

January 3, 2014

**CARE REVISES THE RATING ASSIGNED TO BANK FACILITIES OF
MICRO HOUSING FINANCE CORPORATION LTD****Rating**

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	100	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)

Rating Rationale

The rating revision takes into account substantial capital infusion in the company, growth in the portfolio and profits, and good asset quality performance with no NPAs till date. The rating is, however, constrained by the limited track record and geographic concentration of operations. The rating also considers the fact that the target customer segment of MHFC comprises of individuals in the low income group. Asset quality, scale of operations, and profitability are the key rating sensitivities.

Background

Micro Housing Finance Corporation (MHFC) is a housing finance company focused on providing housing loans to individuals in the low income group, specifically, those employed in the informal sector. The customers of MHFC are a mix of self-employed micro-entrepreneurs and un-organized sector salaried workers. In H1FY14, there was an equity capital infusion of Rs.38 crore from existing and new investors. Existing investors like India Financial Inclusion Fund and Michael and Susan Dell Foundation infused Rs.8.6 crore and Rs.7.5 crore, respectively. A venture capital firm, Unilazer Ventures Pvt. Ltd., infused Rs.14.5 crore in MHFC acquiring a stake of 7.4%. MHFC's loan portfolio increased from Rs.35 crore as on March 31, 2012 to Rs.103 crore at the end of September 2013. The operations of the company are spread across five states namely, Maharashtra, Gujarat, Madhya Pradesh, Rajasthan (started in FY13) and West Bengal. The company has an office in Mumbai and there are no branches anywhere in the country.

MHFC earned a PAT of Rs.1.7 crore (FY12: Rs.1.6 crore) on a total income of Rs.8.6 crore (FY12: Rs.4.7 crore) in FY13. MHFC has maintained good asset quality since inception and there were nil NPAs as on September 30, 2013. MHFC reported PAT of Rs.1.2 crore on a total income of Rs.7.0 crore in H1FY14.

Analyst Contact

Name: Abhinav Sharma

Tel: 022-67543508

Mobile: 9004533541

Email: abhinav.sharma@careratings.com

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | | Tel: +91-40-40102030 |

E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.