

July 25, 2024

## Ummeed Housing Finance Private Limited: Rating 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 2024 Payout (Rs. crore)	Rating Action
Ruby 04 2022	SN Series A1	38.55	23.39	15.07	[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/Originator; rated [ICRA]A1).

The rating reaffirmation factors in the high amortisation in the transaction, which has led to significant build-up of the credit enhancement cover over the future SN payouts. The collections in the pool have also been strong, resulting in low delinquencies. The rating draws comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pool till the June 2024 payout month.

### Pool performance summary

Parameter	Ruby 04 2022
Payout month	June 2024
Months post securitisation	26
Pool amortisation	39.5%
SN Series A1 amortisation	60.9%
Cumulative collection efficiency <sup>1</sup>	99.9%
Loss-cum-90+ (% of initial pool principal) <sup>2</sup>	0.05%
Loss-cum-180+ (% of initial pool principal) <sup>3</sup>	0.05%
Breakeven collection efficiency <sup>4</sup>	29.0%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.0%
CC available (as % of balance pool principal)	16.6%
Excess interest spread (EIS; as % of balance pool principal)	100.0%
Cumulative prepayment rate <sup>5</sup>	30.1%

<sup>1</sup> Cumulative collections till date / Cumulative billings till date + Opening overdues

<sup>2</sup> POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

<sup>4</sup> 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

<sup>5</sup> Sum of prepayment till date / Initial pool principal

## Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (90% of the pool principal billed). The balance principal (10% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of SN Series A1. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will be used for the prepayment of SN Series A1 principal. Any prepayment in the pool would be used for the prepayment of SN Series A1 principal.

## Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed the transaction and underlying pool. As per ICRA's analysis, the cash collateral (CC) required to maintain the present rating is Rs. 1.29 crore (4.96% of balance pool principal) against the existing CC of Rs. 4.28 crore (16.54% of balance pool principal). Based on the pool's performance, the rating for the SNs will remain unchanged even after the CC amount is reset. However, as per regulatory guidelines, the maximum amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA. The CC reset shall be subject to the approval of the SN investors.

## Key rating drivers and their description

### Credit strengths

**Healthy pool performance** – The pool's performance has been healthy with a cumulative collection efficiency of ~99%, which has resulted in low delinquencies in the pool, i.e. 90+ days past due (dpd) of 0.05% as of the June 2024 payout month. The breakeven collection efficiency is also low compared to the collection efficiency observed in the pool.

**Substantial credit enhancement available in the structure** – The rating factors in the build-up in the credit enhancement with the CC increasing to ~17% of the balance pool principal from 10% at the time of securitisation. Further, there have been no instances of CC utilisation till date owing to the strong collection performance and the presence of EIS in the transaction.

**Contracts backed by residential properties** – All the contracts in the pool are backed by residential properties. This is expected to support the quality of the pool as it has been observed that borrowers tend to prioritise repayments towards such loans even during financial stress.

### Credit challenges

**High geographical concentration** – The pool has high geographical concentration with contracts originating from only three states/Union Territories (UTs), viz. Delhi NCR, Rajasthan and Haryana. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

**Risks associated with lending business** – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

**Exposed to interest rate and basis risk** – The underlying pool has a mix of fixed and floating rate (linked to Originator's internal benchmark) loans while the yield on the SN is linked to an external benchmark (investor's MCLR). Hence, the transaction is exposed to interest rate and basis risk and any adverse movement in the benchmark yield is likely to reduce the EIS available in the transaction.

## Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 2.50% of the initial pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6% to 20% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final ratings for the instruments.

## Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Ruby 04 2022
Originator	Ummeed Housing Finance Private Limited
Servicer	Ummeed Housing Finance Private Limited
Trustee	Catalyst Trustee Limited
CC holding bank	ICICI Bank
Collection and payout account bank	ICICI Bank

## Liquidity position: Superior

The liquidity for the SN instrument is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement is more than 10 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – The rating could be upgraded if sustained strong collection performance is witnessed in the underlying pool, leading to low delinquency levels and build-up of cover from the credit enhancement of the balance pool principal.

**Negative factors** – The sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (UHFPL) could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pool till June 2024 (payout month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

UHFPL, a non-deposit accepting affordable housing finance company registered with National Housing Bank (NHB), was incorporated in January 2016 and based in Gurugram (Haryana). The company is promoted by Mr. Ashutosh Sharma, who has over 25 years of experience in banking and financial services. UHFPL commenced operations in August 2016 and provides finance to underbanked customers, who have informal income and limited or no credit history, in tier 2/3/4 cities. The company primarily operates in northern and western India and had a network of 103 branches across 7 states/UTs (Rajasthan, Haryana, Delhi NCR, Uttar Pradesh, Uttarakhand, Punjab, Madhya Pradesh) as on March 31, 2024.

Following the recent equity infusion of Rs. 300 crore, the promoter, viz. Mr. Sharma, had an 18.3% stake in the company on a fully-diluted basis as on April 30, 2024. Other key investors include Norwest Capital (23.5%), Morgan Stanley (19.0%), A91 Partners (15.5%), Thyme Private Limited (10.8%), and others (12.9%).

The company reported a profit after tax (PAT) of Rs. 54 crore in FY2024 on a total managed asset base of Rs. 1,847 crore as on March 31, 2024 compared to PAT of Rs. 35 crore in FY2023 on a total managed asset base of Rs. 1,242 crore as on March 31, 2023. Its net worth stood at Rs. 648 crore with a managed gearing of 1.8x as on March 31, 2024 compared to Rs. 488 crore and 1.5x, respectively, as on March 31, 2023. The net worth increased further to ~Rs. 848 crore, as on April 30, 2024, after the receipt of the 2<sup>nd</sup> tranche of primary capital amounting to Rs. 200 crore. The gross and net non-performing advances (NPAs) stood at 0.5% and 0.1%, respectively, as on March 31, 2024 compared to 0.4% and 0.3%, respectively, as on March 31, 2023.

### Key financial indicators (audited)

	FY2022	FY2023	FY2024*
<b>Total income</b>	109	161	244
<b>Profit after tax</b>	19	35	54
<b>Total managed assets</b>	860	1,242	1,847
<b>Gross NPA</b>	0.8%	0.4%	0.5%
<b>CRAR</b>	99.9%	74.1%	62.9%

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

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

### Any other information: None

### Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				
		Initial Amount Rated	Current Amount Rated	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
		(Rs. crore)	(Rs. crore)	Jul 25, 2024	Jul 31, 2023	Jul 29, 2022	Apr 28, 2022	
<b>Ruby 04 2022</b>	SN Series A1	38.55	15.07	[ICRA]AA(SO)	[ICRA]AA(SO)	[ICRA]AA(SO)	Provisional [ICRA]AA(SO)	-

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
<b>Ruby 04 2022</b>	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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
<b>Ruby 04 2022</b>	SN Series A1	April 29, 2022	10.00%#	April 20, 2043	15.07	[ICRA]AA(SO)

# 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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