

Press Release

Ummeed Housing Finance Private Limited

February 09, 2023



Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	276.00	ACUITE A- Stable Reaffirmed	-
Non Convertible Debentures (NCD)	38.00	ACUITE A- Reaffirmed & Withdrawn	-
Non Convertible Debentures (NCD)	10.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	286.00	-	-
Total Withdrawn Quantum (Rs. Cr)	38.00	-	-

Rating Rationale

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

Acuite has reaffirmed the long term rating of '**ACUITE A- (read as ACUITE A Minus)**' on the Rs. 10 Cr. of Non-Convertible Debentures of Ummeed Housing Finance Private Limited (UHFPL). The outlook is '**Stable**'.

Acuite has reaffirmed & withdrawn the long term rating of '**ACUITE A- (read as ACUITE A Minus)**' on the Rs. 38 Cr. Non-Convertible Debentures of Ummeed Housing Finance Private Limited (UHFPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the debenture trustee.

The rating continues to take 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 and gearing of Rs.476.73 Cr. and 1.01 times respectively as on December 31, 2022(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 74.72 percent and 74.07 percent respectively as on November 30, 2022. 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 significantly grown to Rs. 1036.30 Cr. as on December 31, 2022 as compared to Rs. 765.76 Cr as on March 31, 2022. 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. The asset quality witnessed moderation with

delinquencies in 30dpd+ and 90dpd+ inching up to 2.56 percent and 0.74 percent respectively as on March 31, 2022 (March 31, 2021: 1.50 percent and 0.60 percent respectively). As on December 31, 2022, the delinquencies in these buckets stood at 1.72 percent and 0.59 percent respectively. Acuité notes steady improvement in collections with collection efficiency (portfolio level) for current month due averaging at 96.21 percent for last 6 months ended December 2022. The company's earnings profile is modest though improving with Profit after tax (PAT) of Rs.18.66 Cr. as on March 31, 2022 as compared to Rs. 11.31 Cr as on March 31, 2021. The PAT further improved to Rs. 23.35 Cr as on December 31, 2022 supported by improved Net Interest Margin (NIM) as the company increased disbursements of higher yielding secured business loans. 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 norther, western and central regions through a network 67 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. 1036.30 Cr. as on December 31, 2022 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 99.86 percent and 99.78 percent respectively as on March 31, 2022 (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 0.61 times as on March 31, 2022 (1.31 times as on March 31, 2021)

Acuité believes that UHFPL will continue to maintain healthy capitalisation levels backed by support from the promoters.

Sustained growth in AUM reflective of expansion strategy

The company commenced its operations in 2016 and its AUM has grown steadily to Rs. 1036.30 Cr as on December 31, 2022 as compared to Rs. 765.67 Cr as on March 31, 2022. The growth in AUM is primarily driven by company's strategy to deepen its presence in its existing geographies by ramping up branch network which stood to 67 branches as on December 31, 2022 as compared to 40 branches as on September 30, 2021. The company has now maintained healthy momentum of disbursements for FY2022 at Rs. 375.58 Cr vis-à-vis Rs. 215.77 Cr during FY2021. The disbursements further stood at Rs. 446.32 Cr as on December 31, 2022 with active borrower base of 15,131 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. The top two states Rajasthan and Haryana account for ~82 percent of AUM as on December 31, 2022 signifying reasonably high concentration. In terms of product mix, being an NHB registered housing finance company, house loans constitute majority of the portfolio at 60.55 percent of AUM followed by business loans (both short term and long term) at 23.44 percent and LAP at 16.01 percent as on December 31, 2022. At portfolio level, the average tenor ranged between 5-13 years. UHFPL has loan portfolio of Rs. 1036.50 Cr as on December 31, 2022, with 75 percent of the loan book with a ticket size upto Rs 15 lakhs. Given the fairly low vintage of operations, the portfolio is moderately seasoned with AUM originated FY2020 and after forming 86.44 percent of the AUM as on December 31, 2022 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 2.56 percent and 0.74 percent respectively as on March 31, 2022 (March 31, 2021: 1.50 percent and 0.60 percent respectively). As on December 31, 2022, the delinquencies in these buckets stood at 1.72 percent and 0.59 percent respectively. Acuité notes steady improvement in collections with collection efficiency (portfolio level) for current month due averaging at 96.21 percent for last 6 months ended December 2022.

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.18.66 Cr. during FY2022 (FY2021: PAT of Rs. 11.31 Cr. The higher profits were mainly supported by improved Net Interest Margin (NIM) at 10.79 percent during FY2022 (FY2021: 9.47 percent) as the company increased disbursements of higher yielding secured business loans. However, the earnings profile was further moderated on account of operating expenses incurred in the expansion of its network branches. Operating Expense to Earning Assets stood at 7.73 percent as on December 31, 2022

(annualized) as against 7.09 percent as on March 31, 2022. The opex Acuité recognises growth plan envisaged by the management and expects further normalisation in operating costs.

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.

ESG Factors Relevant for Rating

Ummeed Housing Finance Private Limited (UHFPL) belongs to the housing finance sector which complements banks' efforts in improving mortgage penetration in India. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contribution to financial inclusion and community development, responsible financing including funding of environmentally friendly housing projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. UHFPL maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding related party transactions, vigil mechanism, insider trading and whistle blower policy. It also adheres to Reserve Bank of India's Fair Practices Code and has the necessary interest rate and grievance redressal policies. The company works on several community development initiatives through its CSR projects.

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.

Liquidity Position

Adequate

UHFPL has well matched liquidity profile as on September 30, 2022 with no negative cumulative mismatches in upto one year bucket. Cash and liquid investments stood at Rs. 76.95 Cr. as on December 31, 2022.

Outlook:

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

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs. Cr.	766.99	668.62
Total Income*	Rs. Cr.	73.20	51.78
PAT	Rs. Cr.	18.66	11.31

Net Worth	Rs. Cr.	449.67	266.48
Return on Average Assets (RoAA)	(%)	2.60	1.85
Return on Average Net Worth (RoNW)	(%)	5.21	4.34
Debt/Equity	Times	0.61	1.31
Gross NPA (Owned portfolio)	(%)	0.75	0.60
Net NPA (Owned portfolio)	(%)	0.49	0.39

*Total income equals to Net Interest Income plus other income.

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>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Term Loan	Long Term	1.58	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.28	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	3.03	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	32.04	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.39	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.38	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.75	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.05	ACUITE A- Stable (Assigned)

09 Feb 2022	Term Loan	Long Term	6.52	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	6.50	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.29	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.75	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.91	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	24.03	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.29	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	3.67	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	0.42	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.69	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	0.10	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	5.03	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.92	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.75	ACUITE A- Stable (Assigned)
		Long		ACUITE A- Stable (Assigned)
	Cash Credit	Term	2.50	(Assigned)
	Term Loan	Long Term	0.27	ACUITE A- Stable (Assigned)
	Non Convertible Debentures	Long Term	10.00	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Long Term	81.77	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.29	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	0.30	ACUITE A- Stable (Assigned)
	Non Convertible Debentures	Long Term	38.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Stable Reaffirmed
DCB Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A- Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A- Stable Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A- Stable Reaffirmed
Not Applicable	INE870W07035	Non-Convertible Debentures (NCD)	16 Jun 2020	11.90	21 Apr 2023	Simple / Complex	10.00	ACUITE A- Stable Reaffirmed
Not Applicable	INE870W07043	Non-Convertible Debentures (NCD)	01 Jul 2020	11.72	01 Jul 2023	Simple / Complex	38.00	ACUITE A- Stable Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.76	ACUITE A- Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.63	ACUITE A- Stable Reaffirmed
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.10	ACUITE A- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.04	ACUITE A- Stable Reaffirmed
Sundaram Home Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.15	ACUITE A- Stable Reaffirmed
MAS Rural Housing & Mortgage Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.75	ACUITE A- Stable Reaffirmed
Bandhan Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.53	ACUITE A- Stable

								Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.91	ACUITE A- Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.60	ACUITE A- Stable Reaffirmed
National Housing Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	16.61	ACUITE A- Stable Reaffirmed
National Housing Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	24.31	ACUITE A- Stable Reaffirmed
Catholic Syrian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.50	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.63	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.58	ACUITE A- Stable Reaffirmed
DCB Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.64	ACUITE A- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.04	ACUITE A- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.04	ACUITE A- Stable Reaffirmed
MAS Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.25	ACUITE A- Stable Reaffirmed
RBL Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.21	ACUITE A- Stable Reaffirmed
Bandhan Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.50	ACUITE A- Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.25	ACUITE A- Stable Reaffirmed
National Housing Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	47.23	ACUITE A- Stable Reaffirmed
Fedbank Financial Services Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE A- Stable Reaffirmed

South Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.84	ACUITE A- Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.00	ACUITE A- Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	19.00	ACUITE A- Stable Reaffirmed
Catholic Syrian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.42	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.88	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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