



MONITOR GROUP

2009

AMSTERDAM
BEIJING
CAMBRIDGE
CHICAGO
EMERYVILLE
FRANKFURT
HONG KONG
JOHANNESBURG
LONDON
LOS ANGELES
MADRID
MANILA
MILAN
MOSCOW
MUMBAI
MUNICH
NEW YORK
PALO ALTO
PARIS
SAN FRANCISCO
SÃO PAULO
SEOUL
SHANGHAI
SINGAPORE
STOCKHOLM
TOKYO
TORONTO
ZURICH

Market Based Experiences in Low Income Housing **India**

May 28, 2009

Copyright © 2009 by Monitor Company Group, L.P.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of Monitor Company Group, L.P.

This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

Low Income Housing in India

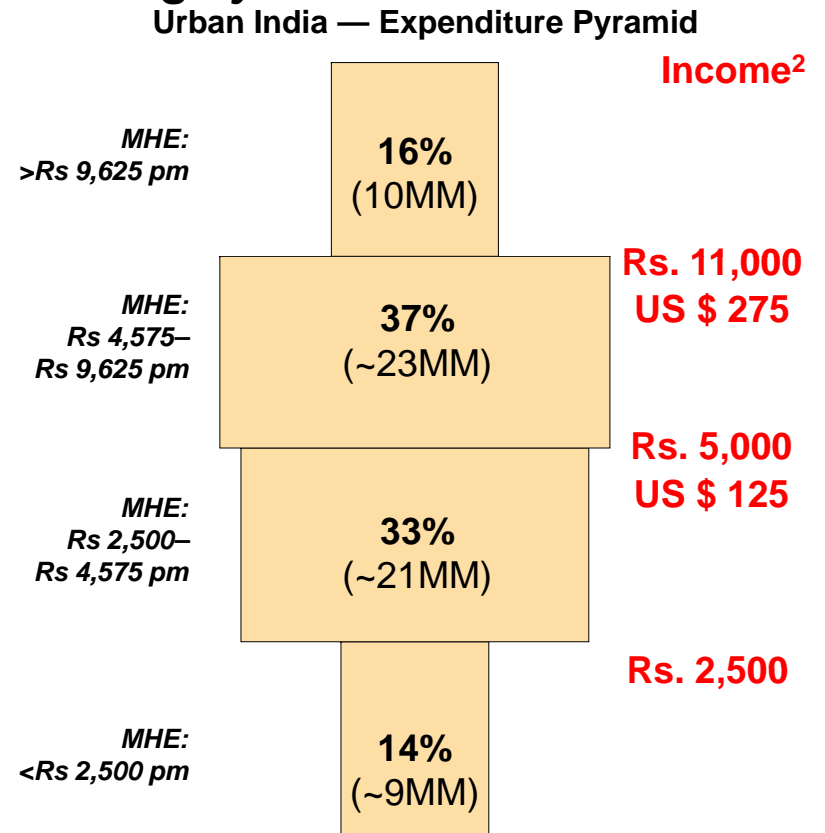
Current Housing Finance and Construction Activity

Vibrant housing market in urban India; housing finance has grown at **over 36% CAGR** for the past 13 years. However, this activity is concentrated on the upper income groups — **the low income segments are largely un-served**

Typical Low-end housing available in urban markets

- Area of city²: Within **an hour** from the city centre
 - Close to primary, secondary schools, healthcare centre and market place
 - Well connected to city by bus/train linkages
- Typical complex would comprise **3 to 5 buildings with 4 to 8 flats/ floor and 4 floors**
 - Regular water and electricity
 - No lifts and single set of staircases
 - Complex would be fenced by a compound wall with shared open spaces including garden and access to play area for kids
- Each flat has a super built up area of **450-550 sq.ft.**
 - 1 BHK with an attached toilet and bathroom
 - Well painted walls and good interiors
 - Rs 400-500 per month as maintenance charges

Cost : Rs 450,000 to 500,000



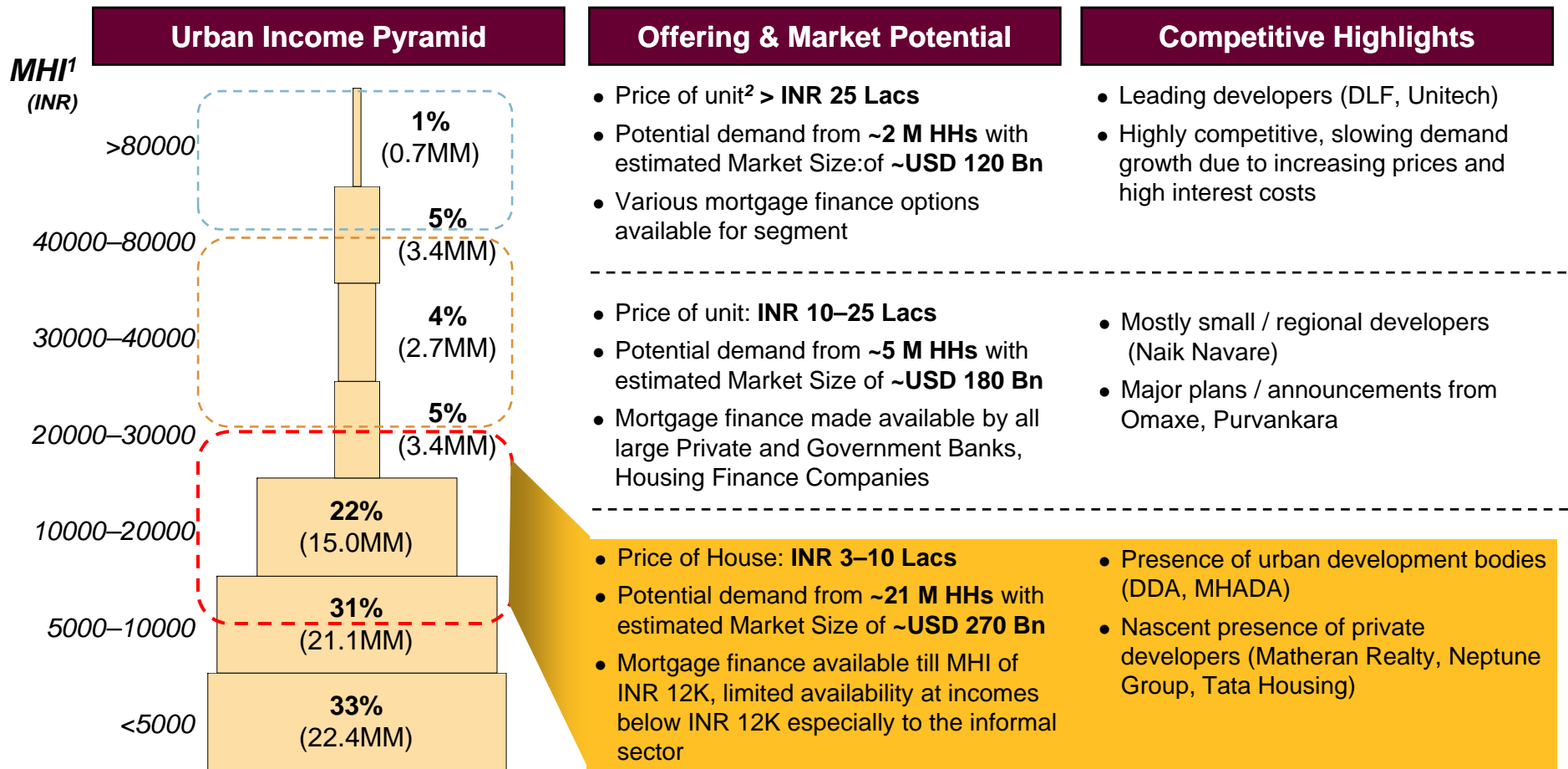
Property rates across various cities suggest that it should be commercially viable to build affordable housing in the suburbs for low income customers in urban India

Low Income Housing in India

Magnitude of Demand

The low-income housing segment in India, catering to households with monthly income of INR 7,000 – 24,000, is estimated at 21 Mn households and USD 270 Bn is largely underserved and uncontested

Low-income segment



Note: ¹ Monthly Household Income; ² Affordability defined as households which have EMI / MHI Ratio of 40% of a Home loan which has a 20% down payment on an Home value, EMI level of INR 1,200 per Lac (at 12% interest for a 15 year loan)

Source: NHB Trends in Housing; CRIS Infac Report; Monitor Research

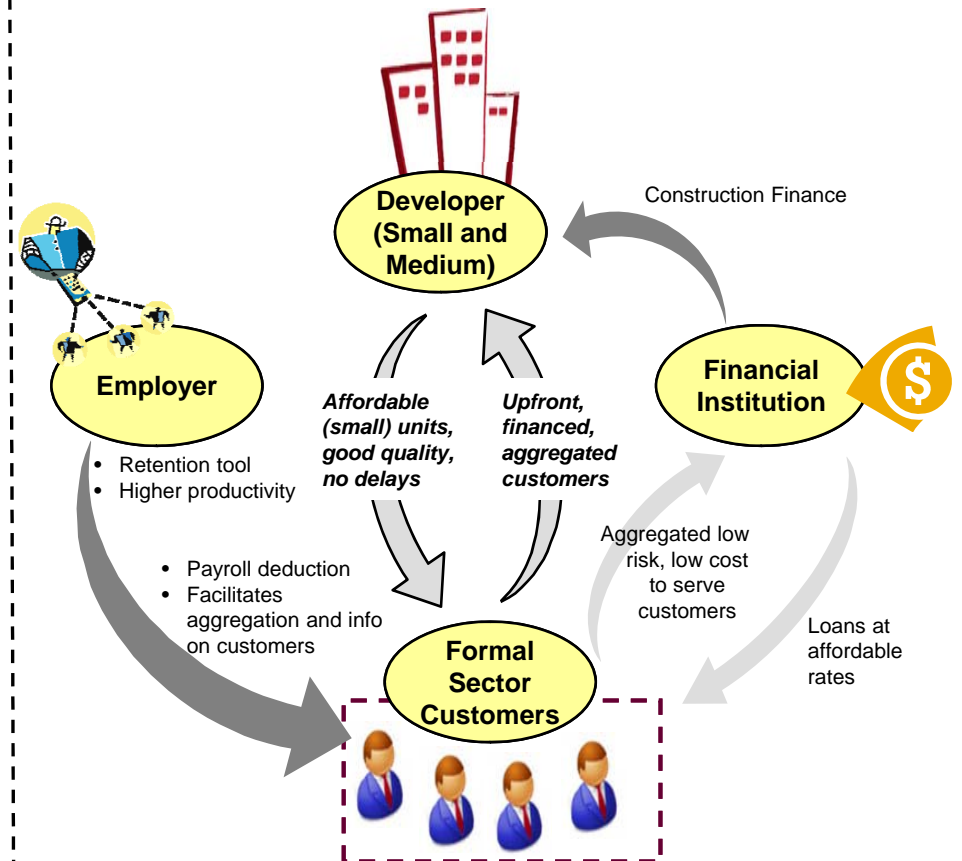
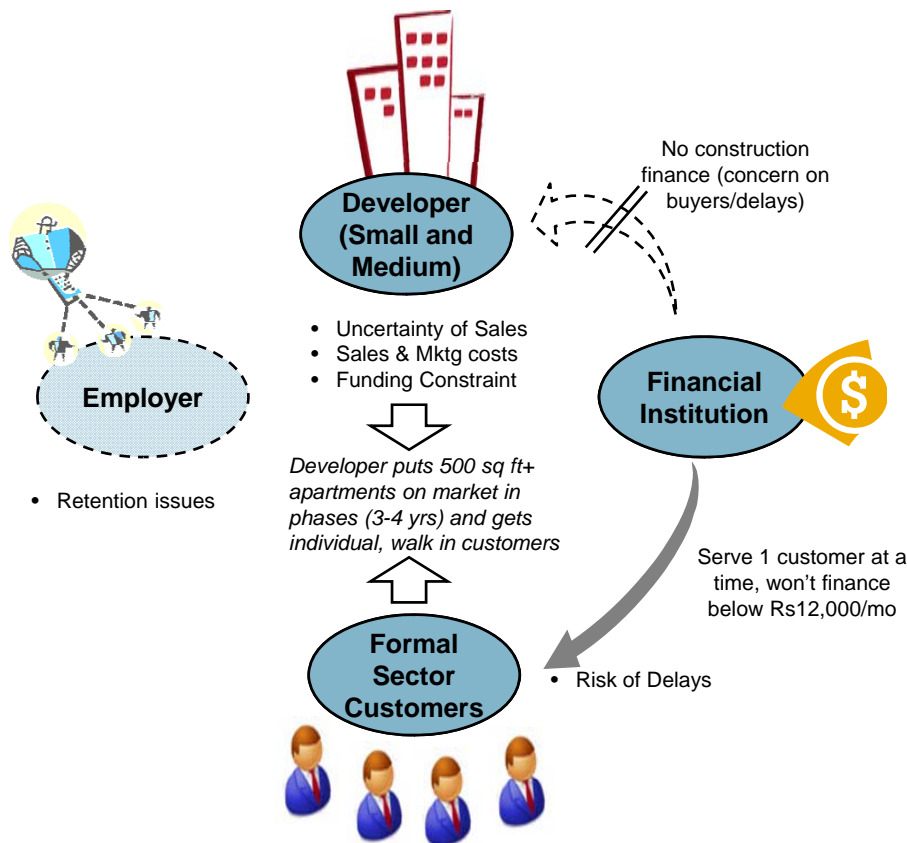
Financing models

Organized Salaried Sector

The new product for those employed in formal sector settings required several reconfigurations of existing products and practices, with a direct link to customer employers

Current bottom of the market (12-20k)

Alternative Model – serves 6k-12k market



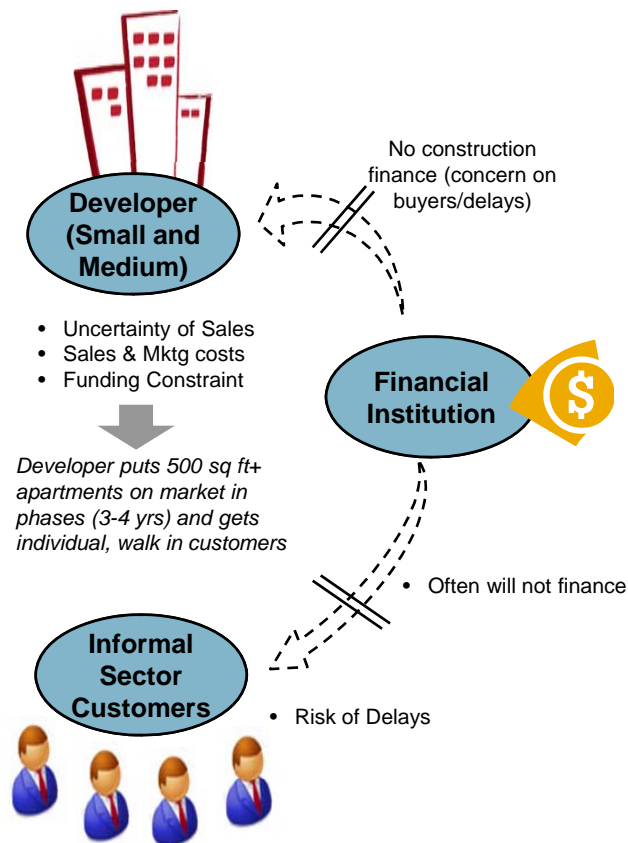
Opportunity to set standards:
Architectural Design, Maintenance, Consumer Education

Financing models

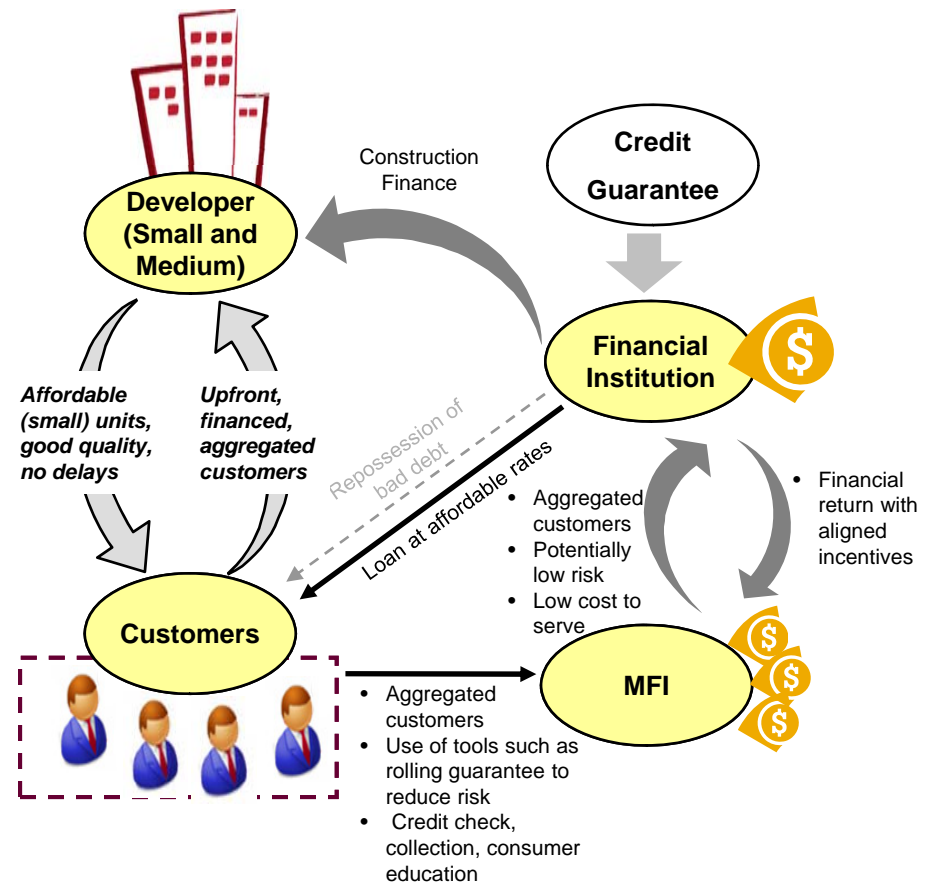
Informal Sector using MFIs

The new product for those employed in informal sector settings may require the introduction of MFIs as an aggregator and potentially a credit guarantor to reduce financing risk

Current bottom of the market (12-20k)

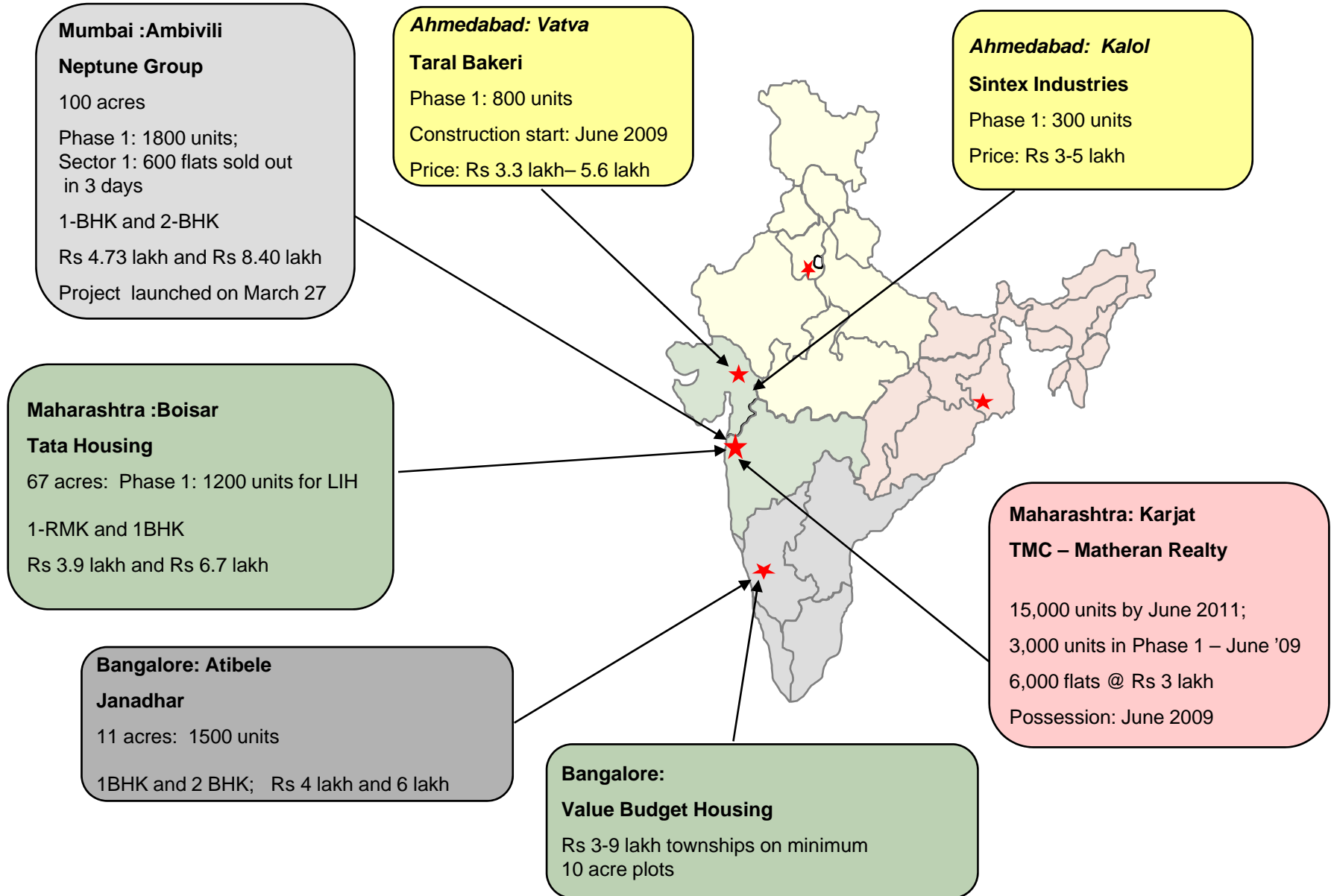


Alternative Model – serves 6k-12k market



Market demonstration of Demand

Private sector projects across India



Low Income Housing as a Driver for Economic Growth

“This segment is not sub-prime” – India v/s the USA

USA

- Customers had poor employment record – loans extended without due consideration to ability to pay (basis employment history)
- Cost of asset disproportionately high compared to replacement cost; this is attributed to the real estate asset bubble in the US – hence high risk of payment default

• *Outcome: Sub-prime Defaults and Foreclosures*

India

- Target customers have regular employment, albeit with low income – with an unproven credit record which needs to be tested
- In the low income segment, cost of asset closely linked to cost of land (esp. in peri-urban areas) leading to high correlation between cost of asset and replacement cost; and hence ***low risk of payment default***

• *Outcome: Untested, relatively low-risk segment with immense business potential*