



The challenge of sustainable growth



We help you build homes
(A subsidiary of HDFC Ltd.)

24th Annual Report 2009-2010



Driving the pace of growth

We are regularly reminded nowadays about what media describes as the 'India growth story'. While it is true that global business leaders and even governments are discovering new facets of the Indian market and its immense potential for growth, the challenges on the ground make the push for growth very complex and daunting. Nowhere is this more evident than in the housing and housing finance sector. The recent global meltdown was triggered in some measure by the trap of sub prime lending. But if the India growth story has to really take wing, millions of people need to be brought within the umbrella of the formal banking and financial services network.

According to one recent estimate, there are currently around 200 million bank account holders and that represents just about 20% of the probable target for 'inclusive economic development'.

So for a housing finance institution like GRUH, there are inviting new horizons beyond the current horizon for growth. But 'growth' in this context has many connotations. It does relate to growth in terms of size and bigger numbers. But it also implies a better quality in these numbers. It envisages better yield and over the years, growing maturity.

As we expand and grow, we also feel the compulsions of preserving our standards of integrity- a major concern after the global crisis. In the actions we take and the signals we send out to our teams, there is always a strong underpinning of sincerity, uprightness and reliability. Accountability and transparency are upper most in our list of concerns as we push the envelope for growth.

The image of the flourishing bonsai on our cover has a lot in common with our own experience in driving the pace for good quality performance and sustainable growth. We are constantly nurturing, pruning and encouraging our people to shorten the learning curve. We are motivating them to achieve the fruits of our culture of transparency and personalized service. Their commitment makes us confident of growing our equity across geographies and leveraging on promising new market opportunities in the years ahead.

HIGHLIGHTS

(Rs. in crores)

Financial Highlights	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
Loan Disbursements	780	655	632	474	360	300	218	202	189	184
Net Interest Income	115	85	74	52	36	28	21	20	19	15
Fees & Other Income	12	7	6	6	6	5	6	5	5	5
Operating Cost	25	21	18	14	12	9	9	9	9	8
Operating Profit	103	72	63	44	30	23	19	18	15	12
Provisions & Write Offs (net)	8	3	4	7	4	3	4	5	6	5
Profit Before Tax	94	70	59	37	26	20	15	13	9	7
Profit After Tax	69	50	42	30	22	17	13	11	8	6
Stockholders' Equity	265	221	190	164	87	73	63	59	53	48
Borrowed Funds	2323	2245	1773	1305	1080	806	572	555	487	450
Loan Assets	2454	2091	1774	1379	1070	818	584	556	480	452

Key Financial Ratios

Capital Adequacy Ratio (%)	16.55	16.21	18.15	16.31	14.24	15.71	19.26	18.26	17.65	11.47
Loans to Total Assets (%)	95	85	90	94	92	93	92	90	87	89
Gross NPA to Loan Assets (%)	1.11	0.94	1.11	1.36	1.48	1.95	1.68	1.87	3.53	5.00
Net NPA to Loans (%)	0	0	0	0	0.23	0.66	0.30	0.81	2.43	3.90
Net Interest Margin to										
Average Assets (%)	4.57	3.85	4.31	3.96	3.48	3.69	3.34	3.39	3.53	2.93
Cost to Income Ratio (%)	20	22	22	24	28	29	32	34	37	39
PAT to Average Assets (%)	2.73	2.27	2.47	2.25	2.12	2.20	2.12	1.76	1.54	1.22
Return on Average Network (%)	28	24	24	24	27	24	22	18	16	13

Measuring Shareholders' Wealth

Earning Per Share (Rs.)	19.89	14.51	12.22	9.40	7.36	6.31	5.03	3.84	3.02	2.28
Dividend Rate (%)	65	48	40	30	25	21	18	15	12	8
Dividend Payout Ratio (%)	38	39	38	41	35	38	40	44	40	39
Book Value Per Share as at March 31 (Rs.)	76.21	63.74	54.91	47.42	32.79	27.72	23.91	22.34	20.18	18.40
Market Price Per Share as at March 31 (Rs.)	217.75	93.70	154.35	137.35	93.30	45.05	29.70	15.90	17.25	8.75
Price to Value Ratio (times)	2.86	1.47	2.81	2.90	2.85	1.63	1.24	0.71	0.85	0.48
Price to Earning Ratio (times)	11	6	13	15	11	7	6	4	6	4
Market Capitalisation (in Crores)	756	325	535	476	247	119	79	42	46	23

BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :



Mr. Keki M. Mistry
Chairman

Mr. Keki M. Mistry, the non-executive Chairman of the Company is the Vice Chairman and Chief Executive Officer of Housing Development Finance Corporation Limited (HDFC). He is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Mistry serves as a director on the board of reputed companies like HDFC Bank Ltd., HDFC Standard Life Insurance Co. Ltd., HDFC ERGO General Insurance Company Ltd., HDFC Developers Ltd., HDFC Asset Management Company Ltd., Greatship (India) Ltd., The Great Eastern Shipping Co. Ltd., Sun Pharmaceutical Industries Ltd., NextGen Publishing Ltd., Infrastructure Leasing & Financial Services Ltd., Shrenuj & Company Ltd., Torrent Power Ltd., India Value Fund Advisors Pvt. Ltd., Intel Global Services Pvt. Ltd. He has been on the board of GRUH since 2000. He is a member of the Audit Committee and Compensation Committee of GRUH.



Mr. S.M. Palia

Mr. S.M. Palia, is a development banker. He holds a degree in Commerce, Law and Banking [CAIIB, CAIB (London)] and has 25 years working experience in Industrial Development Bank of India (IDBI) in various capacities. He retired as Executive Director of IDBI in 1989. He is on the board of reputed companies like Tata Steel Ltd., ACC Ltd., Tata Motors Ltd., The Bombay Dyeing & Mfg. Co. Ltd., and AI Champdany Industries Ltd. He has been on the board of GRUH since 1993. He was Vice Chairman of the Company from 1993 to 2000 and Chairman of the Company for one year from January 2001. He is Chairman of the Audit, Compensation and Shareholders'/ Investors' Grievance Committees of GRUH.



Mr. Prafull Anubhai

Mr. Prafull Anubhai, is a Corporate Advisor. He is associated with educational and research institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Ahmedabad University, CSTEP (Centre for Science Technology and Policy), ATIRA etc. He is the Chairman of the Board of Management of the Ahmedabad University. He is the member of the Governing Board of Ahmedabad Education Society. He is also the Hon. Director of Saptak Archives, an institution dedicated to the preservation and dissemination of Indian Classical Music. He has done his B.Sc.(Econ.) from the London School of Economics and attended PMD at Harvard Business School. He has 30 years of experience as a Chief Executive of Textile Manufacturing Operations and presently he is a Director in companies like Unichem Laboratories Ltd., Vardhman Textiles Ltd., Birla Sun Life Trustee Co. Pvt. Ltd, Torrent Cables Ltd., EMSAF (Emerging Market South Asia Fund) – Mauritius etc. He has been on the board of GRUH since 1987. He is a member of the Audit Committee and the Shareholders'/ Investors' Grievance Committee of GRUH.



Mr. K.G. Krishnamurthy

Mr. K.G. Krishnamurthy, is the Managing Director & CEO of HDFC Property Ventures Limited (HPVL). Prior to that, he was employed with HDFC as Senior General Manager – Technical Services. He played a major role in HPVL's successful closure of India's first real estate venture fund scheme, HDFC India Real Estate Fund with a corpus of 1.20 billion dollars. He is a graduate from IIT Kharagpur with a management degree from Jammalal Bajaj Institute of Management, Mumbai. He has vast experience of over two decades in real estate and has been widely consulted by the industry on real estate matters. He has offered his services to the Asian Development Bank - to develop a housing package for Project Affected Persons under Karnataka Urban Infrastructure Project, and to the US AID to build-up a mortgage market in Sri Lanka. Besides his responsibilities within the HDFC group, he is on the board of several companies, including Tata Housing Development Company Ltd., Vascon Engineers Pvt. Ltd., HDFC Venture Capital Ltd., New Consolidated Construction Co. Ltd., the Indian Association for Savings and Credit, L&T Urban Infrastructure Ltd., etc. He has been appointed on the board of GRUH since 2004.

BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :



Ms. Renu S. Karnad

Ms. Renu Sud Karnad, the Managing Director of HDFC is a graduate in law from the University of Mumbai and holds a Master's degree in economics from the University of Delhi. She is a Parvin Fellow – Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She has been employed with HDFC since 1978. She is responsible for the lending operations of HDFC. She is the Chairperson of HDFC Property Ventures Ltd., and HDFC Sales Pvt. Ltd. She is also a director in companies like Credit Information Bureau (India) Ltd., HDFC Bank Ltd., HDFC Asset Management Company Ltd., HDFC Standard Life Insurance Company Ltd., HDFC ERGO General Insurance Company Ltd., Sparsh BPO Services Ltd., ICI India Ltd., Indraprastha Medical Corporation Ltd., Bosch Ltd., HDFC Venture Capital Ltd., etc. She has been on the board of GRUH since 2000. She is a member of the Compensation Committee of GRUH.



Mr. Rohit C. Mehta

Mr. Rohit C. Mehta, is a prominent and successful industrialist possessing a wide and varied experience in the management of business and industry. He is a Law Graduate from the Bombay University. He was International President of Lions Clubs International. He has also been the President of Federation of Indian Chambers of Commerce & Industry. He is the Chairman of Torrent Cables Ltd. He is a director of Cama Hotels Ltd. and Gujarat Hotels Ltd. He has been on the board of GRUH since 1987 and was the Chairman of the Company from 1987 to 1998. He is a member of the Audit Committee of GRUH.



Mr. S.G. Mankad

Mr. S.G. Mankad, IAS (retd), holds Masters in History from University of Delhi. He has served in various capacities both in Government of India and the State of Gujarat. His last assignment was as Chief Secretary, Govt. of Gujarat. He has served as a Director/Chairman on Board of several cement, power, fertilizer and finance companies. He had also worked on the Finance Committee of Central Universities and had been associated with several educational institutions and NGOs. He is the Chairman of Bhavnagar Energy Co. Ltd., Gujarat International Finance Tec- City Ltd. and Director in IL&FS Education & Technology Services Ltd. and Deepak Nitrite Ltd. He is also Chairman of Gujarat Institute of Desert Ecology (GUIDE). He was appointed as an Additional Director on the Board of GRUH on January 14, 2010.



Mr. Kamlesh Shah

Mr. Kamlesh Shah, is a Chartered Accountant from the Institute of Chartered Accountants of India. He has been employed with GRUH since 1990. He has the working experience of handling functional areas of operations, finance, human resources and administration. He was appointed as an Additional Director designated as Executive Director on the Board of GRUH on April 16, 2010.



Mr. Sudhin Choksey
Managing Director

Mr. Sudhin Choksey, the Managing Director of GRUH, is a Fellow Member of the Institute of Chartered Accountants of India. He was appointed as the CEO of the Company in 1998 and the Managing Director in 2000. He has been on the Board of GRUH since May 1996. He has the working experience of handling functional areas of finance, commercial and general management both in India and abroad. He is a director of Deepak Nitrite Ltd and alternate director of Hunnar Shaala Foundation for Building Technology and Innovations. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.

MANAGEMENT TEAM

Mr. Amit Chokshi	Mr. Suresh Iyer	Mr. Jayesh Gangwani
Mr. Manish Gandhi	Mr. Harish Sharma	Mr. Dharmesh Bhavsar
Mr. Umesh Agrawal	Mr. Ajay Kumar	Mr. Anil Dave
Mr. Dushyant Joshi	Mr. Dahyabhai Vadher	Ms. Rupali Shelar
Mr. Santosh Kulkarni	Mr. Anand Rehpade	Mr. Amar Vyas
Mr. Hiren Visavadiya	Mr. Ashish Sutaria	Mr. Stanley Gundi
Mr. Harshal Vaidya	Mr. Akash Sharma	Mr. Anand Nandi
Mr. Rakesh Chowdhary	Mr. Rakesh Hardiya	Mr. Om Prakash
Mr. M. U. Prasanna Kumar	Ms. Shilpa Kulkarni	Mr. Mehul Buch
Mr. Amar Rajpurohit	Mr. Narendra Rao	Mr. Anurag Sen

Mr. Jayesh Jain Chief Financial Officer

Mr. Marcus Lobo Company Secretary

REGISTERED OFFICE

" GRUH" , Netaji Marg, Near Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006.

Phone : 91-79-2642 1671 to 75, 3290 1222/23 Fax : 2656 0649

AUDITORS

M/s SORAB S. ENGINEER & Co.,
Chartered Accountants

SOLICITORS AND ADVOCATES

M/s Singhi & Co.,
Advocates, Solicitors and Notary

BANKERS

Allahabad Bank * Axis Bank Ltd. * Bank of Baroda * Bank of India * Bank of Maharashtra
Bank of Nova Scotia * Central Bank Of India * Canara Bank * Dena Bank * Development Credit Bank Ltd.
HDFC Bank Ltd. * ICICI Bank Ltd. * IDBI Ltd. * Indian Overseas Bank * IndusInd Bank Ltd. * Kotak Mahindra Bank Ltd.
The Jammu and Kashmir Bank Ltd. * State Bank of India * State Bank of Patiala * State Bank of Mysore
State Bank of Travancore * Syndicate Bank * UCO Bank * Union Bank of India * Vijaya Bank

DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd., Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate, Mumbai 400 021.



Creating pride in home ownership

More than half of our borrowers come from the lower pop strata towns and rural concentrations.

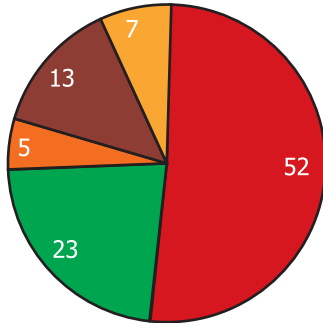
This has meant overcoming various challenges: like geographic and cultural discontinuities, prospect identification, customer creation and higher operating costs.

GRUH has so far disbursed an impressive Rs 4645 crores to over 1,56,000 customers scattered across more than 710 taluka towns.

Profile of GRUH's Customers

Cumulative Disbursements in Individual Segment

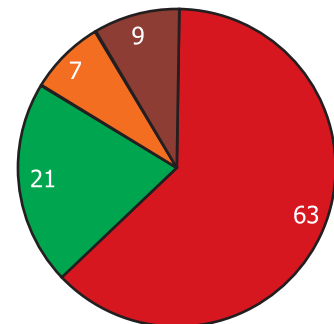
Properties Financed - Location wise Distribution



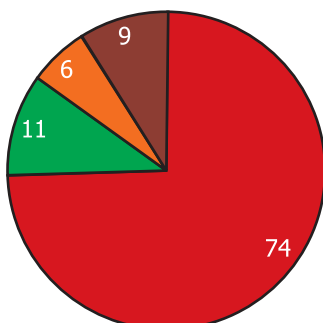
Population at location	No.	%	
Up to 50,000	81162	52	■
> 50,000 to 2,00,000	35496	23	■
> 2,00,000 to 5,00,000	7807	5	■
> 5,00,000 to 25,00,000	21109	13	■
> 25,00,000	10908	7	■
Total	156482	100	

Properties Financed - Family Income wise Distribution

Monthly Income of Family (Rs.)	No.	%	
Up to 10,000	98786	63	■
> 10,000 to 15,000	32262	21	■
> 15,000 to 20,000	11352	7	■
> 20,000	14082	9	■
Total	156482	100	



Properties Financed - Loan Amount wise Distribution

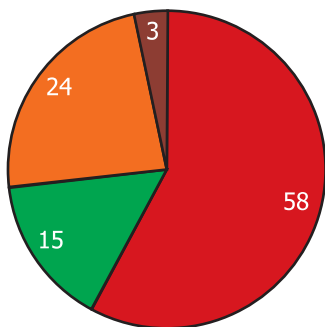


Loan Amount (Rs.)	No.	%	
Up to 3,00,000	116394	74	■
> 3,00,000 to 4,00,000	16493	11	■
> 4,00,000 to 5,00,000	9876	6	■
> 5,00,000	13719	9	■
Total	156482	100	

Profile of GRUH's Customers

Cumulative Disbursements in Individual Segment

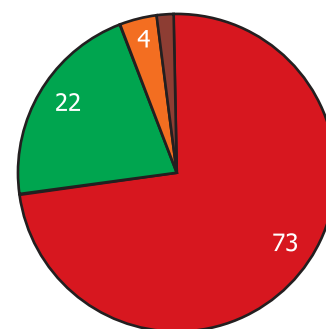
Properties Financed - Loan to Cost Ratio (LCR) wise Distribution



LCR in %	No.	%	
Up to 75	90934	58	■
76 to 80	23563	15	■
81 to 85	36611	24	■
> 85	5374	3	■
Total	156482	100	

Properties Financed Instalment to Income Ratio (IIR) wise Distribution

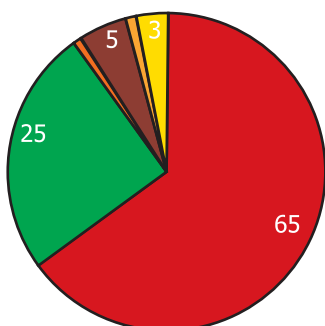
IIR in %	No.	%	
Up to 35	113734	73	■
36 to 45	34513	22	■
46 to 55	5998	4	■
> 55	2237	1	■
Total	156482	100	



GRUH's Outstanding Loans

(Rs. in Crores)

Product wise Portfolio



Individual Housing	Amount	%	
Suraksha	1593.54	65	■
Suvidha	617.23	25	■
Sajavat	20.54	1	■
Individual Non Residential			
Samrudhi	121.29	5	■
Shubh Labh	25.02	1	■
Developer Loans			
	76.08	3	■
Total	2453.70	100	

Properties Financed by GRUH



Town : Jhabua
District : Jhabua
Property Cost : Rs. 5,20,000/-
Loan Amount : Rs. 3,60,000/-



Town : Nagda
District : Ujjain
Property Cost : Rs. 6,80,000/-
Loan Amount : Rs. 4,00,000/-



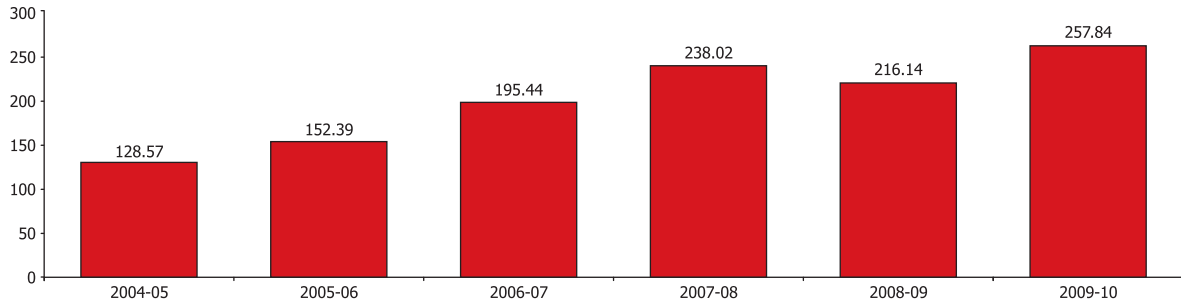
Town : Jodhpur
District : Jodhpur
Property Cost : Rs. 5,17,000/-
Loan Amount : Rs. 3,25,000/-



Town : Bilaspur
District : Bilaspur
Property Cost : Rs. 4,00,000/-
Loan Amount : Rs. 2,80,000/-

GRUH's Rural Focus

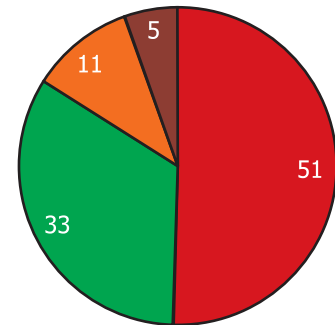
Disbursements Under Golden Jubilee Rural Housing Finance Scheme (Rs. in Crores)



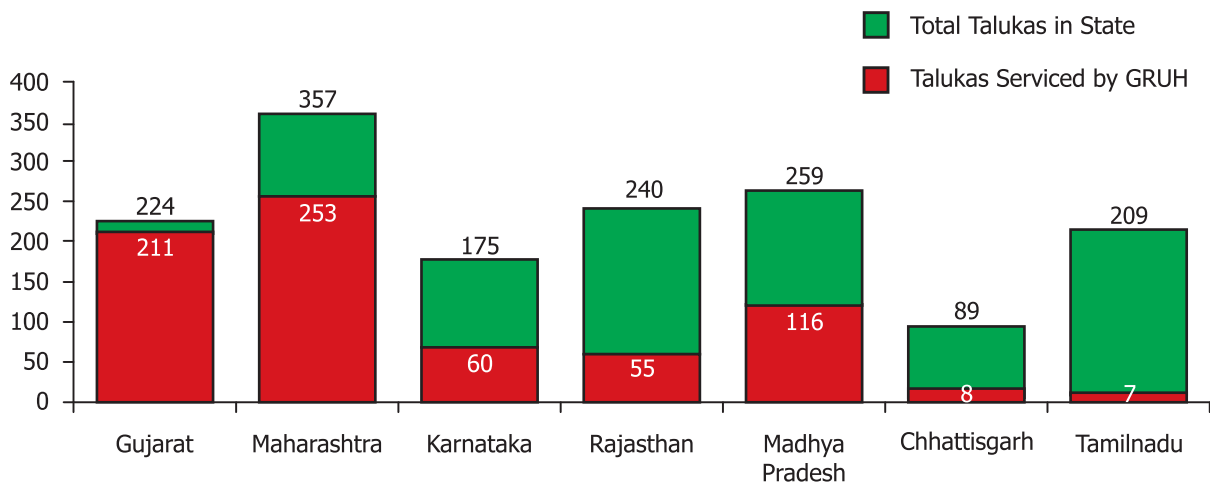
Disbursements under Rural Housing Fund Scheme (Since April 1, 2007)

(Rs. in crores)

Category of Customers	Amount Disbursed	%	
Individuals in Rural areas with annual income up to Rs. 2 Lacs	153.41	51	■
Backward Class	101.45	33	■
Women	33.95	11	■
Minority Community	15.74	5	■
Total	304.55	100	



Taluka Penetration - Customers being Serviced



DIRECTORS' REPORT

TO THE MEMBERS,

Your directors are pleased to present the Twenty Fourth Annual Report of your Company with the audited accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

(Rs. in Crores)

	For the year ended March 31, 2010	For the year ended March 31, 2009
Profit Before Tax	94.42	69.58
Provision for Tax (Net of deferred tax and FBT)	25.46	19.30
Profit After Tax	68.96	50.28
Add:		
Balance brought forward from last year	27.64	13.92
Amount Available for Appropriation	<u>96.60</u>	<u>64.20</u>
Appropriations:		
Special Reserve	17.50	12.00
General Reserve	6.90	5.10
Proposed Dividend	22.57	16.63
Additional Tax on Proposed Dividend	3.75	2.83
Balance Carried to Balance Sheet	<u>45.88</u>	<u>27.64</u>
	<u>96.60</u>	<u>64.20</u>

Dividend

Your directors recommend payment of dividend of Rs. 6.50 per share for the year ended March 31, 2010 as against a dividend of Rs. 4.80 per share for the previous year. The dividend payout ratio for the year, inclusive of additional tax on dividend will be 38%.

Disbursements

Loan disbursements during the year were Rs. 780.33 crores as against Rs. 655.52 crores in the previous year. GRUH continued to focus mainly on the retail segment and disbursed Rs. 701.62 crores to 13,870 families. Cumulative disbursements as at March 31, 2010 were Rs. 4,645.18 crores.

Golden Jubilee Rural Housing Finance Scheme

GRUH disbursed Rs. 257.84 crores in respect of 6,383 dwelling units during the year under the Golden Jubilee

Rural Housing Finance Scheme of the Government of India. Cumulative disbursements under the scheme were Rs. 1,578.12 crores in respect of 60,841 dwelling units.

Rural Housing Fund (RHF)

The National Urban Housing and Habitat Policy 2007, released by the Government of India recommends a multi-pronged strategy for achieving the national goal of 'Affordable Housing to All'. The rural housing segment, in particular remains underserved, constituting only about 10% of the housing finance market. Keeping this in view, the National Housing Bank (NHB) formulated a scheme called the Rural Housing Fund – 2008 (RHF). The scheme is aimed towards rural housing undertaken by families falling under the weaker section category as defined in the RBI guidelines on lending to the priority sector. During the year, GRUH has claimed Rs. 166.63 crores covering 5,805 families under this scheme. Cumulative disbursements under this scheme were Rs. 304.54 crores to 9,894 families.

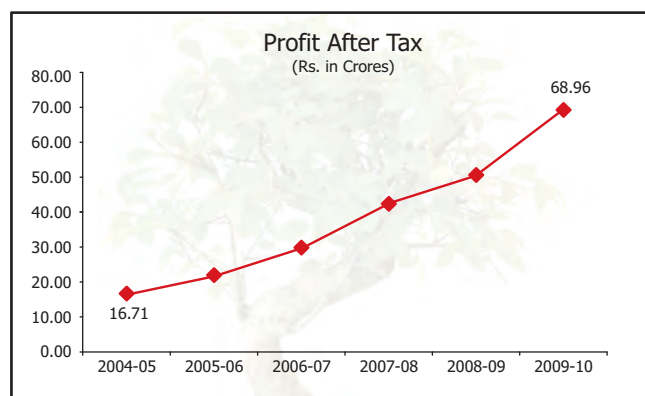
Loan Assets

As at March 31, 2010, the loan assets increased to Rs. 2,453.70 crores with a growth of 17%. Loan assets in respect of retail segment also grew by 18% and stood at Rs.2,377.62 crores.

Non-Performing Assets (NPAs)

As per the prudential norms of NHB, GRUH's NPAs stood at Rs. 27.14 crores as at March 31, 2010 constituting 1.11% of the total outstanding loans of Rs. 2,453.70 crores. The NPAs at the end of the previous year were Rs. 19.68 crores, constituting 0.94% of the total outstanding loans of Rs. 2,091.43 crores.

GRUH is required to carry a provision of Rs. 5.75 crores towards NPAs and standard assets of non-housing loans as at March 31, 2010 as per the norms of NHB. However, as a measure of caution, GRUH carries a provision of Rs. 27.92 crores. Net NPAs of GRUH was "NIL" on the outstanding loans of Rs. 2,453.70 crores as at March 31, 2010.



During the year, GRUH has written off Rs. 2.71 crores 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 and could effect recoveries of Rs. 0.74 crores in respect of these loans during the year. GRUH also took possession of properties of the defaulting borrowers under the SARFAESI Act and has sold few of such acquired properties.

NHB Refinance

GRUH received refinance sanction of Rs. 450 crores from NHB during the year. GRUH availed refinance aggregating to Rs. 238.80 crores including Rs. 88.80 crores under RHF. The refinance outstanding as at March 31, 2010 was Rs. 968.83 crores.

Bank Term Loans

GRUH received sanctions from banks amounting to Rs. 950 crores of which GRUH availed loans aggregating to Rs. 700 crores. The outstanding bank term loans as at March 31, 2010 were Rs. 900 crores.

Subordinated Debt

GRUH did not issue any subordinated debt during the year. As at March 31, 2010, GRUH's outstanding subordinated debt stood at Rs. 40 crores. The debt is subordinated to present and future senior indebtedness of the company and has been assigned rating of "LAA+" by ICRA Limited (ICRA), indicating high safety with regard to timely payment of interest and principal. This rating carries a stable outlook. Based on the balance term to maturity, as at March 31, 2010, Rs. 16 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 CAR.

Non-Convertible Debentures (NCDs)

During the year, GRUH raised NCDs of Rs. 135 crores on private placement basis. The NCDs are rated "LAA+" by ICRA, indicating high safety with regard to timely payment of interest and principal. This rating carries a stable outlook. The outstanding NCDs as at March 31, 2010 were Rs. 135 crores.

Commercial Paper

GRUH raised Rs. 905 crores through issuance of commercial paper during the year. GRUH's commercial paper is rated "P1+" by CRISIL Limited (CRISIL), indicating high safety as regards repayment. This rating carries a stable outlook. As at March 31, 2010, there were no outstanding commercial papers.

Deposits

Despite strong competition from banks and mutual funds, growth in deposits continued during the year. GRUH mobilised deposits of Rs. 109 crores and experienced a renewal ratio of 49% during the year. The outstanding balance of deposits as at March 31, 2010 was Rs. 279.30 crores. The rating assigned to GRUH's deposit programme has been maintained by the two rating agencies viz. ICRA and CRISIL. GRUH's deposits are rated "MAA+" and "FAA+" by ICRA and CRISIL respectively and both the ratings indicate high safety as regards timely repayment of principal and interest. These ratings carry a stable outlook.

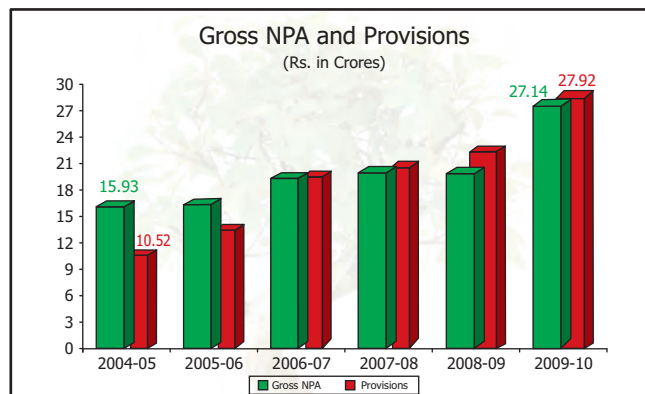
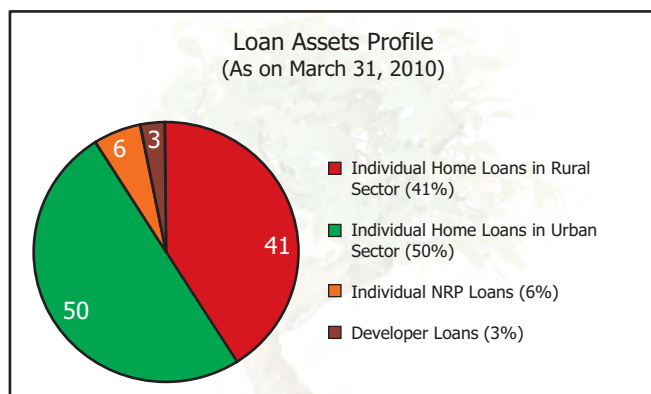
Unclaimed Deposits

As at March 31, 2010, public deposits amounting to Rs. 3.96 crores had not been claimed by 1,063 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 205C of the Companies Act, 1956, deposits 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. In terms of Section 205C of the Companies Act, 1956, no claim would lie against the Company or the said fund after the said transfer. Accordingly, an amount of Rs. 1.96 lacs was transferred to the IEPF during the year.

Unclaimed Dividends

As at March 31, 2010, dividend amounting to Rs. 40.57 lacs has not been claimed by shareholders. GRUH has been intimating the shareholders to lodge their claim for dividend from time to time.



As per the provisions of Section 205C of the Companies Act, 1956, dividends remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account are required to be credited to the IEPF. Accordingly, unclaimed dividend amount of Rs. 2.96 lacs in respect of the financial year 2001-2002 was transferred to IEPF during the year. Unclaimed dividend amounting to Rs. 3.43 lacs in respect of the financial year 2002-2003 is due for transfer to IEPF in August 2010. In terms of Section 205C of the Companies Act, 1956, no claim would lie against the Company or the said fund after the said transfer.

Investments

GRUH continues to maintain its Statutory Liquid Ratio (SLR) as stipulated by NHB. Accordingly, GRUH carried investments in approved securities aggregating to Rs. 34.71 crores as at March 31, 2010 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.

Regulatory Guidelines

GRUH complied with the guidelines issued by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit, credit rating, 'Know Your Customer' - (KYC), Fair Practices Code and real estate & capital market exposures. The details of compliances are outlined in the Management Discussion and Analysis report.

The National Housing Bank Act, 1987, empowers NHB to levy a penalty on Housing Finance Companies for contravention of the Act or any of its provisions. NHB has not levied any penalty on GRUH during the year.

GRUH has formulated a risk management framework, which lays the procedure for risk assessment and mitigation. The Risk Management Committee (RMC) comprises of the Managing Director as the Chairman and the members include senior managers holding key positions in the Company. The RMC apprises the Audit Committee of the key risks associated with the business of the Company and the measures to mitigate them.

The task of overseeing the implementation of the Asset Liability Management (ALM) has been entrusted to the Audit Committee which oversees and reviews the ALM position vis-à-vis risk management.

GRUH's Capital Adequacy Ratio stood at 16.55% as against the minimum requirement of 12%. Tier – I Capital was 15.57% against the minimum requirement of 6%.

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, besides the in-house induction training programmes in lending operations, recoveries and accounts, employees were also nominated to training programmes conducted by NHB and other institutions.

GRUH's staff strength as at March 31, 2010 was 372.

Employees Stock Option Scheme

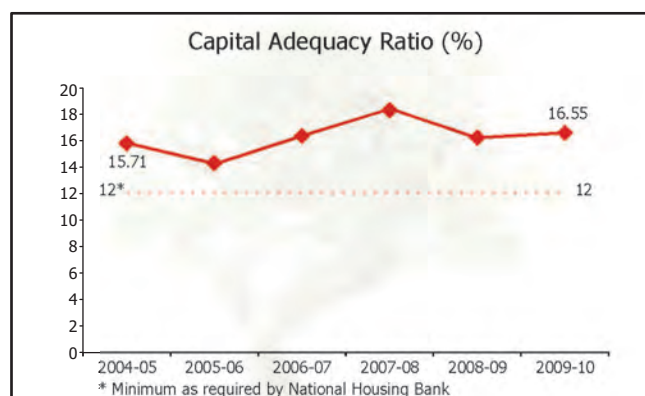
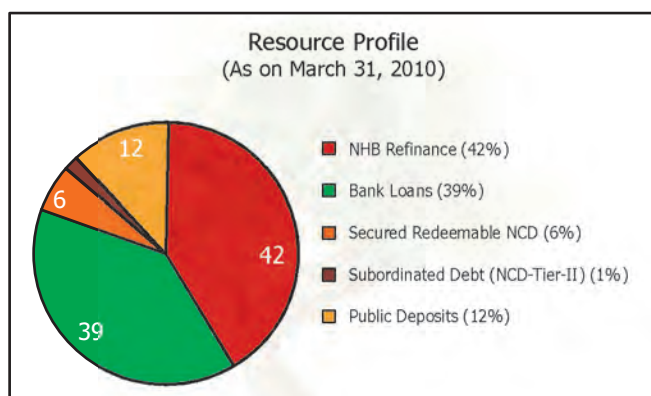
The stock options granted to directors and eligible employees operate under two schemes, namely ESOS-2005 and ESOS-2007. The disclosures as required under Clause 12.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, have been made in the annex to this report.

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

GRUH does not have any foreign exchange earnings and expenditure. Particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to GRUH.

Delisting of Equity Shares

Pursuant to the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, GRUH has completed the process of voluntary delisting of equity shares with the Ahmedabad Stock Exchange Ltd. The equity shares of GRUH have been voluntarily delisted from the Ahmedabad Stock Exchange Ltd. with effect from November 25, 2009, as intimated vide their letter No. ASEL/2009/977 dated November 24, 2009.



Particulars of Employees

GRUH had 2 employees as at March 31, 2010 employed throughout the year who were in receipt of remuneration of Rs. 24 lacs or more per annum.

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, 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 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all shareholders of the Company excluding the annex. Any shareholder interested in obtaining a copy of the said annex may write to the company secretary at the registered office of the Company.

Directors

Mr. S.G. Mankad, IAS (retd), was appointed as an Additional Director on the Board with effect from January 14, 2010. Pursuant to the provisions of Article 121 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr. S.G. Mankad holds office upto the date of the ensuing Annual General Meeting. GRUH has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying their intention to propose the appointment of Mr. S.G. Mankad as Director of the Company whose period of office as Director shall be subject to determination by the retirement of Directors by rotation. Your directors commend his appointment.

In accordance with Articles 134 and 135 of the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr. Keki M. Mistry and Ms. Renu S. Karnad, directors of the Company, retire by rotation at the ensuing Annual General Meeting (AGM) and are eligible for re-appointment. Your directors commend their re-appointment.

Mr. Kamlesh Shah was appointed as an Additional Director, designated as Executive Director on the Board with effect from April 16, 2010. Pursuant to the provisions of Article 121 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Mr. Kamlesh Shah holds office upto the date of the ensuing Annual General Meeting. Mr. Kamlesh Shah, a Chartered Accountant has been with GRUH for 19 years and is presently employed as General Manager (Corporate Office). Your directors commend his appointment.

Subject to the approval of members in the General Meeting, the Board of Directors vide circular resolution dated March 19, 2010 effected on March 29, 2010 re-appointed Mr. Sudhin Choksey as Managing Director effective April 1, 2010, for a period of 5 years as per the terms specified in the draft agreement to be placed before the ensuing AGM.

Necessary resolutions for the appointment / re-appointment of the aforesaid directors have been included in the notice convening the AGM.

None of the directors of the Company are disqualified from being appointed as directors as specified in Section 274 of the Companies Act, 1956.

Auditors

M/s. Sorab S. Engineer & Co., Chartered Accountants, statutory auditors of the Company having registration number 110417W retire at the ensuing AGM and are eligible for re-appointment.

The Company has received a certificate from the statutory auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The statutory auditors have also confirmed that they hold a valid certificate issued by the "Peer Review Board" of The Institute of Chartered Accountants of India.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your directors state that:

- i. In the preparation of annual accounts, the applicable accounting standards have been followed;
- ii. 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 March 31, 2010 and of the profit of the Company for the year ended on that date;
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. The annual accounts of the Company have been prepared on a going concern basis.

Management Discussion and Analysis Report

In accordance with clause 49 of the listing agreements, the Management Discussion and Analysis Report forms a 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 16, 2010

Keki M. Mistry
Chairman

Annex to the Directors' Report

Disclosure pursuant to Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Details of stock options granted, vested, exercised and lapsed during the year under review are as under :

Scheme(s)	Exercise Price (Rs.)	Options Granted	Options Vested	Options Exercised & Shares Allotted*	Options Lapsed	Total Options in force as on March 31, 2010#
ESOS – 2005**	67.00	Nil	Nil	3,898	5,910	—
ESOS – 2007	164.65	Nil	2,11,505	69,292	57,800	6,12,908

* One(1) share would arise on exercise of one (1) stock option.

** Pursuant to the exercise and allotment of 3,898 options during the year, the Scheme comes to an end as there are no further options in force.

Total Options in force is a total of options vested and not yet exercised and options not yet vested.

Other details are as under :

Pricing formula for the Scheme(s) :	Since, there was no grant during the year, hence not applicable.
Money realised by exercise of options :	The Company received Rs. 1.17 crores on account of stock options exercised and allotted during the year.
Details of options granted to: (i) Directors & Senior managerial (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year (iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant :	Since, there was no grant during the year, hence not applicable.
Variation of terms of options :	Nil
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) – 20 :	Rs. 19.85
Disclosure of difference between the employee compensation cost using intrinsic value of stock options instead of fair value of the options and the impact of difference on profits and on EPS of the Company :	Since the options were granted at the market price, the intrinsic value of the option is nil. Consequently the accounting value of the option (compensation cost) was also nil. However, if fair value of the options according to Black-Scholes–Mertons Option Pricing Model was to be used for calculating the accounting value of the option, the compensation cost would have been Rs. 34.12 lacs, the profit after tax would have been lesser by Rs. 34.12 lacs and basic and diluted EPS would have been Rs. 19.79 & Rs.19.75 respectively.
Weighted-average exercise prices and weighted-average fair values of options :	Since, there was no grant during the year, hence not applicable.
A description of the method and significant assumptions used during the year to estimate the fair values of options, at the time of grant including the following weighted-average information:(a) risk-free interest rate, (b) expected life, (c) expected volatility of share price (d) dividend yield rate (e) the price of underlying share in the market at the time of option grant :	Since, there was no grant during the year, hence not applicable.

A woman and a young girl are sitting on a striped mat outdoors. The woman is wearing a red and white patterned sari and has a bindi on her forehead. The girl is wearing a green top and has a red flower in her hair. They are both smiling. The woman is holding a black chalkboard with a pink border. The chalkboard has the following text written on it in white chalk: GRUH SUVIDHA, GRUH SURAKSHA, GRUH SAJAVAT, and GRUH SAMRUDDHI. The background is a bright, sunny outdoor setting with green foliage and a blue sky with white clouds.

Mechanisms for brand development and customer service

In our kind of business, favorable Word-of-Mouth (WOM) is perhaps the most powerful medium of product development, brand building and growth.

The challenge for GRUH is to develop the right products and use a customized approach to identify and service each customer need.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Overview

Following the shock of the liquidity crunch in October 2008, the country experienced decline in the credit off-take and GDP. The various measures taken thereafter by the policy makers resulted in significant improvement in liquidity. The country witnessed ample liquidity in the money market and interest rates declined. The various fiscal stimulus packages introduced by the government also helped major sectors and improved the demand.

The credit off-take, however, did not experience similar buoyancy and credit growth in the economy remained at a relatively low level for most part of the year. Inflation, which was at the level of 0.27% at the end of the last fiscal, rose sharply during financial year 2009-10. The increase in inflation has been largely on account of supply factors.

Going forward, the challenges of an increase in cost of funds as a result of possible policy measures of RBI to contain inflation are very high. Secondly, the firm intention of RBI to introduce a much more transparent concept of "base rate" in place of "Prime Lending Rate (PLR)" can also adversely affect the cost of funds of housing finance companies since most of the housing finance companies borrow funds at a rate below the PLR.

The housing sector has been witnessing different and newer challenges year after year with most of the factors that are external to the industry. These challenges are proving to be of interest in driving and shaping the industry's growth.

The initiatives taken by the Government of India like interest subvention scheme, announcement of Rajiv Awas Yojana (RAY) to make cities slum free, formation of Sub-committee under the Ministry of Housing & Urban Poverty Alleviation for development of framework for housing micro-finance, introduction of electronic registry for land and property under the SARFAESI Act and widening of RESIDEX to cover 15 cities of the country will certainly help the real estate sector.

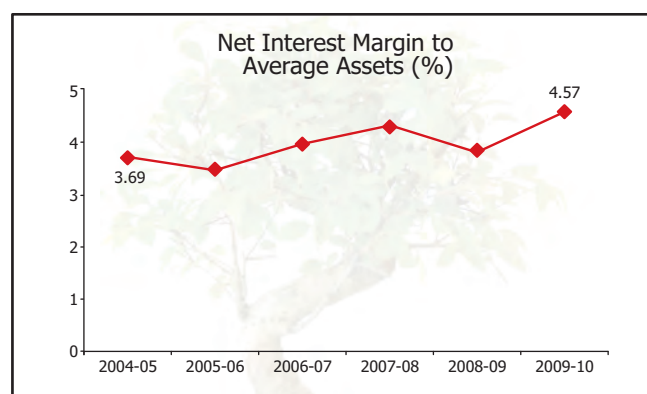
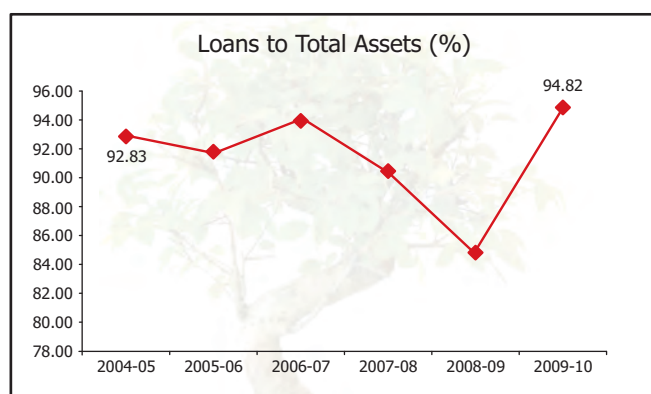
The model Real Estate (Regulation of Development) Bill mooted by the Ministry of Housing, when legislated, will go a long way in protecting customers and will bring transparency and uniformity in ensuring quality of residential units.

With a view to assess regulatory and supervisory issues with particular focus on the stability of housing finance sector and to examine suitable measures to address the same, the National Housing Bank (NHB) set up a Working Group. This Working Group, consisting of CEO's of leading housing finance companies and senior officers of NHB, examined and reviewed the existing risk management policies, systems and procedures and suggested suitable measures on various issues and gaps identified.

Recently, CRISIL published a compendium on housing finance sector which provides interesting outlook on trends and factors that could impact the HFCs. According to this report, HFCs will maintain a robust performance supported by strong and stable asset quality, steady earnings and healthy capitalization.

According to CRISIL, HFC's disbursement will grow between 15%-20% in the financial year 2009-10 and by 20%-22% in 2010-11 despite intensifying competition from the banks. The growth in HFC's outstanding loan assets has been higher than the mortgage portfolio of banks. For the financial year 2008-09, outstanding loan assets of banks grew by 4% whereas HFC's outstanding loan assets increased by 19%.

According to CRISIL, even HFC's asset quality is significantly better than that of the other asset classes of the overall banking system. For the financial year 2008-09, Gross Non Performing Assets (GNPA) of banks were at a level of 2.3% as against HFC's GNPA of less than 1%. However, CRISIL believes that asset quality of HFCs will be susceptible to risk relating to aggressive pricing and increased exposure to relatively risky builder segment.



Market Scenario

The real estate sector which had experienced a slow down during the second half of the previous financial year witnessed a gradual and steady rise in the demand. The real estate sector recovered due to a correction in property prices and 'teaser rates' on home loans offered by PSU Banks during the year under review.

The lead taken by the PSU Banks in offering home loans at a rate of 8% compelled few of the leading housing finance players to review their pricing policies and also offer low interest rates on home loans. But most of other housing finance companies took a longer time in re-pricing their home loan rates on account of the time lag in lowering their cost of funds.

The pressure on the pricing front certainly would have its adverse impact on the spreads of housing finance companies (HFCs). It is possible that recoveries also would have deteriorated considering the fact that the banking industry has experienced higher level of non-performing assets during the year under review.

However, the sentiments have improved and optimism prevails in all sectors of the economy which will have favourable effect on the real estate and demand for dwelling units. This augurs well for growth of HFCs.

Loan Products

GRUH's major focus has been to provide home loans to individuals and families for purchase, construction and extension. GRUH also provides loans for repair and renovation of houses and home loans to families in the self-employed category where formal income proofs are not easily available and the repayment capacity of such families are appraised based on their cash flows. Apart from extending home loans, GRUH offers loans for purchase and construction of non-residential properties (NRP).

Home loan products are being offered at variable and fixed rates giving customers an option to decide on the type of interest rate risk. Customers are also offered option to select

the mode of calculation of interest on loans, since GRUH offers loans on annual, monthly and daily rest basis.

With a view to enable a uniform processing of credit risk assessment, GRUH has adopted a credit score methodology. The pricing of each loan is linked to the credit score. This methodology enables GRUH to offer finer interest rates to deserving families, where credit risk is low and charge a higher rate of interest where credit risk is high.

Marketing Efforts

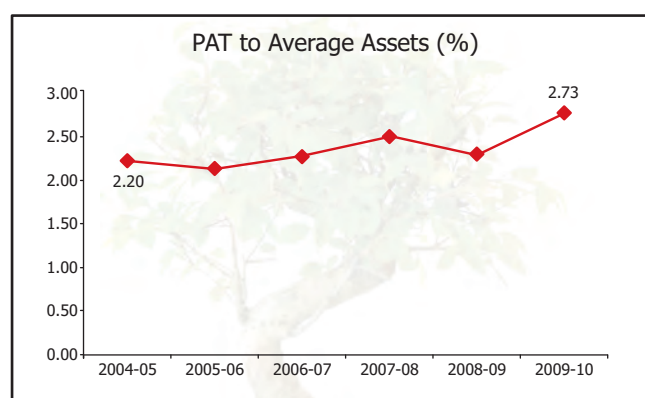
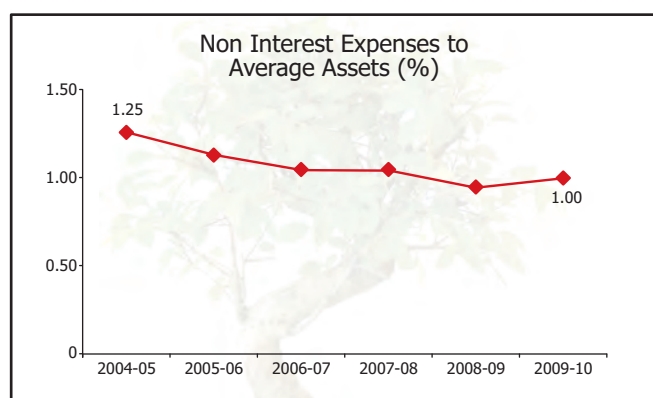
To ensure a deeper geographic reach, GRUH has been sourcing retail business through third party channels by appointment of GRUH Referral Associates (GRAs). GRAs only source loans while GRUH retains control over the credit, legal and technical appraisals. Business sourced through GRAs was 57% of total disbursements made during the year and GRUH paid referral fees of Rs. 1.82 crores to GRAs for sourcing of business.

GRUH is operating in seven states - Gujarat, Maharashtra, Karnataka, Rajasthan, Madhya Pradesh, Chhattisgarh and Tamil Nadu. GRUH established 6 new offices in these states during the year. GRUH now has 95 retail offices across these seven states.

GRUH conducts outreach programmes from each of the retail offices to potential taluka places. The outreach marketing programme also serves as collection centre for collecting instalments besides providing services of enquiry handling, file opening and effecting disbursements.

Disbursements

GRUH disbursed Rs. 780.33 crores during the year as against Rs. 655.52 crores in the previous year. GRUH disbursed loans of Rs. 655.33 crores (previous year Rs. 557.46 crores) for home purchase, repair and renovation and registered a growth of 18% in the retail home loan segment. GRUH disbursed home loans to 13,870 families (previous year 12,538 families) and the average home loan to individuals was Rs. 5.42 lacs during the year as against Rs. 4.65 lacs during the previous year.



GRUH disbursed loans of Rs. 46.29 crores (previous year Rs. 35.35 crores) for purchase of NRP and Rs. 78.71 crores (previous year Rs. 62.71 crores) to developers.

Cumulative disbursements as at March 31, 2010, stood at Rs. 4,645.18 crores with Compounded Annualised Growth Rate (CAGR) of 21% over the past 5 years period.

Insurance Products

GRUH has an arrangement with The Oriental Insurance Company Limited for providing property insurance of the property mortgaged. During the year, GRUH referred 13,428 customers under this arrangement in respect of property cover of Rs. 885.58 crores.

GRUH also continues to persuade its customers to take insurance cover on the life of the principal income earner as the collateral for its loans. The policies are assigned in favour of GRUH. During the year, 4,980 customers have taken the life cover from various insurance companies in respect of life cover of Rs. 170.75 crores.

Loans

The loan approval process at GRUH is decentralised with varying approval limits. Approvals of lending proposals are carried out by retail sanctioning committees up to the limits delegated. Approvals beyond certain limits are referred to the Committee of Management. Larger proposals, as appropriate, are referred to the Board of Directors.

During the year, GRUH's total outstanding loans increased to Rs. 2,453.70 crores from Rs. 2,091.43 crores and registered a growth of 17%. CAGR over the past 5 years period has been 25%.

The total outstanding loans at variable rate stood at Rs. 2,376.85 crores (previous year Rs. 1,992.13 crores), which was 97% (previous year 95%) of the total outstanding loans. Loans to total assets stood at 95% as at March 31, 2010.

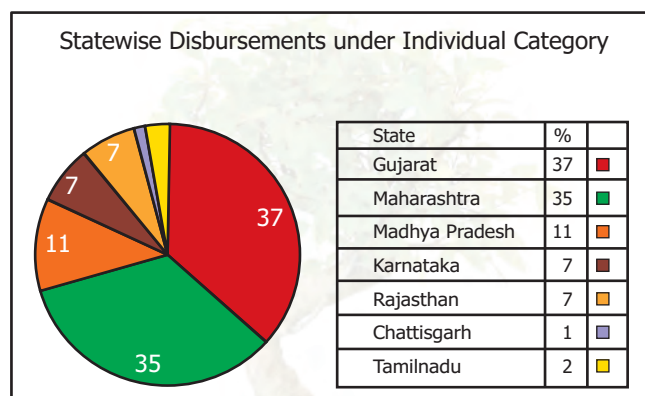
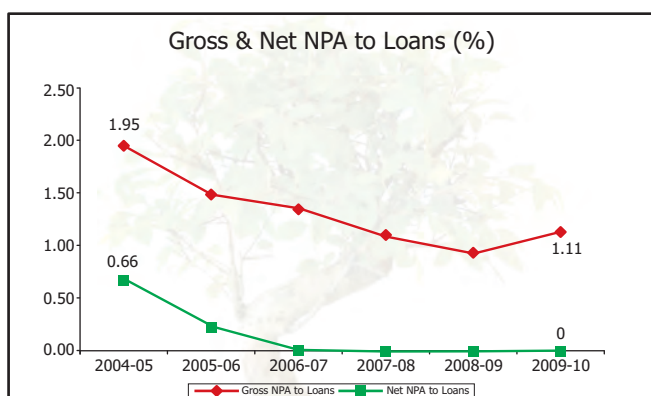
GRUH's outstanding home loans to individuals of Rs. 2,228.49 crores and other loans to individuals for NRP of Rs. 149.13 crores constituted 91% and 6% respectively of the total outstanding loans. GRUH experienced a prepayment ratio of 12.57% (previous year 11.68%) in respect of individual loans. The outstanding loans to developers of Rs. 76.08 crores constituted 3% of the total outstanding loans.

The average yield realised on the loan assets during the year was 12.14% (previous year 13.47%).

Recoveries and Provision for Contingencies

As per the prudential norms prescribed by NHB, an asset is a non-performing asset (NPA) if the interest or principal instalment is overdue for 90 days. HFCs are required to carry provision at the prescribed rates depending on the ageing of such overdues. As per the prudential norms, the income on such NPAs is not to be recognised. Apart from the provisioning on NPAs, HFCs are also required to carry a provision of 0.40% on standard non-housing loans. Accordingly, GRUH has identified NPAs, not recognised income in respect of such NPAs and also made the required provisions on NPAs and standard non-housing loans.

As per the prudential norms of NHB, GRUH was required to carry a provision of Rs. 4.97 crores on NPAs of Rs. 27.14 crores and a provision of Rs. 0.78 crores on standard non-housing loans of Rs. 194.31 crores as at March 31, 2010. However, as a matter of prudence, over the years, GRUH has been transferring additional amounts to provision for contingencies. Provision for contingencies has been further strengthened during the year by a transfer of Rs. 5.60 crores, taking the total provision to Rs. 27.92 crores. With these provisions, GRUH has not only provided for the standard non-housing loan assets at the prescribed rate of 0.40% but also provided fully for NPAs of Rs. 27.14 crores. As a result, GRUH's net NPAs stood at nil (previous year nil) of the outstanding loans of Rs. 2,453.70 crores as at March 31, 2010.



During the year, GRUH has written off an amount of Rs. 2.71 crores 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 and could effect recoveries of Rs. 0.74 crores in respect of these loans during the year.

GRUH carried properties aggregating to Rs. 5.82 crores acquired in settlement of dues at the beginning of the year. During the year, GRUH acquired properties aggregating to Rs. 1.18 crores in settlement of dues under the SARFAESI Act. GRUH also made efforts to dispose off the acquired properties and realised Rs. 2.08 crores during the year. As at March 31, 2010, GRUH carried properties worth Rs. 4.92 crores which was 1.71% of GRUH's capital funds, well within the 20% limit stipulated by NHB.

Investments

The Investment Committee constituted by the Board of Directors is responsible for approving investments in line with limits as set out by the board. The decisions to buy and sell upto the approved limit delegated by the board are taken by the Managing Director, who is assisted by two senior managers. The investment function is carried out primarily to support the core business of housing finance to ensure adequate levels of liquidity and to maintain investment in approved securities in respect of public deposits raised as per the norms of NHB.

Considering the time lag between raising of resources and its deployment, the surplus funds are generally being parked with liquid fund schemes of mutual funds and short term deposits with banks. During the year, GRUH earned Rs. 1.59 crores by way of dividends from mutual funds and Rs. 19.49 crores by way of interest on deposits placed with banks. At the end of the year, GRUH maintained Rs. 117 crores by way of short term deposits with banks.

As per NHB guidelines, HFCs are required to maintain Statutory Liquid Ratio (SLR) in respect of public deposits raised. Currently the SLR requirement is 12.50% of the

public deposits. As at March 31, 2010, GRUH has invested Rs. 34.71 crores in approved securities comprising of government securities, government guaranteed bonds and NHB bonds, which is higher than the limits prescribed by NHB.

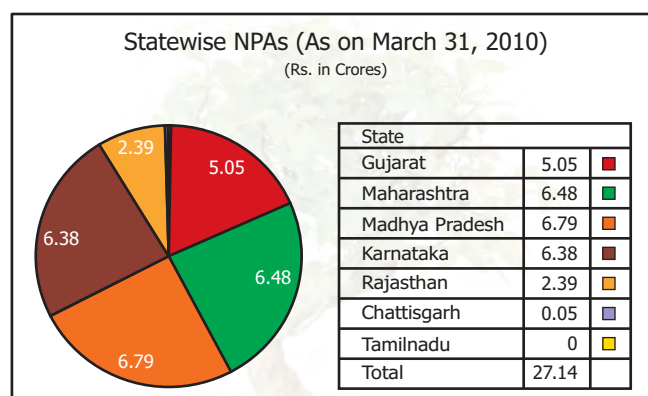
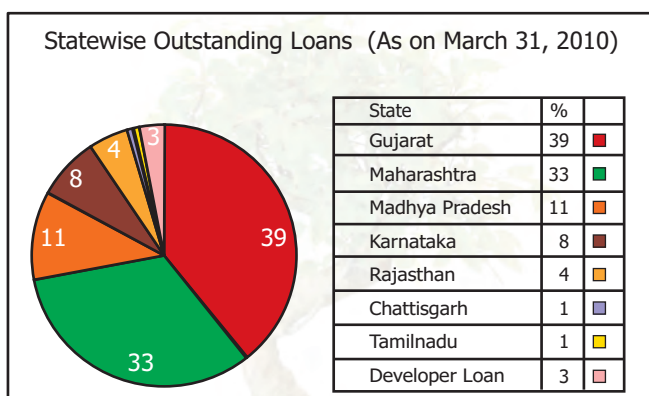
GRUH has classified its investments in SLR securities as long term investments and valued them at cost. GRUH carries a provision of Rs. 1.99 crores towards losses, if any, arising on redemption of investments on maturity.

Borrowed Funds

GRUH has been raising funds for its lending activities from banks by way of term loans, from NHB by way of refinance, by private placement of non-convertible debentures (NCDs), by issuance of commercial paper and mobilisation of public deposits from the retail market.

Endeavours at GRUH always have been to maintain a prudent mix of fixed rate borrowings and variable rate borrowings with a view to minimise the weighted average cost of borrowings and maintain a healthy spread on its lending activities. GRUH has also been funding its operations through short-term borrowings in the form of commercial papers and short tenure loans from banks. While such a structure enables GRUH to sustain a healthy net interest margin but it raises the risks of asset liability mismatch. To minimise the risk arising on account of such mismatch, GRUH has set internal norms on the quantum of short-term borrowings so that a prudent balance is maintained in keeping the cost of funds low to an extent that the risk arising from the mismatch could be managed.

The borrowings which are maturing within twelve months from the end of the year, constituted 21% (previous year 24%) of the total borrowings of Rs. 2,323.12 crores (previous year Rs. 2,245.15 crores). The outstanding borrowings at fixed rate stood at Rs. 829.23 crores (previous year Rs. 622.00 crores), which was 36% (previous year 28%) of the total outstanding borrowings.



GRUH continued to borrow for both long and short term from the banking sector at competitive rates. GRUH raised fresh loans from banks aggregating to Rs. 700 crores during the year and repaid loans aggregating to Rs. 557.50 crores. Term loans from banks are secured by a negative lien on all assets of the Company excluding the specific immovable property mortgaged in favour of the Debenture Trustees for issuance of NCDs and the Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against Public Deposits. Outstanding balance of bank loans as at March 31, 2010 was Rs. 900 crores.

GRUH availed refinance of Rs. 238.80 crores from NHB. Outstanding refinance as at March 31, 2010 of Rs. 968.83 crores is secured by a negative lien on all assets of the Company excluding the specific immovable property mortgaged in favour of the Debenture Trustees for issuance of NCDs and the Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against Public Deposits.

During the year, GRUH raised Secured Redeemable NCDs aggregating to Rs. 135 crores on a private placement basis by issuance of 1,350 NCDs of Rs. 10 lacs each for a term of 5 years. The NCDs are secured by mortgage of a specific immovable property and negative lien on all assets of the Company excluding the Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against Public Deposits. GRUH's NCDs are rated "LAA+" by ICRA indicating high safety with regard to timely payment of interest and principal. This rating carries a stable outlook. The outstanding balance of NCDs as at March 31, 2010 was Rs. 135 crores.

GRUH did not issue any subordinated debt during the year. As at March 31, 2010, GRUH's outstanding subordinated debt stood at Rs. 40 crores. The debt is subordinated to present and future senior indebtedness of the Company and has been assigned rating of "LAA+" by ICRA, indicating high safety with regard to timely payment of interest and principal. This rating carries a stable outlook. Based on the balance term to maturity, as at March 31, 2010, Rs. 16

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 CAR.

GRUH raised Rs. 905 crores through issuance of commercial paper and retired Rs. 905 crores during the year. GRUH's commercial paper is rated "P1+" by CRISIL Limited (CRISIL), indicating high safety as regards repayment. This rating carries a stable outlook. There is no outstanding balance of commercial paper as at March 31, 2010.

During the year, GRUH received fresh deposits of Rs. 70.73 crores, renewed deposits of Rs. 38.27 crores and experienced outflow of deposits of Rs. 79.88 crores. The renewal ratio (the ratio of deposits renewed to the deposits maturing during the year) experienced by GRUH was 49%. The outstanding deposits have grown from Rs. 250.18 crores at the beginning of the year to Rs. 279.30 crores by the end of the year and registered a growth of 12%. The outstanding balance of public deposits constituted 12% of the total outstanding borrowings as at March 31, 2010.

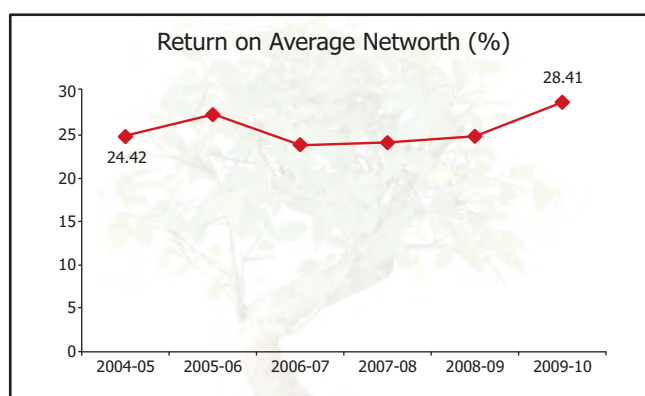
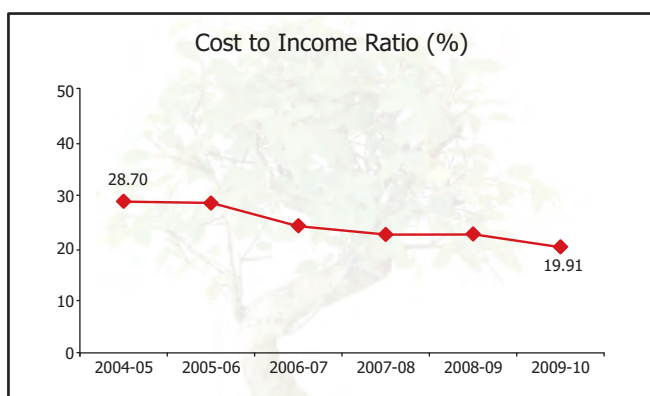
GRUH's retail deposit programme is rated by ICRA and CRISIL. Both the agencies retained GRUH's deposit rating at "MAA+" and "FAA+" respectively. The ratings indicate high safety as regards repayment of principal and interest on deposits. These ratings carry a stable outlook.

GRUH has been offering brokerage to its deposit referral associates. The brokerage structure is linked to the term of deposits mobilised. GRUH has been amortising the brokerage paid over the tenure of deposits mobilised.

The average cost of total borrowings experienced during the year was 7.89% per annum (previous year 10.01%).

NHB Guidelines and Prudential Norms

GRUH has complied with the guidelines issued by NHB regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, concentration of credit, credit rating, "Know Your Customer" (KYC), Fair Practices Code and real estate & capital market exposures.



GRUH had no investment in excess of the limits prescribed by NHB with any one company or any single group of companies. GRUH has not made investment in any of the promoter group companies or in the stock markets.

GRUH's total borrowings as at March 31, 2010 of Rs. 2,323.12 crores were within the permissible limit of 16 times the net worth. Of this, the public deposits of Rs. 279.30 crores were also within the limit of 5 times the net owned funds as prescribed by NHB. GRUH has complied with the guidelines issued by NHB regarding the ceiling on interest rates offered on deposits and brokerage paid to the deposit referral associates.

GRUH's Capital Adequacy Ratio as at March 31, 2010 was 16.55% as against NHB's prescribed limit of 12%. The Capital Adequacy on account of Tier I Capital was 15.57% while the Capital Adequacy on account of the Tier II Capital was 0.98%.

Risk Management

GRUH has formulated a risk management framework which lays the procedure for risk assessment and mitigation. The Risk Management Committee (RMC) comprises of the Managing Director as the chairman and the members include senior managers holding key positions in the Company. The RMC appraises the Audit Committee of the key risks associated with the business of the Company and the measures to mitigate them.

The Audit Committee has been periodically reviewing the risk profile of the Company and evaluating the adherence by the branches / functions of the systems and processes in place for monitoring, evaluation, assessment and mitigation of risk through a systematic and effective audit programme.

GRUH manages various risks associated with the mortgage business. These risks include credit risk, liquidity risk and interest rate risk. GRUH manages credit risk through internal credit norms. Liquidity risk and interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of the maturity profile.

Internal Audit and Control

GRUH has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. Internal audit is carried out by independent firm of chartered accountants and cover key areas of business. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Audit Committee comprises of four directors of which three are independent directors. The committee met four times during the financial year under review.

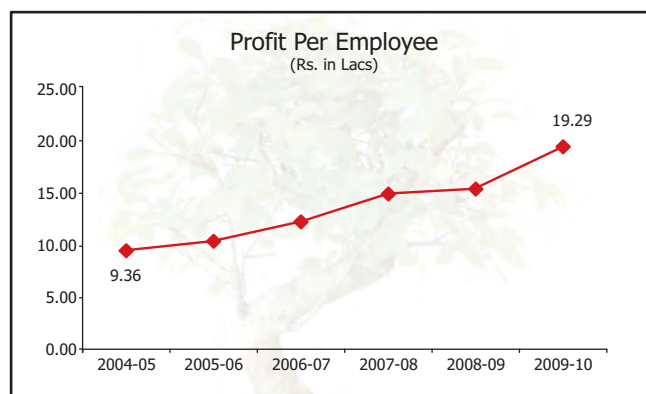
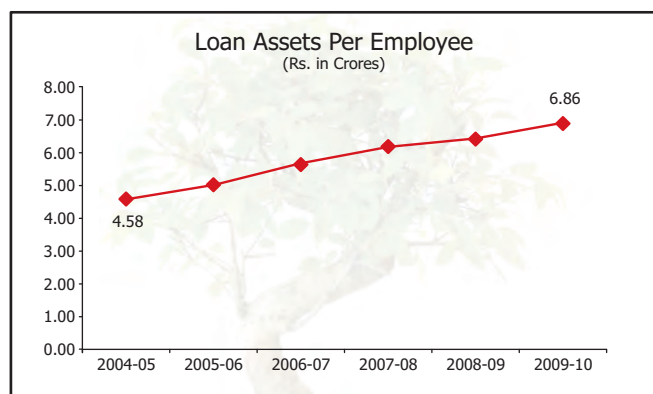
Profit and Loss Account

Key elements of the profit and loss account for the year ended March 31, 2010 are:

- Profit before tax grew by 36% and profit after tax grew by 37%.
- Current year income tax provision amounted to Rs. 29.69 crores as compared to Rs. 20.12 crores in the previous year. The effective income tax rate for the year is 31%.
- Pre-tax return on average assets was 3.74% in the current year as against 3.14% in the previous year. Post-tax return on average assets was 2.73% as against 2.27% in the previous year.
- Return on average net worth for the year was 28.41% as against 24.46% in the previous year.
- Ratio of net interest margin to average assets was 4.57% for the current year as against 3.85% in the previous year.
- GRUH's cost to income ratio was 19.91% for the year as against 22.39% in the previous year.
- The Earning Per Share (Basic) was Rs. 19.89 for the current year as against Rs. 14.51 for the previous year.

Human Resource

The enthusiasm of staff members continued to be high in sustaining positive growth of disbursements and in maintaining healthy recoveries. With the high level of commitment and loyalty by staff members, GRUH is confident to face the challenges of the tougher market conditions.



REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

Corporate Governance is a way of life and not a set of rules that necessitates taking into account the stakeholders' interests in every business decision.

A key element of good governance - corporate or otherwise - is transparency projected through a code of good governance which incorporates a system of checks and balances between key players – board, management, auditors and stakeholders. Transparency in turn requires the enforcement of the right to information produced at each level of interface, defining the real issue. All of this can only succeed if the responsibilities of each entity and their interface is defined with great clarity and understood by all.

Investors worldwide are looking for new areas and avenues for investing their funds with emphasis on the safety of their funds rather than high returns. These investors are looking forward to invest in those companies, which show commitment to customers' satisfaction, nurture long-term stakeholder value and hold the belief that good corporate governance is a key driver in achieving long-term growth. Therefore, strong governance is indispensable for the development of resilient and vibrant capital markets and is an important instrument for investor protection.

Board is responsible to shareholders for the company's performance and growth. Companies cannot prosper without the trust and support of their stakeholders. Corporate governance is often the distinguishing factor between companies that advance competitively and those that lag behind. Today, there is sufficient empirical evidence to suggest a strong and positive correlation between good corporate governance, earnings and stock value.

GRUH has been fortunate to have a strong set of values as a legacy from its promoter and holding company, Housing Development Finance Corporation Limited (HDFC). GRUH believes this has been an important reason for its success.

Company's philosophy on Corporate Governance

At GRUH, right from inception the philosophy of good corporate governance has been influenced by HDFC in its management practices. A commitment to customer satisfaction and nurturing of shareholder value has been the cornerstone of GRUH. We, at GRUH, have endeavoured to adhere to the established and proven practices of HDFC in maintaining corporate culture and the spirit in managing the business.

At GRUH, we have assigned the highest importance to the elements of good corporate governance like transparency, accountability and responsibility in every sphere of management practice be it with customers, shareholders, regulators, government, bankers, vendors or staff members. We have strived to introduce the highest level of professionalism in carrying out the business with a strong belief that the organisation exists for serving a customer in a manner that can yield the best possible return to a shareholder. The Board of Directors at GRUH have always maintained the true spirit of being "Trustees" in directing the management team and also persisted in demanding similar approach from the management team in practicing the business. The board has guided the management team to practice professional ethics while dealing with all the stakeholders of GRUH.

With emphasis on transparency, integrity and accountability, the Board of Directors of GRUH adopted the principles of good corporate governance by setting up an Audit Committee, Shareholders' Grievance Committee and Compensation Committee since 1997. GRUH, therefore, has developed systems that allow sufficient freedom to the board and the management to take decisions towards the growth of the Company while remaining within the framework of effective accountability. Given below is the report of the directors on corporate governance in accordance with the provisions of the listing agreement.

Board of Directors

Composition

The Board of Directors comprises of nine directors, all professionals in their own right who bring in a wide range of skills and experience to the board. All the directors of the Company, except the Managing Director and the Executive Director are non-executive directors. Brief profiles of the directors are set out elsewhere in the annual report.

Four directors are independent directors. 'Independent directors' are directors who apart from receiving directors' remuneration do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the opinion of the board may affect independence of judgment of the director.

All directors are appointed by the members of the Company.

The composition of the board is in conformity with Clause 49 I (A) of the listing agreements. As per the Listing Agreement, no director can be a member in more than 10 committees or act as chairman of more than 5 committees across all public companies in which he is a director. Details of the Board of Directors in terms of their directorships/ memberships in committees (only audit and investor grievance) of public companies (excluding GRUH) are detailed as under:

Sr. No.	Directors	No. of Directorships	No. of Committees	
			Member	Chairman
1	Mr. Keki M. Mistry	13	7	2
2	Mr. S.M. Palia	6	4	1
3	Mr. Rohit C. Mehta	3	-	1
4	Mr. Prafull Anubhai	4	2	3
5	Ms. Renu S. Karnad	12	3	2
6	Mr. K.G. Krishnamurthy	6	1	-
7	Mr. S.G. Mankad*	5	-	-
8	Mr. Kamlesh Shah**	-	-	-
9	Mr. Sudhin Choksey	1	1	-

Sr. Nos. 8 and 9 are executive directors. All other directors are non-executive directors.

Sr. Nos. 2, 3, 4 and 7 are independent directors.

** appointed as an Additional Director in the Board Meeting dated January 14, 2010.*

*** appointed as an Additional Director designated as Executive Director in the Board Meeting dated April 16, 2010.*

Tenure

As per the statute, two third of the directors should be retiring directors. One third of the directors are required to retire every year and if eligible, these directors qualify for re-appointment. The Board of Directors vide its circular resolution effected on March 29, 2010 had approved the re-appointment of Mr. Sudhin Choksey as the Managing Director of the Company for a period of five years with effect from April 1, 2010, subject to the approval of the members in the ensuing general meeting. The Board of Directors at its meeting held on April 16, 2010 had approved the appointment of Mr. Kamlesh Shah as the Executive Director of the Company for a period of five years with effect from April 16, 2010, subject to the approval of the members in the ensuing general meeting.

Responsibilities

The board represents the interest of the company's shareholders, in optimising long-term value by providing the management with guidance and strategic direction on the shareholders' behalf. The board has a formal schedule of matters reserved for its consideration and decision, which includes reviewing corporate performance, ensuring adequate availability of financial resources, regulatory compliance, safeguard interest of shareholders and reporting to shareholders.

Role of Independent Directors

The independent directors play an important role in deliberations at the board meetings and bring to the Company their wide experience in the fields of finance, housing, accountancy, law and public policy. The Audit Committee consists largely of independent directors. Board members ensure that their other responsibilities do not materially impact their responsibility as a director of GRUH.

Board Meetings

The meetings of the Board of Directors are generally held at the Registered Office of HDFC, the parent company. Meetings are generally scheduled well in advance. The board meets at least once a quarter to review the quarterly performance and the financial results.

The company secretary in consultation with the Managing Director prepares the agenda for the meetings. The agenda papers are circulated to the directors in advance. The members of the board have access to all information of the Company and are free to recommend inclusion of any matter in the agenda for discussion. Senior management is invited to attend the board meetings and provide clarifications as and when required.

During the year, the board met 5 times. The meetings were held on April 17, 2009, June 30, 2009, July 21, 2009, October 14, 2009, and January 14, 2010. The attendance of each director at the board meetings and at the last annual general meeting is as under:

Directors	No. of Board meetings attended	Sitting fees paid (Rs.)	Attendance at the last AGM
Mr. Keki M. Mistry	5	50000	Yes
Mr. S.M. Palia	3	30000	No
Mr. Rohit C. Mehta	5	50000	Yes
Mr. Prafull Anubhai	5	50000	Yes
Ms. Renu S. Karnad	4	40000	No
Mr. K.G. Krishnamurthy	5	50000	Yes
Mr. S.G. Mankad*	1	10000	-
Mr. Sudhin Choksey	5	-	Yes

Leave of absence was granted to the Directors who could not attend the respective meetings.

**appointed as an Additional Director in the Board Meeting dated January 14, 2010.*

Board Committees

To enable better and more focused attention on the affairs of the Company, the board delegates particular matters to committees of the directors set up for the purpose. These specialist committees prepare the groundwork for decision-making and report at the subsequent board meeting.

The board is assisted by various committees – Audit Committee, Compensation Committee, Compensation Committee-ESOS, Committee of Directors (NCD), Committee of Directors, Allotment Committee, Investment Committee and the Shareholders' / Investors' Grievance Committee - all chaired by an independent director.

Audit Committee

The Audit Committee is constituted in accordance with the provisions of Clause 49 II of the listing agreements and Section 292 A of the Companies Act, 1956. The Audit Committee comprises of Mr. S.M. Palia (Chairman), Mr. Keki M. Mistry, Mr. Rohit C. Mehta and Mr. Prafull Anubhai. The Audit Committee is chaired by an independent director. All the members of the committee are financially literate and have accounting and financial management expertise. The terms of reference of the Audit Committee are in compliance with its requirements of the revised Clause 49 of the listing agreement and include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, internal control systems and control procedures and ensuring compliance of the regulatory guidelines. Meetings of the Audit Committee are scheduled well in advance. The Audit Committee met four times during the year under review. The committee reviewed the quarterly financial statements before submission to the Board for approval.

The details of attendance at the Audit Committee meetings are as under:

Directors	No. of meetings attended	Sitting Fees paid (Rs.)
Mr. S.M. Palia	3	30,000
Mr. Keki M. Mistry	4	40,000
Mr. Rohit C. Mehta	4	40,000
Mr. Prafull Anubhai	4	40,000

The committee reviews the reports of the internal auditors and statutory auditors along with the comments and action taken reports of the management. The committee also reviews the asset-liability management system. The Audit Committee also invites senior executives, as it considers appropriate to be present at the meetings of the committee. The head of the internal audit attends the meetings of the Audit Committee.

Compensation Committee (Remuneration Committee)

The Compensation Committee comprises of Mr. S.M. Palia (Chairman), Mr. Keki M. Mistry and Ms. Renu S. Karnad. The committee considers and approves salaries and other terms of the compensation package for the Managing Director. The annual compensation of the Managing Director is recommended by the committee, approved by the board and is within the limits set by the members at the annual general meetings. The committee met once during the year.

The details of attendance at the Compensation Committee meeting are as under:

Directors	No. of meetings attended	Sitting Fees paid (Rs.)
Mr. S.M. Palia	1	10,000
Mr. Keki M. Mistry	1	10,000
Ms. Renu S. Karnad	1	10,000

Shareholders'/ Investors' Grievance Committee

The Shareholders'/ Investors' Grievance Committee comprises of Mr. S.M. Palia (Chairman), Mr. Prafull Anubhai and Mr. Sudhin Choksey. The committee looks into redressal of shareholder and investor complaints. The committee met four times during the year.

The details of attendance at the committee meetings are as under:

Directors	No. of meetings attended	Sitting Fees paid (Rs.)
Mr. S.M. Palia	3	30,000
Mr. Prafull Anubhai	4	40,000
Mr. Sudhin Choksey	4	-

In order to expedite the process of share transfer, the board has delegated the authority to approve share transfers to Mr. Sudhin Choksey (Managing Director) and Mr. Marcus Lobo (Company Secretary/Compliance Officer). Share transfer formalities are normally attended to three times in a month. The details of share transfers are reported to the Board of Directors.

During the year, the Company did not receive any complaint from the shareholders. There are no pending share transfers.

There is no non-compliance by the Company on any matter related to the capital markets during the last three years. Similarly, there are no penalties, strictures imposed by the Stock Exchanges, SEBI or any statutory authority on any matter related to capital market.

Remuneration to Directors

During the year, the Managing Director was paid a gross remuneration of Rs. 86.48 lacs. Elements of the remuneration package comprise of salary, perquisites and other benefits including *ex-gratia* as approved by the members at the annual general meeting held on June 14, 2005 and revised thereafter at the annual general meeting held on July 25, 2008. The details of managerial remuneration are as per Note 18 forming part of the accounts.

Non-executive directors are paid sitting fees for attending the meetings of the board or committee(s). No other payment is made to the non-executive directors.

Employee Stock Option Scheme (ESOS)

During the year, no new options have been granted under the ESOS. The disclosure as required under Clause 12.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, have been made in the annexure to the Directors' Report.

Proceeds from Private Placement Issues

During the year under review, the Company issued non-convertible debentures. Details of these issues are provided in the Directors' Report. As specified in the respective offer documents, the funds were utilised for the purpose of on lending for housing finance. Details thereof were provided to the Audit Committee and Board of Directors.

Transactions with Non-executive Directors

The non-executive directors of the Company do not have any material pecuniary relationship or transactions vis-à-vis Company.

Shareholding of Non-executive Directors

The number of shares held by non-executive directors as on March 31, 2010 is as follows:

Directors	No. of equity shares held
Mr. Keki M. Mistry	8,290
Mr. S.M. Palia	5,000
Mr. Rohit C. Mehta	20,905
Mr. Prafull Anubhai	5,000
Ms. Renu S. Karnad	6,223
Mr. K.G. Krishnamurthy	6,165
Mr. S.G. Mankad	-

Share Dealing Code

In October 2002, the Company framed a share dealing code for its employees based on the SEBI (Prohibition of Insider Trading) Regulations, 1992. The code ensures that the employees deal in the shares of the Company only at a time when any price sensitive information that could be known to the employee is also known to the public at large. This code is applicable to every employee and director of the Company.

All directors and designated employees of the Company have disclosed details of their shareholding, dealings in the shares of the Company and any changes thereof, during the financial year and as at the end of the financial year in compliance of the provisions of the said code. During the year, there has been no violation of the provision of the said code.

Code of Conduct

The Company has framed and adopted a Code of Conduct, which is applicable to all directors and members of the senior management in terms of Clause 49 V of the Listing Agreement. The said code, which came into effect from January 1, 2006, lays the general principles designed to guide all directors and members of the senior management in making ethical decisions.

All directors and members of the senior management have confirmed their adherence to the provisions of the said code. The said code has been posted on the website of the Company i.e., www.gruh.com.

Disclosures

Related party transactions

During the year under review, there were no materially significant individual transactions with related parties or other persons, which were not in the normal course of business or on an arm's length basis that may be perceived to have a potential conflict with the interests of the Company at large.

Transactions with related parties entered into by the Company in the normal course of business were placed before the Audit Committee. Details of related party transaction are included in the notes to the accounts.

Accounting Standards / Treatment

The Company confirms that it has complied with the applicable Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 from time to time and no accounting treatment other than what has been prescribed in the Accounting Standards has been followed.

Annual General Meetings

The Annual General Meetings for the last 3 years were held on July 27, 2007, July 25, 2008 and June 30, 2009. The AGMs were held at H.T. Parekh Convention Centre, Ahmedabad Management Association (AMA), ATIRA Campus, Ahmedabad. Three special resolutions were passed at the previous three Annual General Meetings. No resolution was passed using postal ballots.

Dematerialisation of Shares

GRUH's shares were available for trading with National Securities Depository Ltd. (NSDL) w.e.f. July 15, 2000 and with Central Depository Services (India) Limited (CDSL) w.e.f. December 22, 2001. The ISIN allotted to GRUH's equity shares is INE580B01011.

As at March 31, 2010, 97.20% of equity shares of GRUH have been dematerialised by members through NSDL and CDSL.

Listing of Equity Shares

GRUH's shares are listed on The Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

The Stock Code Nos. are : BSE: 511288; NSE: GRUH

The Company has arranged for the payment of the listing fees for the year 2010-2011 as per the listing agreement with the respective stock exchanges.

Delisting of Equity Shares

Pursuant to the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, GRUH has completed the process of voluntary delisting of equity shares with the Ahmedabad Stock Exchange Ltd. (ASEL) and the equity shares of GRUH have been voluntarily delisted from ASEL with effect from November 25, 2009, as intimated vide their letter no. ASEL/2009/977 dated November 24, 2009.

Shareholder Relations

GRUH has over 14,100 shareholders. The main source of information for the shareholders is the Annual Report that includes *inter alia*, the Directors' Report, the shareholders' information and the audited financial results. GRUH recognizes the importance of regular dialogue with its shareholders to ensure that the Company's strategy is clearly understood. Since the year 2002, the Annual Report has also included the Report of Directors on Corporate Governance and Management Discussion and Analysis Report. Shareholders are intimated through the press and GRUH's website, www.gruh.com of the quarterly performance and financial results of the Company. The Company also filed statements / reports on the Electronic Data Information Filing and Retrieval (EDIFAR) website. Filings on the EDIFAR website has been discontinued by SEBI vide its circular dated April 16, 2010 with effect from April 1, 2010. Shareholders have an opportunity to attend the Annual General Meeting at which the business outlook is presented and relevant aspects of the Company's operations are discussed. In addition, the Corporate Office as well as the Registrar's Office (RTA), serves as a contact point for shareholders on issues such as share transfers, dividends and announcements.

Details of directors to be appointed/re-appointed at the twenty-fourth AGM are provided as an annex to the notice convening the said AGM. The annual report also contains a section on 'Shareholders' Information' which *inter alia* provides information relating to the AGM date, time and venue, shareholding pattern, distribution of shareholding, top shareholders, the monthly high and low quotations of the equity share during the year and other information as required under Clause 49 of the listing agreements.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of the Directors' Report.

CEO / CFO Certification

In accordance with the requirements of Clause 49 of the listing agreements, Mr. Sudhin Choksey, the Managing Director and CEO and Mr. Jayesh Jain, the CFO of the Company, have certified to the Board that to the best of their knowledge and belief, the financial statements and cash flow statements present a true and fair view of the Company's affairs.

Non-mandatory requirements

The Company had adopted the non-mandatory provisions relating to the Compensation Committee. The quarterly results are published in financial newspapers, posted on the Company's web site and sent to shareholders on request. The Company is also moving towards a regime of unqualified financial statements. The Company shall endeavour to adopt the other non-mandatory requirements, as and when necessary.

Compliance

The Company has complied with the mandatory requirements as stipulated under Clause 49 of the listing agreements. The Company has submitted the quarterly compliance status report to the stock exchanges within the prescribed time limit.

Risk Management

The Company has formulated a risk management framework, which lays the procedures for risk assessment and mitigation. The Risk Management Committee (RMC) comprises of the Managing Director as the chairman and the members include senior managers holding key positions in the Company. The RMC apprises the Audit Committee of the key risks associated with the business of the Company and the measures to mitigate them.

Going Concern

The directors are satisfied that the Company has adequate resources to continue its business for the foreseeable future and consequently consider it appropriate to adopt the going concern basis in preparing the financial statements.

Mumbai
April 16, 2010

Keki M. Mistry
Chairman

Declaration

This is to confirm that for the year 2009-10, all Board members and senior management personnel have affirmed compliance with the Code of Conduct of GRUH.

Mumbai
April 16, 2010

Marcus Lobo
Company Secretary

Sudhin Choksey
Managing Director / CEO

AUDITORS' CERTIFICATE

To the Members of GRUH Finance Limited

We have examined the compliance of conditions of Corporate Governance by GRUH Finance Limited, for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representation made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For SORAB S. ENGINEER & CO.
Chartered Accountants

Mumbai
April 16, 2010

CA. M. P. ANTIA
Partner
Membership No. 7825

Review of the Chairman of the Audit Committee of Directors

The Audit Committee of directors, comprising of four non-executive directors – majority of them independent directors - met four times during the last financial year. The Committee reviewed with the Management and the Auditors all the issues which are required to be reviewed by the Audit Committee pursuant to the Listing Agreement with the Stock Exchanges as also the Companies Act, 1956, which *inter alia* included review of MD&A of financial conditions and results of operations, and other matters pertaining to disclosures of related party transactions and disclosures of accounting treatment. The Audit Committee has also reviewed the observations of the Internal and Statutory Auditors in relation to all areas of operations of the Company as also the internal control systems. In addition, the Committee has been examining all areas of risks associated with the business of the Company and has reviewed the measures initiated by the Company for mitigating these risks. The Audit Committee has also reviewed the actions taken by the Company on various observations and queries of the Auditors. The Audit Committee oversees the implementation of the Asset Liability Management and reviews the ALM position vis-à-vis risk management.

S. M. PALIA

Chairman

Audit Committee of Directors

Review of the Chairman of the Compensation Committee of Directors

The Compensation Committee of directors, which primarily reviews the compensation payable to the Managing Director of the Company, met once during the last financial year. The Compensation Committee comprises of three non-executive directors. The Committee has considered the contribution of the Managing Director in development of business and improving the performance of the Company and kept in view salaries paid to senior executives of other companies in the financial and banking sector, whilst fixing the remuneration of the Managing Director of the Company.

S. M. PALIA

Chairman

Compensation Committee of Directors

Review of the Chairman of the Shareholders' / Investors' Grievance Committee of Directors

The Shareholders' / Investors' Grievance Committee of directors, comprising of three directors met four times during the last financial year. The Committee reviewed the different activities being carried out by the secretarial department of the Company and also reviewed the share transfers and dematerialisation of shares during the period. The Committee also reviewed the steps taken by the Company to redress the grievances of the investors. There were no complaints pending for being resolved during the year.

S. M. PALIA

Chairman

Shareholders' / Investors' Grievance Committee of Directors

INFORMATION FOR SHAREHOLDERS

Shareholders / Investors service :

GRUH has its in-house secretarial department under the overall supervision of Mr. Marcus Lobo – company secretary/compliance officer. For any assistance regarding share transfers, transmissions, change of address, non receipt of dividend, duplicate/missing share certificates and other matters pertaining to your shares, please write to the following address:

Secretarial Department : Registrar & Transfer Agent :

GRUH Finance Ltd. "GRUH" Netaji Marg, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad 380 006 Tel : 079-32901222- 1223; Fax : 079-2656 0649 Email:investorcare@gruh.com	MCS Limited Unit : "GRUH" 101, Shatdal Complex, 1 st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad- 380 009 Tel : 079-26582878 and 26584027 Fax : 079-26581296
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Shareholding Pattern as at March 31, 2010 :

Category	No. of Share-holders	Total No. of Shares Held	% to Capital
Promoter – HDFC Ltd.	1	21307785	61.36
Public /Resident Indians	13575	6473941	18.64
Financial Institutions, Mutual Funds & Banks	8	1200448	3.46
Corporate Bodies	384	760999	2.19
Foreign Institutional Investors (FIIs)	14	3713184	10.69
Non-Resident Indians / OCBs	145	1268793	3.66
Total	14127	34725150	100.00

Top ten shareholders of GRUH as at March 31, 2010 :

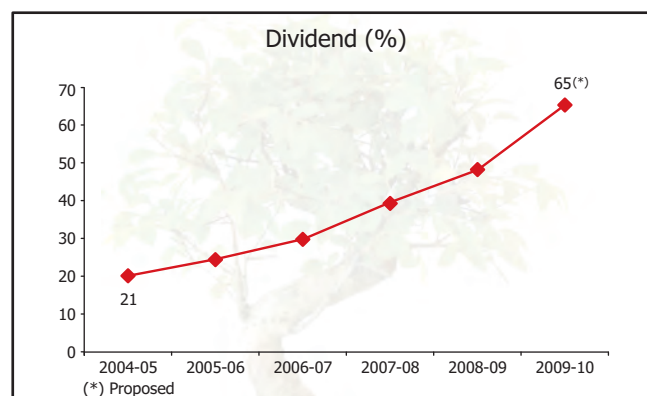
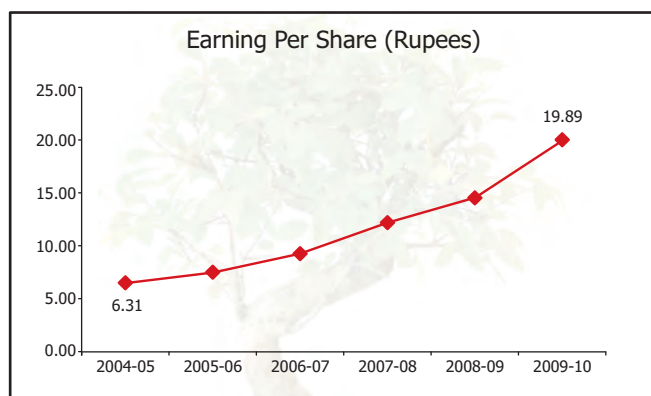
Name	No of shares	% of Capital
Housing Development Finance Corporation Limited	21307785	61.36
Acacia Partners, LP	1103775	3.18
Dr. Sanjeev Arora	677450	1.95
DSP Blackrock Small and Midcap Fund	544611	1.57
DSP Blackrock Equity Fund	510231	1.47
The Royal Bank of Scotland PLC as depository of First State Asia Pacific Sustainability Fund	500139	1.44
Acacia Institutional Partners, LP	467200	1.35
Ward Ferry Management Limited A/c. WF India Reconnaissance Fund Limited	417000	1.20
The Royal Bank of Scotland PLC as depository of First State Indian Sub-continent Fund	307993	0.89
The Royal Bank Of Scotland PLC As Depository Of First State GL Emrg Mkts Sustainability Fund	259542	0.75

Listing of Equity Shares :

GRUH's shares are listed on The Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

The Stock Code Nos. are : BSE: 511288; NSE: GRUH

The Company has arranged for the payment of the listing fees for the year 2010-2011 as per the listing agreement with the respective stock exchanges.



Delisting of Equity Shares :

Pursuant to the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009, GRUH has completed the process of voluntary delisting of equity shares with the Ahmedabad Stock Exchange Ltd. (ASEL) and the equity shares of GRUH have been voluntarily delisted from ASEL with effect from November 25, 2009, as intimated vide their letter no. ASEL/2009/977 dated November 24, 2009.

Listing of Debt Securities :

GRUH's NCDs (Series – B-001 aggregating to Rs. 40 crores) are listed on the Wholesale Debt Market (WDM) segment of the National Stock Exchange of India Limited (NSE).

Debenture Trustees :

IDBI Trusteeship Services Limited, Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 021.

Stock Market Data :

Monthly high and low quotations as well as the volume of shares traded at the Bombay Stock Exchange Limited for 2009-2010 along with the BSE Sensex are as follows:

Month	Highest (Rs.)	Lowest (Rs.)	Volume of Shares traded	BSE Sensex (monthly close)
April 2009	130.25	86.10	1309509	11403
May 2009	175.95	117.20	190673	14625
June 2009	215.25	150.00	993975	14493
July 2009	219.00	180.00	512777	15670
August 2009	199.90	181.15	192613	15666
September 2009	238.00	191.25	503842	17126
October 2009	245.00	190.00	349243	15896
November 2009	223.00	192.30	153254	16926
December 2009	241.90	197.15	1167868	17464
January 2010	226.85	193.00	505100	16357
February 2010	217.75	190.45	345836	16429
March 2010	220.10	200.05	203251	17527
April 2010	264.00	213.50	599423	17558

Distribution of shareholding as at March 31, 2010 :

No. of Shares held	Folios		Shares	
	Numbers	%	Numbers	%
Upto 500	12212	86.44	2015932	5.81
501 to 1000	997	7.06	737304	2.12
1001 to 5000	716	5.07	1540251	4.44
5001 to 10000	93	0.66	685365	1.97
10001 to 50000	81	0.57	1504963	4.33
50001 to 100000	9	0.07	696791	2.01
100001 and above	19	0.13	27544544	79.32
Total	14127	100.00	34725150	100.00

Dematerialisation of Shares :

As at March 31, 2010, 97.20% of equity shares of GRUH have been dematerialised by shareholders through National Securities Depository Limited and Central Depository Services (India) Limited.

ISIN for NSDL & CDSL : INE 580B01011

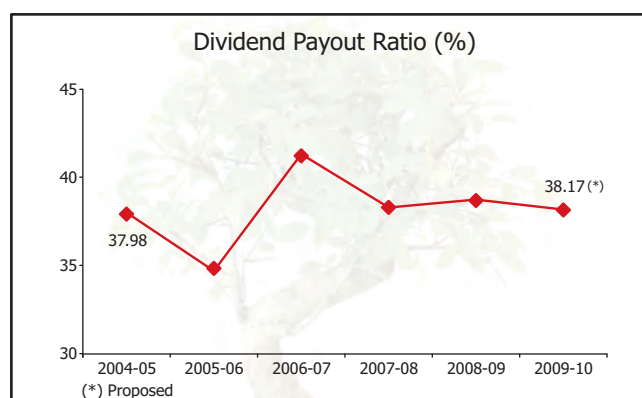
The status of shares which have been dematerialised and shares which are held in physical form as at March 31, 2010 are as under:

Particulars	No of shares	(%)
Shares held in physical form	973561	2.80
Shares held in electronic form	33751589	97.20
Total Shares	34725150	100.00

Details regarding dividend paid during the last 7 years :

Year	Rate (%)	Book Closure Date	AGM Date	Payment Date
2002-03	15	June 27, 2003 to July 4, 2003	July 4, 2003	July 5, 2003
2003-04	18	June 18, 2004 to June 28, 2004	June 28, 2004	June 30, 2004
2004-05	21	June 3, 2005 to June 14, 2005	June 14, 2005	June 16, 2005
2005-06	25	May 12, 2006 to May 18, 2006	July 7, 2006	July 7, 2006
2006-07	30	June 1, 2007 to June 7, 2007	July 27, 2007	July 27, 2007
2007-08	40	July 18, 2008 to July 25, 2008	July 25, 2008	July 25, 2008
2008-09	48	June 18, 2009 to June 30, 2009	June 30, 2009	June 30, 2009

NB: Shareholders who have not received the dividends as aforesaid are requested to kindly contact the secretarial department.



Unclaimed Dividend and Deposits :

The Company has transferred all unclaimed/unpaid dividend up to the financial year 2001-2002 to the General Revenue Account of the Central Government or to the Investor Education and Protection Fund, as applicable. The Company has transferred matured deposits and interest thereon for the year 2001-2002 remaining unclaimed / unpaid, to the Investor Education and Protection Fund, in accordance with the current regulations.

Members who have either not received or have not encashed their dividend warrant(s) for the financial years 2002-2003 to 2008-2009 are requested to claim the unpaid dividend from the Company before transfer to the above mentioned fund. After transfer of unpaid/unclaimed dividend amount to the Investor Education and Protection Fund, the same cannot be claimed subsequently.

Dividends that have not been claimed by the shareholders for the financial year 2002-2003 will have to be transferred to the Investor Education and Protection Fund in August 2010 in accordance with the current regulations.

Nomination Facility :

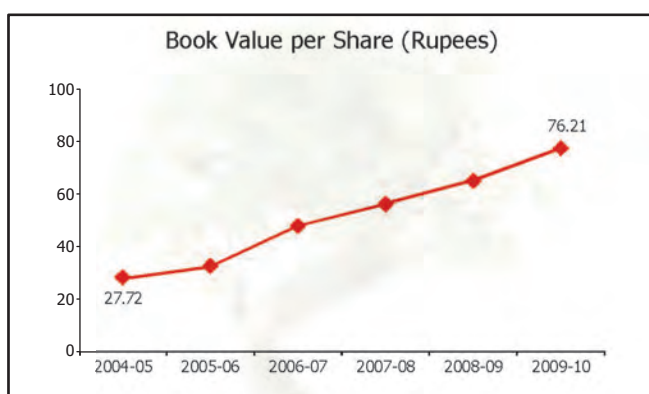
Where shares are held in single name, in case of an unfortunate death of the shareholder, the process of transmission is cumbersome as it requires submission of succession certificate / letter of probate / will, etc. Shareholders holding shares in single name and in physical form are requested to submit the prescribed form 2B (in duplicate) to the secretarial department to avail of the nomination facility. Shareholders may contact the secretarial department for the said form. Shareholders holding shares in demat form are requested to contact their depository participants for availing the nomination facility.

Financial year :

The Company follows financial year April to March.

Outstanding GDRs / ADRs / Warrants :

The Company does not have any GDRs/ ADRs / Warrants or any convertible instruments.



Book Closure :

The register of members and share transfer books of the Company will remain closed from Thursday, June 17, 2010 to Tuesday, June 29, 2010, both days inclusive.

Dividend Payment :

The Board of Directors of GRUH has recommended a dividend of 65% (Rs.6.50 per share) for the financial year ended March 31, 2010 for approval of the shareholders at the annual general meeting.

Dividend entitlement is as follows :

- (i) For shares held in physical form: shareholders whose names appear on the register of members of the Company as on Thursday, June 17, 2010.
- (ii) For shares held in electronic form: beneficial owners whose names appear in the statement of beneficial position furnished by NSDL and CDSL as at the close of business hours on Wednesday, June 16, 2010.

Dividend, if declared by the members shall be paid on or after June 29, 2010 but within the statutory time limit.

24TH Annual General Meeting

Date : June 29, 2010

Day : Tuesday

Time : 10.30 a.m.

Venue : H.T. Parekh Convention Centre,
Ahmedabad Management Association (AMA),
ATIRA Campus, Dr. Vikram Sarabhai Marg,
Ahmedabad 380 015.

Measuring Shareholders' Value :

At GRUH, we believe in maximizing the wealth of its shareholders and our endeavors are in the direction of providing maximum value to our shareholders either in the form of dividend or capital appreciation. The value of Shareholders' return is measured as follows :



A. Total Shareholders' Return :

Total Shareholder's return includes the dividend paid by the Company as well as the capital appreciation of the shares of the Company in the stock markets. During the past five years return to shareholders has been as follows :

(Rs. in Crores)

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
Closing Market Capitalisation	756.14	324.69	534.79	475.71	247.25
Opening Market Capitalisation	324.69	534.79	475.71	247.25	119.38
Money raised during the year from Shareholders	1.17	0.03	0.08	60.87	-
Net Capital Appreciation/ (Depreciation)	430.28	(210.13)	59.00	167.59	127.87
Dividend including dividend tax	26.32	19.46	16.22	12.16	7.55
Total Gain / Loss	456.60	(190.67)	75.22	179.75	135.42
Gain / (Loss) to Opening Market Capitalisation (%)	140.63	(35.65)	15.81	72.70	113.44

B. Enterprise Value :

Enterprise Value (EV) measures the value of a Company as on a particular date. It is calculated by making adjustments to the market capitalisation of a Company. The formula for measuring Enterprise Value is :

Enterprise Value (EV) = Market Capitalisation + Total Debt - Cash Balance

With the Enterprise Value as a measure, the companies can be compared easily irrespective of their capital structure. Moreover, Enterprise Value is used to calculate the ratio of EV to EBIDTA multiple.

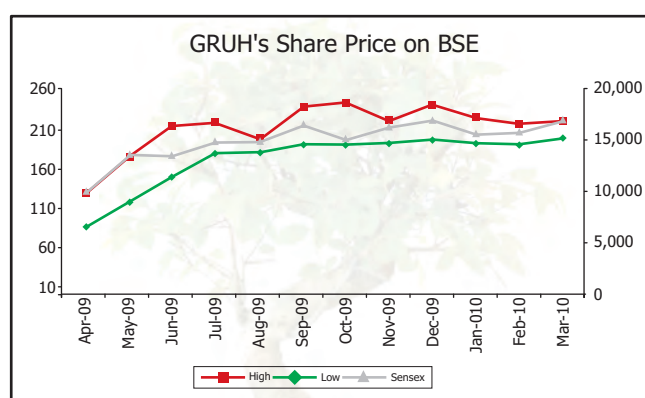
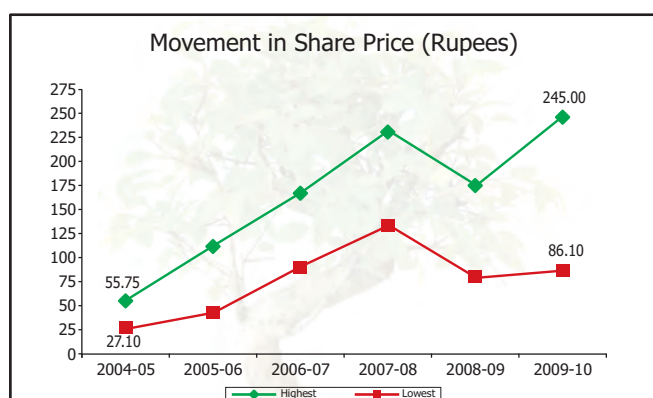
EBIDTA stands for Earnings before Interest, Depreciation, Tax and other appropriations. Hence, it can be calculated by adding back the figures of interest, depreciation and other appropriations to the amount of Profit Before Tax (PBT). It indicates that the value of enterprise is equal to number of times of the Company's earnings. As the figures of Interest, depreciation and tax are added back, it makes the comparison between two enterprises easier by eliminating all the accounting and tax differences.

The above measure for GRUH for a period of five years is as follows :-

(Rs. in Crores)

Particulars as on March 31,	2010	2009	2008	2007	2006
Number of Equity Shares (Crores)	3.47	3.47	3.46	3.46	2.65
Market Price (Rs.)*	217.75	93.70	154.35	137.35	93.30
Market Capitalisation	756.14	324.69	534.79	475.71	247.25
Total Debt	2323.12	2245.15	1773.04	1305.25	1079.80
Cash	135.60	71.24	157.66	82.93	66.92
Enterprise Value(EV)	2943.66	2498.60	2150.17	1698.03	1260.13
EBIDTA	276.06	271.72	181.17	123.89	88.40
EV/ EBIDTA (Times)	10.66	9.20	11.87	13.71	14.25
TOTAL INCOME	309.06	295.28	202.59	146.63	104.20
EV/TOTAL INCOME (Times)	9.52	8.46	10.61	11.58	12.09

*Considered as the price on the stock exchange where maximum number of shares have been traded.





The binding force of integrity

GRUH has inculcated in its working, a culture of transparency, direct customer interaction and strict adherence to the code of integrity.

GRUH has avoided the 'short term fix' even in times of intense competition. It has maintained a healthy recovery ratio and a high level of customer satisfaction.

The credit goes to our managers and their teams. They have proved that housing finance can be a growing 'value proposition'. It provides ownership, pride and satisfaction to the borrowers without compromising on security and returns to the institution's multiple stakeholders.



AUDITORS' REPORT

TO THE MEMBERS OF GRUH FINANCE LIMITED

1. We have audited the attached Balance Sheet of GRUH Finance Limited, ("the Company") as at March 31, 2010, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ("Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For SORAB S. ENGINEER & CO.
Chartered Accountants

Mumbai
April 16, 2010

CA. M. P. Antia
Partner
Membership No. 7825
Firm Registration No. 110417W

ANNEXURE TO THE AUDITORS' REPORT

Re : GRUH FINANCE LIMITED

Referred to in Paragraph 3 of our Report of even date,

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified by the management during the year in accordance with a regular programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
 - (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) The stocks of acquired and/or developed properties have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of stock of acquired and developed properties followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of acquired and developed properties. No discrepancy was noticed on verification between the physical properties and the book records.
- (iii) The Company has not granted / taken any loan to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii,b), (iii,c), (iii,d), (iii,e), (iii,f) and (iii,g) of paragraph 4 of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to acquisition of properties, fixed assets and with regard to the sale of properties and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no contracts or arrangements that needs to be entered in the register maintained under section 301 of the Companies Act, 1956. Consequently, requirement of clauses (v,a) and (v,b) of paragraph 4 of the order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956, the Housing Finance Companies (NHB) Directions, 2001 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) The Company is not engaged in production, processing, manufacturing or mining activities. Therefore, the provisions of clause (viii) of paragraph 4 of the order are not applicable.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it.

Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956.

 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Cess were in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, following amounts have not been deposited as on March 31, 2010 on account of any dispute:

Particulars	Financial year to which the matter pertains	Forum where matter is pending	Amount (Rs.)
Income Tax	2005-06	Income Tax Appellate Tribunal	1,52,79,831/-
Income Tax	2006-07	Commissioner of Income Tax (Appeals)	3,61,99,031/-
Fringe Benefit Tax	2005-06	Commissioner of Income Tax (Appeals)	7,79,931/-
Fringe Benefit Tax	2006-07	Commissioner of Income Tax (Appeals)	10,22,716/-
Interest Tax	1999-00	Commissioner of Income Tax (Appeals)	1,54,183/-
Interest Tax	1996-97	Commissioner of Income Tax (Appeals)	5,47,016/-

- (x) The Company neither has any accumulated losses nor has incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or debenture holders.
- (xii) The loans granted by the Company are primarily secured / partly secured by the equitable mortgage of the property. Based on our examination of documents and records and evaluation of internal controls, we are of the opinion that the Company has maintained adequate documents and records wherever it has granted loans and advances on the basis of collateral security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial Institutions.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, *prima facie*, applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.
- (xvii) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not, *prima facie*, been used during the year for long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and the records examined by us, the Company has created security and charges in respect of Debentures issued during the year.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year, although there have been few instances of loans becoming doubtful of recovery consequent upon fraudulent misrepresentation by borrowers, the amounts whereof are not material in the context and size of the Company and the nature of its business and which have been provided for.

For SORAB S. ENGINEER & CO.
Chartered Accountants

Mumbai
April 16, 2010

CA. M. P. Antia
Partner
Membership No. 7825
Firm Registration No. 110417W

BALANCE SHEET AS AT MARCH 31, 2010

	<u>Schedule</u>	<u>March 31, 2010</u>	<u>March 31, 2009</u>
(Rupees)			
FUNDS EMPLOYED			
SHAREHOLDERS' FUNDS			
Share Capital	1	34,72,51,500	34,65,19,600
Reserves and Surplus	2	<u>229,90,09,283</u>	<u>186,21,82,971</u>
		264,62,60,783	220,87,02,571
LOAN FUNDS	3	<u>2323,12,22,922</u>	<u>2245,15,33,240</u>
		<u>2587,74,83,705</u>	<u>2466,02,35,811</u>
APPLICATION OF FUNDS			
LOANS	4	2453,69,87,481	2091,43,12,893
INVESTMENTS	5	32,71,95,511	12,77,79,263
CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets, Loans and Advances	6	162,41,64,410	416,07,35,356
Less : Current Liabilities and Provisions	7	<u>79,94,27,666</u>	<u>68,50,95,222</u>
NET CURRENT ASSETS		82,47,36,744	347,56,40,134
FIXED ASSETS	8		
Gross Block		20,11,18,539	19,77,00,893
Less : Depreciation		<u>10,59,83,296</u>	<u>10,63,82,867</u>
Net Block		9,51,35,243	9,13,18,026
DEFERRED TAX ASSET (Note 16)		9,34,28,726	5,11,85,495
		<u>2587,74,83,705</u>	<u>2466,02,35,811</u>
Notes Forming Part of Accounts	14		
Significant Accounting Policies	15		

Schedules 1 to 15 annexed hereto form part of Accounts.
As per our report of even date attached

For Sorab S. Engineer & Co.
Chartered Accountants

CA. M. P. Antia
Partner

Keki M. Mistry
Chairman

Directors
S. M. Palia
Rohit C. Mehta
Prafull Anubhai
Renu S. Karnad
K. G. Krishnamurthy

Mumbai
April 16, 2010

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2010

	Schedule	Current Year	(Rupees) Previous Year
INCOME			
Operating Income	9	296,02,36,882	286,69,20,277
Fees and Other Charges		12,16,44,513	7,43,92,061
Profit on Sale of Fixed Assets(Net)		9,24,564	3,25,906
Bad Debts Recovered		73,58,749	1,02,84,553
Other Income		4,29,742	8,40,975
		<u>309,05,94,450</u>	<u>295,27,63,772</u>
EXPENDITURE AND CHARGES			
Interest and Other charges	10	180,20,02,950	201,18,09,759
Staff Expenses	11	12,41,15,974	10,83,87,293
Establishment Expenses	12	3,67,02,431	2,61,78,510
Other Expenses	13	7,86,85,256	6,35,11,716
Depreciation	8	1,43,49,687	96,37,571
Bad Debts Written Off		2,71,30,625	1,49,64,930
Provision for Contingencies		6,33,59,731	2,25,00,000
		<u>214,63,46,654</u>	<u>225,69,89,779</u>
		94,42,47,796	69,57,73,993
PROFIT BEFORE TAX FOR THE YEAR			
Less : - Provision for Tax			
Current Tax		29,69,05,349	20,12,41,308
Deferred Tax(Net)		(4,22,43,231)	(97,26,845)
Fringe Benefit Tax		0	15,00,000
		<u>25,46,62,118</u>	<u>19,30,14,463</u>
PROFIT AFTER TAX FOR THE YEAR			
Balance brought forward from last year		27,64,22,725	13,92,60,286
AMOUNT AVAILABLE FOR APPROPRIATION		<u>96,60,08,403</u>	<u>64,20,19,816</u>
APPROPRIATIONS :			
Special Reserve		17,50,00,000	12,00,00,000
General Reserve		6,90,00,000	5,10,00,000
Proposed Dividend		22,57,13,475	16,63,29,408
Tax on Proposed Dividend		3,74,88,187	2,82,67,683
Balance Carried to Balance Sheet		<u>45,88,06,741</u>	<u>27,64,22,725</u>
		<u>96,60,08,403</u>	<u>64,20,19,816</u>
Earning Per Share (Note 15)			
Basic		19.889	14.510
Diluted		19.847	14.510
Notes Forming Part of Accounts	14		
Significant Accounting Policies	15		

Schedules 1 to 15 annexed hereto form part of Accounts.

As per our report of even date attached

For Sorab S. Engineer & Co.
Chartered Accountants

CA. M. P. Antia
Partner

Keki M. Mistry
Chairman

Directors
S. M. Palia
Rohit C. Mehta
Prafull Anubhai
Renu S. Karnad
K. G. Krishnamurthy

Mumbai
April 16, 2010

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010
(Rupees)

	Current Year	Previous Year
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax and extraordinary items	68,95,85,678	50,27,59,530
Add : Provision for Tax	25,46,62,118	19,30,14,463
Profit before tax and extraordinary items	94,42,47,796	69,57,73,993
Adjustments for :		
Depreciation	1,43,49,687	96,37,571
Brokerage Expenses written off	65,36,130	59,71,982
Bad Debts Written off	2,71,30,625	1,49,64,930
Retirement benefits	31,82,164	41,12,761
Loss on Sale of Acquired Properties	16,46,932	12,67,097
Provision for Contingencies	5,59,90,114	1,78,39,944
Provision for Loss on Redemption of Investments	73,69,617	46,60,056
Profit on sale of Fixed Assets	(9,24,564)	(3,25,906)
Operating Profit before Working Capital Changes	105,95,28,501	75,39,02,428
Adjustments for :		
Current Assets	316,11,53,236	(278,06,74,130)
Current Liabilities	(1,41,15,962)	4,05,17,862
Brokerage paid	(45,55,526)	(93,55,613)
Stock of Acquired and/or Developed Properties	73,97,845	(1,83,53,235)
Investments (Net)	(20,67,85,865)	3,39,82,200
Cash generated from operations	400,26,22,229	(197,99,80,488)
Income Tax Paid (Net)	(27,96,72,294)	(25,15,37,622)
Net cash from Operations	372,29,49,935	(223,15,18,110)
Loans disbursed (Net)	(365,88,49,990)	(317,48,93,994)
Net cash from / (used in) Operating Activities	6,40,99,945	(540,64,12,104)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(2,11,99,188)	(1,60,73,114)
Sale of Fixed Assets	39,56,848	21,31,690
Net cash used in Investing activities	(1,72,42,340)	(1,39,41,424)
C CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital - Equity	7,31,900	42,610
Securities Premium Received	1,09,38,194	2,42,877
Securities Premium - Utilisation	(7,51,247)	(36,51,980)
Borrowings (Net)	77,96,89,682	472,11,13,540
Dividend paid	(16,53,11,852)	(13,78,13,392)
Dividend tax paid	(2,82,67,683)	(2,35,53,506)
Unclaim Dividend paid	(3,45,999)	(2,16,363)
Net cash from Financing Activities	59,66,82,995	455,61,63,786
Net increase/(decrease) in cash & cash equivalent	64,35,40,600	(86,41,89,742)
Cash and cash equivalent as at the beginning of the year	71,24,11,868	157,66,01,610
Cash and cash equivalent as at the end of the year	135,59,52,468	71,24,11,868
	64,35,40,600	(86,41,89,742)

Notes :-

1. Reconciliation of Cash and cash equivalents at the beginning of the year

Particulars	<u>Current Year</u>	<u>Previous Year</u>
Cash and cash equivalent as at the beginning of the year (as per Schedule 6)	374,88,18,375	159,55,07,534
Less : Deposits with Scheduled Banks for more than 3 months period	303,64,06,507	1,89,05,924
Cash and cash equivalent as at the beginning of the year as above	<u>71,24,11,868</u>	<u>157,66,01,610</u>

2. Reconciliation of Cash and cash equivalents at the end of the year

Particulars	<u>Current Year</u>	<u>Previous Year</u>
Cash and cash equivalent as at the end of the year (as per Schedule 6)	135,59,52,468	374,88,18,375
Less : Deposits with Scheduled Banks for more than 3 months period	0	303,64,06,507
Cash and cash equivalent as at the end of the year as above	<u>135,59,52,468</u>	<u>71,24,11,868</u>

3. Borrowings from and repayments to Banks and Financial Institutions being for the purpose of the business of housing finance, the interest expenses on the same are considered as operating activities.

4. Figures in bracket represent outflow of cash.

Schedules 1 to 15 annexed hereto form part of Accounts.
As per our report of even date attached

For Sorab S. Engineer & Co.
Chartered Accountants

CA. M. P. Antia
Partner

Keki M. Mistry
Chairman

Directors
S. M. Palia
Rohit C. Mehta
Prafull Anubhai
Renu S. Karnad
K. G. Krishnamurthy

Mumbai
April 16, 2010

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

AUDITORS' CERTIFICATE

To the Members of GRUH Finance Limited

We have verified the above Cash Flow Statement of GRUH Finance Limited, derived from the audited financial statements for the year ended March 31, 2010 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the Listing Agreements with the Stock Exchange.

For Sorab S. Engineer & Co.
Chartered Accountants

Mumbai
April 16, 2010

CA. M. P. Antia
(Partner)
Membership No. 7825

SCHEDULES : ANNEXED TO AND FORMING PART OF THE ACCOUNTS
Schedule 1 : SHARE CAPITAL

		(Rupees)	
		As At March 31, 2010	As At March 31, 2009
AUTHORISED			
5,00,00,000	Equity Shares of Rs. 10/- each (Previous Year 5,00,00,000)	50,00,00,000	50,00,00,000
		<u>50,00,00,000</u>	<u>50,00,00,000</u>
ISSUED AND SUBSCRIBED (Note 1)			
3,47,25,150	Equity Shares of Rs. 10/- each (Previous Year 3,46,51,960 Shares)	34,72,51,500	34,65,19,600
PAID - UP			
3,47,25,150	Equity Shares of Rs. 10/- each (Previous Year 3,46,51,960 Shares) (Of the above 2,13,07,785 Shares are held by Housing Development Finance Corporation Limited, the Holding Company. Previous Year 2,13,07,785)	34,72,51,500	34,65,19,600
		<u>34,72,51,500</u>	<u>34,65,19,600</u>

Schedule 2 : RESERVES AND SURPLUS

		(Rupees)	
		As At March 31, 2010	As At March 31, 2009
SPECIAL RESERVE (Note 2)			
	Opening Balance	79,71,00,000	67,71,00,000
	Add : Transfer from Profit and Loss Account	<u>17,50,00,000</u>	<u>12,00,00,000</u>
		97,21,00,000	79,71,00,000
GENERAL RESERVE			
	Opening Balance	17,32,36,808	12,22,36,808
	Add : Transfer from Profit & Loss Account	<u>6,90,00,000</u>	<u>5,10,00,000</u>
		24,22,36,808	17,32,36,808
SECURITIES PREMIUM			
	Opening Balance	61,54,23,438	61,75,91,233
	Add : Received during the year	1,09,38,194	2,42,877
	Less : Utilised during the year (Net of tax Rs. 2,55,349 (Previous Year Rs. 12,41,308))	<u>4,95,898</u>	<u>24,10,672</u>
		62,58,65,734	61,54,23,438
BALANCE IN PROFIT AND LOSS ACCOUNT		<u>45,88,06,741</u>	<u>27,64,22,725</u>
		<u>229,90,09,283</u>	<u>186,21,82,971</u>

Schedule 3 : LOAN FUNDS
(Rupees)

		As At March 31, 2010	As At March 31, 2009
LOANS			
SECURED (Note 3)			
National Housing Bank	968,82,67,031		1072,47,17,000
Banks	900,00,00,000		757,50,00,000
Redeemable Non-Convertible Debentures	<u>135,00,00,000</u>		<u>125,00,00,000</u>
		2003,82,67,031	<u>1954,97,17,000</u>
UNSECURED (Note 4)			
Redeemable Non-Convertible Subordinated Debentures	40,00,00,000		40,00,00,000
Deposits (Note 9)			
Public Deposits	278,95,77,764		249,84,38,269
Interest Accrued and Due	<u>33,78,127</u>		<u>33,77,971</u>
	<u>279,29,55,891</u>	319,29,55,891	<u>250,18,16,240</u>
		<u>2323,12,22,922</u>	<u>290,18,16,240</u>
			<u>2245,15,33,240</u>

Schedule 4 : LOANS
(Rupees)

		As At March 31, 2010	As At March 31, 2009
LOANS (Notes 5 to 7)			
Home Loans			
Individuals	2228,49,30,425		1882,71,97,638
Others	<u>29,57,30,492</u>		<u>32,02,89,102</u>
		2258,06,60,917	<u>1914,74,86,740</u>
Other Loans			
Individuals	149,12,83,050		129,89,06,345
Others	<u>46,50,43,514</u>		<u>46,79,19,808</u>
		195,63,26,564	<u>176,68,26,153</u>
		<u>2453,69,87,481</u>	<u>2091,43,12,893</u>

Schedule 5 : INVESTMENTS

	(Rupees)	
	As At March 31, 2010	As At March 31, 2009
Long Term Investments (At Cost)		
Government Securities	32,24,74,738	11,57,06,673
Debentures & Bonds	2,46,03,075	2,46,03,075
Equity Shares	15,000	15,000
	<u>34,70,92,813</u>	<u>14,03,24,748</u>
Less : Provision for Loss to arise on redemption of Investments	1,98,97,302	1,25,45,485
	<u>32,71,95,511</u>	<u>12,77,79,263</u>
	<u>Book Value</u>	<u>Market Value</u>
Aggregate of Quoted Investments	34,70,77,813	33,75,84,663
Previous Year	(14,03,09,748)	(13,29,40,448)
Aggregate of Unquoted Investments	15,000	
Previous Year	(15,000)	
	<u>34,70,92,813</u>	
Previous Year	<u>(14,03,24,748)</u>	

Notes :

- (1) The above Investments of Rs. 34,70,77,813/- (Previous Year Rs. 14,03,09,748/-) are made in Statutory Liquid Assets in accordance with the norms prescribed by the National Housing Bank.
- (2) In case of quoted investments, where quotes are not available, book value has been considered as market value.

	(Rupees)	
	As At March 31, 2010	As At March 31, 2009
Government Securities		
8.07 % Government of India Loan 2017	5,68,01,000	5,68,01,000
12.40 % Government of India Loan 2013	3,23,64,500	3,23,64,500
11.50 % Government of India Loan 2011 (Purchased during the year)	14,82,84,000	0
11.50 % Government of India Loan 2010	1,22,60,000	1,22,60,000
12.00 % Andhra Pradesh State Development Loan 2010 (Purchased during the year)	49,17,960	0
12.00 % Gujarat State Development Loan 2011	1,15,06,890	1,15,06,890
12.00 % Gujarat State Development Loan 2010	17,56,483	17,56,483
11.50 % Gujarat State Development Loan 2010 (Purchased during the year)	2,12,50,000	0
11.50 % Karnataka State Development Loan 2010 (Purchased during the year)	2,12,50,000	0
10.35 % Maharashtra State Development Loan 2011 (Purchased during the year)	84,92,500	0
12.00 % Maharashtra State Development Loan 2010 (Purchased during the year)	35,91,405	0
11.50 % Tamilnadu State Development Loan 2009 (Matured during the year)	0	10,17,800
	<u>32,24,74,738</u>	<u>11,57,06,673</u>

Bonds (Redeemable)

	No. of Bonds	Face Value Per Bond(Rs.)	As At March 31, 2010	As At March 31, 2009
11.50 % National Housing Bank	205	1,00,000	<u>2,46,03,075</u>	<u>2,46,03,075</u>
			<u>2,46,03,075</u>	<u>2,46,03,075</u>

Equity Shares

	No. of Shares	Face Value Per Share(Rs.)	As At March 31, 2010	As At March 31, 2009
Hunnar Shaala Foundation for Building Technology and Innovations	1500	10	<u>15,000</u>	<u>15,000</u>
			<u>15,000</u>	<u>15,000</u>

Schedule 6 : CURRENT ASSETS, LOANS AND ADVANCES

(Rupees)

	<u>As At March 31, 2010</u>	<u>As At March 31, 2009</u>
CURRENT ASSETS		
Income Accrued on Investments	72,34,338	33,61,249
Interest Accrued on Deposits	68,493	2,67,12,424
Cash and Bank Balances :		
Cash on Hand	2,62,860	2,62,646
Cheques on Hand	2,84,97,429	1,28,36,344
Balance with Scheduled Banks :		
Current Accounts	15,71,92,179	12,59,72,878
Deposit Accounts	<u>117,00,00,000</u>	<u>360,97,46,507</u>
	135,59,52,468	374,88,18,375
LOANS AND ADVANCES (Note 8)		
Instalments due from Borrowers (Secured)	9,25,78,853	14,09,19,050
Advances recoverable in cash or in kind or for value to be received	<u>16,83,30,258</u>	<u>24,09,24,258</u>
	<u>26,09,09,111</u>	<u>38,18,43,308</u>
	<u>162,41,64,410</u>	<u>416,07,35,356</u>

Schedule 7 : CURRENT LIABILITIES AND PROVISIONS

(Rupees)

	<u>As At March 31, 2010</u>	<u>As At March 31, 2009</u>
CURRENT LIABILITIES		
Interest Accrued but not Due	13,17,61,447	18,39,18,122
Sundry Creditors (Note 20)	85,78,953	72,28,672
Instalments Received in Advance	1,75,74,594	1,17,09,672
Unpaid Dividend (Note 9)	40,56,741	33,85,184
Book Overdraft	0	6,27,681
Other Liabilities	11,38,27,858	7,06,94,993
PROVISIONS		
Proposed Dividend	22,57,13,475	16,63,29,408
Provision for Retirement Benefits	1,87,38,404	1,80,15,410
Provision for Contingencies	<u>27,91,76,194</u>	<u>22,31,86,080</u>
	<u>79,94,27,666</u>	<u>68,50,95,222</u>

Schedule 8 : FIXED ASSETS
(Rupees)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As At 1-Apr-09	Additions	Deductions	As At 31-Mar-10	As At 1-Apr-09	Additions	Deductions	As At 31-Mar-10	As At 31-Mar-10	As At 31-Mar-09
Tangible Assets										
Freehold Land	96,63,515	0	0	96,63,515	0	0	0	0	96,63,515	96,63,515
Office Building	4,85,13,910	0	0	4,85,13,910	92,32,293	7,90,777	0	1,00,23,070	3,84,90,840	3,92,81,617
Residential Flat	45,67,287	0	19,93,432	25,73,855	9,24,463	50,288	3,88,709	5,86,042	19,87,813	36,42,824
Furniture & Fixture	4,90,20,439	53,56,423	15,95,372	5,27,81,490	3,35,34,265	47,16,304	13,88,353	3,68,62,216	1,59,19,274	1,54,86,174
Office Equipment	1,96,05,738	24,11,302	30,79,238	1,89,37,802	1,02,38,186	16,71,236	24,96,078	94,13,344	95,24,458	93,67,552
Electrical Installation	76,59,408	5,60,600	0	82,20,008	58,77,216	3,25,745	0	62,02,961	20,17,047	17,82,192
Computers	4,44,61,576	60,93,646	1,11,13,500	3,94,41,722	3,52,36,828	55,01,570	1,04,76,118	3,02,62,280	91,79,442	92,24,748
Vehicles	6,75,547	0	0	6,75,547	3,09,746	1,41,761	0	4,51,507	2,24,040	3,65,801
Intangible Assets										
Computer Software	1,35,33,473	67,77,217	0	2,03,10,690	1,10,29,870	11,52,006	0	1,21,81,876	81,28,814	25,03,603
As At 31-Mar-10	19,77,00,893	2,11,99,188	1,77,81,542	20,11,18,539	10,63,82,867	1,43,49,687	1,47,49,258	10,59,83,296	9,51,35,243	9,13,18,026
As At 31-Mar-09	18,93,40,775	1,60,73,114	77,12,996	19,77,00,893	10,26,52,508	96,37,571	59,07,212	10,63,82,867	9,13,18,026	

Schedule 9 : OPERATING INCOME (Note 10)
(Rupees)

	Current Year	Previous Year
Interest on Loans (Tax Deducted at Source Rs. 1,60,73,374/-) (Previous year Rs. 1,95,91,306/-)	275,82,30,283	261,80,90,610
Other Operating Income (Tax Deducted at Source Rs. 2,69,66,214/-) (Previous year Rs. 3,78,02,890/-)	20,20,06,599	24,88,29,667
	<u>296,02,36,882</u>	<u>286,69,20,277</u>

Schedule 10 : INTEREST AND OTHER CHARGES
(Rupees)

	Current Year	Previous Year
INTEREST		
Loans	132,36,79,897	118,47,33,950
Non-Convertible Debentures	7,43,61,098	23,21,30,061
Commercial Papers	12,13,00,850	36,80,43,185
Deposits	25,89,06,361	20,35,02,973
OTHER CHARGES		
Brokerage on Deposits	1,00,55,280	1,12,16,631
Bank Charges	78,95,193	88,04,450
Other Financial Charges	58,04,271	33,78,509
	<u>180,20,02,950</u>	<u>201,18,09,759</u>

Schedule 11 : STAFF EXPENSES
(Rupees)

	Current Year	Previous Year
Salaries and Bonus (Note 11)	10,70,55,433	9,24,43,858
Contribution to Provident Fund and other funds	1,06,57,730	1,10,29,423
Staff Welfare Expenses	38,39,344	33,27,151
Staff Training and Recruitment Expenses	25,63,467	15,86,861
	<u>12,41,15,974</u>	<u>10,83,87,293</u>

Schedule 12 : ESTABLISHMENT EXPENSES

	(Rupees)	
	<u>Current Year</u>	<u>Previous Year</u>
Rent	1,68,97,758	1,25,03,060
Rates & Taxes	14,41,847	8,39,652
Electricity Charges	40,64,660	33,61,637
Repairs and Maintenance	54,15,917	32,21,363
Office Maintenance	77,66,077	52,98,941
Insurance Charges	11,16,172	9,53,857
	<u>3,67,02,431</u>	<u>2,61,78,510</u>

Schedule 13 : OTHER EXPENSES

	(Rupees)	
	<u>Current Year</u>	<u>Previous Year</u>
Travelling and Conveyance	1,20,24,533	1,18,63,468
Printing and Stationery	78,14,972	74,67,462
Postage, Telephone and Fax	1,50,07,035	1,45,27,529
Advertising & Business Promotion	1,95,87,503	1,14,32,616
Legal and Professional Charges	80,97,743	70,13,685
Directors' Fees	7,70,000	7,20,000
Auditors' Remuneration (Note 19)	15,85,786	9,75,070
Miscellaneous Expenses (Note 21)	1,37,97,684	95,11,886
	<u>7,86,85,256</u>	<u>6,35,11,716</u>

GRUH FINANCE LIMITED

SCHEDULE 14 : NOTES FORMING PART OF THE ACCOUNTS

1. During the year, the Company has issued 69,292 and 3,898 (Previous Year Nil and 4,261) shares on exercise of Options granted to its employees and directors under ESOS Scheme – 2007 and 2005 respectively.
2. As per Section 29C(i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profits every year to a reserve before any dividend is declared. For this purpose any Special Reserve created by the Company under Section 36(1)(viii) of the Income-tax Act, 1961 is considered to be an eligible transfer. The Company has transferred an amount of Rs. 17.50 Crores (Previous Year Rs. 12 Crores) to Special Reserve in terms of Section 36(1)(viii) of the Income Tax Act, 1961. Company doesn't anticipate any withdrawal from Special Reserve in foreseeable future.
3. Secured Loans :
 - (a) Refinance from National Housing Bank (NHB) and Term Loans from Banks are secured against negative lien on all the assets of the Company excluding
 - i. The specific immovable property mortgaged in favour of Debenture Trustees against the Secured Redeemable Non-Convertible Debentures; and
 - ii. The Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against the Public Deposits.
 - (b) Redeemable Non-Convertible Debentures amounting to Rs. 135 Crores are secured by mortgage of specific immovable property created in favour of Debenture Trustees and by a negative lien on the assets of the Company excluding the Statutory Liquid Assets having floating charge in favour of the Public Deposit Trustees against the Public Deposits. These NCD's are redeemable at par in one or more instalments, on various dates, with the earliest redemption date being November 19, 2014 and the last being December 3, 2014.
4. Unsecured Loans :
 - (a) Redeemable Non-Convertible Subordinated Debentures of Rs. 40 Crores are subordinated debt to present and future senior indebtedness of the Company and qualify as Tier II Capital under National Housing Bank's (NHB's) guidelines for assessing capital adequacy. These NCD's are redeemable at par on February 13, 2013.
 - (b) The maximum amount of Commercial Paper outstanding at any time during the year was Rs. 500 Crores (Previous Year Rs. 500 Crores). As at March 31, 2010 there were no Commercial Paper outstanding.
 - (c) Public Deposits include Rs. 107,22,08,642/- (Previous Year Rs. 77,75,04,557/-) due within one year. The Public Deposits are secured by floating charge on the Statutory Liquid Assets.
5. Loans granted by the Company are secured or partly secured by :
 - (a) Equitable mortgage of property and / or
 - (b) Pledge of Shares, Units, Other Securities, Assignments of Life Insurance Policies and / or
 - (c) Hypothecation of assets and / or
 - (d) Bank Guarantees, Company Guarantees or Personal Guarantees and / or
 - (e) Undertaking to create a security.
6. (a) The Company has complied with the norms prescribed under Housing Finance Companies (NHB) Directions, 2001 for recognising Non-Performing Assets (NPA) in preparation of Accounts. As per the norms, NPA's are recognised on the basis of 90 days overdue. NPA's are to be treated as Bad & Doubtful, if they remain outstanding for more than 15 months. The Company has made adequate provisions on Non-Performing Assets and Standard Assets in respect of Housing and Non Housing Loans as prescribed under Housing Finance Companies (NHB) Directions, 2001.

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

(b) Classification of loans and provision made for Non-Performing Loan Assets is given below :

(Rupees)

Particulars	Standard	Sub – Standard	Bad & Doubtful	Total
As on March 31, 2010				
Home Loans				
Individual	2202,67,51,570	14,99,03,468	10,82,75,387	2228,49,30,425
Others	29,57,30,492	0	0	29,57,30,492
Other Loans				
Individual	147,80,58,118	1,22,27,052	9,97,880	149,12,83,050
Others	46,50,43,514	0	0	46,50,43,514
Total	2426,55,83,694	16,21,30,520	10,92,73,267	2453,69,87,481
Percentage (%)	98.89	0.66	0.45	100
Provision				
As on March 31, 2009	2,63,65,175	10,85,34,616	8,82,86,289	22,31,86,080
Provided during the year	(1,85,92,768)	5,35,95,904	2,09,86,978	5,59,90,114
Total as on March 31, 2010	77,72,407	16,21,30,520	10,92,73,267	27,91,76,194
Net NPA				0
Net NPA as a % of Loan Assets				0

Particulars	Standard	Sub – Standard	Bad & Doubtful	Total
As on March 31, 2009				
Home Loans				
Individual	1863,48,81,715	10,55,80,103	8,67,35,820	1882,71,97,638
Others	32,02,89,102	0	0	32,02,89,102
Other Loans				
Individual	129,44,01,363	29,54,513	15,50,469	129,89,06,345
Others	46,79,19,808	0	0	46,79,19,808
Total	2071,74,91,988	10,85,34,616	8,82,86,289	2091,43,12,893
Percentage (%)	99.06	0.52	0.42	100
Provision				
As on March 31, 2008	78,74,661	10,72,47,727	9,02,23,748	20,53,46,136
Provided during the year	1,84,90,514	12,86,889	(19,37,459)	1,78,39,944
Total as on March 31, 2009	2,63,65,175	10,85,34,616	8,82,86,289	22,31,86,080
Net NPA				0
Net NPA as a % of Loan Assets				0

7. Loans include Rs. 4,91,92,175/- (Previous Year Rs. 5,82,36,952/-) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

8. (a) The instalments due from borrowers includes Rs. 7,25,02,076/- (Previous Year Rs. 8,14,87,042/-) which are accrued but not due.
- (b) Advances recoverable in cash or kind include Advance Tax of Rs. 108,81,92,341/- (Previous Year Rs. 80,85,20,047) after adjusting Rs. 98,56,10,063/- (Previous Year Rs. 68,89,60,063/-) towards Provision for Taxation.
9. As required under Section 205C of the Companies Act, 1956 the Company has transferred Rs. 4,92,002/- (Previous Year Rs. 4,32,900/-) to the Investor Education and Protection Fund (IEPF) during the year.
10. (a) Interest on loans includes income from home loans Rs. 247,83,46,013/- (Previous Year Rs. 229,78,70,905/-) and Income from other loans Rs. 27,98,84,270/- (Previous Year Rs. 32,02,19,705/-).
- (b) Other Operating Income includes Interest on Bank Deposit Rs. 19,49,05,130/- (Previous Year Rs. 16,92,84,257/-), Dividend from Mutual Funds Rs. 1,59,29,648/- (Previous Year Rs. 3,44,63,250/-), Income from Long Term Investments amounting to Rs. 2,03,57,010/- (Previous Year Rs. 1,55,32,166/-) and Income on Sold Loans Rs. (3,48,04,675/-) (Previous Year Rs. 2,72,17,313/-).
11. In compliance with the Accounting Standard on 'Employee Benefits' (AS 15) (Revised 2005) notified by Companies (Accounting Standards) Rules, 2006 the following disclosures have been made :

a) Defined Contribution Plans

The Company has recognised the following amounts in the Profit and Loss Account which are included under Contribution to Provident Fund and Other Funds :

Particulars	Current Year Rupees	Previous Year Rupees
Provident Fund	25,64,985	19,74,047
Superannuation Fund	27,97,262	14,58,939

The Rules of the Company's Provident Fund administered by a Trust require that if the Board of the Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

b) State Plans

The Company has recognised Rs. 17,99,242/- (Previous Year Rs. 16,41,193/-) in the Profit and Loss Account for Contribution to State Plan namely Employee's Pension Scheme.

c) Defined Benefit Plans

i) Leave Encashment/Compensated Absences :

Salaries and Bonus includes Rs. 31,82,164/- (Previous Year Rs. 41,12,761/-) towards provision made as per actuarial valuation in respect of accumulated leave salary encashable on retirement.

ii) Contribution to Gratuity Fund :

The details of the Company's post-retirement benefit plans for its employees including the Managing Director are given below which is certified by the actuary and relied upon by the auditors :

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

Particulars	Current Year Rupees	Previous Year Rupees
Change in the Benefit Obligations :		
Liability at the beginning of the year	1,55,85,003	93,27,753
Current Service Cost	23,32,875	18,54,715
Interest Cost	12,68,619	7,08,909
Benefits Paid	(2,798)	(2,44,431)
Actuarial loss	11,48,819	39,38,057
Liability at the end of the year	2,03,32,518	1,55,85,003
Fair Value of Plan Assets :		
Fair Value of Plan Assets at the beginning of the year	96,85,494	66,37,540
Expected Return on Plan Assets	11,96,507	7,34,537
Contributions	58,99,509	26,90,213
Benefits Paid	(2,798)	(2,44,431)
Actuarial gain/(loss) on Plan Assets	1,24,849	(1,32,365)
Fair Value on Plan Assets at the end of the year	1,69,03,561	96,85,494
Total Actuarial loss to be recognized	10,23,970	(40,70,422)
Actual Return on Plan Assets :		
Expected Return on Plan Assets	11,96,507	7,34,537
Actuarial loss on Plan Assets	1,24,849	(1,32,365)
Actuarial Return on Plan Assets	13,21,356	6,02,172
Amount Recognized in the Balance Sheet :		
Liability at the end of the year	2,03,32,518	1,55,85,003
Fair Value of Plan Assets at the end of the year	1,69,03,561	96,85,494
Amount recognized in the Balance Sheet under "Provision for Retirement Benefit"	34,28,957	58,99,509
Expense Recognized in the Profit and Loss Account :		
Current Service Cost	23,32,875	18,54,715
Interest Cost	12,68,619	7,08,909
Expected Return on Plan Assets	(11,96,507)	(7,34,537)
Net Actuarial loss to be recognized	10,23,970	40,70,422
Expense recognized in the Profit and Loss Account under "Staff Expenses"	34,28,957	58,99,509
Reconciliation of the Liability Recognized in the Balance Sheet :		
Opening Net Liability	58,99,509	26,90,213
Expense Recognized	34,28,957	58,99,509
Contribution by the Company	(58,99,509)	(26,90,213)
Amount recognized in the Balance Sheet under "Provision for Retirement Benefits"	34,28,957	58,99,509

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

INVESTMENT PATTERN :

Particulars	% Invested Current Year	% Invested Previous Year
Central Government Securities	27.27	23.80
State Government Securities / Securities guaranteed by State / Central Government	34.57	21.32
Public Sector / Financial Institutional Bonds	31.35	47.83
Special Deposit Scheme	0.70	1.22
Others (including bank balances)	6.11	5.83
Total	100.00	100.00

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted averages) :

Particulars	31.3.2010	31.3.2009	31.3.2008
Discount Rate (%)	8.14	7.60	8.25
Expected Return on Plan Assets (%)	9.00	9.00	9.00
Proportion of employees opting for early retirement	-	-	-
Annual increase in Salary Cost (%)	6.00	6.00	6.00
Future changes in maximum state health care benefits	-	-	-

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amount for the current and previous periods are as follows :

Particulars	31.3.2010	31.3.2009	31.3.2008
Present value of Defined Benefit Obligation	2,03,32,518	1,55,85,003	93,27,753
Fair Value of Plan Assets	1,69,03,561	96,85,494	66,37,540
Surplus/(Deficit) in the Plan	(34,28,957)	(58,99,509)	(26,90,213)
Experience adjustments on plan liabilities (loss)/gain	11,16,715	(10,02,975)	-
Experience adjustments on plan assets (loss)/gain	-	-	-

12. The Company has disputed demands of Rs. 12,72,09,365/- (Previous Year Rs. 11,07,56,815/-) in respect of Income Tax, Fringe Benefit Tax and Interest Tax in the appellate proceedings. The Company expects to succeed in these proceedings and hence no additional provision is considered necessary.
13. In the opinion of the Company, there is only one identified reportable segment i.e. Housing Finance Business Segment for the purpose of Accounting Standard on 'Segment Reporting' (AS 17) notified by Companies (Accounting Standards) Rules, 2006.

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

14. Consequent to the Accounting Standard on 'Related Party Disclosure' (AS 18) notified by Companies (Accounting Standards) Rules, 2006 following persons will be considered as related persons for the period ended as on March 31, 2010 :

Sr. No.	Name of the Related Party	Nature of Relationship
(i)	Housing Development Finance Corporation Limited (HDFC)	Holding Company
(ii)	HDFC Developers Limited	Fellow Subsidiary
(iii)	HDFC Investments Limited	Fellow Subsidiary
(iv)	HDFC Holdings Limited	Fellow Subsidiary
(v)	HDFC Asset Management Co. Limited	Fellow Subsidiary
(vi)	HDFC Trustee Co. Limited	Fellow Subsidiary
(vii)	HDFC Standard Life Insurance Co. Limited	Fellow Subsidiary
(viii)	HDFC Realty Limited	Fellow Subsidiary
(ix)	HDFC ERGO General Insurance Co. Limited	Fellow Subsidiary
(x)	HDFC Sales Private Limited	Fellow Subsidiary
(xi)	HDFC Ventures Trustee Company Limited	Fellow Subsidiary
(xii)	HDFC Property Ventures Ltd.	Fellow Subsidiary
(xiii)	HDFC Ventures Capital Limited	Fellow Subsidiary
(xiv)	HDFC Asset Management Company (Singapore) PTE Ltd.	Fellow Subsidiary
(xv)	GRIHA Investments	Fellow Subsidiary
(xvi)	Mr. Sudhin Choksey, Managing Director	Key Management Personnel

(Related party relationships are as identified by the Company and relied upon by the auditors.)

The nature and volume of transactions of the Company during the year with the above-related parties were as follows :

2009-2010			(Rupees)
Particulars	Holding Company	Fellow Subsidiary Companies	Key Management Personnel
Commission Received	Nil	4,25,121	Nil
Dividend Paid	10,22,77,368	Nil	Nil
Remuneration	Nil	Nil	86,48,000
Purchase(Buy Back) of Home Loans	22,24,29,942	Nil	Nil
Insurance Premium Paid	Nil	4,08,110	Nil
Exercise of Stock Options	Nil	Nil	37,04,625
Balance as on March 31, 2010			
Account Payable	Nil	Nil	Nil
Account Receivable	Nil	Nil	Nil

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

2008-2009			(Rupees)
Particulars	Holding Company	Fellow Subsidiary Companies	Key Management Personnel
Commission Received	Nil	12,70,588	Nil
Dividend Paid	8,52,31,140	Nil	Nil
Remuneration	Nil	Nil	74,42,000
Purchase(Buy Back) of Home Loans	30,84,419	Nil	Nil
Repayment of Loan	Nil	Nil	2,48,589
Interest Income	Nil	Nil	3,315
Balance as on March 31, 2009			
Account Payable	Nil	Nil	Nil
Account Receivable	Nil	Nil	Nil

15. In accordance with the Accounting Standard on 'Earning Per Share' (AS 20) notified by the Companies (Accounting Standards) Rules, 2006, the EPS are as follows :

a) The Earning Per Share (EPS) is calculated as follows :

Particulars	(Rupees)	
	2009-10	2008-09
(i) Net profit attributable to Equity Share Holders	68,95,85,678	50,27,59,530
(ii) Weighted Average number of shares for computation of Basic Earning Per Share	3,46,71,607	3,46,49,660
(iii) Nominal Value of Equity Shares	10/-	10/-
(iv) EPS - Basic	19.889	14.510
(v) EPS - Diluted	19.847	14.510

b) The Basic Earning Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares for the respective periods. The weighted average number of shares have been derived as follows :

i. For the year 2009-10 :

Particulars	No. of Shares	Days
(i) Equity Shares at the beginning of the year	3,46,51,960	135
(ii) Allotment of shares under ESOS-2005 & 2007	73,190	230
(iii) Weighted Average number of shares for computation of Basic Earning Per Share	3,46,71,607	

ii. For the year 2008-09 :

Particulars	No. of Shares	Days
(i) Equity Shares at the beginning of the year	3,46,47,699	197
(ii) Allotment of shares under ESOS-2005	4,261	168
(iii) Weighted Average number of shares for computation of Basic Earning Per Share	3,46,49,660	

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

- c) The Diluted Earning Per Share have been computed by dividing the Profit After Tax by the weighted average number of equity shares, after giving dilute effect of outstanding Stock Options for the respective periods. The relevant details are as follows :

Particulars	2009-10	2008-09
(i) Weighted Average number of shares for computation of Basic Earning Per Share	3,46,71,607	3,46,49,660
(ii) Dilute effect of outstanding Stock Options	74,110	Nil
(iii) Weighted Average number of shares for computation of Diluted Earning Per Share	3,47,45,717	3,46,49,660

16. In accordance with Accounting Standard on 'Accounting for Taxes on Income' (AS 22) notified by Companies (Accounting Standards) Rules, 2006 the Company is accounting for deferred tax. The Company has taken credit of Rs. 4,22,43,231/- (Previous Year Rs. 97,26,845/-) in the Profit & Loss Account for the year ended March 31, 2010 towards deferred tax asset (net) for the year, arising on account of timing differences.

The Break up of deferred tax asset / liability as on March 31, is as follows :

Description	(Rupees)	
	2010	2009
(A) Deferred Tax Liability		
Depreciation	87,05,974	96,72,820
Sale of Home Loans	0	1,51,13,173
Other Provisions	39,82,320	77,75,973
Total (A)	<u>1,26,88,294</u>	<u>3,25,61,966</u>
(B) Deferred Tax Asset		
Provision for NPA	9,48,91,988	7,58,60,949
Other Provisions	1,12,25,032	78,86,511
Total (B)	<u>10,61,17,020</u>	<u>8,37,47,460</u>
Net (Asset) / Liability	<u>(9,34,28,726)</u>	<u>(5,11,85,495)</u>

17. Employee Share Based Payment

- a) As on March 31, 2010 the Company has the following Employee Stock Option Scheme, the features of the same are as follows :

Scheme	ESOS - 2007
Date of Grant	November 20, 2007
Number of options granted	7,94,979
Exercise Price per option	Rs. 164.65
Date of vesting	The vesting will be as under : 30% on November 20, 2008 35% on November 20, 2009 35% on November 20, 2010
Exercise Period	Within 3 years from the date of respective vesting.
Method of settlement	Through allotment of one Equity Share for each option granted.

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)

b) Intrinsic Value Method has been used to account for the employee share based payment plans. The intrinsic value of each stock option granted under the ESOS – 2007 plan is Rs. Nil since the market price of the underlying share at the grant date was same as the exercise price and consequently the accounting value of the option (compensation cost) is Rs. Nil.

c) Further details of the stock option plans is as follows :

Particulars	ESOS – 2005	ESOS – 2007
Options Outstanding at start of year	9,808	2,85,000
Options not vested at the start of year	Nil	4,55,000
Options Lapsed during the year	5,910	57,800
Options Exercised during the year	3,898	69,292
Options vested but not exercised at end of year	Nil	4,05,638
Options not vested at end of year	Nil	2,07,270
Weighted Average Exercise Price per Option	Rs. 67	Rs. 164.65

d) The Black-Scholes-Mertons Option Pricing Model have been used to derive the estimated value of stock option granted if the fair value method to account for the employee share based payment plans were to be used. The estimated value of each stock options and the parameters used for deriving the estimated value of Stock Option granted under Black-Scholes-Mertons Option Pricing Model is as follows:

Particulars	ESOS – 2007 Vesting on November 20, 2008	ESOS – 2007 Vesting on November 20, 2009	ESOS – 2007 Vesting on November 20, 2010
Estimated Value of Stock Options (Rs.)	17.00	24.00	26.00
Share Price at Grant Date (Rs.)	164.65	164.65	164.65
Exercise Price (Rs.)	164.65	164.65	164.65
Expected Volatility (%)	25.00	25.00	25.00
Dividend Yield Rate (%)	3.75	4.75	6.25
Expected Life of Options (in days)	324	690	1055
Risk Free Rate of Interest (%)	7.50	7.61	7.66

e) Had the compensation cost for the stock options granted under ESOS – 2007 been determined on fair value approach, the Company's net profit and earning per share would have been as pro forma amounts indicated below :

Particulars	2009-10	2008-09
Net Profit After Tax as reported	68,95,85,678	50,27,59,530
Less : Amortisation of Compensation Cost (pro forma)	34,11,516	74,53,576
Net profit considered for computing EPS (pro forma)	68,61,74,162	49,53,05,954
Earning Per Share - (Basic)		
- as reported	19.889	14.510
- pro forma	19.791	14.295
Earning Per Share - (Diluted)		
- as reported	19.847	14.510
- pro forma	19.748	14.295

Schedule 14 : NOTES FORMING PART OF THE ACCOUNTS (Continued)
18. Managerial Remuneration :

Particulars	(Rupees)	
	2009-10	2008-09
Salary and Allowances	24,00,000	21,00,000
Contribution to Provident Fund and Superannuation Fund	6,48,000	5,67,000
Leave Encashment	2,00,000	1,75,000
Perquisites	24,00,000	21,00,000
Ex-Gratia	30,00,000	25,00,000
	<u>86,48,000</u>	<u>74,42,000</u>

The above remuneration is excluding Contribution to the Gratuity Fund of Rs. 6,79,256/- (Previous Year Rs. 16,95,542/-)

19. During the year Auditors have been paid remuneration of Rs. 15,85,786/- (Previous Year Rs. 9,75,070/-). Brief details of remuneration paid to them are as follows :

Particulars	(Rupees)	
	2009-10	2008-09
Audit Fees	8,00,000	4,00,000
Tax Audit Fees	1,60,000	1,20,000
Other Certification Work	4,16,001	4,14,500
Reimbursement of Expenses	2,09,785	40,570
	<u>15,85,786</u>	<u>9,75,070</u>

20. Sundry Creditors include Rs. Nil (Previous Year Rs. Nil) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / payable by the Company during the year to the "Supplier" covered under the Micro, Small and Medium Enterprise Development Act, 2006.

21. Miscellaneous Expenses includes Expenses for Recovery Rs. 78,25,257/- (Previous Year Rs. 70,08,536/-), Expenses on Statutory Advertisement of Rs. 12,04,338/- (Previous Year Rs. 9,43,611/-) and Loss on Sale of Acquired Properties Rs. 16,46,932/- (Previous Year Rs. 12,67,097/-).

22. Amount remitted during the year in foreign currency on account of dividend :

Particulars	2009-10	2008-09
i) Number of Non-resident Shareholders	1	1
ii) Number of shares held by them	1,25,000	1,25,000
iii) Year to which dividend relates	2008-09	2007-08
iv) Amount remitted (Rs.)	6,00,000	5,00,000

23. There are no indications which reflect that any of the assets of the Company had got impaired from its potential use and therefore no impairment loss was required to be accounted in the current year as per Accounting Standard on 'Impairment of Assets' (AS 28) notified by Companies (Accounting Standards) Rules, 2006.

24. Figures for the Previous Year have been re-grouped or recast wherever necessary.

Schedule 15 : ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The Financial Statements have been prepared in accordance with historical cost convention, applicable Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956 and guidelines issued by the National Housing Bank.

The preparation of Financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

2. SYSTEM OF ACCOUNTING

The Company adopts the accrual concept in the preparation of the accounts. The Balance Sheet and the Profit and Loss Account of the Company are prepared in accordance with the provisions contained in section 211 of the Companies Act, 1956, read with Schedule VI thereto.

3. INFLATION

Assets and Liabilities are recorded at historical cost to the Company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

4. INTEREST ON HOUSING LOANS

Repayments of housing loans is by way of Equated Monthly Instalments (EMIs) / Equated Half-yearly Instalments (EHYIs) comprising principal and interest. Interest on loans is computed either on an annual rest or on a monthly rest basis. EMIs / EHYIs commence once the entire loan is disbursed. Pending commencement of EMIs / EHYIs, Pre-EMI interest is payable every month.

5. SURPLUS ON SALE/ TRANSFER/ ASSIGNMENT OF LOANS

The surplus arising as the difference between the EMIs recoverable on the individual home loans sold/ transferred/ assigned and amounts payable to the purchaser of such home loans over the tenure of the loan is being recognised by way of surplus since risks and rewards of ownership of loan have been assigned on sale / transfer / assignment of loans. However, depending on the terms of such individual home loans, the Company sets aside part of the surplus to Contingencies for Loans Sold. During each subsequent year the Contingencies on Sold Loans is adjusted to recognise the balance surplus depending on the remaining tenure and outstanding loan amount after considering prepayments, if any received during the year.

6. INCOME FROM INVESTMENT

Income from investment is accounted on an accrual basis. The gain/loss on account of investments in debentures/ bonds and government securities held as long-term investments and acquired at a discount/premium, is recognised over the life of the security on a pro-rata basis.

7. INVESTMENTS

Investments are stated at cost inclusive of related expenses and are classified into Current or Long Term categories. Provision for diminution in value of investments is made if management perceives that there is significant permanent diminution in value of investments or in accordance with the norms prescribed by the National Housing Bank and Accounting Standards on 'Accounting for Investments' (AS 13) notified by Companies (Accounting Standards) Rules, 2006.

8. BROKERAGE ON DEPOSIT

Brokerage, other than incentives, paid on deposits is amortised over the period of the deposit. Incentives, which is payable to agents who achieve certain collection targets, is charged to the Profit and Loss Account.

Schedule 15 : ACCOUNTING POLICIES

9. STOCK OF ACQUIRED AND/OR DEVELOPED PROPERTIES

Stock of acquired and/or developed properties is valued at realisable value or outstanding dues, whichever is less. In case of properties acquired and developed, the value includes appropriate share of development expenses.

10. TAX ON INCOME

The accounting treatment for the Income Tax in respect of the Company's income is based on the Accounting Standards on 'Accounting for Taxes on Income' (AS 22) notified by the Companies (Accounting Standards) Rules, 2006. The provision made for Income Tax in Accounts comprises of both, the current tax and deferred tax.

Deferred tax is recognised for all timing differences, being the differences between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. The carrying amount of deferred tax asset/liability is reviewed at each Balance Sheet date and consequential adjustments are carried out.

11. FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of legal and/or installation expenses.

12. INTANGIBLE ASSETS

Intangible Assets comprising of Computer Software are stated at cost of acquisition, including any cost attributable for bringing the same in its working condition less accumulated amortization. Any expenses on such software for support and maintenance payable annually are charged to revenue.

13. DEPRECIATION

FIXED ASSETS :

- i) Depreciation is provided on all assets except office premises and residential premises on "Written Down Value Method" under section 205(2)(a) at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956.
- ii) Depreciation on office premises and residential premises is provided on "Straight Line Method" under section 205(2)(b) at the rates and in the manner prescribed under schedule XIV of the Companies Act, 1956.

INTANGIBLE ASSETS :

Computer software is amortised over a period of four years on Straight Line Basis.

14. PROVISION FOR CONTINGENCIES

The Company's policy is to carry adequate amounts in the Provision for Contingencies account to cover the principal amount outstanding in respect of all non-performing assets, standard assets as also all other contingencies. All loans and other credit exposures where the installments are overdue for ninety days and more are classified as non-performing assets in accordance with the prudential norms prescribed by the National Housing Bank. The provisioning policy of the Company covers the minimum provisioning required as per the NHB guidelines.

15. EMPLOYEE BENEFITS

The Company has Defined Contribution Plans for post employment benefits namely Provident Fund and Superannuation Fund which are recognized by the Income Tax Authorities. These funds are administered through trustees and the Company's contributions thereto are charged to revenue every year. The Company's Contribution to State Plans namely Employee's Pension Scheme is charged to revenue every year.

The Company has Defined Benefit Plans namely leave encashment / compensated absences, Gratuity and Retention Bonus for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end based on the Projected Unit Credit method and incremental liability, if any, is provided for in the books. Gratuity scheme is administered through trust recognised by the Income Tax Authorities.

Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

16. CONTINGENT LIABILITIES

Contingent liabilities, if any, are disclosed in the notes on accounts. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liabilities after the year end till the adoption of accounts by Board of Directors and which have material effect on the position stated in the Balance Sheet.

17. CAPITAL ISSUE EXPENSES

Expenses in connection with issue of Shares and Debentures are being adjusted against share premium/security premium as permitted by section 78 of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (PART-IV)

I. Registration Details :

Registration No. : 8 8 0 9 State Code : 0 4

Balance Sheet Date: 3 1 0 3 2 0 1 0

II. Capital Raised During the year : (Rupees)

Public Issue : N I L Rights Issue : N I L

Bonus Issue : N I L Private Placement : 7 3 1 9 0 0

III. Position of Mobilisation and Deployment of Funds : (Rupees)

Sources of Funds

Paid up Capital 3 4 7 2 5 1 5 0 0

Reserves and Surplus 2 2 9 9 0 0 9 2 8 3

Secured Loans 2 0 0 3 8 2 6 7 0 3 1

Unsecured Loans 3 1 9 2 9 5 5 8 9 1

Application of Funds

Loans 2 4 5 3 6 9 8 7 4 8 1

Net Fixed Assets 9 5 1 3 5 2 4 3

Investments 3 2 7 1 9 5 5 1 1

Net Current Assets 8 2 4 7 3 6 7 4 4

Deferred Tax Asset 9 3 4 2 8 7 2 6

Total Liabilities : 2 5 8 7 7 4 8 3 7 0 5

Total Assets : 2 5 8 7 7 4 8 3 7 0 5

IV. Performance of the Company : (Rupees)

Gross Income : 3 0 9 0 5 9 4 4 5 0 Total Expenditure : 2 1 4 6 3 4 6 6 5 4

Profit Before Tax : 9 4 4 2 4 7 7 9 6 Profit After Tax : 6 8 9 5 8 5 6 7 8

V. Earning per Share (Rs.) : 1 9 . 8 8 9 Dividend Rate (%) : 6 5

VI. Generic Names of Three Principal Products or Services of Company (as per monetary terms) :

The Company is mainly engaged in the business of providing long term housing finance for residential purposes to individuals.



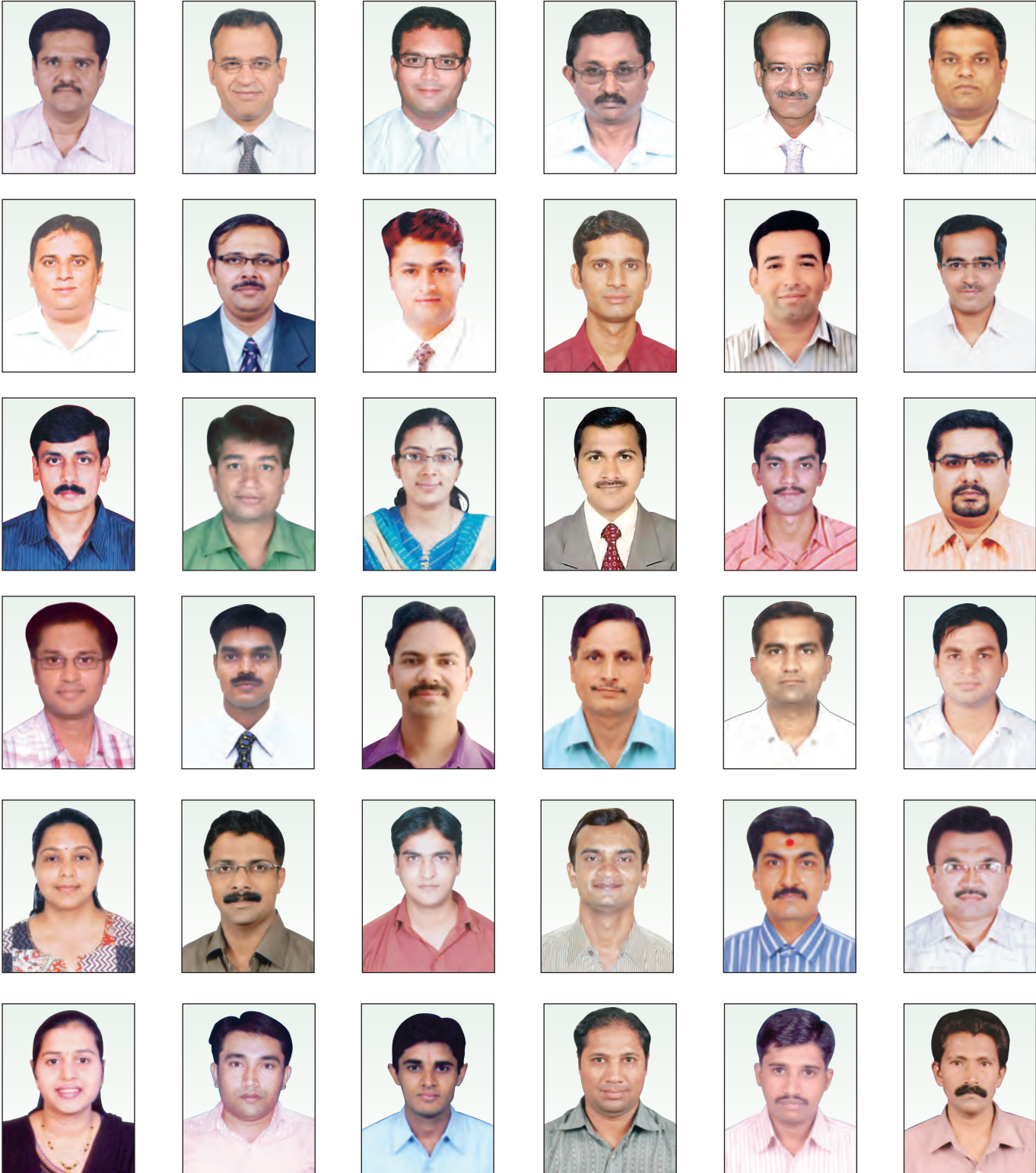
Pursuing innovation, consolidation and growth

Consolidation and growth has to do with creating standardization and continuity in the face of vast diversity and cultural discontinuities.

To address this problem, GRUH has created local teams in each region. These teams help to capture the community ethos and create customer bonding while still adhering to the standardized norms and rigors required in a direct-to- customer lending institution.



EXCELLENCE AWARD WINNERS 2009 - 10



Dushyant Joshi
Deven Varadkar
Mitesh Shah
Vikas Jain
Prachee Shah
Samiksha Bhosale

Harish Sharma
Paresh Trivedi
Nakul Jahagirdar
Datta Bhise
Amol Ghatge
Kaushik Joshi

Hiren Visavadiya
Sandeep Sharma
Nisha Mekaad
Amit Bairagi
Ayub Ali
Mithilesh Mehta

S. Sridhar
Bharat Desai
Rahul Jakotiya
Dharmendra Bhatt
Mehul Gor
Nayan Kanaiya

Hitesh Dave
Jayesh Patel
Mehul Modi
Maulesh Priyadarshi
Nilesh Trivedi
Yogesh Borse

Ashirwad Wanikar
Jeevan Shingvekar
Sunil Soni
Mihir Nayak
Piyush Mehta
Ganesh Khopadkar

ACHIEVERS 2009 - 10

Winner of the Achievers' Trophy - Indore Area



Rakesh Hardiya



Nisha Mekaad



Sunil Soni



Habib Khan



Sanjeev Patel



Sanjay Shekatkar



Vikrant Kadam



Mandar Kajwadkar



Rajesh Dadhich



Ashwin Nimgaonkar



Vimal Pare



Vishal Bunkar



Swapnil Shrivastava

Retail Office In-Charge - Best Performing Branches - 2009 - 10



Manthan Gatha



Trishul Soman



Habib Khan



C. V. Gorabal



Upma Chohan



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Gujarat:

Adajan, Ahmedabad, Amreli, Anand, Bharuch, Bhavnagar, Bhuj, Chandkheda,
Gandhidham, Gandhinagar, Ghatlodiya, Godhra, Himatnagar, Jamnagar,
Junagadh, Mehsana, Mithakhali, Modasa, Morbi, Naroda, Navsari,
Palanpur, Patan, Porbandar, Rajkot, Silvassa, Surat,
Surat (City Light), Surendranagar, Vadodara, Vapi

Maharashtra:

Ahmednagar, Amravati, Aurangabad, Baramati, Beed, Boisar, Borivali,
Chakan, Chandrapur, Dhule, Jalgaon, Jalna, Kalyan, Kolhapur, Latur, Mahad,
Nagpur, Nanded, Nandurbar, Nashik, Pune, Pune (Viman Nagar),
Sangli, Satara, Solapur, Thane, Wardha, Yavatmal

Karnataka:

Bagalkot, Bengaluru, Belgaum, Bidar, Bijapur, Chitradurga, Davangere,
Dharwad, Gulbarga, Haveri, Hubli

Madhya Pradesh:

Bhopal, Dewas, Hoshangabad, Indore, Jabalpur, Khargone,
Mandsaur, Neemuch, Ratlam, Sagar, Ujjain, Vidisha

Rajasthan:

Ajmer, Bikaner, Jodhpur, Nagaur, Pali, Sri Ganganagar

Chhattisgarh:

Bilaspur, Dhamtari, Durg, Raipur

Tamilnadu:

Chennai, Coimbatore, Tirupur

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