July 31, 2023

Ummeed Housing Finance Private Limited: Ratings reaffirmed for SNs issued under home loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Previous Surveillance (Rs. crore)	Current Outstanding Amount after June 2023 Payout (Rs. crore)	Rating Action
Ruby 04 2022	SN Series A1	38.55	NA	23.39	[ICRA]AA(SO); Reaffirmed

**Instrument details are provided in Annexure I*

Rationale

The Securitisation Notes (SNs) are backed by a pool of home loan receivables originated by Ummeed Housing Finance Private Limited (UHFPL). The ratings have been reaffirmed on account of the healthy collection efficiency and moderate amortisation in the transaction, which has led to the build-up of the credit enhancement (CE) cover over the future SN payouts. The ratings draw comfort from the fact that the breakeven collection efficiency is comfortable compared to the actual collection level observed in the pool till the June 2023 payout month.

Pool performance summary

A summary of the performance of the pool till the May-23 collection (June 2023 payout) month has been tabulated below.

Parameter	Ruby 04 2022
Months post securitisation	14
Pool amortisation	26.5%
SN Series A1 amortisation	39.3%
Cumulative collection efficiency[1]	99.8%
Loss-cum-90+ (% of initial pool principal)[2]	0.2%
Loss-cum-180+ (% of initial pool principal)[3]	0.2%
Breakeven collection efficiency[4] **SN Series A1**	33.6%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	13.6%
Excess interest spread (EIS) over balance tenure (as % of balance pool principal) SN Series A1	>100%
Cumulative prepayment rate[5]	21.1%

Key rating drivers

Credit strengths

- Pool amortisation resulting in build-up of credit enhancement available for the balance SN payouts

[1] *Cumulative collections till date / Cumulative billings till date + Opening overdues*
[2] *POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool*
[3] *POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool*
[4] *It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – Credit collateral available) / Balance pool cash flows*
[5] *POS at the time of prepayment of contracts prepaid till date / Initial pool principal*

- Low delinquency level exhibited by the pool

Credit challenges

- High geographical concentration with share of top three state at ~89% of the balance pool principal
- SN yield for the transaction is linked to an external benchmark, while interest rate on the underlying loans is linked to originator's lending rate which leads to a basis risk in the structure
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

The performance of the pool has been healthy with a cumulative collection efficiency of more than 99% and loss-cum-90+ days past due (dpd) below 1.00% as of June 2023 payout month. There has been no cash collateral (CC) utilisation in the transaction till date. Healthy collections and moderate pool amortisation have led to the build-up of the CE in the pool. The breakeven collection efficiency at the current level is lower compared to the actual collection level. The SN yield for the pool is linked to an external benchmark, while the interest rate on the underlying loans is variable linked to the originator's lending rate, leading to a basis risk in the structure. The pool yield has increased as the originator has increased its lending rate, and the same trend is visible in the PTC yield which is linked to the investor's benchmark rate. The impact of increase in investor's benchmark rate is reflected on PTC side since March 2023 payout. Also, the pool's performance would remain exposed to any macroeconomic shocks/business disruptions, if any.

Overall, the CE available for meeting the balance payouts to the investors is sufficient to reaffirm the ratings at the current levels in the transaction. ICRA will continue to monitor the performance of the pool. Any further rating action will be based on the performance of the pool and the availability of CE relative to ICRA's expectations.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and the coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and rated pools, and the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected loss during the balance tenure of the pool is likely to be in the range of 2.75-3.75% (as a % of initial pool principal).

Liquidity position

Strong for SN Series A1

The cash collections and the credit collateral available in the transaction are expected to be highly comfortable to meet the SN Series A investor payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool contracts in a stress scenario, the recommended cash collateral would cover the shortfalls in the SN payouts for a period of more than 15 months.

Rating sensitivities

Positive factors – The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a ratings upgrade. Improvement in the credit profile of the servicer would also be important to upgrade the rating of the SNs.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a ratings downgrade.

Analytical approach

The rating action is based on the performance of the pool till June 2023 (payout month), the present delinquency profile of the pool, the CE available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Ummeed Housing Finance Private Limited ('UHFPL' or 'Ummeed' or the 'Company') is a Housing Finance Company registered with NHB. The company started its operations in August 2016. Focused on providing financial solutions for housing to low and middle-income families in India, Ummeed focuses on providing loans for home purchase, renovation, and enhancement of residential property. The Company has raised equity share capital of Rs 5.5 Crores (Rs 2.33 Crores Primary) from Morgan Stanley private equity and Norwest Capital, LLC. Total net worth of the Company reached Rs. 331.19 crore as on Mar 31, 2022. The company has equity investors: Morgan Stanley, Lightrock Global Fund (LGT), CX Partners, Norwest Capital and Thyme Private Limited.

The company's loan book stood at Rs. 1320.62 crore as on March 31, 2023. The company caters to customers having informal income sources with tailor made products (housing loan (HL), LAP, secured business loan (BL), and secured small ticket business loan (STBL) with an average ticket size of Rs. 8.00 lakh. The company is currently having net worth of Rs. 488 crore as on Mar 31, 2023 and operates across 70 operational branches in 6 states with a team of 890 employees.

Key financial indicators (audited)

	FY2021	FY2022	FY2023
Total Income	91	109	161
Profit after tax	11	19	35
Total AUM	580	766	1,143
Gross Stage 3 (%)	0.67%	0.83%	0.41%
Net Stage 3 (%)	0.43%	0.53%	0.27%

Source: Company data, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
	Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
				July 31, 2023	July 29, 2022^	Apr 28, 2022*	-	-
Ruby 04 2022	SN Series A1	38.55	23.39	**[ICRA]AA(SO)**	**[ICRA]AA(SO)**	**Provisional [ICRA]AA(SO)**	-	-

**Provisional rating assigned*
^Provisional rating finalised

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Ruby 04 2022	SN Series A1	Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Ruby 04 2022	SN Series A1	April 2022	9.65%#	April 2043	23.39	[ICRA]AA(SO)

** Scheduled maturity date at transaction initiation, may change on account of prepayments in the underlying pool*
 # 1-year marginal cost of funds based lending rate (MCLR) + 0.9%
Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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