

July 22, 2013

**CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF
MICRO HOUSING FINANCE CORPORATION LTD****Rating**

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	100 (enhanced from 50)	CARE BBB	Reaffirmed

Rating Rationale

The rating takes into account the experienced management, growth in the portfolio and profitability, comfortable liquidity profile and robust capitalisation levels of MHFC. The rating is, however, constrained by the nascent stage of operations, unseasoned loan portfolio and 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. Scale of operations, asset quality 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. The customers of MHFC are a mix of self-employed micro-entrepreneurs and un-organized sector salaried workers. India Financial Inclusion Fund and Michael and Susan Dell Foundation together hold approximately 50% stake in MHFC. The company was incorporated on May 16, 2008. MHFC has sanctioned close to 3,000 loans and had a loan book of Rs.72.3 crore as of March 31, 2013. Cumulative sanctions as on March 31, 2013 stood at Rs.130 crore as compared to Rs.60 crore at the end of FY12. Total home loan disbursements in FY13 increased by 76% to Rs.42.7 crore. The operations of the company are spread across five states namely, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan (started in FY13) and West Bengal. The company has an office in Mumbai and there are no branches anywhere in the country.

MHFC earned a PAT of Rs.1.7 crore (FY12: Rs.1.6 crore) on a total income of Rs.8.6 crore (FY12: Rs.4.7 crore) in FY13. Profit before tax increased 43% from Rs.1.7 crore in FY12 to Rs.2.4 crore in FY13. The company is well capitalised with a total CAR of 45.37% as on March 31, 2013. The loan book more than doubled to Rs.72.3 crore by the end of FY13. There were NIL NPAs as on March 31, 2013. MHFC has reported PAT of Rs.42 lakh on a total income of Rs.3.0 crore in Q1FY14.

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Press Release

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