India Shelter Finance Corporation Limited

July 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,000.00 (Enhanced from 1,335.00)	CARE AA-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of long-term rating to the long-term bank facilities of India Shelter Finance Corporation Limited (ISFCL) factors in the healthy growth in its scale, comfortable capitalisation with gearing of 1.8x as on March 31, 2025, healthy profitability and diversified resource profile. ISFCL's AUM has grown to ₹ 8,535 crore as on March 31, 2025, registering a growth of 37% year-on-year (YoY). Supported by timely capital raise and debt funding, its growth has remained healthy with a 5-year compound average growth rate (CAGR) of ~41% from March 2020 to March 2025. Further, the company reported a net profit of Rs. 377 crore in FY2025, translating into return on average total assets (RoTA) of 5.6% and return on average tangible net worth (RoNW) of 15.1%, as compared to Rs.247 crore, 4.9% and 14.0%, respectively, in FY2024. Further, ISFCL's asset quality metrics remain comfortable as it reported gross stress (gross nonperforming assets (GNPA) + repossessed assets) of 1.1% as on March 31, 2025 as against 1.2% in March 2024. Its GNPA stood at 1.0% with a provision coverage ratio (PCR) of ~25%. While Care Ratings Limited (CareEdge Ratings) expects some gradual uptick in its NPA as the book seasons, its asset quality metrics is expected to remain adequate in the near term and hence, keep its credit cost contained.

However, ratings are constrained by the relatively low portfolio seasoning, with majority of the portfolio being generated over the recent years and the relatively high, albeit declining, geographical concentration. Operating in affordable housing finance segment, ISFCL caters to relatively vulnerable borrower profile making the company susceptible to inherent asset quality risks. However, owing to granularity of the loan book with low loan-to-value ratio (LTV; average LTV of 52%) and established risk management and control systems, ISFCL has been able to keep its asset quality under control so far.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors-

- Sizable growth in the scale of operations while maintaining healthy profitability and comfortable asset quality
- Significantly improving geographical diversification.

Negative factors-

- Moderation in its earnings profile with ROTA reducing below 2.5%
- Gearing levels remaining above 5x on a sustained basis.

Analytical approach:
Standalone

Outlook: Stable
The Stable outlook on ISFCL's long-term rating reflects CareEdge Ratings' expectation that the company with continue to grow at a healthy pace while maintaining adequate asset quality and healthy profitability.

Detailed description of key rating drivers:

Key strengths
Comfortable capitalisation while growing scale
ISFCL's AUM has been consistently rising over the years with five years CAGR of 30% till FY25 to ₹8,535 crore as on March 31, 2025, registering a year-on-year (YoY) growth rate of 37%. Over past few years, its scale has been growing at a healthy pace with 5-year compounded annual growth rate (CAGR) of 41% till March 2025. Its growth has remained supported by timely capital raise and healthy internal accruals, which has helped it maintain a comfortable capital profile and low gearing. The company raised capital of Rs. 800 crore in FY2024 via initial public offer (IPO). It reported capital to risk weight assets ratio (CRAR) of 60.6% and gearing of 1.8x as on March 31, 2025, as compared to 70.9% and 1.5x, respectively, as on March 31, 2024. CareEdge Ratings expects the company to continue growing at a healthy pace and maintain its gearing below 5x over next 3 years. Any higher than anticipated growth would necessitate raising of further capital to maintain adequate gearing level.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Healthy earnings profile supported by comfortable asset quality metrics
ISFCL reported a net profit of Rs. 377 crore in FY2025, translating into return on average total assets (RoTA) of 5.6% and return on average tangible net worth (RoNW) of 15.1%, as compared to Rs.247 crore, 4.9% and 14.0%, respectively, in FY2024. Its profitability was supported by healthy margin of 8.7% in relation to average total assets (ATA; 8.2% in FY2024), healthy other income on account of higher DA and co-lending income (under CLM2), decline in opex by 20 bps and contained credit cost so far. The improvement in its margin during FY2025 was primarily on account of improved spread and low gearing as it had raised capital in FY2024.

ISFCL's asset quality has remained under control so far with gross non-performing assets (GNPA)/ gross stage 3 (GS3) of 1.0% as on March 31, 2025 and remained in line with GNPA of March 2024. Factoring in repossessed assets, its gross stress book stood at 1.1% in March 2025, as compared to 1.2% in March 2024. During FY2025, its gross stage 2 (GS2) book has increased to 2.7% in March 2025 from 2.2% in March 2024. While the entity is carrying adequate provision of 25% on GS3 and 3.7% on GS2 book, its ability to contain forward slippages and continue to maintain comfortable asset quality metrics will remain monitorable.

Diversified resource profile
ISFCL's lender-wise borrowing profile is diversified, comprising banks, National Housing Bank (NHB), non-banking finance companies (NBFCs), financial institution (FI), and capital markets. As on March 31, 2025, the majority borrowings are availed from bank loans with 54%, followed by NHB with 15%, direct assignment (20%), pass through certificates (PTC; 6%), external commercial borrowings (ECB; 4%) and non-convertible debentures (1%). Its cost of debt funding has remained comfortable at 8.5% in FY2025 and with the recent rate cut by regulator, it is expected to decline in FY2026, helping it maintain a healthy margin.

Key weaknesses
Limited portfolio seasoning
Although the company has an operational track record of 14 years, its portfolio seasoning is limited with the majority of the portfolio generated over the past few years. The disbursements over the last two years amounted to 78% of the AUM as on March 31, 2025. The behavioural tenure for HL is 7-8 years (against the contractual tenure of 15-20 years) and non-HL of 6-7 years (against the contractual tenure of 10-15 years). The company's performance in respect of maintaining its asset quality as the book seasons shall remain a monitorable.

High, albeit reducing, geographical concentration
ISFCL operated in 15 states via 266 branches as on March 31, 2025. Its top three states (viz. Rajasthan, Maharashtra, and Madhya Pradesh) accounted for ~59% of AUM as on March 31, 2025, although down from ~62% as on March 31, 2024. In line with the company's strategy to deepen its presence in the southern region, the exposure in Karnataka, Tamil Nadu and Telangana has been increasing over the years. As the company expands its scale in these nascent geographies, its concentration in top 3 states is expected to reduce further.

Vulnerable borrower segment:
As an AHFC, ISFCL is focused on providing secured retail home loans to low-and middle-income borrowers in Tier-II and Tier-III regions, with majority of them having lack of formal income documents. Its customers are a mix of self-employed (72% of AUM as on March 31, 2024) and salaried borrowers, with most of them in Tier-III cities, exposing the company to the relatively economically vulnerable borrower segment. Since this segment is highly susceptible to the impact of economic downturns, maintaining good asset quality while increasing the scale of operations is a key sensitivity. However, the company has put in place adequate credit appraisal mechanisms and an integrated management information system (MIS). ISFCL operates in physical and digital modes (branded as 'Phygital') through a system-driven approach from sales to collection. The company's entire portfolio is secured with a moderate loan-to-value (LTV) of 50-60%.

Liquidity: Strong
The ALM statement as on March 31, 2025 for ISFCL has positive cumulative mismatches across all buckets. Further, ISFCL has a liquidity of ₹ 588 crore in form of cash and bank balance and unencumbered investments and undrawn sanctions of ~₹892 crore as on March 31, 2025. As per ALM statement, the company has adequate inflows against advances and bank balance of up to one year of ₹1,235 crore as against debt obligations of up to one year of ₹1,097 crore.

Environment, social, and governance (ESG) risks
Given that ISFCL is engaged in the lending business, it is exposed to environmental risks indirectly through the portfolio of assets. In case ISFCL's customer has exposure to environmental risks, it can translate into credit risks for the company.

On the social risks front, the company remains exposed to breach related to customer data and privacy, which can affect its reputation and lead to regulatory scrutiny. To mitigate such risk, the company has set up In-house Business Rule Engine for conducting checks on customers digital presence, fraud history, negative database cross references, pending legal or litigation issues, and other adverse findings. ISFCL has been taking steps towards environment and social fundamentals by embedding into it the business. With this, the company has taken approaches towards building educational, healthcare, and women empowering initiatives by partnering with NGOs. ISFCL Nayi Umeed is one such initiative focused on uplifting underprivileged women by providing them with employable skills.

On governance front, the company's board comprises 7 directors, of which 6 are independent directors and 2 are female directors.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Housing Finance Companies

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Housing finance company

Originally incorporated as Satya Prakash Housing Finance Private Limited in October 1988, with the NHB, the entity was re-incorporated as India Shelter Finance Corporation Limited (ISFCL) in March 2010, post acquisition by Mr. Anil Mehta and others (promotors). The company commenced operations in its present form in March 2010 under the new management. As a housing finance company, it extends loans for an average ticket size of ₹10-11 lakh to urban households, who are a mix of self-employed and salaried workers with monthly incomes (documented or undocumented) of ₹25,000 and above, living in the periphery of urban and suburban areas of Tier-II and Tier-III cities. It offers products such as home construction, extension, improvement, purchase, and LAP.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	31-03-2025 (A)
Total income	605.6	860.4	1,174.8
PAT	155.0	246.9	377.0
Interest coverage (times)	2.0	2.1	2.4
Total Assets	4291.6	5789.8	7738.2
Net NPA (%)	0.9	0.7	0.8
ROTA (%)	4.1	4.9	5.6

A: Audited; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	July 2032	2000.00	CARE AA-; Stable

LT: Long term

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	2000.00	CARE AA-; Stable	-	1)CARE AA-; Stable (02-Jul-24)	1)CARE A+; Positive (13-Mar-24) 2)CARE A+; Positive (30-Aug-23)	1)CARE A+; Stable (02-Sep-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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