July 22, 2025

Vastu Housing Finance Corporation Limited: Ratings reaffirmed; rated amount enhanced for bank facility

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based bank facilities – Others	3,900.0	4,400.0	[ICRA]AA- (Stable); assigned/reaffirmed
Commercial paper (CP) programme	25.0	25.0	[ICRA]A1+; reaffirmed
Total	**3,925.0**	**4,425.0**	

**Instrument details are provided in Annexure I*

Rationale

To arrive at the ratings, ICRA has taken a consolidated view of Vastu Housing Finance Corporation Limited (VHFCL) and its wholly-owned subsidiary (Vastu Finserve India Private Limited; VFIPL), hereafter referred to as the Group, given their shared brand name, operational synergies and the capital support to VFIPL from VHFCL.

The ratings continue to factor in the Group's strong capitalisation profile, characterised by a low managed gearing[1] of 2.3 times as on March 31, 2025 (consolidated; 2.0 times as on March 31, 2024). It has regularly raised equity capital (last raised Rs. 621 crore in FY2024) from a strong investor base. This, along with healthy internal accruals, has helped it scale up its operations while maintaining a prudent capitalisation profile. The Group reported a consolidated profit after tax (PAT) of Rs. 324 crore in FY2025, translating into a return on average managed assets (RoMA) of 2.7% and a return on average net worth (RoNW) of 9.1% against Rs. 361 crore, 3.9% and 12.4%, respectively, in FY2024. The moderation in the overall profitability in FY2025 was largely due to muted income from direct assignment (DA) transactions and additional provisioning on account of employee stock options (ESOP). It remains important for VFIPL to control credit costs while improving its operational efficiency as it continues to scale up its operations. Nonetheless, ICRA expects the profitability to remain comfortable, supported by healthy margins and limited credit costs so far.

The Group continues to scale up its operations and reported assets under management (AUM; consolidated) of Rs. 11,423 crore as on March 31, 2025, while maintaining a diversified geographical presence. Although delinquencies rose in FY2025, the overall asset quality remains comfortable with gross non-performing assets (GNPAs) of 1.5% as on March 31, 2025 (1.1% as on March 31, 2024). The ratings continue to consider the limited portfolio seasoning as a significant portion of VHFCL's book was sourced in the last few years, as with most affordable housing finance companies (AHFCs), while VFIPL is in the early stage of operations having commenced operations around six years ago. Since the underlying borrower segment remains vulnerable to income shocks, the Group's ability to manage the asset quality across cycles is critical.

The Stable outlook reflects ICRA's opinion that the Group will be able to maintain a healthy credit profile, upheld by its strong capitalisation profile. This, along with the experienced management team and established systems and processes, shall continue to support portfolio expansion while controlling the asset quality.

[1] *Managed gearing = (Total borrowings + Off-book portfolio)/Net worth*

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Key rating drivers and their description

Credit strengths

Strong capitalisation profile – The Group remains strongly capitalised with a consolidated net worth of Rs. 3,754 crore and a managed gearing of 2.3 times as on March 31, 2025. It has regularly raised equity capital (last raised Rs. 621 crore in FY2024) from a strong investor base. This, along with healthy internal accruals, has helped it scale up its operations while maintaining a prudent capitalisation profile. VHFCL and VFIPL had a capital-to-risk weighted assets ratio (CRAR) of 59.3% and 28.3%, respectively, as on March 31, 2025. The Group is well capitalised to support its stated growth plans over the medium term, and ICRA expects the consolidated managed gearing to remain below 4.5 times.

Comfortable earnings profile, notwithstanding moderation – The Group reported a consolidated PAT of Rs. 324 crore in FY2025, translating into a RoMA of 2.7% and a RoNW of 9.1% against Rs. 361 crore, 3.9% and 12.4%, respectively, in FY2024. The moderation in the overall profitability in FY2025 was largely due to muted income from DA transactions. Further, VFIPL's earnings profile deteriorated with the increase in credit costs in FY2025. In this regard, it remains important for VFIPL to control credit costs while improving its operational efficiency as it continues to scale up its operations. The profit before tax (excluding DA income as proportion of average managed assets; AMA) stood at 3.4% in FY2025 compared to 3.6 % in FY2024. ICRA expects the overall profitability to remain comfortable, supported by healthy consolidated margins and limited credit costs thus far.

Healthy asset quality metrics, though VFIPL's performance remains monitorable – The Group's consolidated asset quality metrics have remained healthy so far with on-book GNPAs of 1.5% and 90+ days past due (dpd) of 1.5% on AUM as on March 31, 2025. On a 1-year lagged basis, GNPAs at group level stood at 1.9% as on March 31, 2025 vis-à-vis 1.7% as on March 31, 2024.While VHFCL as well as VFIPL reported an uptick in delinquencies in FY2025, VHFCL's GNPAs on loan book stood at 1.2%[2] as on March 31, 2025 (0.9% as on March 31, 2024) with limited write-offs undertaken thus far.

VFIPL's performance, however, remains monitorable due to its product segment and limited track record. While VFIPL reported GNPAs on loan book of 2.3% as on March 31, 2025 vis-à-vis 2.2% as on March 31, 2024, the same was supported by write-offs. The Group's ability to maintain its asset quality metrics and limit incremental slippages shall remain monitorable.

Credit challenges

Limited portfolio seasoning – The Group scaled up its overall operations at a compound annual growth rate (CAGR) of 45% over the past five years, achieving an AUM of Rs. 11,423 crore as on March 31, 2025. Thus, the portfolio vintage is limited, as with most AHFCs. VHFCL has an operational track record of around ten years.

VFIPL started operations in FY2019 and is still in a relatively early stage of operations. It has been expanding at a fast pace and reported a 42% growth in its AUM in FY2025 (~114% in FY2024) on a relatively small asset base. Given the early stage of operations and the significant growth in its portfolio in the last three years, its long-term performance is yet to be seen.

Relatively vulnerable borrower profile – The Group caters to borrowers from the low-to-middle income category, largely comprising self-employed borrowers, who could be vulnerable to economic cycles and the shocks associated with the same. VHFCL's borrower profile mainly comprises self-employed borrowers (~82% of the portfolio as on March 31, 2025). Further, the proportion of non-housing loans (NHLs) was ~36% of the standalone AUM as on March 31, 2025. Nonetheless, ICRA takes note of the company's conservative customer selection practices, with ~82% of its AUM pertaining to borrowers with a credit bureau score of more than 700 along with a median loan-to-value (LTV) ratio of 41% as on March 31, 2025, reducing the risk to a certain extent. Also, 64% of VFIPL's borrowers had a credit bureau score of more than 700 as on March 31, 2025, which provides comfort. Nonetheless, given the target borrower profile, the Group's ability to maintain the asset quality, while growing its scale of operations, would be important from a rating perspective.

[2] Additionally, VHFCL held security receipts of Rs. 33 crore as on March 31, 2025 (0.4% of on-book portfolio)

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Liquidity position: Strong

The Group's liquidity profile is strong with ~Rs. 889 crore of unencumbered on-book liquidity (including deposits) as on March 31, 2025, which is sufficient to meet its debt obligations of Rs. 1,995 crore for the 12-month period ending March 31, 2026, with collections of Rs. 1,810 crore expected during this period. Additionally, it had ~Rs. 1,816 crore of sanctioned unutilised funding lines from various lenders as on March 31, 2025. The Group has a diversified funding profile, including DA and co-lending, and had funding relationships with more than 40 lenders as of March 2025.

On a standalone basis, VHFCL maintained strong liquidity in the form of unencumbered on-book cash and investments (including deposits) of ~Rs. 648 crore along with unavailed sanctioned lines of ~Rs. 1,703 crore from various lenders as on March 31, 2025. It reported a liquidity coverage ratio (LCR) of 255.36% for the quarter ended March 31, 2025 (297.92% for the quarter ended March 31, 2024), which was well above the regulatory requirement of 100%.

VFIPL also maintained strong liquidity in the form of unencumbered on-book cash and investments (including deposits) of ~Rs. 241 crore along with unavailed sanctioned lines of ~Rs. 113 crore from various lenders as on March 31, 2025. The LCR was 457.84% for the quarter ended March 31, 2025 (399.73% for the quarter ended March 31, 2024).

Rating sensitivities

Positive factors – A sustained increase in the scale of operations, while keeping the asset quality and earnings healthy, shall positively impact the long-term rating.

Negative factors – Pressure on the ratings could arise on a deterioration in the capitalisation profile, with the managed gearing exceeding 4.5 times, or deterioration in the asset quality, with the 90+ dpd exceeding 3.0%, thereby impacting earnings on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the consolidated financials of VHFCL. As on March 31, 2025, the company had one subsidiary, which is enlisted in Annexure II.

About the company

The Vastu Group comprises two major operational entities – Vastu Housing Finance Corporation Limited (VHFCL) and its 100% subsidiary, Vastu Finserve India Private Limited (VFIPL). VHFCL is a housing finance company registered with National Housing Bank (NHB). It started operations in August 2015, following the change in management to Mr. Sandeep Menon and Mr. Sujay Patil, with support from Multiples Private Equity (Multiples) and its affiliate funds (42.0% stake in the company, as on March 31, 2025, through the funds advised by it), which is one of its early investors. The company's investor portfolio includes Multiples, International Finance Corporation (IFC), TA Associates, Prosus BV (formerly Naspers), Norwest Venture Partners (NVP), Creation Investments and 360 One Asset Management VHFCL's standalone AUM was Rs. 9,102 crore as on March 31, 2025 (Rs. 7,419 crore as on March 31, 2024). It caters to the affordable housing segment (both HL and NHL) with an average ticket size of Rs. 12-15 lakh.

VFIPL provides vehicle loans and loans against property with an average ticket size of Rs. 4-8 lakh and Rs. 15 lakh respectively. Its primary product offering is in the vehicle loan segment at present, mainly used vehicles covering commercial vehicles, personal vehicles and a small portion of three-wheelers. The company's standalone AUM was Rs. 2,435 crore as on March 31, 2025 (Rs. 1,717 crore as on March 31, 2024).

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The Group's AUM stood at Rs. 11,423 crore as on March 31, 2025 (Rs. 9,137 crore as on March 31, 2024) managed via 226 branches spread across 15 states.

Key financial indicators (audited)

VHFCL (consolidated)	FY2023	FY2024	FY2025
Total income	769	1,255	1,451
PAT	285	361	324
Total managed assets	7,477	11,061	12,902
Return on managed assets	4.7%	3.9%	2.7%
Managed gearing (times)	1.8	2.0	2.3
Gross NPA	0.9%	1.1%	1.5%

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

VHFCL (standalone)	FY2023	FY2024	FY2025
Total income	692	1,020	1,174
PAT	274	332	328
Total managed assets	6,666	9,370	10,894
Return on managed assets	5.0%	4.1%	3.2%
Managed gearing (times)	1.5	1.6	1.9
Gross NPA	0.9%	0.9%	1.2%
CRAR	67.6%	63.8%	59.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations and estimates; 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)	July 22, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based bank facilities – Others	Long term	4,400.0	[ICRA]AA- (Stable)	Aug-21 - 2024	[ICRA]AA- (Stable)	Aug-11-2023	[ICRA]AA- (Stable)	Mar-28-2023	[ICRA]AA- (Stable)
						May-31-2023	[ICRA]AA- (Stable)	Feb-10-2023	[ICRA]AA- (Stable)
								Aug-26-2022	[ICRA]A+ (Stable)
CP programme	Short term	25.0	[ICRA]A1+	Aug-21 - 2024	[ICRA]A1+	Aug-11-2023	[ICRA]A1+	Mar-28-2023	[ICRA]A1+
						May-31-2023	[ICRA]A1+	Feb-10-2023	[ICRA]A1+
								Aug-26-2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based bank facilities – Others	Simple
CP 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	Amount rated (Rs. crore)	Current rating and outlook
Not issued yet	**CP programme**	NA	NA	NA	25.0	[ICRA]A1+
NA	**Long-term bank facilities (others)**	Sep-2017 to Jul-2030	NA	NA	4,400.0	[ICRA]AA- (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	VHFCL ownership	Consolidation approach
Vastu Finserve India Private Limited	100.00%	Full consolidation

Source: Company

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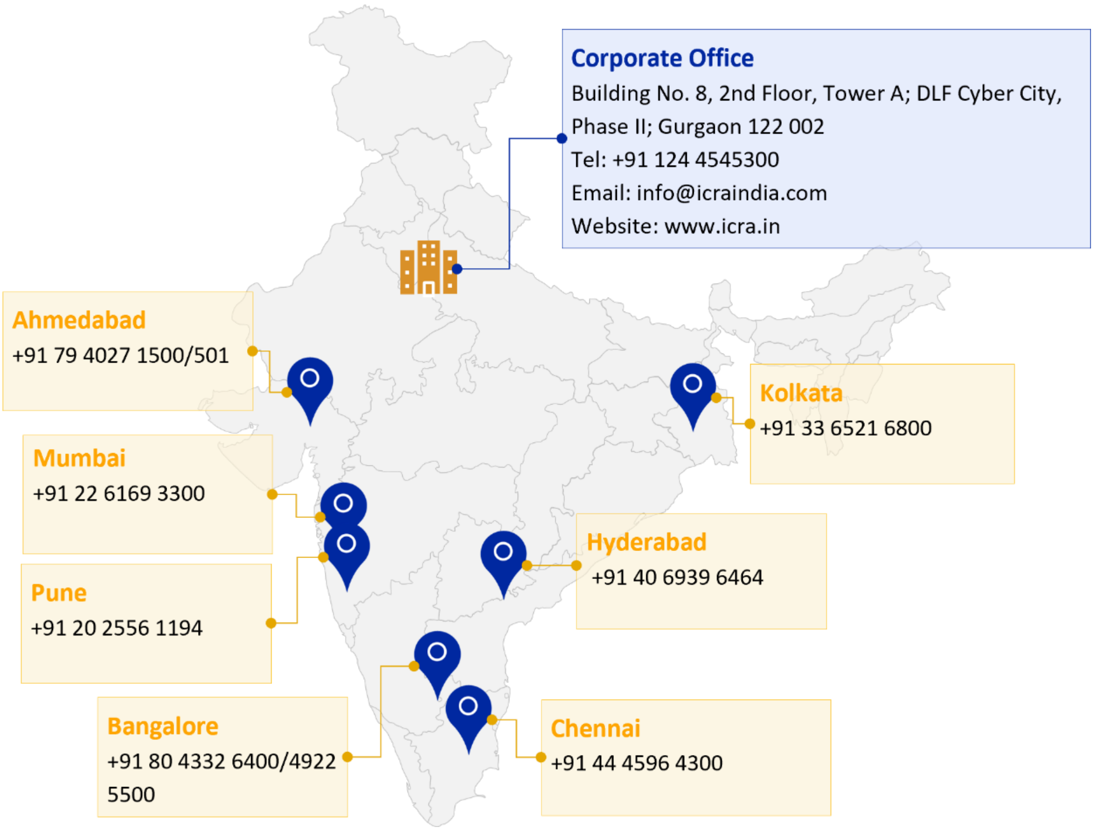

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