

August 28, 2025

Shubham Housing Development Finance Company Limited: Rating reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term bank facilities	2,100.00	2,100.00	[ICRA]A+ (Positive); rating reaffirmed and outlook revised to Positive from Stable
Non-convertible debentures	200.00	200.00	[ICRA]A+ (Positive); rating reaffirmed and outlook revised to Positive from Stable
Total	2,300.00	2,300.00	

*Instrument details are provided in Annexure I

Rationale

The change in the rating outlook to Positive from Stable reflects ICRA's expectation of a sustained improvement in Shubham Housing Development Finance Company Limited's (Shubham Housing) credit profile following the strengthening of its capitalisation profile and the improvement in scale while maintaining comfortable asset quality. The company raised primary equity capital of Rs. 400 crore in FY2025. This, along with healthy internal accruals, increased its net worth to Rs. 2,028 crore on as June 30, 2025 (Rs. 1,962 crore as on March 31, 2025) from Rs. 1,385 crore as on March 31, 2024. Its gearing (managed) remained low at 2.6 times as it scaled up its assets under management (AUM) to Rs. 6,530 crore as of June 2025.

Further, the gross non-performing assets (NPAs) stood at 1.4% as on June 30, 2025 (1.3% as on March 31, 2025) while the overall monitorable portfolio (comprising NPAs, repossessed assets, security receipts [SRs]) remained stable at 2.2% (2.1% as of March 2025; 2.2% as of March 2024). Given the comfortable asset quality, credit costs have remained low. This, along with the low leverage, helped maintain comfortable earnings. The company reported a profit after tax (PAT) of Rs. 62 crore in Q1 FY2026 with a return on average managed assets (RoMA) of 3.6% and a return on average net worth of 12.3% compared to Rs. 175 crore, 3.1% and 10.5%, respectively, in FY2025. While the near-term net earnings would continue to be supported by the above-mentioned factors, Shubham Housing's ability to improve its operating efficiency and protect its margins/lending spreads shall be key as the business scales up. The company increased its lending rates in Q1 FY2026 to offset the impact of the reducing lending spreads in the previous two fiscals and is taking initiatives to optimise its operating cost; the outcome of these actions would be key from an earnings perspective, going forward.

The rating remains constrained by the limited seasoning of the portfolio as a significant portion of the AUM was sourced in the last few years like most of the company's peers. The rating also factors in the relatively high, albeit improving, geographical concentration, with Maharashtra comprising 29% of Shubham Housing's AUM as of June 2025 (30% as of March 2025; 34% as of March 2024). Moreover, given the relatively riskier borrower profile of the low-and-assessed-income segments, the company remains exposed to volatility in the asset quality.

Key rating drivers and their description

Credit strengths

Strengthened capitalisation profile – The company's capitalisation profile has strengthened following the primary equity capital raise of Rs. 400 crore in FY2025. This, along with healthy internal accruals, increased its net worth to Rs. 2,028 crore on as June 30, 2025 (Rs. 1,962 crore as on March 31, 2025) from Rs. 1,385 crore as on March 31, 2024. Its gearing (managed) remained low at 2.6 times as on June 30, 2025 while its capital-to-risk weighted assets ratio (CRAR) of 43.6% was well above

the regulatory requirement. ICRA notes that the company plans to raise ~Rs. 100-crore primary equity capital in FY2026, which shall further support its capitalisation profile. In ICRA's opinion, given the current net worth, healthy internal accruals and planned equity infusion, the gearing (managed) shall remain below 5.0 times over the next three years (till March 2028) as it continues to scale up its AUM at a compound annual growth rate (CAGR) of 30-35% during this period.

Comfortable asset quality – Shubham Housing's asset quality indicators remain comfortable with limited slippages and healthy recoveries from delinquent accounts. While gross NPAs rose slightly to 1.4% as on June 30, 2025 (1.3% as on March 31, 2025) from 1.2% as on March 31, 2024, the overall monitorable portfolio of NPAs, repossessed assets and SRs remained stable at 2.2% (2.1% as on March 31, 2025; 2.2% as on March 31, 2024). Further, the solvency profile improved marginally with the net monitorable portfolio (net of provision on NPAs) at 5.2% of the net worth as on June 30, 2025 (4.8% as on March 31, 2025), declining from 5.6% as on March 31, 2024. ICRA expects the company to continue scaling up its operations at a healthy pace while maintaining comfortable asset quality metrics.

Comfortable earnings profile; ability to improve operating efficiency remains monitorable – The company's earnings profile remains comfortable with a 3-year average RoMA of 3.1% (FY2023-FY2025), characterised by healthy net interest margins and controlled credit costs. While the net interest margin had moderated in FY2025 to 8.0% of average managed assets (AMA) due to the systemic increase in the cost of funds, it improved to 8.7% in Q1 FY2026 with the increase in lending rates and income from direct assignment. Credit costs have remained low (0.2% in Q1 FY2026; 0.3% in FY2025), supported by the comfortable asset quality. Nonetheless, operating expenses, in relation to AMA, stayed elevated at 4.8% in Q1 FY2026 despite showing a gradual improvement (5.0% in FY2025; 5.3% in FY2024).

While the overall earnings profile is expected to remain comfortable, the company's ability to further improve its operating efficiency and protect its margins/lending spreads, given the increasing competition in the sector, shall remain monitorable. ICRA notes that Shubham Housing raised its lending rates in Q1 FY2026 to offset the impact of the reducing lending spreads in the previous two fiscals and is taking initiatives to optimise its operating cost; the outcome of these actions would be key from an earnings perspective, going forward.

Credit challenges

Limited portfolio seasoning, given high pace of growth – Shubham Housing continues to scale up its operations, driven by buoyant demand, and its AUM rose to Rs. 6,530 crore as on June 30, 2025 (Rs. 6,034 crore as on March 31, 2025; Rs. 4,594 crore as on March 31, 2024). The AUM increased at a CAGR of ~29% over the last five years (FY2020 to FY2025) with disbursements over the past eight quarters (till June 2025) being equivalent to 83% of the AUM as of June 2025. A significant portion of Shubham Housing's AUM was sourced in the last few years, like most of its peers, leading to limited portfolio seasoning in relation to the contractual tenure of the loans. Given that the AUM growth rate is expected to stay high, portfolio seasoning is likely to remain limited and would be monitorable.

Relatively high geographical concentration; exposure to comparatively vulnerable borrower profile – Shubham Housing's operations are geographically concentrated with a high share of the AUM in Maharashtra (29% as of June 2025). While the company had operations in 12 states/Union Territories (UTs), the top 3 states comprised ~58% of the AUM as on June 30, 2025, though the same has been declining gradually (59% as of March 2025; 64% as of March 2024; 66% as of March 2023). Given the limited portfolio seasoning and target borrower segment, geographical concentration makes the company vulnerable to geography-specific issues.

Moreover, Shubham Housing mainly lends to borrowers in the low-income segment, which is more vulnerable to income shocks, as observed during the Covid-19 pandemic. ICRA notes that ultimate losses are expected to be low, given the secured nature of the portfolio and moderate loan-to-value ratios. However, the company remains exposed to volatility in the asset quality due to the relatively riskier borrower profile, comprising low-and-assessed-income segments, with ~21% of the borrowers being new-to-credit.

Liquidity position: Adequate

The company's liquidity profile remains adequate, given the on-book liquidity maintained by it and the healthy financial flexibility. It held a free cash and bank balance and liquid investments of ~Rs. 517 crore as on June 30, 2025 (Rs. 168 crore as on March 31, 2025). As per its asset-liability management statement, Shubham Housing had scheduled collections (principal) of ~Rs. 239 crore against scheduled debt repayments (principal) of Rs. 994 crore over the next 12 months, i.e. till June 30, 2026. The company has a track record of raising funds from various sources and its funding profile remains fairly diversified. The presence of Rs. 490 crore (Rs. 770 crore as on March 31, 2025) of sanctioned but unutilised funding lines supports its liquidity profile.

Rating sensitivities

Positive factors – A sustained increase in the scale of operations, while maintaining comfortable asset quality and earnings profile (RoMA more than 3%), along with a prudent capitalisation profile on a sustained basis could positively impact the rating.

Negative factors – A sustained deterioration in the asset quality with the 90+ days past due (dpd; including write-offs, repossessed assets, and net security receipts) exceeding 4%, thereby affecting the profitability, could negatively impact the rating. Weakening of the capitalisation profile (managed gearing above 5.0 times on a sustained basis) or a stretch in the liquidity could also exert pressure on the rating.

Analytical approach

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

About the company

Shubham Housing Development Finance Company Limited is a housing finance company (HFC) registered with the National Housing Bank. It provides retail home loans and loan against property to low-income borrowers. The company is promoted by Mr. Sanjay Chaturvedi and Ms. Rupa Basu, supported by an experienced senior management team across various functions. Apart from Asian Development Bank, five private equity funds, namely Premji Investment Opportunities Fund, Helion Ventures Partner, British International Investment plc (formerly known as CDC Group plc), Topaz Inclusion Pte. Ltd. (Leapfrog), and Multiples Private Equity Fund Limited, are currently invested in the company with Premji Invest holding a ~27% stake on non-fully diluted basis as of June 2025.

As on June 30, 2025, Shubham Housing had a network of 179 branches, spread across 12 states/UTs, with assets under management of Rs. 6,530 crore.

Key financial indicators (audited)

Shubham Housing Development Finance Company Limited	FY2024	FY2025	Q1 FY2026*
As per	Ind-AS	Ind-AS	Ind-AS
Total income	616	824	255
Profit after tax	136	175	62
Total managed assets^	5,066	6,364	7,361
Return on average managed assets	3.2%	3.1%	3.6%
Gearing (managed; times)	2.6	2.2	2.6

Shubham Housing Development Finance Company Limited	FY2024	FY2025	Q1 FY2026*
As per	Ind-AS	Ind-AS	Ind-AS
Gross stage 3 assets	1.2%	1.3%	1.4%
Capital-to-risk weighted assets ratio	41.9%	46.2%	43.6%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review

^Total managed assets = Total assets + Impairment allowance + Off-book portfolio

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)	Aug-28-2025	Date	Rating	Date	Rating	Date	Rating
Long-term term Loan – Fund based	Long term	2,100.00	[ICRA]A+ (Positive)	Sep-19-2024	[ICRA]A+ (Stable)	May-05-2023	[ICRA]A (Stable)	Nov-09-2022	[ICRA]A (Stable)
				Mar-26-2025	[ICRA]A+ (Stable)	Oct-05-2023	[ICRA]A (Stable)	-	-
						Feb-02-2024	[ICRA]A (Positive)	-	-
Non-convertible debentures	Long term	200.00	[ICRA]A+ (Positive)	Sep-19-2024	[ICRA]A+ (Stable)	May-05-2023	[ICRA]A (Stable)	Nov-09-2022	[ICRA]A (Stable)
				Mar-26-2025	[ICRA]A+ (Stable)	Oct-05-2023	[ICRA]A (Stable); withdrawn	-	-
Commercial paper	Short term	-	-	Sep-19-2024	[ICRA]A1	May-05-2023	[ICRA]A1	Nov-09-2022	[ICRA]A1
				Mar-26-2025	[ICRA]A1; withdrawn	Oct-05-2023	[ICRA]A1	-	-
						Feb-02-2024	[ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term bank facilities	Simple
Non-convertible debentures	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 bank facilities	October 2020 to June 2025	5.50% to 11.65%	November 2025 to January 2035	2,100.00	[ICRA]A+ (Positive)
INE967Q07049	Non-convertible debentures	Sep-25-2024	9.50% + Bank MCLR	Sep-27-2027	200.00	[ICRA]A+ (Positive)

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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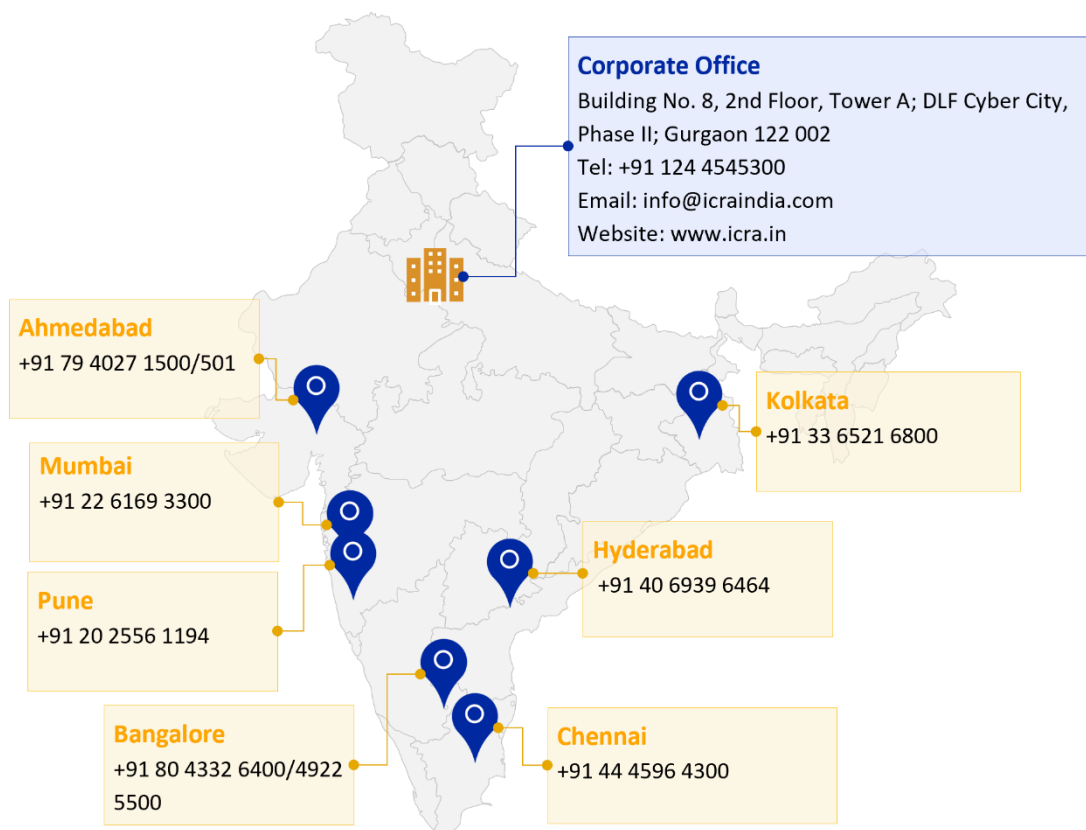


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