Mauritius Housing Company Ltd

Re: Management Discussion and Analysis – FS 30th September 2024

Directors are pleased to submit this discussion paper and the Financial Statements (FS and MDA papers) for the 3 months ended 30 September 2024, as per annexes attached: -

- Statement of Financial Position - Annex 1
- Capital Adequacy Ratio Return - Annex 2

This Financial report has been prepared in accordance with the Bank of Mauritius Guidelines on Public Disclosure of Information, IAS 34 – Interim Financial Reporting and based on the accounting policies as adopted in the Financial Statements for the financial year ended 30 June 2024.

1) STATEMENT OF FINANCIAL POSITION

1.1 ASSETS

Total assets increased by 5.3% from Rs 13.13bn as at June 2024 to Rs 13.8bn as at September 2024. This increase is mainly due to increase in liquid deposit and housing loans.

The items constituting the Company's assets have evolved as follows:

1.1.1 Liquid Assets

As at September 2024, cash available and treasury deposits amounted to Rs 1,978.1m as compared to Rs 1,652.7m as at June 2024. This was mainly due to increase in deposits.

1.1.2 Loans to Customers

For the 3 months to 30 September 2024, our net increase in our gross loan portfolio was 3.2% that is from Rs 11,266.7m as at June 2024 to Rs 11,627.0m. Loans approved the same period to September 2024 stood at Rs742.9 m.

1.1.3 Intangible Assets

Intangible assets decreased by 6.6% from Rs 96.9m as at June 2024 to Rs 90.6m as at September 2024, as a result of the amortisation which has been expensed out.

1.2 LIABILITIES

Liabilities increased by 6.1% from Rs 9,522m in June 2024 to Rs 10,187m in September 2024 which is mainly due to increase in HDC and PEL savings.

1.2.1 Plan Epargne Logement (PEL) and JPS

PEL and JPS increased from Rs 2,169m as at June 2024 to Rs 2,255m as at September 2023 mainly due to increase in the number of new accounts.

1.2.2 Housing Deposit Certificate (HDC)

The HDC Portfolio increased by 9.2% from Rs 6,063m as at June 2024 to Rs 6,624m as at September 2024. This is explained by the fact that MHC is offering an attractive rate of return for some products.

1.2.3 Borrowings

Long term borrowings decreased by 3.0% from Rs 499.5m as at June 2024 to Rs 484.3m as at September 2024 due to repayment of capital.

1.2.4 Other Liabilities

Other Liabilities increased by 22.2% from Rs 148.1m as at June 2024 to Rs 181.0m as at September 2024. This item mainly represents accruals on accounts for proposed dividend and other provision made; amount payable for subsidiary and amount received for loan repayment but not credit to loan portfolio at quarter ended.

1.3 <u>EQUITY</u>

Total equity increased from Rs 3,479.3m as at June 2024 to Rs 3,530m as at September 2024 due to profits realised during the period.

1.4 <u>APPLICATION OF THE GUIDELINE ON CLASSIFICATION, PROVISIONING AND WRITE OFF CREDIT EXPOSURES</u>

The revised guideline on classification provisioning and write off credit exposures effective 30 September 2024 was applied and the impact is as detailed below:

As per BOM Guidelines			As per IFRS 9	Additional provision
Stage	Classification	Provision	Provision	
		Rs	Rs	Rs
1	STANDARD	101,647,569	71,914,691	29,732,878
2	SMA2	935,526	8,161,925	Nil
3	SUB_STANDARD	-	572,871,473	42,205,945
3	DOUBTFUL	-		
3	LOSS (< 4 years)	86,814,861		
3	LOSS (> 4 Years)	528,262,556		
		717,660,513	**652,948,089**	**71,938,823**

Apart from the application of IFRS 9, an additional provision of Rs 71.9m has been provided to comply with the revised guideline. Details as follows:

i. Rs 29.7m for standard asset over and above that has been provided under IRFS 9 and;
ii. Rs 42.2m for non-performing assets.
iii. Provisioning for sub-standard and doubtful exposure is nil since provision since the collateral value covers the capital balance.

Subsequently, as required an appropriation of profit to separate reserves for performing and non-performing have been created to cater for the prudential provision on the total loan portfolio.

2) STATEMENT OF PROFIT & LOSS

2.1 <u>Income</u>

2.1.1 Interest Income

Interest income stood at Rs 214.4m as compared to Rs 198.3m as at September 2023. This represents an increase of 8.2%. The increase in interest Income is explained by the impact of the increase in interest rate, return on investment, increase in loan disbursement.

2.1.2 Other Income

Other income stood at Rs 30.8m for period ended September 2024 as compared to Rs 29.7 m for period ended September 2023. An increase in other income mainly due to increase in fees from loan business.

2.2 Expenses

2.2.1 Interest Expenses

Interest expense stood at Rs 96.9m for period ended September 2024 compared to Rs 96.0m for period ended September 2023. This increase of 0.9% is attributed to an increase in interest payment for deposits.

2.2.2 Non-Interest Expenses

Non-Interest Expenses increased by 0.9%. Rs 83.2m for period ended September 2024 compared to Rs 82.4m (September 2023). The rise in expenses is mainly due to rise in professional and others.

2.3 Operating Profit

Operating profit for the period under review stood at Rs 65.2m compared to Rs 49.4m for the corresponding period representing an increase of 32%. This increase is mainly attributable in increase in Interest Income and fees.

2.4 Net Profit

Net profit for the period under review after provisioning, and other exceptional items stood at Rs 64.4m compared Rs 45.4m for the corresponding period representing an increase of 41.8%.

3) FINANCIAL INDICATORS

3.1 Cost to Income Ratio

The cost to income ratio at September 2024 stood at 73.6%

3.2 Earnings per share

The earning per share for the quarter stood at Rs 3.22

3.3 Gearing Ratio

The Gearing ratio at September 2024 stood at 1.80% against 1.62% as at June 2024

3.4 Return on Capital Employed

The Return on Capital Employed at September2024 stood at 0.65%.

3.5 NPA Ratio

The NPA ratio as at September 2024 stood at 11.7%, while it was 13.3% in June 2024.

3.6 Capital Adequacy Ratio

The capital adequacy ratio as at September 2024 was comfortably above the regulatory limit and stood at 33.6% as compared 35% as at June 2024.

4) OUTLOOK

The accounts give a stable financial position with ample liquidity in the form of treasury deposits. Expansion in the main loan portfolio indicates growth potentials but sustained performance will also depend on the overall economic environment, especially interest rates, property market trends. Continued focus on improving liquidity and maintaining asset quality will be in the forefront of our objectives. Hence, we are further looking for an expansion in the business. With the recent fall in the Repo rate, we expect an increase in the demand for home loans. Apart, we are also looking forward to complete the construction of the 44 apartments at residence Clos Verger. We will therefore, pursue our growth strategies by enhancing on our human capabilities, technology environment and continue to tap new market segments.

Approved by the Board on 14th November, 2024.

---------------------- **Chairman**

---------------------------- **Director**

---------------------------- **Director**

14th .... November, 2024