

## Press Release

### Habitat Micro Build India Housing Finance Company Private Limited

October 29, 2020

#### Rating Reaffirmed & Withdrawn



<b>Total Bank Facilities Rated*</b>	Rs. 50.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB/ Outlook: Stable (Rating Reaffirmed & Withdrawn)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 50 crore Proposed Bank Facility of Habitat Micro Build India Housing Finance Company Private Limited (MBIND). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and pursuant to a request received from the company in this regard.

#### About the company

Bangalore based MBIND was incorporated in November 2010. MBIND was registered with National Housing Bank (NHB) in June 2012 as a Housing Finance Company (HFC). MBIND is part of the global Micro Build Fund, an initiative by Habitat for Humanity International (HFHI) that invests in shelter-related microfinance products provided through local financial institutions. MBIND's operational objective is to reduce poverty housing and improve health and living environments for low-income families across India. MBIND provides term loans to financial institutions including Micro Financial Institutions (MFI) and Housing Finance Company's (HFC) in India which in turn will be used to extend financial assistance to their customers for the purpose of home improvements (such as house repairs). The company also partners with MFI's, where the MFI's would act like business correspondents ("Business Affiliate"). The company also provides Technical Assistance in order to support the said institutions to design and offer housing loan products to meet the requirements of beneficiary families.

#### About 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. Through the work of HFHI, over 6 lakh low-income families have built shelters in the form of affordable housing. The work of the organisation is spread across various countries in North America, Latin America and the Caribbean, Africa, Eastern and Western Europe, and throughout the Asia-Pacific region. As on June 30, 2018 HFHI had a balance sheet size of USD 386 million with net assets under management of USD 230 million.

#### Analytical Approach

Acuite has considered the standalone financial and business risk profile of MBIND to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Support from marquee investors and experienced management:**

MBIND is a subsidiary of HFHL, MBIND holds 70.78 percent stake in MBIND with the balance 29.12 percent held by Mr. Radhakishan Damani (promoter of Avenue Supermarts Limited) and 0.10 percent held by ASK Group.

The Board of Directors of MBIND comprises of representations from HFHL, Mr. Richard Hathaway, Chairman, is the Vice President of HFHL and has been instrumental for the overall success of Habitat's affordable housing activities throughout Asia and the Pacific Mr. Asit Koticha from ASK Group. Mr. Ramakant Baheti, is a representative of Mr. Radhakishan Damani, he is a chartered accountant with two decades experience in finance and a director of Avenue Supermarts Limited. The board is also represented by Mr. Rajan Samuel, Director and Mr. Ramchandra Vaidya, Executive Director and CEO, who are representatives of HFHL.

The board is supported by a senior management team comprising of experienced industry professionals having a strong background in financial services and lending.

The second line of the management team is headed by Mr. Ramchandra Vaidya, Executive Director and CEO; he has over two and half decades experience in BFSI sector. The team comprises of people with experience in micro finance and housing finance sector each having more than a decade of relevant experience. The extensive experience of the board and management team has helped MBIND put in place robust policies and procedures.

Acuite believes that MBIND will benefit from its experienced management team as it scales up its business volumes.

- **Comfortable operating parameters to support future growth plans:**

The company commenced its operations in 2012 and since then has expanded its loan portfolio to Rs.62.91 Crore as on September 30, 2020(Provisional) as against Rs. 72.01 Crore as on March 31, 2020. The company has been debt free till FY2018 driving the growth in loan portfolio has been through capital support from the promoters of the company. The company's capital adequacy ratio (CAR) stood at 79.95 percent as on September 30, 2020(Provisional) and 79.71 percent as on March 31, 2020, its gearing stood at 0.15x as on September 30, 2020(Provisional) (0.20x as on March 31, 2020) giving sufficient headroom for leveraging for growth in the loan book. The company has maintained healthy operating parameters with While the company's wholesale portfolio had NIL Non-performing Assets (NPA) overall Gross Non-performing Assets (GNPA) stood at 0.37 percent as on September 30, 2020 as against 0.35 percent as on March 31, 2020, contributed from the retail portfolio. Return on Average Assets (RoAA) of 6.41 percent for FY2020 as against 6.96 percent for FY2019. The RoAA is expected to decline marginally mainly on account of expectation of an increase in external borrowings.

Acuite believes that the ability of the company to attract a low cost of borrowings, while growing its loan book and maintaining its operating parameters will be a key rating monitorable.

## **Weaknesses**

- **Susceptible to risks inherent in wholesale lending segment**

The product profile of the company comprises of loans to MFI's for onward lending towards affordable housing financing and retail lending through Business Correspondent (BC) model. MBIND's loan book stood at Rs. 62.91 Crore as on September 30, 2020 as against Rs. 72.01 Crore as on March 31, 2020 .

Under the retail model, the company extended loans through the BC model, as on September 30, 2020 the company had two business associates. As on March 31, 2020, 99.22 percent (PY: 99.23 percent) of the loan book comprised of wholesale loans and the balance comprises of retail loans, leading to a concentration of the loan book in the wholesale segment.

Under the wholesale segment, the tenure of loans was 2 -4 years with an average ticket size of Rs. 5.00 crore, while a borrower may be given multiple loans, the maximum exposure for a single borrower is usually capped at Rs. 10.00 crore. The profile of the borrowers in the wholesale segment comprises of MFI's who have an established track record of operations, 77 percent of the loan book comprised of exposures towards high rating category (based on external ratings). As on September 30, 2020 the portfolio comprises of 20 borrowers, with top 3 borrowers accounting for ~31 percent of the loan portfolio, highest single party exposure was ~12 percent. While asset quality has been healthy with no NPA over the past three year period. The high concentration risk can be a source of concern since slippage in the credit quality of one or two accounts can impact the operating performance of the company. Similarly, pre-payments by an existing borrower can also impact the operating performance as the company may have to identify alternative borrowers at competitive pricing.

Acuite believes that the ability to gradually shift towards retail and granular portfolio while maintaining growth in its loan book and its asset quality will be a key monitorable.

### Liquidity Position: Adequate

As per the Asset Liability Management (ALM) statement dated June 30, 2020, MBIND has a positive mismatch in all of its maturity buckets mainly because the loan book is mostly funded through equity (Gearing of 0.20 times as on March 31, 2020). The average tenure of the borrowings are 2-3 years while the maturity of its assets are 3-4 years. Going forward, the ability of the company to align the maturity of its asset profile with the maturity of its liabilities will be crucial to manage the asset liability gaps.

### Rating Sensitivities

- Growth in AUM, profitability and asset quality.
- Maintaining granularity in the portfolio
- Gearing beyond 1.5x
- Maintenance of adequate Liquidity

### Material Covenants

MBIND is subject to covenants stipulated by its lenders/investors in respect of various parameters. As per confirmation received from the client, vide mail dated October 23, 2020. 'The company is complying with the material covenants and terms and conditions stipulated by the lenders/investors'.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Total Assets	Rs. Cr.	77.70	78.58
Total Income*	Rs. Cr.	9.38	8.47
PAT	Rs. Cr.	5.01	4.61
Net Worth	(%)	63.62	58.61
Return on Average Assets (RoAA)	(%)	6.41	6.93
Return on Average Net Worth (RoNW)	(%)	8.19	8.18
Debt/Equity	Times	0.20	0.33
Gross NPA	Times	0.35	0.22
Net NPA	Times	0.26	0.17

\*Total income equals to Net Interest Income plus other income.

### Status of non-cooperation with previous CRA (if applicable):

None

### Any other information

None

### Applicable Criteria

- Rating of Non-Banking Financing Entities - <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-December-2019	Term Loan	Long Term	50.00 (Enhanced from Rs. 20 Cr)	ACUITE BBB/Stable (Reaffirmed & Assigned)
20-November-2019	Term loan	Long Term	20.00	ACUITE BBB/Stable (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Facility	NA	NA	NA	50.00	ACUITE BBB/Stable (Reaffirmed & Withdrawn)

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## About Acuité Ratings & Research:

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