



## Press Release

### **Habitat Micro Build India Housing Finance Company Pvt Ltd**

### **(MBIND)**

**July 28 , 2022**

#### **Ratings**

<b>Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Proposed Long Term Fund Based Bank Facility – Term Loan	10.00	IVR BB+/Negative Outlook (IVR Double B Plus with Negative Outlook)	Revised	Simple
<b>Total</b>	<b>10.00</b>			

**Details of instruments are in Annexure 1**

#### **Detailed Rationale**

The revision in rating & the outlook to the proposed bank facilities of Habitat Micro Build India Housing Finance Company Pvt Ltd (MBIND) takes into account deterioration in its asset quality and overall decline in financial indicators during FY22 [Provisional]. Further, the aforesaid rating continues to derives strength from its experienced management team along with strong investor support, portfolio diversification and low reliance on external debt.

#### **Key Rating Sensitivities**

##### **Upward Factors**

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

##### **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



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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.

### **Portfolio Diversification**

MBIND's portfolio remained concentrated in the wholesale segment till FY21 however the same got diversified in FY22 on the basis of RBI guideline directed for the company for increasing the portfolio base towards retail lending.

### **Low reliance on external debt**

The company had a sizeable networth base ~INR63.65 Crore as on FY22 (FY21: INR63.64 Crore) with fairly low leverage marked by an overall gearing ratio standing nil as on March 31, 2022 and 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. Moreover, MBIND's capital adequacy ratio (CAR) was ~93.49% in FY22 which is well above the minimum regulatory requirement as the company has adopted a conservative borrowing policy.

### **Key Rating Weaknesses-**

#### **Moderate scale of operations**

The company's scale remains small with a portfolio size of ~INR66.99 Crore as on March 31, 2022 and ~INR53.96 Crore as on March 31, 2021.. MBIND is targeting to achieve the portfolio size of around INR134.00 crores in the next 3 years ending FY25 by concentrating more towards retails lending base. Further, the seasoning of the retail book in the projected period will be key rating factor.

#### **Decline in level of profitability**

In FY20, the profitability of the company increased along with increase in operating income. However, in FY21 the same got decline with the write-off made by the company amounting to ~INR5.63 Crore on account of default by its one of the customers and which further declined in FY22 with the 3 accounts recognised under NPA category, although in respect of the same the company has made adequate amount of provisioning. Moreover, out of the three NPA accounts in FY22, recovery process is under way for the two accounts, the collection efficiency



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in respect of these accounts will be key monitorable factor. The amount involved in case of three accounts amounts to ~INR6.70 Crore, which was nearly ~10% of the total AUM of FY22. Overall PAT of the company stood at INR0.10 Crore in FY22 as compared to INR0.03 Crore in FY21.

### **Moderate Asset Quality**

In fiscal 2022, asset quality witnessed a sharp deterioration. The overall GNPA stood at 11.62% in FY22 as compared to 4.94% in FY21 and NNPA stood at 6.20% in FY22 as compared to 3.59% in FY21. Now in order to improve the same along with complying with the regulatory requirements the management has reduced the whole portfolio to around 50%. The balance is the retail portfolio.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Financial Institutions/NBFCs](#)

[Criteria for rating outlook](#)

### **Liquidity: Adequate**

MBIND overall liquidity profile remains adequate with no negative cumulative mismatches in the near to medium term as per the ALM ending March 31<sup>st</sup>, 2022 along with the nominal amount of long term debt repayment obligation. The company maintains cash and cash equivalents of about ~INR1.13 Crore as on March 31, 2022. Further, given the company's growth plans, it would require additional funding to support the envisaged disbursements.

### **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,



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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.

### Financials: Standalone

(Rs. Crore)

For the year ended/ As On*	31-3-2021 (Audited)	31-3-2022 (Provisional)
Total Operating Income	9.57	6.39
Interest Expenses	0.92	0.33
PAT	0.03	0.10
Total Debt	4.81	1.54
Tangible Net-worth	63.64	63.65
Total Loan Assets	53.96	66.99
<b>Ratios (%)</b>		
PAT Margin (%)	0.33	1.59
Overall Gearing Ratio (x)	0.08	0.02
Total CAR (%)	118.15%	92.27%
Gross NPA (%)	4.94%	11.62%
Net NPA (%)	3.59%	6.20%

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: None**

**Any other information: None**

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (July 10, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 10, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Proposed Long Term Fund Based Bank Facility – Term Loan	Long Term	10.00	IVR BB+/ Negative Outlook	IVR BBB; Under Credit Watch With Developing Implications	IVR BBB+/ Stable Outlook	--



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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Proposed Long Term Fund Based Bank Facility – Term Loan	-	-	-	10.00	IVR BB+/ Negative Outlook
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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details: Not Applicable**

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).