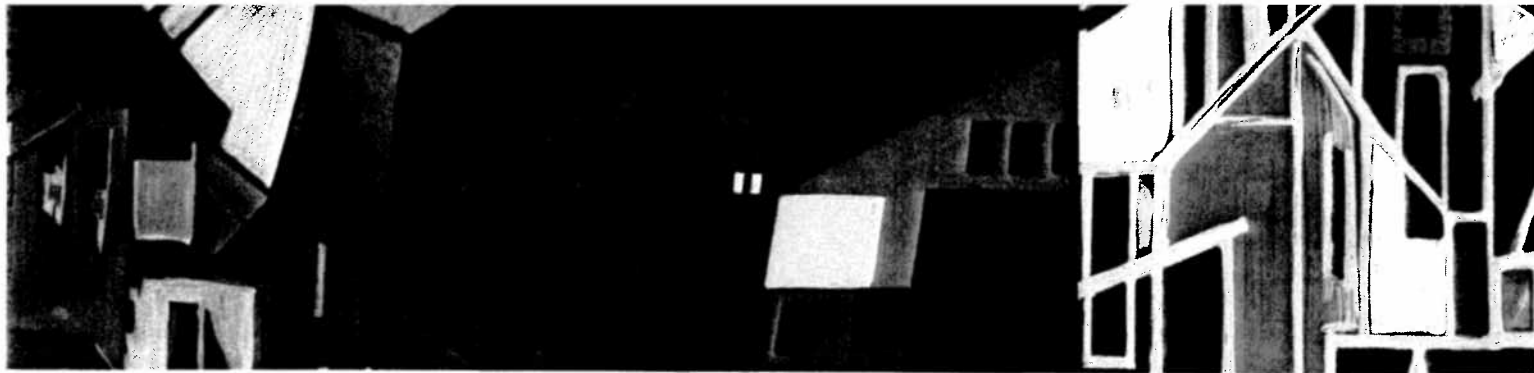


25TH ANNUAL REPORT 2010-2011



25 years of growth and team spirit
25 years of building an enduring value system



A mission driven by a noble vision

GRUH has been built on the dynamic vision enunciated by its founder.

Mr. H.T Parekh set up HDFC and nurtured it with trail blazing innovation. While most people would have rested on their laurels, Mr. H. T. Parekh kept thinking about the need for 'an appropriate institutional structure for rural housing'. Given the rigid 'controlled economy' of his day, Mr. Parekh also mandated the need for such an institution to be backed by an 'autonomous', 'specialized' and 'professionally managed' financial agency which would be rooted to the reality of small towns and villages of India.

25 years of continuous striving

It is 25 years since GRUH first put out its modest shingle in Ahmedabad. Today, more than 8,00,000 people in 'Bharat' (often referred to as the 'other India') have a place they can proudly call HOME.

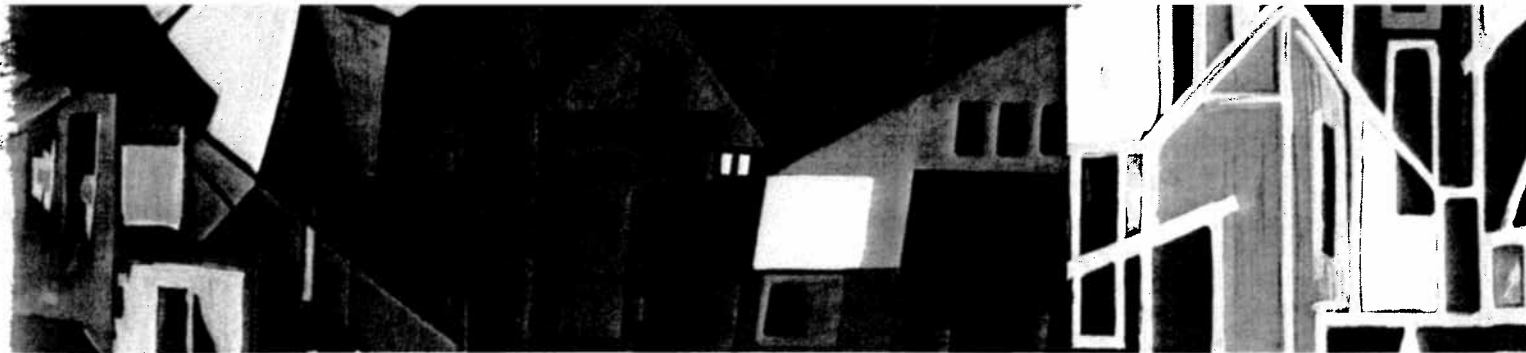
GRUH found, as it trudged the proverbial dusty road, that even though the need for housing and micro mortgage finance was overwhelming, most of its potential borrowers had little to offer by way of conventional collateral. GRUH's challenge was to cater to the self-employed and also to those who do not have any proof or surety of regular monthly income.

As we go past our Silver Jubilee milestone, it is fitting to recall the challenges which continue to challenge us; the needs which drive aspirations; and the building blocks which we continue to configure and re-configure, in order to nurture growth into each organic strand of our corporate DNA.



Centenary tribute
1911-2011





Mr. Deepak Parekh
Chairman - HDFC Ltd.

Group Chairman's Message

I am very pleased with the journey GRUH has made during the past 25 years since its incorporation on 21st July, 1986.

Starting from small beginnings at Ahmedabad and clocking gradual growth during the first decade, GRUH has successfully demonstrated the viability of a dedicated rural focused Housing Finance Company. GRUH has achieved cumulative disbursement in excess of ₹ 5,800 Crore. Out of this, ₹ 2,443 Crore is at rural locations with a population less than 50,000. This supports the objective for which GRUH was promoted.

It was certainly the vision of late Shri H.T. Parekh, who persuaded the HDFC team to set up a dedicated rural focused Housing Finance Company in the State of Gujarat. It is therefore fitting for GRUH to complete its journey of 25 years with an outstanding performance on operational and financial parameters, in the centenary birth year of late Shri H.T. Parekh.

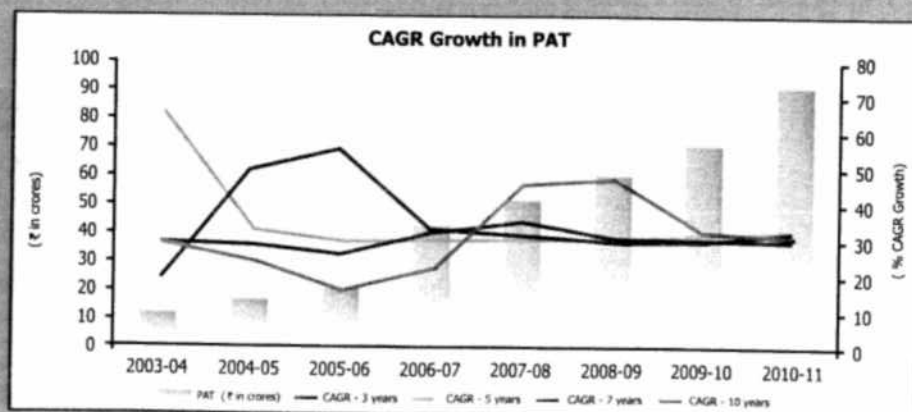
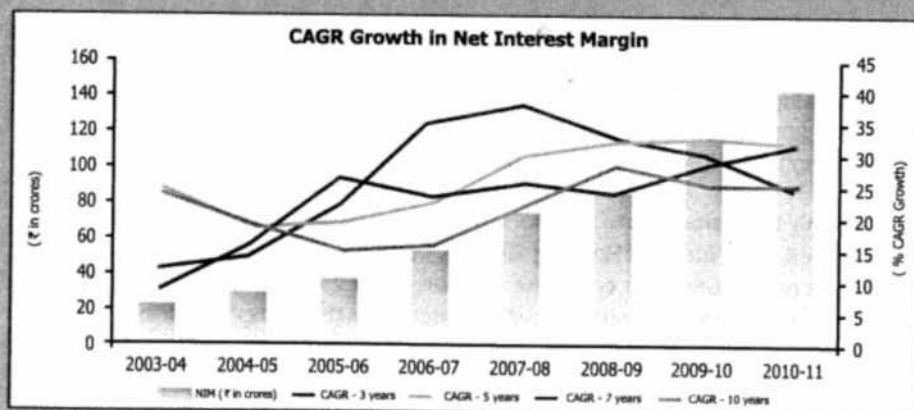
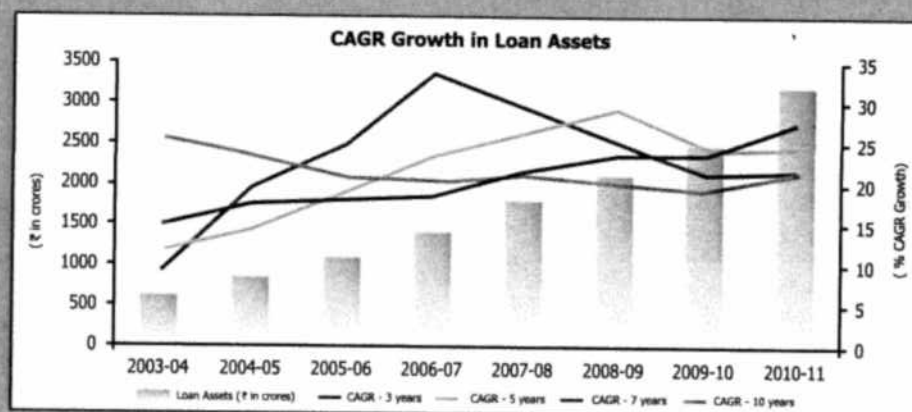
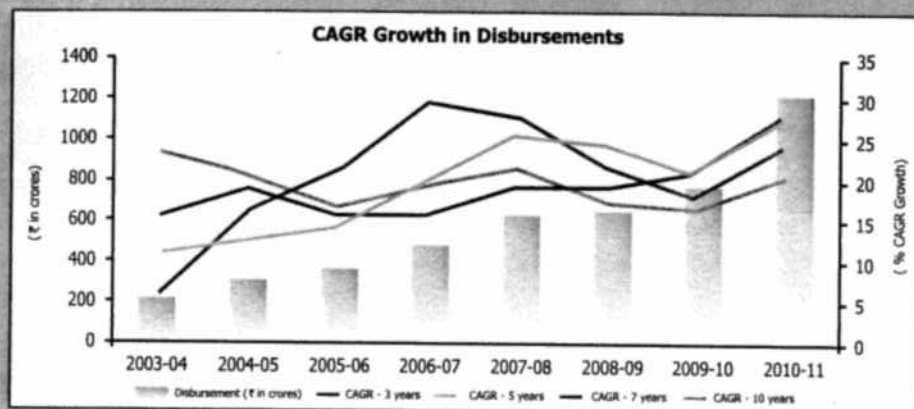
GRUH has been serving its customers in 757 talukas of 89 districts. This has helped more than 1,75,000 families build their homes with an average loan size of ₹ 4.18 lacs.

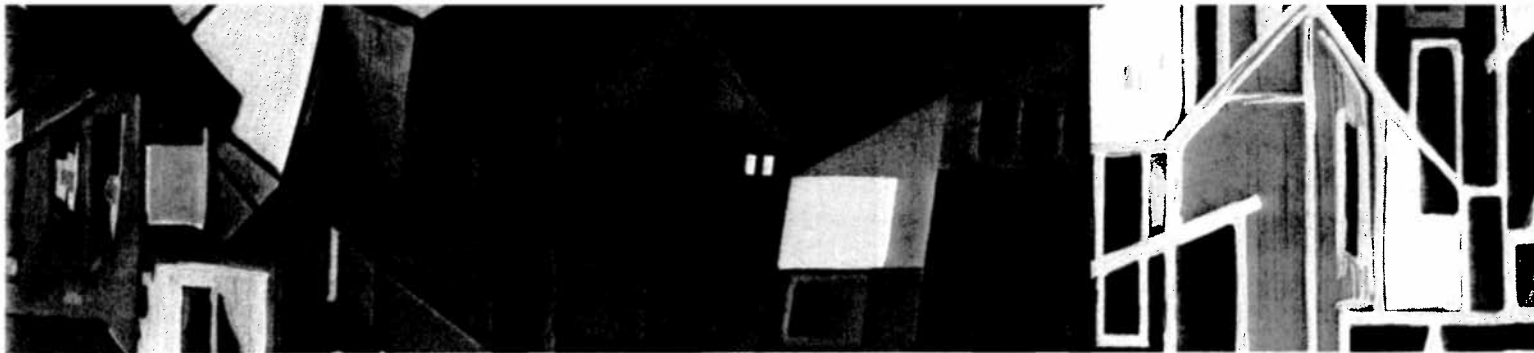
GRUH's beginning has been good and satisfactory but a lot still needs to be done to meet the huge requirement of building homes in rural India. The successful penetration in deeper rural pockets in the State of Gujarat and Maharashtra has encouraged GRUH to move into its neighbouring states of Rajasthan, Madhya Pradesh, Chhattisgarh, Karnataka and Tamil Nadu. I am confident that GRUH will carry forward its good work and extend its footprint across the country.

On this occasion, I congratulate Sudhin and his team and wish them all success ahead.



GRUH's growth over the last decade





Mr. Keki M Mistry
Chairman - GRUH

A word from GRUH's Chairman

2011 is an important milestone for us at GRUH.

It is 25 eventful years since we established this organization which has rapidly changed the lives of thousands of families in rural India. This landmark year seems like a good time to pause and reflect on the journey travelled so far.

Since GRUH was the first specialised rural housing finance company in India, the initial years were spent understanding the income patterns and needs of the rural population. Based on this information, we experimented with and made modifications to the structure and design of our loan products to suit the requirements of the rural clientele. Unfortunately, issues such as low priority for up-gradation of shelter and a strong dependence on agricultural income – which in turn depended heavily on the vagaries of monsoon – kept the growth momentum low for GRUH in the first decade.

It is noteworthy however, that even in the midst of such challenges, GRUH persisted with its conviction and spread its network to Maharashtra and later to the three other adjoining states of Rajasthan, Madhya Pradesh and Karnataka. The expansion into newer territories coupled with Gujarat's growing economy, has helped GRUH to step up its growth in terms of volume of business in the last 7 years. During this period, GRUH witnessed a CAGR of 28% in disbursements and 27% in loan assets. Apart from consistent growth in loan assets, NPAs have been maintained at the level of 1%. The healthy growth in loan assets along with efficient recoveries has enabled GRUH to post profits of 32% CAGR over the past 7 years.

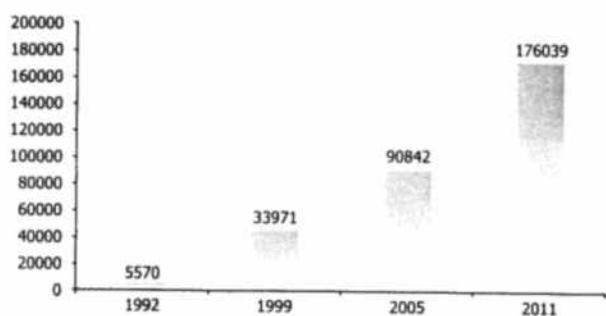
I therefore feel quite satisfied with the performance of GRUH and I take this opportunity to thank all the shareholders for reposing faith in our endeavours. I would also like to thank all the staff members of the GRUH family for their unstinted commitment, loyalty and enthusiasm. They have persisted and have delivered their best under the given circumstances. I also extend my appreciation to the National Housing Bank, other lending institutions, depositors and home loan customers for their wholehearted support towards GRUH.

Here's wishing GRUH a bright future ahead!

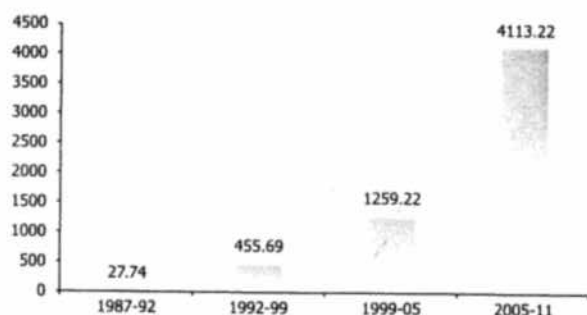


GRUH's Journey over 25 years

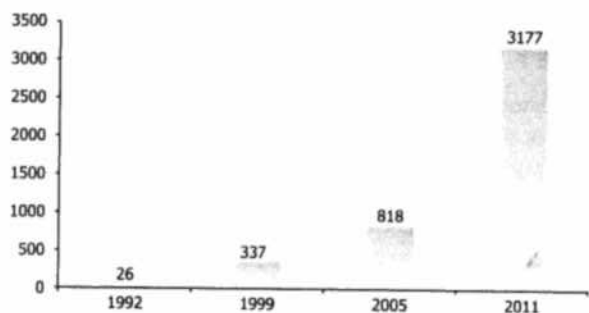
Customer Base (as at March 31,)



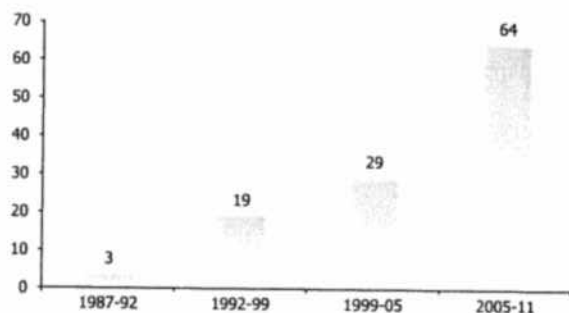
Incremental Cumulative Disbursements (₹ in crores)



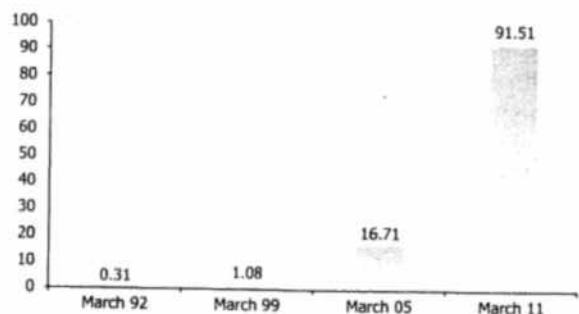
Loan Assets (₹ in crores) (as at March 31,)



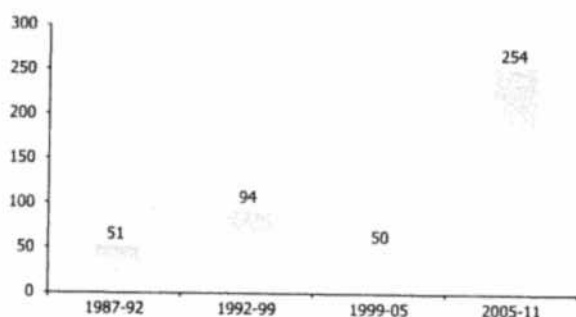
Incremental New Branches



Profit After Tax (₹ in crores)



Incremental Staff



GRUH's Past Chairman



Mr. Rohit C Mehta



Mr. Narotam Sekhsaria



Mr. S. M. Palla

Red letter days



1. Mr. Deepak Parekh, Group Chairman, addressing GRUH staff at corporate office - 1999
2. Mr. Keki Mistry, Chairman, at GRUH's Annual Excellence Day - 2006
3. Visit of Mr. Azim Premji, Chairman, Wipro to corporate office - 2002
4. Mr. Nasser Munjee at the inauguration of GRUH's Corporate Office building - 1999
5. Mr. Keki Mistry, Chairman, and Mr. K.G. Krishnamurthy, Director arriving at GRUH's Corporate Office - 2009
6. Mr. P. P. Vora, CMD-NHB inaugurating Ellisbridge Branch Office - 1996
7. Mr. S. Sridhar, CMD, NHB addressing Management team at GRUH - 2006
8. Mr. S. M. Palla, Director inaugurating Vastrapur Branch - 2002
9. Mrs. Renu Karnad, Director and Mr. Satish Mehta, Director at GRUH's AGM - 2000
10. Professor Bakul Dholakia, Director IIM, Ahmedabad at Excellence Awards - 2007



Milestones

1. 21-Jul-86 Incorporation of Gujarat Rural Housing Finance Corporation Limited
2. 1987-88 **Commences Lending Operations from the state of Gujarat**
3. 1992-93 **IPO of ₹ 2.15 Crores.**
4. 1994-95 Cumulative disbursements cross ₹ 100 Crores
5. 1995-96 Changes name to GRUH Finance Limited
6. 1995-96 **Commences lending operations in the State of Maharashtra**
7. 1996-97 **First to introduce Tenure Base Pricing**
8. 1998-99 **Moved to its own Corporate Office Building**
9. 1999-00 Cumulative Disbursements cross ₹ 500 Crores
10. 2000-01 Becomes subsidiary of Housing Development Finance Corporation Limited (HDFC).
11. 2000-01 **Implements RDBMS Application Software – GRIT**
12. 2001-02 **Commences lending operations in the State of Karnataka**
13. 2001-02 **Introduces GRUH Suvidha – Home Loans for Self Employed**
14. 2003-04 **Commences sourcing of business through Referral Associates – GRA**
15. 2004-05 Loan Asset crosses ₹ 1000 Crores
16. 2005-06 **Commences lending Operations in the state of Madhya Pradesh & Rajasthan**
17. 2006-07 Cumulative Disbursements cross ₹ 2500 Crores
18. 2007-08 **Mr. Hasmukh Adhia, at the GRUH'S 10th Annual Excellence day**
19. 2007-08 Market Capitalization crosses ₹ 500 Crores
20. 2007-08 Commences lending operations in the state of Chhattisgarh & Tamilnadu
21. 2008-09 **ICAI Award - Excellence in Financial Reporting for FY 2007-08**
22. 2009-10 Financed 1,50,000 dwelling units
23. 2010-11 Loan Assets crossed ₹ 3000 Crores
24. 2010-11 **Opened its 100th branch at Dhar**
25. 2010-11 Market Capitalization crosses ₹ 1000 Crores
26. 2010-11 Cumulative Disbursements cross ₹ 5000 Crores



2



3



6

Attractive Housing Loans from GRUH

CHOOSE YOUR LOAN. CHOOSE YOUR EMI

We offer HOME LOANS for:

- Construction
- Purchase
- Replacement of House
- Office Premises to Professionals
- Extension
- Repairs
- Renovation of House

EMI on a loan of Rs. 10,000/-

Period (yrs)	5	10	15	20	25
EMI (Rs./mo.)	175.00	142.00	117.45	100.00	100.00
EMI (Rs./mo.)	175.00	142.00	117.45	100.00	100.00



8



11



12



13

The Communication Bulletin from GRUH Finance Limited

GRUH Sampark

14

16



18



21



24

Looking back...even as we look ahead



Reviving dreams, restoring hopes



In 2001, when the devastating earthquake struck Bhuj and Kutch, it engulfed not only houses, property documents and personal belongings, but also the hopes and dreams of thousands of people. It was then that GRUH stepped in by setting up makeshift tents as GRUH offices in the affected areas.



GRUH was the only HFC to have disbursed ₹ 25 crores and assisted over 1500 families to reconstruct their homes under NHB's Special scheme for EQ affected families. GRUH disbursed these loans based on borrowers' credentials.



When floods washed away Surat's infrastructure, it was GRUH who again extended support to the flood-stricken victims by actively assisting villagers in setting up new homes.



GRUH worked out a special scheme for the female workers of Lijjat Papad. The scheme enabled the Lijjat Papad Society to pay the EMI on behalf of the workers. They are today proud owners of their own homes.



Mr. Rohit C. Mehta, former Chairman, with the management team of GRUH, were warmly welcomed at Tintoi village, District Mehsana for the inauguration of the new housing project undertaken by an NGO. Picture alongside shows inauguration of the first house under the new housing project.

Journey Travelled - 25 Years

(₹ in crores)

Financial year	Disbursements	Loan Assets	PAT	PAT to Avg Assets (%)	Stock holders' Equity	Return on Avg Networth (%)	DIV (%)	Book Value (₹ Per Share)	Market Capitalisation
2010-11	1211	3177	92	3.12	318	31	110	90.99	1266
2009-10	780	2454	69	2.73	265	28	65	76.21	756
2008-09	655	2091	50	2.27	221	24	48	63.74	325
2007-08	632	1774	42	2.47	190	24	40	54.91	535
2006-07	474	1379	30	2.25	164	24	30	47.42	476
2005-06	360	1070	22	2.12	87	27	25	32.79	247
2004-05	300	818	17	2.20	73	24	21	27.72	119
2003-04	218	584	13	2.12	63	22	18	23.91	79
2002-03	202	556	11	1.76	59	18	15	22.34	42
2001-02	189	480	8	1.54	53	16	12	20.18	46
2000-01	184	452	6	1.22	49	13	8	18.40	23
1999-00	167	420	4	0.98	45	11	5	17.74	21
1998-99	128	337	1	0.31	28	4	0	21.17	12
1997-98	89	265	1	0.32	30	3	10	22.20	15
1996-97	79	219	4	1.49	31	14	12	22.34	19
1995-96	73	161	5	2.25	31	21	18	22.15	21
1994-95	45	99	2	1.71	15	21	15	17.23	23
1993-94	26	61	1	1.68	6	17	12.50	13.16	15
1992-93	15	39	0.64	1.62	6	14	10	11.24	14
1991-92	12	26	0.31	1.13	3	11	8	14.08	NA
1990-91	7	15	0.30	1.90	3	12	8	13.34	NA
1989-90	6	8	0.25	3.36	2	11	0	12.43	NA
1988-89	2	2	0.13	4.45	2	8	0	11.17	NA
1987-88	0.26	0.26	0.09	3.19	2	5	0	10.46	NA
1986-87	0	0	0.01	0.75	2	1	0	11.67	NA



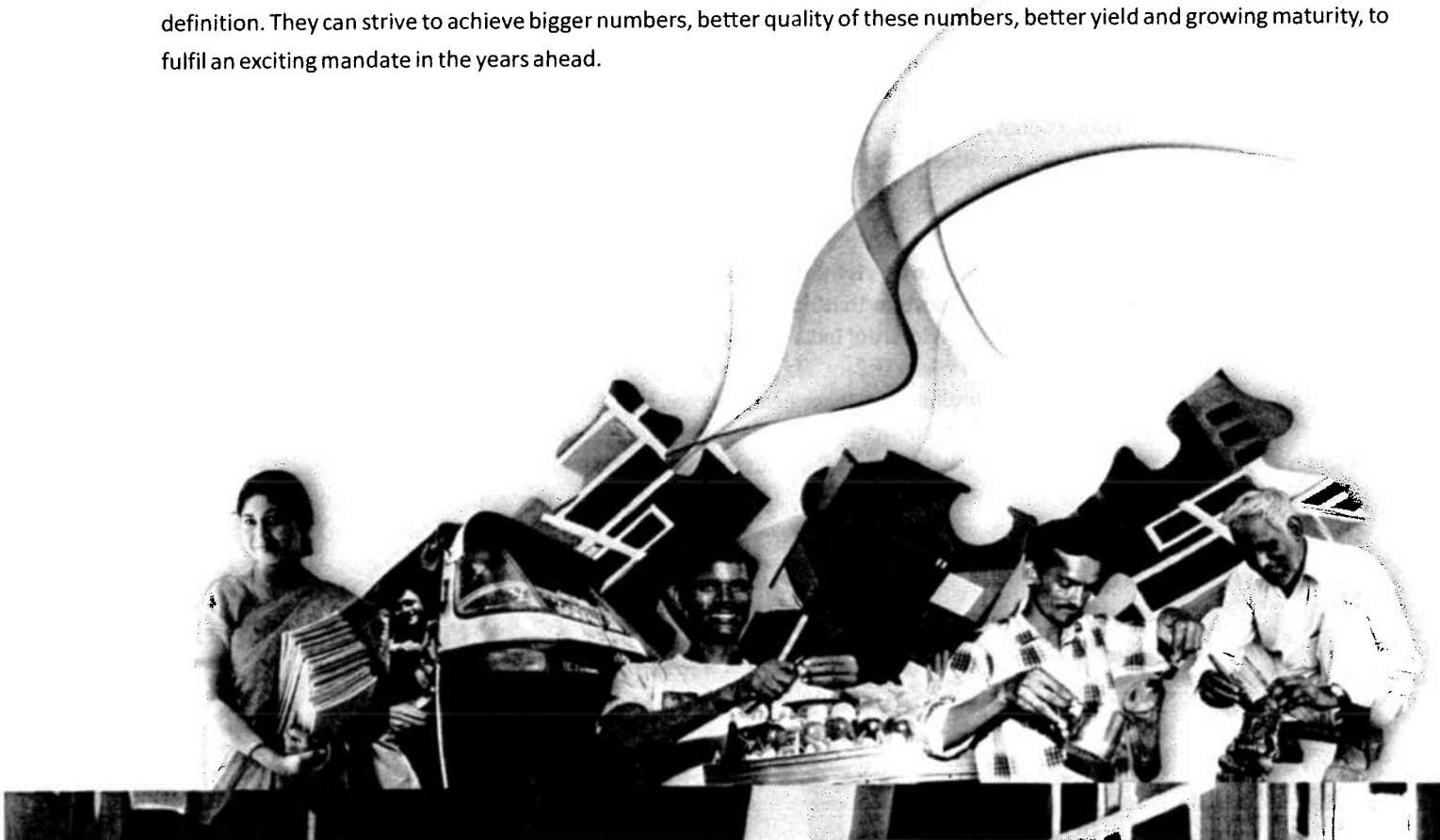
Realities of the real India

Global business leaders and governments are today impressed by the Indian market and its immense potential for growth. However, 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 financial services network.

Government needs to facilitate supply of low cost dwelling units and land for construction. These must fall within the range of ₹ 5,00,000/- to ₹ 10,00,000/- because it is in this price band that the need is most pressing.

Apart from availability of land and low cost dwelling units, the need of the hour is for low cost funding to provide a big boost to lending in the semi-urban and rural sector. Lower rates of stamp duties on land purchase and construction as well as simplified national norms for transfer of property are other vital needs.

Institutions like GRUH which command 25 years of ground reality and real time experience, can then give 'growth' a new definition. They can strive to achieve bigger numbers, better quality of these numbers, better yield and growing maturity, to fulfil an exciting mandate in the years ahead.



BOARD OF DIRECTORS AND THEIR BRIEF PROFILE :



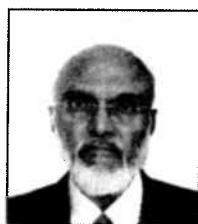
Mr. Keki M. Mistry
Chairman

Mr. Keki M. Mistry, the non-executive Chairman of the Company is the Vice Chairman & Chief Executive Officer of Housing Development Finance Corporation Limited (HDFC). He is a Fellow of the Institute of Chartered Accountants of India. Mr. Mistry serves as a director on the board of several companies including HDFC Standard Life Insurance Co. Ltd., HDFC ERGO General Insurance Company Limited, 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., Bombay Stock Exchange Ltd, etc. 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 Limited., Tata Motors Limited, The Bombay Dyeing & Mfg. Co. Ltd., and AI Champdany Industries Limited. 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 Committee and Compensation Committee 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., Vardhman Special Steels 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 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 Jamnalal 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 HDFC Venture Capital Limited, Indian Association for Savings and Credit, Vascon Engineers Limited, L&T Urban Infrastructure Limited, New Consolidated Construction Co. Ltd., etc. He has been appointed on the board of GRUH since 2004. He is a member of Shareholders' / Investors' Grievance Committee of GRUH.

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 Venture Capital 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 Limited, HDFC ERGO General Insurance Company Limited, Sparsh BPO Services Ltd., Indraprastha Medical Corporation Limited, Bosch Ltd., Akzo Nobel India 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 on the board of reputed companies like Cama Hotels Ltd., Gujarat Hotels Ltd., Universal Trustees Pvt. Ltd, etc. He has been on the board of GRUH since 1987 and was the Chairman of the Company from 1987 to 1998. He is Chairman of Shareholders'/ Investors' Grievance Committee of GRUH and 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 is chairman of Gujarat Institute of Desert Ecology (GUIDE) and is 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., Deepak Nitrite Ltd., and Shri Dinesh Mills Ltd. He is on the Board of GRUH since 2010. He is a member of Shareholders'/ Investors' Grievance Committee of GRUH.



Mr. Kamlesh Shah
Executive Director

Mr. Kamlesh Shah, the Executive Director of GRUH 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 is on the Board of GRUH since 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 on the board of Deepak Nitrite Ltd and Hunnar Shaala Foundation for Building Technology and Innovations. He is a member of the Shareholders'/ Investors' Grievance Committee of GRUH.

MANAGEMENT TEAM



Amit Chokshi
Experience
29 Years



Suresh Iyer
Experience
14 Years



S. Narendra
Experience
22 Years



Manish Gandhi
Experience
23 Years



Harish Sharma
Experience
25 Years



Jayesh Gangwani
Experience
17 Years



Ajay Kumar
Experience
13 Years



Venu Menon
Experience
19 Years



Jayesh Jain
Chief Financial Officer
Experience
11 Years



Marcus Lobo
Company Secretary
Experience
29 Years

TERRITORY MANAGERS

Dharmesh Bhavsar

Umesh Agrawal

AREA MANAGERS

Anil Dave
Rupali Shelar
Amar Vyas
Harshal Vaidya
Rakesh Chowdhary
Shilpa Kulkarni

Dushyant Joshi
Santosh Kulkarni
Hiren Visavadiya
Akash Sharma
Rakesh Hardiya
Mehul Buch

Dahyabhai Vadher
Anand Rehpade
Ashish Sutaria
Anand Nandi
Om Prakash
Shakti Pratap Singh

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

DEBENTURE TRUSTEES

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

HIGHLIGHTS

(₹ in crores)

Financial Highlights	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Loan Disbursements	1211	780	655	632	474	360	300	218	202	189
Net Interest Income	143	115	85	74	52	36	28	21	20	19
Fees & Other Income	13	12	7	6	6	6	5	6	5	5
Operating Cost	31	25	21	18	14	12	9	9	9	9
Operating Profit	127	103	72	63	44	30	23	19	18	15
Provisions & Write Offs (net)	1	8	3	4	7	4	3	4	5	6
Profit Before Tax	126	94	70	59	37	26	20	15	13	9
Profit After Tax	92	69	50	42	30	22	17	13	11	8
Stockholders' Equity	318	265	221	190	164	87	73	63	59	53
Borrowed Funds	2966	2323	2245	1773	1305	1080	806	572	555	487
Loan Assets	3177	2454	2091	1774	1379	1070	818	584	556	480

Key Financial Ratios

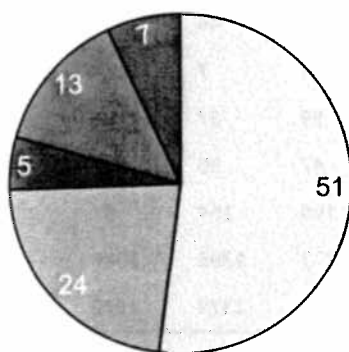
Capital Adequacy Ratio (%)	13.32	16.55	16.21	18.15	16.31	14.24	15.71	19.26	18.26	17.65
Loans to Total Assets (%)	97	95	85	90	94	92	93	92	90	87
Gross NPA to Loan Assets (%)	0.81	1.11	0.94	1.11	1.36	1.48	1.95	1.68	1.87	3.53
Net NPA to Loans (%)	0	0	0	0	0	0.23	0.66	0.30	0.81	2.43
Net Interest Margin to Average Assets (%)	4.88	4.57	3.85	4.31	3.96	3.48	3.69	3.34	3.39	3.53
Cost to Income Ratio (%)	20	20	22	22	24	28	29	32	34	37
PAT to Average Assets (%)	3.12	2.73	2.27	2.47	2.25	2.12	2.20	2.12	1.76	1.54
Return on Average Network (%)	31	28	24	24	24	27	24	22	18	16

Measuring Shareholders' Wealth

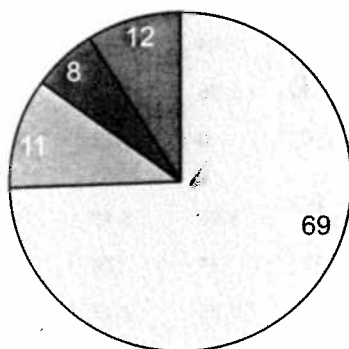
Earning Per Share (₹)	26.19	19.89	14.51	12.22	9.40	7.36	6.31	5.03	3.84	3.02
Dividend Rate (%)	110	65	48	40	30	25	21	18	15	12
Dividend Payout Ratio (%)	49	38	39	38	41	35	38	40	44	40
Book Value Per Share as at March 31 (₹)	90.99	76.21	63.74	54.91	47.42	32.79	27.72	23.91	22.34	20.18
Market Price Per Share as at March 31 (₹)	360.20	217.75	93.70	154.35	137.35	93.30	45.05	29.70	15.90	17.25
Price to Value Ratio (times)	3.96	2.86	1.47	2.81	2.90	2.85	1.63	1.24	0.71	0.85
Price to Earning Ratio (times)	14	11	6	13	15	11	7	6	4	6
Market Capitalisation (in Crores)	1266	756	325	535	476	247	119	79	42	46

Profile of GRUH'S customers

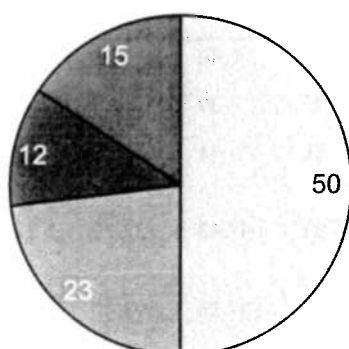
Cumulative Disbursements in Individual Segment



PROPERTIES FINANCED Location wise Distribution			
Population at Location	No.	%	
Up to 50,000	89504	51	
> 50,000 to 2,00,000	41367	24	
> 2,00,000 to 5,00,000	9290	5	
> 5,00,000 to 25,00,000	23680	13	
> 25,00,000	12198	7	
Total	176039	100	



PROPERTIES FINANCED Loan Amount wise Distribution			
Loan Amount (₹)	No.	%	
Up to 3,00,000	121389	69	
> 3,00,000 to 4,00,000	19937	11	
> 4,00,000 to 5,00,000	13248	8	
> 5,00,000	21465	12	
Total	176039	100	

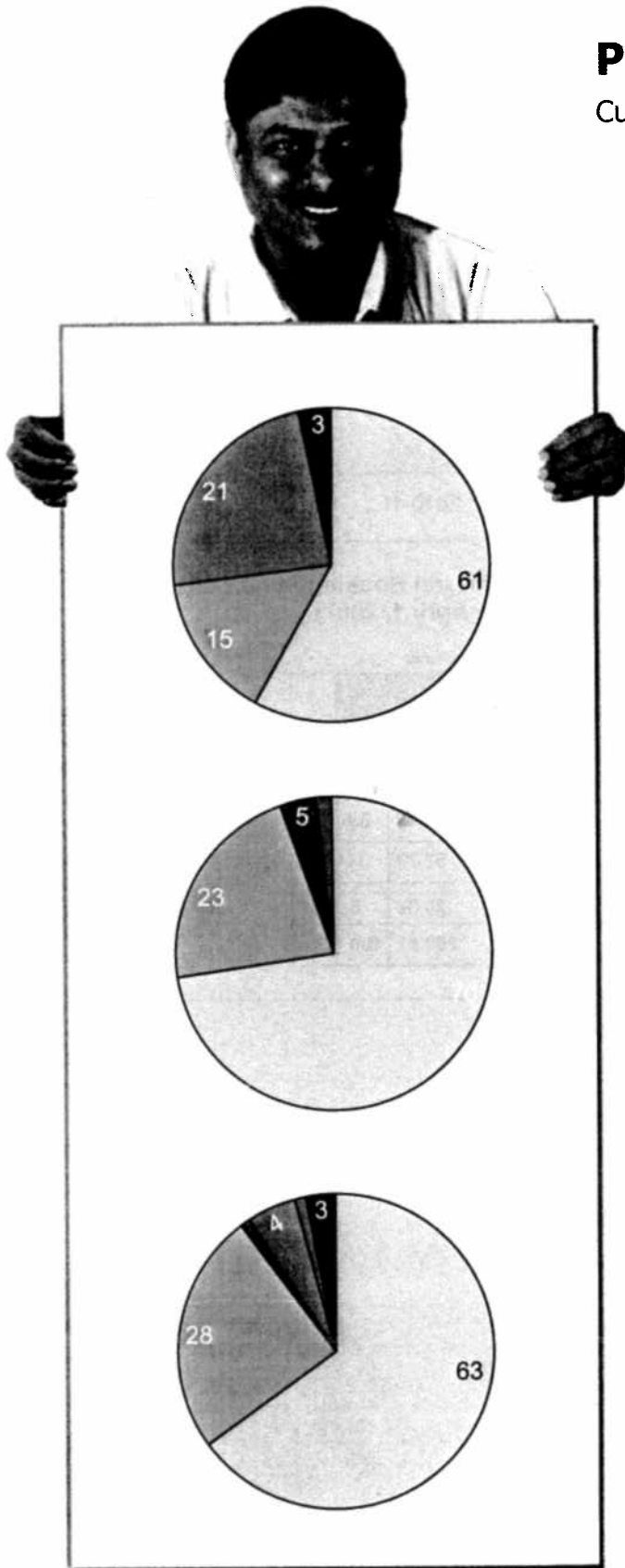


PROPERTIES FINANCED Family Income wise Distribution			
Loan Amount (₹)	No.	%	
Up to 10,000	87821	50	
> 10,000 to 15,000	40928	23	
> 15,000 to 20,000	20126	12	
> 20,000	27164	15	
Total	176039	100	







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	107087	61	
76 to 80	26565	15	
81 to 85	36867	21	
> 85	5520	3	
Total	176039	100	

PROPERTIES FINANCED Instalment to Income Ratio (IIR) wise Distribution

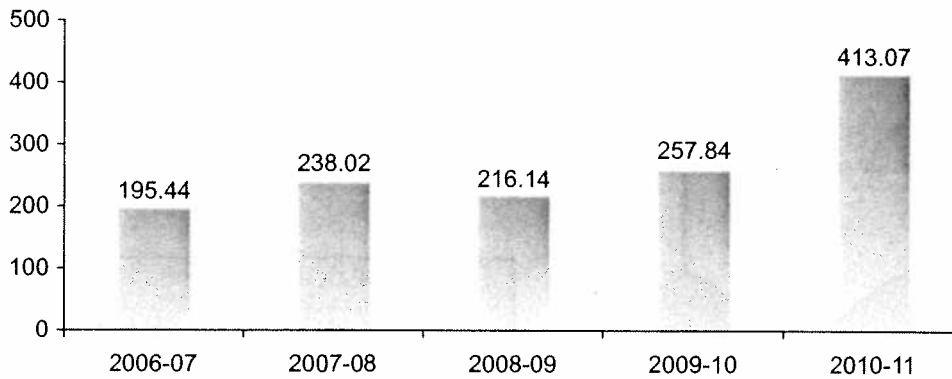
IIR in %	No.	%	
Up to 35	123202	70	
36 to 45	40135	23	
46 to 55	9603	5	
> 55	3099	2	
Total	176039	100	

GRUH's Outstanding Loans

Individual Housing	₹ in crores	%	
Suraksha	1995.17	63	
Suvidha	901.38	28	
Sajavat	18.60	1	
Individual Non Residential			
Samruddhi	146.03	4	
Shubh Labh	19.03	1	
Developer Loans	96.64	3	
Total	3176.85	100	

GRUH'S Rural Focus

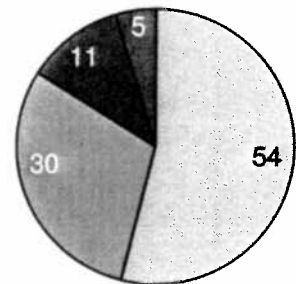
Disbursement under Golden Jubilee Rural Housing Finance Scheme
(₹ in crores)



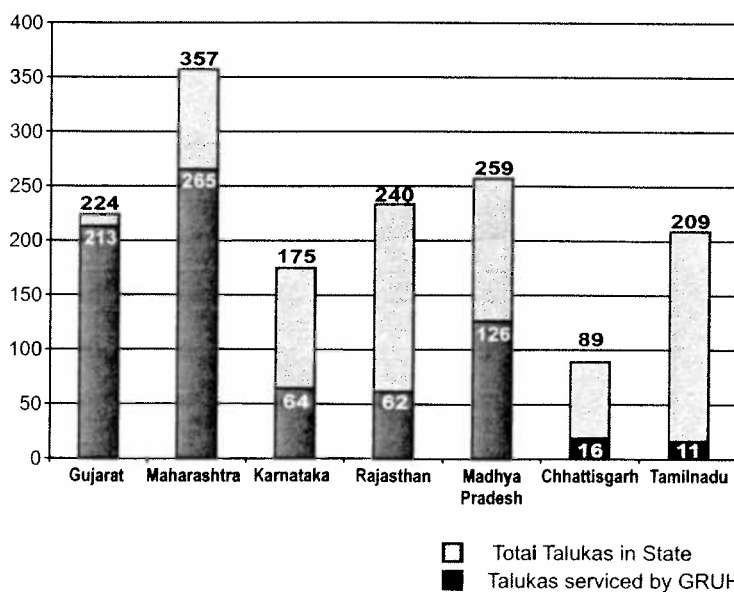
Disbursement under Rural Housing Fund Scheme
(Since April 1, 2007)

(₹ in crores)

Category of Customers	Amount Disbursed	%	
Individuals in rural areas with annual income up to ₹ 2 lacs	270.12	54	□
Backward class	149.68	30	■
Women	57.73	11	■
Minority community	23.39	5	■
Total	500.92	100	



Taluka Penetration - Customers being serviced



DIRECTORS' REPORT

TO THE MEMBERS,
Your directors are pleased to present the Twenty Fifth Annual Report of your Company with the audited accounts for the year ended March 31, 2011.

FINANCIAL RESULTS (₹ in Crores)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Profit Before Tax	125.57	94.42
Provision for Tax (Net of deferred tax)	34.06	25.46
Profit After Tax	91.51	68.96
Add:		
Balance brought forward from last year	45.88	27.64
Amount available for appropriation	137.39	96.60
Appropriations:		
Special Reserve	22.00	17.50
General Reserve	9.20	6.90
Proposed Dividend	38.67	22.57
Additional Tax on Proposed Dividend	6.28	3.75
Dividend pertaining to previous year paid during the year	0.09	0.00
Balance carried to Balance Sheet	61.15	45.88
	137.39	96.60

Dividend

Your directors recommend payment of dividend of ₹ 8.50 per share of face value of ₹ 10 each for the year ended March 31, 2011 and in addition, also recommended a special dividend of ₹ 2.50 per share of face value of ₹ 10 each to commemorate the Silver Jubilee of the Company. The total dividend for the year is ₹ 11 per share against a dividend of ₹ 6.50 per share of face value of ₹ 10 each for the previous year. The dividend payout ratio for the year, inclusive of additional tax on dividend will be 49%.

Disbursements

Loan disbursements during the year were ₹ 1,210.69 crores as against ₹ 780.33 crores in the previous year. GRUH continued to focus mainly on the retail segment and disbursed ₹ 1080.73 crores to 19,557 families. Cumulative disbursements as at March 31, 2011 were ₹ 5,855.87 crores.

Golden Jubilee Rural Housing Finance Scheme

GRUH disbursed ₹ 413.07 crores in respect of 8,722 dwelling units during the year under the Golden Jubilee Rural Housing Finance Scheme of the Government of India. Cumulative disbursements under the scheme were ₹ 1,974.61 crores in respect of 69,093 dwelling units.

Rural Housing Fund (RHF)

The National Housing Bank (NHB) has 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 ₹ 196.38 crores covering 4,686 families under this scheme. Cumulative disbursements under this scheme were ₹ 500.92 crores to 14,580 families.

Loan Assets

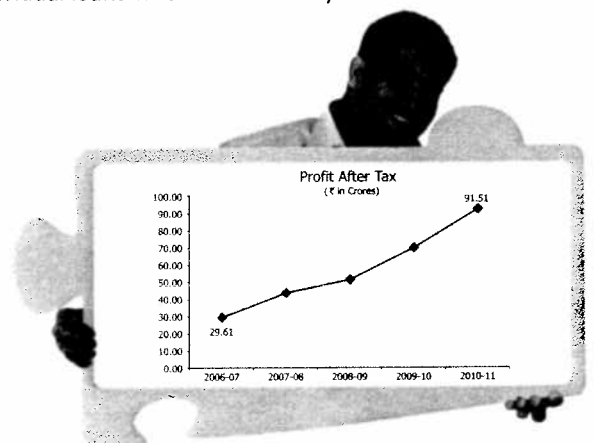
As at March 31, 2011, the loan assets increased to ₹ 3,176.85 crores with a growth of 29%. Loan assets in respect of retail segment also grew by 30% and stood at ₹ 3,080.21 crores.

Non-Performing Assets (NPAs)

As per the prudential norms of NHB, GRUH's NPAs stood at ₹ 25.86 crores as at March 31, 2011 constituting 0.81% of the total outstanding loans of ₹ 3,176.85 crores. The NPAs at the end of the previous year were ₹ 27.14 crores, constituting 1.11% of the total outstanding loans of ₹ 2,453.70 crores.

GRUH is required to carry a provision of ₹ 6.37 crores towards NPAs and standard assets other than housing loan to individuals as at March 31, 2011 as per the norms of NHB. However, as a measure of caution, GRUH carries a provision of ₹ 27.92 crores. Net NPAs of GRUH was "NIL" on the outstanding loans of ₹ 3,176.85 crores as at March 31, 2011.

During the year, GRUH has written off ₹ 1.26 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 of earlier years and could effect recoveries of ₹ 1.27 crores during the year in respect of such written off loans. GRUH also took possession of properties of the defaulting borrowers under the SARFAESI Act and has sold few of such acquired properties.

NHB Refinance

GRUH received refinance sanction of ₹ 800 crores from NHB during the year. GRUH availed refinance aggregating to ₹ 545.65 crores including ₹ 145.65 crores under RHF. The refinance outstanding as at March 31, 2011 was ₹ 1,157.60 crores.

Bank Term Loans

GRUH received sanctions from banks amounting to ₹ 1,400 crores of which GRUH availed loans aggregating to ₹ 1,000 crores. The outstanding bank term loans as at March 31, 2011 were ₹ 1,230 crores.

Subordinated Debt

GRUH did not issue any subordinated debt during the year. As at March 31, 2011, GRUH's outstanding subordinated debt stood at ₹ 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, 2011, ₹ 8 crores of the book value of subordinated debt is considered as Tier – II capital under the guidelines issued by NHB for the purpose of computation of Capital Adequacy Ratio.

Non-Convertible Debentures (NCDs)

During the year, GRUH raised NCDs of ₹ 100 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, 2011 were ₹ 100 crores.

Commercial Paper

GRUH raised ₹ 1,185 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, 2011, outstanding commercial papers were stood at ₹ 160 crores.

Deposits

GRUH mobilised deposits of ₹ 106.72 crores and experienced a renewal ratio of 42% during the year. The outstanding balance of deposits as at March 31, 2011 was ₹ 278.73 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

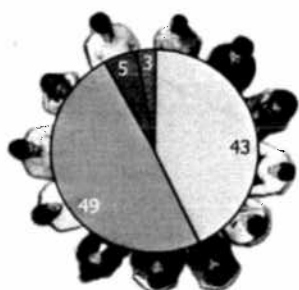
As at March 31, 2011, public deposits amounting to ₹ 3.90 crores had not been claimed by 1,012 depositors. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits and subsequent reminders have been sent.

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 ₹ 4.67 lacs was transferred to the IEPF during the year.

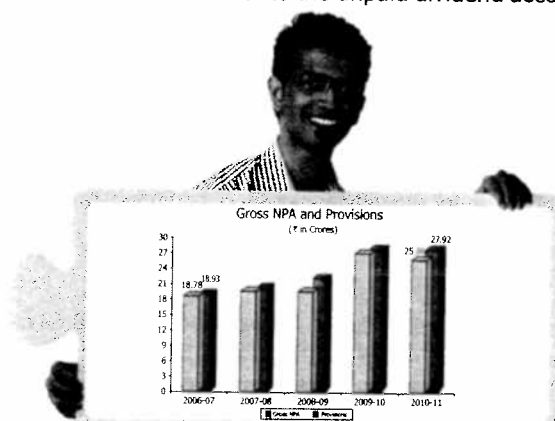
Unclaimed Dividends

As at March 31, 2011, dividend amounting to ₹ 49.78 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



Loan Assets Profile (As on March 31, 2011)	
	%
Individual Home Loans in Rural Sector	43%
Individual Home Loans in Urban Sector	49%
Individual NRP Loans	5%
Developer Loans	3%



are required to be credited to the IEPF. Accordingly, unclaimed dividend amount of ₹ 3.43 lacs in respect of the financial year 2002-2003 was transferred to IEPF during the year. Unclaimed dividend amounting to ₹ 3.73 lacs in respect of the financial year 2003-2004 is due for transfer to IEPF in August 2011. 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.

Dematerialisation of Shares

As on March 31, 2011, 97.44% of equity shares of GRUH have been dematerialised by shareholders through National Securities Depository Limited and Central Depository Services (India) Limited.

Pursuant to an amendment to Clause 5A of the Listing Agreements, the Company affirms that there are no share certificates issued to its shareholders in physical form which are lying unclaimed.

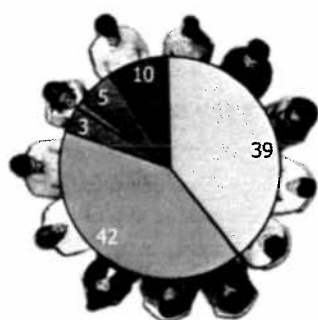
Risk Management Framework

The Company has a Risk Management Framework, which provides the mechanism for risk assessment and mitigation. The Risk Management Committee (RMC) of the Company comprises the Managing Director, the Executive Director and some members of senior management.

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

Investments

GRUH continues to maintain its Statutory Liquid Ratio (SLR) as stipulated by NHB. Accordingly, GRUH carried investments in approved securities aggregating to ₹ 62.09 crores as at March 31, 2011 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.



Resource Profile (As on March 31, 2011)		%
NHB Refinance	39%	
Bank Loans	42%	
Secured Redeemable NCD	3%	
Subordinated Debt (NCD-Tier-II)	1%	
Commercial Papers	5%	
Public Deposits	10%	

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.

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 13.32% as against the minimum requirement of 12%. Tier – I capital was 12.98% against the minimum requirement of 6%.

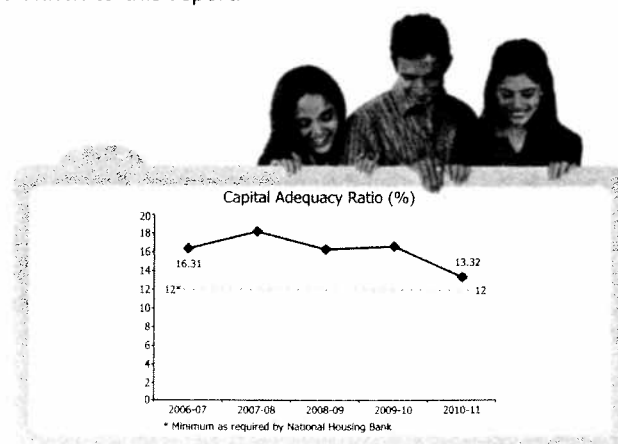
Human Resource Development

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, 2011 was 449.

Employees Stock Option Scheme

The stock options granted to directors and eligible employees operate under two schemes, ESOS-2007 and ESOS-2011. 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.

Particulars of Employees

GRUH had 1 employee as at March 31, 2011 employed throughout the year who was in receipt of remuneration of ₹ 60 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

In accordance with Articles 134 and 135 of the Articles of Association of the Company and the provisions of the Companies Act, 1956, Mr. S. M. Palia and Mr. Rohit C. Mehta, directors of the Company, retire by rotation at the ensuing Annual General Meeting (AGM) and are eligible for reappointment. Your directors commend their reappointment.

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

All the directors of the Company have confirmed that they are not disqualified from being appointed as directors in terms of Section 274(1)(g) 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.

Corporate Governance – Voluntary Guidelines

The Board of Directors have taken cognisance of the 'Corporate Governance Voluntary Guidelines 2009' issued by the Ministry of Corporate Affairs (MCA) in December 2009. While the guidelines are recommendatory in nature, the board recognises the importance and need to constantly assess governance practices thereby ensuring a sustainable business environment that generates long-term value to all key stakeholders. The board has adopted several provisions of the said guidelines.

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:

- In the preparation of annual accounts, the applicable accounting standards have been followed;
- Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the Company for the year ended on that date;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- The annual accounts of the Company have been prepared on a going concern basis.

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 13, 2011

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)	Grant Price (₹)	Options Granted	Options Vested	Options Exercised & Shares Allotted*	Options Lapsed	Total Options in force as on March 31, 2011
ESOS – 2007	164.65	Nil	1,99,185	4,32,483	21,100	1,59,325
ESOS – 2011	317.85	11,72,849	Nil	Nil	-	11,72,849

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

Other details are as under :

Options granted during the year :

During the year, the Company granted 11,72,849 stock options on February 10, 2011 (each option carrying entitlement for one share of the face value of ₹ 10) to the directors and eligible employees at a grant price of ₹ 317.85 per share.

Pricing formula for the Scheme(s) :

ESOS 2011 :The closing price on February 9, 2011 on the Bombay Stock Exchange Ltd (BSE) was taken as grant price. This was the latest available closing price on the stock exchange having higher trading volume.

Money realised by exercise of options :

The Company received ₹ 7.12 crores on account of stock options exercised during the year.

Details of options granted to: i: Directors & Senior managerial personnel 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 :

ESOS 2011 : 4,35,059 options were granted to Directors & Senior managerial personnel of the Company. Mr Sudhin Choksey, Managing Director has been granted 70,000 options representing 5.97% of the total grant. No director or employee has been granted options equal to or exceeding 1% of the issued equity share capital of the Company

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 :

₹ 26.13

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 :

ESOS 2011 : 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 ₹ 64.92 lacs, the profit after tax would have been lesser by ₹ 64.92 lacs and basic and diluted EPS would have been ₹ 26.01 & ₹ 25.94 respectively.

Weighted-average exercise prices and weighted-average fair values of options :

ESOS 2011 :All the options were granted at an exercise price of ₹ 317.85 per option and hence the weighted average price is ₹ 317.85 per option. The weighted average fair value of the option (using the Black-Scholes-Mertons Option Pricing Model) works out to ₹ 51, ₹ 67 and ₹ 75 for the options vesting on February 10, 2012, February 10, 2013 and February 10, 2014 respectively.

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 :

ESOS – 2007

Assumption Parameters	November 20, 2008	November 20, 2009	November 20, 2010
Risk free interest rate(%)	7.50	7.61	7.66
Expected life (days)	324	690	1055
Expected volatility of share price (%)	25	25	25
Dividend yield rate (%)	3.75	4.75	6.25
Market price of equity shares on the date of grant ranged from	₹ 161 to ₹ 183	₹ 161 to ₹ 183	₹ 161 to ₹ 183

ESOS – 2011

Assumption Parameters	February 10, 2012	February 10, 2013	February 10, 2014
Risk free interest rate(%)	7.54	7.65	7.85
Expected life (days)	455	821	1186
Expected volatility of share price (%)	30	30	30
Dividend yield rate (%)	2.20	2.90	3.75
Market price of equity shares on the date of grant ranged from	₹ 316 to ₹ 330	₹ 316 to ₹ 330	₹ 316 to ₹ 330



'Go to market'

methodologies, products and processes

In 25 years of strategic improvisation, GRUH has endeavored to create, in the true sense of the term, a 'learning' organization.

In each market, at various locations and for differing segments, GRUH has developed processes, products and methodologies which cater to the local nuance of each market place.

A good example of this customized methodology is our CREDIT SCORE system. This is a comprehensive in-house construct developed from our grass root experience of dealing with people who do not have conventional proof of income. Our think tank developed a whole set of parameters to assess creditworthiness of the prospective customer and the family's earnings. It enabled us to institutionalize the perception of the credit risk and tap into market potential across locations.

GRUH's product portfolio today is tailor-made to each customer's need. GRUH SUVIDHA has proved to be a path-breaking product. It covers a wide spectrum from tailors to rickshaw drivers and petty traders or shopkeepers to farm-linked occupations. GRUH SURAKSHA and GRUH SAJAVAT have similarly evolved necessary mechanisms to finance people who need to construct their own homes or carry out internal or external repairs and structural improvements. GRUH SHUBH LABH is the fourth product which meets the typical needs of a small town family. It has simple procedures and good fit to the local mindset.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Overview

The financial year 2009-10 had witnessed ample liquidity in the money market and the interest rates had declined from the peak of 2008-09. The various fiscal stimulus packages introduced by the Government had also helped major sectors and improved demand in the economy.

The beginning of the financial year 2010-11 saw a gradual withdrawal of monetary and fiscal stimulus including roll back of concessional interest rates offered by the Government. As was expected, the economy registered a growth of 8.9% by the end of the first quarter. However, the improved demand, higher economic growth and rising commodity prices also fuelled inflation, particularly food inflation. In fact, the inflation became a major worry for both the Government as well as Reserve Bank of India and the year witnessed various steps in containing the inflation and a tighter monetary stance.

The various crossroads experienced over the last 30 months like the liquidity crunch of October 2008, stimulus measures in improving the liquidity and subsequent tightening of the policy rates have certainly proven that the housing finance sector has been well integrated with country's financial sector and any change in the monetary and fiscal policies by Reserve Bank of India and the Government impacts the sector considerably and without much time lag.

The dilemma of policy makers in containing inflation vis-à-vis its adverse impact on growth of the economy continues even at the end of twelve months period.

According to the National Housing Bank (NHB), housing finance companies have performed better with higher growth in loan accounts of 18% in comparison to the banks which registered a growth of 10% in loan assets for the financial year 2009-10.

Market Scenario

The current financial year began with positive sentiments and optimism in all sectors of the economy as was evident with

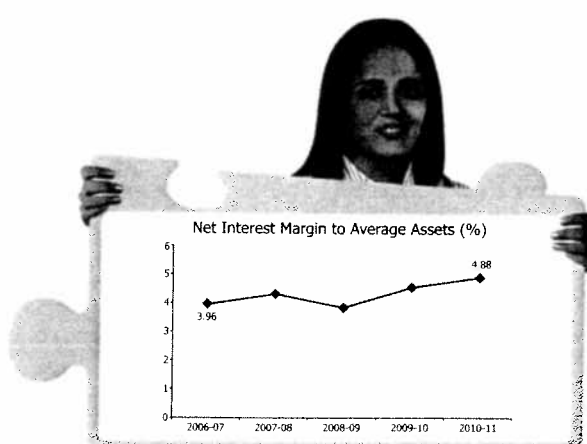
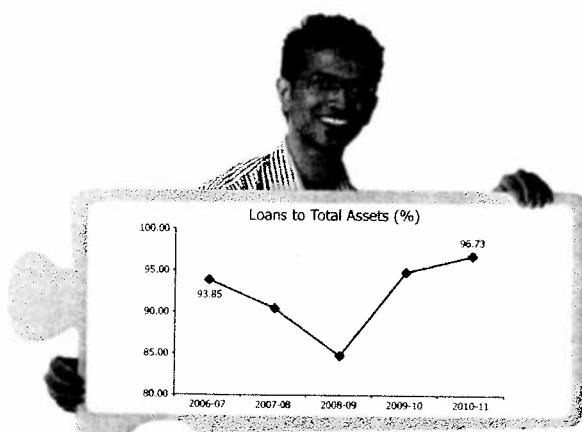
the economy growing at 8.9% in the first quarter and gave a boost to the real estate demand. However, the real estate prices peaked at a significantly faster rate making properties unaffordable for an ultimate customer. From the second quarter, the demand weakened and the number of property transactions being registered declined over the nine months period. By the end of the year, the customer has gone in a "wait and watch" mode expecting prices to further decline. This could have an adverse impact in housing market and in turn housing finance companies could experience a slowdown in the first two quarters in 2011-12.

The concept of "Affordable Housing" has now been well established in the policy frame work of the Government and also amongst the developer community. However, a lot needs to be done on the part of Centre and State Governments especially on land policy so as to facilitate affordable housing in the cost bracket of ₹ 5 lacs to ₹ 10 lacs. The country has seen initiatives by some developers at few of the locations across the country in setting up of affordable housing projects. If these initiatives gather momentum, housing finance sector will have a much expanded market to offer home loans in the segment which is not being catered in large volumes today.

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. GRUH also extends 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 54 % of total disbursements made during the year and GRUH paid referral fees of ₹ 1.67 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 22 new offices in these states during the year and closed 2 retail offices during the year. GRUH now has 115 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 ₹ 1,210.69 crores during the year as against ₹ 780.33 crores in the previous year. GRUH disbursed loans of ₹ 1,038.38 crores (previous year ₹ 655.33 crores) for home purchase, repair and renovation and registered a growth of 58% in the retail home loan segment. GRUH disbursed home loans to 19,439 families (previous year 13,723 families) and the average home loan to individuals was ₹ 5.73 lacs during the year as against ₹ 5.42 lacs during the previous year.

GRUH disbursed loans of ₹ 42.35 crores (previous year ₹ 46.29 crores) for purchase of Non Residential Properties and ₹ 129.96 crores (previous year ₹ 78.71 crores) to developers.

Cumulative disbursements as at March 31, 2011, stood at ₹ 5,855.87 crores with a Compound Annual Growth Rate (CAGR) of 27 % 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 19,240 customers under this arrangement in respect of property cover of ₹ 1,404.92 crores.

GRUH also continued 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, 5,005 customers have taken the life cover from various insurance companies in respect of life cover of ₹ 194.52 crores.

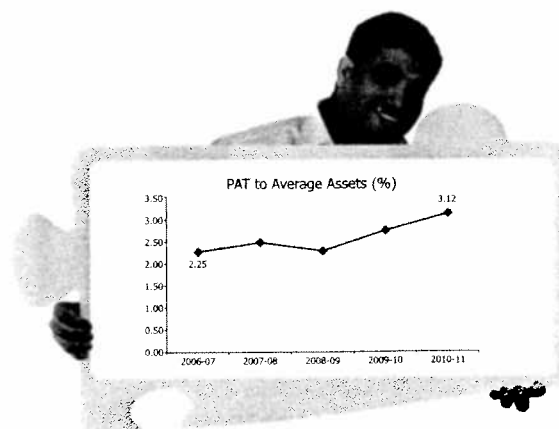
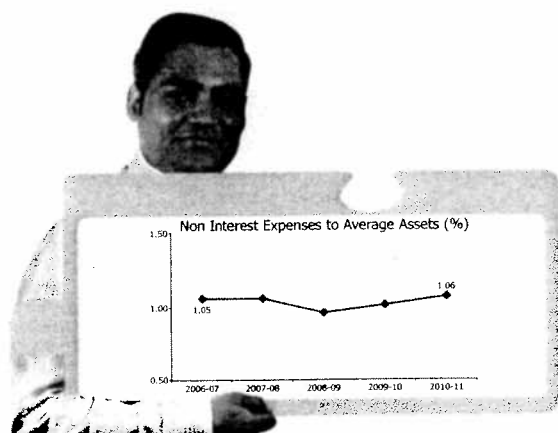
Loans

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 ₹ 3,176.85 crores from ₹ 2,453.70 crores and registered a growth of 29%. CAGR over the past 5 years period has been 25 %.

The total outstanding loans at variable rate stood at ₹ 3,112.29 crores (previous year ₹ 2,376.85 crores), which was 98% (previous year 97%) of the total outstanding loans. Loans to total assets stood at 97% as at March 31, 2011.

GRUH's outstanding home loans to individuals of ₹ 2,908.69 crores and other loans to individuals for NRP of ₹ 171.52 crores



constituted 92% and 5% respectively of the total outstanding loans. GRUH experienced a prepayment ratio of 10.55% (previous year 12.57%) in respect of individual loans. The outstanding loans to developers of ₹ 96.64 crores constituted 3% of the total outstanding loans.

The average yield realised on the loan assets during the year was 11.88% (previous year 12.14%).

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 loans other than housing loans to individuals. 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 ₹ 5.31 crores on NPAs of ₹ 25.86 crores and a provision of ₹ 1.06 crores on standard loans (other than housing loans to individuals) of ₹ 266.46 crores as at March 31, 2011. However, as a matter of prudence, over the years, GRUH has been transferring additional amounts to provision for contingencies. Provision for contingencies has been maintained at ₹ 27.92 crores. With these provisions, GRUH has not only provided for the standard loan assets other than housing loans to individuals at the prescribed rate of 0.40% but also provided fully for NPAs of ₹ 25.86 crores. As a result, GRUH's net NPAs stood at nil (previous year nil) of the outstanding loans of ₹ 3176.85 crores as at March 31, 2011.

During the year, while GRUH has written off an amount of ₹ 1.26 crores in respect of individual loans where the recovery was difficult in the near future, GRUH continued the recovery efforts in respect of written off loans of earlier years and could effect recoveries of ₹ 1.27 crores in respect of such written off loans.

GRUH carried properties aggregating to ₹ 4.92 crores acquired in settlement of dues at the beginning of the year. During the year, GRUH acquired properties aggregating to ₹ 2.13 crores in settlement of dues under the SARFAESI Act. GRUH also made efforts to dispose off the acquired properties and realised ₹ 2.38 crores during the year. As at March 31, 2011, GRUH carried properties worth ₹ 4.67 crores which was 1.47% of GRUH's capital funds, well within the 20% limit stipulated by NHB.

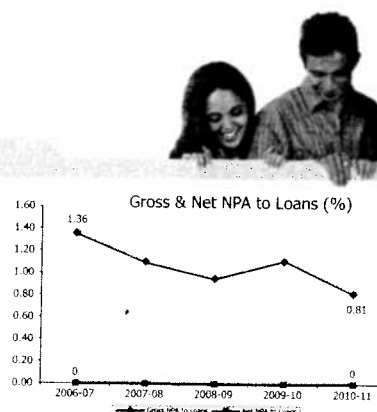
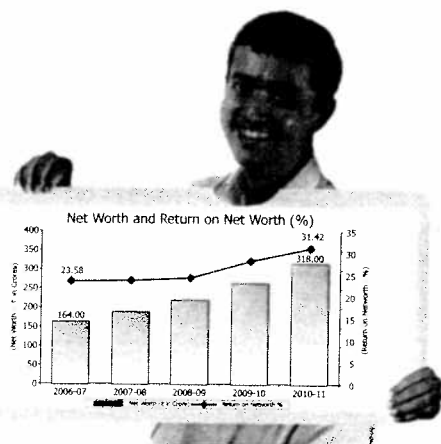
Investments

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 manage. 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 ₹ 3.28 crores by way of dividends from mutual funds and ₹ 2.12 crores by way of interest on deposits placed with banks. At the end of the year, GRUH maintained ₹ 110.11 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, 2011, GRUH has invested ₹ 62.09 crores in approved securities comprising 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 ₹ 2.43 crores towards losses, if any, that would arise 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 32% (previous year 21%) of the total borrowings of ₹ 2,966.33 crores (previous year ₹ 2,323.12 crores). The outstanding borrowings at fixed rate stood at ₹ 1,257.20 crores (previous year ₹ 829.23 crores), which was 43% (previous year 36%) 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 ₹ 1,000 crores during the year and repaid loans aggregating to ₹ 670 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.

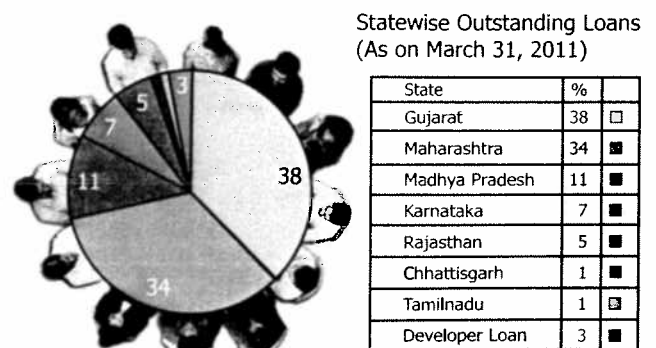
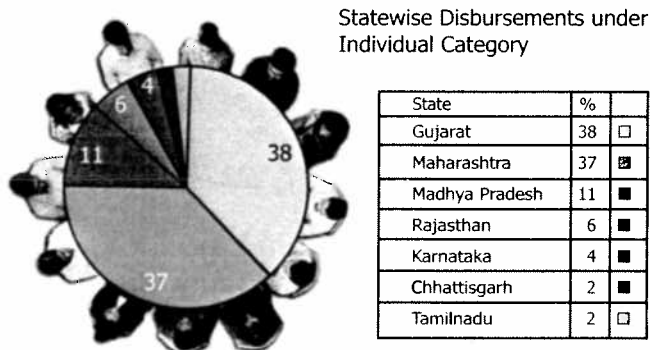
Outstanding balance of bank loans as at March 31, 2011 was ₹ 1,230 crores.

GRUH availed refinance of ₹ 545.65 crores from NHB. Outstanding refinance from NHB as at March 31, 2011 of ₹ 1,157.60 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 ₹ 100 crores on a private placement basis by issuance of 1,000 NCDs of ₹ 10 lacs each for a term of 1 year and 4 days. 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, 2011 was ₹ 100 crores.

GRUH did not issue any subordinated debt during the year. As at March 31, 2011, GRUH's outstanding subordinated debt stood at ₹ 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, 2011, ₹ 8 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 ₹ 1,185 crores through issuance of commercial paper and retired ₹ 1,025 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. The outstanding balance of commercial paper as at March 31, 2011 was ₹ 160 crores.



During the year, GRUH received fresh deposits of ₹ 61.28 crores, renewed deposits of ₹ 45.44 crores and experienced outflow of deposits of ₹ 61.77 crores. The renewal ratio (the ratio of deposits renewed to the deposits maturing during the year) experienced by GRUH was 42%. The outstanding balance of public deposits of ₹ 278.73 crores constituted 9.40% of the total outstanding borrowings as at March 31, 2011.

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 8.23% per annum (previous year 7.89%).

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, 2011 of ₹ 2,966.33 crores were within the permissible limit of 16 times the net worth. Of this, the public deposits of ₹ 278.73 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, 2011 was 13.32% as against NHB's prescribed limit of 12%. The Capital Adequacy on account of Tier I Capital was 12.98% while the Capital Adequacy on account of the Tier II Capital was 0.34%.

Risk Management

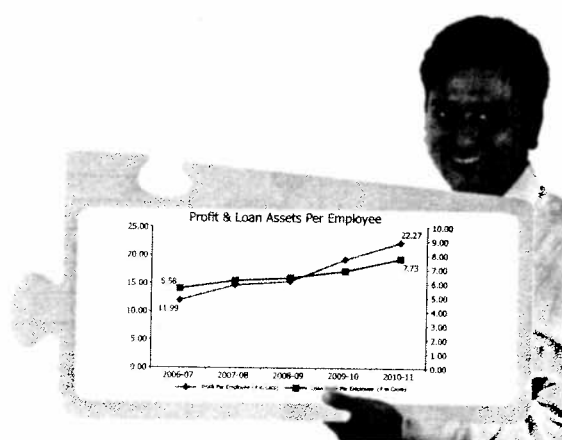
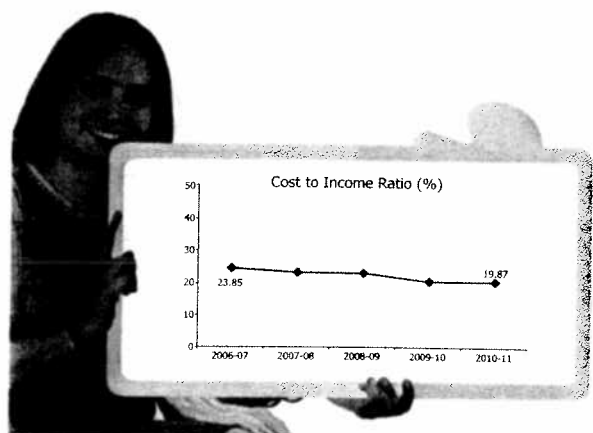
GRUH has formulated a risk management framework which lays the procedure for risk assessment and mitigation. The Risk Management Committee (RMC) comprises the Managing Director as the chairman and the members include senior managers holding key positions in the Company. The RMC appraises the Audit Committee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

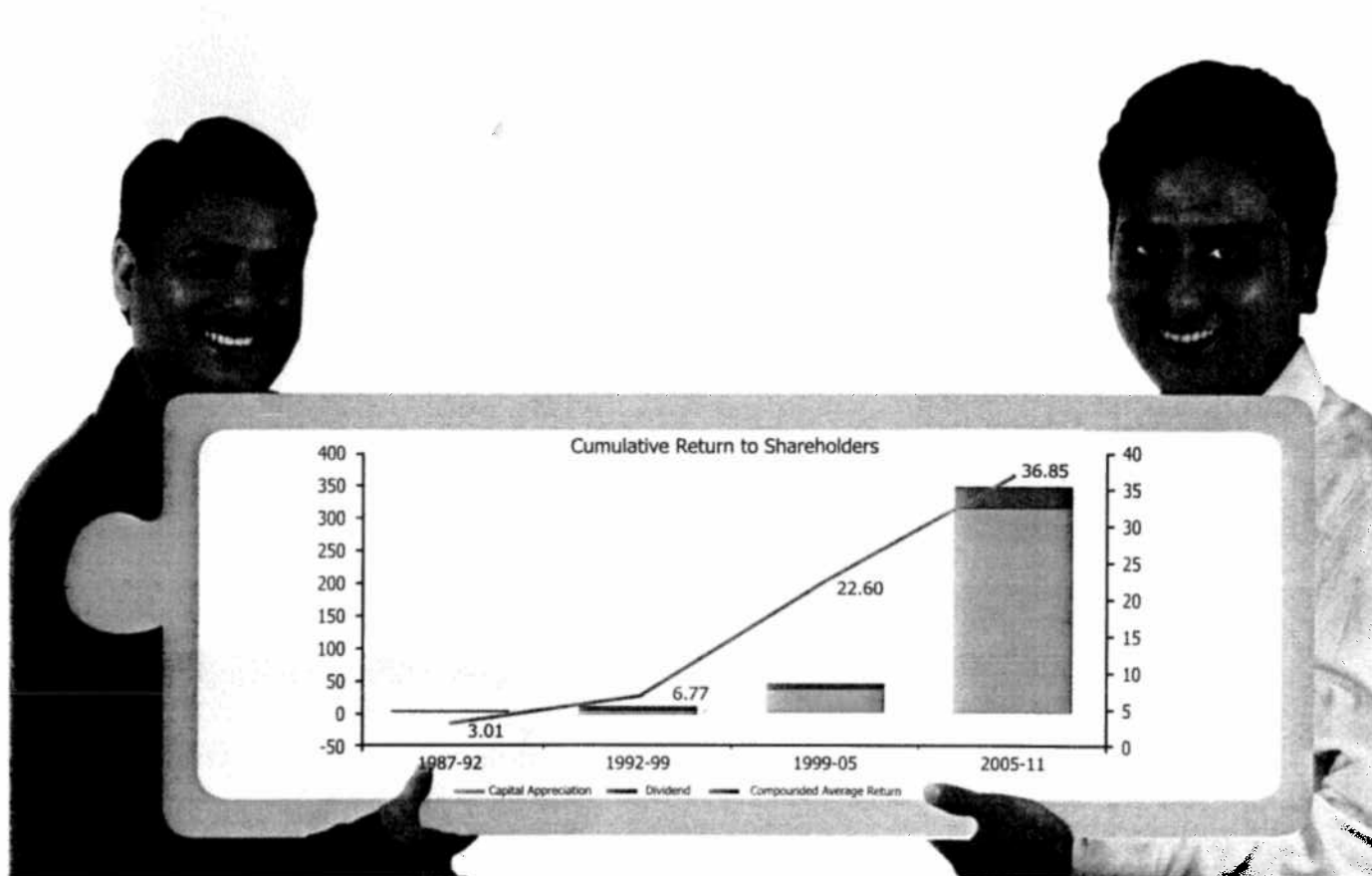
Key elements of the profit and loss account for the year ended March 31, 2011 are:

- Profit before tax grew by 33% and profit after tax grew by 33%.
- Current year income tax provision amounted to ₹ 33.99 crores as compared to ₹ 29.69 crores in the previous year. The effective income tax rate for the year is 27%.
- Pre-tax return on average assets was 4.28% in the current year as against 3.74% in the previous year. Post-tax return on average assets was 3.12% as against 2.73% in the previous year.
- Return on average net worth for the year was 31.42% as against 28.41% in the previous year.

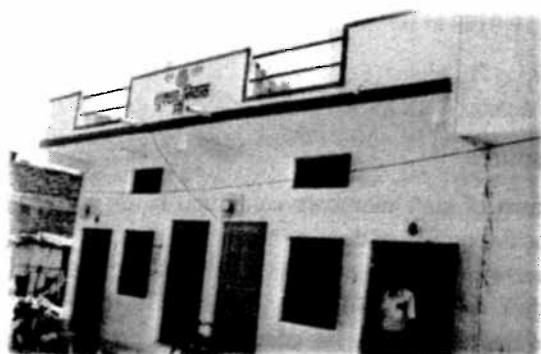
- Ratio of net interest margin to average assets was 4.88% for the current year as against 4.57% in the previous year.
- GRUH's cost to income ratio was 19.87% for the year as against 19.91% in the previous year.
- The Earning Per Share (Basic) was ₹ 26.19 for the current year as against ₹ 19.89 for the previous year.

Human Resource

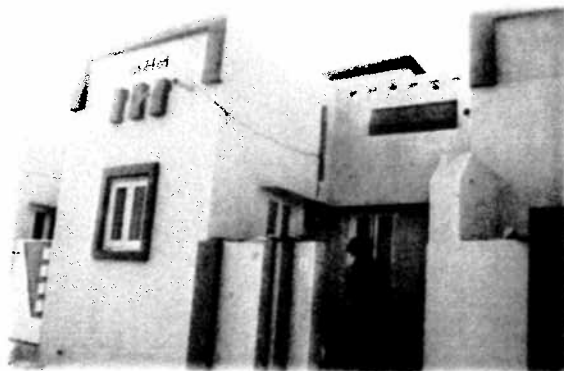
The enthusiasm of staff members continued to be high in sustaining positive growth of disbursements and in maintaining healthy recoveries. With the high level of commitment and loyalty by staff members, GRUH is confident to face the challenges of the tougher market conditions.



Properties Financed by GRUH



Town : Mandsaur
District : Mandsaur
Property Cost : Rs. 4,00,000/-
Loan Amount : Rs. 3,00,000/-



Town : Porbandar
District : Porbandar
Property Cost : Rs. 4,31,200/-
Loan Amount : Rs. 3,50,000/-



Town : Gulbarga
District : Gulbarga
Property Cost : Rs. 5,40,000/-
Loan Amount : Rs. 4,00,000/-



Town : Pali
District : Pali
Property Cost : Rs. 5,14,000/-
Loan Amount : Rs. 3,50,000/-



REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

Corporate Governance is, essentially, a philosophy. It encompasses not only the regulatory and legal requirements, but also the voluntary practices developed by the company to protect the best interests of all stakeholders. However, in the harsh realities of day to day economic stress and competitive growth, corporate governance can only deliver on an avowed philosophy if there is a strong and sustainable framework. It is this framework which fosters a high level of business ethics with effective supervision, transparency and accountability at all levels. A good corporate governance framework incorporates a system of robust checks and balances between Key players; namely, the Board, the management, auditors and various stakeholders. The role and responsibilities of each entity must be clearly understood and transparency must be enforced at each level and at all times.

Spin-offs from good Corporate Governance

Investors worldwide are looking for new areas and avenues to invest their funds but the emphasis is on safety of their funds rather than high returns. These investors value companies which show commitment to customer satisfaction; companies which nurture long-term stakeholder value. In the ultimate analysis, strong governance is, therefore, indispensable for the development of a resilient and vibrant capital market. It is an important instrument for investor protection.

Good governance is similarly a distinctive competent in a crowded and aggressive marketplace. It fosters customer confidence and promotes the equity, earnings quotient and value for a corporate brand.

Company's philosophy on Corporate Governance

GRUH has been fortunate to have a strong set of values drawn from its promoter and parent company, Housing Development Finance Corporation Limited (HDFC).

At GRUH, we have assigned the highest importance to 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 a high level of professionalism in carrying out the business with a strong belief that the organisation exists to serve the customer in a manner that can yield the best possible return to a shareholder. The Board of Directors at GRUH has always maintained the true spirit of being "Trustees" in directing the management team and also persisted in demanding a similar approach from the management team. The board has also inspired the management team to practice professional ethics in all its dealings.

With emphasis on transparency, integrity and accountability, the Board of Directors adopted the principles of good corporate governance by setting up an Audit Committee, Shareholders' Grievance Committee and Compensation Committee since 1997. GRUH has developed systems that allow sufficient freedom to the board and the management to take decisions which promote growth 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.

Five 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	12	6	3
2	Mr. S.M. Palia	6	4	1
3	Mr. Rohit C. Mehta	3	1	1
4	Mr. Prafull Anubhai	4	2	2
5	Ms. Renu S. Karnad	12	2	3
6	Mr. K.G. Krishnamurthy	5	-	-
7	Mr. S.G. Mankad	6	1	-
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, 6 and 7 are independent directors.

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 members of the Company have re-appointed Shri Sudhin Choksey as the Managing Director for a period of 5 years with effect from April 1, 2010 and also appointed Shri Kamlesh Shah as the Executive Director for a period of 5 years with effect from April 16, 2010.

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 board 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 16, 2010, June 29, 2010, July 15, 2010, October 14, 2010, and January 13, 2011. 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 (₹)	Attendance at the last AGM
Mr. Keki M. Mistry	5	75000	Yes
Mr. S.M. Palia	5	75000	Yes
Mr. Rohit C. Mehta	4	60000	No
Mr. Prafull Anubhai	5	75000	Yes
Ms. Renu S. Karnad	4	60000	Yes
Mr. K.G. Krishnamurthy	5	75000	Yes
Mr. S.G. Mankad	3	45000	Yes
Mr. Kamlesh Shah*	5	-	Yes
Mr. Sudhin Choksey	5	-	Yes

*appointed as Additional Director designated Executive Director in the Board Meeting dated April 16, 2010.
Leave of absence was granted to the Directors who could not attend the respective meetings.

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 (Allotment), Committee of Directors and the Shareholders' / Investors' Grievance Committee - all chaired by an independent director.

At the Board Meeting held on July 15, 2010 certain Committees constituted by the Board were re-constituted.

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 (₹)
Mr. S.M. Palia	4	55000
Mr. Keki.M. Mistry	4	55000
Mr. Rohit C. Mehta	4	55000
Mr. Prafull Anubhai	4	55000

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 and the Executive Director. The annual compensation of the Managing Director and the Executive 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 (₹)
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 was re-constituted on July 15, 2010. After re-constitution, the Committee presently comprises of Mr. Rohit C. Mehta (Chairman) Mr. S G Mankad, Mr. K G Krishnamurthy and Mr. Sudhin Choksey (prior to reconstitution, the Committee comprised 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 five times during the year.

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

Directors	No. of meetings attended	Sitting Fees paid (₹)
Mr. S.M. Palia	1	10000
Mr. Prafull Anubhai	1	10000
Mr. Rohit C Mehta	4	60000
Mr. S G Mankad	3	45000
Mr. K G Krishnamurthy	3	45000
Mr. Sudhin Choksey	5	-

In order to expedite the process of share transfer, the board had delegated the authority to approve share transfers to Mr. Sudhin Choksey (Managing Director) and Mr. Marcus Lobo (Company Secretary/Compliance Officer). During the year, the Share Transfer Committee was also re-constituted on July 15, 2010 and now the Committee consists of Mr. Kamlesh Shah (Executive 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 received two complaints from the shareholders. The same have been resolved. 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 and the Executive Director were paid an aggregate gross remuneration of ₹ 141.06 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 29, 2010. 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, the Company granted 11,72,849 options to employees and directors under ESOS-2011. 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 options and also the number of shares held by non-executive directors, including shares held by their relatives as on March 31, 2011 is as follows:

Directors	No. of Options held	No. of equity shares held
Mr. Keki M. Mistry	18,000	23,290
Mr. S.M. Palia	18,000	12,330
Mr. Rohit C. Mehta	18,000	20,905
Mr. Prafull Anubhai *	28,000	5,500
Ms. Renu S. Karnad	18,000	21,223
Mr. K.G. Krishnamurthy	18,000	21,165
Mr. S.G. Mankad	18,000	-

*no. of options held includes the unexercised options of ESOS-2007

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 25, 2008 June 30, 2009 and June 29, 2010. The AGMs were held at H.T. Parekh Convention Centre, Ahmedabad Management Association (AMA), ATIRA Campus, Ahmedabad. Two special resolutions were passed at the previous three Annual General Meetings. No resolution was passed using postal ballots.

Dematerialisation of shares

GRUH's shares are 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, 2011, 97.44% 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 Company has arranged for the payment of the listing fees for the year 2011-2012 as per the listing agreement with the respective stock exchanges. The Stock Code Nos. are : BSE: 511288; NSE: GRUH

Shareholder Relations

GRUH has over 14300 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 used to file 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 re-appointed at the twenty-fifth 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 13, 2011

Keki M. Mistry
Chairman

Declaration

This is to confirm that for the year 2010-11, all Board members and senior management personnel have affirmed compliance with the Code of Conduct of GRUH.

Mumbai
April 13, 2011

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, 2011, 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 13, 2011

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 whole-time directors 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 and the Executive 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 and the Executive 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 four directors met five 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.

ROHIT C. MEHTA

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, 2011 :

Category	No. of Share-holders	Total No. of Shares Held	% to Capital
Promoter – HDFC Ltd.	1	21307785	60.61
Public /Resident Indians	13749	6209800	17.66
Financial Institutions, Mutual Funds & Banks	5	483529	1.38
Corporate Bodies	304	1031977	2.94
Foreign Institutional Investors (FIIs)	28	4789643	13.62
Non-Resident Indians / OCBs	221	1334899	3.90
Total	14308	35157633	100.00

Top ten shareholders of GRUH as at March 31, 2011 :

Name	No of shares	% of Capital
Housing Development Finance Corporation Limited	21307785	60.61
Acacia Partners, LP	1103775	3.14
Wasatch Emerging Markets Small Cap Fund	682547	1.94
Dr. Sanjeev Arora	677450	1.93
Wasatch International Growth Fund	631569	1.79
DSP Blackrock Small and Midcap Fund	481629	1.39
Acacia Institutional Partners, LP	467200	1.33
Ward Ferry Management Limited A/C WF India Reconnaissance Fund Limited	417000	1.19
The Royal Bank of Scotland PLC as depository of First State Indian Sub-continent Fund	253783	0.72
D J Financial Services Ltd	222600	0.63

Listing of Equity Shares :

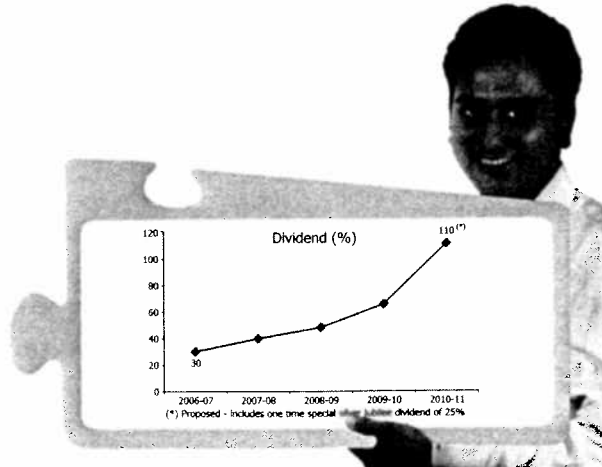
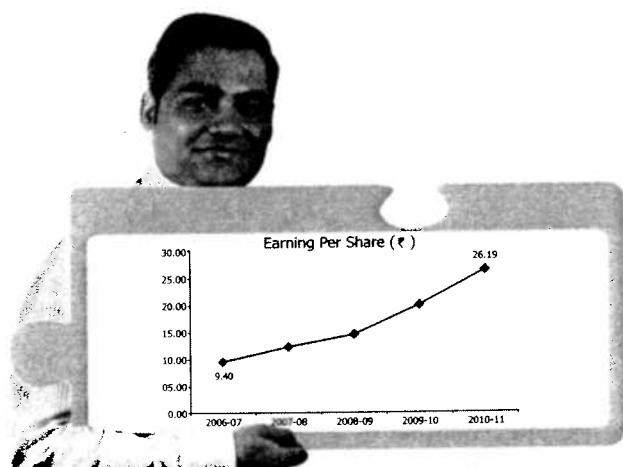
GRUH's shares are listed on The Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

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

The Company has arranged for the payment of the listing fees for the year 2011-2012 as per the listing agreement with the respective stock exchanges.

Listing of Debt Securities:

GRUH's NCDs (Series – B-001 aggregating to ₹ 40 crore) 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 and for National Stock Exchange Limited for 2010-2011 along with the BSE Sensex & Nifty are as follows:

BSE 2010-2011:

Month	High (₹)	Low (₹)	Volume of Shares traded	BSE Sensex (monthly close)
April 2010	264.00	213.50	599423	17559
May 2010	326.50	255.10	1103792	16945
June 2010	329.70	255.00	736006	17701
July 2010	351.00	312.50	491646	17868
August 2010	413.50	327.00	710146	17971
September 2010	449.00	360.10	766113	20069
October 2010	429.00	385.90	179004	20032
November 2010	428.00	369.80	234325	19521
December 2010	417.00	373.00	56512	20509
January 2011	420.90	368.00	45391	18328
February 2011	395.00	311.00	59699	17823
March 2011	369.45	310.10	48651	19445

NSE 2010-2011:

Month	High (₹)	Low (₹)	Volume of Shares traded	Nifty (monthly close)
April 2010	264.90	206.10	862832	5278.00
May 2010	327.00	251.20	1836264	5086.30
June 2010	329.50	263.20	1089103	5312.50
July 2010	351.00	309.50	569279	5367.60
August 2010	413.00	332.05	932976	5402.40
September 2010	449.00	361.20	1448374	6029.95
October 2010	428.00	391.40	309173	6017.70
November 2010	428.00	369.80	727695	5862.70
December 2010	418.75	381.25	119290	6134.50
January 2011	408.95	360.00	184238	5505.90
February 2011	398.80	310.00	116276	5333.25
March 2011	368.00	310.00	72746	5833.75

Distribution of shareholding as at March 31, 2011 :

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	14308	100.00	35157633	100.00

Dematerialisation of Shares :

As at March 31, 2011, 97.44% 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, 2011 are as under:

Particulars	No of shares	(%)
Shares held in physical form	898608	2.56
Shares held in electronic form	34259025	97.44

Total Shares 35157633 100.00

Details regarding dividend paid during the last 7 Years:

Year	Rate (%)	Book Closure Date	AGM Date	Payment Date
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 15, 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
2009-10	65	June 17, 2010 to June 29, 2010	June 29, 2010	June 29, 2010

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 2002-2003 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 2002-2003 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 2003-2004 to 2009-2010 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 2003-2004 will have to be transferred to the Investor Education and Protection Fund in August 2011 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 Tuesday, July 5, 2011 to Thursday, July 14, 2011, both days inclusive.

Dividend Payment:

The Board of Directors of GRUH has recommended a dividend of 110% (₹ 11 per share), which includes a special silver jubilee dividend of 25%, for the financial year ended March 31, 2011 for approval of the shareholders at the annual general meeting.

Dividend entitlement is as follows:

- For shares held in physical form: shareholders whose names appear on the register of members of the Company as on Tuesday, July 5, 2011.
- 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 Monday, July 4, 2011.

Dividend, if declared by the members shall be paid on or after July 14, 2011 but within the statutory time limit.

25TH Annual General Meeting

Date : July 14, 2011

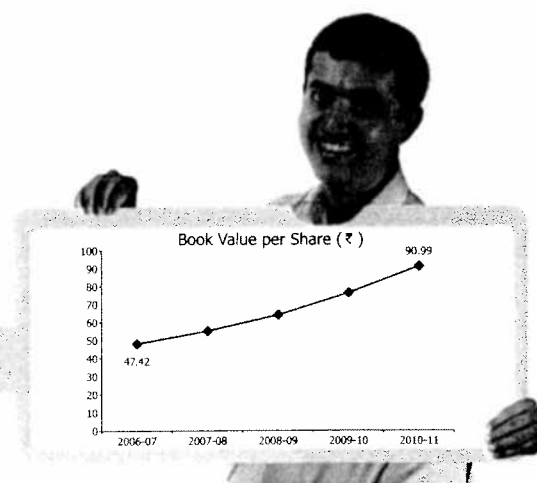
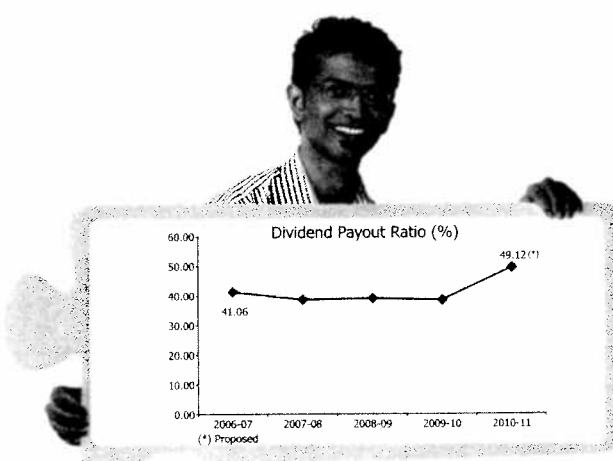
Day : Thursday

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:

	(₹ in Crores)				
Particulars	2010-11	2009-10	2008-09	2007-08	2006-07
Closing Market Capitalisation	1266.38	756.14	324.69	534.79	475.71
Opening Market Capitalisation	756.14	324.69	534.79	475.71	247.25
Money raised during the year from Shareholders	7.12	1.17	0.03	0.08	60.87
Net Capital Appreciation/ (Depreciation)	503.12	430.28	(210.13)	59.00	167.59
Dividend including dividend tax	45.04	26.32	19.46	16.22	12.16
Total Gain / Loss	548.16	456.60	(190.67)	75.22	179.75
Gain / (Loss) to Opening Market Capitalisation (%)	72.50	140.63	(35.65)	15.81	72.70

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

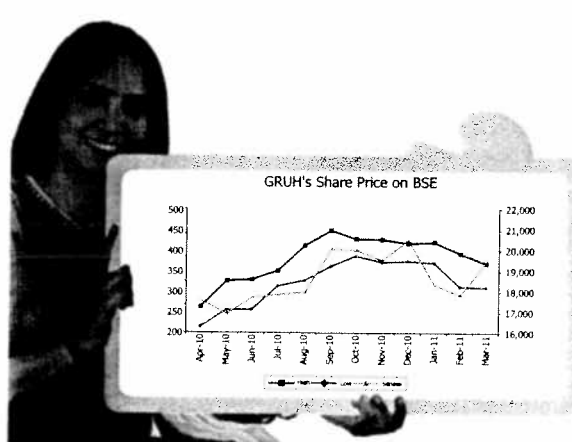
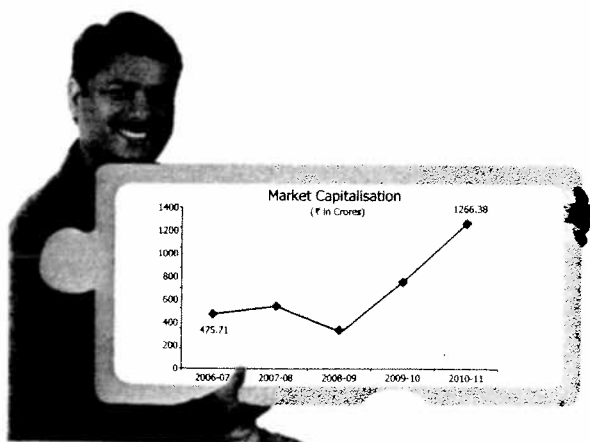
With the Enterprise Value as a measure, the companies can be compared easily irrespective of their capital structure. Moreover, Enterprise value is used to calculate the ratio of EV to EBITDA multiple.

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 : -

	(₹ in Crores)				
Particulars	2011	2010	2009	2008	2007
As on March 31,					
Number of Equity Shares (Crores)	3.52	3.47	3.47	3.46	3.46
Market Price (Rs.)*	360.20	217.75	93.70	154.35	137.35
Market Capitalisation	1266.38	756.14	324.69	534.79	475.71
Total Debt	2966.33	2323.12	2245.15	1773.04	1305.25
Cash	93.69	135.60	71.24	157.66	82.93
Enterprise Value(EV)	4139.02	2943.66	2498.60	2150.17	1698.03
EBIDTA	328.32	276.06	271.72	181.17	123.89
EV/ EBIDTA (Times)	12.61	10.66	9.20	11.87	13.71
TOTAL INCOME	360.37	309.06	295.28	202.59	146.63
EV/TOTAL INCOME (Times)	11.49	9.52	8.46	10.61	11.58

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



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, 2011, 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 and 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, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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 read together with notes thereon 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, 2011;
 - (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.
Firm Registration No. 110417W
Chartered Accountants

Mumbai
April 13, 2011

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

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, 2010 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, 2011 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, 2011 on account of any dispute:

	Particulars	Financial year to which the matter pertains	Forum where matter is pending	Amount (₹)
	Income Tax	2007-08	Commissioner of Income Tax (Appeals)	1,29,29,840/-
(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, <i>prima facie</i> , 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, <i>prima facie</i> , 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.
Firm Registration No. 110417W
Chartered Accountants

Mumbai
April 13, 2011

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

BALANCE SHEET AS AT MARCH 31, 2011

			(₹)
	Schedule	March 31, 2011	March 31, 2010
FUNDS EMPLOYED			
SHAREHOLDERS' FUNDS			
Share Capital	1	35,15,76,330	34,72,51,500
Reserves and Surplus	2	<u>282,78,01,208</u>	<u>229,90,09,283</u>
		317,93,77,538	264,62,60,783
LOAN FUNDS	3	<u>2966,33,16,804</u>	<u>2323,12,22,922</u>
		<u>3284,26,94,342</u>	<u>2587,74,83,705</u>
APPLICATION OF FUNDS			
LOANS	4	3176,84,50,124	2453,69,87,481
INVESTMENTS	5	34,66,09,125	32,71,80,511
CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets, Loans and Advances	6	156,84,71,995	162,41,79,410
Less : Current Liabilities and Provisions	7	<u>105,56,60,372</u>	<u>79,94,27,666</u>
NET CURRENT ASSETS		51,28,11,623	82,47,51,744
FIXED ASSETS	8		
Gross Block		24,38,79,164	20,11,18,539
Less : Depreciation		<u>12,17,67,110</u>	<u>10,59,83,296</u>
Net Block		12,21,12,054	9,51,35,243
DEFERRED TAX ASSET	(Note 16)	9,27,11,416	9,34,28,726
		<u>3284,26,94,342</u>	<u>2587,74,83,705</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
S. G. Mankad
Kamlesh Shah

Mumbai
April 13, 2011

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2011

			(₹)
	Schedule	Current Year	Previous Year
INCOME			
Operating Income	9	345,55,70,181	296,02,36,882
Fees and Other Charges		13,34,08,627	12,16,44,513
Bad Debts Recovered		1,27,21,923	73,58,749
Profit on Sale of Fixed Assets(Net)		13,28,171	9,24,564
Other Income		6,49,379	4,29,742
		<u>360,36,78,281</u>	<u>309,05,94,450</u>
EXPENDITURE AND CHARGES			
Interest and Other charges	10	200,91,90,479	180,20,02,950
Staff Expenses	11	16,03,49,407	12,41,15,974
Establishment Expenses	12	4,58,16,985	3,67,02,431
Other Expenses	13	8,69,21,260	7,86,85,256
Depreciation	8	1,83,20,456	1,43,49,687
Bad Debts Written Off		1,25,83,792	2,71,30,625
Provision for Contingencies		1,47,67,411	6,33,59,731
		<u>234,79,49,790</u>	<u>214,63,46,654</u>
		<u>125,57,28,491</u>	<u>94,42,47,796</u>
PROFIT BEFORE TAX FOR THE YEAR			
Less : - Provision for Tax			
Current Tax		33,98,93,570	29,69,05,349
Deferred Tax(Net)		<u>7,17,310</u>	<u>(4,22,43,231)</u>
		<u>34,06,10,880</u>	<u>25,46,62,118</u>
PROFIT AFTER TAX FOR THE YEAR			
Balance brought forward from last year		91,51,17,611	68,95,85,678
AMOUNT AVAILABLE FOR APPROPRIATION		<u>45,88,06,741</u>	<u>27,64,22,725</u>
		<u>137,39,24,352</u>	<u>96,60,08,403</u>
APPROPRIATIONS :			
Special Reserve		22,00,00,000	17,50,00,000
General Reserve		9,20,00,000	6,90,00,000
Proposed Dividend		38,67,33,963	22,57,13,475
Tax on Proposed Dividend		6,27,37,918	3,74,88,187
Dividend (including tax of ₹ 1,33,256 (Previous Year Nil) pertaining to previous year paid during the year) (Note 23)		9,35,581	0
Balance Carried to Balance Sheet		<u>61,15,16,890</u>	<u>45,88,06,741</u>
		<u>137,39,24,352</u>	<u>96,60,08,403</u>
Earning Per Share (Note 15)			
Basic		26.192	19.889
Diluted		26.129	19.847
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
S. G. Mankad
Kamlesh Shah

Mumbai
April 13, 2011

Sudhin Choksey
Managing Director

Marcus Lobo
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(₹)

	Current Year	Previous Year
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax and extraordinary items	91,51,17,611	68,95,85,678
Add : Provision for Tax	34,06,10,880	25,46,62,118
Profit before tax and extraordinary items	125,57,28,491	94,42,47,796
Adjustments for :		
Depreciation	1,83,20,456	1,43,49,687
Brokerage Expenses written off	68,05,728	65,36,130
Bad Debts Written off	1,25,83,792	2,71,30,625
Retirement benefits	49,48,632	31,82,164
Loss on Sale of Acquired Properties	17,31,772	16,46,932
Provision for Contingencies	0	5,59,90,114
Provision for Loss on Redemption of Investments	1,47,67,411	73,69,617
Profit on sale of Fixed Assets	(13,28,171)	(9,24,564)
Operating Profit before Working Capital Changes	131,35,58,111	105,95,28,501
Adjustments for :		
Current Assets	(35,09,46,014)	316,11,53,236
Current Liabilities	6,40,92,114	(1,41,15,962)
Brokerage paid	(56,35,546)	(45,55,526)
Stock of Acquired and/or Developed Properties	7,79,962	73,97,845
Investments (Net)	(3,41,96,025)	(20,67,85,865)
Cash generated from operations	98,76,52,602	400,26,22,229
Income Tax Paid (Net)	(35,20,26,446)	(27,96,72,294)
Net cash from Operations	63,56,26,156	372,29,49,935
Loans disbursed (Net)	(724,65,58,169)	(365,88,49,990)
Net cash from / (used in) Operating Activities	(661,09,32,013)	6,40,99,945
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(4,69,59,551)	(2,11,99,188)
Sale of Fixed Assets	29,90,455	39,56,848
Net cash used in Investing activities	(4,39,69,096)	(1,72,42,340)
C CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital - Equity	43,24,830	7,31,900
Securities Premium Received	6,68,83,496	1,09,38,194
Securities Premium - Utilisation	(41,95,290)	(7,51,247)
Borrowings (Net)	643,20,93,882	77,96,89,682
Dividend paid	(22,51,82,052)	(16,53,11,852)
Dividend tax paid	(3,76,21,443)	(2,82,67,683)
Unclaim Dividend paid	(4,12,007)	(3,45,999)
Net cash from Financing Activities	623,58,91,416	59,66,82,995
Net increase/(decrease) in cash & cash equivalent	(41,90,09,693)	64,35,40,600
Cash and cash equivalent as at the beginning of the year	135,59,52,468	71,24,11,868
Cash and cash equivalent as at the end of the year	93,69,42,775	135,59,52,468
	(41,90,09,693)	64,35,40,600

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)	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 beginning of the year as above	<u>135,59,52,468</u>	<u>71,24,11,868</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)	123,69,42,775	135,59,52,468
Less : Deposits with Scheduled Banks for more than 3 months period	30,00,00,000	0
Cash and cash equivalent as at the end of the year as above	<u>93,69,42,775</u>	<u>135,59,52,468</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
S. G. Mankad
Kamlesh Shah

Mumbai
April 13, 2011

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, 2011 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.
Firm Registration No. 110417W
Chartered Accountants

Mumbai
April 13, 2011

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

SCHEDULES : ANNEXED TO AND FORMING PART OF THE ACCOUNTS

Schedule 1 : SHARE CAPITAL

		As At March 31, 2011	As At March 31, 2010
AUTHORISED			
5,00,00,000	Equity Shares of ₹ 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 17(f))			
3,51,57,633	Equity Shares of ₹ 10/- each (Previous Year 3,47,25,150 Shares)	35,15,76,330	34,72,51,500
PAID - UP			
3,51,57,633	Equity Shares of ₹ 10/- each (Previous Year 3,47,25,150 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 Shares)	35,15,76,330	34,72,51,500
		<u>35,15,76,330</u>	<u>34,72,51,500</u>

Schedule 2 : RESERVES AND SURPLUS

		As At March 31, 2011	As At March 31, 2010
SPECIAL RESERVE (Note 1)			
	Opening Balance	97,21,00,000	79,71,00,000
	Add : Transfer from Profit and Loss Account	<u>22,00,00,000</u>	<u>17,50,00,000</u>
		119,21,00,000	97,21,00,000
GENERAL RESERVE			
	Opening Balance	24,22,36,808	17,32,36,808
	Add : Transfer from Profit & Loss Account	<u>9,20,00,000</u>	<u>6,90,00,000</u>
		33,42,36,808	24,22,36,808
SECURITIES PREMIUM			
	Opening Balance	62,58,65,734	61,54,23,438
	Add : Received during the year	6,68,83,496	1,09,38,194
	Less : Utilised during the year (Net of tax ₹ 13,93,570 (Previous Year ₹ 2,55,349))	<u>28,01,720</u>	<u>4,95,898</u>
		68,99,47,510	62,58,65,734
BALANCE IN PROFIT AND LOSS ACCOUNT			
		<u>61,15,16,890</u>	<u>45,88,06,741</u>
		<u>282,78,01,208</u>	<u>229,90,09,283</u>

Schedule 3 : LOAN FUNDS
(₹)

		As At March 31, 2011	As At March 31, 2010
LOANS			
SECURED (Note 2)			
National Housing Bank	1157,59,84,031		968,82,67,031
Banks	1230,00,00,000		900,00,00,000
Redeemable Non-Convertible Debentures	<u>100,00,00,000</u>		<u>135,00,00,000</u>
		2487,59,84,031	2003,82,67,031
UNSECURED (Note 3)			
Redeemable Non-Convertible Subordinated Debentures	40,00,00,000		40,00,00,000
Commercial Papers	160,00,00,000		0
Deposits (Note 9)			
Public Deposits	278,46,79,321		278,95,77,764
Interest Accrued and Due	<u>26,53,452</u>		<u>33,78,127</u>
	<u>278,73,32,773</u>		<u>279,29,55,891</u>
		478,73,32,773	319,29,55,891
		<u>2966,33,16,804</u>	<u>2323,12,22,922</u>

Schedule 4 : LOANS
(₹)

		As At March 31, 2011	As At March 31, 2010
LOANS (Notes 4 to 6)			
Home Loans			
Individuals	2908,68,57,463		2228,49,30,425
Others	<u>81,90,19,203</u>		<u>29,57,30,492</u>
		2990,58,76,666	2258,06,60,917
Other Loans			
Individuals	171,52,33,242		149,12,83,050
Others	<u>14,73,40,216</u>		<u>46,50,43,514</u>
		186,25,73,458	195,63,26,564
		<u>3176,84,50,124</u>	<u>2453,69,87,481</u>

Schedule 5 : INVESTMENTS

	As At March 31, 2011	As At March 31, 2010
Long Term Investments (At Cost)		
Government Securities	37,08,95,265	32,24,74,738
Debentures & Bonds	0	2,46,03,075
	37,08,95,265	34,70,77,813
Less : Provision for Loss to arise on redemption of Investments	2,42,86,140	1,98,97,302
	34,66,09,125	32,71,80,511
	Book Value	Market Value
Aggregate of Quoted Investments	37,08,95,265	35,84,53,465
Previous Year	(34,70,77,813)	(33,75,84,663)

Notes :

- (1) The above Investments of ₹ 37,08,95,265/- (Previous year ₹ 34,70,77,813/-) 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.

	As At March 31, 2011	As At March 31, 2010
Government Securities		
8.07 % Government of India Loan 2017	5,68,01,000	5,68,01,000
12.40 % Government of India Loan 2013 (₹ 52,78,175 Purchased during the year)	3,76,42,675	3,23,64,500
11.03 % Government of India Loan 2012 (Purchased during the year)	10,03,200	0
11.50 % Government of India Loan 2011 (₹ 2,22,58,800 Purchased during the year)	17,05,42,800	14,82,84,000
11.83 % Government of India Loan 2014 (Purchased during the year)	25,42,200	0
12.30 % Government of India Loan 2016 (Purchased during the year)	3,59,25,000	0
11.50 % Government of India Loan 2010 (Matured during the year)	0	1,22,60,000
10.35 % Chhattisgarh State Development Loan 2011 (Purchased during the year)	2,05,74,000	0
10.35 % Himachal Pradesh State Development Loan 2011 (Purchased during the year)	2,05,74,000	0
12.00 % Uttar Pradesh State Development Loan 2011 (Purchased during the year)	52,91,000	0
12.00 % Gujarat State Development Loan 2011	1,15,06,890	1,15,06,890
10.35 % Maharashtra State Development Loan - 2011	84,92,500	84,92,500
12.00 % Gujarat State Development Loan 2010 (Matured during the year)	0	17,56,483
11.50 % Gujarat State Development Loan 2010 (Matured during the year)	0	2,12,50,000
11.50 % Karnataka State Development Loan 2010 (Matured during the year)	0	2,12,50,000
12.00 % Maharashtra State Development Loan 2010 (Matured during the year)	0	35,91,405
12.00 % Andhra Pradesh State Development Loan 2010 (Matured during the year)	0	49,17,960
	37,08,95,265	32,24,74,738
Bonds (Redeemable)		
	No. of Bonds	Face Value Per Bond (₹)
11.50 % National Housing Bank	205	1,00,000
(Matured during the year)		
		As At March 31, 2011
		0
		2,46,03,075
		0
		2,46,03,075

Schedule 6 : CURRENT ASSETS, LOANS AND ADVANCES

(₹)

		As At March 31, 2011	As At March 31, 2010
CURRENT ASSETS			
Income Accrued on Investments	79,09,141		72,34,338
Interest Accrued on Deposits	10,50,074		68,493
Cash and Bank Balances :			
Cash on Hand	3,39,511		2,62,860
Cheques on Hand	23,23,727		2,84,97,429
Balance with Scheduled Banks :			
Current Accounts	13,31,79,537		15,71,92,179
Deposit Accounts	110,11,00,000		117,00,00,000
		124,59,01,990	135,59,52,468
LOANS AND ADVANCES (Note 8)			
Instalments due from Borrowers (Secured)	13,36,78,908		9,25,78,853
Advances recoverable in cash or in kind or for value to be received	18,88,91,097		16,83,45,258
		32,25,70,005	26,09,24,111
		156,84,71,995	162,41,79,410

Schedule 7 : CURRENT LIABILITIES AND PROVISIONS

(₹)

		As At March 31, 2011	As At March 31, 2010
CURRENT LIABILITIES			
Interest Accrued but not Due		17,16,66,897	13,17,61,447
Sundry Creditors (Note 20)		1,10,68,542	85,78,953
Instalments Received in Advance		2,62,35,127	1,75,74,594
Unpaid Dividend (Note 9)		49,78,482	40,56,741
Other Liabilities		14,92,34,917	11,38,27,858
PROVISIONS			
Proposed Dividend		38,67,33,963	22,57,13,475
Provision for Retirement Benefits		2,65,66,250	1,87,38,404
Provision for Contingencies		27,91,76,194	27,91,76,194
		105,56,60,372	79,94,27,666

Schedule 8 : FIXED ASSETS
(₹)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	(AT COST)									
Particulars	As At 1-Apr-10	Additions	Deductions	As At 31-Mar-11	As At 1-Apr-10	Additions	Deductions	As At 31-Mar-11	As At 31-Mar-11	As At 31-Mar-10
Intangible Assets										
Computer Software	2,03,10,690	1,11,84,776	-	3,14,95,466	1,21,81,876	23,53,973	-	1,45,35,849	1,69,59,617	81,28,814
Tangible Assets										
Freehold Land	96,63,515	-	-	96,63,515	-	-	-	-	96,63,515	96,63,515
Office Building	4,85,13,910	-	-	4,85,13,910	1,00,23,070	7,90,777	-	1,08,13,847	3,77,00,063	3,84,90,840
Residential Flat	25,73,855	-	3,95,600	21,78,255	5,86,042	39,267	1,10,157	5,15,152	16,63,103	19,87,813
Furniture & Fixture	5,27,81,490	72,41,245	7,39,951	5,92,82,784	3,68,62,216	47,98,802	6,63,336	4,09,97,682	1,82,85,102	1,59,19,274
Office Equipment	1,89,37,802	69,92,007	20,62,597	2,38,67,212	94,13,344	21,05,799	9,98,431	1,05,20,712	1,33,46,500	95,24,458
Electrical Installations	82,20,008	9,69,512	10,150	91,79,370	62,02,961	6,48,736	5,278	68,46,419	23,32,951	20,17,047
Computers	3,94,41,722	1,82,40,092	3,15,081	5,73,66,733	3,02,62,280	72,75,690	2,59,596	3,72,78,374	2,00,88,359	91,79,442
Vehicles	6,75,547	23,31,919	6,75,547	23,31,919	4,51,507	3,07,412	4,99,844	2,59,075	20,72,844	2,24,040
As At 31-Mar-11	20,11,18,539	4,69,59,551	41,98,926	24,38,79,164	10,59,83,296	1,83,20,456	25,36,642	12,17,67,110	12,21,12,054	9,51,35,243
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	

(₹)

Schedule 9 : OPERATING INCOME (Note 10)

	Current Year	Previous Year
Interest on Loans	334,37,90,711	275,82,30,283
(Tax Deducted at Source ₹ 95,48,068/-)		
(Previous year ₹ 1,60,73,374/-)		
Other Operating Income	11,17,79,470	20,20,06,599
(Tax Deducted at Source ₹ 31,55,530/-)		
(Previous year ₹ 2,69,66,214/-)		
	<u>345,55,70,181</u>	<u>296,02,36,882</u>

Schedule 10 : INTEREST AND OTHER CHARGES

(₹)

	Current Year	Previous Year
INTEREST		
Loans	138,33,79,925	132,36,79,897
Non-Convertible Debentures	14,18,04,931	7,43,61,098
Commercial Papers	20,15,07,014	12,13,00,850
Deposits	25,59,82,567	25,89,06,361
OTHER CHARGES		
Brokerage on Deposits	1,00,01,349	1,00,55,280
Bank Charges	69,16,072	78,95,193
Other Financial Charges	95,98,621	58,04,271
	<u>200,91,90,479</u>	<u>180,20,02,950</u>

Schedule 11 : STAFF EXPENSES

(₹)

	Current Year	Previous Year
Salaries and Bonus	13,56,64,440	10,70,55,433
Contribution to Provident Fund and other funds (Note 11)	1,51,99,906	1,06,57,730
Staff Welfare Expenses	47,31,420	38,39,344
Staff Training and Recruitment Expenses	47,53,641	25,63,467
	<u>16,03,49,407</u>	<u>12,41,15,974</u>

Schedule 12 : ESTABLISHMENT EXPENSES

	Current Year	Previous Year
Rent	2,17,59,064	1,68,97,758
Rates & Taxes	20,15,663	14,41,847
Electricity Charges	52,04,470	40,64,660
Repairs and Maintenance	59,31,233	54,15,917
Office Maintenance	95,62,594	77,66,077
Insurance Charges	13,43,961	11,16,172
	<u>4,58,16,985</u>	<u>3,67,02,431</u>

Schedule 13 : OTHER EXPENSES

	Current Year	Previous Year
Travelling and Conveyance	1,38,60,320	1,20,24,533
Printing and Stationery	90,20,780	78,14,972
Postage, Telephone and Fax	2,03,43,599	1,50,07,035
Advertising & Business Promotion	2,03,56,458	1,95,87,503
Legal and Professional Charges	82,41,201	80,97,743
Directors' Fees	12,75,000	7,70,000
Auditors' Remuneration (Note 19)	15,82,860	15,85,786
Miscellaneous Expenses (Note 21)	1,22,41,042	1,37,97,684
	<u>8,69,21,260</u>	<u>7,86,85,256</u>

GRUH FINANCE LIMITED

SCHEDULE 14 : NOTES FORMING PART OF THE ACCOUNTS

1. 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 ₹ 22,00,00,000/- (Previous Year ₹ 17,50,00,000/-) to Special Reserve In terms of Section 36 (1)(viii) of the Income Tax Act, 1961. The Company doesn't anticipate any withdrawal from Special Reserve in foreseeable future.
2. 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 ₹ 100,00,00,000/- 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 on June 30, 2011.
3. Unsecured Loans :
 - (a) Redeemable Non-Convertible Subordinated Debentures of ₹ 40,00,00,000/- 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 ₹ 710,00,00,000/- (Previous Year ₹ 500,00,00,000/-).
 - (c) Public Deposits include ₹ 139,74,70,895/- (Previous Year ₹ 107,22,08,642/-) due within one year. The Public Deposits are secured by floating charge on the Statutory Liquid Assets.
4. 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.
5. (a) The Company has complied with the norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognising Non-Performing Assets (NPA) in preparation of Accounts. As per the norms, NPAs are recognised on the basis of 90 days overdue. NPAs 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, 2010.

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

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

(₹)

Particulars	Standard	Sub – Standard	Bad & Doubtful	Total
As on March 31, 2011				
Home Loan				
Individual	2884,52,98,434	10,19,37,793	13,96,21,236	2908,68,57,463
Others	81,90,19,203	0	0	81,90,19,203
Other Loans				
Individual	169,82,15,451	1,08,73,856	61,43,935	171,52,33,242
Others	14,73,40,216	0	0	14,73,40,216
Total	3150,98,73,304	11,28,11,649	14,57,65,171	3176,84,50,124
Percentage (%)	99.18	0.36	0.46	100
Provision				
As on March 31, 2010	77,72,407	16,21,30,520	10,92,73,267	27,91,76,194
Provided during the year	1,28,26,967	(4,93,18,871)	3,64,91,904	0
Total As on March 31, 2011	2,05,99,374	11,28,11,649	14,57,65,171	27,91,76,194
Net NPA				0
Net NPA as a % of Loan Asset				0

Particulars	Standard	Sub – Standard	Bad & Doubtful	Total
As on March 31, 2010				
Home Loan				
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 Asset				0

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

(C) Exposure to Real Estate Sector

Items	As At March 31, 2011	As At March 31, 2010
1. Direct Exposure		
A Residential Mortgages :		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (Individual housing loans up to ₹ 15 lacs may be shown separately)	Loans <= ₹ 15 lacs : ₹ 2605,86,44,443/- Loans > ₹ 15 lacs : ₹ 302,82,13,020/- Total ₹ 2908,68,57,463/-	Loans <= ₹ 15 lacs : ₹ 2025,95,84,283/- Loans > ₹ 15 lacs : ₹ 202,53,46,142/- Total ₹ 2228,49,30,425/-
B Commercial Real Estate :		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits :	₹ 268,15,92,661/-	₹ 225,20,57,056/-
C Investments in Mortgage Backed Securities (MBS) and other securitised exposures :		
(i) Residential	Nil	Nil
(ii) Commercial Real Estate	Nil	Nil
2. Indirect Exposure :		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

6. Loans include (a) ₹ 4,66,80,441/- (Previous Year ₹ 4,91,92,175/-) in respect of properties held for disposal under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and (b) ₹ 19,70,000/- (Previous Year ₹ Nil) and ₹ 3,26,671/- respectively given to the Officers and Executive Director of the Company under the Staff Loan Scheme. The aggregate maximum balance due at any time during the year in respect of the above, amounted to ₹ 19,70,000/- (Previous Year ₹ Nil) and ₹ 5,60,714/- respectively.

7. (a) Capital to Risk Assets Ratio (CRAR)

Items	As at March 31, 2011	As at March 31, 2010
1) CRAR (%)	13.32	16.55
2) CRAR – Tier I Capital (%)	12.98	15.57
3) CRAR – Tier II Capital (%)	0.34	0.98

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

(b) Asset Liability Management

Maturity pattern of certain items of assets and liabilities as on March 31, 2011 :

(₹ in Crores)

Particulars	1 day to 30 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowings from Banks	-	6.25	174.99	112.55	260.44	1075.18	638.53	119.52	0.14	-	2387.60
Market Borrowings	16.37	14.28	114.54	191.59	62.96	147.20	30.22	1.57	-	-	578.73
Assets											
Advances	28.86	15.24	19.28	47.27	83.58	429.93	314.26	331.19	503.47	1373.24	3146.32
Investments	2.04	1.78	1.81	3.92	7.83	13.33	3.76	0.19	-	-	34.66

Maturity pattern of certain items of assets and liabilities as on March 31, 2010 :

(₹ in Crores)

Particulars	1 day to 30 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Liabilities											
Borrowings from Banks	-	-	131.71	81.71	162.16	802.75	581.04	108.86	0.60	-	1868.83
Market Borrowings	8.85	6.88	6.69	25.63	59.16	178.48	152.65	15.95	-	-	454.29
Assets											
Advances	11.30	10.93	17.83	38.00	87.80	366.55	289.25	281.38	434.21	884.38	2421.63
Investments	1.04	0.81	0.78	3.00	6.93	16.22	2.07	1.87	-	-	32.72

8. (a) The instalments due from borrowers includes ₹ 7,58,67,799/- (Previous Year ₹ 7,25,02,076/-) which are accrued but not due.
- (b) Advances recoverable in cash or kind include Advance Tax of ₹ 144,01,98,787/- (Previous Year ₹ 108,81,92,341/-) after adjusting ₹ 132,40,90,063/- (Previous Year ₹ 98,56,10,063/-) towards Provision for Taxation.
9. As required under Section 205C of the Companies Act, 1956 the Company has transferred ₹ 8,10,040/- (Previous year ₹ 4,92,002/-) to the Investor Education and Protection Fund (IEPF) during the year.
10. (a) Interest on loans includes income from home loans ₹ 303,70,87,869/- (Previous Year ₹ 252,86,85,193/-) and Income from other loans ₹ 30,67,02,842/- (Previous Year ₹ 22,95,45,090/-).
- (b) Other Operating Income includes Interest on Bank Deposit ₹ 2,12,25,464/- (Previous Year ₹ 19,49,05,130/-), Dividend from Mutual Funds ₹ 3,28,02,115/- (Previous Year ₹ 1,59,29,648/-) and Income from Long Term Investments amounting to ₹ 3,50,16,860/- (Previous Year ₹ 2,03,57,010/-).

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

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	Previous Year
Provident Fund	34,60,730	25,64,985
Superannuation Fund	33,43,600	27,97,262

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 expenses of ₹ 21,35,352/- (Previous Year ₹ 17,99,242/-) 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 ₹ 49,48,632/- (Previous Year ₹ 31,82,164/-) 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 Managing Director are given below which is certified by the actuary and relied upon by the auditors :

	(₹)	
Particulars	Current Year	Previous Year
Change in the Benefit Obligations :		
Liability at the beginning of the year	2,03,32,518	1,55,85,003
Current Service Cost	30,32,536	23,32,875
Interest Cost	16,44,901	12,68,619
Benefits Paid	(1,97,892)	(2,798)
Actuarial loss	27,30,269	11,48,819
Liability at the end of the year	2,75,42,332	2,03,32,518
Fair Value of Plan Assets :		
Fair Value of Plan Assets at the beginning of the year	1,69,03,561	96,85,494
Expected Return on Plan Assets	17,29,859	11,96,507
Contributions	35,98,321	58,99,509
Benefits Paid	(1,97,892)	(2,798)
Actuarial gain/(loss) on Plan Assets	(4,96,105)	1,24,849
Fair Value on Plan Assets at the end of the year	2,15,37,744	1,69,03,561
Total Actuarial loss to be recognized	32,26,374	10,23,970

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

Actual Return on Plan Assets :

Expected Return on Plan Assets	17,29,859	11,96,507
Actuarial loss on Plan Assets	(4,96,105)	1,24,849
Actuarial Return on Plan Assets	12,33,754	13,21,356

Amount Recognized in the Balance Sheet :

Liability at the end of the year	2,75,42,332	2,03,32,518
Fair Value of Plan Assets at the end of the year	2,15,37,744	1,69,03,561
Amount recognized in the Balance Sheet under "Provision for Retirement Benefit"	60,04,588	34,28,957

Expense Recognized in the Profit and Loss Account :

Current Service Cost	30,32,536	23,32,875
Interest Cost	16,44,901	12,68,619
Expected Return on Plan Assets	(17,29,859)	(11,96,507)
Net Actuarial loss to be recognized	32,26,374	10,23,970
Expense recognized in the Profit and Loss Account under "Staff Expenses"	61,73,952	34,28,957

Reconciliation of the Liability Recognized in the Balance Sheet :

Opening Net Liability	34,28,957	58,99,509
Expense Recognized	61,73,952	34,28,957
Contribution by the Company	(35,98,321)	(58,99,509)
Amount recognized in the Balance Sheet under "Provision for Retirement Benefits "	60,04,588	34,28,957

INVESTMENT PATTERN :

Particulars	% Invested Current Year	% Invested Previous Year
Central Government Securities	25.72	27.27
State Government Securities / Securities guaranteed by State / Central Government	14.79	34.57
Public Sector / Financial Institutional Bonds	58.66	31.35
Special Deposit Scheme	0.55	0.70
Others (including bank balances)	0.28	6.11
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.

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

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

Particulars	31.3.2011	31.3.2010	31.3.2009	31.3.2008
Discount Rate (%)	8.09	8.14	7.60	8.25
Expected Return on Plan Assets (%)	9.00	9.00	9.00	9.00
Proportion of employees opting for early retirement	-	-	-	-
Annual increase in Salary Cost (%)	6.00	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	31.3.2011	31.3.2010	31.3.2009	31.3.2008
Present value of Defined Benefit Obligation	2,75,42,332	2,03,32,518	1,55,85,003	93,27,753
Fair Value of Plan Assets	2,15,37,744	1,69,03,561	96,85,494	66,37,540
Surplus/(Deficit) in the Plan	(60,04,588)	(34,28,957)	(58,99,509)	(26,90,213)
Experience adjustments on plan Liabilities (loss)/Gain	(1,26,165)	11,16,715	(10,02,975)	-
Experience adjustments on plan assets (loss)/Gain	-	-	-	-

12. The Company has disputed demands of ₹ 14,27,04,086/- (Previous Year ₹ 12,72,09,365/-) 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.
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, 2011 :

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

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

(xv)	GRIHA Investments	Fellow Subsidiary
(xvi)	Credila Financial Services Pvt. Ltd.	Fellow Subsidiary
(xvii)	Mr. Kamlesh Shah, Executive Director (w.e.f. April 16, 2010)	Key Management Personnel
(xviii)	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 :

2010-2011				(₹)
Particulars	Holding Company	Fellow Subsidiary Companies	Key Management Personnel	
Commission Received	Nil	2,15,237	Nil	
Dividend Paid	13,85,00,603	Nil	Nil	
Remuneration	Nil	Nil	1,41,05,650	
Insurance Premium Paid	Nil	4,52,230	Nil	
Exercise of Stock Options	Nil	Nil	65,61,303	
Repayment of Loan	Nil	Nil	1,34,043	
Interest Income	Nil	Nil	16,821	
Balance as on March 31, 2011				
Account Payable	Nil	Nil	Nil	
Account Receivable	Nil	Nil	3,26,671	

2009-2010				(₹)
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	
Insurance Premium Paid	Nil	4,08,110	Nil	
Purchase (Buy Back) of Home Loans	22,24,29,942	Nil	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)

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	2010-11	2009-10
(i) Net profit attributable to Equity Share Holders	91,51,17,611	68,95,85,678
(ii) Weighted Average number of shares for computation of Basic Earning Per Share	3,49,38,346	3,46,71,607
(iii) Nominal Value of Equity Shares	10/-	10/-
(iv) EPS – Basic	26.192	19.889
(v) EPS – Diluted	26.129	19.847

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 2010-11 :

Particulars	No. of Shares	Days
(i) Equity Shares at the beginning of the year	3,47,25,150	29
(ii) Allotment of shares under ESOS 2007	4,32,483	336
(iii) Weighted Average number of shares for computation of Basic Earning Per Share	3,49,38,346	

ii. 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	

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	2010-11	2009-10
(i) Weighted Average number of shares for computation of Basic Earning Per Share	3,49,38,346	3,46,71,607
(ii) Dilute effect of outstanding Stock Options	84,636	74,110
(iii) Weighted Average number of shares for computation of Diluted Earning Per Share	3,50,22,982	3,47,45,717

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

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

Description	2011	2010
(A) Deferred Tax Liability		
Depreciation	1,03,07,487	87,05,974
Total (A)	1,03,07,487	87,05,974
(B) Deferred Tax Asset		
Provision for NPA	9,27,35,352	9,48,91,988
Others (Net)	1,02,83,551	72,42,712
Total (B)	10,30,18,903	10,21,34,700
Net (Asset) / Liability	(9,27,11,416)	(9,34,28,726)

17. Employee Share Based Payment

- a) As on March 31, 2011 the Company has the following Employee Stock Option Schemes, the features of the same are as follows :

Scheme	ESOS – 2011	ESOS – 2007
Date of Grant	February 10, 2011	November 20, 2007
Number of options granted	11,72,849	7,94,979
Exercise Price per option	₹ 317.85	₹ 164.65
Date of vesting	The vesting will be as under : 30% on February 10, 2012 35% on February 10, 2013 35% on February 10, 2014	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.	Within 3 years from the date of respective vesting.
Method of settlement	Through allotment of one Equity Share for each option granted.	Through allotment of one Equity Share for each option granted.

- 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 - 2011 and ESOS – 2007 plan is ₹ 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 ₹. Nil.

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

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

Particulars	ESOS - 2011	ESOS - 2007
Options Outstanding at start of year	Nil	4,05,638
Options granted during the year	11,72,849	Nil
Options not vested at the start of year	Nil	2,07,270
Options Lapsed during the year	Nil	21,100
Options Exercised during the year	Nil	4,32,483
Options vested but not exercised at end of year	Nil	1,59,325
Options not vested at end of year	11,72,849	Nil
Weighted Average Exercise Price per Option	₹ 317.85	₹ 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 - 2011 Vesting on February 10, 2012	ESOS - 2011 Vesting on February 10, 2013	ESOS - 2011 Vesting on February 10, 2014	ESOS - 2007 Vesting on November 20, 2010
Estimated Value of Stock Options (₹)	51.00	67.00	75.00	26.00
Share Price at Grant Date (₹)	317.85	317.85	317.85	164.65
Exercise Price (₹)	317.85	317.85	317.85	164.65
Expected Volatility (%)	30.00	30.00	30.00	25.00
Dividend Yield Rate (%)	2.20	2.90	3.75	6.25
Expected Life of Options (in days)	455	821	1186	1055
Risk Free Rate of Interest (%)	7.54	7.65	7.85	7.66

e) Had the compensation cost for the stock options granted under ESOS - 2011 and 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	2010-11	2009-10
Net Profit After Tax as reported	91,51,17,611	68,95,85,678
Less : Amortisation of Compensation Cost (pro-forma)	64,91,662	34,11,516
Net profit considered for computing EPS (pro-forma)	90,86,25,949	68,61,74,162
Earning Per Share - (Basic)		
- as reported	26.192	19.889
- pro-forma	26.007	19.791

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

Earning Per Share - (Diluted)

- as reported	26.129	19.847
- pro-forma	25.944	19.748

- (f) During the year, the Company has issued 4,32,483 and Nil (Previous Year 69,292 and 3,898) shares on exercise of Options granted to its employees and directors under ESOS Scheme – 2007 and 2005 respectively.

18. Managerial Remuneration :

	(₹)	
Particulars	2010-11	2009-10
Salary	44,95,000	24,00,000
Contribution to Provident Fund and Superannuation Fund	12,13,650	6,48,000
Leave Encashment	3,00,000	2,00,000
Perquisites	38,97,000	24,00,000
Ex-Gratia	42,00,000	30,00,000
	<u>1,41,05,650</u>	<u>86,48,000</u>

The above remuneration is excluding Contribution to the Gratuity Fund of ₹ 20,17,892/- (Previous Year ₹ 6,79,256/-)

During the year, managerial remuneration was paid to two whole-time Directors (Managing Director & Executive Director) as against one whole-time Director (Managing Director) in the previous year.

19. During the year, Auditors have been paid remuneration of ₹ 15,82,860/- (Previous Year ₹ 15,85,786/-). Brief details of remuneration paid to them are as follows :

	(₹)	
Particulars	2010-11	2009-10
Audit Fees	8,00,000	8,00,000
Tax Audit Fees	1,60,000	1,60,000
Other Certification Work	4,87,500	4,16,001
Reimbursement of Expenses	1,35,360	2,09,785
	<u>15,82,860</u>	<u>15,85,786</u>

20. Sundry Creditors include ₹ Nil (Previous Year ₹ 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 ₹ 68,69,581/- (Previous Year ₹ 78,25,257/-), Expenses on Statutory advertisement of ₹ 10,51,266/- (Previous Year ₹ 12,04,338/-) and Loss on Sale of Acquired Properties ₹ 17,31,772/- (Previous Year ₹ 16,46,932/-).

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

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

Particulars	2010-11	2009-10
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	2009-10	2008-09
iv) Amount remitted (₹)	8,12,500	6,00,000

23. In respect of equity shares issued pursuant to Employee Stock Option Schemes the Company has paid dividend of ₹ 8,02,325/- for the year 2009-10 (Previous year ₹ Nil) and tax on dividend of ₹ 1,33,256/- (Previous year ₹ Nil) as approved by the share holders at the Annual General Meeting held on June 29, 2010.

24. There are no indications which reflects 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 the Companies (Accounting Standards) Rules, 2006.

25. 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 Standard on 'Accounting for Investments' (AS-13) notified by Companies (Accounting Standards) Rules, 2006.

Schedule 15 : ACCOUNTING POLICIES

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.

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 Standard on 'Accounting for Taxes on Income' (AS-22) notified by Companies (Accounting Standards) Rules, 2006. The provision made for Income Tax in Accounts comprises 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.



The **binding** force of **integrity**

Integrity begins with a transparent culture and processes that encourage openness and accountability.

As a policy, GRUH does not offer teaser rates which can mislead customers. GRUH also does not encourage market value based lending which can be volatile and lead to higher risk as against stable, cost based lending.

GRUH has also strived to check undesirable practices whether by customers, developers or staff members. Regular training, monitoring and tracking, backed up by strict accounting and auditing procedures have helped to inculcate a code of integrity in all dealings.

At the motivational level, excellence awards along with due recognition and monetary incentives have helped GRUH to build a culture of integrity into the very DNA of the institution.



EXCELLENT ACHIEVERS FOR 2010-11



Ajay Kumar



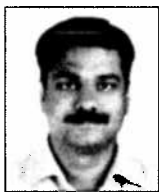
Anil Dave



Anand Rehpade



Rakesh Chowdhary



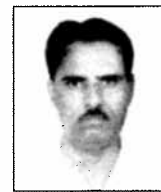
Rakesh Hardiya



Nitin Unadkat



Vijay Dushing



Rajabhai Dangar

EXCELLENT ACHIEVERS SO FAR.....



Suresh Iyer
2002



Avinash Srivastava
2003



Umesh Agrawal
2003



Dahyabhai Vadher
2004



Manisha Shah
2006



Dharmesh Bhavsar
2007



Mukesh Nayak
2007



Deepak J.
2008



Venu Menon
2008



Dashrath Prajapati
2008



Minesh Amin
2008



Manish Gandhi
2009



Rupali Shelar
2009



Dushyant Joshi
2010

EXCELLENCE AWARD WINNERS 2010-11



Jayesh Jain
Francis D'souza
Ajay Soni
Hiren Joshi
Vivek Deshmukh
Devendra Dave

Akash Sharma
Paresh Patel
Ajay Alaspure
Jagdish Vartak
Amit Gorakh
Deven Sarkhedi



Harshal Vaidya
Chitra Tarte
Deepak Sakalley
Sanjay Mewada
Amol Gatne
Himanshu Gor
Santosh Asugade



Ashish Sutaria
Madhu Jadagoppad
Ajay Patel
Sachin Kulkarni
Ashok Vadhadiya
Kamlesh Prajapati
Tushar Joshi



Mehul Buch
Piyali Ukey
Anish Kansara
Samit Chougale
Chirag Patel
Kirti Pawar
Vivek Aole

Dilip Dafda
Manish Joshi
Divakar K.
Sandeep V. Sharma
Darshan Manchare
Prakash Patel


















Arvind Kshatriya
Muneshwar Gharde
Dinesh Soni
Shrikant Patrikar
Dayabari A.
Rajesh Dadhich

TEAM AWARDS FOR 2010-11

A. Best Performing Branches

INDORE	KHARGONE	BOISAR	ADAJAN	LATUR	GANDHIDHAM	MANDSAUR	PATAN
Nisha Mekaad Sanjay Shekatkar Swapnil Shrivastava Rajesh Dadhich	Habib Khan Vimal Pare Manish Soni	Sandeep Kambli Mihir Nayak Hemant Mahajan Mayank Gorwala	Manisha Shah Ketan Patel Ashish Patel Dipak Vaidya	Rahul Jakotiya Jayant Kulkarni Mukteshwar Swami	Bharat Desai Niranjan Tank Jay Rathod	Vikas Jain Trapti Sharma Sumit Mehta	Minesh Amin Kamlesh Prajapati Nikunj Patel

B. Winner of the Achievers' Trophy - INDORE Area

						
Rakesh Hardiya	Nisha Mekaad	Habib Khan	Sunil Soni	Sanjeev Patel	Ashvin Nimgaonkar	Vikrant Kadam
						
Anil Bilawaliya	Sanjay Shekatkar	Swapnil Shrivastava	Rajesh Dadhich	Vimal Pare	Manish Soni	Mandar Kajwadkar
						
Vishal Bunkar	Abhijit Pagare	Naveen Sharma				

Past winners of Achievers' Trophy

1993-94	Ahmedabad Branch	2002-03	Aurangabad Area
1994-95	Surat Branch	2003-04	Aurangabad Area
1995-96	Surat Branch	2004-05	Vapi Area
1996-97	Mehsana Branch	2005-06	Vapi Area
1997-98	Pune Branch	2006-07	Jodhpur Area
1998-99	Saurashtra Area	2007-08	Bhopal Area
1999-00	Saurashtra Area	2008-09	Indore Area
2000-01	Saurashtra Area	2009-10	Indore Area
2001-02	Aurangabad Area		



> PHOTO CREDITS <

GRUH is happy to announce the arrival of 17 new faces on the modeling scene. All the above 'new faces' are GRUH employees. They were chosen as our brand emissaries to tell you the 25 year story of a strong, customer driven housing finance brand.



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Phone: 91-79-2642 1671 to 75, 3290 1222 / 23 • www.gruh.com

Gujarat ▶ Adajan, Ahmedabad, Amreli, Anand, Bavla, Bharuch, Bhavnagar, Bhuj, Bopal, Chandkheda, Gandhidham, Ghatlodia, Godhra, Himatnagar, Jamnagar, Junagadh, Kalol, Mehsana, Mithakhali, Modasa, Morbi, Naroda, Naidad, Navsari, Palanpur, Patan, Porbandar, Rajkot, Silvassa, Surat, Surat (City Light), Veraval, Vyara, Surendranagar, Vadodara, Vapi **Maharashtra** ▶ Ahmednagar, Amravati, Aurangabad, Baramati, Beed, Bhandara, Boisar, Borivali, Buldhana, Chakan, Chandrapur, Dhule, Hingoli, Jalgaon, Jalna, Kalyan, Kolhapur, Latur, Mahad, Nagpur, Nanded, Nandurbar, Nashik, Panvel, Parbhani, Pune, Pune (Viman Nagar), Roha, Sangli, Satara, Solapur, Thane, Virar, Wardha, Yavatmal **Karnataka** ▶ Bagalkot, Bengaluru, Belgaum, Bidar, Bijapur, Chitradurga, Davangere, Dharwad, Gadag, Gulbarga, Hubli **Madhya Pradesh** ▶ Barwani, Bhopal, Dewas, Dhar, Hoshangabad, Indore, Indore (Vijaynagar) Jabalpur, Khargone, Mandsaur, Neemuch, Rajgarh, Ratlam, Sagar, Shajapur, Ujjain, Vidisha **Rajasthan** ▶ Ajmer, Balotra, Bikaner, Jodhpur, Nagaur, Pali, Sirohi, Sri Ganganagar **Chhattisgarh** ▶ Bilaspur, Dhamtari, Durg, Raipur **Tamilnadu** ▶ Chennai, Coimbatore, Tirupur, Pollachi