July 21, 2026

Vastu Housing Finance Corporation Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action[1]	FSR#
Long-term fund-based bank facilities – Others	4,400.0	4,400.0	[ICRA]AA- (Stable); reaffirmed	RBI
Commercial paper (CP) programme	25.0	25.0	[ICRA]A1+; reaffirmed	RBI
Total	**4,425.0**	**4,425.0**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

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 extended by VHFCL to VFIPL.

The ratings continue to factor in the Group's strong capitalisation profile, characterised by a low managed gearing[1] of 2.6 times as on March 31, 2026 (consolidated; 2.4 times as on March 31, 2025). The Group has regularly raised equity capital, with the last raise of Rs. 621 crore in FY2024 and has also benefited from healthy internal accruals. This has helped it scale up operations while maintaining a prudent capitalisation profile. The Group reported a consolidated profit after tax (PAT) of Rs. 453 crore in FY2026, translating into a return on average managed assets (RoMA) of 3.2% and a return on average net worth (RoNW) of 11.3%, compared with Rs. 324 crore, 2.7% and 9.1%, respectively, in FY2025. The improvement in profitability in FY2026 was supported by healthy business margins supported by improvement in cost of funds, and higher income from direct assignments (DA). ICRA notes that the Group undertakes DA for non-housing loans with off-book portfolio at 17% of AUM as of March 2026 (15% of AUM as of March 2025). However, operating efficiency moderated, given the continuous investments in branch expansion, manpower and IT related expenses, while credit costs marginally increased in FY2026. Nonetheless, ICRA expects the overall profitability to remain comfortable, supported by healthy consolidated margins, supported by the housing business and expected improvement in operating efficiency going forward.

The Group continues to scale up its operations and reported assets under management (AUM; consolidated) of Rs. 13,450 crore as on March 31, 2026 compared with Rs. 11,423 crore as on March 31, 2025, while maintaining a fairly diversified geographical presence through 246 branches across 17 states. ICRA takes note of the moderation in growth in FY2026 with assets under management (AUM) expanding by 18% in FY2026 vis-à-vis 25% in FY2025, partially on account of change in operational practices. For VHFCL, disbursements in the housing loan (HL) segment and loan against property (LAP) segment declined by 17% and 9%, respectively, in FY2026. Earlier, the company used to consider a loan as having been disbursed upon handover of cheque to the borrower, but now the loan is recognised only after the borrower's account is credited. Nonetheless, growth prospects remain healthy given the buoyant demand and ICRA envisages growth to pick up pace in the near-to-medium term. Further, while delinquencies increased during FY2026, the overall asset quality remains under control with consolidated gross non-performing assets (GNPAs) of 1.80% (VHFCL: 1.39%; VFIPL: 2.98%) as on March 31, 2026 compared with 1.46% % (VHFCL: 1.22%; VFIPL: 2.29%) as on March 31, 2025, aided by write-offs and sale of stressed assets to asset

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

reconstruction company(ies). The asset quality and earnings profile of VFIPL remains weaker than that of VHFCL, with higher delinquencies in the vehicle finance portfolio given the nature of asset class, and moderate operating efficiency and will remain a key monitorable. The Group mainly lends to borrowers in the low-income segment, which is more vulnerable to income shocks as these borrowers have limited income buffers to absorb the same. Thus, delinquencies could remain volatile in light of the macroeconomic environment. The ratings continue to consider the limited portfolio seasoning as a significant portion of VHFCL's book has been sourced in the last few years, as with most affordable housing finance companies (AHFCs), while VFIPL remains relatively modest in scale and is still building its operating track record.

The Stable outlook reflects ICRA's opinion that the Group will be able to maintain its credit profile, supported by its strong capitalisation and comfortable earnings profile, while expanding its operations.

Key rating drivers and their description

Credit strengths

Strong capitalisation profile – The Group remains well capitalised with a consolidated net worth of Rs. 4,223 crore and a managed gearing of 2.6 times as on March 31, 2026. It has regularly raised equity capital (last raised Rs. 621 crore in FY2024) from its 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 57.1% and 23.9%, respectively, as on March 31, 2026. 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 – The Group reported a consolidated PAT of Rs. 453 crore in FY2026, translating into a RoMA of 3.2% and a RoNW of 11.3% against Rs. 324 crore, 2.7% and 9.1%, respectively, in FY2025. The improvement in the overall profitability in FY2026 was largely due to higher income from DA transactions for the Group coupled with improvement in cost of funding. However, operating efficiency moderated, given the continuous investments in branch expansion, manpower and IT related expenses, while credit costs increased in FY2026. ICRA notes that VFIPL's profitability remains subdued with a PAT of Rs. 45 crore and RoMA of 1.2% in FY2026 (Rs. 12 crore and 0.5% in FY2025) owing to moderate operating efficiency and elevated credit costs. Nonetheless, ICRA expects the overall profitability to remain comfortable, supported by healthy consolidated margins, supported by the housing business and expected improvement in operating efficiency going forward.

Controlled asset quality metrics notwithstanding moderation – The overall asset quality metrics remain under control with VHFCL continuing to report healthier asset quality than its subsidiary, with gross NPAs at 1.39% as on March 31, 2026 (1.22% as on March 31, 2025) vis-à-vis 2.98% for VFIPL (2.29% as on March 31, 2025).The Group's consolidated gross non-performing assets (NPAs; on-book) stood at 1.80% and 90+dpd (on AUM) at 1.90% as on March 31, 2026 vis-à-vis 1.46% and 1.47%, respectively, as on March 31, 2025. The Group held security receipts amounting to Rs. 73 crore (0.7% of consolidated on-book portfolio) against stressed assets sold to asset reconstruction company(ies). ICRA takes note of the increase in delinquencies and the sale of stressed assets to asset reconstruction company(ies) in FY2025-FY2026, albeit remains under control. VFIPL's performance, however, remains monitorable due to its product segment and limited track record.

Credit challenges

Limited portfolio seasoning – The Group scaled up its overall operations at a compound annual growth rate (CAGR) of 30% over the past five years, achieving an AUM of Rs. 13,450 crore as on March 31, 2026. VHFCL has an operational track record of around 10 years and, like most of its peers, a significant portion of its book has been sourced over the last few years. The company's disbursements in the last two fiscals (FY2025 and FY2026) were equivalent to around 65% of the AUM as on March 31, 2026, indicating limited portfolio seasoning. ICRA takes note of the moderation in growth in FY2026, partially on account of the change in operational practices, with disbursements in the HL and LAP segments declining by 17% and 9%, respectively. Nonetheless, growth prospects remain healthy given the buoyant demand and ICRA envisages growth to pick up pace in the near-to-medium term.

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 33% growth in its AUM in FY2026 (~42% in FY2025) on a relatively small asset base. Given the early stage of operations and the significant growth in its portfolio in the last few 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 (~80% of the portfolio as on March 31, 2026). Further, the proportion of non-housing loans (NHLs) was ~36% of the standalone AUM as on March 31, 2026. Nonetheless, ICRA takes note of VHFCL's 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 42% as on March 31, 2026, reducing the risk to a certain extent. Also, 79% of VFIPL's borrowers had a credit bureau score of more than 700 as on March 31, 2026, which provides some 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.

Liquidity position: Strong

The Group's liquidity profile is strong with ~Rs. 1,045 crore of unencumbered on-book liquidity (including deposits) as on March 31, 2026, which along with collections of Rs. 2,508 crore expected for the 12-month period ending March 31, 2027 is sufficient to meet its debt obligations of Rs. 2,245 crore during this period. Additionally, it had ~Rs. 1,618 crore of sanctioned unutilised funding lines from various lenders as on March 31, 2026. The Group has a diversified funding profile, including direct assignment (DA) and co-lending, and had funding relationships with more than 48 lenders as of March 2026.

On a standalone basis, VHFCL maintained strong liquidity in the form of unencumbered on-book cash and investments (including deposits) of ~Rs. 635 crore along with unavailed sanctioned lines of ~Rs. 1,425 crore from various lenders as on March 31, 2026. VFIPL also maintained strong liquidity in the form of unencumbered on-book cash and investments (including deposits) of ~Rs. 411 crore along with unavailed sanctioned lines of ~Rs. 193 crore from various lenders as on March 31, 2026.

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, 2026, 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 (41.85% stake in the company, as on March 31, 2026, 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, Faering Capital and 360 One Asset Management. VHFCL's standalone AUM was Rs. 10,306 crore as on March 31, 2026 (Rs. 9,102 crore as on March 31, 2025). 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. 3-6 lakh and Rs. 16 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. 3,234 crore as on March 31, 2026 (Rs. 2,435 crore as on March 31, 2025).

The Group's AUM stood at Rs. 13,450 crore as on March 31, 2026 (Rs. 11,423 crore as on March 31, 2025) managed via 246 branches spread across 17 states.

Key financial indicators (audited)

VHFCL (consolidated)	FY2024	FY2025	FY2026
Total income	1,255	1,451	1,924
PAT	361	324	453
Total managed assets	11,061	12,902	15,477
Return on managed assets	3.9%	2.7%	3.2%
Managed gearing (times)	2.0	2.3	2.6
Gross NPA	1.12%	1.46%	1.80%

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

VHFCL (standalone)	FY2024	FY2025	FY2026
Total income	1,020	1,174	1,445
PAT	332	328	404
Total managed assets	9,370	10,894	12,418
Return on managed assets	4.1%	3.2%	3.5%
Managed gearing (times)	1.6	1.9	1.9
Gross NPA	0.87%	1.22%	1.39%
CRAR	63.8%	59.3%	57.1%

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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	July 21, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based bank facilities – Others	Long term	4,400.0	[ICRA]AA- (Stable)	July 22, 2025	[ICRA]AA- (Stable)	Aug 21, 2024	[ICRA]AA- (Stable)	Aug 11, 2023	[ICRA]AA- (Stable)
								May 31, 2023	[ICRA]AA- (Stable)
CP programme	Short term	25.0	[ICRA]A1+	July 22, 2025	[ICRA]A1+	Aug 21, 2024	[ICRA]A1+	Aug 11, 2023	[ICRA]A1+
								May 31, 2023	[ICRA]A1+

Complexity level of the rated instruments

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

Source: Company

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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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