NPAs to loans %

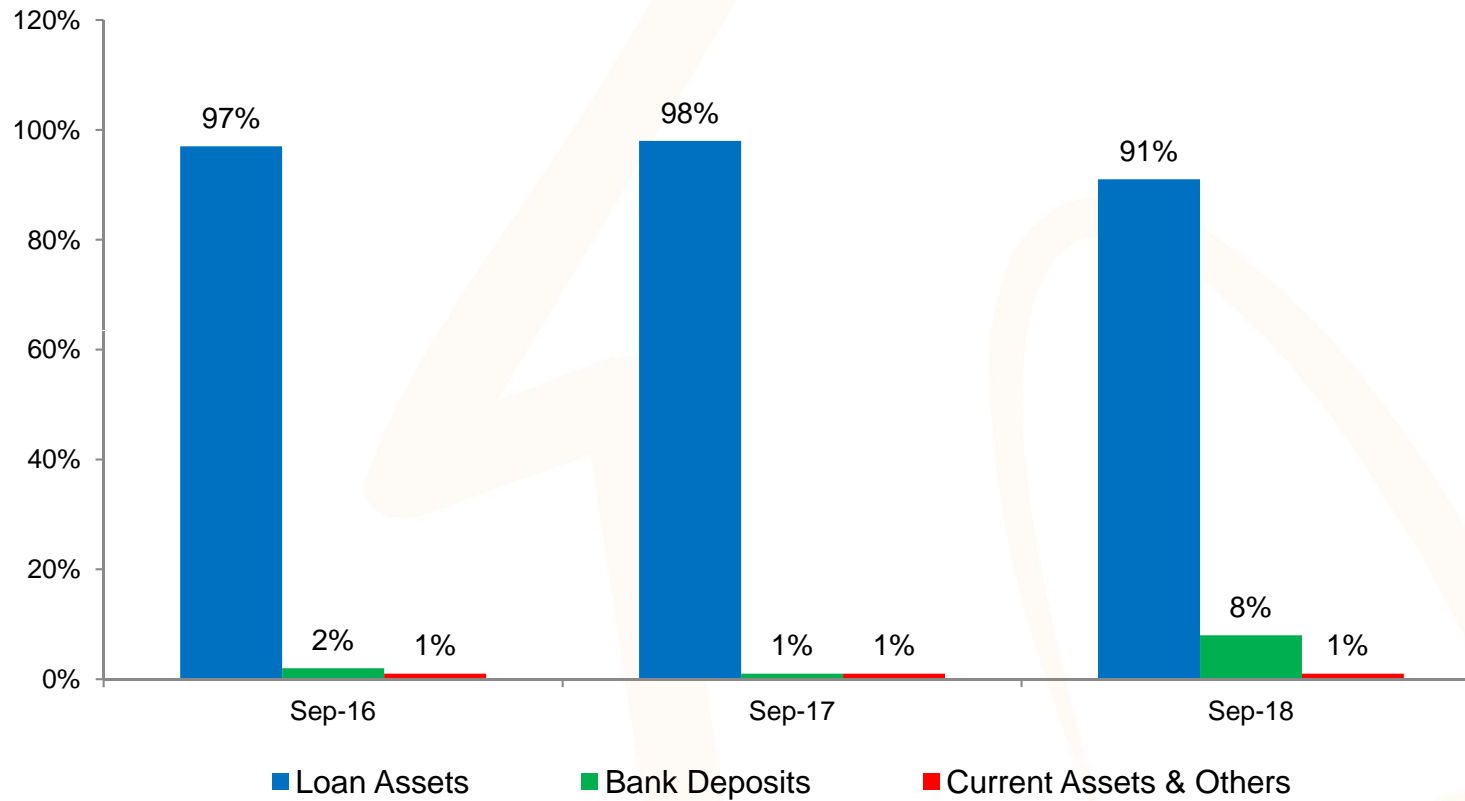


# Composition of Borrowings





# Composition of Assets



# Interest Rate profile of Loan Assets and Borrowings

*(% Composition)*

	Fixed Rate	Variable Rate	Total
Loans	5	95	100
Borrowings	68	32	100

# NPAs under Ind AS

(Rs. In Crore)

Particulars	HY 1 FY 1819	Q1 FY 1819	HY 1 FY 1718
Loan Assets	16,663	15,857	14,271
<b>Stage - III Loan Assets</b>	<b>147</b>	<b>136</b>	<b>96</b>
ECL Provision required as per Ind AS norms on Total Loan Assets	50	42	37
<b>ECL Provision required as per Ind AS on Total Loans (%)</b>	<b>0.30</b>	<b>0.27</b>	<b>0.26</b>
Actual ECL Provision carried in Books	129	122	134
Actual ECL Provision carried in books (%)	0.77	0.77	0.94
<b>Excess Provisions carried towards ECL under Ind AS</b>	<b>79</b>	<b>80</b>	<b>97</b>



# NPAs under NHB Norms

(Rs. In Crore)

Particulars	H1 FY 1819	Q1 FY 1819	H1 FY 1718
Loan Assets	16,663	15,857	14,271
Gross NPAs	147	136	96
<b>Gross NPAs (%)</b>	<b>0.88</b>	<b>0.86</b>	<b>0.67</b>
<b>Provisions as per NHB Norms:</b>			
- Standard Assets	67	66	65
- NPAs	32	30	21
	<b>99</b>	<b>96</b>	<b>86</b>
Actual Provisions carried in Books	129	122	134
Excess Provisions carried towards NPAs	30	26	48
Net NPAs (%)	0.51	0.51	0.19



# 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

## July 2018 – Sept 2018



# OUTSTANDING PORTFOLIO

## Composition of Outstanding Loan Portfolio

(Rs. In Crore)

	As on Sept'2018		As on Sept' 2017		Growth
	Amount	%	Amount	%	%
<b>Retail Loans</b>					
- Home Loans	13,748.30	82.51	11,694.54	81.94	18
- Mortgage & NRP Loans	2,133.76	12.81	2,003.69	14.04	6
	<b>15882.06</b>	<b>95.32</b>	<b>13698.23</b>	<b>95.98</b>	<b>16</b>
<b>Developer Loans</b>					
- Construction	780.83	4.68	573.16	4.02	36
<b>Total</b>	<b>16,662.89</b>	<b>100.00</b>	<b>14,271.39</b>	<b>100.00</b>	<b>17</b>



# Product Wise Loan Outstanding

Composition of Outstanding Portfolio (%) as on					
Product wise	Sept'2018	Sept'2017	Sept'2016	Sept'2015	Sept'2014
Home Loans	82.51	81.94	81.22	84.44	86.02
Mortgage & NRP	12.81	14.04	14.63	11.91	10.70
Developer Loans	4.68	4.02	4.15	3.65	3.28
Total	100.00	100.00	100.00	100.00	100.00



## Profile of Individual Loans

Operations Details	Sept'2018	Sept'2017	Sept'2016	Sept'2015	Sept'2014
1. Average loan per unit (Rs. In Lac)	8.01	7.65	7.24	6.75	6.21
2. Avg. cost per dwelling unit (Rs. In Lac)	13.10	12.52	12.11	11.54	10.75
3. Average FOIR (%)	38	33	31	34	31
4. Average LCR (%)	61	68	65	66	64



## 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 (Since Inception of the Scheme)

### Loans Disbursed Under PMAY - CLSS

Category	H1 FY 18-19 Units	H1 FY 17-18 Amount (Rs. in Crore)	Growth (%)
EWS/LIG	8682	7581	15
MIG	1242	911	36
Total	9924	8492	17

### Loans Sanctioned Under CLSS

Category	Q2 FY18-19		Q1 FY18-19		Growth (%)	
	Units	Amount (Rs. in Crore)	Units	Amount (Rs. in Crore)	Units	Amount
EWS/LIG	4826	456	3856	359	25	27
MIG	761	124	481	74	58	67
Total	5587	580	4337	433	29	34



## 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. 12,771 Crore
- Cumulative Housing Units Financed in Rural Areas – 2,20,341
- Loan Disbursement in Rural Areas during the Period – Rs. 878 Crore in respect of 8,966 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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