

No. CARE/DRO/RL/2018-19/2625

Ashutosh Sharma
Managing Director,
Ummeed Housing Finance Private Limited
312 B,C Centrum Plaza, Sec-53,
Golf Course Road, Gurgaon, Haryana

November 02, 2018

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs. 43 crore of your company. The proposed NCDs would have tenure of 74 (seventy Four) months.

2. The following ratings have been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Proposed Non-Convertible Debenture issue	43 (Rs. Forty Three crore only)	CARE BBB; Stable (Triple B; Outlook Stable)	Assigned

- Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is October 31, 2018)
- In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.
- Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors
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¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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6. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.
7. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 05, 2018 we will proceed on the basis that you have no any comments to offer.
8. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
9. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to buy, sell or hold any securities.

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If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,



Abhishek Jangra

Analyst

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Puneet Maheshwari

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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure
Ummeed Housing Finance Private Limited

Ratings

Facilities	Amount (Rs. crore)	Ratings ²	Rating Action
Long term Bank Facilities	75.00 (Rupees Seventy Five crore only)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB- ; Stable (Triple B Minus; Outlook: Stable)
Non-Convertible Debentures	43.00 (Rupees Forty Three crore only)	CARE BBB; Stable (Triple B; Outlook: Stable)	Assigned
Total	118.00 (Rupees One Hundred Eighteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating of Ummeed Housing Finance Private Limited (UHFL) takes into account fresh capital raised by the company of Rs.65 crore in September 2018 which enables company to grow its loan book while maintaining comfortable capital structure, increase in loan book size and some improvement in profitability profile. The rating also derives strength from experienced promoters and management team and comfortable liquidity profile of the company. The rating also takes cognizance of the risk management system put in place by the company. These rating strengths are, however, partially offset by short track record of operations and smaller loan book size, low seasoning of loan portfolio along with geographical concentration of its loan book, asset quality risk on account of unseasoned loan portfolio and exposure to relatively riskier borrower segment.

Going forward, the ability of the company to scale up its operations by leveraging its capital base, while improving profitability, maintaining asset quality with seasoning of loan book, improvement in geographical diversification and maintaining liquidity profile, would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team: The Company is promoted by Mr Ashutosh Sharma, Managing Director who held 29.62% of shareholding as on September 30, 2018 (on fully diluted basis). He has extensive experience of over 25 years in banking & 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, which includes, Sachin Grover, Chief Operating Officer, has over 20 years of mortgage experience. The operating team of UHFL consists of professionals with small-ticket mortgage experience.

Healthy capitalization level to support scaling up of operations and comfortable liquidity profile: The capitalization profile of the company is healthy with CRAR and Tier-1 CRAR at 79.05% and 78.54% respectively as on March 31, 2018. Company's gearing was low at 0.9 times as on March 31, 2018. Subsequently, in September 2018, the company raised capital in the form of CCPS of Rs.65 crore which

² Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

strengthen its capitalization profile further and will enable company to scale up operations. Overall, UHFL has raised around Rs. 134 crore from promoter and investors in three round of funding till September 2018. UHFL's healthy capitalization level also mitigates risk arising on account of limited seasoning of loan book to some extent. The tangible net worth of the company (including CCPS) increased to Rs.131 crore as on September 30, 2018 from Rs. 67 crore as on March 31, 2018.

Company's liquidity profile is comfortable with no negative cumulative mismatches in up to 3 year bucket as per ALM statement as on September 30, 2018. Company's liquidity profile is also supported by largely equity funded growth (with low gearing of around 0.8 times as on September-2018). The company's total borrowings were around Rs.102 crore as on September 30, 2018 which it has raised from more than 10 banks / financial institutions.

Adequate risk management and control systems: UHFL has put in place adequate risk management and control systems. The company has developed a lending Policy with defined criteria on financial appraisal specific to various borrowers, quality and amount of collateral and maximum exposure limits to individual and group borrowers.

Key Rating Weaknesses

Limited track record of operations and relatively small size: UHFL was incorporated in January, 2016 and was extended the license to commence operations from NHB on 13th July, 2016. The company is thus still in its initial years of operations. Company's loan book was Rs.107 crore as on March 31, 2018 and Rs. 198 crore as on September 30, 2018. UHFL's loan book comprised housing loans (67% of loan book as on Mar-18) and loan against property (33%).

Profitability remains low, though improved in FY18 and expected to improve further:

UHFL's profitability was low as reflected in Return on Total Assets (ROTA) of around 0.8% and Return on Net Worth (RoNW) of 1.4% during FY18 as company is in initial years of operations and consequently its operating expenses in relation to loan book are high. However, profitability has improved in FY18 vs. FY17; UHFL reported PAT of Rs.0.68 crore in FY18 vs. net loss of Rs.2.67 crore in FY17; UHFL's profitability is expected to improve further in FY19.

Also, as on September 2018 around 59% of company's loan book is at fixed rate of interest which is negative in current rising interest scenario, however given large part of loan book is funded out of equity and company's view to offer fixed rate only in case of lending at more than 16% mitigate risk to some extent.

Low seasoning of loan portfolio with exposure to vulnerable borrower segment: UHFL's portfolio is largely unseasoned with only 2 years of operations and company's asset quality trend is yet to be established. However, so far the company has been able to maintain asset quality profile with nil gross NPAs as on March 31, 2018 and September 30, 2018, the sustenance of asset quality is yet to be seen.

As the company is primarily engaged in smaller ticket housing loans, borrower profile being moderate in terms of income level vs. mainline HFCs and around 64% of the company's loan book comprised of loans to self-employed individuals which expose the company to the riskier borrower segment. However, UHFL maintains low LTV ratio on its loan book (average portfolio LTV of ~47% and only around 5% of loan book at LTV of >75%), mitigating this risk to some extent.

Geographical concentration: The company is based out of Delhi NCR and currently has only 14 branches spread over Delhi NCR, Chandigarh, Jaipur, Sonapat, Agra, Sikar, Kota, Ambala, Hisar, Gurgaon, Bikaner, Bhilwara, Ghaziabad region. Its portfolio remains concentrated to Delhi (32.50% of loan book), Haryana (34.4%), Rajasthan (25.5%) and Uttar Pradesh (7.6%) as on March 31, 2018.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE Methodology for Housing Finance Companies (HFCs)

Financial Sector –Financial Ratios

About the Company

Ummeed Housing Finance Pvt Ltd (UHFL) is a housing finance company (HFC) incorporated in January 2016. UHFL 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 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), top-up loans and balance transfer loans to individuals. UHFL currently operates through 14 branches spread over Delhi NCR, Chandigarh, Rajasthan, Haryana and Uttar Pradesh region. UHFL has disbursed loans to around 2,424 borrowers with an outstanding loan portfolio of Rs.198 crore as on September 30, 2018. UHFL's portfolio has an average ticket size of Rs.8-9 Lakh having tenure of 5-20 years with average LTV of 47%.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total Income	1.90	12.66
PAT	-2.67	0.68
Interest coverage (%)	NM	1.43
Total Assets	34.11	145.52
Net NPA (%)	0.00	0.00
ROTA (%)	-11.99	0.76

A: Audited, NM: Not meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to core@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the

entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Dec-2022	75.00	CARE BBB; Stable
Debentures-Non Convertible Debentures (Proposed)	-	-	-	43.00	CARE BBB; Stable

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	75.00	CARE BBB; Stable	-	1)CARE BBB; Stable (29-Sep-17)	-	-
2.	Debentures-Non Convertible Debentures	LT	43.00	CARE BBB; Stable	-	-	-	-