

Press Release

Ummeed Housing Finance Private Limited

February 09, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	276.00	ACUITE A- Stable Assigned	-
Non Convertible Debentures (NCD)	48.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	324.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its the long term rating of '**ACUITE A- (read as ACUITE A Minus)**' on the Rs.276.00 Cr. Bank facilities and Rs.48 Cr. of Non-Convertible Debentures of Ummeed Housing Finance Private Limited (UHFPL). The outlook is '**Stable**'.

The rating takes into consideration the presence of experienced promoter supported by competent senior management team as well as resourceful PE Investors. UHFPL has comfortable capital structure with networth (including CCPS) and gearing of Rs.437.81 Cr. and 0.76 times respectively as on September 30,2021 (Provisional). The company has cumulatively raised Rs.423 Cr. in multiple rounds of capital infusion from promoters, PE Investors and HNIs with participation of new investors, Morgan Stanley (22.60% stake as on September 30,2021 on fully diluted basis) and Norwest Capital (19.69% stake as on September 30,2021 on fully diluted basis) in the last round in Q2FY2022. Consequently, CAR and Tier I ratio stood healthy at 85.92% and 85.71% respectively as on September 30,2021. The rating also factors in sound resource profile with debt funding by way of term loans, NCDs, ECBs and CC facilities from a diversified base of 30 lenders comprising banks, small finance banks, NBFCs and other financial institutions. The AUM has grown at CAGR of 66% over the past three and a half years to Rs.633.4 Cr. as on September 30,2021 (FY2018: Rs.107.83 Cr.). The sustained growth in AUM is achieved by the company's strategy to deepen its presence in existing geographies.

The rating is constrained by fairly low vintage of operations and moderately seasoned portfolio with AUM originated during FY2020 and after forming 68.34% of the AUM as on September 30,2021. The asset quality witnessed moderation with delinquencies in 30dpd+ and 90dpd+ inching up to 1.50% and 0.60% respectively as on March 31,2021 (March 31,2020: 0.25% and 0.13% respectively). As on September 30,2021, while the delinquencies in these buckets rose to 4.65% and 1.08% respectively, Acuite notes steady improvement in collections with collection efficiency (portfolio level) for October 2021, November 2021 and December 2021 at 94.42%, 94.72% and 95.65% respectively. The company's earnings profile is modest though improving with Profit after tax (PAT) of Rs.11.31 Cr. on total income of Rs.90.97 Cr. during FY2021 (FY2020: PAT of Rs.5.40 Cr. on total income of Rs.73.33 Cr.) supported by improved Net Interest Margin (NIM) as the company increased disbursements of higher

yielding secured business loans (FY2021: 26% of total disbursements and FY2020: 17.81% of total disbursements) coupled with moderation in operating expenses to earning assets (%) to 6.06% during FY2021 (FY2020: 6.24%) as the company continued to increase its scale of operations. Acuité recognises growth plan envisaged by the management and believes that UHFPL's ability to improve operational efficiencies and contain potential asset quality slippages in the current operating environment and thereby sustain improvement in earnings profile will remain key monitorable.

About the company

Ummeed Housing Finance Pvt Ltd (UHFPL) is a NHB registered housing finance company (HFC) incorporated in January 2016 and based in Gurugram. UHFPL is promoted by Mr. Ashutosh Sharma, who has over 25 years of experience in banking and financial services and was previously associated with HSBC, Citibank and Bank of Montreal. The company commenced its operations in August 2016 and is engaged in providing relatively low ticket housing loans and non-housing loans viz. loan against property, short-term and long-term business loans. UHFPL operates in northern, western and central regions through a network of 40 branches spread across 5 states namely Delhi NCR, Rajasthan, Haryana, Uttar Pradesh and Uttarakhand with AUM (on-book and off-book portfolio combined) stood at Rs.633.4 Cr. as on September 30, 2021 with an average ticket size of ~Rs.7 Lakh having tenure of 2-15 years.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of UHFPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced promoter and competent senior management

Ummeed Housing Finance Pvt Ltd (UHFPL) is promoted by Mr. Ashutosh Sharma, who has experience of over 25 years in banking and financial services businesses and held senior leadership positions in institutions like Bank of Montreal and Citi Bank. Further, UHFPL has experienced board with two out of eight directors representing PE investors viz. Morgan Stanley (22.60% stake as on September 30, 2021 (on fully diluted basis), CX Partners (14.89% stake as on September 30, 2021 (on fully diluted basis) and two in capacity of independent directors. The promoter is further supported by competent senior management team with average experience of over a decade in risk analytics, fund raising, underwriting, technology and operations. Mr. Sachin Grover, Chief Operating Officer is a seasoned mortgage finance professional with over 20+ years of experience and was previously associated with organisations like Magma Fincorp, India Infoline and Citi Financial. Mr. Bikash Mishra, CFO has over a decade of experience and previously worked with Manappuram Finance and Encore Capital. The senior management team, given their extensive experience, has been focused on putting in place sound systems and processes.

Acuité believes that the experience of promoter and senior management team along with support from PE investors will stand UHFPL in good stead as it scales up its business.

Healthy capitalization metrics supported by capital raising at regular intervals

UHFPL has comfortable capital structure with networth (including CCPS) of Rs.437.81 Cr. as on September 30, 2021 (Provisional) (March 31, 2021: Rs.266.48 Cr.), supported by capital infusion at regular intervals. The company has cumulatively raised Rs.423 Cr. in multiple rounds since its inception in 2016 from multiple PE investors as well as promoter and high networth individuals (HNIs) with recent capital infusion of Rs.168 Cr. taking place in Q2FY2022 from a mix of existing and new investors namely, Morgan Stanley and Norwest Capital. Consequently, capitalisation level remained healthy with capital adequacy ratio (CAR) and Tier-I Ratio at 85.92% and 85.71% respectively as on September 30, 2021 (March 31, 2021: 66.70% and 66.58%

as on March 31,2021). The steady flow of capital also supported gearing (debt/networth (including CCPS)) which stood at 0.76 times as on September 30,2021 (Provisional) (1.31 times as on March 31,2021)

Sound resource profile with demonstrated ability to raise funds

UHFPL has a diversified base of around 30 lenders comprising banks, Small Finance Banks (SFBs), NBFCs and other financial institutions with funding by way of instruments such as term loans, CC facilities, NCDs and ECBs. Of the total borrowings of Rs.321.09 Cr. as on September 30,2021, bank borrowings (term loans and CC facilities) formed 65.10% followed by NCDs at 23.31% and balance ECBs at 11.59%. The ability to raise funds is reflected in sanctions of Rs.101.60 Cr. received during 6MFY2022 (FY2021: Rs.186 Cr.) from multiple lenders.

Acuité believes that the ability of UHFPL to maintain diversified resource profile as it raises debt capital to embark on growth plan envisaged by management will be key rating monitorable.

Sustained growth in AUM reflective of expansion strategy

The company commenced its operations in 2016 and its AUM has grown at CAGR of 66% over the past three and a half years to Rs.633.4 Cr. as on September 30,2021 (March 31,2021: Rs.579.59 Cr. and March 31,2020: Rs.451.41 Cr.). The growth in AUM is primarily driven by company's strategy to deepen its presence in newer geographies by ramping up branch network which stood at 40 branches as on September 30,2021 (FY2020:26 branches). Disbursals slowed down marginally to Rs.242.11 Cr. during FY2021 (FY2020:Rs.269.21 Cr.) due to initial challenges posed by Covid-19 pandemic. Disbursals remained subdued for April-May 2021 before steadily picking up pace as reflected in disbursals for Q2FY2022 at Rs.85.31 Cr. (Q1FY2022: Rs.33.12 Cr.). For Q3FY2022, the company maintained the healthy momentum of disbursals at Rs.109.86 Cr. thereby increasing the AUM to Rs.700 Cr. as on December 31,2021 with active borrower base of 10,122 customers.

Weakness

Limited track record of operations and moderate seasoning of the reasonably high proportion of the loan book

UHFPL commenced its operations in 2016 with FY2017 being full year of operations. Geographically, the company has presence in five states namely, Rajasthan and Haryana, Delhi NCR, Uttar Pradesh and Uttarakhand with former two accounting for 78.99% of AUM as on September 30,2021 (March 31,2021: 77.10%) signifying reasonably high concentration. In terms of product mix, being an NHB registered housing finance company, house loans constitute majority of the portfolio at 62.77% of AUM followed by business loans (both short term and long term) at 18.44% and balance 18.79% as on September 30,2021. At portfolio level, the average tenor ranged between 5-13 years. Given the fairly low vintage of operations, the portfolio is moderately seasoned with AUM originated FY2020 and after forming 68.34% of the AUM as on September 30,2021 and hence, the portfolio's resilience to various business cycles is yet to be seen. The asset quality witnessed moderation with delinquencies in 30dpd+ and 90dpd+ inching up to 1.50% and 0.60% respectively as on March 31,2021 (March 31,2020: 0.25% and 0.13% respectively). As on September 30,2021, while the delinquencies in these buckets rose to 4.65% and 1.08% respectively, Acuité notes steady improvement in collections with collection efficiency (portfolio level) for October 2021, November 2021 and December 2021 at 94.42%, 94.72% and 95.65% respectively.

Acuité believes that going forward, the ability of UHFPL to contain delinquencies within reasonable levels will need to be demonstrated.

Modest earnings profile

UHFPL reported Profit after tax (PAT) of Rs.11.31 Cr. on total income of Rs.90.97 Cr. during FY2021 (FY2020:PAT of Rs.5.40 Cr. on total income of Rs.73.33 Cr.). The higher profits were mainly supported by improved Net Interest Margin (NIM) at 9.47% during FY2021 (FY2020: 8.81%) as

the company increased disbursements of higher yielding secured business loans (FY2021: 26% of total disbursements and FY2020: 17.81% of total disbursements). Furthermore, though operating costs as measured by operating expenses to earning assets (%) is higher compared to peers, it moderated to 6.06% during FY2021 (FY2020: 6.24%) as the company continued to increase its scale of operations thereby contributing to profitability. Acuité recognises growth plan envisaged by the management and expects further normalisation in operating costs. The credit costs too remained under control. Consequently, ROAA stood at 1.85% in FY2021 (FY2020: 1.16%). For 6MFY2022, UHFPL reported PAT of Rs.4.73 Cr. on total income of Rs.46.95 Cr.

Acuité believes that UHFPL's ability to improve operational efficiencies and contain potential asset quality slippages in the current operating environment and thereby sustain improvement in earnings profile will remain key monitorable.

Rating Sensitivity

- Sustained growth in AUM and its impact on profitability.
- Movement in asset quality.
- Movement in operating expenses as percentage of earning assets.

Material Covenants

Ummeed Housing Finance Private Limited is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others. As per confirmation received from the company vide mail dated January 07, 2022, 'the Group is adhering to all terms and conditions stipulated as covenants by all its lenders/investors.'

Liquidity Position: Adequate

UHFPL has well matched liquidity profile as on September 30, 2021 with no negative cumulative mismatches in upto one year bucket. Cash and liquid investments stood at Rs.251.98 Cr. as on September 30, 2021 and contractual debt obligations (including securitization payable) for the next six months ended March 2022 stood at Rs.112.81 Cr. and contractual advances stood at Rs.17.52 Cr. in the like period.

Outlook: Stable

Acuité expects UHFPL to maintain 'Stable' outlook over the near to medium term on account of experienced promoter and competent management team and comfortable capitalisation. The outlook may be revised to 'Positive' in case UHFPL is able to contain asset quality risks within reasonable levels and sustain improving profitability parameters while scaling up its operations. Conversely, the outlook may be revised to 'Negative' in case of any challenges in scaling up of AUM or in case of any sharp deterioration in asset quality and profitability levels.

Key Financials - Standalone / Originator

	Unit	FY21 (Audited)	FY20 (Audited)
Total Assets	Rs. Cr.	668.62	556.34
Total Income*	Rs. Cr.	51.78	39.84
PAT	Rs. Cr.	11.31	5.40
Net Worth	Rs. Cr.	266.48	254.66
Return on Average Assets (RoAA)	(%)	1.85	1.16
Return on Average Net Worth (RoNW)	(%)	4.34	2.80
Total Debt/Tangible Net Worth	Times	1.31	1.11

(Gearing)			
Gross NPA	(%)	0.60	0.13
Net NPA	(%)	0.39	0.07

*Total income equals to Total Income net off interest expense
Ratios as per Acuité calculations.

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Assigned
DCB Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A- Stable Assigned
IDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- Stable Assigned
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A- Stable Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- Stable Assigned
Not Applicable	INE870W07035	Non-Covertible Debentures (NCD)	16-06-2020	11.90	21-04-2023	10.00	ACUITE A- Stable Assigned
Not Applicable	INE870W07043	Non-Covertible Debentures (NCD)	01-07-2020	11.72	01-01-2023	38.00	ACUITE A- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	81.77	ACUITE A- Stable Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.05	ACUITE A- Stable Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.67	ACUITE A- Stable Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.39	ACUITE A- Stable Assigned
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	1.91	ACUITE A- Stable Assigned

MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.29	ACUITE A- Stable Assigned
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.29	ACUITE A- Stable Assigned
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.75	ACUITE A- Stable Assigned
RBL Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.03	ACUITE A- Stable Assigned
Bandhan Bank	Not Applicable	Term Loan	Not available	Not available	Not available	6.50	ACUITE A- Stable Assigned
IDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	8.75	ACUITE A- Stable Assigned
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.38	ACUITE A- Stable Assigned
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	0.27	ACUITE A- Stable Assigned
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	2.29	ACUITE A- Stable Assigned
Sundaram Home Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.30	ACUITE A- Stable Assigned
MAS Rural Housing & Mortgage Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	1.75	ACUITE A- Stable Assigned
RBL Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.28	ACUITE A- Stable Assigned
Bandhan Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.58	ACUITE A- Stable Assigned
IDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE A- Stable Assigned

Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	6.52	ACUITE A- Stable Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.03	ACUITE A- Stable Assigned
TATA Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	0.42	ACUITE A- Stable Assigned
National Housing Bank	Not Applicable	Term Loan	Not available	Not available	Not available	24.03	ACUITE A- Stable Assigned
National Housing Bank	Not Applicable	Term Loan	Not available	Not available	Not available	32.04	ACUITE A- Stable Assigned
Catholic Syrian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	8.50	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	8.69	ACUITE A- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	8.92	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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