

January 3, 2014

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

**Rating**

Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	100	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)

**Rating Rationale**

The rating revision takes into account substantial capital infusion in the company, growth in the portfolio and profits, and good asset quality performance with no NPAs till date. The rating is, however, constrained by the limited track record 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. Asset quality, scale of operations, 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. In H1FY14, there was an equity capital infusion of Rs.38 crore from existing and new investors. Existing investors like India Financial Inclusion Fund and Michael and Susan Dell Foundation infused Rs.8.6 crore and Rs.7.5 crore, respectively. A venture capital firm, Unilazer Ventures Pvt. Ltd., infused Rs.14.5 crore in MHFC acquiring a stake of 7.4%. MHFC's loan portfolio increased from Rs.35 crore as on March 31, 2012 to Rs.103 crore at the end of September 2013. 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. MHFC has maintained good asset quality since inception and there were nil NPAs as on September 30, 2013. MHFC reported PAT of Rs.1.2 crore on a total income of Rs.7.0 crore in H1FY14.

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<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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