



Press Release

Habitat Micro Build India Housing Finance Company Pvt Ltd

(MBIND)

July10, 2021

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Ratings	Rating Action
1.	Proposed Long Term Fund Based Bank Facility – Term Loan	10.00 (Reduced from INR50.00 Crore)	IVR BBB ; Under Credit Watch With Developing Implications (IVR Triple B Under Credit Watch With Developing Implications)	Rating Revised and put under credit watch with developing implications
	Total	10.00		

Ratings

Details of Facilities are in Annexure I

Detailed Rationale

The revision in ratings to the bank facilities of MBIND takes into account overall decline in its financial & operational parameters during FY21 (Prov).

Further rating continues to derive strength from extensive experience of the management, strong support from investors, moderate asset quality supported by decent customer profile and comfortable capital structure alongwith low reliance on external debt. However, these strengths are partially offset by a reducing scale of operations, decline in profitability, moderate portfolio concentration followed by regulatory risk.

The rating on watch with developing implications reflects industry headwinds arising out of ongoing COVID-19 pandemic along with company ability to increase the retail loan book to at least 50% to meet the regulatory requirements. Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.



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Key Rating Sensitivities

Upward Factors

- Substantial improvement in the scale of operations of the company along with sustained improvement in collection efficiency.

Downward Factors

- Any substantial increase in delinquencies and deterioration in asset quality impacting the overall profitability of the company.

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. 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.

Moderate Asset quality supported by decent customer profile and capital structure

The overall NNPA% and GNPA% has increased in FY21(P) as compared to FY20. As in FY21 the portfolio of the company was majorly concentrated towards wholesale lending, the recovery process was on slower pace for the MFIs (clients of MBIND) which in all affected the collection efficiency. In order to reduce the GNPA% and NNPA%, the company has started taking measure and recovery is expected to improve in FY22 and beyond. 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. MBIND has a comfortable capital structure indicated by a tangible net worth of INR63.76 crore in FY21(P). MBIND's capital adequacy ratio (CAR) was ~112% in FY21 which is well above the minimum regulatory requirement of 15% which is complemented by a gearing ratio of 0.08x in FY21 as the company has adopted a conservative borrowing policy.



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Low reliance on external debt

The company had a sizeable network base exceeding INR60 crore as on FY21 with fairly low leverage marked by an overall gearing below 0.08x as on March 31, 2021. This provides the company with adequate financial flexibility to raise resources for its retail as well as wholesale portfolio.

Key Weaknesses

Reducing scale of operations

The company's scale remains small with a portfolio size of ~INR72 Crore as on March 31, 2020 and ~INR54 Crore as on March 31, 2021 (P). MBIND prudently taken a call to reduce the AUM by cutting down the disbursements due to uncertainties involved with ongoing pandemic.

MBIND is targeting to achieve the portfolio size of around INR140.00 crores in the next 3 years ending FY24.

Decline in level of profitability in FY21

In FY20, the profitability of the company increased along with increase in operating income. However, in FY21 the same got declined with the write-off made by the company amounting to ~INR5.63 Crore on account of default by one of its customers. However, recovery process is under way within available legal framework.

Portfolio concentration Risk

MBIND's portfolio remains concentrated in the wholesale segment as compared to retail segment, wherein in case of wholesale lending, its top five customers accounted for ~25% in FY20 and ~27% in FY21. However, the addition of new customers in the retail segment will lead to diversification of the portfolio.

Regulatory Risk:

The Reserve Bank of India (RBI) regulates financial institutions lending to housing and the National Housing Bank (NHB) regulates lending to housing-by-Housing Finance Companies or HFCs. Some of the regulations imposed by the RBI on banks also impact HFCs indirectly.



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such as priority sector lending targets. Therefore, as directed by regulators the company have to increase its retailbook minimum to 50% by the end of FY22. Furthermore, the company overall performance with the required change in the portfolio mix will be key monitorable.

Analytical Approach: Standalone

Applicable Criteria

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. Apart from it, the company maintains cash and cash equivalents of about ~INR 16.06 Crore (including inflow from liquid Mutual Fund Redemption) as on March 31, 2021.

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.



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Moreover, the company lends to retail microfinance borrowers through business correspondents.

Financials: Standalone

(INR. Crore)

For the year ended/ As On	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total Operating Income	9.20	10.86	9.82
Finance Cost	0.88	1.75	0.92
PAT	4.61	5.01	0.15
Total Debt	19.02	11.59	4.81
Tangible Net-worth	58.61	63.61	63.76
Total Loan Assets	67.34	72.01	53.96
Ratios			
PAT Margin (%)	50.09	46.09	1.55
Overall Gearing Ratio (x)	0.32	0.18	0.08
Total CAR (%)	81.76%	79.40%	112.29%
Gross NPA (%)	0.23%	0.34%	4.94%
Net NPA (%)	0.19%	0.26%	3.45%

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:None

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (April 10, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Proposed Long Term Fund Based Facility – Term Loan	Long Term	10.00 (Reduced from INR50.00 Crore)	IVR BBB; Under Credit Watch With Developing Implications	IVR BBB+/Stable Outlook	--	--

Any other information: None

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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Long Term Fund Based Facility – Term Loan	-	-	-	10.00	IVR BBB; Under Credit Watch With Developing Implications

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Lenders-MBIND-10-07-21.pdf>