UMMEED HOUSING FINANCE PRIVATE LIMITED

Regd. Off.: 318, DLF Magnolias, Sector-42, Golf Course Road, Gurugram – 122002, Haryana
Corp. Off.: Unit No.809-815, 8th Floor, Tower-A, Emaar Digital Greens, Golf Course Extn. Road, Sector 61, Gurugram-122102
CIN: U65922HR2016PTC057984

May 13, 2022

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

Scrip Code: '959634', and '959677'

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

Dear Sir/Madam,

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

Further, we would like to inform that the credit rating agency has assigned its the long-term rating of 'CARE A- (read as CARE A Minus) on the Bank facilities and Non-Convertible Debentures of the Company. The outlook is 'Stable'.

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

Encl.: as above

CC:
Catalyst Trusteeship Limited
Windsor, 06th Floor Office No. 604, C.S.T Road, Kalina, Santacruz (East) Mumbai - 400098

Ummeed Housing Finance Private Limited

May 12, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	245.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+; Positive (Triple B Plus; Outlook: Positive)
Total Bank Facilities	**245.00 (Rs. Two Hundred Forty-Five Crore Only)**		
Non-Convertible Debentures	43.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+; Positive (Triple B Plus; Outlook: Positive)
Non-Convertible Debentures	36.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB+; Positive (Triple B Plus; Outlook: Positive)
Total Long-Term Instruments	**79.00 (Rs. Seventy-Nine Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings of the long-term instruments of Ummeed Housing Finance Private Limited (UHFPL) factors in sustained growth in Company's loan book while maintaining asset quality, strong capitalization metrics backed by periodical capital infusion from promoters and private equity investors, and improving profitability metrics The ratings are also supported by its strong liquidity profile and strong risk management systems leading to higher collection efficiency and comfortable asset quality profile with gross NPA of 0.73% as on March 31, 2022. Furthermore, ratings derive comfort from the company's diversified resource profile and its ability to raise fresh borrowings at competitive rates, thus augmenting improvement in its profitability profile.

These rating strengths are, however, partially offset by UHFPL's short track record of operations, moderate seasoning of loan portfolio with overall track record of around six 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.

Rating Sensitivities

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

- Significant growth in loan book with overall assets under management (AUM) increasing beyond Rs.2,000 crore
- Ensuring geographical diversification of loan portfolio
- Maintenance of gross NPA (GNPA) below 1.5% on a sustained basis whilst controlling credit costs

Negative Factors- Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Overall capital adequacy ratio (CAR) declining below 18% or significant increase in overall gearing
- Deterioration in asset quality profile leading to increase in gross NPA and credit costs
- Return on total assets (ROTA) reducing to lower than 1% on a sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Strong presence of marquee investors and experienced management team

The company is promoted by Mr. Ashutosh Sharma, Managing Director who held 20.95% (on fully diluted basis) of shareholding in UHFPL as on March 31, 2022. 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. The company is also supported by presence of strong Private Equity (PE) investors as reflected by periodic capital infusions. PE investors together held 73.63% (on fully diluted basis) stake in the company, while its largest PE investor i.e. Morgan Stanley's NHPEA held 22.60% stake as on March 31, 2022, followed by Norwest Venture Partners holding 19.69%.

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

Healthy capitalization profile supported by periodic equity infusion
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. Furthermore, post the recent round of primary capital infusion of Rs.168 crore in H1FY22, led by Norwest Venture Partners and Morgan Stanley (via NHPEA Kabru), clubbed with sequential rise in positive internal accruals, UHFPL's tangible net-worth increased to Rs.448 crore, translating into improvement in capitalization profile with capital adequacy ratio (CAR) elevating to 88.58% as on March 31, 2022, as against 66.69% as on March 31, 2021. Consequently, with rising net-worth and decline in borrowing levels during FY22, overall gearing for the company improved significantly to 0.63 times as on March 31, 2022 (1.32 times as on Mar-21), thus providing the company wider headroom to expand its loan book.
Going forward, ability of the company to significantly expand its loan book whilst leveraging its capitalization profile remains a key rating sensitivity, given that overall target gearing remains below 3.5 times.

Sequential and strong growth in business operations in FY22
End fiscal March 31, 2022, UHFPL registered a 35% Y-o-Y growth in its assets under management (AUM) to Rs.783 crore, as compared to Rs.580 crore as on March 31, 2021, thus witnessing a three-year compounded annual growth rate (CAGR) of 37%, which has stabilized over the past two years owing to economies of scale and disbursements being impacted by COVID-19 pandemic.
UHFPL disbursed loans amounting to Rs.375 crore during FY22 (Rs.242 crore in FY21), with overall disbursements being spread across its loan products.
Of the total AUM of Rs.783 crore as on March 31, 2022, housing loan (HL) book stood at Rs.480 crore (61% of AUM), followed by loan against property at Rs.135 crore (LAP, 17%), while the rest has been towards non-housing business loans which made up 22% of the overall AUM, which included higher yielding business loans and small-ticket business loans.
Going forward, being an affordable housing entity, UHFPL aims to maintain at least 60% of its total AUM towards housing loans carrying an average ticket size of Rs.8 lakhs, whilst focusing on increasing share of higher yielding business loans gradually. In the last two years, share of these non-housing business loans in the overall loan portfolio has increased from 15% as on Mar-20 to 22% as on Mar-22.
Overall, CARE does not expect any significant change in the portfolio mix of UHFPL since, as per RBI's guidelines, a housing finance company (HFC) has to ensure that housing finance loans constitutes at least 60% of its total assets, by Mar-24.
Also, going forward, ability of UHFPL to significantly scale up its loan operation with its AUM crossing above Rs.2,000 crore remains a key rating sensitivity.

Well diversified resource profile
UHFPL has a fairly well diversified funding profile with resources raised from various sources such as private sector banks/NBFCs, public sector banks, foreign-currency denominated NCDs, rupee denominated NCDs (listed and unlisted), funding via direct assignment and securitization transactions and external commercial borrowings (ECB). As on March 31, 2022, UHFPL's total borrowings stood at Rs.283 crore, moderating from Rs.348 crore as on Mar-21 on account of ample liquidity post the equity infusion in H1FY22. UHFPL has banking relationship with more than 21 bank/FIs and of the total borrowings of Rs.283 crore, borrowings from banks, NBFCs and financial institutions made up 61% of total borrowings, followed by borrowings from National Housing Bank (18%), NCDs (16%), while the rest were in the form of ECBs, as on March 31, 2022.

Adequate risk management and control systems leading to comfortable asset quality metrics
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.
As a result of the streamlining of disbursement and collection processes, clubbed with quicker recoveries from loan assets, asset quality of the company remained comfortable with gross NPA and net NPA of 0.73% and 0.48% respectively as on March 31, 2022, albeit moderating marginally from 0.67% and 0.43% respectively as on March 31, 2021. The said comfort in asset quality is primarily on account of quicker recoveries, high collection efficiency of 96% and controlled slippages in FY22. Although, going forward, ability of the company to maintain gross NPA below 1.5% as the loan book achieves adequate seasoning, remains a key rating monitorable.

Key Rating Weaknesses
Geographically concentrated loan portfolio
UHFPL, predominantly caters to the geographies of Rajasthan, Haryana and Delhi-NCR across its loan products and as a result, the above states made up 96% of the company's total loan portfolio as on March 31, 2022, on the same lines as on Mar-21. District wise concentration also remains high, with the company's top seven districts making up around 55% of the portfolio with Jaipur and Chandigarh forming around 29%. Also, during FY22, company launched 16 new branches in similar geographies while a couple of branches were launched in the state of Uttarakhand, taking the total branch count to 44 as on March 31, 2022.
Going forward, while the company aims to increase its presence in the existing geographies, ability of the company to achieve district-level geographical diversification remains a key rating monitorable.

Moderating seasoning of loan book with low vintage
UHFPL started its loan operations in 2016 with providing affordable housing loans carrying an average loan tenure of 7-8 years, and given that the company has completed six full years of loan operations, seasoning profile of the company's loan book remains moderate and thereby performance of company's loan portfolio over multiple business cycles is yet to be seen. Also, going forward, with improvement in seasoning profile of the company's portfolio, its impact on UHFPL's asset quality will also remain a key monitorable.

Improving profitability profile, albeit high operating expenses
End fiscal March 31, 2022, UHFPL reported a 62% Y-o-Y jump in net profitability to Rs.18.3 crore (majorly due to smaller base), while total income increased by 20% in the same period to Rs.109.4 crore. As a result, with improvement in net profits, clubbed with small, albeit expanding scale of operations of the company, return on total assets (ROTA) elevated to 2.52% (vs. 1.85% in FY21 and 1.16% in FY20), thus leading to a comfortable profitability profile.

While UHFPL's yields moderated to 15.3% in FY22 (vs 16.3% in FY21) amidst declining interest rate environment, spreads remained stable due to improvement in cost of funds. Company availed sizable borrowings from National Housing Bank (NHB) as part of relief measure to counter the exacerbating impact of COVID-19 pandemic on the industry. Net interest margin (NIM as a % of average total assets) of the company continues to improve as it rose to 8.26% during FY22, from 6.04% over previous year, due to improved gearing.
However, operating expenses for the company, as a percentage of total assets continue to remain elevated at 6.75% in FY22, (vs. average of 6.98% for the past three years) on account of new branches opened during the period coupled with hiring of personnel and expenditure on development of IT infrastructure. As a result, going forward, 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.

Liquidity: Adequate
As on March 31, 2022, UHFPL had adequate liquidity in the form of cash and bank balances amounting to Rs.67 crore clubbed with investment balances of Rs.4 crore, along with undrawn credit lines from banks to the tune of Rs.164 crore. Against which, UHFPL has scheduled debt repayment of Rs.135 crore for the next twelve months. Also, as per the ALM statement dated March 31, 2022, there are positive cumulative mismatches across all time buckets.

Analytical approach: Standalone

Applicable Criteria
CARE's Policy on Default Recognition
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Rating Methodology - Housing Finance Companies (HFCs)
Financial Ratios – Financial Sector

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 44 branches spread over five states i.e. Delhi NCR, Rajasthan, Haryana, Uttar Pradesh and Uttarakhand. UHFPL had an outstanding loan portfolio of Rs.783 crore as on March 31, 2022.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (P)
Total income	73.32	90.97	109.40
PAT	5.40	11.31	18.29
Interest coverage (times)	1.21	1.37	1.68
Total Assets	555.64	667.86	782.39
Net NPA (%)	0.12	0.43	0.48
ROTA (%)	1.16	1.85	**2.52**

A: Audited, P: Provisional, Total assets excluding deferred tax assets and intangible assets

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 A-; Stable
Debentures-Non Convertible Debentures	INE870W07019*	November 20, 2018	12.22%	November 22, 2021	16.19	CARE A-; Stable
Debentures-Non Convertible Debentures	INE870W07027*	December 28, 2018	13%	December 28, 2021	14.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE870W07035	June 16, 2020	11.90%	April 21, 2023	10.00	CARE A-; Stable
Debentures-Non Convertible Debentures	INE870W07043	July 01, 2020	11.72%	Jan 01, 2023	38.00	CARE A-; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	0.81	CARE A-; Stable

*Redeemed on maturity, pending withdrawal

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	245.00	CARE A-; Stable	-	1)CARE BBB+; Positive (09-Nov-21)	1)CARE BBB+; Stable (10-Mar-21) 2)CARE BBB+; Stable (18-Sep-20)	1)CARE BBB; Stable (09-Dec-19)
2	Debentures-Non Convertible Debentures	LT	43.00	CARE A-; Stable	-	1)CARE BBB+; Positive (09-Nov-21)	1)CARE BBB+; Stable (10-Mar-21) 2)CARE BBB+; Stable (18-Sep-20)	1)CARE BBB; Stable (09-Dec-19)
3	Debentures-Non Convertible Debentures	LT	36.00	CARE A-; Stable	-	1)CARE BBB+; Positive (09-Nov-21)	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 instrument	Detailed explanation
Financial covenants	
Asset quality	PAR 90 loans (including rescheduled loans) less than 3% of outstanding loans
	Write Off Ratio (TTM) less than 2% per year.
Leverage	Maximum permissible ratio of financial indebtedness to adjusted tangible net-worth shall not exceed 4x (four times).
Profitability	Return on total assets shall be above 0%
Capital adequacy	CRAR at 25% or higher during the tenor of NCD
Lending operations	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 Ratings Ltd. 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.

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**