June 27, 2025

Ummeed Housing Finance Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previously rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	55.0	55.0	[ICRA]A1; reaffirmed
Total	**55.0**	**55.0**	

**Instrument details are provided in Annexure I*

Rationale

Ummeed Housing Finance Private Limited's (UHFPL) rating factors in its comfortable capitalisation profile (managed gearing of 1.7 times as on March 31, 2025) for the current scale of operations and the strong liquidity profile as well as its healthy profitability indicators with a return on managed assets (RoMA) of 2.8%[1] in FY2025. ICRA notes that the company has scaled up its business, with assets under management (AUM) of Rs. 2,362 crore as on March 31, 2025, registering a compound annual growth rate (CAGR) of 46% over the 3-year period of FY2022-FY2025. UHFPL has maintained control over the asset quality indicators thus far with the reported gross non-performing assets (GNPAs) at 0.75% as on March 31, 2025, albeit on limited portfolio seasoning given the high pace of growth over the past few years.

The rating remains constrained by UHFPL's limited portfolio seasoning in relation to the tenure of its assets, as significant growth was achieved over the last three years, and the geographically concentrated portfolio with the top 3 states accounting for 77% of the AUM as on March 31, 2025. ICRA notes that while the asset quality indicators are under control thus far, the target borrower profile (consisting of low-to-middle income borrowers and largely self-employed/cash salaried/informal income) remains vulnerable to income shocks. UHFPL's ability to increase the scale of operations while maintaining its profitability and asset quality would be a key rating driver.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation for the current scale of operations – UHFPL's capitalisation profile remains comfortable for its current scale of operations, supported by regular capital infusions, with the latest in the form of primary capital of Rs. 200 crore in April 2024. Previously, it had raised capital every 12-18 months to support business growth while maintaining the managed gearing below 2 times. Since inception, it has raised total capital of Rs. 711.5 crore and its net worth stood at Rs. 902 crore as on March 31, 2025. UHFPL's managed gearing stood at 1.7 times and the capital-to-risk-weighted assets ratio was 70.5% as on March 31, 2025 compared to 1.8 times and 63.0%, respectively, as on March 31, 2024. ICRA notes that UHFPL has outlined a road map for robust AUM growth, which is likely to increase the leverage from the current level. In this regard, growth capital is expected in the next three years to keep the managed gearing below 4 times on a steady-state basis.

Healthy profitability indicators, notwithstanding recent moderation – UHFPL's profitability indicators remain healthy, notwithstanding the recent moderation in FY2025 on account of the compression in the net interest margin (NIM) and increase in operating expenses despite credit costs staying under control. NIMs compressed to 9.6% of the average managed assets (AMA) in FY2025 from 10.0% in FY2024 because of the reduction in yields across products. While operating expenses increased to 6.8% from 6.4% during this period because of branch expansion, higher employee costs and investment in technology, credit costs remained low at 0.2% in FY2025 (0.3% in FY2024). Consequently, the profitability moderated with RoMA of 2.8% in

[1] *All the data as on March 31, 2025/FY2025 is based on provisional financials*

FY2025 vis-à-vis 3.4% in FY2024. Going forward, UHFPL's ability to improve its operating efficiency while maintaining control over fresh slippages will be critical for enhancing its profitability profile.

Credit challenges

Limited portfolio seasoning, given high pace of growth; however, asset quality thus far has remained under control – UHFPL started operations in 2016 with three hubs in three states. Its presence has expanded rapidly over the past three years with the addition of 86 branches during this period. As on March 31, 2025, UHFPL operated through 130 branches across nine states/ Union Territories (UTs), serving 33,664 borrowers, compared to its presence in five states/UTs with 44 branches and 11,161 borrowers as on March 31, 2022. The AUM increased at a CAGR of 46% over the last three years to Rs. 2,362 crore as on March 31, 2025 from Rs. 766 crore as on March 31, 2022. ICRA expects the AUM to continue growing at a relatively high pace; hence, portfolio seasoning is likely to remain low and would remain a key monitorable.

UHFPL has maintained healthy asset quality indicators since inception. Given the rapid expansion, the loan book has witnessed limited seasoning. The asset quality indicators remain under control despite the marginal uptick in delinquencies, which led to an increase in the gross NPAs to 0.75% as on March 31, 2025 from 0.50% as on March 31, 2024. Write-offs remain low, with cumulative write-offs amounting to Rs. 6.3 crore (0.2% of the cumulative disbursements) since FY2018.

Exposure to relatively vulnerable borrower profile; geographically concentrated operations – UHFPL's ability to grow while maintaining control over the asset quality indicators will remain monitorable, given the vulnerable nature of its portfolio as it caters to underbanked customers from tier II and tier III/IV cities, who have informal income and limited or no credit history. Its portfolio largely comprises low-to-middle income self-employed customers (~70% of the AUM as on March 31, 2025), who are relatively more vulnerable to economic cycles and have limited buffer to absorb income shocks. In ICRA's opinion, the secured nature of the portfolio, backed largely by self-occupied residential properties and low loan-to-value (LTV) ratios, is a key mitigant against the inherent risks associated with the company's portfolio.

In terms of geographical presence, UHFPL started operations in Rajasthan, Haryana and Delhi NCR and has expanded its reach to nine states/UTs over the years. However, the geographical concentration remains high, with the majority of the portfolio in Rajasthan (48%), Haryana (17%) and Delhi NCR (12%) as on March 31, 2025. The rest is in the neighbouring states of Madhya Pradesh, Uttar Pradesh, Uttarakhand, and Punjab and the southern states of Andhra Pradesh and Telangana. ICRA takes note of the company's gradual diversification to other geographies over the past four years. Also, the granular nature of the loan book (average ticket size of Rs. 9.7 lakh) mitigates the risk to some extent.

Liquidity position: Strong

UHFPL's liquidity position is strong with positive cumulative mismatches across all buckets up to one year, as per the provisional asset-liability maturity (ALM) profile as on March 31, 2025. For the 12-month period ending March 31, 2026, the company has debt repayments of Rs. 233 crore against which scheduled inflows from performing advances stood at Rs. 472 crore. Further, the liquidity is supported by cash and liquid investments of ~Rs. 64 crore, sanctioned and unutilised term loans of Rs. 521 crore and undrawn cash credit (CC) limits of Rs. 29 crore as on March 31, 2025.

UHFPL's borrowing profile is adequately diversified for the current scale of operations, with bank lines forming the largest share at 43% as on March 31, 2025 followed by securitisation and assignment (27%), external commercial borrowings (ECBs; 12%), National Housing Bank (NHB) refinance (10%), debentures (3%), term loans from non-banking financial companies/financial institutions (NBFCs/FIs; 3%), and others (including interest accrued and lease liability, which has a negligible share).

Rating sensitivities

Positive factors – A significant increase in the scale of operations while maintaining good asset quality and profitability indicators (RoMA of more than 3.0%) on a sustained basis.

Negative factors – A deterioration in the asset quality indicators, resulting in pressure on the profitability indicators, could negatively impact the rating. Managed gearing exceeding 4x on a sustained basis, would also be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

UHFPL, a non-deposit-accepting affordable housing finance company registered with NHB, was incorporated in January 2016 and is based in Gurugram (Haryana). It 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 through home loans (HLs) for the purchase, construction, extension or renovation of houses, as well as non-home loans (NHLs) such as loan against property (LAP; for consumption and personal use), business loans (BLs; for working capital and other business requirements) and small-ticket business loans (STBLs; for short-term loan requirements of shopkeepers).

It had a network of 130 branches across 9 states/UTs (Rajasthan, Haryana, Delhi NCR, Uttar Pradesh, Uttarakhand, Punjab, Madhya Pradesh, Andhra Pradesh and Telangana) as on March 31, 2025. Its AUM stood at Rs. 2,362 crore as on March 31, 2025 with HL accounting for 62% of the overall AUM, followed by LAP (19%), STBL (12%) and BL (7%).

The company is promoted by Mr. Ashutosh Sharma, who has over 25 years of experience in banking and financial services. He held an 18.3% stake in the company on a fully-diluted basis as on March 31, 2025. 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. 60 crore in FY2025 on a total managed asset base of Rs. 2,490 crore as on March 31, 2025 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. Its net worth stood at Rs. 902 crore with a managed gearing of 1.7 times as on March 31, 2025 compared to Rs. 646 crore and 1.8 times, respectively, as on March 31, 2024. The gross and net NPAs stood at 0.7% and 0.5%, respectively, as on March 31, 2025 compared to 0.5% and 0.3%, respectively, as on March 31, 2024.

Key financial indicators

UHFPL	FY2023	FY2024	FY2025
	Audited	Audited	Provisional
Total income	160	243	324
PAT	35	53	60
Total managed assets	1,242	1,828	2,490
Return on managed assets	3.3%	3.4%	2.8%
Managed gearing (times)	1.5	1.8	1.7
Gross NPA	0.4%	0.5%	0.7%
CRAR	74.1%	63.0%	70.5%

Source: Company, ICRA Research; All figures and ratios as per ICRA's nomenclature/definition/calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jun 27, 2025	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	55.00	[ICRA]A1	Jun 19, 2024	[ICRA]A1	-	-	-	-

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper programme	Very simple

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

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA*	**Commercial paper programme**	NA	NA	NA	55.0	[ICRA]A1

*Source: Company; *Yet to be placed*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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