



Press Release

Habitat Micro Build India Housing Finance Company Pvt Ltd (MBIND)

April 10, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Proposed Long Term Fund Based Bank Facilities – Term Loan	50.00	IVR BBB+ / Stable Outlook (IVR Triple B Plus with Stable Outlook)
	Total	50.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating derives strength from an extensive experience of the management, strong support from investors, adequate asset quality supported by decent customer profile and comfortable capital structure along with good profitability. However, these strengths are partially offset by a moderate scale of operations and portfolio concentration Risk.

Key Rating Sensitivities

Upward Factor

- Substantial improvement in the scale of operations of the company.
- Ability to maintain its capitalization metrics.

Downward Factor

- Any increase in delinquencies and deterioration in asset quality impacting the overall profitability of the company.
- Any challenges/delays faced by the company to raise funds in a timely manner.



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List of key rating drivers with detailed description

Key Rating Strengths

Experienced management team along with Strong investor support:

MBIND is promoted by Habitat for Humanity International (HFHI), Mr. Radhakishan Damani (promoter of Avenue Supermarts Ltd) and ASK Group. MBIND enjoys strong support from parent by way of continues management guidance. Also, as informed by the management, the investors are willing to infuse further equity as and when required.

MBIND's board of directors has representatives from HFHI, Mr. Radhakishan Damani and ASK Group. It consists of members with rich experience in the areas of microfinance, global affordable housing, banking and financial services, taxation, audit and retail sectors.

Adequate Asset quality supported by decent customer profile:

MBIND's clientele in the wholesale segment consists of established microfinance institutions with concentration on affordable housing loan products. The maximum ticket size of the loan extended is Rs. 5.0 crore and the maximum tenure is up to 5 years. The asset quality has been good in last five years due to decent customer profile of MBIND in the wholesale segment, while the delinquencies have increased in the retail segment in past three fiscals. However, the retail housing loan segment accounts for less than 1% of its portfolio leading to negligible impact on overall asset quality.

Comfortable capital structure along with good profitability:

MBIND has a comfortable capital structure indicated by a tangible net worth of Rs. 58.61 crore in FY19. MBIND's capital adequacy ratio (CAR) was 81.76% in FY19 (FY18: 100.91%) which is well above the minimum regulatory requirement of 15% which is complemented by a gearing ratio of 0.32x in FY19 as the company has adopted a conservative borrowing policy. The company reported good profitability over the last three years supported by low credit costs.

Key Rating Weaknesses

Moderate scale of operations:

Albeit growing, the company's scale remains small with a portfolio size of Rs. 68.75 crore as on December 31, 2019. MBIND is targeting to achieve the portfolio size if around Rs.300.00 crores in the next 5 years ending FY24.



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Portfolio concentration Risk:

MBIND's portfolio remains concentrated as its top five customers accounted for ~46.67% in FY19 and ~45.15% in 9MFY20. However, the addition of new customers during the last two financial years has led to diversification to some extent.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Non-Banking Finance Companies

Financial Ratios & Interpretation (Financial Sector)

Liquidity: Adequate

The liquidity position of the company is reflected from its ALM where there are no mismatches in any of the time buckets. All the loans disbursed are for a period of less than 5 years. Medium Term Loan Maturity Portfolio which have been majorly funded through Equity has ensured liquidity flow and stable ALM. Further, the company have investments in Mutual Funds of Rs. 6.86 Crores as on December 2019.

About the Company

Habitat Micro Build India Housing Finance Company Pvt Ltd (MBIND) was incorporated in November 2010 and registered with National Housing Bank (NHB) as a Housing Finance Company in June 2012. MBIND is part of the global Micro Build Fund, an initiative by Habitat for Humanity International that invests in shelter-related microfinance products provided through local financial institutions. MBIND is promoted by Habitat for Humanity International (HFHI; USA based HFHI was founded as a not for profit organisation by Millard and Linda Fuller in 1976. HFHI has been able to join together many companies, community groups, governments and others to together tackle the need for safe, decent, affordable housing for all.), Mr. Radhakishan S Damani and ASK Group. MBIND extends loans for the purpose of housing and improvement of living environments for low-income families in India. The company is into wholesale lending to housing finance companies and microfinance institutions for the latter's housing loan product focused at microfinance borrowers. Moreover, the company lends to retail microfinance borrowers through business correspondents.



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Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	6.34	9.20
Finance Cost	0.03	0.88
PAT	3.68	4.61
Total Debt	0.00	19.02
Tangible Networth	54.00	58.61
Total Loan Assets	52.56	67.34
Ratios		
PAT Margin (%)	58.17	50.09
Overall Gearing Ratio (x)	0.00	0.32
Total CAR (%)	100.91%	81.76%
Gross NPA (%)	0.09%	0.23%
Net NPA (%)	0.07%	0.19%

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Proposed Fund Based Bank Facilities – Term Loan	Long Term	50.00	IVR BBB+ / Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Fund Based Facilities – Term Loan	--	--	--	50.00	IVR BBB+ / Stable Outlook