

DECEMBER 08, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO LONG TERM BANK FACILITIES AND NCD ISSUE OF MICRO HOUSING FINANCE CORPORATION LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	150 (enhanced from 100) (Rupees One Hundred and Fifty Crore Only)	CARE A- (Single A Minus)	Reaffirmed
Non-convertible Debentures	53.10 (enhanced from 50) (Rupees Fifty Three Crore and Ten Lakh Only)	CARE A- (Single A Minus)	Reaffirmed

Rating Rationale

The rating factors in MHFC's robust capitalization levels, comfortable profitability, and gearing levels. MHFC is poised to gain from the growing credit demand in the affordable housing space and untapped potential in low income unorganized sector borrowers segment, supported by the Government's thrust in providing affordable housing throughout the country. The rating is, however, constrained by recent pressure on asset quality and the limited track record & portfolio seasoning as well as geographic concentration of operations. The rating also considers the fact that the target customer segment of MHFC comprises of individuals in the low income group which is a relatively untested and untapped market segment. Business growth, asset quality, capital adequacy and profitability are the key rating sensitivities

Background

Micro Housing Finance Corporation (MHFC) is a housing finance company focused on providing housing loans to individuals in the low income group, specifically, those employed in the informal sector. MHFC was incorporated on 16th May, 2008; it got the NHB License – Certificate of Registration on 9th Feb, 2009, and started operations in June 2009. Michael and Susan Dell Foundation, India Financial Inclusion Fund and Unilazer Ventures Pvt. Ltd. hold 9.99%, 36.59% and 7.38% stake respectively, in the company. The customers of MHFC are a mix of self employed micro-entrepreneurs and un-organized sector salaried workers.

As on September 30, 2016, MHFC had a loan book of Rs.298 crore and balance sheet size of Rs.328 crore. Presently, the company has 160 employees. The company has an office in Mumbai and sources loans through project-led approach – wherein financing is provided to individuals for purchase of houses under the projects selected by MHFC. The operations of the company are spread across five states namely, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan and West Bengal. During FY16, the company expanded to Chhattisgarh and newer territories in Rajasthan.

Over the last three years, MHFC's disbursements and loan portfolio have grown at CAGR of around 7% and 37%. During FY16, the company witnessed healthy growth of 14.36% in disbursements vis-a-vis marginal de-growth during the previous year. Consequently, outstanding portfolio grew by 32.92% y-o-y during FY16 [P.Y.: 40%] to Rs.257.53 crore as on March 31, 2016. During H1FY17, outstanding portfolio grew by 39.79% to Rs.297.80 crore. MHFC's loan portfolio majorly comprises of home loans. As on March 31, 2016, home loans to individual borrowers accounted for roughly 95% of outstanding portfolio [P.Y.: 97%]. Higher rise in credit and operating costs have resulted into marginal 0.9% y-o-y growth in PAT. During FY16, the company reported ROTA of 2.13% [P.Y.: 2.74%].

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During H1FY17, the company reported PAT of Rs.2.74 crore on total income of Rs.17.17 crore.

The company reported capital adequacy ratio of 58.80% as on March 31, 2016 [P.Y.: 62.94%] and 51.0% as on September 30, 2016 which is mainly composed of Tier I capital. As on March 31, 2016, the company reported GNPA and NNPA ratios of 0.75% [March 2015: 0.57%] and 0.60% [March 2015: 0.47%] respectively with net NPA/ net worth of 1.67% [March 2015: 1.04%]. During H1FY17, the company saw sharp increase in gross NPA and net NPA ratio, which stood at 1.74% and 1.43% respectively.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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