Innovations in Financing Affordable Housing

Rajesh Krishnan
Founder and CEO, Brick Eagle

Conference: Constructing and Financing Affordable Housing Across Asia, Kuala Lumpur, April 2019
Current Housing shortage in India estimated at ~20 million homes, with annual demand ~5 million homes

One out of 2 persons in Mumbai is a slum-dweller
One out of 3 persons of Kolkata is a slum-dweller
One out of 4 persons of Chennai is a slum-dweller
One out of 5 persons of New Delhi is a slum-dweller

*Source: KPMG – Bridging the Urban Housing Shortage in India*
Affordable Housing Supply has been subdued due to a gap between capital and execution capability.
Brick Eagle has been incubating Developers and Service Providers in the Affordable Housing Value Chain
India needs housing worth $100 billion p.a.

Large (~5 acre) Project Revenue $10 million/project

Funding Affordable Housing

Affordable Housing is a fragmented market and needs SME approach to catalyze development

5 million homes/year

$20,000 per home

Large project ~500 homes

Customer Advances

Working capital

Pre-launch expenses

Land

India needs $20-40 bn of project finance each year to achieve ‘Housing for All’

Funding requirement for a typical project is $0.5-4.0 mn
# Indohab Finance

**A Fin-tech platform to catalyze 1000s of Local Developers across the country**

<table>
<thead>
<tr>
<th>Lead Origination</th>
<th>Credit Scoring</th>
<th>Due Diligence</th>
<th>Asset Management</th>
<th>Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRADITIONAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branch Offices and DSAs</td>
<td>Credit Scoring Bureau</td>
<td>Time &amp; Man hour consuming</td>
<td>Periodic construction &amp; financial audit</td>
<td>Manual instruction to escrow account</td>
</tr>
<tr>
<td>INDOHAB FINANCE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Portal</td>
<td>Alternate Credit Score + Credit Scoring Bureau</td>
<td>Service Providers APIs</td>
<td>Real Time Auditing with Invoice Financing Virtual Monitoring AI Construction Tool</td>
<td>Automated adaptive instruction to escrow account</td>
</tr>
</tbody>
</table>

- **Reach**
- **Risk Mitigation**
- **Time & Cost**
- **Efficiency**
- **Control**
Dharavi Redevelopment project shall be one of the largest human resettlement projects in the world.
SecLink Consortium has worked with the Government to address risks and make the project investible

✓ Local Issues
✓ Dispute Redressal Mechanism
✓ Livelihood Concerns
✓ Approvals
✓ Site Constraints
✓ Tax Concessions
PPP Model

The Maharashtra Government shall be an equity partner and help address local barriers.

- **Development Partners**: 20% equity
- **Dharavi SPV**: 80% equity*
- **Affordable Housing Partner**: SecLink is the highest bidder in RFP. Letter of Award awaited from Government

*~600 acres of land*
The Starting Trouble

The traditional approach of moving residents to transit camps is a non-starter for a project this scale.
The Government has managed to close 45 acres of land adjoining Dharavi, that will help catalyze the project.
Dharavi’s Informal Trade Economy

Dharavi provides employment to half a million people, with an estimated annual turnover of ~$1 billion!

Textile Units

Pottery Production

Leather Tanneries

Plastic Recycling
The vision is to enhance livelihoods of residents through preservation, relocation and reskilling.
Creating Micro-Entrepreneurs from the Slums

Entrepreneurs shall be nurtured in the slum economy by enabling them with a supportive ecosystem

- Financial Assistance
- Vocational Guidance
- Ecommerce Platform
- Payment Gateways
- Premises for Operating Business
The plan is to develop an e-commerce platform to enable market access for Dharavi goods and services.
Approximately 75% of structures in Dharavi have one or two mezzanine floors, which are not counted for the purposes of Rehabilitation. These ‘mezz’ level floors serve as additional space that is rented to families.

We need to create Rental Housing solution to accommodate the ‘Non-Eligible’ residents of Dharavi.
Dharavi Funding Plan

Dharavi Project might require an additional ~$1.6 bn to create comprehensive solution

1. Rental Housing Solutions ($1bn)

2. Microfinance to promote Entrepreneurship ($300 mn)

3. Technology Platform ($300 mn)

Construction of Rehab Homes

Development of Social Infrastructure

Financial Commitment: $1 bn
Come join us in making the Impossible… Possible