January 06, 2025

Ummeed Housing Finance Private Limited: Provisional [ICRA]AAA(SO) assigned to PTCs backed by home loan receivables issued by Mulberry 12 2024 Trust

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Mulberry 12 2024 Trust	Series A1 PTC	60.35	Provisional [ICRA]AAA(SO); Assigned

**Instrument details are provided in Annexure I*

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful

Rationale

The pass-through certificates (PTCs) are backed by a pool of home loan receivables originated by Ummeed Housing Finance Private Limited {UHFPL/Originator; rated [ICRA]A1} with an aggregate principal outstanding of Rs. 67.06 crore (pool receivables of Rs. 157.39 crore). UHFPL would be the servicer for the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (90% of the pool principal billed) but is promised on the final maturity date. The residual cash flows from the pool, after meeting the promised and expected payouts, will be used for the prepayment of Series A1 PTC principal. Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a Cash Collateral (CC) of 5.00% of the initial pool principal amounting to Rs. 3.35 crore to be provided by the Originator, (ii) subordination of 10.00% of the initial pool principal for Series A1 PTC, and (iii) the Excess Interest Spread (EIS) of 93.92% of the initial pool principal for Series A1 PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 525 contracts, with top 10 contracts forming less than 8% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of subordination, CC and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

Healthy bureau score of borrowers – In the pool, all the borrowers have a CIBIL score above 700, which reflects their relatively better credit profile.

Contracts backed by self-occupied residential properties – The pool is backed by residential properties wherein borrowers tend to prioritise repayments towards such loans even during periods of financial stress.

Adequate servicing capability of the originator – The company has an established track record in the lending business with adequate underwriting policies and collection procedures across a wide geography. The company has adequate processes for servicing the loan accounts in the securitised pool.

Credit challenges

High geographical concentration: The pool has high geographical concentration with the top 3 states, viz. Rajasthan, Uttar Pradesh, Uttarakhand, contributing ~78% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Exposed to interest rate risk: The transaction is exposed to interest rate risk as majority (~69%) of the contracts in the pool are fixed rate loans and balance are floating rate (linked to originator's benchmark rate), whereas yield on PTCs is floating rate (linked in external benchmark).

Risk associated with lending business – The pools' 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.

Key rating assumptions

ICRA's cash flow modelling for the rating of securitisation transactions involves the simulation of potential losses, delinquencies and prepayment 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 current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 5.00% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.00% 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 rating for the instrument.

Liquidity position: Superior

The liquidity for the PTCs instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be greater than 10 times the estimated loss in the pools

Rating sensitivities

Positive factors – NA

Negative factors –The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), 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 could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of UHFPL's home loans portfolio till September 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Power of Attorney
4. Legal opinion
5. Trustee letter
6. Chartered Accountant's know your customer (KYC) certificate
7. Any other documents executed for the transaction

Validity of the provisional rating

The trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

UHFPL, a non-deposit-accepting affordable housing finance company registered with NHB, was incorporated in January 2016 and is 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 is focussed on providing finance to underbanked customers with informal income and limited or no credit history in tier II/III/IV cities. It primarily operates in northern and western India through a network of 103 branches across nine states/UTs (Rajasthan, Haryana, Delhi NCR, Telengana, AP, Uttar Pradesh, Uttarakhand, Punjab, Madhya Pradesh) as on September 30, 2024.

Following the recent equity infusion of Rs. 300 crore, Mr. Sharma held an 18.3% stake in the company on a fully-diluted basis as on December 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%).

In FY2024, the company reported a profit after tax (PAT) of Rs. 27 crore on a total managed asset base of Rs. 2,261 crore as on September 30, 2024 compared to a PAT of Rs. 53 crore in FY2024 on a total managed asset base of Rs. 1,828 crore as on March 31, 2024.

Key financial indicators

Ummeed Housing Finance Private Limited	FY2023	FY2024	H1 FY2025*
Total income	160.5	242.7	150.3
Profit after tax	34.6	52.7	27.2
Total Managed Assets	1,241.5	1,828.3	2,261.1
Gross NPA %	0.41%	0.50%	0.63%
CRAR %	74.09%	62.93%	68.93%

*Source: Company, ICRA Research; Amount in Rs. Crore; *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
	Instrument	Initial Amount Rated (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				January 06, 2024	-	-	-
Mulberry 24 2024 Trust	Series A1 PTC	60.35	60.35	**Provisional [ICRA]AAA(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	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	Current Amount Rated (Rs. crore)	Current Rating
Mulberry 24 2024 Trust	Series A1 PTC	December 27, 2024	9.15%*	October 17, 2047	60.35	Provisional [ICRA]AAA(SO)

*Source: Company; *Linked to external benchmark*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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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.

For more information, visit www.icra.in

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