Executive Summary
Loan Portfolio
Operations: Project Based Approach
Projections for FY 2016-17
Challenges
Customer Features
MHFC’s vision is to help financially excluded urban lower income families own their own homes

Headquartered in Mumbai, the company started operations in 2009

PRODUCT: Micro Mortgages

CUSTOMERS: The un-organized sector (household monthly incomes between Rs.10,000 and Rs.30,000)

OPERATIONS: 437 approved low cost housing projects in 6 Indian states

TEAM: Total 109 employees; Promoted by finance and property development professionals with several years of local and international experience

INVESTORS: India Financial Inclusion Fund, Michael and Susan Dell Foundation and Unilazer Ventures Private Limited

RATING: CARE A- for long term bank debt (2-notch upgrade since July 2013); GIIRS Rating: ‘5 Stars’ for Impact Operations, and ‘Platinum’ for Impact Business Model

RECOGNITION: Nominated in the Entrepreneurship category for the FT Arcelor Mittal award 2015

<table>
<thead>
<tr>
<th>Particulars</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUM (Rs. Cr)</td>
<td>195</td>
<td>257</td>
<td>414</td>
</tr>
<tr>
<td>PBT (Rs. Cr)</td>
<td>8</td>
<td>8.4</td>
<td>12.4</td>
</tr>
<tr>
<td>PAT (Rs. Cr)</td>
<td>6</td>
<td>6</td>
<td>8.3</td>
</tr>
<tr>
<td>Net Worth (Rs. Cr)</td>
<td>86</td>
<td>91</td>
<td>98.8</td>
</tr>
<tr>
<td>NIM</td>
<td>5.1%</td>
<td>4%</td>
<td>4.2%</td>
</tr>
<tr>
<td># of customers</td>
<td>6272</td>
<td>9397</td>
<td>15000</td>
</tr>
</tbody>
</table>

Highlights of FY 2016

- MHFC is now eligible for SARFAISEI
- Got subsidy amounting to Rs.8.8cr under the Government’s Housing for All - Credit Linked Subsidy Scheme; benefiting over 1000 customers
- New products: Self Construction and Home Equity loans
MHFC has sanctioned Rs. 404 Cr in loans to 9397 financially excluded families.

**Total Loans Sanctioned**

9397
Rs. 404.5 Cr

**Total Loans Disbursed**

7905
Rs. 315.5 Cr

### Loan Terms:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Terms</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td>Maximum Rs. 15 lakhs; Rs. 20 lakhs in select cities</td>
<td>Rs. 4.3 lakhs</td>
</tr>
<tr>
<td>Tenor</td>
<td>Maximum 25 years</td>
<td>11.4 years</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>12% to 13% (floating); changes with revision to PLR</td>
<td>12.4%</td>
</tr>
<tr>
<td>Loan to Value</td>
<td>Maximum 85%</td>
<td>69%</td>
</tr>
<tr>
<td>Instalment to Income</td>
<td>Maximum 40%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Ratio</td>
<td>Maximum 50%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Entire loan portfolio is under the priority sector as defined by the RBI and qualifies for subsidised refinancing schemes of the NHB.

15% of the loan book has a fixed rate of interest, 85% floating rate.
MHFC has a list of 437 approved affordable housing projects with a cumulative housing stock of ~200,000 units

Key differentiators of MHFC’s business model

1. STRONG RELATIONSHIPS WITH AFFORDABLE HOUSING DEVELOPERS
   (i) This ensures customers get the same price and high quality homes
   (ii) Reduced marketing costs since MHFC depends on the developers to market their projects
   (iii) Developers like Tata Value Homes reserve certain units for MHFC clients in their projects

2. PROVIDES CONSTRUCTION FINANCE
   (i) Strengthens relationships with the developer
   (ii) Increases customer penetrations and promotes affordable housing
   (iii) Improves yields as these loans are sanctioned at higher rates

3. COST EFFICIENT AND BRANCHLESS MODEL
   (i) Operations are centralised in the Mumbai HQ with field officers serving customers in different geographies
   (ii) Allows for scalability of the business given minimal infrastructure requirements

Present in 6 states; expansion to 3 more states planned in FY16

<table>
<thead>
<tr>
<th>State</th>
<th>No. of Projects</th>
<th>No. of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra (MH)</td>
<td>131</td>
<td>1729</td>
</tr>
<tr>
<td>Gujarat (GJ)</td>
<td>199</td>
<td>3419</td>
</tr>
<tr>
<td>Madhya Pradesh (MP)</td>
<td>43</td>
<td>359</td>
</tr>
<tr>
<td>Rajasthan (RJ)</td>
<td>20</td>
<td>1240</td>
</tr>
<tr>
<td>West Bengal (WB)</td>
<td>12</td>
<td>169</td>
</tr>
<tr>
<td>Chhattisgarh (CH)</td>
<td>32</td>
<td>183</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>437</strong></td>
<td><strong>7099</strong></td>
</tr>
</tbody>
</table>

Tie-ups with leading developers in the affordable housing space

- Tata Value Homes
- Rajasthan Housing Board
- Mahindra Rise
80% of MHFC’s new sanctions will be eligible for CLSS; launched special CLSS scheme with no processing fee from April 1, 2016

<table>
<thead>
<tr>
<th>Projections</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Sanctioned (Rs Cr)</td>
<td>249</td>
</tr>
<tr>
<td># of Customers Eligible for CLSS</td>
<td>4800</td>
</tr>
<tr>
<td>CLSS claim (Rs Cr)</td>
<td>57</td>
</tr>
</tbody>
</table>

Given these projections, MHFC’s debt requirement for FY 2017 is Rs.150 cr

Of which, the company has received an in principal sanction for a Rs.50cr NCD from a leading DFI

FUNDING REQUIREMENT FROM NHB: Rs.75 crores

<table>
<thead>
<tr>
<th>Source of Debt</th>
<th>Outstanding as at FYE Mar 16</th>
<th>Required during FY 17</th>
<th>Estimated O/s as at FYE Mar 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHB</td>
<td>80</td>
<td>75</td>
<td>126</td>
</tr>
<tr>
<td>Banks</td>
<td>107</td>
<td>25</td>
<td>136</td>
</tr>
<tr>
<td>CP / NCD</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>187</td>
<td>150</td>
<td>312</td>
</tr>
</tbody>
</table>

Estimated Funding Mix as at FYE Mar 2017

- NHB, 40%
- Banks, 44%
- CP / NCD, 16%
challenges

To address the financing needs of the scale of new projects coming up, MHFC requires NHB’s continued support to address the following challenges and financing at lower rates

Challenge → **PROCESSING FEE**
**INSUFFICIENT to cover expenses**

- Not allowed to charge fees for loans less than Rs.6 lakhs; MHFC’s average ticket size is Rs.4 lakhs hence most loans don’t qualify
- Processing Fee of Rs.1,000 not sufficient to cover the high origination and loan processing costs associated with catering to the financially excluded, lower-income segment

Challenge → **WOMEN OWNERSHIP**
**not always feasible**

- Majority of the supply of affordable housing is from government housing boards where customers:
  - have no control on who receives the allotment
  - allotment cannot be changed
- Hence, for several loans in government projects, the criteria of women ownership is not met
Maya Barot

CHANNA SELLER
Estimated Income: Rs 20,000
Loan Amount: Rs 400,000
Babulal Mulchandani

SCRAP DEALER
Estimated Income: Rs 15,000
Loan Amount: Rs 166,000
Pinkeeben & Sureshbhai Patni

FRUIT VENDORS
Household Income: Rs 15,000
Loan Amount: Rs 2,40,000
Ajay Mondal

AUTO RICKSHAW DRIVER

Household Income: Rs 12,000
Loan Amount: Rs 2,00,000
Ramprasad Sharma
MARBLE STATUE MAKER
Estimated Income: Rs 15,000
Loan Amount: Rs 3,00,000
Bina & Shyam Devi

LAUNDRY BUSINESS

Estimated Income: Rs 14,000
Loan Amount: Rs 3,00,000
Shankarlal Sen

Barber

Household Income: Rs 15,000
Loan Amount: Rs 3,61,000