

September 23, 2019

Habitat Micro Build India Housing Finance Company Private Limited: Rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank facilities	20.0	20.0	[ICRA]BBB-(Stable); Reaffirmed and withdrawn
Total	20.0	20.0	

*Instrument details are provided in Annexure-1

Rationale

ICRA has reaffirmed and withdrawn the [ICRA]BBB- (Stable) rating outstanding on the Rs.20.0 crore bank lines of Habitat Micro Build India Housing Finance Company Private Limited (MBIND) at the request of the company.

MBIND's performance for FY2019 has largely been in line with expectations with portfolio of Rs.67.35 crore as on March 31, 2019 (Rs.52.56 crore as on March 31, 2018). The company maintained its comfortable financial profile characterized by good profitability (return on assets of 7.89% in FY2019) and robust capital structure (gearing of 0.3x as on March 31, 2019). MBIND's asset quality has been good in the wholesale segment supported by its customer profile consisting of established microfinance entities. The company's scale of operations continues to remain small with its focus on refinancing of affordable housing and hence the company's ability to scale up is yet to be seen.

Key rating drivers and their description

Credit strengths

Strong investor support – The company's major shareholder is Habitat for Humanity International (HFHI) which holds 74.8% stake in MBIND as on March 31, 2019 with the balance being held by Derive Group and ASK Group. The company enjoys strong investor support as depicted by timely equity infusions and management support. It received equity infusion of Rs.27.6 crore in FY2017 which has supported its growth and capital structure. HFHI is focused on impact investments in the area of affordable housing and is expected to remain invested in MBIND over the long term thereby providing stability on ownership.

Strong board with rich experience in wide-ranging sector – MBIND's board of directors has representation from HFHI, Derive Group and ASK Group. It includes personnel with extensive experience in the areas of global affordable housing, microfinance, banking and financial services, audit, taxation and retail sectors. The management team at MBIND remains lean at present; however, the involvement of the Board in decision making and monitoring remains high.

Wholesale segment asset quality supported by good customer profile: the company has extended loans to established microfinance companies in its wholesale lending segment which has supported its asset quality. While the delinquencies have risen in the retail segment post floods in Kerala, ICRA notes that the retail housing loan segment accounts for less

than 1% of its total portfolio thereby limiting the impact on overall asset quality. Further, MBIND follows business correspondent (BC) model in the retail segment with 5% FLDG and security by way of equitable mortgage of the house property (deposit of title deeds) thereby restricting the eventual loss on retail portfolio. Nevertheless, given the nascent stage of its operations and limited portfolio seasoning, its assessment framework remains untested to an extent. As on March 31, 2019, the company's GNPA and NNPA stood at 0.23% and 0.19% respectively.

Comfortable capital structure: The company has comfortable capitalization with gearing of 0.3x as on March 31, 2019. Having funded its growth primarily by way of equity, MBIND's borrowings as on March 31, 2019 stood at Rs.19.02 crore with net worth of Rs.58.6 crore. This could be first or second point

Credit challenges

Modest scale: The company having started operations in FY2010 has small scale with asset under management of Rs.67.4 crore as on March 31, 2019. Given the company's monoline business with focus on refinancing affordable housing segment, business opportunities remain limited and hence the company's ability to scale up is yet to be seen.

Small team size: At present, the company has an employee base of seven people taking care of business development, credit assessment, risk management, operations and management information systems. Currently, certain functions such as internal audit is being outsourced. ICRA notes that the company would have to expand its team size and strengthen its management bandwidth in line with its growth plans.

Portfolio concentration on few customers: By virtue of nascent stage of its operations and modest scale, the company's portfolio remains concentrated on its top three customers. While the addition of new customers over the last two years has aided in diversification to some extent, ICRA notes that as on March 31, 2019, its top customer, top five customers and top ten customers accounted for 12.3%, 47.1% and 78.2% of its total portfolio respectively indicating high concentration. This increases MBIND's vulnerability to any defaults by its key customers.

Liquidity position: Adequate

The company has positive cumulative mis-matches across maturity buckets of up to 5 years. The company's liquidity is supported by low debt levels leading to minimal repayment obligations. The company had cash and liquid balance of close to Rs.9 crores as on July 22, 2019 against monthly repayment obligations in the range of Rs.1.0-1.5 crore over the next six months. However, company would need regular flow of funds to meet its business plans.

Rating sensitivities

NA

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Non-Banking Finance Companies
Parent/Group Support	Not Applicable
Consolidation / Standalone	Rating is based on standalone financial statements of the company.

About the company

Habitat Micro Build India Housing Finance Company Pvt Ltd (MBIND) is a housing finance company incorporated in November 2010 and registered with National Housing Bank - having received the Certificate of Registration in June 2012. The company is primarily engaged in extending loans for the purpose of housing and living environments aimed at low-income households. The company extends wholesale financing to microfinance institutions (MFIs) and housing finance companies (HFCs) for the latter's housing loan product targeted at microfinance borrowers. Additionally, the company extends housing loans to retail microfinance borrowers through business correspondents.

MBIND is promoted by Habitat for Humanity International, Mr. Radhakishan S Damani and ASK Group. HFHI has rich experience in extending loans and technical assistance to institutions across the world in providing housing loans to economically weaker sections. The company's shareholders have demonstrated track record of supporting MBIND's equity requirements. For FY2019, the company reported net profit of Rs.4.6 crore on portfolio of Rs.67.4 crore as on March 31, 2019 as against net profit of Rs.3.7 crore in FY2018 on a portfolio of Rs.52.6 crore as on March 31, 2018.

Key financial indicators (audited)

Fiscal	FY2018	FY2019
Total Income (Rs. Crore)	6.8	9.4
Profit after Tax (Rs. Crore)	3.7	4.6
Net worth (Rs. Crore)	54.0	58.6
Total Managed Portfolio (Rs. Crore)	52.6	67.4
Total Managed Assets (Rs. Crore)	54.4	78.6
Return on Managed Assets (%)	7.0%	6.9%
Return on Net worth (%)	7.1%	8.2%
Gearing (times)	0.0	0.3
Gross NPA (%)	0.1	0.2
Net NPA (%)	0.1	0.2

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	FY2020	FY2018	FY2017	FY2017
					23-September 2019	15-March 2018	-	-
1	Unallocated bank lines	Long Term	20.0	-	[ICRA]BBB- (Stable); Reaffirmed and withdrawn	[ICRA]BBB- (Stable)	-	-

Amount in Rs. Crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Bank facilities - Unallocated	-	-	-	20.00	[ICRA]BBB- (Stable) / Withdrawn

Source: MBIND

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
-	-	-

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