

Ummeed Housing Finance Private Limited

June 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	853.00	CARE A; Stable	Revised from CARE A-; Stable
Non-convertible debentures	33.00	CARE A; Stable	Revised from CARE A-; Stable
Non-convertible debentures	20.60	CARE A; Stable	Revised from CARE A-; Stable
Non-convertible debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings for the long-term bank facilities and the non-convertible debentures (NCDs) of Ummeed Housing Finance Private Limited (UHFPL) factors in the regular capital infusion from private equity (PE) investors, translating to strong capitalisation metrics. The revision further factors in sustained growth in the scale of operations with healthy profitability metrics and controlled asset quality.

Rating strengths also factor in diversified resource profile, adequate liquidity, and risk management systems.

Rating strengths are partially offset by limited track record of operations with moderate seasoning of assets under management (AUM). Also, the operations are majorly concentrated in one state, although, the company has been venturing to new states. Ratings are further constrained by UHFPL's borrower segment which is a relatively riskier and economically vulnerable borrower segment.

The rating for non-convertible debentures has been withdrawn on confirmation received from UHFPL of non-utilisation of proposed limits.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could individually or collectively lead to positive rating action/upgrade:

- Sizeable increase in scale of operations while maintaining gross non-performing assets (GNPA) ratio below 1.5% and return on total assets (RoTA) above 3% on a sustained basis.
- Sizeable geographical diversification of the loan portfolio.

Negative factors – Factors that could individually or collectively lead to negative rating action/downgrade:

- Deteriorating asset quality profile, leading to an increase in credit costs and RoTA reducing to lower than 1.5%.
- Overall gearing exceeding 3.5x, leading to lower operational profitability.

Analytical approach:

Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects consistent growth in the AUM with regular support from the promoters and PE investors in the form of the capital infusion. The asset quality is expected to moderate with seasoning of the AUM, although, will remain controlled.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of key rating drivers:

Key strengths

Regular capital infusion, translating to strong capitalisation metrics

UHFPL is promoted by Ashutosh Sharma, who is the company's Founder-Managing Director. He is supported by presence of strong PE investors, namely, Morgan Stanley, Norwest Venture Partners (Norwest), Thyme Private Limited (Thyme), CX Alternative Investment Fund, Mirae Asset Late Stage Opportunities Fund (Mirae Asset), and A91 Emerging Fund II LLP (A91), who provide regular support to the company in the form of capital infusion and board representation.

Since its inception, the company has been receiving regular capital infusion from its promoter and PE investors aggregating to ₹712 crore, till April 2024. The latest round of infusion was made by existing PE investor, Norwest, and new PE investors, Mirae Asset and A91 for ₹300 crore, in two tranches, one in March 2024 of ₹100 crore and another in April 2024 of ₹200 crore, in form of compulsorily convertible preference shares. With the latest round of infusion, Norwest attained majority dilutive stake in UHFPL with 24%, followed by Morgan Stanley with 19%, Ashutosh Sharma with 18%, A91 attaining significant stake of 16%, Thyme with 11% and Lightrock's stakes reduced to 2%, in line with its plan to exit from UHFPL, as on April 26, 2024.

CARE Ratings notes that per the latest transaction, there is no guaranteed and committed exit provided to the new investors; however, the investors generally have an investment time horizon of 6-10 years.

With latest infusion, the tangible net worth (TNW) increased to ₹850 crore as on April 30, 2024, from ₹644 crore as on March 31, 2024 and ₹487 crore as on March 31, 2023. With this, the gearing level improved to 1.09x as on April 30, 2024 from 1.44x as on March 31, 2024 and 1.21x as on March 31, 2023.

Going forward, CARE Ratings expects continuous support from the PE investors which would translate to healthy growth in AUM.

Consistent growth in loan operations

UHFPL's AUM has been on a consistent rise over the years with five years compounded annual growth rate (CAGR) till FY24 of 42%. As on May 31, 2024, the AUM increased to ₹1,821 crore from ₹1,749 crore as on March 31, 2024 and ₹1,143 crore as on March 31, 2023.

The company is engaged into providing loans for housing and non-housing aspects. The ratio of housing loan has been decreasing over the years with the comparatively high yielding non-housing segment. However, it has never been below 60% of AUM, and as on March 31, 2024, the share of housing loan in the AUM has increased to 61% from 60% in the previous fiscal.

UHFPL provides housing loan at average rate of interest of 16% for an average tenure of 15 years with an average ticket size of ₹ 10 lakh, business loan at average rate of interest of 18% for an average tenure of nine years with an average ticket size of ₹10 lakh, small ticket business loan at average rate of interest of 25% for an average tenure of six years with an average ticket size of ₹5 lakh, and loan against property at average rate of interest of 18% for an average tenure of nine years with an average ticket size of ₹7 lakh. All product segments are secured against residential and / or commercial property.

Healthy profitability metrics

UHFPL's profitability metrics has been improving with the rise in profit after tax (PAT) over the years. In FY24, the PAT increased to ₹54 crore, up by 55% y-o-y.

In FY24, the yields reduced to 15.2% from 15.8% in FY23. With reduction in yields, the net interest margin (NIM) reduced to 9.4% in FY24 from 10.3%, despite reduction in the cost of funds. With the rise in fee income and income on DA in FY24, the ratio of fee and other income increased to 3.3% in FY24 from 2.4% in FY23. As the company has started to achieve the economies of scale, the operating expenses ratio moderated to 7.2% in FY24 from 7.9% in FY23. With the write-off made of ₹1.50 crore in FY24, the credit costs ratio increased to 0.3% from 0.04% in FY23.

The RoTA in FY24 increased to 4.0% from 3.7% in FY23 owing to rise in fee and other income ratio and reduction in operating expenses ratio.

Going forward, despite the seasoning of the loan book, with operating efficiencies kicking in, CARE Ratings expects the company to maintain healthy profitability.

Controlled asset quality

UHFPL's asset quality has remained comfortable with low GNPA ratios given that it started its loan operations in 2016 by providing affordable housing loans carrying behavioural tenure of seven to eight years.

With major growth in loan book happening in FY23 and FY24, and seasoning starting to kick in, the GNPA ratio increased as on March 31, 2024 to 0.49% from 0.41% as on March 31, 2023.

With the seasoning of the AUM, CARE Ratings expects the asset quality to moderate in the medium term. CARE Ratings will continue to monitor the performance of the company's loan portfolio over multiple business cycles.

Diversified lender profile

UHFPL has a diversified funding profile with resources raised from various sources, such as private and public sector banks, non-banking financial companies (NBFCs), extra commercial borrowings (ECBs), financial institutions (FIs), and capital market. Over the years, the bank has been UHFPL's main source of borrowing, and its share in the overall borrowing has been increasing with 58% as on March 31, 2024, from 56% as on March 31, 2023, and 44% as on March 31, 2022. Of the banks' share, majority (55%) is availed from public sector banks and balance is from private sector banks. After banks, UHFPL has majority share of borrowing from National Housing Bank with 21%, ECB with 7%, capital market with 6%, NBFCs with 5%, and securitisation with 2%.

Key weaknesses

Moderate seasoning with low vintage

Given that, UHFPL started its loan operations in 2016 by providing affordable housing loans carrying behavioural tenure of seven to eight years, and the company will complete eight years in July 2024. Thereby, the seasoning profile of the company's loan book remains moderate, thereby, the performance of the company's loan portfolio over multiple business cycles is yet to be seen.

Going forward, with seasoning of the AUM, its impact on UHFPL's asset quality will remain a key monitorable.

Geographical concentration

Till FY20, UHFPL's operations were concentrated in Haryana and Rajasthan with 37% and 36% of AUM, respectively, as on March 31, 2020. Although the company has been foraying to three new states since FY22 with Uttarakhand (in FY22), Punjab (in FY23), and Madhya Pradesh (in FY24). The company's operation continued to remain concentrated in Haryana and Rajasthan with 36% and 41% of AUM as on March 31, 2021, respectively, as against 21% and 52% of AUM, respectively, as on March 31, 2024. Also, branch-wise 7% of AUM is concentrated in Jaipur's one branch as on March 31, 2024, though it has reduced from 10% of AUM as on March 31, 2023.

The company has plans to venture to two new states, Telangana and Andhra Pradesh, while deepening its presence in Madhya Pradesh, in FY25. With company entering new states and expanding in newly entered states, CARE Ratings expects the concentration in Rajasthan to come down going forward.

Liquidity: Adequate

Per asset liability mismatch (ALM) statement as on March 31, 2024, there are positive cumulative mismatches across all the time buckets. Per the ALM statement, the company has advances of up to one year of ₹358 crore as against debt of up to one year of ₹181 crore. As on March 31, 2024, UHFPL has liquidity of ₹41 crore in the form of cash and bank balance, unencumbered FD, and investment in mutual funds. Also, the company had undrawn sanctioned term loan/ CC of ₹467 crore.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

[Housing Finance Companies](#)

About company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Housing finance company

UHFPL is a non-deposit accepting housing finance company registered with NHB Bank, incorporated in January 2016. The company caters to people with informal incomes, having limited access to organised finance. UHFPL provides finance through home loan for purchase/ construction/ extension/ renovation of house, LAP for personal use, business loan for working capital and other business needs, and small ticket business loan for short-term loans for shopkeepers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	161.28	243.80
PAT	34.60	53.80
Interest coverage (times)	2.06	1.98
Total Assets	1,106.44	1,612.26
Net NPA (%)	0.27	0.33
ROTA (%)	3.69	3.95

A: Audited; P: Provisional; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-convertible debentures	INE870W07068	August 01, 2022	8.80%	01-Feb-28	32.00	CARE A; Stable
Debentures-Non-convertible debentures	INE870W07076	December 30, 2022	8.90%	30-Dec-27	20.60	CARE A; Stable
Debentures-Non-convertible debentures – Proposed	-	-	-	-	1.00	CARE A; Stable
Fund-based - LT-Term loan	-	-	-	01-Jul-33	853.00	CARE A; Stable
Debentures-Non-convertible debentures – Proposed	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	853.00	CARE A; Stable	-	1)CARE A-; Stable (04-Mar-24) 2)CARE A-; Stable (04-Dec-23)	1)CARE A-; ; Stable (21-Dec-22) 2)CARE A-; ; Stable (28-Nov-22) 3)CARE A-; ; Stable (21-Jul-22) 4)CARE A-; ; Stable (12-May-22)	1)CARE BBB+; Positive (09-Nov-21)
2	Debentures-Non-convertible debentures	LT	-	-	-	1)Withdrawn (04-Dec-23)	1)CARE A-; ; Stable (21-Dec-22) 2)CARE A-; ; Stable (28-Nov-22) 3)CARE A-; ; Stable (21-Jul-22) 4)CARE A-; ; Stable (12-May-22)	1)CARE BBB+; Positive (09-Nov-21)
3	Debentures-Non-convertible debentures	LT	-	-	-	1)CARE A-; Stable (04-Mar-24) 2)CARE A-; Stable (04-Dec-23)	1)CARE A-; ; Stable (21-Dec-22) 2)CARE A-; ; Stable (28-Nov-22)	1)CARE BBB+; Positive (09-Nov-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
							3)CARE A-; Stable (21-Jul-22) 4)CARE A-; Stable (12-May-22)	
4	Debentures-Non-convertible debentures	LT	33.00	CARE A; Stable	-	1)CARE A-; Stable (04-Mar-24) 2)CARE A-; Stable (04-Dec-23)	1)CARE A-; Stable (21-Dec-22) 2)CARE A-; Stable (28-Nov-22) 3)CARE A-; Stable (21-Jul-22)	-
5	Debentures-Non-convertible debentures	LT	20.60	CARE A; Stable	-	1)CARE A-; Stable (04-Mar-24) 2)CARE A-; Stable (04-Dec-23)	1)CARE A-; Stable (21-Dec-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Term loan	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Gaurav Dixit Director CARE Ratings Limited Phone: 91-120-4452002 E-mail: gaurav.dixit@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 91 44 2850 1001 E-mail: pradeep.kumar@careedge.in	Neha Kadiyan Associate Director CARE Ratings Limited Phone: 91-120-4452022 E-mail: Neha.Kadiyan@careedge.in
	Deepshi Panda Lead Analyst CARE Ratings Limited E-mail: deepshi.panda@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**