June 30, 2025

India Shelter Finance Corporation Limited: Rating reaffirmed and assigned to enhanced amount; rating withdrawn for Rs. 30-crore NCD programme

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loan	2,000	3,000	[ICRA]AA- (Stable); reaffirmed and assigned to enhanced amount
NCD programme	120	120	[ICRA]AA- (Stable); reaffirmed
NCD programme	30	0	[ICRA]AA- (Stable); reaffirmed and withdrawn
Total	**2,150**	**3,120**	

**Instrument details are provided in Annexure I*

Rationale

The rating factors in the continued improvement in India Shelter Finance Corporation Limited's (ISFCL) scale, supported by its strong capitalisation profile. The assets under management (AUM[1]) increased at a compound annual growth rate (CAGR) of ~41% over the last five years (FY2020 to FY2025), reaching Rs. 8,535 crore as on March 31, 2025. While portfolio seasoning remains limited, given the pace of growth, the company continues to report comfortable asset quality with gross non-performing assets (NPAs) remaining stable at 1.0% as on March 31, 2025 (1.0% as on March 31, 2024). ISFCL remains well capitalised with a net worth of Rs. 2,707 crore and a managed gearing[2] of 2.4 times as on March 31, 2025 (Rs. 2,298 crore and 2.0 times, respectively, as on March 31, 2024).

The rating also considers the company's comfortable earnings profile with a return of 4.6% on average managed assets[3] (AMA) in FY2025 (4.1% in FY2024). ICRA notes that ~56% of ISFCL's loan book, as on March 31, 2025 (81% as on March 31, 2024), is at a fixed interest rate while a major part of the funding is at a floating rate. Consequently, the lending spread and the net interest margin (NIM) remain vulnerable to interest rate movements. ICRA notes that ISFCL has been reducing the share of fixed rate loans and its strategy of maintaining the spread, while growing at a healthy pace, will be a key monitorable.

ISFCL's rating continues to factor in the risks associated with the relatively vulnerable borrower segment, which is susceptible to income shocks. The rating also considers the relatively high, albeit improving, geographical concentration with the share of the top 3 states (58% of the AUM as on March 31, 2025, vis-à-vis 69% as on March 31, 2021). As the company continues to scale up its operations, the geographical diversity is expected to improve further in a gradual manner with the same remaining important from a credit perspective.

ICRA has withdrawn the rating outstanding on the Rs. 30-crore non-convertible debenture (NCD) programme as the instruments have matured/been fully redeemed with no amount outstanding against the same. This is in accordance with ICRA's policy on the withdrawal of credit ratings.

The Stable outlook reflects ICRA's opinion that ISFCL will be able to maintain its credit profile, given its strong capitalisation and comfortable earnings profile and supported by its experienced management team, systems, and processes.

[1] *AUM = On-book portfolio + Direct assignments + Co-lending portfolio*
[2] *Managed gearing = (On-book borrowings + Direct assignments + Co-lending portfolio)/Net worth*
[3] *Total managed assets= Total assets + Impairment allowance + Direct assignments + Co-lending portfolio*

Key rating drivers and their description

Credit strengths

Strong capital profile to support growth – ISFCL remains well capitalised with a net worth of Rs. 2,707 crore and a capital-to-risk weighted assets ratio (CRAR) of 60.6% as on March 31, 2025. The managed gearing remained low at 2.4 times as on March 31, 2025 (2.0 times as on March 31, 2024). The company had raised primary equity of Rs. 800 crore through an initial public offering (IPO) in December 2023, which strengthened its capitalisation profile. In ICRA's opinion, ISFCL is well capitalised with sufficient headroom to achieve the planned growth in the near-to-medium term while maintaining prudent capitalisation.

Comfortable asset quality metrics and profitability indicators – ISFCL's asset quality indicators remain comfortable with the gross and net NPAs at 1.0% and 0.8%, respectively, as on March 31, 2025 (1.0% and 0.7%, respectively, as on March 31, 2024). While there has been a slight uptick in delinquencies with the 30+ days past due (dpd) increasing to 3.1% as on March 31, 2025 from 2.4% as on March 31, 2024, the overall asset quality remains comfortable. Nonetheless, given the limited seasoning and the target borrower profile, ISFCL's ability to contain slippages and maintain its asset quality metrics would be important from a credit perspective.

Given the comfortable asset quality, the credit costs remain low and support the company's earnings profile. ISFCL's profitability remained healthy in FY2025 on the back of improving operating efficiency and low credit costs. It reported a net profit of Rs. 377 crore in FY2025, translating into an annualised return on managed assets (RoMA) of 4.1% compared to Rs. 247 crore and 4.1%, respectively, in FY2024. ICRA expects the company to be able to maintain a healthy earnings profile with improving operating efficiency and controlled credit costs. Nevertheless, its ability to protect its margins will be critical.

Credit challenges

Limited portfolio seasoning and relatively vulnerable borrower profile – ISFCL has a track record of operations of more than a decade in the affordable housing sector. However, a significant portion of the book was sourced in the last few years like most of its peers. Disbursements during the 12 quarters ended March 2025 (cumulating to Rs. 7,966 crore) comprised more than 93% of the AUM as on March 31, 2025. Further, the underlying borrower segment comprises low-and-middle-income self-employed customers (~75% of the total AUM as on March 31, 2025), who are relatively more vulnerable to economic cycles and have limited buffer to absorb income shocks. Additionally, the share of non-housing loans (NHLs) was relatively high at around 43% of the AUM as on March 31, 2025 (39% as on March 31, 2024). Though the portfolio has witnessed various economic disruptions over the past few years, its long-term performance is yet to be seen, considering the limited vintage of a significant part of the same.

Relatively high, albeit improving, geographical concentration – The company's operations are relatively concentrated geographically with the top 3 states comprising ~58% of the AUM as on March 31, 2025, though the same has been gradually declining. ISFCL's AUM is mostly concentrated in Rajasthan (31% as on March 31, 2025), followed by Maharashtra (16%) and Madhya Pradesh (11%). Given the target borrower segment and the low portfolio seasoning, the geographical concentration makes the company vulnerable to geography-specific issues. ICRA notes that ISFCL had a presence in 15 states/Union Territories as on March 31, 2025, with geographical concentration expected to decline gradually as it scales up and increases its operations in the southern markets and tier 2 & 3 cities.

Vulnerability to interest rate movements, given the high share of the fixed rate portfolio – Around 56% of the company's loan book, as on March 31, 2025 (82% as on March 31, 2024), is at a fixed interest rate and a major part of the funding is at a floating rate. Consequently, the lending spread and NIM remain vulnerable to interest rate movements. ICRA notes that ISFCL has been reducing the share of fixed rate loans and its strategy of maintaining the spread, while growing at a healthy pace, will be a key monitorable.

Environmental and social risks

Environmental - While housing finance companies (HFCs) like ISFCL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. ICRA notes that the underlying properties are insured for the majority of the portfolio. If the borrowers, to whom such HFCs have an exposure, face livelihood disruption because of physical climate adversities, the same could translate into credit risks for HFCs. However, such risk is not material for ISFCL as it benefits from portfolio diversification.

Social - With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs as any material lapse could be detrimental to their reputation and invite regulatory censure. ISFCL has not faced any material lapse over the years, which highlights its resilience to such risks. While it contributes to promoting financial inclusion by lending to underserved segments, the company's lending practices remain prudent as reflected in the healthy asset quality numbers in this segment.

Liquidity position: Strong

ISFCL continues to maintain a strong liquidity profile with free cash and bank balances and liquid investments of around Rs. 588 crore as on March 31, 2025 (equivalent to ~12% of its on-balance sheet borrowings). This, along with scheduled inflows of Rs. 924 crore over the next 12 months (i.e. till March 31, 2026), is expected to be sufficient to meet its scheduled debt repayments of Rs. 1,015 crore during this period. Additionally, ISFCL had ~Rs. 722 crore of sanctioned but unutilised funding lines (excluding sanctions for direct assignments) from various lenders as on March 31, 2025. The funding profile is fairly diversified with funding from various lenders at competitive rates. The company's liquidity coverage ratio of 151% for the quarter ended March 31, 2025 was well above the regulatory requirement of 85%.

Rating sensitivities

Positive factors – A significant increase in the scale of operations along with geographical diversification, while maintaining healthy asset quality and profitability and a prudent capitalisation profile, could positively impact the rating.

Negative factors – Pressure on the rating could arise in case of an increase in the managed gearing beyond 5 times on a sustained basis or a deterioration in the asset quality indicators (90+ dpd above 2.5%) on a sustained basis, thereby impacting the earnings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs) Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

India Shelter Finance Corporation Limited (ISFCL) is a housing finance company, which was incorporated in 1998 as Satyaprakash Housing Finance. The company was acquired by the current investors in September 2009. It is focused on the low cost and affordable housing segment, targeting self-employed customers in the informal low-and-middle-income segment. As on March 31, 2025, the company's assets under management (AUM) stood at Rs. 8,535 crore, spread across 15 states/UTs. It offers loans to customers for home improvement, home extension, construction of dwelling units on an owned plot of land, home purchase and loan against property (LAP).

ISFCL had incorporated a 100%-subsidiary in March 2022, India Shelter Capital Finance Limited (ISCFL), for the purpose of lending as a non-banking financial company (NBFC), catering to the LAP segment. However, regulatory approval for commencing operations is yet to be received.

Key financial indicators (audited)

India Shelter Finance Corporation Limited	FY2024	FY2025
Total income	860	1,175
PAT	247	377
Total managed assets	6,929	9,421
Return on managed assets	4.1%	4.6%
Managed gearing (times)	2.0	2.4
GNPA/Gross stage 3	1.0%	1.0%
CRAR	70.9%	60.6%

Source: Company, 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

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Jun-30-2025	Date	Rating	Date	Rating	Date	Rating
Long term fund based – Term loan	Long term	3,000.00	[ICRA]AA- (Stable)	May-08-2024	[ICRA]A+ (Positive)	Jul-21-2023	[ICRA]A+ (Stable)	Jul-05-2022	[ICRA]A+ (Stable)
				Aug-23-2024	[ICRA]AA- (Stable)	Oct-13-2023	[ICRA]A+ (Stable)	Feb-03-2023	[ICRA]A+ (Stable)
				-	-	Feb-29-2024	[ICRA]A+ (Positive)	-	-
NCD	Long term	30	[ICRA]AA- (Stable); withdrawn	May 08-2024	[ICRA]A+ (Positive)	Jul-21-2023	[ICRA]A+ (Stable)	Jul-05-2022	[ICRA]A+ (Stable)
				Aug-23-2024	[ICRA]AA- (Stable)	Oct-13-2023	[ICRA]A+ (Stable)	Feb-03-2023	[ICRA]A+ (Stable)
				-	-	Feb-29-2024	[ICRA]A+ (Positive)	-	-
NCD	Long term	120	[ICRA]AA- (Stable)	May 08-2024	[ICRA]A+ (Positive)	Jul-21-2023	[ICRA]A+ (Stable)	Jul-05-2022	[ICRA]A+ (Stable)
				Aug-23-2024	[ICRA]AA- (Stable)	Oct-13-2023	[ICRA]A+ (Stable)	Feb-03-2023	[ICRA]A+ (Stable)
				-	-	Feb-29-2024	[ICRA]A+ (Positive)	-	-

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Term loan	Simple
NCD programme	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/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long term fund based – Term loan**	September 2015 to March 2025	2.8% to 11.2%	July 2021 to April 2034	3,000.0	[ICRA]AA- (Stable)
INE922K07070	**NCD programme**	Aug-31-2021	Repo rate linked	Aug-31-2026	30.0	[ICRA]AA- (Stable); withdrawn
INE922K07104	**NCD programme**	Mar-26-2025	3M SBI MCLR + 0.10%	Mar-25-2029	50.0	[ICRA]AA- (Stable)
Not issued yet	**NCD programme**	NA	NA	NA	70.0	[ICRA]AA- (Stable)

Source: Company, ICRA Research

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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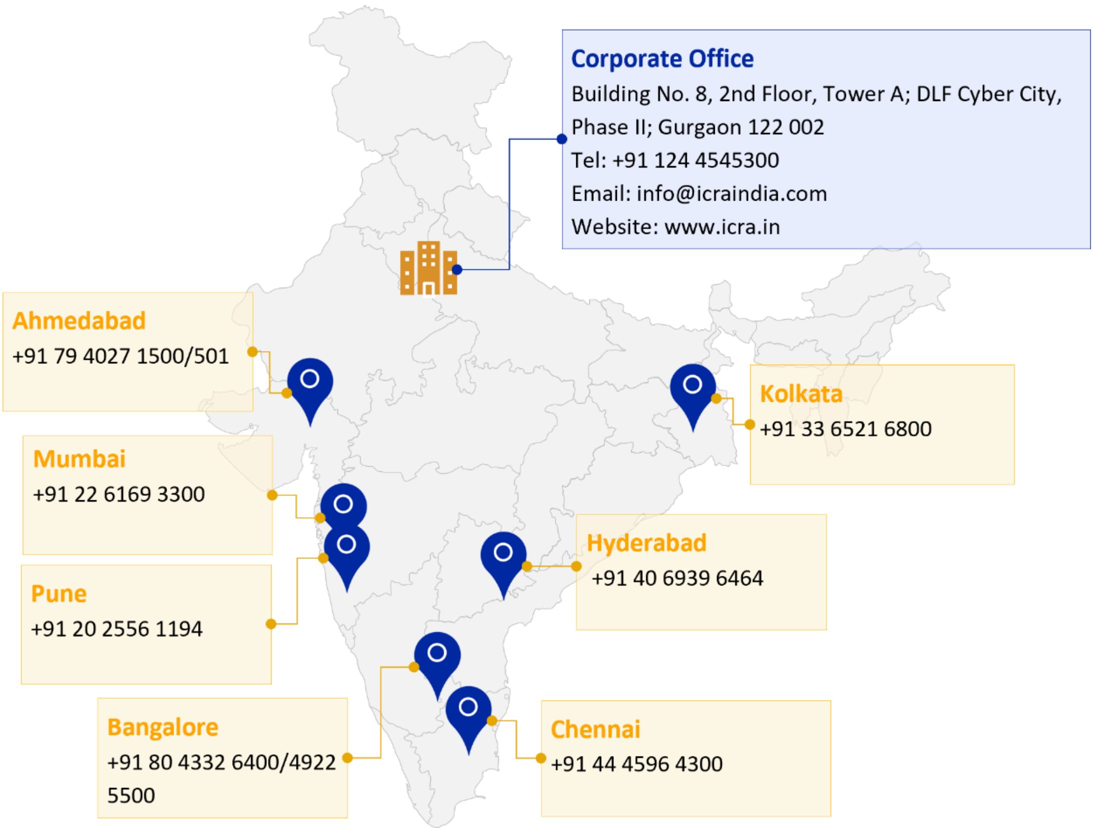

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