MICRO HOUSING FINANCE CORPORATION

ANNUAL REPORT 2012-13

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LAXMINARAYAN SHARMA, BAMBOO STRAIGHTENER

Laxminarayan Sharma is the supervisor of a bamboo processing unit that is solely responsible for straightening bamboos from their naturally curved form. He does this by first heating them in a large earthen *chulha* that sits in the middle of an outdoor shed in which he works, until they lose their stiffness and become malleable enough to manually straighten out.

Laxminarayan earns a salary of ₹8,000 per month, just enough to pay the rent on the 200 sq ft room he shares with his family (pictured) in a slum just off Sikar Road in Jaipur. Although he has always been determined to ensure a better future for his children, he never imagined that he would be able to buy his family a home of their own, a dream that has now become a reality with the help of a loan from MHFC.

There are over 13 million families like the Sharmas, living in slums and informal settlements across India[1]. Almost half of them are denied access to formal banking services, due to a lack of physical documentation proving their identities, residences or incomes.

MHFC seeks to provide micro-mortgages to financially excluded, urban poor households, primarily employed in the informal sector, and help them own their homes.

[1] Housing Stock, Amenities and Assets in Slums, Census of India 2011

CHAIRMAN'S LETTER

Looking back on what has been accomplished, it is hard to believe that it has only been five years. What started off as an experiment in social entrepreneurship is now a vibrant and thriving business with operations in five states, over 3,000 customers, 60 employees and close to ₹150 crores in sanctions. There is every reason to look back with pride on what has been achieved and be guardedly optimistic about the future.

When we started in May 2008, it was just a conviction that it is possible to build a commercially viable and sustainable solution to the problem of the homeless poor. It was obvious that there was a huge need to address this problem, but five years ago there was very little supply, no way to convert the huge demand into actual purchasing power, and absolutely no proven business model to connect the limited supply to the huge overhang of demand. Sceptics abounded, and debt and equity financing sources and structures were unanswered questions. Micro finance companies had demonstrated their ability to credit evaluate informal customers for small ticket cash flow based lending, that too with support from members of small self help groups. But this remained elusive for larger ticket sized mortgage loans.

Providing stand alone mortgage finance to these customers required fresh thinking in many areas such as credit evaluation, cost of capital, cost of operations. The only thing we knew then was that if we cracked the code, not only would we have set the grounds for almost limitless growth opportunities, but would also make a difference to the lives of thousands who deserved to be served. The fact that many more companies with differentiated business models have since been set up and are operating successfully in this space is corroboration that the entire eco system of low cost housing and financing is fast emerging as a high growth business opportunity.

Let me now take you through the major accomplishments of the past five years.

First of all we remained steadfast in our focus on the informal segment. This is no mean achievement. In a country where shortages exist in practically every segment of housing, it would have been easy to dilute the mission and accelerate growth. By staying focused, we now have a deep understanding of our customer, and his needs, and have developed processes to deliver product and service in a cost effective and non intrusive manner.

Secondly, we remain narrowly focused on the new stock of low cost housing, and have not diverted our resources or attention to the massive market that exists for retail and second sales. We may, again, have given up some profit and growth opportunities with this strategy. But this narrow focus helps in fulfilling our social purpose of encouraging the creation of new housing stock at the low cost end, and simplifies our due diligence and reduces overall marketing and servicing costs in the long run.

Thirdly, we have upgraded our front office and process technology to make it faster and customer and user friendly. Our loan officers and verification officers are equipped with mobile devices that accurately capture all customer interactions, whether voice, data or images, and the processing starts simultaneously. Our turnaround time compares favourably with the best in the industry and we have reduced the number of interactions that require customer presence, saving time and expense for the customer and for the company.

> *What started off as an experiment in social entrepreneurship is now a vibrant and thriving business with operations in five states, over 3,000 customers, 60 employees and close to ₹150 crores in sanctions*

Fourthly, we now have many more banks supporting our efforts. While it took a few years to convince banks about the quality of our portfolio, and our business model itself, there is now increasing confidence in the bankability of our portfolio. Existing banks have increased their refinance lines and new banks have set up new credit lines. While most commercial banks look at our portfolio as part of their priority sector obligations, we hope that soon the quality of our loan portfolio will speak for itself, and banks will view us as an aggregator of high quality pools of mortgages.

Finally, and most importantly, our credit evaluation and selection processes have matured, and the fact that we have nil past dues, leave alone non performing loans, is testimony not only to the strength of our credit process, but our fundamental belief that customers from the informal segment are equally credit worthy. I believe that as we grow and do more loans, the quality of our data base on professions and incomes will only improve.

All in all, a very exciting journey so far. But this is just the beginning, and we still have far to go. Given the sheer magnitude of the housing problem, and the increasing trends of urbanisation and nuclear families, the challenges ahead are daunting. The policy makers and regulators have many issues to consider, and the faster they address these issues the better.

Prices of real estate in the low cost segment in many of our cities have doubled, and incomes have not kept pace. The same taxi driver who could buy a 400 sq ft apartment in 2008 with a ₹5 lakh loan, can no longer afford the ₹15 lakh loan that would be required today. Land prices, aggregation costs and the multiplicity of approvals and project delays are at the root cause of this price escalation, and it is time that the central and state governments acted decisively to address this issue.

Similarly there is a multiplicity of well intentioned Central and State Government schemes that could do with consolidating and simplifying. The fact is that some of these schemes are so operationally intensive and vague in definitions that the stated objectives are lost. As an example, the recent Maharashtra State government amendment of the Registration Act 2010, requiring intimation of the creation of equitable mortgage, adds complexities to an already bewildered customer.

The development of a fixed rate long term debt market is another imperative that the Reserve Bank and the National Housing Bank need to address. Free flow of long term liquidity to the mortgage markets from Insurance and Pension funds needs to be encouraged, if not incentivised.

I would like to conclude by thanking all our partners for making the last five years so exciting, productive and fulfilling. The developers who, despite the odds, continued to implement low cost projects and are now seeing long term viability; and the financing institutions like HDFC, HDFC Bank, ING Vysya Bank, Yes Bank, Federal Bank, who supported us with credit lines even before complete validation of the credit quality.

Most importantly, the National Housing Bank, which apart from being our regulator and a source of refinance, has also played a constructive role as a development finance institution. I would like to thank them for their guidance and support.

I would like to thank my colleagues, an amazing group of people, who are not merely passengers in this journey, but active participants that have contributed to the outcomes. Finally, our customers, who did not let us down in any way, who did what was asked of them and more, and who deserve our deepest respect and continue to be our source of inspiration. We hope that we will earn their respect, too, as we continue to serve them.

Madhusudhan Menon
Chairman

April 30, 2013

THE INFORMAL SECTOR

DEFINITION

The National Commission for Enterprises in the Unorganised Sector (NCEUS) draws an important distinction between *informal sector enterprises* and *informal workers*; it defines the former based on the characteristics of the enterprise, and the latter based on characteristics of the worker.

The definition of informal employment is broader when including informal workers, who could be salaried or self employed individuals working in the informal or formal sector - but have one or more of the following characteristics: undocumented incomes, poor / unsafe working conditions, lack of job security, formal contracts, employee benefits and legal recourse.

Although the share of informal workers in India has remained constant over the past ten years, the percentage of informal workers employed in the formal sector has increased significantly during this period, resulting in increasing *informalisation / casualisation of labour over time.*

NUMBERS

92%

of India's workforce is informally employed; 47% of formal sector workers can be categorised as informal workers.

9/10

female workers in India are informally employed; 85% of females workers in urban areas are informal.

22%

of informal workers live and work in urban areas, primarily in poor housing conditions like slums and informal settlements.

5

states in India have a share of over 90% of infomal workers in their total work force: Rajasthan, Orissa, Madhya Pradesh, Uttar Pradesh and Bihar.

48%

of India's informal workers have access to finance from formal banking institutions.

Source: National Sample Survey Organisation & Ministry of Statistics & Program Implementation 2007, Informal Sector and Conditions of Employment in India 2004-05 - Part 1, Report No. 519 (61/10/7) Government of India



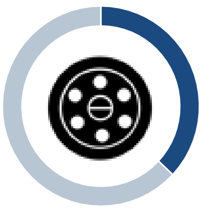
INFORMAL HOUSING

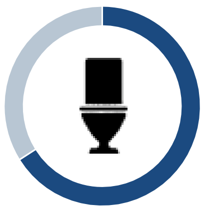
OVERVIEW

Without access to affordable housing as well as formal housing finance options, many informal sector families are forced to live in informal communities, like slums, or rent single rooms in *chawls*. The urban housing shortage is estimated at 18.78 mm households as of 2012, with over 95% percent of the shortage constituted by EWS and LIG households.[2]

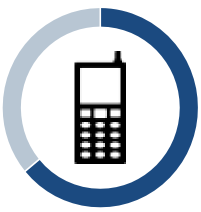
Informal housing is typically characterised by the lack of tenure security and poor living conditions, including overcrowding and congestion, as well as lack of access to basic services like water, sanitation and drainage.[3]

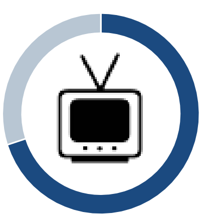

57% of slum households have access to drinking water within premises

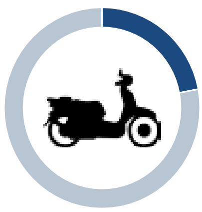

Only 37% of slum households have closed drainage systems


66% of slum households have access to a toilet within their premises

However, many urban slum households are on par with non-slum households in terms of ownership of certain assets, such as mobile phones, television sets and two-wheelers.[3]


64% of slum households have mobile phones (same as urban non-slum households)


70% of slum households own a television set (76% in urban non-slum households)


22% of slum households own a two wheeler vehicle (35% in urban non-slum households)

[2] *Technical Group on Urban Housing Shortage (TG-12) (2012-17)*
[3] *Housing Stock, Amenities and Assets in Slums, Census of India 2011*

DIRECTORS' REPORT

The Members,
Micro Housing Finance Corporation Limited

The Board of Directors is pleased to present the Fifth Annual Report of your Company together with the Audited Accounts and Auditors' Report for the financial year ended 31st March, 2013.

Performance

During the financial year under review, your Company significantly increased most operating and financial parameters. Revenues were at ₹8.63 cr (PY ₹4.66 cr) and PBT at ₹2.44 cr (PY ₹1.70 cr). After payment of ₹0.73 cr (PY ₹0.14 cr) in current taxes, PAT increased to ₹1.71 cr (PY ₹1.56 cr).

In terms of lending operations, cumulative housing loan sanctions aggregated ₹130 cr (growing over 100% from ₹60 cr at end of the previous financial year) – all to lower income, urban families who are generally excluded from the mainstream banking sector. The housing loans outstanding figure was ₹72 cr (over 100% growth over ₹35 cr at end of the previous financial year). The Company currently operates in 5 states – Maharashtra, Gujarat, Madhya Pradesh, Rajasthan and West Bengal.

Importantly, for the 5th financial year end in a row, there is not a single past due customer, out of the approx 3,000 customers of the Company. This is an important statistic to help prove the concept that lower income customers are equally (if not more so) conscious and disciplined in repaying housing loans. However, note that your Company has provided 0.4% on all standard assets, in line with the NHB mandated provision.

In terms of funding, the Company did not raise any equity during the year but increased its long term debt to ₹52 cr (PY ₹16 cr) of which just over half is refinance support from the regulator, the National Housing Bank ("NHB"). Other lenders to your Company include the leading housing finance provider, HDFC Ltd, and major commercial banks such as HDFC Bank Ltd., ING Vysya Bank Ltd., YES Bank Ltd., and Federal Bank Ltd. The Company's entire loan portfolio is under the priority sector as defined by the Reserve Bank of India ("RBI"), and hence during this coming year, the Company expects to partner with more commercial banks for its financing requirements.

The Company's capital adequacy ratio stood at approx 46% of the risk weighted assets, as against the minimum requirement of 12%.

Fixed Deposits

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956, since incorporation.

Particulars under Section 217 of the Companies Act, 1956

1. **Particulars of Employees**

   MHFC had 60 employees as of March 31, 2013. The Company does not have any employee whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

2. **Conservation of Energy & Technical Absorption:**

   The Company is not a manufacturing company, hence, the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

3. **Foreign Exchange:**

   During the year under review, there were no foreign exchange earnings or outgo.

Dividend

Your Directors feel that it is prudent to plough back the profits for future growth of the Company and do not recommend any dividend for the year ended 31st March, 2013.

Directors

In accordance with the provisions of the Articles of Association of the Company, Mr. Ashish Karamchandani is liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for reappointment.

The Board recommends the re-appointment of Mr. Ashish Karamchandani.

All the directors of the Company have confirmed that they are not disqualified from being appointed as directors in terms of section 274(1)(g) of the Companies Act, 1956.

Auditors' Report

The Auditors' Report is unqualified. The notes to the Financial Statements, read with the Auditors' Report, are self-explanatory and hence, do not call for further clarifications under Section 217(3) of the Companies Act, 1956.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, we, the Directors of Micro Housing Finance Corporation Limited, state in respect of Financial Year 2012-13 that:

(i) in the preparation of the Annual Accounts for the financial year ended 31st March 2013, the applicable Accounting Standards have been followed along with proper explanation relating to material departures from the same, if any;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and at the end of the financial year and of the profit of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(iv) the Directors have prepared the annual accounts on a "going concern" basis.

Regulations

In terms of regulatory requirements, the Company complies with the Housing Finance Companies (NHB) Directions, 2010 prescribed by the NHB. The Company has already issued comprehensive Know Your Customer ("KYC") Guidelines and Anti Money Laundering Standards, and adopted the Fair Practices Code framed by the NHB which seeks to promote good and fair practices in dealing with customers.

Acknowledgement

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from all its stakeholders – shareholders, borrowers, lenders and the authorities, especially the National Housing Bank. Your Directors look forward to their continued support in future as well.

The Directors are also thankful to the employees of the Company for their hard work and commitment in building an institution for a hitherto excluded market segment.

For and on behalf of the Board of Directors of

Micro Housing Finance Corporation Limited

Rajnish Dhall
Managing Director

Nachiket Shelgikar
Director

Place: Mumbai
Date: April 30, 2013

PORTFOLIO

SANCTIONS VS DISBURSALS (CUMULATIVE)

Total Loans Sanctioned:

2,877

₹130.7 CR

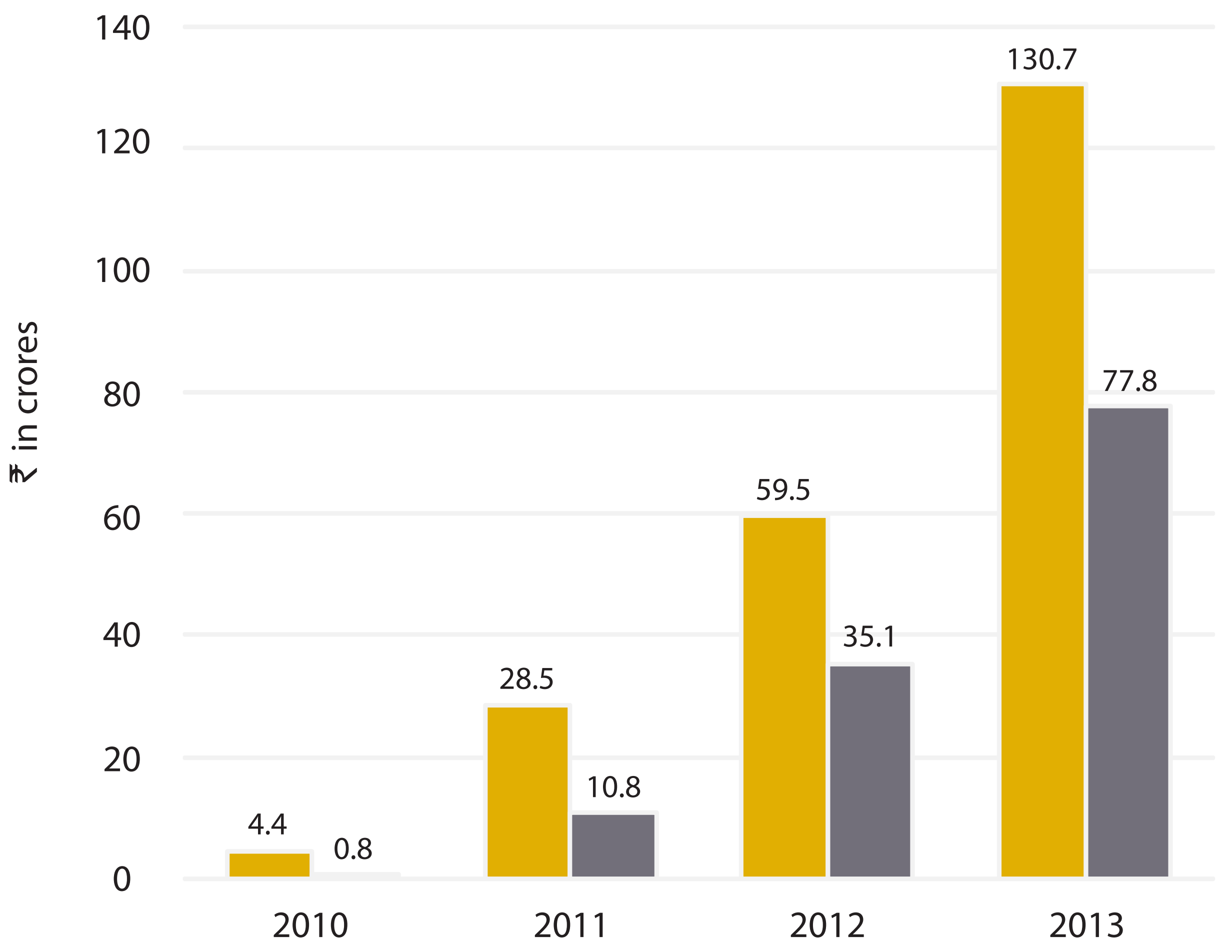
Total Loans Disbursed:

2,053

₹77.8 CR

Amount Sanctioned

Amount Disbursed



VASUDEV SINDHI, CYCLE RICKSHAW DRIVER

Jaipur's Walled City is as much a labyrinth of chaos as it is a maze of delightfully curious Rajasthani antiquity, or so Vasudev Sindhi likes to have tourists believe. He convinces them to let him take them on a cycle rickshaw tour through the city, instead of braving the commotion inside by themselves. His sales pitch usually works - and ends up being a decent source of income for Vasudev, averaging approximately ₹8,000 to ₹10,000 per month.

Vasudev's rickshaw seats only 2 people, but he usually tours in a group of 2 or 3 other rickshaws, frequently at the behest of a local guide. Given that Jaipur is a big tourist destination, Vasudev's rickshaw business flourishes through most of the year, except in the summer months when temperatures in Rajasthan begin to rise. During the off season period, Vasudev sells an assortment of berries locally, in order to make up for the drop in income from his cycle rickshaw business.

Currently living on rent with his family, Vasudev purchased a flat in Bhairav Township to fulfil a longstanding dream of owning his own home. With the help of an MHFC loan, he has been able to do just that, and is presently awaiting possession of his new 1 BHK flat. In the meanwhile, Vasudev is in the process of figuring out how to accomplish his next, more recent goal - purchasing a "motor" rickshaw. He claims, however, that even if it does does come through, he will never completely give up his faithful old cycle rickshaw, or the pleasure of showing off the marvels of the walled city to any willing, trusting tourist.

AMRATLAL PATEL, TEA STALL OWNER

If you find yourself searching for a tea break in Ahmedabad's Panchwati neighbourhood, chances are that you will be pointed in the direction of Amratlal Patel's tea stall and *nashta* (snack) centre. Now a local institution, Amratlal's tea stall has been servicing Panchwati patrons for over ten years – from as early as 5 o'clock in the morning, to up to 10 PM every night.

Originally from a small village in Rajasthan's Dungapur district, Amratlal moved to Ahmedabad fifteen years ago in search of employment. He found a single room to rent in Vastrapur, where he presently lives with his wife and two children. He set up his tea shop in 2002, and his business has expanded considerably since. Over the years, Amratlal built a substantial client base, ranging from labourers and construction workers, to standing delivery orders from local businesses and shopkeepers. His sales have grown enough for him to hire four employees, including two delivery boys, who he pays between ₹2,000 to 4,000 per month.

Apart from his daily tea sales of approx 300 cups (₹900), Amratlal also sells snacks at his tea shop, from which he earns approx ₹400 per day. With steady monthly earnings of ₹25,000 per month, Amratlal was recently able to purchase a 2 RK flat in DBS Umang Narol, with the help of a loan from MHFC.

With a new home in his own name, and an eye on opening a second tea stall across the street in Panchwati, Amratlal feels like the past ten years of hard work are finally paying off, and the future is now looking up for the Patel family.

PORTFOLIO : SANCTIONS

CUMULATIVE LOANS SANCTIONED: 2,877

Average Loan Tenor: 12 years

12%	<= 5 years
34%	>5 to 10 years
54%	>10 to 15 years

Average Loan Amount: ₹4.54 lakhs

20%	<= ₹3 lakhs
43%	>₹3 to 5 lakhs
37%	>₹5 to 10 lakhs

Average Loan to Value (LTV): 67.35%

12%	<= 50%
34%	>50 to 75%
54%	>75%

AUDITORS' REPORT

To,

The Members of Micro Housing Finance Corporation Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Micro Housing Finance Corporation Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

   (ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by Section 227(3) of the Act, we report that.

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. the financial statements dealt with by this report are in agreement with the books of account;

   d. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and;

   e. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No. : 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. : F-42423

Mumbai

30 April 2013

ANNEXURE

Annexure to the Independent Auditors' Report of even date to the members of Micro Housing Finance Corporation Limited, on the financial statements for the year ended 31 March 2013.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The Company does not have any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii) (d) of the Order are not applicable.

(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sell any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) The Company has not entered into any contracts or arrangements referred to in Section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) There are no dues in respect of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

(x) The Company has been registered for a period of less than five years. Accordingly, the provisions of clause 4(x) of the Order are not applicable.

(xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, provisions of clause 4(xiii) of the Orderare not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

(xvi In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No. : 001076N

per **Khushroo B. Panthaky**
Partner
Membership No. : F-42423

Mumbai

30 April 2013

BABULAL MULCHANDANI, SCRAP VENDOR

Babulal Mulchandani's scrap vending business occupies three consecutive garage spaces along a dusty lane in Vidyadhadhar Nagar, Jaipur. A red, hand painted sign on top of the middle garage door reads: "*Deepak Old Scrap ke Kreta Vikreta*" – Babulal's dealership, named after his older son, Deepak.

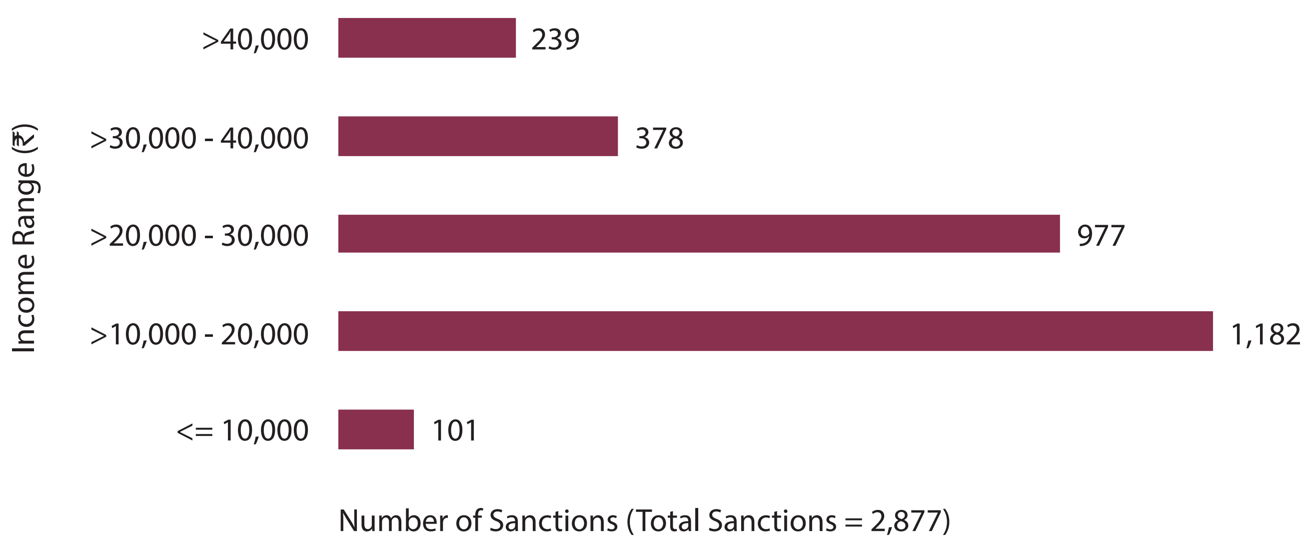
Babulal started off as a scrap collector - going from door to door with a pull cart and collecting scrap that he would finally sell to dealers. He soon realised that dealing in scrap was far more lucrative than collecting it, and decided to open his own scrap dealing enterprise, instead.

It has been 15 years since he started this business, which he now runs with Deepak's help. They purchase approx ₹2,500 worth of scrap every day, mainly from local *feriwalas,* but occasionally from customers who come directly to the garage to sell their junk. The scrap is then sorted based on type, and sold on a weekly basis to the appropriate purchaser (e.g., paper scrap to pulp mills, metal scrap to foundries, etc.). On average, the business brings in approx ₹15,000 a month - enough to cover their expenses, including the rent they pay for the garages as well as for their home, a single room apartment located a few streets away.

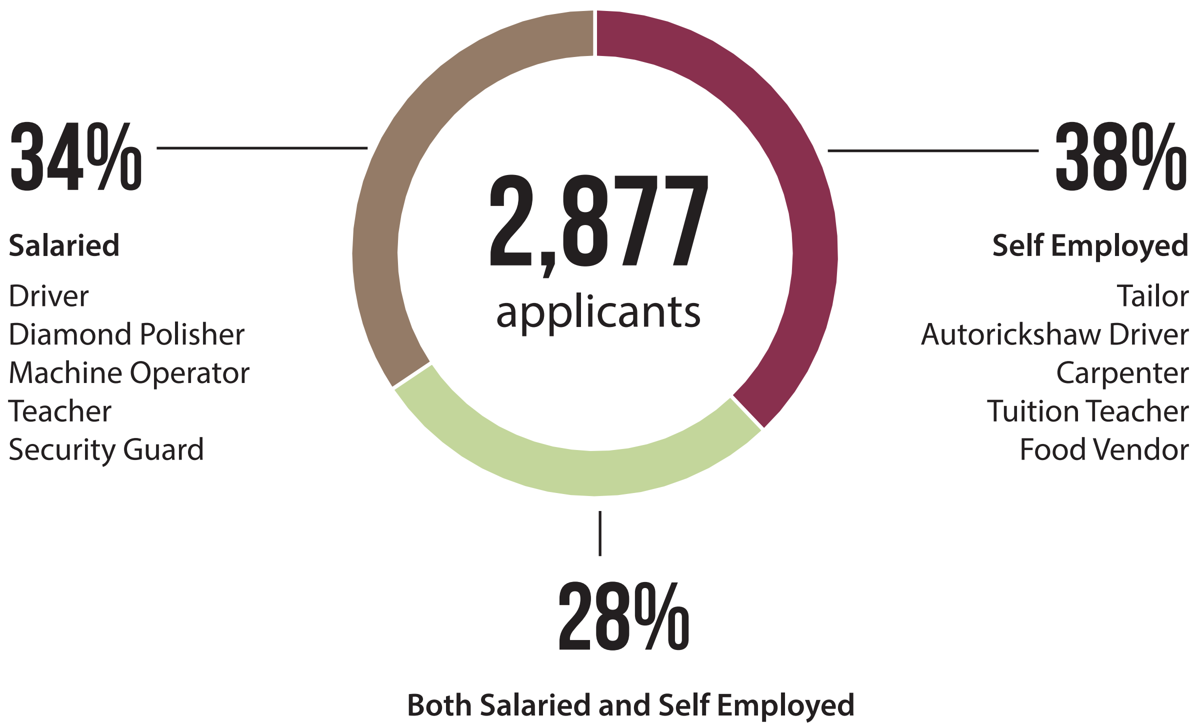
With Deepak turning 20 this year, Babulal jokes about the difficulty of finding a girl willing to marry the son of a scrap dealer – but is proud of the business he has set up. His 15 years of hard work has paid off; Babulal has finally been able to purchase a home for his family in Bhairav Township, with the help of an MHFC loan.

INCOME PROFILES

AVERAGE MONTHLY HOUSEHOLD INCOMES



OCCUPATIONS: SALARIED VS SELF EMPLOYED



FINANCIALS

BALANCE SHEET

STATEMENT OF PROFIT & LOSS

CASH FLOW STATEMENT

NOTES TO FINANCIAL STATEMENTS

JITUBHAI DHAMDHERE, PAINTER

Jitubhai Dhamdhere is a signage painter based in Ahmedabad, Gujarat. He works from a pavement located within a few feet from Ashram Road in Navrangpura, and paints a mix of number plates, banners, sign boards and bill-boards every day. Having been in this line of business for over 7 years now, Jitubhai has 2 employees working for him, and earns an average income of approx ₹20,000 per month.

BALANCE SHEET

	Notes	As at 31 March 2013	As at 31 March 2012
		In ₹	In ₹
Equity and liabilities			
Shareholders' funds			
Share capital	3	230,429,590	230,429,590
Reserves and surplus	4	155,281,211	138,200,746
		385,710,801	**368,630,336**
Non-current liabilities			
Long-term borrowings	5	439,530,560	132,354,904
Long-term provisions	6	3,726,526	1,795,754
		443,257,086	**134,150,658**
Current liabilities			
Account payables	7	1,202,282	633,074
Other current liabilities	8	81,317,416	25,539,611
Short-term provisions	6	-	359,443
		82,519,698	**26,532,128**
TOTAL		**911,487,585**	**529,313,122**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	610,368	557,600
Deferred tax assets (net)	10	141,417	64,714
Long-term loans and advances	11	677,723,537	356,245,380
		678,475,322	**356,867,694**
Current assets			
Cash and bank balances	12	133,081,403	127,071,259
Short-term loans and advances	11	83,619,182	35,457,247
Other current assets	13	16,311,678	9,916,922
		233,012,263	**172,445,428**
TOTAL		**911,487,585**	**529,313,122**

The accompanying notes are an integral part of the financial statements.

This is the Balance Sheet referred to in our report of even date.

For Walker, Chandiok & Co
Chartered Accountants

per **Khushroo B. Panthaky**
Partner

Mumbai, 30 April 2013

For Micro Housing Finance Corporation Limited

Rajnish Dhall
Managing Director

Nachiket Shelgikar
Director

Avani Shah
Company Secretary

Mumbai, 30 April 2013

STATEMENT OF PROFIT & LOSS

	Notes	Year ended 31 March 2013	Year ended 31 March 2012
		In ₹	In ₹
Revenue			
Revenue from operations	14	78,438,485	33,671,930
Other income	15	7,849,153	12,920,480
Total revenue		**86,287,638**	**46,592,410**
Expenses			
Employee benefit expenses	16	21,592,890	15,310,706
Finance costs	17	25,785,692	3,305,693
Contingent Provisions against Standard Assets	22	1,688,741	356,101
Depreciation and amortisation expense	9	245,477	270,100
Other expenses	18	12,579,391	10,300,518
Total expenses		**61,892,191**	**29,543,118**
Profit before tax		**24,395,447**	**17,049,292**
Tax expense:			
Current tax			
- Current year		7,297,656	3,426,504
- Earlier year		94,029	-
		7,391,685	3,426,504
Less: MAT credit Entitlement		-	1,900,480
Net Current tax		7,391,685	1,526,024
Deferred tax (credit)		(76,703)	(62,482)
		7,314,982	**1,463,542**
Profit after tax		**17,080,465**	**15,585,750**
Earnings per equity share	20		
Basic		0.74	0.68
Diluted		0.74	0.68

The accompanying notes are an integral part of the financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Walker, Chandiok & Co
Chartered Accountants

per **Khushroo B. Panthaky**
Partner

Mumbai, April 30 2013

For **Micro Housing Finance Corporation Limited**

Rajnish Dhall
Managing Director

Nachiket Shelgikar
Director

Avani Shah
Company Secretary

Mumbai, April 30 2013

CASH FLOW STATEMENT

		FYE March 31, 2013 In ₹	FYE March 31, 2012 In ₹
(A)	**Cash flow from operating activities:**		
	Profit after tax	**17,080,465**	**15,585,750**
	Adjustments for non-cash transactions		
	Excess MAT Credit Written Off	33,017	-
	Depreciation and amortization	245,477	270,100
	Provision for Standard Assets	1,688,741	356,101
	Provision for Gratuity	242,031	205,504
	Provision for Tax	(359,443)	-
	Deferred tax charge / (benefit)	(76,703)	(62,482)
	Interest Accrued (Home loans)	(5,836,881)	(3,900,070)
	Interest Accrued (Fixed Deposits)	1,342,124	(2,615,291)
	Operating profit before working capital changes	**14,358,828**	**9,839,612**
	Change in working capital :		
	Change in Loans & Advances	1,469,756	(552,050)
	Change in Other Current Assets	(1,900,000)	(1,483,900)
	Change in Accounts Payables	569,208	140,153
	Change in Other Current Liabilities	1,178,447	177,331
		1,317,411	**(1,718,466)**
	Housing Loans disbursed	**(371,142,864)**	**(246,872,211)**
	Net cash (used in) operating activities	**(355,466,625)**	**(238,751,065)**
(B)	**Cash flow from investing activities:**		
	Purchase of fixed assets	(298,245)	(65,887)
	Net cash flow (used in) investing activities	**(298,245)**	**(65,887)**
(C)	**Cash flow from financing activities:**		
	Proceeds from Borrowings	361,775,014	149,940,056
	Net cash flow financing activities	361,775,014	149,940,056
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	**6,010,144**	**(88,876,896)**
	Cash and cash equivalents at beginning of the year	127,071,259	215,948,155
	Cash and cash equivalents as at the end of the year	**133,081,403**	**127,071,259**
	Components of cash and cash equivalents		
	Cash on hand	20,118	19,118
	Balance in current accounts with banks	13,061,285	2,052,141
	Balance in deposit accounts with banks	120,000,000	125,000,000
		133,081,403	**127,071,259**

Notes to the cash flow statement

1. The cash flow statement has been prepared under indirect method as set out in Accounting Standard 3, 'Cash Flow Statement' as notified by Central Government under the Companies Act, 1956.
2. Cash and cash equivalents as at year end includes fixed deposits of ₹10,000,000 (31 March 2012 ₹10,000,000) pledged as Counter-Guaranteee for a Bank Guarantee issued by Federal Bank Ltd, amounting to ₹10,000,000 favouring the National Housing Bank for Refinance Facility.

The accompanying notes are an integral part of the financial statements.

This is the Cash Flow Statement referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Khushroo B. Panthaky**
Partner

Mumbai, 30 April 2013

For **Micro Housing Finance Corporation Limited**

Rajnish Dhall
Managing Director

Nachiket Shelgikar
Director

Avani Shah
Company Secretary

Mumbai, 30 April 2013

NOTES TO FINANCIAL STATEMENTS

Notes to the financial statements for the year ended 31 March 2013

1. Background

Micro Housing Finance Corporation Limited ("MHFC") was incorporated on May 16, 2008 with the objective to provide housing finance for urban financially excluded families, particularly lower income informal sector households.

2. Basis of preparation

The financial statements which have been prepared under historical cost convention on the accrual basis of accounting, are in accordance with the applicable requirements of the Companies Act, 1956 (the 'Act') and comply in all material aspects with the Accounting Standards prescribed by the Central Government, in accordance with the Companies (Accounting Standards) Rules, 2006, to the extent applicable. The company also follows the directions pronounced by the national housing bank (NHB) for housing finance company. The accounting policies have been consistently applied by the Company.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include estimates of useful life of assets, provision for expenses, retirement benefits, provision on standard assets and income taxes. Actual results could differ from those estimates. Any revision to accounting estimates will be recognised prospectively in the current and future periods.

b. Fixed assets and depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the assets upto the point the asset is ready for its intended use.

Depreciation is provided under the Written Down Value method on pro- rata basis, at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956, which also represent the useful lives of the fixed assets.

Individual assets costing up to ₹5,000 are fully depreciated in the year of purchase.

c. Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date so as to determine indication of impairment if any, based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. After impairment, depreciation is provided on revised carrying amount of the assets over its remaining useful life. Previously recognized impairment loss is further increased or reversed depending on changes. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging depreciation if there was no impairment.

d. Revenue recognition

Repayment of housing loans is generally by way of Equated Monthly Installments (EMIs) comprising principal and interest. EMIs commence once the entire loan is disbursed. Pending commencement of EMIs, pre-EMI interest is payable every month. Interest on loans is computed on a monthly rest basis.

Income from interest is accounted on time proportion basis taking into account the amount outstanding and the applicable rate of interest.

Fee income is recognised on the basis of actual receipt.

e. Borrowing cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

NOTES TO FINANCIAL STATEMENTS

f. Taxation

Current Taxation

Provision for current tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the Income Tax Act, 1961.

Deferred Taxation

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates or tax rates that are substantively enacted at the balance sheet dates. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in the future. Such assets are reviewed at each balance sheet date to reassess realisation.

g. Housing Loans

Housing loans represents outstanding amount of housing loans disbursed directly to borrowers. These loans are bifurcated into Standard, Sub-standard, Doubtful and loss category based on the guidelines and directions issued by the National Housing Bank (NHB).

h. Employee Benefits

Defined contribution plan
Provident fund:
Contributions to Provident Fund, a defined contribution scheme, are made to the Regional Provident Fund Authority at prescribed rates and are expensed when due.

Defined benefit plan
Gratuity:
Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognized in the balance sheet in respect of gratuity is the present value of the defined benefit/ obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit/ obligation are calculated at or near the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year to which such gains or losses relate.

i. Provisions and Contingent Liabilities

Provision are recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Provisions on housing loans are made in accordance with the guidelines and directions issued by NHB from time to time.

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events, whose existence would be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

NOTES TO FINANCIAL STATEMENTS

3. Share Capital

	As at 31 March 2013		As at 31 March 2012	
	Number	Amounts In ₹	Number	Amounts In ₹
Authorised Share Capital				
25,000,000 Equity Shares of ₹10 each	25,000,000	250,000,000	25,000,000	250,000,000
	25,000,000	**250,000,000**	**25,000,000**	**250,000,000**
Issued, subscribed and fully paid up				
23,042,959 Equity Shares of ₹10 each	23,042,959	230,429,590	23,042,959	230,429,590
	23,042,959	**230,429,590**	**23,042,959**	**230,429,590**

		As at 31 March 2013		As at 31 March 2012	
		Number	Amounts In ₹	Number	Amounts In ₹
a)	**Reconciliation of Share Capital (Equity)**				
	Balance at the beginning of the year	**23,042,959**	**230,429,590**	**23,042,959**	**230,429,590**
	Add : Issued during the year	-	-	-	-
	Balance at the end of the year	**23,042,959**	**230,429,590**	**23,042,959**	**230,429,590**

		Number	Amounts In ₹	Number	Amounts In ₹
b)	**Shareholders holding more than 5% of the shares**				
	Equity Shares of ₹10 each				
	Indian Financial Inclusion Fund	9,733,333	97,333,330	9,733,333	97,333,330
	MHFC Employees Trust	3,612,214	36,122,140	3,636,296	36,362,960
	MHFC Employees and Business Associates Welfare Trust	1,400,000	14,000,000	1,400,000	14,000,000
	Nachiket Shelgikar	4,240,760	42,407,600	4,216,678	42,166,780
	Michael and Susan Dell Foundation	1,866,666	18,666,660	1,866,666	18,666,660
		20,852,973	**208,529,730**	**20,852,973**	**208,529,730**

c) **Rights and preferences**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. All shares rank pari passu on repayment of capital in the event of liquidation.

NOTES TO FINANCIAL STATEMENTS

4. Reserves and Surplus

	As at 31 March 2013 In ₹	As at 31 March 2012 In ₹
Securities Premium Reserve		
Balance at the beginning of the year	137,333,315	137,333,315
Add : Additions made during the year	-	-
Balance at the end of the year	**137,333,315**	**137,333,315**
Special Reserve (u/s 29C of the NHB Act)		
Balance at the beginning of the year	3,117,150	-
Add : Current Year Transfer	3,416,093	3,117,150
Balance at the end of the year	**6,533,243**	**3,117,150**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	(2,249,719)	(14,718,319)
Add : Net Profit for the current year	17,080,465	15,585,750
Appropriations		
Transfer to Special Reserve Fund	3,416,093	3,117,150
Balance at the end of the year	**11,414,653**	**(2,249,719)**
	155,281,211	**138,200,746**

5. Borrowings

	As at 31 March 2013 In ₹		As at 31 March 2012 In ₹	
	Long term	**Short term**	**Long term**	**Short term**
Secured				
Term Loans				
Refinance from National Housing Bank	261,296,000	-	70,000,000	-
Loans From Banks	171,835,800	-	40,000,000	-
Loans from Financial Institution (HDFC Limited)	86,109,395	-	47,466,181	-
	519,241,195	**-**	**157,466,181**	**-**
Less: Current portion disclosed as Other Current Liabilities (Refer Note 8)	79,710,635	-	25,111,277	-
	439,530,560	-	132,354,904	-

a) **Details of security for each type of borrowings**

Term loans are secured by Hypothecation of Book Debts (Housing Loans) of the Company.

b) **Terms of repayment of loan terms**

No.	Particulars	Amount (₹)	Terms of Repayment
1	National Housing Bank	261,296,000	Repayable in 21 quarterly installments from the respective date of release of refinance
2	HDFC Limited	86,109,395	Repayable in 60 equated monthly installments from date of disbursement
3	ING Vysya Bank Limited	84,238,338	Repayable in equated monthly installments ranging between 60 to 96 from the respective date of disbursement
4	YES Bank Limited	50,000,000	Repayable in 51 equated monthly repayments after a moratorium period of 9 months
5	The Federal Bank Limited	37,597,462	Repayable in 60 equated monthly installments from date of disbursement
		519,241,195	

NOTES TO FINANCIAL STATEMENTS

6. Provisions

	As at 31 March 2013 In ₹		As at 31 March 2012 In ₹	
	Long term	Short term	Long term	Short term
Provision for Gratuity (refer note (a) below)	629,370	-	387,339	-
Contingent Provisions against Housing loans (Standard Assets) (Also refer note 22)	3,097,156	-	1,408,415	-
Provision for taxation (net of advance tax)	-	-	-	359,443
	3,726,526	**-**	**1,795,754**	**359,443**

a) **Employee Benefits**

In accordance with AS-15 on Employees benefits (revised) prescribed under the Rules, the information on the staff benefit costs is given below.

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets compensated for gratuity on departure at 15 days salary (last drawn salary) for each completed year of service:

Change in projected benefit obligation				
Projected benefit obligation at the beginning of the year	387,339	-	181,835	-
Service cost	206,526	-	149,839	-
Interest cost	32,924	-	15,001	-
Actuarial (gain) / loss	2,581	-	40,664	-
Benefits paid	-	-	-	-
Projected benefit obligation at the end of the year	**629,370**	**-**	**387,339**	**-**
Reconciliation of present value of obligation on the fair value of plan assets				
Present value of projected benefit obligation at the end of the year	629,370	-	387,339	-
Funded status of the plans	-	-	-	-
Liability / (asset) recognised in the balance sheet	**629,370**	**-**	**387,339**	**-**
Components of net gratuity costs are				
Service cost	206,526	-	149,839	-
Interest cost	32,924	-	15,001	-
Expected returns on plan assets	-	-	-	-
Recognised net actuarial (gain)/ loss	2,581	-	40,664	-
Net gratuity costs	**242,031**	**-**	**205,504**	**-**

Assumptions used		
Interest rate	8% p.a.	8% p.a.
Salary Growth	5% p.a.	5% p.a.
Withdrawal rate	1%	1%
Mortality rate	LIC (1994-96) ultimately mortality rates	LIC (1994-96) ultimately mortality rates
Retirement age	60 years	60 years

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Note:

The gratuity expenses have been recognized under note 16.

NOTES TO FINANCIAL STATEMENTS

7. Account Payables

	As at 31 March 2013	As at 31 March 2012
	In ₹	In ₹
Trade Payables (Also, refer note 26)	387,289	204,188
Other accrued liabilities		
- **Provision for expenses**	814,993	418,782
- Provision for employee benefits	-	10,104
Total	**1,202,282**	**633,074**

8. Other Current Liabilities

	As at 31 March 2013	As at 31 March 2012
	In ₹	In ₹
Current Maturities of Long Term Borrowings		
Refinance from National Housing Bank	32,839,100	10,601,484
Loans From Banks	29,389,248	6,315,370
Loans from Financial Institution (HDFC Limited)	17,482,287	8,194,423
Total	**79,710,635**	**25,111,277**
Other Liabilities		
TDS Payable	323,264	240,755
Profession Tax payable	11,600	6,400
Provident Fund Payable	153,743	97,176
Interest accrued but not due on borrowings	877,030	73,973
Other Payables	80,365	-
Advance from Customers	160,779	10,030
Total	**81,317,416**	**25,539,611**

9. Tangible Assets

Gross Block	**Plant and equipment**	**Furniture and fixtures**	**Office equipment**	**Total**
	In ₹	In ₹	In ₹	In ₹
Balance as at 01 April 2011	**783,260**	**233,178**	**24,883**	**1,041,321**
Additions	46,610	19,277	-	65,887
Balance as at 31 March 2012	**829,870**	**252,455**	**24,883**	**1,107,208**
Additions	200,475	-	97,770	298,245
Balance as at 31 March 2013	**1,030,345**	**252,455**	**122,653**	**1,405,453**
Accumulated depreciation				
Balance as at 01 April 2011	**241,550**	**35,476**	**2,482**	**279,508**
Depreciation charge	230,036	37,204	2,860	270,100
Balance as at 31 March 2012	**471,586**	**72,680**	**5,342**	**549,608**
Depreciation charge	202,229	32,539	10,709	245,477
Balance as at 31 March 2013	**673,815**	**105,219**	**16,051**	**795,085**
Net Block				
Balance as at 31 March 2012	**358,284**	**179,775**	**19,541**	**557,600**
Balance as at 31 March 2013	**356,530**	**147,236**	**106,602**	**610,368**

NOTES TO FINANCIAL STATEMENTS

10. Deferred Taxes

	As at 31 March 2013 In ₹	As at 31 March 2012 In ₹
Deferred tax liabilities		
Timing difference on tangible assets depreciation	53,058	54,974
Total	**53,058**	**54,974**
Deferred tax assets		
Provision for employee benefits	194,475	119,688
Total	**194,475**	**119,688**
Net deferred tax asset	**141,417**	**64,714**

11. Loans and Advances

	As at 31 March 2013 In ₹		As at 31 March 2012 In ₹	
	Long term	**Short term**	**Long term**	**Short term**
Housing Loans				
Individuals (Secured, considered good)				
Standard Loans	640,497,533	48,720,639	304,814,620	22,295,528
Corporate Bodies (Secured, considered good)				
Standard Loans	-	34,028,320	15,000,000	9,993,480
	640,497,533	**82,748,959**	**319,814,620**	**32,289,008**
Security deposits				
- Unsecured, considered good	366,923	-	67,800	-
	366,923	**-**	**67,800**	**-**
Loan to MHFC Employees Trust				
- Unsecured, considered good	36,122,140	-	36,362,960	-
	36,122,140	**-**	**36,362,960**	**-**
Other loans and advances (Unsecured, considered good)				
- Advance income tax (net of provisions)	736,941	-	-	-
- MAT credit entitlement	-	1,900,480	-	1,900,480
Less: Credit utilised/ written off	-	(1,900,480)	-	-
- Advances to suppliers	-	549,500	-	665,000
- Advances to employees	-	235,241	-	290,125
- Service Tax Set Off	-	46,927	-	292,458
- Prepaid expenses	-	38,555	-	20,176
	677,723,537	**83,619,182**	**356,245,380**	**35,457,247**

NOTES TO FINANCIAL STATEMENTS

12. Cash and Bank Balances

	As at 31 March 2013 In ₹		As at 31 March 2012 In ₹	
	Current	Non-Current	Current	Non-Current
Cash and cash equivalents				
Cash on hand	20,118	-	19,118	-
Balances with banks				
- in current accounts	13,061,285	-	2,052,141	-
- in deposit account (with maturity upto 3 months)	110,000,000	-	115,000,000	-
	123,081,403	-	117,071,259	-
Deposits with maturity more than 3 months but less than 12 months	10,000,000	-	10,000,000	-
Total	**133,081,403**	**-**	**127,071,259**	**-**

Note

Amount of deposit held as security against the guarantees (Refer Note 23)	10,000,000	-	10,000,000	-

13. Other Current Assets

	As at 31 March 2013 In ₹	As at 31 March 2012 In ₹
Installments receivable but not due	11,270,927	5,434,046
Interest accrued on fixed deposits	2,389,751	3,731,876
Prepaid term loan installment	2,651,000	751,000
	16,311,678	**9,916,922**

14. Revenue

	FYE 31 March 2013 In ₹	FYE 31 March 2012 In ₹
Revenue from Operations		
Fee Income	9,955,525	4,484,014
Interest on Housing Loans	68,482,960	29,187,916
	78,438,485	**33,671,930**

15. Other Income

	FYE 31 March 2013 In ₹	FYE March 2012 In ₹
Interest Income on fixed deposits	7,411,523	12,791,530
Delayed Payment Charges	250,063	63,870
Miscellaneous Income	187,567	65,080
	7,849,153	**12,920,480**

NOTES TO FINANCIAL STATEMENTS

16. Employee Benefit Expense

	FYE 31 March 2013	FYE 31 March 2012
	In ₹	In ₹
Salaries, Wages and Bonus (including managerial remuneration)	19,348,670	13,355,825
Contribution towards gratuity	242,031	205,504
Contribution to provident and other funds	1,628,478	1,190,449
Staff Welfare Expenses	373,711	558,928
	21,592,890	**15,310,706**

17. Finance Costs

	FYE 31 March 2013	FYE 31 March 2012
	In ₹	In ₹
Interest on Loans and Bank Overdraft	24,678,800	2,997,268
Bank Charges	50,612	26,695
Bank Guarantee Commission	40,100	44,230
Loan Processing Fees	1,016,180	237,500
	25,785,692	**3,305,693**

18. Other Expenses

	FYE 31 March 2013	FYE 31 March 2012
	In ₹	In ₹
Electricity	377,403	243,406
Rent	1,210,000	780,000
Repairs and Maintenance - Others	210,799	209,003
Insurance	8,781	15,620
Rates and Taxes	268,661	615,307
Payments to Auditors for statutory audit service	500,000	300,000
Advertisement & Marketing Expenses	202,336	48,098
Communication	572,391	373,018
Franking Charges	1,241,510	605,005
Professional, Legal & Consultancy Fees	4,103,825	4,124,699
Printing & Stationery	882,704	520,508
ROC Filing Fee and Stamp Duty	26,868	222,333
Documentation Storage Cost	21,339	-
Travelling, Conveyance and Boarding Expenses	2,601,989	2,080,820
Books & Periodicals	27,279	13,831
Office Expenses	194,094	73,777
Computer Expenses	48,688	23,513
Donation	30,000	45,000
Miscellaneous Expenses	50,724	6,580
	12,579,391	**10,300,518**

NOTES TO FINANCIAL STATEMENTS

19. Related Parties

Particulars of related party transactions (as certified and confirmed by the management):

a) **Names of related parties:**

Key Managerial Personnel (KMP)

1. Mr Madhusudhan Menon, Director
2. Mr Rajnish Dhall, Managing Director
3. Mr Nachiket Shelgikar, Director

Party on which directors of the Company are able to exercise significant influence

MHFC Employees Trust

	FYE 31 March 2013	FYE 31 March 2012
	In ₹	In ₹
b) Transactions with related parties:		
I. Remuneration to KMPs		
Mr Madhusudhan Menon	1,200,000	900,000
Mr Rajnish Dhall	1,200,000	900,000
Mr Nachiket Shelgikar	1,142,400	856,800
II. Other transactions		
Repayment of loan by MHFC Employees Trust	240,820	-
b) Balances with related parties:		
Balance due from		
MHFC Employees Trust	36,122,140	36,362,960

20. Earning Per Share

Particulars	**FYE 31 March 2013**	**FYE 31 March 2012**
	In ₹	In ₹
Net Profit for equity share holders (₹)	17,080,465	15,585,750
Weighted average number of equity shares outstanding during the year (Basic and Diluted)	23,042,959	23,042,959
Basic and Diluted profit per share (Equity share of ₹10 each)	0.74	0.68

21.

Pursuant to the Board Resolutions passed in the meetings dated 15 June 2010 and 17 January, 2011, the Company provided an interest free loan of ₹36,362,960 to MHFC Employees Trust, which has subscribed an equivalent amount to the share capital of the Company (subscription at par value). Such subscribed shares will eventually be allotted to present and future employees of the Company at par value and the trust will use the subscription proceeds towards repayment of the loan to the Company. Loan balance as on 31st March 2013 is ₹36,122,140.

22.

The Company has provided ₹2,756,873 (31 March 2012 - ₹1,308,441) towards provision for contingency at the rate of 0.4% of total outstanding housing loans given to individuals and ₹340,283 (31 March 2012 - ₹99,974) towards provision for contingency at the rate of 1% of total outstanding housing loans given to corporate bodies.

23.

The company has issued a Counter-Guarantee for a Bank Guarantee issued by Federal Bank Ltd, amounting to ₹1 crore favouring the National Housing Bank for Refinance Facility. The Bank Guarantee is fully secured by a pledge of ₹1 crore fixed deposit with Federal Bank Limited.

NOTES TO FINANCIAL STATEMENTS

24. Loan to Value Ratio (LTV) (as certified and confirmed by the management)

Particulars	FYE 31 March 2013	FYE 31 March 2012
Average LTV at sanction	70%	68%
Average LTV at current estimated market prices	63%	62%

25. Additional Information (as certified and confirmed by the management)

Particulars	As at 31 March 2013
a. Capital to Risk Assets Ratio (CRAR)	45.37%
b. Exposure to real estate sector, both direct and indirect (₹)	734,517,419
c. Maturity pattern of assets and liabilities as on 31 March 2013	

	Liabilities (in ₹)		Assets (in ₹)	
	Borrowings from banks / Financial Institution	Market Borrowings	Advances	Investments
1 day to 30-31 days (one month)	5,655,330	-	10,682,789	-
Over one month to 2 months	3,043,942	-	5,552,317	-
Over 2 months upto 3 months	3,061,208	-	5,611,728	-
Over 3 months to 6 months	22,372,408	-	17,126,676	-
Over 6 months to 1 year	45,577,747	-	43,775,449	-
Over 1 year to 3 years	194,280,888	-	117,893,953	-
Over 3 years to 5 years	153,805,379	-	120,670,871	-
Over 5 years to 7 years	82,557,594	-	113,663,379	-
Over 7 years to 10 years	8,886,699	-	141,741,930	-
Over 10 years	-	-	146,527,400	-
	519,241,195	**-**	**723,246,492**	**-**

26.

There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2013. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the statutory auditors of the Company.

27.

The main business of the Company is to provide loans for the purchase or construction of residential houses and as such there are no separate reportable segments as specified in Accounting Standard (AS 17) on "Segment Reporting", and under paragraph 29 (2) of the Housing Finance Companies (NHB) Directions, 2010, which needs to be reported.

28.

The previous year figures have been regrouped and reclassified wherever necessary to make them comparable with the current year figures.

For Micro Housing Finance Corporation Limited

Rajnish Dhall
Managing Director

Nachiket Shelgikar
Director

Avani Shah
Company Secretary

Mumbai, April 30 2013

CUSTOMER FEATURE

DARSHAN SAHANI, GRASS VENDOR

Darshan Sahani's unusual profession is the reason why he starts his day extra early - he needs to wake up at the crack of dawn so that he can draw his pull-cart full of grass to Ahmedabad's Shiv Shankar neighbourhood in Vejalpur by 5 o'clock every morning.

Darshan positions his cart across from an open plot of land, where within a few minutes of his arrival, about two dozen cows, shepherded by their owner, amble over and park themselves there. Once inside the plot, they wait eagerly to be fed by scores of families living around the Jivraj Park Road area, who faithfully arrive every day between 5:30 am and 12:00 pm to feed them.

Darshan is one of Ahmedabad's many enterprising micro business owners. His business plan is simple - he buys around 20 kg of grass from a whole sale market, which he sells in small bundles of ₹5, ₹10, ₹25 and ₹50 to the people who come to feed the cows. Given that feeding cows is considered to be an act of kindness by several religious Hindu and Jain families in Ahmedabad (Darshan says that some of them cannot even begin their day, or even have their first sip of water, without doing this), Darshan earns a steady daily income of approx ₹400 from his regular customers, or between ₹12,000 to ₹15,000 every month.

Although Darshan's substantial monthly income is enough to support his wife and four children, his earnings are entirely in cash, and therefore completely undocumented. So when he built enough savings to finance the down-payment for a new flat in DBS Umang Lambha for his eldest son, he was unsure about whether he would be eligible for a loan to finance the rest of it.

When Darshan enquired with DBS about his financing options, however, they referred him to MHFC. With a stable monthly income, good savings habits and a real need for a home, Darshan's loan application was quickly approved.

A father of four - two sons and two daughters - Darshan takes pride in having been able to put all his children through school. He has big dreams for their futures, and is happy now knowing that a home of their own will definitely be a part of it.

"I start work very early in the morning, but I am done by 12 - 12:30 pm. I have the rest of the day free, I can spend it with my family.

- DARSHAN SAHANI, Ahmedabad

Central to the success of the developer-led, low-income housing model is the active participation of micro housing finance companies, which offer loans to this target audience of "financially excluded people"- people with established livelihoods but no formal documentation of their earnings, or access to conventional housing finance.

DEVILAL GAYRI

Cycle Repair Shop, Ahmedabad

NEWS REPORT

A market solution to affordable housing

Growing ecosystem may mitigate perception that low-income housing is solely govt's responsibility

Aparna Piramal Raje for *Mint*, Jan 21 2013

Shambhu ST sounds like a man who has discovered Utopia - for well under ₹15 lakh. The 35-year-old's compact, two-bedroom apartment on the outskirts of Bangalore is newly constructed, well-lit, ventilated and secure. It is part of a gated residential community called Vaibhava, which includes a park, a children's playground and a school for his toddler son; his wife, a homemaker, only needs to leave the housing complex once a week for grocery shopping and they have plenty of friends in the community.

The flat's biggest attraction, however, is its price: it only cost him ₹11 lakh, equivalent to the cost of a mid-range automobile. "I chose Vaibhava for its affordability, services and amenities," he says.

There's only one problem with this idyllic life, it is not what its developer initially intended: to provide low-cost housing to those who can't afford any better. Vaibhava is the flagship project of Value and Budget Housing Corp. (VBHC), a company founded by former banker and information technology entrepreneur Jaithirth Rao to provide affordable homes for bottom-of-the-pyramid customers.

Shambhu is a senior financial analyst at multinational Honeywell Technology Solutions and can afford the monthly instalment of ₹22,000 towards his home loan. His obvious delight with his purchase illustrates the scarcity of affordable homes for salaried professionals, not just for informal, low-income customers.

The 21-acre complex of 1,850 units comprises mostly two-bedroom apartments, with some studios and three-bedrooms flats. Two-bedroom flats currently range in price from ₹14.7 lakh to ₹16.5 lakh—significantly less than ₹40 lakh, the market rate of a regular, two-bedroom flat in Bangalore's Electronics City. "I can't afford a loan of ₹40 or ₹45 lakh, and pay EMIs (equated monthly instalments) for 20 years. This place will fetch me a good return," Shambhu says, confident of paying his entire loan in five years.

Vaibhava's location—35 km from Bangalore's city centre, 15 km from the Electronics City software district—is not a deterrent for him. He commutes to his city-centre office in a shared car provided by his company. The lack of municipal water supply might be a problem, he concedes, but hopes it will be addressed in due course.

Customers like Shambhu have "surprised us", says Rao, adding, "we also didn't expect that single women would buy flats as investments or that flats would be bought online". He attributes the lack of available homes for under ₹25 lakh as one of the drivers for Vaibhava's popularity with white-collar professionals.

FORMAL SOLUTIONS

India's national housing shortage is estimated at 18.78 million homes, according to a recent report released by the central ministry for housing and urban poverty alleviation. The report stresses that there is an underlying "mismatch between the people for whom the houses are being built and those who need them", as low-income customers are unable to afford the formal housing solutions currently being offered by developers, resulting in homelessness, congested living, slums and squatter settlements.

Smarinita Shetty, a senior manager at the international consultancy Monitor Group, is working to help address the demand–supply mismatch. Since 2006, Monitor Inclusive Markets, a social impact unit within Monitor, has been encouraging private-sector entities such as VBHC to offer "market-based solutions in low-income housing", she says. Monitor's thumb-rule of affordability is 40 times one's monthly income.

"So if you earn ₹25,000, you can afford to spend ₹10 lakhs on a home, but we've seen people who earn ₹50,000 buy in the ₹10 lakh segment because there is no housing in the ₹15 lakh segment," she says. Shetty differentiates between "low-income" homes, or those below ₹10 lakh, and "affordable" housing, or those between ₹10 lakh and ₹25 lakh. "It's very easy to forget the sub-₹10 lakh segment," she adds.

In the last three years, Shetty has noticed signs of a developer-led market in low-income and affordable housing, serving genuine bottom-of-the-pyramid customers. The trend is auspicious; this sector can impact as many lives as India's mobile telephony revolution.

Several new entrants have launched projects in this category, motivated by a combination of unmet customer needs, the prospect of building a scalable, for-profit business with healthy margins, and a socially sustainable purpose.

Apartment formats usually include studios, one-bedroom, or two bedroom flats, ranging from 300 to 650 sq. ft in carpet area, with adequate natural light and ventilation. They are housed in a community of four or five-storeyed buildings, with some shared amenities, located on the city's edges, often outside its official municipal limits.

Nehal Shah, the managing director of Ahmedabad-based Foliage Real Estate Developers Pvt. Ltd, was persuaded by Monitor in 2009 to switch from the family business of building high-end, city-centre apartments to low-income projects on the city's periphery.

His first low-income project, Navjivan Flats, located in the industrial area of Vatwa, offered apartments in the range of ₹2.81 lakh to ₹7.25 lakh. The property attracted a variety of self-employed, informal workers, such as gardeners, lorry drivers, rickshaw owners and tailors as well as industrial workers.

Deepak Patel, a 32-year-old textile worker, who cycles 3-4 km to work in a nearby factory, is an illustrative example. He bought a flat for ₹3.8 lakh for himself and his mother, having migrated from his village to Ahmedabad several years ago. Happy with his home, he spread the word; 40 friends and family members have booked apartments in Navjivan Flats.

Shah was prepared to manage a vastly different customer base from those in his earlier projects. "You are dealing with people who don't have a credit history, who are probably uneducated; who are needy. Dealing with these kinds of people needed a change in our perception," he says.

Importantly, the business has also met his financial expectations. The first 464-unit Navjivan project "was smaller in turnover than the one I did in the city with 16 units", he laughs, but adds that margins are good, and capital requirements are lower than for high-end projects. Shah has since launched three more low-income projects in Gujarat, and aims to remain in this space.

It is a win-win situation for developers and customers alike, although not without challenges.

Sachin Kulkarni, the managing director of Vastushodh Properties, shares Shah's upbeat outlook. A Pune-based, first-generation entrepreneur, he worked with developers for nine years constructing upmarket homes, and was drawn to this sector after witnessing how difficult it was for his father, a relatively lower-grade railway employee, to find decent accommodation. Starting with a 10-acre plot on the Pune–Sholapur highway, he and his brother Nikhil launched Anandgram, a 720-unit low-income housing project, most of which is now occupied. His customers include informal sector workers as well as salaried professionals such as primary school teachers and junior lawyers, he says, with monthly salaries between ₹12,000 and ₹20,000. Kulkarni estimates that the Pune region alone can absorb 250,00 low-cost units in Pune, and has gone on to launch three more Anandgram projects, alongside Urbangram, the company's higher-end brand of homes.

Rohit Poddar of Poddar Developers Ltd, a Mumbai-based low-income housing developer with a similar customer base, is equally upbeat about expansion. Poddar entered the low-income housing sector after several years of aggregating land in the Mumbai metropolitan area. Units range from ₹7 lakh to ₹20 lakh, and 80% of the units are studios or one-bedroom flats, he says. Having cut his teeth on an ambitious 1,200-unit project in Bhivpuri in March 2010, he subsequently expanded to areas such as Badlapur, both areas being in suburban Mumbai. "We will have launched or constructed 40,000 homes by April 2013" in the Mumbai metropolitan region, he says.

> *At the heart of operations is the ability to judge a client's creditworthiness. MHFC devises its own benchmarks for estimating cashflows for over 200 varied professions and trades, from vegetable vendors to tattoo artists to someone in the business of repairing pumps.*

FINANCING LOW-INCOME EARNERS

Central to the success of the developer-led, low-income housing model is the active participation of micro housing finance companies, which offer loans to this target audience of "financially excluded people" - people with established livelihoods but no formal documentation of their earnings, or access to conventional housing finance.

They include well-known housing financiers such as Dewan Housing Finance and Gruh Finance Ltd (a subsidiary of Housing Development Finance Corp. Ltd) as well as start-ups such as the Micro Housing Finance Corp. Ltd (MHFC), co-founded by former bankers Madhusudhan Menon, Rajnish Dhall and Nachiket Shelgikar in 2008.

At the heart of operations is the ability to judge a client's creditworthiness. MHFC devises its own benchmarks for estimating cashflows for over 200 varied professions and trades, from vegetable vendors to tattoo artists to someone in the business of repairing pumps.

Assessment begins at the prospective customer's workplace, explains Dhall. "If it's a vegetable vendor, we visit his site and understand what he sells—is it only onions and potatoes, or all vegetables, or any fruits—specialized or non-specialized? Where is he buying from, how much is he selling it for, how many kilos, what are transport charges? A storyboard on his income and business is then created by calculating daily, and monthly cashflows, which are cross-verified."

A customer's reasons for investing in a home are also closely examined. If someone has decided to upgrade from a slum to provide better housing for his school-going children, it is a promising indicator that "he may renege on other things, but he won't renege on his loan repayment", says Dhall. MFHC has sanctioned 2,000 loans worth ₹89 crore so far, with an average loan size of ₹4.5 lakh. The company is profitable, with a zero default rate, he says. "There is nothing exotic about these products, it's fairly straight EMI-paying loans. There have been no problems with loan repayments so far," says Maneesh Srivastava, chief executive officer of Muthoot Housing Finance Co. Ltd, a subsidiary of finance company Muthoot, which entered this business in 2011. The company has disbursed loans worth ₹40 crore so far to around 700 customers, with an average ticket size of ₹6 lakh, he says.

Demand is robust. Monthly incomes vary from ₹10,000 to ₹30,000. Srivastava labels those at the upper end of the income spectrum as the "rich-poor", clarifying that "you would consider someone earning ₹30,000 in an entry–level white collar job to be well-off. But you wouldn't use the term 'well-off' for someone earning ₹40,000 by running a travel and tours business, even though he's probably a bigger consumer. He wouldn't be first in line to get a normal housing loan."

CONSTRUCTIVE CRITICISM

The emergence of micro-housing finance companies and low-income housing developers points to a promising market, but supply-side constraints imply that current offerings are far from making a substantial dent in the national housing shortage. Government clearances and approvals are unanimously cited as bottlenecks by developers, particularly environmental clearances which must be centrally approved and can take as long as a year to be granted. "Government rules are weighted towards rich people. It's easier to build a farmhouse on a two-acre plot than to construct 100 affordable homes on the same plot, because of approvals," declares VBHC's Rao.

"There are 56 departments from whom we need approvals," complains Poddar.

Unlike other higher-end developers, for whom land is an asset whose price will appreciate, low-income housing developers regard land as "inventory to be rapidly depleted", says Monitor's Shetty.

Construction delays due to lack of approvals inevitably result in higher costs, lower margins, or self-defeating price escalation. Most low-income housing developers have had to increase their prices in recent years, to keep up with rising costs.

Land acquisition and lack of infrastructure, such as piped water supply or sewerage lines, also present practical challenges to scalability. "If we go too far out of the city, infrastructure is a problem. The moment we come into the city, land prices are a problem. The moment the government puts in infrastructure, the price goes up," says Foliage's Shah.

Kulkarni admits that solid waste management is a problem, as Anandgram projects are located in areas still governed by village panchayats, with no provisions for such services.

Despite the challenges, Shetty is optimistic about the sector's growth, emphasizing that these "are the first examples of pure, market-based solutions in low-income housing anywhere in the world, where units are funded by private-sector companies and built by private-sector companies. The World Bank is studying our market".

With 35 developers and 16 housing finance companies active in the low-cost housing market, she spots several entities who have the potential to be national-scale, including corporate affiliates such as Mahindra Lifespace Developers Ltd that intend to enter this space. "Once developers get some momentum, they should each be able to build 10,000 homes a year," she says.

For all the sector's promise, it is clearly targeted at a particular segment of the informal economy—those who are willing to live on the city outskirts and commute daily—as Poddar notes. "The people who buy into our projects realize that they would rather be the people who travel back and forth from work. They want their families, wife and kids to be in the kind of environment where there is proper water, electricity, healthcare and education. It is completely different from the slum discussion." MHFC's Dhall agrees that "90% of people are not ready to move out of inner-city areas".

But even if developer-led, low-income housing cannot alone address India's larger housing gap, at the least it can enable thousands of families to access formal shelter for the first time in their lives. The growing ecosystem in this sector also mitigates prevailing perception that low-income housing is solely the government's responsibility.

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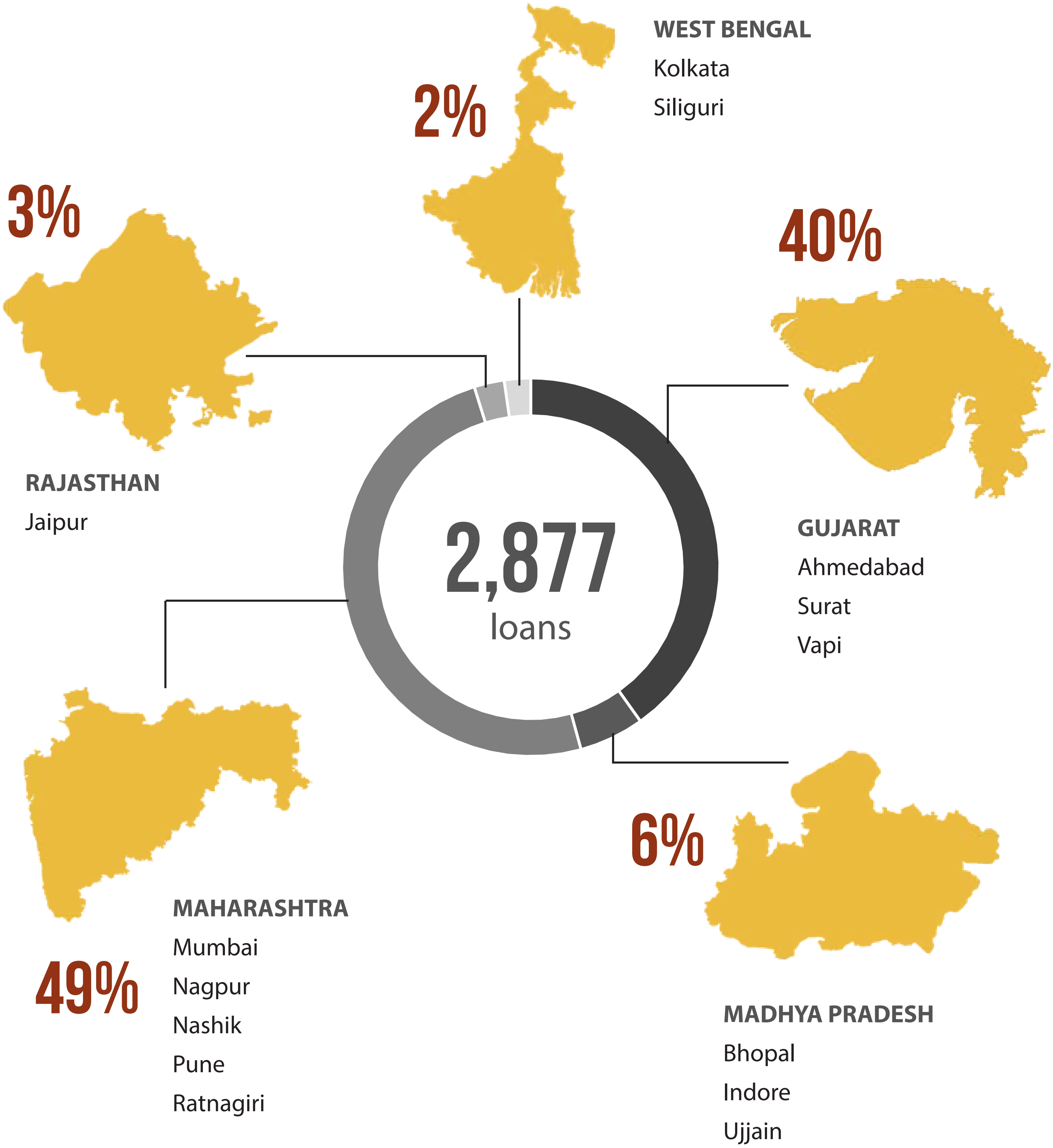
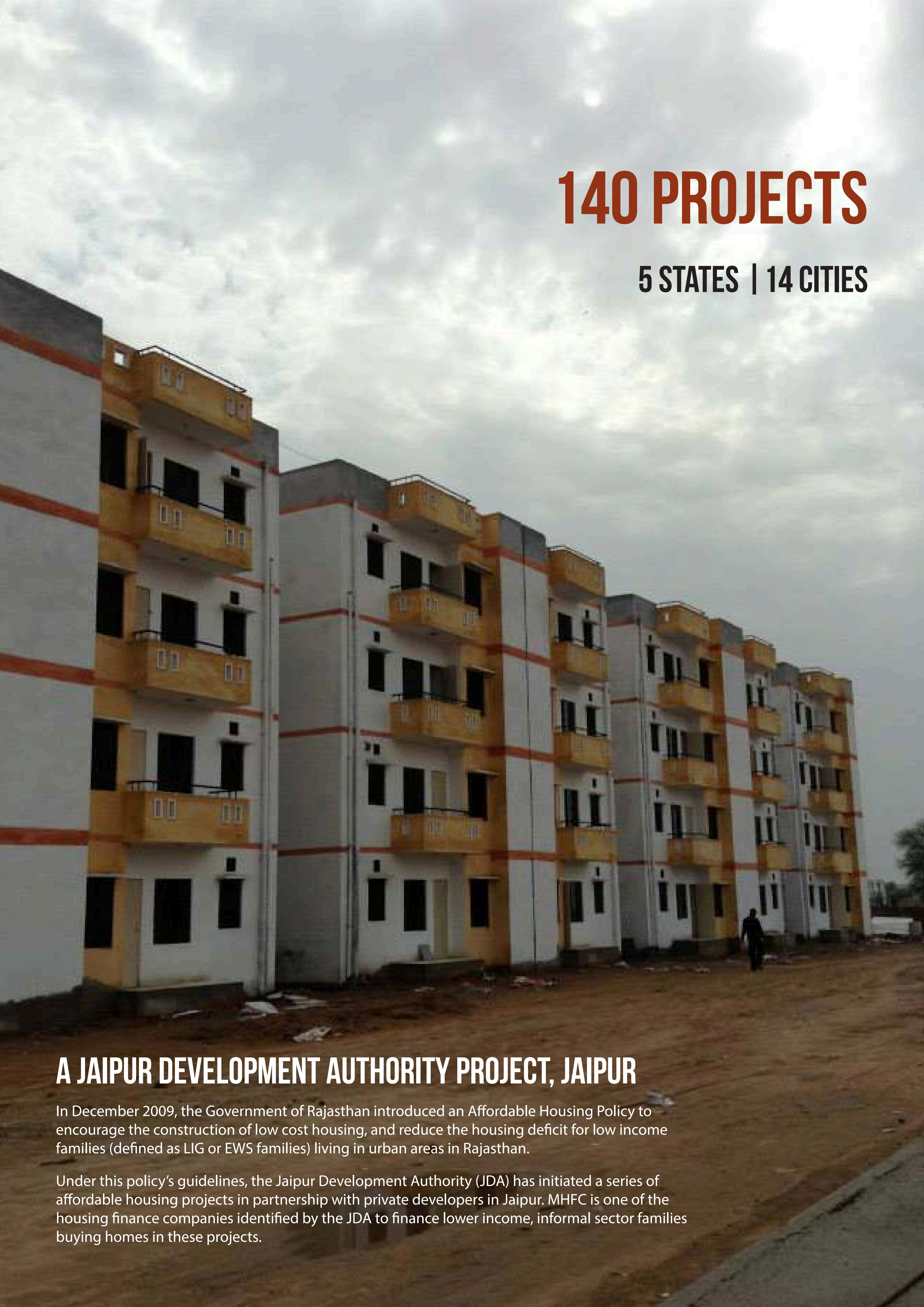
Aparna Piramal Raje
for ***Mint***, Jan 21 2013

http://www.livemint.com/Politics/hDaqc3PfHKRkaFiv6ov0EP/A-market-solution-to-affordable-housing.html

LOCATIONS

STATE WISE GEOGRAPHICAL DISTRIBUTION OF SANCTIONS





140 PROJECTS

5 STATES | 14 CITIES

A JAIPUR DEVELOPMENT AUTHORITY PROJECT, JAIPUR

In December 2009, the Government of Rajasthan introduced an Affordable Housing Policy to encourage the construction of low cost housing, and reduce the housing deficit for low income families (defined as LIG or EWS families) living in urban areas in Rajasthan.

Under this policy's guidelines, the Jaipur Development Authority (JDA) has initiated a series of affordable housing projects in partnership with private developers in Jaipur. MHFC is one of the housing finance companies identified by the JDA to finance lower income, informal sector families buying homes in these projects.

PROJECT FEATURE

DBS Umang - Narol

KANTILAL PRAJAPATI

Located in the middle of a quiet residential street in Ahmedabad's Ishanpur neighbourhood, Krantilal Prajapati's novelty gift shop is packed with a mix of colourful gift items, imitation jewellery sets and miscellaneous cosmetics. Standing behind the counter, where he spends most of his day, Krantilal explains how he bought this space 6 years ago, when he decided to pool in all his savings into setting up his own business. He runs the shop with his wife, Guvantidevi, and they live with their two young children in a small rented room above the shop.

Krantilal's decision to invest in his business has paid off – he now has enough savings, and a steady income of approx ₹25,000 per month, to finance the loan he has taken from MHFC to buy himself a 2 RK flat in the upcoming DBS Umang Narol housing project.

Now a proud shop *and* home owner, Krantilal is focused on providing a comfortable future for his family, with a home of their own to spend it in.

"DBS aims to establish an efficient, viable and transparent system for the large scale mass-production of houses that are affordable and financed through savings and credit systems that are accessible to the bottom half of the socio-economic pyramid."

- Mission | DBS Affordable Home Strategy Ltd.

DEVELOPER

DBS Affordable Home Strategy Limited

LOCATION

Narol, Ahmedabad

Two years into its operations in 2010, MHFC was approached by DBS Affordable Home Strategy Limited (DBS), a newly established affordable housing company with a mission very similar to MHFC's, i.e. to provide low cost, high quality housing to urban poor households, who traditionally do not have access to formal housing markets.

In addition to its focus on the design and construction of low-cost housing, DBS stands out also for its commitment towards identifying real end users (low income families with an authentic need for housing, as opposed to investors), and providing them with formal housing finance options. They do this by partnering with local NGOs to spread the word among informal communities about their projects, and by tying up with housing finance companies like MHFC, who are willing to finance informal sector households.

MHFC has collaborated with DBS on all its housing projects in Gujarat since the launch of their first project, Umang Lambha, in 2011. In an effort to encourage low income families to learn about their housing finance options, DBS has conducted several successful "credit camps" in conjunction with MHFC, to help informal sector customers recognise that despite earning undocumented incomes, they could still be eligible for a loan.

Umang Narol, DBS's second project in Ahmedabad, offers over 800 1RK and 2RK units, priced between ₹4 to 9 lakhs, to low income families. The project includes *pucca* roads, street lighting, landscaped gardens and spaces allocated for an Urban Resource Center, a health center, and a community hall.

As on 31 March, 2013, MHFC had financed over 500 customers across all DBS projects, including 181 informal sector customers in Umang Narol.

MANAGEMENT

Madhusudhan Menon (Chairman)

Madhu is a Chartered Accountant with over 23 years of banking experience, initially with the Reserve Bank of India and then with American Express Bank ("AEB"). Since leaving AEB in 2002 as Senior Director, responsible for Commercial Banking and Capital Market activities in India, he has been an advisor to various business groups in India as a wealth management and capital market specialist. He has a keen interest in using commercially viable business models to stimulate and sustain social change.

Rajnish Dhall (Managing Director)

Rajnish completed his P.G.D.M from IIM (Ahmedabad), after which he worked with American Express Bank in a variety of roles and locations (Mumbai, Singapore, London) for 17 years. He left the Bank as a Senior Director in 2006 and returned to Mumbai to work in the social sector, and initially joined Aangan, an NGO which works with children in state run children homes. He is also on the Justice Dhanuka court appointed committee to look into the infrastructure of Mumbai municipal schools, and the Boards of Aangan and Ummeed (an NGO which helps children with development disabilities).

Nachiket Shelgikar (Director - Sales and Marketing)

After completing his B.S. from the Carnegie Mellon University, Nachiket worked with Deutsche Bank in M&A for a year in London. He left the Bank in August 2008, and returned to Mumbai to work as a social entrepreneur.

Ramesh Ogale (Director - Projects)

Ramesh has more than 25 years of experience in the Real Estate sector. He promoted his own construction company for building and marketing housing for low and middle income buyers in the coastal Maharashtra region. Prior to that, he was working with Makers Development Services, where he worked on various turnkey township projects. As a result he is well exposed to construction practices, and project management. He has also interacted with various housing finance companies throughout his career.

Jayesh Shah (Director - Credit and Operations)

Jayesh joined HDFC, India's leading housing finance company, as a management trainee in June 1987, and over his 22 year career with the firm, he worked across all major departments. In addition, he was on specific local assignments including the development of an online loan processing system and on international assignments (with the ADB and SMF) in Sri Lanka and Indonesia. He also was a regular faculty at the HDFC training centre, where his area of specialization was Credit Risk Management and Loan Process Improvisation. Further, he worked on pilot HDFC social development projects on microfinancing, housing and social infrastructure with agencies like BAIF, KfW, Baroda Citizen's Council and United Way of Vadodara.

MANAGEMENT

In addition, MHFC is assisted on the Board by:

Ashish Karamchandani

Ashish is an Executive Director at Monitor Deloitte India, based in the Mumbai office. He is the Founder of Monitor Inclusive Markets (MIM), a dedicated unit within Monitor Deloitte, that focuses on catalysing market-based approaches to improve the lives and livelihoods of the global poor, working both at a broad sector level, and at the level of specific initiatives. One of the specific initiatives Ashish is extensively involved in is low income housing, an area in which the Monitor Inclusive Markets group has been working to 'make the market' at an ecosystem level for the past six years.

Mona Kachhwaha

Mona has over 18 years of financial services industry experience. She has been with Caspian Advisors, an India-based fund manager that invests exclusively in the impact space, since 2007. At Caspian she manages the India Financial Inclusion Fund ("IFIF"), an equity fund that invests in impact businesses including microfinance, affordable housing, MSME and last mile banking intermediaries. Prior to joining Caspian, Mona worked with the Global Consumer Group of Citibank. While at Citibank, she worked in a range of functions including Business Management, Credit Risk Management and Operations. During her Citi tenure she held various senior positions, the most recent ones being the Business Head of the Microfinance Business and Head of Credit for the Mortgage Business in India. Mona holds a MBA from Xavier Labour Relations Institute (XLRI), Jamshedpur and B.A (Hons.) in Mathematics from Delhi University.

Geeta Goel

Geeta manages the Michael & Susan Dell Foundation's ("MSDF") microfinance initiative in India, which includes a portfolio of over 10 microfinance (and related) institutions. Prior to joining the Foundation, she spent over 12 years with the Corporate Finance Group of PricewaterhouseCoopers in India, advising large Indian and multi-national clients on joint ventures, mergers and acquisitions, business plans and valuations. Geeta has also advised clients in capital structuring and raising private equity. She is an alumni of IIM (Ahmedabad) and Lady Shri Ram College (Delhi).

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BANKERS

National Housing Bank
HDFC Ltd
HDFC Bank Ltd
ING Vysya Bank Ltd
Federal Bank Ltd
Yes Bank Ltd

LALITKUMAR RAO, SCRAP VENDOR

Lalitkumar Rao is a middle man in the scrap vending business; he purchases scrap from local scrap collectors (feri / lawry-walas), stores it in his go-down, and sells it to larger companies that buy scrap at a profit. Originally from Rajasthan, Lalitkumar arrived in Ahmedabad over 5 years ago with his uncle, and got his first job working as a lawry-wala. A year later, he decided to open his own scrap vending business, and has been earning enough to support his family in Ahmedabad – his wife and younger brother – ever since.

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