



The Affordable Housing Finance Summit

2013 | Mumbai

- A REPORT

Affordable Housing Finance segment is seeing an upheaval with several attempts being made by the policy makers and the industry players alike to carve out products for this segment. Currently, the sector is naïve and has its own challenges, issues, concerns and opportunities. The Summit held on 22-23 January, 2013 at Sofitel in Mumbai witnessed one of the critical rendezvous of the industry players and regulators. The Summit witnessed participants from India, Germany, Nigeria, U.K and more.

The Report captures the mood, motion and message of the sector.

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GENESIS OF THE SUMMIT

Need for shelter is paramount with all individuals. Housing is an indicator of social well being of people and an indicator of growth for the economy as well. Economies across globe have been striving to meet this need for housing but access to housing and housing finance to the “*bottom of the pyramid*” has been a challenge for the economies. In India too, financial inclusion has been the centre of policies and decision making and constant attempts are made to reach out the financially excluded segment of the population to meet this basic need for housing.

Vinod Kothari Consultants Pvt Limited has been deeply involved at supporting the segment in our capacity as consultants and has witnessed the granularity of the segment and the dilemma of the supply side for lack of standardization of product offerings to this segment. Realizing the need of the segment to come together and share the innovations and experiences at the ground level to collectively understand the challenges, opportunities, issues and concerns of this segment and offer solutions, we decided to organize the Affordable Housing Finance Summit in Mumbai on 22-23 January, 2013.

The event received support from its lead sponsor Magma Fincorp Limited, co-sponsors HDFC Limited and supporters such as International Finance Corporation, National Housing Bank and International Union for Housing Finance.

The Summit was spread over two days and discussed issues relating to demand side, supply side of affordable housing finance, policies propelling the sector and need for regulatory intervention. The summit also intended to address issues with regard to the sustainability and scalability of the companies catering to this segment, availability of various sources of finances, innovations in the segment and also briefly touched upon housing microfinance.

PROGRESS OF THE SUMMIT

DAY 1

Ms. Nidhi Bothra, *Executive Vice-President of VKCPL*, delivered the welcome address to the Summit.

Session 1: Overview of Affordable Housing Finance Market India and Globally

Mr. Arnab Roy, Executive Director of National Housing Bank started off with a detailed session on the Key note address: The affordable housing finance scenario - progress so far and responsibilities for the future. It basically dealt with the current scenario in the Housing Finance Sector followed by an informative session on the responsibilities for the future.

Friedemann Roy, Global Product Lead: Housing Finance from IFC presented an international perspective on opportunities in housing: as regards property markets, recovery is underway, but the differences between developed economies and emerging markets are widening. The speaker threw light on opportunities and challenges in the Indian housing and housing finance sector Population is rising and urbanization is increasing, and outlook for investments in residential real estate markets in emerging markets is promising.

Mr. Christian König, Head of Legal Association, LL.M. Attorney, IUHF gave us a brief idea on the international market with regards to Housing Finance Sector. This session gave emphasis to the International scenario, particularly European scenario on affordable housing finance; impact of the subprime crisis on affordable housing finance; how are European players tackling affordable housing finance issue.

Session 2: Regulatory overview

Lalit Kumar, General Manager / CEO credit risk guarantee fund trust for low incomes housing, National Housing Bank deliberated on the housing scenario in India, in particular the housing shortage and housing finance issues in EWS/LIG segment. The speaker discussed the significance of affordable housing for the stakeholders (especially the Government, financial institutions and the real estate developers); various financial sector and real sector issues in affordable housing finance; and observed that the major challenge is to evolve supportive environment for affordable housing and affordable housing finance. Lalit Kumar also discussed the role of NHB in controlling increasing interest rates and promoting affordability.

Mr. Harshil R Mehta, the CEO of Aadhar Housing Finance Pvt Ltd. , besides the role of key stakeholders in the affordable housing segment also talked about the key concerns of these stakeholders. The speaker also drew attention of the audience towards the proposed reforms in the segment.

Mr. Rohit Mishra, the MD of Vishwakriya Housing Finance laid focus on the current challenges faced by the HFCs; as remarked by the speaker, debt funding is probably the greatest limitation for smaller HFCs, till a certain scale is reached, and challenges in operations for small HFCs are primarily to do with the management bandwidth. Identifying the priorities for action, the speaker held access to funding, alternatives to bank funding, good policy initiatives as critical to put things in place.

Session 3: Affordable Housing and Housing Microfinance

Mr. Rajnish Dhall, the CEO/MD of Micro Housing Finance Corporation, raised concerns for problems in the housing segment, especially in the urban context. The LIG are excluded from the mainstream housing finance; as such a social need to felt to fill up the gap.

Mr. Ramesh Kumar, the CMD of Swarna Pragati Hosuing Microfinance Pvt. Ltd. talked about the existing gap in the housing segment for rural poor. The speaker emphasized on group lending mechanisms in housing finance and alternate mortgage with community endorsement.

Mr Harish Khare, the Housing Finance Analyst, IFC, discussed as to why is housing unaffordable in urban India. The speaker deliberated on housing microfinance, the potential impact of HMF, and cited several examples of HMF product; also throwing light on microfinance in the Indian context and limitations of the HMF.

Session 4: Integrating Affordable Housing Finance with Housing Construction

Mr. PS Jayakumar MD of VBHC focused more on Government policies, ground realities and the affordable housing scenario; what are the problems affecting the supply side; is affordable housing for real? Having said this it helped the armatures in the Housing finance Sector to know more about the government policies.

Mr. Nirav Dalal, the Corporate Planning Head, Tata Housing observed that one of the disadvantages that a first mover may face is huge cost associated with making the basic infrastructure to the site. Besides, there are several challenges faced by the customers relating to finance, registration, etc.

Mr. Rajiv Sajeja, the Associate Vice President of Jones Lang LaSalle, discussed urbanization, increasing housing trends throwing several challenges, residential trends in the country, income and affordability analysis, demand supply mismatch, key issues in affordable housing, approach for affordable housing and external commercial borrowings.

Day 2

Session 5: Equity and debt funding for housing finance

Mr. Bikram Sen, Director, CEO of Arthveda (a DHFL Company) traced the emergence of low cost housing and related the same to economic slowdown of 2009. The speaker observed that significant opportunities exist in low income housing for investors, developers and housing and construction finance companies.

Mr. Ashish Karamchandani, CEO of Monitor Group presented an overview of the sector, both past and present; and discussed as to why low income housing finance is different from traditional housing finance. The speaker also drew attention of the audience towards micro-mortgages, which have evolved as a needs-based market-driven approach towards financial inclusion

Mr. Conrad D'Souza, Member of Executive Management, HDFC discussed considerations and trends in resource raising, and also talked about recent developments like PSL norms, ECBs, Debt Mutual Funds, Securitisation Guidelines, etc. The speaker concluded that there is a need for diversified funding sources for the financial system to grow, there is a need to deepen the corporate debt market as well, a more liberal regime on ECBs will also help, and so on.

Mr Vishal Gupta, Motilal Oswal PE evaluated HFCs as an investment opportunity and held such to be appealing enough and talked about PE investment in HFC. Scalability, stress on spreads is key challenges as observed by the speaker.

Session 6: Refinancing for Affordable Housing Finance Business

Mr. Sachin Khandelwal, CEO designate, Magma Housing pointed out the growth drivers for Indian Housing. The speaker presented perspectives on mass housing and laid down various dilemmas faced by the financiers and solutions to the same.

Ms. Mona Kachhwaha, Director (Investment), Caspian put forward the perspectives of an equity investor in respect of affordable housing finance. The speaker advocated specialized HFCs for affordable housing segment, and pointed out several success factors for such HFCs.

Mr. Vineet Sukumar, Senior Partner & Chief Financial Officer, IFMR discussed industry growth prospects, current status of financing for HFCs, key challenges, financing structures, challenges and way forward.

Session 7: Securitisation & Covered Bonds: contribution to affordable Housing Segment

Mr V S Rangan, ED, HDFC viewed that there is a need for long term affordable funding sources and smaller institutions face challenges with refinance. A need is also felt for diversification in sources of funding and mortgage-backed securitisation can effectively bridge the gap.

Mr. Nagarajan Narasimhan, Senior Director- Ratings, CRISIL deliberated on affordable housing finance and securitisation potential. The speaker focused on opportunities in the affordable housing finance market; characteristics and key challenges in the affordable housing finance. The speaker also drew a comparative picture of affordable housing finance and microfinance.

Mr. Vinod Kothari, CEO of VKCPL evaluated the possibility of covered bonds as a new option to help HFCs, and also as an alternative to securitisation. The speaker also threw light on the key recommendations put forward by the Working Group constituted by NHB for promoting RMBS and other capital market instruments.

Session 8: Innovative solutions for Affordable Housing Finance

Mr. V Satyanarayanan, Founder and CEO, Aarusha Homes Pvt. Ltd. evaluated rental housing as a solution to affordable housing. The speaker discussed the need for rental housing, its forms, the suppliers thereof, etc. and presented the international experience on the same. The speaker also came up with several suggestions on rental housing.

Mr. Syed Imtiaz Ahmed, the AVP, Axis Bank talked about the role of bankers in the affordable housing finance segment, and challenges that the bankers face in extending small loans.

Mr. Sanjay Chaturvedi, Founder and CEO, Shubham Housing Development Finance Corporation explored the potential of housing finance in India, and also pointed out the demand-supply mismatch in the segment.

KEY ISSUES DISCUSSED AND KEY TAKEAWAYS FROM THE SUMMIT

KEY ISSUES

The key issue that surfaced during the summit was that there are several legal and regulatory bottlenecks in promoting entities catering to this segment. There are concerns on standardization of the product offered to the segment and issues on scalability as well. The definition of “*affordable*” housing has adapted interpretations and the real need to percolate to the financially excluded yet able to maintain commercial feasibility is the challenges before the segment. While the Summit witnessed some very innovative product offerings yet it is too early to be able to take a view on the sustainability of the products as well.

WAY FORWARD

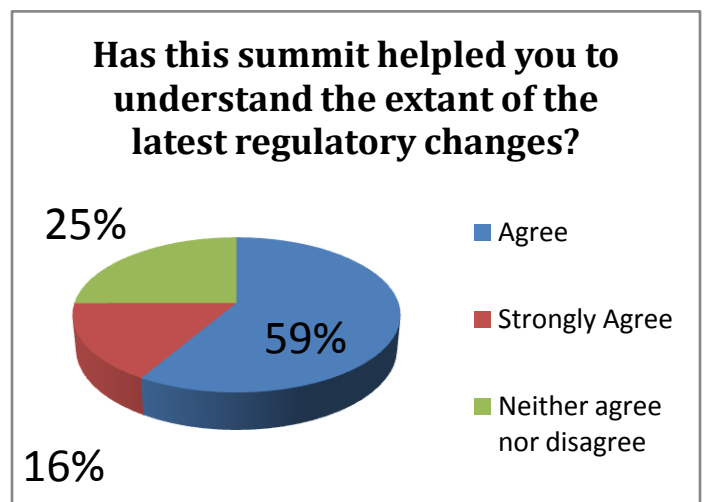
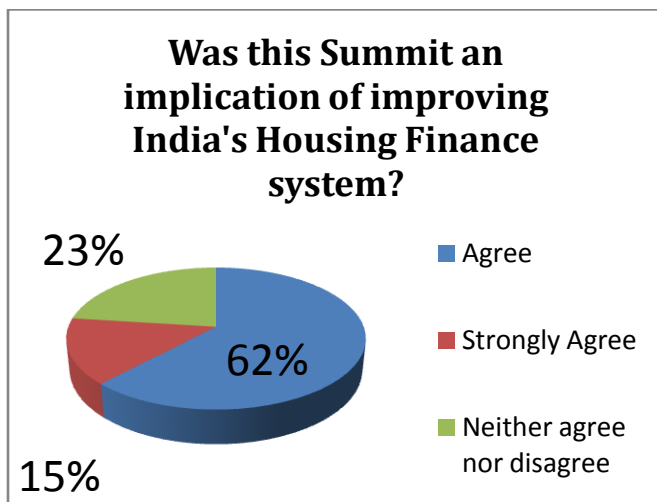
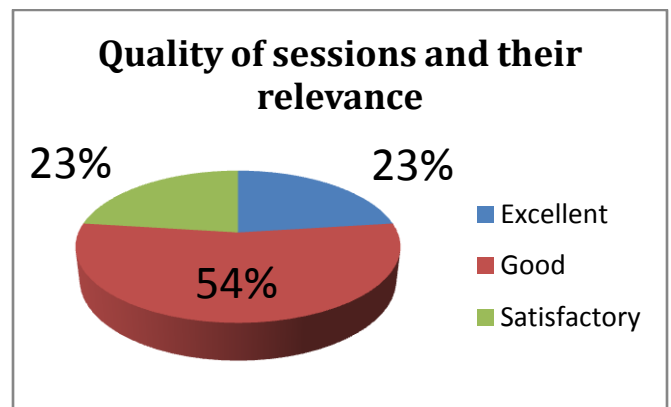
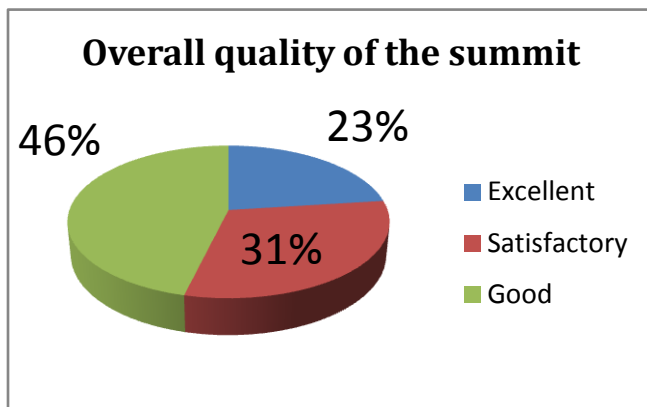
There was much for the regulators to take-away from the Summit as entities catering to this segment voiced their concerns. The smaller entities learned from the bigger players’ experiences and the ones intending to pierce the market saw the markets current dilemma. However, the mood of the industry was positive and it seemed that the way forward is certainly something to look forward to.

Annexure 1

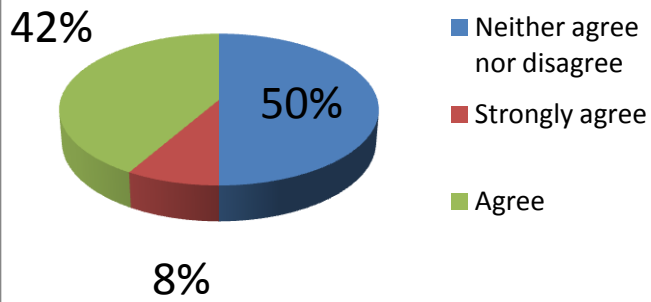
Feedback of the Summit

The entire process of organization of an event and conducting it is a true challenge for the organizers and the feedback of the attendees is a mark of performance of the organizers at the event and how the event was perceived in the totality. At the Affordable Housing Finance Summit, 2013 held in Mumbai on 22-23 January, 2013 we requested the attendees to evaluate the Summit on various parameters which included quality of Summit, relevance of the coverage at the Summit, relevance of the Summit to the industry etc.

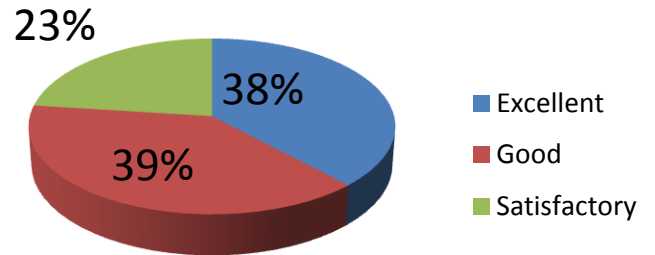
Below we present the views of the attendees based on the several parameters.



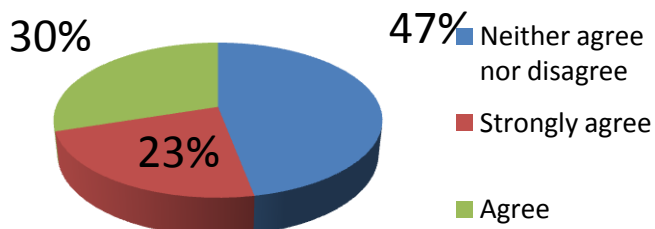
Was this summit able to explore various initiatives taken by the government?



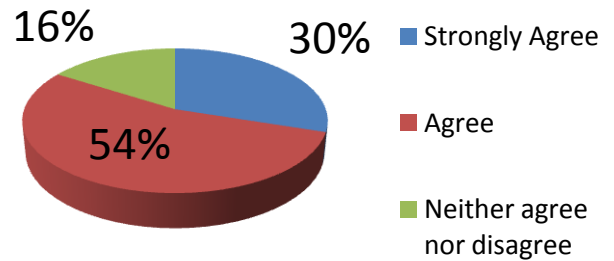
Your rating of the speakers?



Did the summit encouraged the promoting of housing finance?



Was this summit relevant enough to provide knowledge on housing finance?



Annexure 2

Agenda for the Summit

Session & Timings	Session Name	Name of the Speaker
9:00 am - 9:30 am	<i>Registration & Reception</i>	
Day 1, 22nd January, 2013		
9:30 am - 9:40 am	Opening Ceremonies	
	Welcome Address: Ms. Nidhi Bothra, EVP VKCPL (Grand Salon Ballroom)	
Session 1	Overview of Affordable Housing Finance Market India and Globally	
9:40 am - 10:00 am	Key note address: The affordable housing finance scenario - progress so far and responsibilities for the future.	Mr. Arnab Roy Executive Director, National Housing Bank
10:00 am - 10:20 am	International experience on affordable housing finance; IFC experience in some of the countries; relevance of government efforts in affordable housing finance.	Dr. Friedman Roy Global Product Lead: Housing Finance, International Finance Corporation
10:20 am - 10:40 am	International scenario, particularly European scenario on affordable housing finance; impact of the subprime crisis on affordable housing finance; how are European players tackling affordable housing finance issue.	Mr. Christian König Head of Legal Association, LL.M. Attorney, IUHF
10:40 am - 10:50 am	Lead sponsor's observations	Mr. Sachin Khandelwal CEO designate, Magma Housing
10:50 am - 11:10 am	Floor Participation	
11:10 am - 11:30 am	Tea/ Coffee break	
Session 2	Regulatory overview	
11:30 am - 11:40 am	MHUPA policies in affordable housing and affordable housing finance; recent regulatory initiatives.	
11:40 am - 12:00	NHB's role in affordable housing; various NHB	Mr. Lalit Kumar General Manager, NHB

pm	schemes; performance of affordable housing finance from the viewpoint of regulator.	
12:00 am - 12:20 pm	Role of Regulation in shaping up Affordable Housing and Affordable Housing Finance in India.	Mr. Harshil R Mehta CEO, Aadhar Housing Finance
12:20 pm - 12:40 pm	Regulatory interventions on affordable housing finance from the viewpoint of a user; what is it in the existing regulatory environment that needs re-focus; suggestions from viewpoint of a practitioner.	Mr. Rohit Mishra MD, Vishwakriya Housing Finance
12.40 pm - 1:10 pm	Floor Participation	
1:10 pm - 2:00 pm	Lunch	
Session 3	Affordable Housing and Housing Microfinance	
	Panel discussion on affordable housing finance and housing microfinance - Panelists	
2:00 pm - 2:20 pm	Affordable Housing finance, housing microfinance, micro-mortgages, practical issues on implementation and regulatory issues in India.	Mr. Rajnish Dhall CEO/ MD MHFC
2:20 pm - 2:40 pm	Tax issues and regulatory issues in affordable housing.	Mr. Jayesh Kariya Partner – Global International Corporate Tax KPMG
2:40 pm - 3:00 pm	Housing Microfinance, case study, relevance, opportunity, growth and prospects.	Mr. Ramesh Kumar, CMD Swarna Pragati
3:00 pm - 3:20 pm	Housing Microfinance need for development of the product and relevance in India.	Harish Khare Housing Finance Analyst, IFC
3:20 pm - 3:40 pm	Floor Participation	
3:40 pm - 4:00 pm	Tea/Coffee Break	
Session 4	Integrating Affordable Housing Finance with Housing Construction	
4:00 pm - 4:20 pm	Government policies, ground realities and the affordable housing scenario; what are the problems affecting the supply side; is affordable	Mr. PS Jayakumar MD, VBHC

	housing for real?	
4:20 pm - 4:40 pm	Tata Housing experiences in affordable housing; snags faced in affordable housing; changes required in Govt. policies to promote affordable housing; is availability of finance a constraint?	Mr. Nirav Dalal Corporate Planning Head, Tata Housing
4:40 pm - 5:00 pm	Consultants' view of affordable housing scenario over the country; issues in affordable housing; are recent ECB initiatives helpful?	Mr. Rajiv Sajeja AVP, JLL
5:00 pm - 5:20 pm	Floor Participation	
5:20 pm - 5:30 pm	Conclusion of Day 1 proceedings	
<i>End of Day 1</i>		
Day 2, 23rd January, 2013		
Session 5	Equity and debt funding for housing finance	
9:30 am - 10:00 am	Are PE or alternative funds interested in housing finance companies; any success stories?	Mr. Bikram Sen Director, CEO & Mr. Lalit Kant Head Real Estate Vertical, Arthveda
10:00 am - 10:20 am	Finances of housing finance companies; how does a new company ramp up capital; equity market and entry strategies.	Mr. Ashish Karamchandani CEO, Monitor Group
10:20 am - 10:40 am	Debt funding sources for HFCs - the experiences of large HFC and lessons for smaller players; leverage policies.	Mr. Conrad D'Souza Member of Executive Management HDFC
10:40 am - 11:00 am	PE players and their views towards the housing finance sector.	Mr Vishal Gupta Motilal Oswal PE
11:00 am - 11:20 am	Floor Participation	
11:20 am - 11:40 am	Tea/Coffee Break	
Session 6	Refinancing for Affordable Housing Finance Business	
11:40 am - 12:00	Financing Challenges in Mass Housing Finance	Mr. Sachin Khandelwal CEO designate, Magma Housing

am		
12:00 pm - 12:20 pm	Perspectives of an equity investor in Affordable housing finance companies - experiences of a fund manager; investor expectations.	Ms. Mona Kachhwaha Director (Investment), Caspian
12:20 pm - 12:40 pm	Finances of Housing finance companies - trends, net interest margins and profitability.	Mr. Vineet Sukumar Senior Partner & Chief Financial Officer, IFMR
12:40 pm - 1:00 pm	Floor Participation	
1:00 pm - 2:00 pm	Lunch	
Session 7	Securitisation & Covered Bonds: contribution to affordable Housing Segment	
2:00 pm - 2:20 pm	Mortgage backed securities - will the market pick up under the new RBI guidelines?	Mr V S Rangan ED, HDFC
2:20 pm - 2:40 pm	Direct assignments of housing finance portfolios.	Mr. Nagarajan Narasimhan Senior Director- Ratings, CRISIL
2:40 pm - 3:00 pm	Covered bonds - will this new option help housing finance companies?	Mr. Vinod Kothari CEO, VKCPL
3:00 pm - 3:30 pm	Floor Participation	
3:30 pm - 4:00 pm	Tea/Coffee Break	
Session 8	Innovative solutions for Affordable Housing Finance	
4:00 pm - 4:20 pm	Rental housing - is there where the solution to affordable housing lie?	Mr. V Satyanarayanan CEO, Aarusha Homes
4:20 pm - 4:40 pm	Affordable Housing finance and the role of bankers - the Axis Bank experiences.	Mr. Syed Imtiaz Ahmed AVP, Axis Bank
4:40 pm - 5:00 pm	Case studies: How Shubham has provided financial inclusion to the underserved segment, market dynamics of this segment & our learnings.	Mr. Sanjay Chaturvedi CEO, Shubham Housing Development Finance Corporation
5:00 pm - 5:20 pm	Floor Participation	
5:20 pm - 5:30 pm	Vote of Thanks	

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