

Chairman's Message

29th Annual General Meeting



Dear Shareholders,

I welcome you to the 29th Annual General Meeting of your Company. The year 2015-16 was yet another momentous one for us, and I am pleased to tell you that your Company continued to excel, by outperforming the industry growth and steadily moving towards newer horizons of success. It is indeed your unwavering trust and support that has given us the tenacity and impetus to keep striving for betterment - year after year.

Economic Scenario

India continued to be a bright spot in an otherwise volatile global economic scenario. Lower energy prices & higher per capita incomes were the prime catalysts in driving private consumption, and thereby encouraging growth. As per Central Statistics Office (CSO), Indian economy witnessed a growth of 7.6% during the 2015-16, compared to 7.2% in the previous year, due to robust manufacturing advancements. With accelerated industrial activity, the recovery of private investments is expected to rise, which in turn would further strengthen the progress of the country. In addition, better monsoons and seventh pay commission pay-outs are also likely to remain supportive of consumption. Therefore, we are looking at an expected surge in the economy by 7-7.5% in 2016-17.

Indian Housing Finance Industry

The total housing credit outstanding in India grew significantly in the year under review over the previous year. In the second quarter of 2015-16, the housing credit growth paced up quite substantially, owing to disbursements against construction linked loans, growth in the small-ticket affordable-housing segments, demands from Tier II and III cities, and escalations in primary sales during the festive season.

Fortunately, the Government has been at the forefront of elevating India's housing finance sector. We witnessed numerous new initiatives and policies on lending for housing being introduced. The biggest highlight here was placing housing loans of up to ₹ 50 Lakhs under the category of affordable housing and up to ₹ 28 Lakhs in urban and 25 Lakhs in other centres under Priority Sector Lending. Yet another positive occurrence was the decision of the RBI to increase Loan to Value (LTV) ratio to 90% for loans up to 30 Lakhs or less. This would enable home finance companies to lend more to Low Monthly Income (LMI) customers, thereby increasing their potential of owning a home.

Moving ahead, 41 housing finance companies were approved under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI). This, I believe, was a significant step towards bringing HFCs at par with banks thereby enabling speedier loan recovery.



Review of our operations

Your Company continued to stride ahead, with another year of sturdy financial performance. Our sanctions reached ₹ 4,418 Crore in 2015-16 from just ₹ 356 Crore during 2008-09 and ₹ 3,670 Crore during the previous year, while the disbursement increased to ₹ 3,923 Crore from ₹ 3,346 Crore in the previous year. The loan book depicted a growth of 29% y-o-y to reach ₹ 10,643 Crore during 2015-16, compared to ₹ 8,231 Crore from previous year. The highlight of the year was our surge in net profit, which increased by 82% to ₹ 157 Crore. This was achieved at the backdrop of our strong governance practices, vigilant operational processes, tighter credit norms and prudent collection practices. The result: your Company continued to report zero net NPA, successively for the seventh year.

On our borrowings front, we continued to balance and de-risk our portfolio, by increasing our borrowings from non-banking sources. This cascaded into reduction of our average cost of borrowings, which stood at 8.75% as on March 31, 2016 (compared to 9.55% in the previous year). Our strong operational and financial performance helped us strengthen our credit ratings. I am pleased to tell you that the rating agencies reiterated their strong AAA ratings for our borrowing/NCD & A1+ for our CP programs.

As on May 2016, we attained the milestone of 170 branches across the key geographies in India. We are expecting a further surge in the number of branches and satellite offices, as we proceed towards our next-level of growth. Effective Corporate Governance and efficient controls on operations are in place alongwith the growth of business.

Roadmap for 2016-17

With our robust foundation built on high asset quality, strong fundamentals, ethical and transparent practices and prudent underwriting, we expect our loan book size to hit the ₹ 35,000 Crore mark by March 2020. In fact, it is surmised to reach ₹ 13,500 Crore in 2016-17 from ₹ 10,643 Crore during the previous year. I am confident that our new Managing Director, Mr. Hota, backed by the core competencies we possess, will be triumphant in guiding our Company towards its long-term targets.

Acknowledgements

I extend my sincere gratitude to our honourable Members of the Board, sponsors and promoters, M/s Canara Bank & our Auditors M/s K.P. Rao & Co for their consistent commitment, generosity and valuable guidance which has helped us reach the pinnacles of success. Also, I thank all our shareholders and customers for their continued trust and faith in our Company's potential and future. I assure each of you of our continued sincerity and commitment towards our business endeavours. Not to forget, our journey towards sustainable growth in all these years would not have been possible without the hard work, zeal, passion of our employees. I congratulate them and look forward to working towards another year of great achievements - together!

With warm regards

Yours Sincerely,

K.N. Prithviraj
Chairman

Bengaluru
July 20, 2016