

# UMMEED HOUSING FINANCE PRIVATE LIMITED

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Corp. Off.: Unit No.809-815, 8th Floor, Tower-A, Emaar Digital Greens, Golf Course Extn. Road, Sector 61, Gurugram-122102

CIN: U65922HR2016PTC057984

November 10, 2021

To,

The General Manager  
Department of Corporate Services,  
**BSE Limited,**  
1st Floor, P.J. Towers, Dalal Street,  
Mumbai – 400 001.

Dear Sir/Madam,

**Sub: Intimation of revision in Credit Rating under Regulations 51(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 read with Part B of Schedule III**

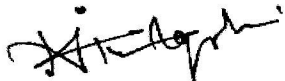
We enclose the revised credit rating issued by CARE Ratings Limited under Regulations 51(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 read with Part B of Schedule III.

We request you to take the same on record.

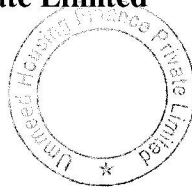
Thanking you,

Yours faithfully,

For **Ummeed Housing Finance Private Limited**



**Nitin Kumar Agrahari**  
**Company Secretary**  
**ACS 36376**



## Ummeed Housing Finance Private Limited

November 09, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	245.00	CARE BBB+; Positive (Triple B Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
<b>Total Bank Facilities</b>	<b>245.00</b> <b>(Rs. Two Hundred Forty-Five Core Only)</b>		
Non-Convertible Debentures	79.00	CARE BBB+; Positive (Triple B Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
<b>Total Long Term Instruments</b>	<b>79.00</b> <b>(Rs. Seventy-Nine Core Only)</b>		

*Details of instruments/facilities in Anneuxre-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation in ratings of the long-term instruments of Ummeed Housing Finance Private Limited (UHFPL) factors in its strong capitalization metrics backed by periodical capital infusion from promoters and private equity investors, low albeit improving profitability metrics and significant growth in loan book. CARE also takes note of the recent capital infusion of Rs.168 crore (excluding secondary sale of Rs 102 crore) during Q2FY22 with participation by new and existing investors. The ratings are also supported by its strong liquidity profile and strong risk management systems leading to higher collection efficiency. The ratings continue to factor in UHFPL's healthy asset quality, although it has witnessed marginal moderation on the back of aftermath of COVID-19 pandemic, along with diversified resource profile with banking relations with a large number of banks, NBFCs and other financial institutions (FIs).

These rating strengths are, however, partially offset by UHFPL's short track record of operations, moderate seasoning of loan portfolio as large part of loan books is built over past three years and overall track record of five full years of operations. Also, the ratings are constrained by geographical concentrations of the company's loan-book with presence in 5 states and exposure to relatively riskier economically vulnerable borrower segment (assessment-based income group) in both housing loans and non-housing loans (LAP & business loans) as majority of the borrowers are self-employed.

### Outlook: Positive

The revision in outlook from 'Stable' to 'Positive' for the long-term instruments of UHFPL factors in consistent improvement in company's financial metrics along with expected improvement in its scale of operations and operational efficiency on the back of equity infusion by its existing and new investors. This is also expected to support its profitability and increase its market presence at a faster pace than earlier envisaged. The outlook may be revised back to stable in case there is moderation in asset quality and overall financial profile.

### Rating sensitivity

#### Positive Factors- Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in profitability ratios with return on assets reaching 2% while maintaining low credit costs (below 1.5% p.a.)
- Significant growth in loan book while ensuring geographical diversification
- Gross Non-Performing Assets (GNPA) remaining below 1.5%

#### Negative Factors- Factors that could individually or collectively lead to negative rating action/upgrade:

- Overall CAR going below 18% or significant increase in overall gearing beyond 3.5 times
- Return on Total Assets (ROTA) reducing to lower than 1% on a sustained basis
- Significant increase in GNPA going forward and/or deterioration in collection efficiency on a sustained basis

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### Experienced promoters and management team:

The company is promoted by Mr. Ashutosh Sharma, Managing Director who held 22.57% of shareholding as on September 30,

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

2021 (on fully diluted basis). He has extensive experience of over 25 years in banking and financial services across multiple banks and is supported by an experienced second line of management with vast experience in the finance and housing finance industry, which includes, Sachin Grover, Chief Operating Officer, who has over 20 years of mortgage experience. The operating team of UHFPL consists of professionals with small-ticket mortgage experience. The company is also supported by presence of strong Private Equity (PE) investors as reflected by regular capital infusion. PE investors together hold 72.43% shares (on fully diluted basis), while largest PE investor i.e. Morgan Stanley's NHPEA holds 22.60% stake as on September 30, 2021.

#### **Healthy capitalization backed by periodic equity infusions provide adequate headroom for growth**

UHFPL has been able to raise equity capital at regular intervals and has been maintaining healthy capitalization at comfortable levels vis-à-vis statutory minimum requirements. Since its inception, the company has raised Rs.423 crore via primary equity infusion i.e. fresh capital from its promoters and marquee set of private equity investors. As a result, the company has been able to maintain healthy capitalization with total capital adequacy ratio (CAR) at 66.7% end March 31, 2021 as against 76.8% as on March 31, 2020. Gearing levels of the company stood low at 1.32 times end Mar-2021 (1.12 times as on Mar-20) down from 1.77 times March-2019.

Post the recent round of primary capital infusion of Rs.168 crore during Q2FY21, led by Norwest Venture Partners (along with participation of existing investors), UHFPL's tangible net-worth (including CCPS) is slated to improve to around Rs.440 crore as on September 30, 2021 as against Rs.263 crore on March 31, 2021. Consequently, overall gearing of the company post the said infusion would decline significantly to around 0.85 times. This equity boost has provided the company wider headroom to expand its loan book. While, maintenance of gearing level remaining below 3.5 times remains a key sensitivity, at current levels the company has substantial headroom available. Further, the company has substantial flexibility in raising additional equity to support growth at appropriate levels.

#### **Strong business growth during FY21**

End fiscal 2021, UHFPL's assets under management (AUM) stood at Rs.580 crores up by 26% over Rs.451 crore end March-2020 and from Rs.302 crores as on Mar-19 registering a compounded annual growth rate (CAGR) of 77% for past three years.

Of the total AUM as on March 31, 2021, the housing loan (HL) book stood at Rs.363 crores (63% of AUM) followed by loan against property (LAP) at Rs.115 crore (20% of AUM) and rest towards non-housing business loans at Rs.102 crore (17% of AUM) which includes the higher yielding business loans and small-ticket business loans.

As on September 30, 2021, the company AUM increased further to Rs.642 crore on the back of pick up in disbursements in Q2FY22.

In line with its strategy of increasing higher yield, shorter tenured business loans, the company disbursed 26% (27% previous year) of its total loans during FY21 towards business loan segment and 23% (14% previous year) towards LAP while maintaining the AUM ratio mix of HL: non-HL portfolio consistent at around 63:37. Being an affordable housing financing entity, the company maintains relatively small ticket sizes with an average ticket size close to Rs.8-9 lakhs. Although in the last two years, some transition towards higher ticket-loans has been registered with the share of loans above Rs 20 lakhs increasing to 13.2% of AUM end fiscal 2021 as against 12.7% end March 2020. Total disbursement during FY21 stood at Rs.242 crores, marginally lower than Rs 269 crore in FY20 due to lower disbursements in Q1FY21 (Rs 16.6 crore as against Rs 76.1 crore worth of disbursements in Q4FY20), impacted by the COVID-19 pandemic. Overall CARE does not expect any significant change in business mix of UHFPL since as per RBI's guidelines, an HFC has to ensure that housing finance constitutes at least 60% of its total assets (netted off by intangible assets).

#### **Well diversified resource profile**

UHFPL has a fairly well diversified funding profile with resources raised from various sources such as private sector banks, foreign-currency denominated NCDs, rupee denominated NCDs (listed and unlisted), funding via direct assignment and securitization transactions, external commercial borrowings (ECB) and term loans from other financial institutions. As on March 31, 2021, UHFPL's total borrowings were Rs 347.9 crore up from Rs.281.5 crores as on March 31, 2020, thereby supporting strong loan growth registered by the company. The company has banking relationship with more than 30 bank/FIs and of the total borrowings of Rs 347.9 crore, outstanding bank borrowings stood at Rs.257.0 crore (74% of total borrowings), ECB transactions of Rs.13.1 crores (4%) and NCDs of Rs.77.8 crores (22%).

#### **Adequate risk management and control systems**

UHFPL has put in place adequate risk management and control systems. The company has developed its lending policies with defined criteria on financial appraisal specific to various borrowers and industry, quality and amount of collateral and maximum exposure limits to individual and group borrowers. The company is in process of upgrading their IT infrastructure with development of tools to smoothen the credit process.

## Key Rating Weaknesses

### Moderate level of seasoning of loan book

UHFPL was incorporated in January, 2016 and was extended the license to commence operations from NHB on 13th July, 2016. The company has a moderate vintage of 5 years, and thereby the performance of the loan portfolio over multiple business cycle is yet to be seen. UHFPL's net loan book expanded to Rs.501 crores end March 31, 2021 up from Rs.392 crore as on March 31, 2020. UHFPL's loan book comprised housing loans (63% of loan book as on March-2021), loan against property (20%) and business loans (17%). In the last few quarters, the company has been recalibrating its portfolio mix and has launched new product lines to increase the proportion of high yielding and secured long term and short-term business loans. This is being done to increase the margins while simultaneously managing asset liability mismatches. However, since majority of the book- building process has taken place in the last couple of years and new business loan products were launched in early FY20 only, the effect of longer-tenure loans on the asset quality of the company is yet to be seen.

### Moderate, albeit improving profitability profile

Ending fiscal March 31, 2021, UHFPL reported almost twofold rise in its profit after tax (PAT) to Rs 11.3 crore (mainly due to a smaller base) as compared to a PAT of Rs.5.4 crore (IND-AS) in FY20. Given UHFPL's small, albeit expanding scale of operations, the company's profitability with ROTA of 1.85% and return on net-worth (RONW) of 4.39% during FY21 has shown an improving trend and remains comfortable. Also, net interest margin (NIM, as a % of average total assets) of the company continues to improve as it rose to 6.55% during FY21, from 5.84% over previous year. The improvement in the company's net margins is on account of reductions in its cost of funds on the back of lower cost funding availed from National Housing Bank (NHB) as part of relief measure to counter the exacerbating impact of COVID-19 pandemic on the industry. End six months September 30, 2021, UHFPL reported net profitability of Rs.6.29 crore on a total income of Rs.48.08 crore.

While the operating expenses have moderated, they still remain marginally high on a peer-to-peer basis as the company continues to open more branches, hire resources and making investments in technology for automating its processes, MIS and digitizing training decks. While a shift towards higher yield business loans coupled with increased reliance on borrowings from NHB and public/private sector banks may help improve margins. A sustainable improvement in operating expenses cost and controlled borrowing costs is imperative to improve company's bottom line over medium term and hence remains a key rating sensitivity.

### Moderate seasoning of loan portfolio with exposure to vulnerable borrower segment

UHFPL's portfolio has moderate vintage of 5 years with majority of its loan growth happening in the last three years itself. As a result, owing to moderate seasoning of the loan portfolio and risky borrower profile, which was further exacerbated by deteriorating credit profile of low income borrowers on the back of COVID-19 pandemic, UHFPL reported a rise in softer delinquencies with 30+ and 60+ dpd at 1.46% and 0.98% respectively end March 31, 2021, thereby translating into marginal rise in reported asset quality metrics with gross NPA and net NPA percentage rising to 0.67% and 0.43% respectively as on Mar-21 (increasing from 0.14% and 0.13% respectively as on March-2020).

End September 30, 2021, UHFPL reported further moderation in its asset quality profile as GNPA and NNPA, as a %, rose to 1.09% and 0.85% respectively. Despite moderation, the figures remain comfortable.

The rise in asset quality stress was on the back of higher slippages arising due to the impact of COVID-19 pandemic on housing loan industry and small businesses. Although CARE takes cognizance of the fact that collection efficiency of the company has registered a strong recovery and bounced back to ~97% end September 30, 2021, which was excluding pre-payments receive during the period. UHFPL is primarily engaged in advancing smaller ticket housing loans and caters to economically vulnerable borrower segment with 66% of the loans to self-employed individuals who have regular cash flows though majority of them have undocumented incomes. Since UHFPL's borrower profile remains moderate in terms of income level vs. mainline HFCs, it exposes the company to the riskier borrower segment. Furthermore, the performance of new product towards business loans in retails segment also remains untested.

CARE also draws comfort from the fact that UHFPL maintains low average LTV ratio of 55% for housing loans, 44% for LAP and 43% for business loans. On overall basis, the company follows conservative lending policy with about- 85% of the portfolio having LTV below 70%.

### High geographical concentration, albeit reducing trend

In the previous two fiscals, the company's loan book has grown almost two-fold with Haryana and Rajasthan as its largest states together contributing to ~77% of total loans outstanding as on March 31, 2021.

District-wise concentration also remains high with company's top seven districts together constituting nearly 60% of portfolio with Jaipur and Chandigarh together forming more than a third of the portfolio. Currently UHFPL has 41 branches spread over 5 states. UHFPL has opened 15 new branches in FY21, with 2 branches opened in Uttarakhand recently. As the company is opening more branches, concentration of portfolio of its top three branches has started reducing and is expected to reduce from 35% in FY 20 to around 25% as on Sept-21.

**Liquidity: Strong**

As on September 30, 2021 the company had sufficient liquidity in the form of fixed deposits and mutual fund investments amounting to Rs.190 crore along with undrawn credit lines from banks to the tune of Rs 112 crores, against which the company has scheduled debt repayment of Rs.185 crore for the next one year, thus translating into a comfortable liquidity profile. Also, as per the ALM statement dated August 31, 2021, there are positive cumulative mismatches across all time buckets.

**Analytical approach:** Standalone

**Applicable Criteria**

Criteria on assigning Outlook and Credit watch to Credit Ratings

CARE's Policy on Default Recognition

CARE Methodology for Non-Banking Financial Companies

Financial Sector –Financial Ratios

**About the Company**

Ummeed Housing Finance Pvt Ltd (UHFPL) is a housing finance company (HFC) incorporated in January 2016. It is promoted by Mr Ashutosh Sharma, who has experience of more than two decades in banking and credit businesses, having worked in HSBC, Citibank and Bank of Montreal.

UHFPL obtained license to commence operations w.e.f. July 13, 2016 upon receipt of certificate of registration from NHB to operate as a non- deposit accepting HFC and it commenced the business of housing finance in August 2016. The company is engaged in providing relatively low ticket housing loans to individuals (salaried and self-employed) for construction, purchase, repair and up-gradation of houses. It also provides non-housing loans like Loan against Property (LAP), short-term and long-term business loans, top-up loans and balance transfer loans to individuals. UHFPL currently operates through 41 branches spread over 5 states i.e. Delhi NCR, Rajasthan, Haryana, Uttar Pradesh and Uttarakhand. UHFPL has disbursed loans to around 9,100 borrowers with an outstanding loan portfolio of Rs.642 crore as on September 30, 2021. UHFPL's portfolio has an average ticket size of ~Rs.8 Lakh having tenure of 5-20 years with average LTV of 44%.

Brief Financials (Rs. crore)	FY20 (A)	FY21(A)	H1FY22 (P)
Total Income	73.32	90.97	48.08
PAT	5.40	11.31	6.29
Interest coverage (%)	1.21	1.37	1.47
AUM	451.40	579.59	642.10
Total Assets	555.65	667.86	836.43
Net NPA (%)	0.13	0.43	0.85
ROTA (%)	1.16	1.85	1.70

A: Audited, P: Provisional

Total assets exclude deferred tax assets, intangible assets and prepaid expenses

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	245.00	CARE BBB+; Positive
Debentures-Non Convertible Debentures	INE870W07019	November 20, 2018	12.22%	November 22, 2021	16.19	CARE BBB+; Positive
Debentures-Non Convertible Debentures	INE870W07027	December 28, 2018	13%	December 28, 2021	14.00	CARE BBB+; Positive
Debentures-Non Convertible Debentures	INE870W07035	June 16, 2020	11.90%	April 21, 2023	10.00	CARE BBB+; Positive
Debentures-Non Convertible Debentures	INE870W07043	July 01, 2020	11.72%	Jan 01, 2023	38.00	CARE BBB+; Positive
Debentures-Non Convertible Debentures	Proposed	-	-	-	0.81	CARE BBB+; Positive

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	245.00	CARE BBB+; Positive	-	1) CARE BBB+; Stable (10-Mar-21) 2) CARE BBB+; Stable (18-Sep-20)	1)CARE BBB; Stable (09-Dec-19)	1)CARE BBB; Stable (05-Nov-18)
2	Debentures-Non Convertible Debentures	LT	43.00	CARE BBB+; Positive	-	1) CARE BBB+; Stable (10-Mar-21) 2) CARE BBB+; Stable (18-Sep-20)	1)CARE BBB; Stable (09-Dec-19)	1)CARE BBB; Stable (05-Nov-18)
3	Debentures-Non Convertible Debentures	LT	36.00	CARE BBB+; Positive	-	1) CARE BBB+; Stable (10-Mar-21) 2) CARE BBB+; Stable (18-Sep-20) 3)CARE BBB; Stable (22-Jun-20)	-	-

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

Name of the Instrument	Detailed explanation
<b>Financial covenants</b>	
<b>Asset quality</b>	PAR 90 loans (including rescheduled loans) less than 3% of outstanding loans
	Write Off Ratio (TTM) less than 2% per year.
<b>Leverage</b>	Maximum permissible ratio of financial indebtedness to adjusted tangible net-worth shall not exceed 4x (four times).
<b>Profitability</b>	Return on total assets shall be above 0%
<b>Capital adequacy</b>	CRAR at 25% or higher during the tenor of NCD
<b>Lending operations</b>	Off-Balance Sheet Portfolio/Total Portfolio not more than 40%.

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/marketintermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**