Mauritius Housing Company Ltd

November 14, 2022

Re: Management Discussion and Analysis – FS 30th September 2022

Management is pleased to submit to the Board, the Financial Statements (FS and MDA papers) for the 3 months ended 30th September 2022 (as per annexes). 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 2022.

With the sanitary measures taken and slowing down of the pandemic and gradual removal of sanitary restrictions there is hope ahead of sign of recovery and the expected GDP growth for the next fiscal year is expected to be around 7% and normal activities in all sectors are expected to resume The moratorium granted to those affected by the pandemic which maintained up to June 2022 has not been extended.

The challenge, at this stage, remains the response to the economic and financial impact of the Covid-19 pandemic with inflationary pressures looming. In order to curtail excess liquidity and boost up the economy the Central bank has reviewed upward the Repo Rate by 2.15 basis points since March 2022. Our efforts were geared towards meeting our set target while safeguarding of the company's assets and meeting our obligations towards our customers as well as our creditors and remain profitable. In spite of the difficult economic conditions and the cut throat competition, we have managed to forge our way. Loans approved stood at Rs 469m whilst deposits received were for the sum of Rs 287m for this quarter.

1 STATEMENT OF FINANCIAL POSITION

1.1 ASSETS

Total assets decreased by 1.4% from Rs 11,870.9m as at June 2022 to Rs 11,709m as at September 2022. This decrease is mainly due to the decrease in Housing Deposits which impacted adversely on cash in hand and at bank as well as placement in fixed deposits.

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

1.1.1 Liquid Assets

As at September 2022, cash available and treasury deposits amounted to Rs 1,430.5m as compared to Rs 1,748.3m as at June 2022. The massive decrease was the result of huge impact of premature closure and non-renewal of Housing Deposit reaching maturity consequent to the attractive rate of interest offered in Treasury Bonds which we could not match.

1.1.2 Loans to Customers

For the 3 months to 30 September 2022, our gross loan portfolio increased by 1.7% from Rs 9,895.5m as at June 2022 to Rs 10,060.7m as at September 2022. Loans approved for the three months to September 2022 stood at Rs 469m.

1.1.3 Intangible Assets

Intangible assets decreased by 1.13% from Rs 132.3m as at June 2022 to Rs 130.8m as at September 2022 as a result of the amortisation which has been expensed out.

LIABILITIES
Liabilities decreased by 2.2% from Rs 8,275.3m in June 2022 to Rs 8,092.3m in September 2022 which is mainly due to the decrease in deposits and savings.

1.2.1 Plan Epargne Logement (PEL) and JPS
PEL and JPS decreased slightly from Rs 1,944.2m as at June 2022 to Rs 1,931.3m as at September 2022 mainly due to increase in withdrawals and closures.

1.2.2 Housing Deposit Certificate (HDC)
The HDC Portfolio decreased by 2.7% from Rs 5,505.9m as at June 2022 to Rs 5,358.8m as at September 2022 due to reasons explained at 1.1.1 above. Based on this we have reviewed the interest rate of one of our deposit products in order to minimise the impact. In spite of the adverse conditions, new deposits to the tune of Rs 287m were raised.

1.2.3 Borrowings
Long term borrowings decreased by 8.67% from Rs 324.7m as at June 2022 to Rs 296.6m as at September 2022 as part of the normal capital repayment during the period. No new loans were contracted during the period under review.

1.2.3 Other Liabilities
Other Liabilities increased by 6.3% from Rs 81.2m as at June 2022 to Rs 86.4m as at September 2021 mainly due to increase of accruals.

1.3 EQUITY
Total equity increased from Rs 3,471.6m as at June 2022 to Rs 3,492.6m as at September 2022 due to profits realised during the quarter.

2 STATEMENT OF PROFIT & LOSS

2.1 Income

2.1.1 Interest Income
Interest income stood at Rs 114.9m as compared to Rs 89.9m as at September 2021. This represents an increase of 27.81%. The increase in Interest Income can be explained by the impact of the increase in the repo rate and return on investment.

2.1.2 Other Income
Other income stood at Rs 28.16m for the quarter ended September 2022 as compared to Rs 30.36m for the quarter ended September 2021. This is due to decrease in related income of our main business namely insurance premium.

2.2 Expenses

2.2.1 Interest Expenses
Interest expense stood at Rs 39.8m for the quarter ended September 2022 compared to Rs 35.5m for the quarter ended September 2021. This increase of 12.5% can be attributed to an increase in repo rate which impacted as well as interest provision on Liabilities namely Housing deposits.

2.2.2 Non-Interest Expenses
Non-Interest Expenses decreased by 1.93% from Rs 74.6m for the quarter September 2021 to Rs73.1m. This decrease can be explained by a decrease of 12.8% in Personnel expenses which was on the high side as a result of the payment of Productivity Bonus in August 2021. Other expenses went up by 13.77%. as a result of the increase in software expenses, advertising and postages.

2.3 **Operating Profit**

Operating profit for the period under review stood at Rs 30.1m compared to Rs 10.2m for the corresponding period representing an increase of 195.1%.

2.4 **Net Profit**

Net profit for the period under review stood at Rs 20.99m compared Rs 7.2m for the corresponding period representing an increase of 191.53%. Provision for Net impairment loss on Financial Assets stood at Rs 9.1m.

3 FINANCIAL INDICATORS

3.1 Cost to Income Ratio

The cost to income ratio at September 2022 was 79% against 91.5% % as at September 2021. Note that for June 2022, this ratio stood at 88.9%

3.2 Current Ratio

The current ratio at September 2022 stood at 1.07% against 1.4% as at June 2022

3.3 Gearing Ratio

The Gearing ratio at September 2022 stood at 1.63% against 1.65% as at June 2022

3.4 Return on Capital Employed

The Return on Capital Employed at September 2022 stood at 0.6% against 0.21 % as at September 2021.

3.5 NPA Ratio

The NPA ratio as at September 2022 stood at 13.59%, while it was 13.6% in June 2022.

3.6 Capital Adequacy Ratio

The capital adequacy ratio as at September 2022 was comfortably above the regulatory limit and stood at 37.6% as compared 37% as at June 2022.

4 OUTLOOK

The challenge for our company is to remain at the forefront of the housing sector while being profitable with the increase in Repo Rate by 2.15% as from March 2022, We will have to fight against the cut throat competition on both sides namely for the raising of funds and the granting of credit facilities as Financial Institutions were granting loans with a teaser rate as low as 2.15% for the first year whilst on the other side return on Deposit was as high as 4.25% leaving a very thin margin for manoeuvre but we will fight for our survival and make our presence felt.

While adopting a cautious approach we will strive to maintain our share of the market and achieve the objectives set, our main objective will be to boost our revenue, generate sufficient funds to carry operations, whilst ensuring effective management of cost and also to ensure assets quality.

Our focus will be to complete the disposal of the remaining housing units at Le Hochet and we shall pursue estate development with the launching of the Clos Verger project where we have started the procurement procedures. Another area where our focus will be on reducing our NPA and accelerate the recovery of arrears following the implementation of new policies approved. We will introduce new products for housing loans namely Green Loans and will come up with a new saving scheme (PEL Smart) as well as for Deposit (Unit Link) which will enable us to raise funds cheaply and improve our profit margin.

We will continue with our marketing campaign for loans, savings and deposit products with the objective to meet the target set for the next 3 months up to December 2022. We will pursue our efforts to introduce mobile banking which will enable us increase our customer base. In a joint venture with the RRA, we will proceed with the construction of 20 housing units in Rodrigues and the first phase of the project will be the construction of 6 units in Mourouk where we have just finalised the legal issues. Being the right arm of Government in Social Housing, we will assist and partner with other financial instructions in the setting up of the proper financial set up and infrastructure in the construction of 12,000 housing units for the low and medium income group.

Approved by the Board on 14th November 2022.

Chairman	Director	Director