



# Company Presentation

Micro Housing Finance Corporation Limited

June 2016 | Mumbai





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# executive summary

MHFC's vision is to help financially excluded urban lower income families own their own homes

Headquartered in Mumbai, the company started operations in 2009

**PRODUCT:** Micro Mortgages

**CUSTOMERS:** The un-organized sector (household monthly incomes between Rs.10,000 and Rs.30,000)

**OPERATIONS:** 437 approved low cost housing projects in 6 Indian states

**TEAM:** Total 109 employees; Promoted by finance and property development professionals with several years of local and international experience

**INVESTORS:** India Financial Inclusion Fund, Michael and Susan Dell Foundation and Unilazer Ventures Private Limited

**RATING:** CARE A- for long term bank debt (2-notch upgrade since July 2013); GIIRS Rating: '5 Stars' for Impact Operations, and 'Platinum' for Impact Business Model

**RECOGNITION:** Nominated in the Entrepreneurship category for the FT Arcelor Mittal award 2015

Particulars	FY 15	FY 16	FY 17 (E)
<b>AUM (Rs. Cr)</b>	<b>195</b>	<b>257</b>	<b>414</b>
<b>PBT (Rs. Cr)</b>	<b>8</b>	<b>8.4</b>	<b>12.4</b>
<b>PAT (Rs. Cr)</b>	<b>6</b>	<b>6</b>	<b>8.3</b>
<b>Net Worth (Rs. Cr)</b>	<b>86</b>	<b>91</b>	<b>98.8</b>
<b>NIM</b>	<b>5.1%</b>	<b>4%</b>	<b>4.2%</b>
<b># of customers</b>	<b>6272</b>	<b>9397</b>	<b>15000</b>

## Highlights of FY 2016

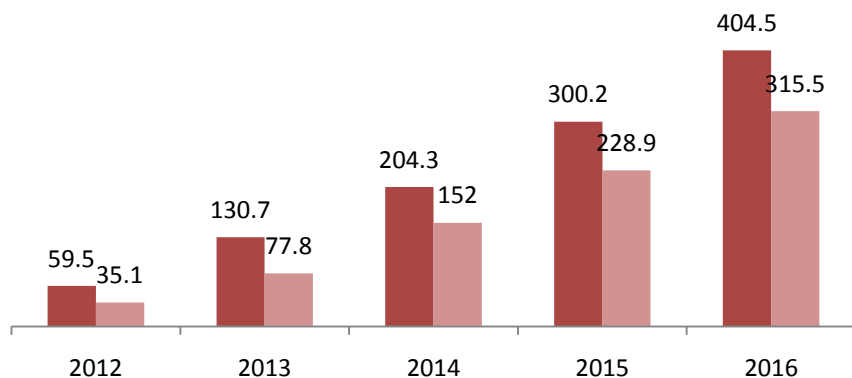
- MHFC is now eligible for SARFAISEI
- Got subsidy amounting to Rs.8.8cr under the Government's Housing for All - Credit Linked Subsidy Scheme; benefiting over 1000 customers
- New products: Self Construction and Home Equity loans

# portfolio (project based loans)

MHFC has sanctioned Rs.404 Cr in loans to 9397 financially excluded families

Total Loans Sanctioned  
9397  
Rs. 404.5 Cr

Total Loans Disbursed  
7905  
Rs. 315.5 Cr



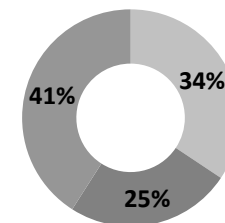
## Loan Terms:

Parameter	Terms	Average
Loan Amount	Maximum Rs.15 lakhs; Rs. 20 lakhs in select cities	Rs. 4.3 lakhs
Tenor	Maximum 25 years	11.4 years
Interest Rate	12% to 13% (floating); changes with revision to PLR	12.4%
Loan to Value	Maximum 85%	69%
Instalment to Income Ratio	Maximum 40%	26.5%
Financial Obligations to Income Ratio	Maximum 50%	30%

## OCCUPATIONS: Salaried vs Self Employed

Self Employed

Tailor  
Driver  
Rickshaw driver  
Carpenter  
Food Vendor

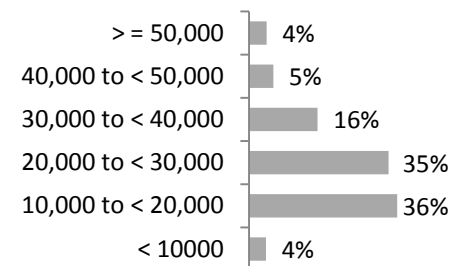


Salaried

Driver  
Diamond Polisher  
Machine Operator  
Teacher  
Security Guard

Salaried and Self Employed

## AVERAGE MONTHLY HOUSEHOLD INCOMES



Entire loan portfolio is under the **priority sector** as defined by the RBI and qualifies for subsidised refinancing schemes of the NHB

15% of the loan book has a fixed rate of interest, 85% floating rate

# project-based approach

MHFC has a list of 437 approved affordable housing projects with a cumulative housing stock of ~200,000 units

## Key differentiators of MHFC's business model

### 1 STRONG RELATIONSHIPS WITH AFFORDABLE HOUSING DEVELOPERS

- (i) This ensures customers get the same price and high quality homes
- (ii) Reduced marketing costs since MHFC depends on the developers to market their projects
- (iii) Developers like Tata Value Homes reserve certain units for MHFC clients in their projects

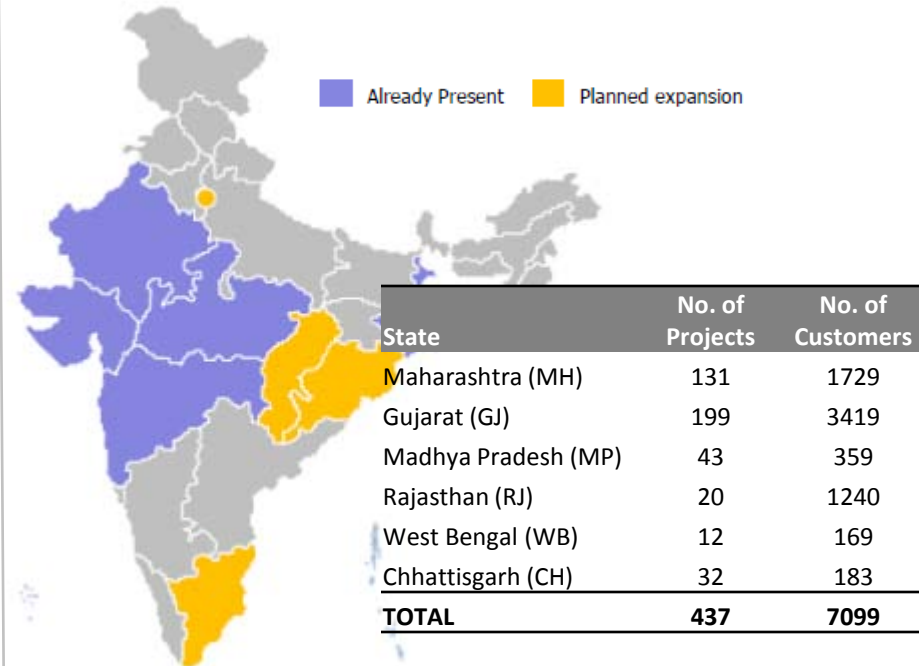
### 2 PROVIDES CONSTRUCTION FINANCE

- (i) Strengthens relationships with the developer
- (ii) Increases customer penetrations and promotes affordable housing
- (iii) Improves yields as these loans are sanctioned at higher rates

### 3 COST EFFICIENT AND BRANCHLESS MODEL

- (i) Operations are centralised in the Mumbai HQ with field officers serving customers in different geographies
- (ii) Allows for scalability of the business given minimal infrastructure requirements

Present in 6 states; expansion to 3 more states planned in FY16



Tie-ups with leading developers in the affordable housing space

**TATA VALUE HOMESS**

**Rajasthan Housing Board**



**Mahindra**  
Rise.



मध्य प्रदेश नृद निर्माण एवं अवसंरचना विकास मण्डल  
Madhya Pradesh Housing & Infrastructure Development Board

**PODDAR**  
HOUSING  
HOUSES FOR LIFE



# projections

80% of MHFC's new sanctions will be eligible for CLSS; launched special CLSS scheme with no processing fee from April 1, 2016

Projections	FY 2017
<b>Amount Sanctioned (Rs Cr)</b>	<b>249</b>
<b># of Customers Eligible for CLSS</b>	<b>4800</b>
<b>CLSS claim (Rs Cr)</b>	<b>57</b>

Given these projections, MHFC's debt requirement for FY 2017 is Rs.150 cr

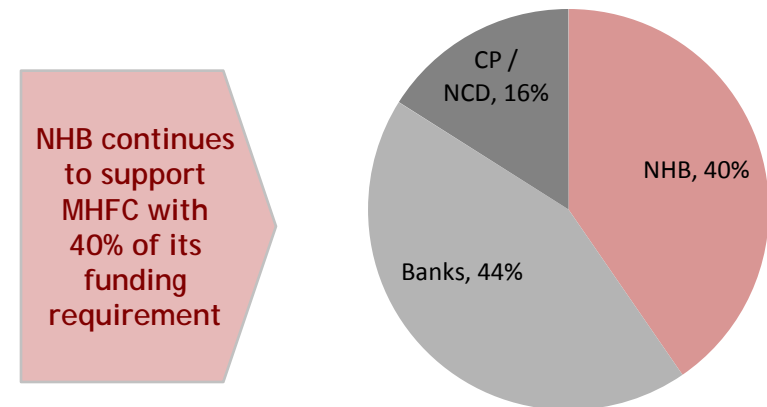
Of which, the company has received an in principal sanction for a Rs.50cr NCD from a leading DFI

**FUNDING REQUIREMENT FROM NHB:**  
Rs.75 crores

Rs crs

Source of Debt	Outstanding as at FYE Mar 16	Required during FY 17	Estimated O/s as at FYE Mar 17
NHB	80	75	126
Banks	107	25	136
CP / NCD		50	50
<b>TOTAL</b>	<b>187</b>	<b>150</b>	<b>312</b>

Estimated Funding Mix as at FYE Mar 2017



# challenges

To address the financing needs of the scale of new projects coming up, MHFC requires NHB's continued support to address the following challenges and financing at lower rates

Challenge → **PROCESSING FEE INSUFFICIENT** to cover expenses

Not allowed to charge fees for loans less than Rs.6 lakhs; MHFC's average ticket size is Rs.4 lakhs hence most loans don't qualify

Processing Fee of Rs.1,000 not sufficient to cover the high origination and loan processing costs associated with catering to the financially excluded, lower-income segment

Challenge → **WOMEN OWNERSHIP** not always feasible

Majority of the supply of affordable housing is from government housing boards where customers:

- have no control on who receives the allotment
- allotment cannot be changed

Hence, for several loans in government projects, the criteria of women ownership is not met

# Maya Barot

## CHANNA SELLER

Estimated Income: Rs 20,000

Loan Amount: Rs 400,000





# Babulal Mulchandani

**SCRAP DEALER**

Estimated Income: Rs 15,000

Loan Amount: Rs 166,000

# Pinkeeben & Sureshbhai Patni



## FRUIT VENDORS

Household Income: Rs 15,000

Loan Amount: Rs 2,40,000

A man with a mustache, wearing a light-colored patterned shirt and brown trousers, stands next to a yellow and green auto rickshaw. The rickshaw has 'ULTADAN... LAKE' and 'WB 25 87104' written on it. The background shows a dirt road and lush greenery.

Ajay Mondal

**AUTO RICKSHAW DRIVER**

Household Income: Rs 12,000

Loan Amount: Rs 2,00,000

# Ramprasad Sharma

A man in a white shirt and dark scarf is kneeling on the floor of a workshop, working on a white marble statue. The workshop is filled with various marble statues in different stages of completion, including standing and seated figures. The walls are light blue, and there is a window in the background.

## MARBLE STATUE MAKER

Estimated Income: Rs 15,000

Loan Amount: Rs 3,00,000

# Bina & Shyam Devi

## LAUNDRY BUSINESS

Estimated Income: Rs 14,000

Loan Amount: Rs 3,00,000



Shankarlal Sen

**BARBER**

Household Income: Rs 15,000

Loan Amount: Rs 3,61,000



[www.mhfcindia.com](http://www.mhfcindia.com)