

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have the pleasure in presenting the 25<sup>th</sup> Annual Report together with the Audited Accounts of the company for the year ended on March 31, 2013.

### 1. Silver Jubilee Year

The Company has entered its twenty fifth (silver jubilee year) of operations. Three years ago, the Company had started Business Process Transformation and Re-engineering Project (BPR) to transform the Company to an operationally robust enterprise to take on bigger and tougher challenges in the future.

Your Directors are happy to report that the Company has achieved these major objectives, which are reflected in business and financial numbers. The Company has re-vamped policies, systems and processes and is now poised for sustained growth in years to come.

### 2. New initiatives under BPR

A snapshot of few accomplishments for the year gone by is as under;

- A valuable core human capital pool was created which is self-motivated, inspired and knowledgeable.
- Refurbishment of physical infrastructure (important offices and hardware etc.) to facilitate future business growth. Additional space of more than 36500 sq. ft. was created.
- New processes and systems, operating nuances were implemented which will have a multiplier effect in enhancing efficiency, security, compliance and rendering better customer experience.
- In order to improve customer reach, there was a complete re-vamp of the business distribution strategy involving internal sales team and third party agencies.
- To improve the look and feel, the Company's website was revamped; standardization of marketing collaterals, signage and other customer communication documents were recreated to be contemporary and customer friendly. An outbound contact centre was also established.

- A team of seasoned underwriters and a technical support group with civil engineers was established to support underwriting variety of loan types. Risk containment unit was established to avoid frauds.
- Concerted efforts were made for creating a robust IT platform, which can support current as well as future flow of business needs.

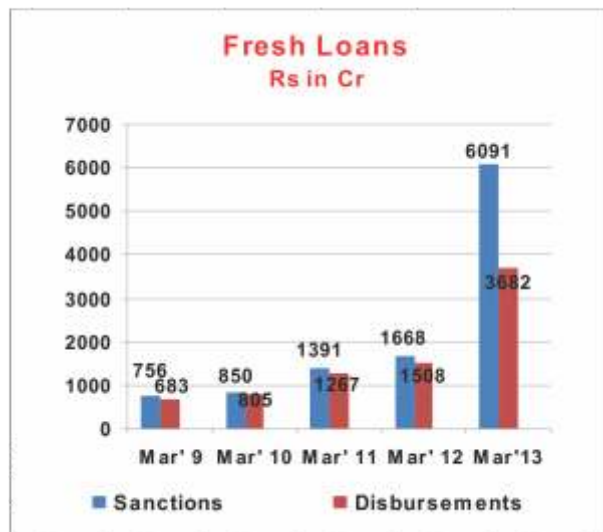
### 3. Awards and recognition

During the year Company has been awarded in the category of "outstanding contribution to real estate sector through growth in home loans in North and West region" by annual real estate awards for developers and brokers instituted by Franchisee India in association with Bloomberg.

### 4. Loans Performance

4.1 During the year, the Company has sanctioned loans to 10976 customers amounting to Rs. 6091 crore as compared to Rs. 1668 crore in previous year, recording a growth of 276%. Loans disbursed during the year were Rs. 3682 crore as compared to Rs. 1508 crore in previous year, recording a growth of 143%.

Out of the total fresh business, Rs. 4814 crore loans were sanctioned for housing and Rs. 1277 crore were sanctioned for non-housing purposes. Cumulative sanctions and disbursements as at March 31 2013 were Rs. 14617 crore and Rs. 11276 crore respectively.





In order to de-risk geographical concentration, 45% of incremental disbursements were from West and South zones. The geographical mix of outstanding portfolio is 62% North, 22% West and 16% South.

Out of total loan sanctions, loans amounting to Rs. 270 Crore are eligible under Golden Jubilee Rural Housing Scheme of Government of India, in respect of 3327 units.

#### 4.2 Loans outstanding

During the year, Loans outstanding grew by 67% and stood at Rs. 6619 crore in respect of 37248 loan accounts. Loan outstanding comprises Rs. 4835 crore for Housing and Rs. 1784 crore for non-housing loans. The average ticket size, at portfolio level, for individual loans as on 31<sup>st</sup> March 13 was Rs. 17.77 lac. The average ticket size for fresh loans sanctioned during the year was Rs.55.50 lacs'.

During the year under review, Rs 1033 crore was received by way of scheduled re-payment and pre-payment of loan amount.

#### 4.3 Asset Quality:

Company continues to maintain high quality of loan assets. Gross non-performing assets as on 31<sup>st</sup> March '13 were Rs. 37.09 crore (Rs 41.27 crore) and net non-performing assets (after provision as per NHB Directions) were Rs. 23.40 crore (Rs 26.61 crore).



The overall loan delinquencies is at 2.18%, gross and net non-performing assets at 0.56% and 0.35% respectively were amongst the lowest in the industry.

Company has 112 re-possessed properties under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) amounting to Rs. 32.03 crore (Rs 26.51 crore).

#### 5. Financial Performance

	(Rs. in lacs)	
	March 13	March 12
Profit/Loss before tax	12604.48	10258.49
<b>Less:</b> Provision for Tax		
-Current year	3455.00	2896.00
-Deferred Tax	-1.66	-157.74
<b>Profit/Loss After Tax</b>	<b>9151.14</b>	<b>7520.23</b>
<b>Add:</b> Balance brought forward from the previous year	1170.06	936.90
	<b>10321.21</b>	<b>8457.13</b>
<b>Appropriation of Profits</b>		
Transfer to Special Reserve (including u/s 29C of NHB Act, 1987)	1900.00	1520.00
Transfer to General Reserve	6000.00	5000.00
Proposed Dividend	1026.11	660.00
Dividend distribution Tax	174.39	107.06
Balance carried to Balance Sheet	1220.71	1170.06
	<b>10321.21</b>	<b>8457.13</b>

#### 5.1 Income

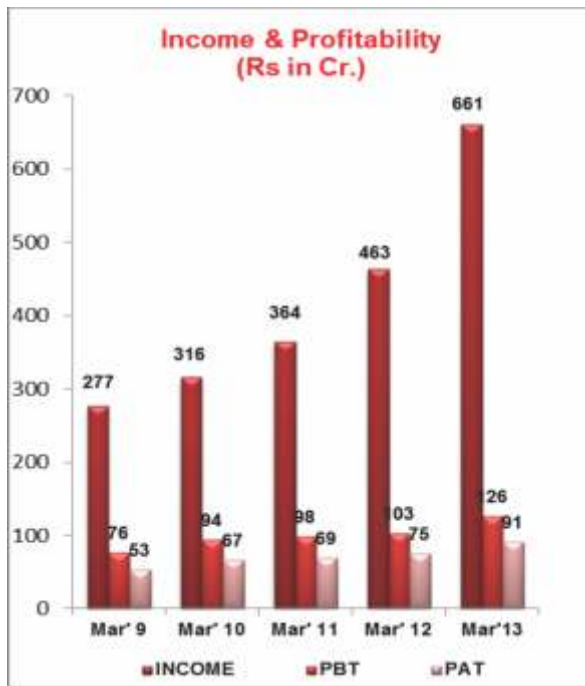
During the year, the Company earned total income of Rs. 661 crore as compared to Rs 463 crore in previous year, recording a growth of 43%. Out of total income, interest income on loans grew by 45% at Rs. 606 crore as against Rs. 419 crore in previous year. Investment and other income increased by 25% to Rs. 55 crore as against Rs. 44 crore in the previous year.

#### 5.2 Expenditure

Total expenditure during the year was Rs. 523 crore as compared to Rs. 354 crore in previous year, a growth of 48%. Out of total expenditure, interest expenditure was Rs. 462 crore (Rs. 315 crore) and operating expenditure was Rs. 61 crore (Rs. 39 crore).

In addition, the Company has written off bad loans worth Rs. 2.55 crore and transferred a sum of Rs. 9.92 crore for non-performing and standard loans as per NHB Directions, 2010.

As on 31<sup>st</sup> March 2013, total provisions (on standard and non-performing loans) were Rs. 41.65 crore and provision coverage ratio increased from 75% to 112%.



## 6. Dividend

In order to commemorate the silver jubilee year, your Directors are pleased to recommend

a special dividend of 25% on equity shares, as against 22% paid in the previous year.

## 7. Increase in paid up equity share Capital

During the year, paid up equity share Capital of the Company increased from Rs. 30 crore to Rs. 50 crore as under;

### 7.1 Conversion of CCDs

Compulsory Convertible Debentures (CCDs) aggregating to Rs. 137.32 crore were converted into 1,35,29,411 equity shares of Rs. 10/- each at a premium of Rs.91.50 per share on 8<sup>th</sup> June 2012, as per terms of issue.

### 7.2 Issue of Bonus Shares

The Company allotted 64,70,589 bonus shares of Rs. 10/- each to existing shareholders in the ratio of their shareholding after capitalization of General Reserves of Rs. 6.47 crore after approval of the shareholders in EGM held on 30<sup>th</sup> March 2013.

## 8. Increase in Authorized Share Capital

The present authorized, issued and paid up share capital of the Company is Rs. 50 crore. In order to meet capital requirement of growing business, the Board has recommended increase in Authorized capital to Rs. 150 crore divided into 15 crore equity shares of Rs. 10/- each.

Your Directors recommend the resolution for your approval.

## 9. Resources

During the year, the Company raised Rs. 3919 crore of fresh resources from banks, NCDs, Deposits and refinance from NHB.

### 9.1 Non-Convertible Debentures (NCDs)

During the year, the Company raised Rs. 700 crore of secured NCDs on private placement basis in three series as under;

- 9.25% Series XII of Rs. 300 crore with 10 years maturity, issued on 29<sup>th</sup> June 2012.
- 9.15% Series XIII of Rs. 200 crore with 10 years maturity, issued on 14<sup>th</sup> September 2012.
- 9.00% Series XIV of Rs. 200 crore with 10 years maturity, issued on 21<sup>st</sup> December 2012.



The outstanding secured borrowings from NCDs were Rs. 1800 crore as on 31<sup>st</sup> March, 13 as against Rs. 1316 crore.

### 9.2 Subordinated debt

During the year, the Company had raised 9.10% subordinated NCDs of Rs. 200 crore with 10 years maturity. The outstanding of subordinated debt as on 31<sup>st</sup> March 2013 were Rs. 300 crore. Based upon balance maturity term, the book value of subordinated debt is considered at Rs. 260 crore to be eligible as Tier II capital under the guidelines issued by National Housing Bank.

The outstanding rating on bonds by CRISIL AA (positive) and CARE AA+ which means high safety regarding timely payment of interest and principal.

All NCDs issued by the Company are listed on wholesale debt segment of National Stock Exchange.

### 9.3 Bank borrowings

During the year, the Company has raised Rs. 1720 crore from commercial banks for onward lending operations. Company's bank loan facilities have been assigned CRISIL AA (positive).

### 9.4 NHB Refinance

During the year, the Company has availed Rs. 611 crore under various refinance schemes of NHB.

### 9.5 Deposits:

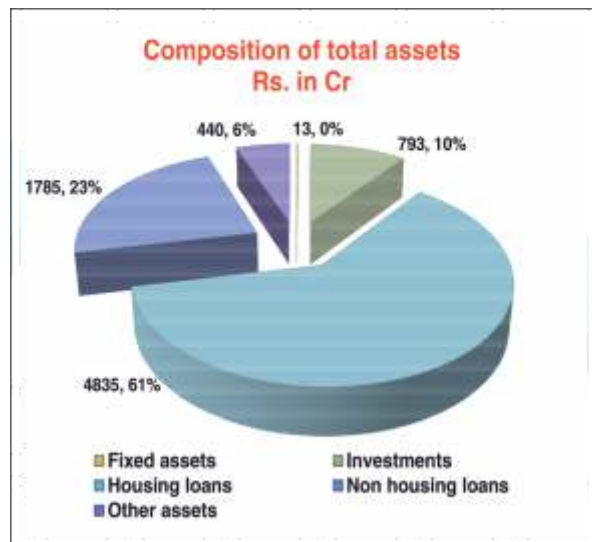
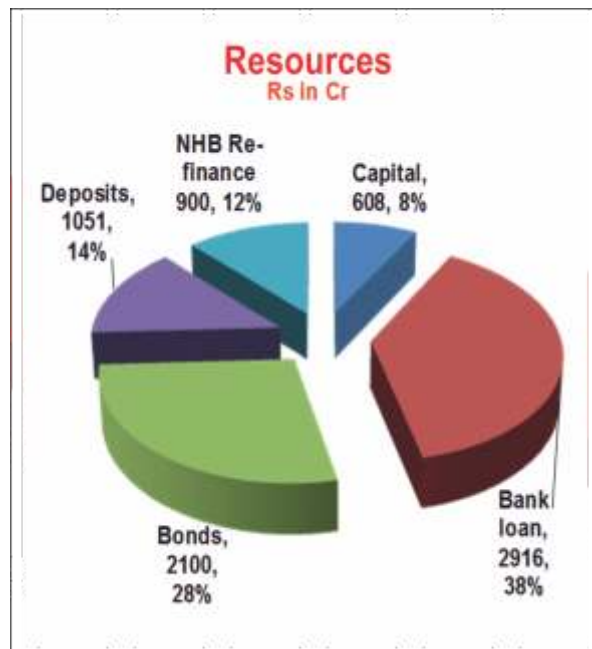
During the year, the Company recorded robust growth of Rs. 688 crore in deposits, which is 190% over last year. Total outstanding deposits (including unclaimed deposits) as at 31<sup>st</sup> March 13 were Rs. 1051 crore, which is 16% of loans portfolio. Company's public Deposits have been assigned CRISIL AA+ (positive).

### 9.6 Unclaimed Deposits

Out of the deposits, which became due for repayment up to March 31, 2013, deposits of Rs 13.14 crore, including interest accrued and due relating to 1926 depositors had not been claimed or renewed.

Since then, deposits of Rs. 1.93 crore relating to 338 depositors have been repaid or renewed. Other depositors have been intimated regarding the maturity of their deposits with request to either renew or claim the deposits.

During the year, the Company transferred an amount of Rs. 12.97 lacs to Investor Education and Protection Fund (IEPF) established by the Central Government under section 205 C of the Companies Act, 1956. In terms of the said section, no claim would lie against the Company after transfer to IEPF.



## 10. Credit Rating

CRISIL has recently upgraded rating outlook of the Company from AA 'stable' to AA 'positive'. It has recognised Company's successful transition post BPR exercise.

## 11. Net worth and Capital Adequacy Ratio

The net worth of the company as on 31<sup>st</sup> March, 13 was Rs. 608 crore (Rs. 392 crore). The Capital Adequacy Ratio (CRAR) was 14.40%. NHB has prescribed minimum CRAR of 12% of total risk weighted assets.

## 12. Regulatory Compliance

The Company has been complying with the guidelines and Directions issued by the NHB on asset classification, accounting standards, income recognition, provisioning, capital adequacy, concentration of credit/ investments, credit rating etc. as amended from time to time.

**12.1** NHB has advised housing finance companies to ensure that lending practices adopted by them are simple, non-discriminatory, transparent and fair. NHB has also prescribed that pre-payment charges are not to be levied in case of housing loans being pre-closed. The Company has complied with the new directions from the date of its issuance.

**12.2** The Know Your Customer (KYC) guidelines, Fair Practise Code and Anti Money Laundering (AML) standards as notified by the NHB are available on company's website. The Company has also adopted the model code of conduct for Direct Selling Agents and Guidelines for Recovery Agents as stipulated by NHB.

## 13. Change in Accounting Policies

During the year, the Company has changed its Accounting Policies relating to amortization of direct cost on loan and deposit origination over the average tenure of loan/deposit. Similarly, income as loan processing/ management fees is recognized over the average tenure of the loan. These changes have been disclosed in the Balance Sheet for the year.

## 14. Opening of new branch at Ahmedabad

During the year, the Company has opened a

branch office in Ahmedabad and its first office in state of Gujarat. The Company has expanded its operations in 15 states through a network of 31 branches. Besides, the Company has three hubs; North (at NOIDA), West (at Mumbai) and South (at Bangalore) to integrate credit underwriting operations of branches with their respective hubs.

During the current financial year, the Company plans to open a new branch at Coimbatore, Tamil Nadu. The Company also plans to start three sub-hubs at Chandigarh, Jaipur and Indore to ramp-up business from cluster of branches in close vicinity. This will bring in quality retail assets from tier II cities which are end user driven and are easier to be refinanced.

## 15. Human Resource

**15.1** Company recognises that "Human Capital", is the only asset of the Organization. Towards this end, HR processes and initiatives were aligned to the business goals and objectives and were simultaneously aimed at talent acquisition, development, engagement, enhancing employee happiness and motivation at work, skill up-gradation and cross functional integration.

**15.2** The year gone by has been a year of business growth and capacity building. In order to keep pace with business requirements, lateral talent were hired across functions from the industry. As on 31<sup>st</sup> March 2013, the company had a total of 346 employees on its rolls.

**15.3** During the year, a comprehensive Training Need Analysis was done to understand training requirements at the organisational, functional and individual levels. Need based trainings were conducted for all functions using both internal & external trainers.

**15.4** In terms of provisions of section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, no employee of the company whether employed for the full financial year or for a part of the year, was in receipt of remuneration



equal to or exceeding the remuneration as prescribed under the said provisions.

## **16. Directors' responsibility Statement**

In terms of the provisions of section 217 (2AA) of the Companies Act, the Board of Directors Report that;

- i. In preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- ii. The directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31.03.2013 and the profit and loss account for the year ended 31.03.2013.
- iii. That the Company had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. That the Company had prepared the accounts on a going concern basis.

## **17. Corporate Governance**

**17.1** The Company has been complying with the Standards of corporate governance required under the Companies Act, 1956. The Board discharges the duties and responsibilities as required under the applicable statute(s) including the Companies Act, 1956.

**17.2** The Company has a Board of Directors, which has a formal schedule of matters reserved for its consideration and decision, apart from legally required matters. The Audit Committee reviews the financial statements besides other matters as per section 292A of Companies Act, 1956.

In addition, there are four Operational Matters Committees such as Appointments Committee, Credit Committee, Business Process Committee and Marketing Committee of the Board.

During the year, the Board of the Company had met five times and the Audit Committee met four times. The other Operational Matters Committees have met as per the business requirements of the Company.

## **18. Business Outlook**

**18.1** Country's GDP growth in FY 2012-13 was slower than the last nine years' rates, which has impacted investment mood and it is expected to have a hangover during FY 2013-14. Real estate is capital intensive and the macro economic factors are getting reflected in this sector too. There is a slow ramp up to bridge the demand and supply gap in urban centres.

**18.2** Metropolitan cities are demonstrating an overhang in absorption – primarily due to spiralling of real estate prices and income growth not being able to match up. The CAGR of mortgage lending sector were phenomenally high at around 40-45% from 2002 up to mid-2008; thereafter, it has continuously receded and during 2012-13 growth is expected to be 15-18%. Though Housing Finance Companies (HFCs) have reported higher growth rates quarter on quarter and they are expected to grow at around 20-22%. Mortgages constitutes 7% penetration in GDP, low penetration implies room for growth. Neighbouring ASEAN countries have double digit penetration.

**18.3** Inflationary pressure have somewhat started easing from the last quarter of FY 2012-13 but high interest rates remains an area of concern. The Company will do its best to fully tap business potential at the most competitive rates and ensure a reasonable profitability.

## **19. Board of Directors**

### **19.1 Re-appointment of Directors**

In accordance with the provisions of the Companies Act, 1956, Shri K R Kamath (Chairman), Shri P K Gupta and Shri Anand Dorairaj are due to retire by rotation in the forthcoming Annual General Meeting of the Company.

We have received nomination for re-appointment of these directors at the ensuing Annual General Meeting under section 257 of the Companies Act, 1956.

**19.2 Additional Director**

During the year, Shri S S Bhatia, General Manager, PNB joined the Board as additional director. Your Board recommends his appointment in the forthcoming Annual General Meeting.

**20. Statutory Auditors**

During the year the Comptroller and Auditor General of India has appointed Messrs Raj K Aggarwal & Associates as Auditors of the company for the financial year ended March 31, 2013. They have replaced Messrs S K Kapoor & Co., Chartered Accountants, who were statutory auditors of the Company for four years.

**21. Re-view of accounts by C & AG**

The accounts for the year ended 31<sup>st</sup> March, 13 were reviewed by Comptroller and Auditor General of India (C & A G). The C & A G has not made any comment on accounts for the year 2012-13.

**22. Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.**

There is no information to disclose under the head 'Conservation of Energy and Technology Absorption' given in the above rules since the company is engaged in providing housing

loans. There were no foreign exchange earnings and expenditure during the year.

**23. Acknowledgements**

**23.1** The Board of Directors thank the valued customers, shareholder, channel partners and well-wishers for their wholehearted support.

**23.2** The Board acknowledges with gratitude the advice, guidance and support of Government of India, Reserve Bank of India, National Housing Bank and other statutory bodies/departments.

**23.3** The Directors place on record their appreciation and gratitude to all the bankers of the Company, Depositors and Debenture Holders for their continued confidence and contribution to the growth of the company.

**23.4** Finally, the Directors express their appreciation for the dedication and commitment with which the employees of the Company at all levels have worked during the period.

**For and on behalf of the Board**

**Dated: 8 August, 2013**  
**Place: New Delhi**

**(K R Kamath)**  
**Chairman**