



Investment Idea

India Shelter Finance Corp. Ltd.

September 8, 2025

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
BFSI – HFC	Rs 898	Buy in Rs 890-920 band & add on dips in Rs 820-840 band	Rs 1000	Rs 1060	2-3 quarters

HDFC Scrip Code	INDIASHLTR
BSE Code	544044
NSE Code	INDIASHLTR
Bloomberg	INDIASHL IN
CMP Aug 8, 2025	898.5
Equity Capital (Rs Cr)	54.1
Face Value (Rs)	5.0
Equity Share O/S (Cr)	10.8
Market Cap (Rs Cr)	9723.6
Adj. Book Value (Rs)	256.5
Avg. 52 Wk Volumes	2,80,000
52 Week High	1011.8
52 Week Low	607.0

Share holding Pattern % (Jun 2025)	
Promoters	47.9
Institutions	25.6
Non Institutions	26.5
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take

India Shelter Finance Corp. (ISFCL) is an affordable housing finance company with an extensive distribution network focussed on Tier II and Tier III cities. It has grown by adopting a strategy of deepening penetration in regions with a substantial demand for affordable housing finance empowering us with insights into local businesses and property by-laws. This enables ISFCL to make better underwriting decisions based on accurate assessments of cash flows and collateral. ISFCL is among the fastest growing HFC driven by use of technology leading to low TAT. It has implemented a paperless approach to customer acquisition and onboarding, with tailored mobile solutions that cater to different stages of the lending process. The lender has an end-to-end in house approach and significant ground presence.

ISFCL has largely fixed rate loan book (85%) while 90% of its borrowing is linked to variable rate. The recent reduction in repo rates by the RBI is likely to drive higher NIMs for the company. Asset quality trends reflect sectoral headwinds, but risk buffers and underwriting remain robust. The company is well-positioned to capitalise on affordable housing finance tailwinds, with technology and operational discipline as key strengths.

Valuation & Recommendation

India Shelter is an attractive play on the increasing formalisation of informal self-employed financing. Despite industry-wide stress in micro-LAP and MSME segments, ISFCL's differentiated focus, prudent risk controls, and secured lending model underpin its confidence. We have envisaged a 29% CAGR in the loan book and expect RoE to expand from 15.1% to 18.6% by FY27E. We feel that investors can buy the stock in the band of Rs 890-920 add on dips in Rs 820-840 band (2.5x FY27E ABV) for the base case fair value of Rs 1000 (3x FY27E ABV) and the bull case fair value of Rs 1060 (3.2x FY27E ABV) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY24	FY25	FY26E	FY27E
NII	168	124	35.1	155	8.1	374	554	725	916
PPoP	165	115	44.3	143	16.0	338	516	682	869
APAT	119	84	43.0	108	10.5	248	378	497	634
Diluted EPS (Rs)	11.1	7.8	41.9	10.1	9.6	23.1	35.0	46.1	58.8
P/E (x)						39.3	26.0	19.7	15.5
P/ABV (x)						4.3	3.7	3.2	2.7
RoAA (%)						4.9	5.6	5.6	5.6

Q1FY26 Result Update

India Shelter Finance Corporation (ISFCL) delivered an impressive Q1FY26 performance, maintaining high growth and resilient profitability in a challenging macro environment. NII growth remained strong at 35% YoY to Rs 168cr driven by 33% increase in loan book to Rs 7208cr and 30bps YoY/20bps QoQ spread expansion. NIMs remained stable at around 9%. Yield on advances was up marginally to 15% on account of improvement in spread of co-lending loans due to reduction in CLM cost of funds, which is linked to the repo rate, while cost of borrowing compressed 20bps YoY to 8.6%.

Disbursements increased by 24% YoY to Rs 887cr. HL growth remained marginally lower at 29% YoY while LAP grew by 41% YoY. HL share in portfolio stood at 57% and the balance was towards LAP. PAT grew by 43%/10% YoY/QoQ to Rs 119cr driven by strong AUM growth and operating efficiency.

Asset quality deteriorated with GNPA/NNPA increasing 25/25bps sequentially to 1.2%/1% respectively. The provision coverage ratio for Stage 3 asset is stable at 25%. The credit cost for the quarter came in at 0.5%. The Company has adequate provisioning buffers with ECL cover of Rs 67cr against regulatory threshold of Rs 40cr.

The management has guided for 30-35% loan growth, 40-45 branch additions maintain spreads of 6% in the medium term and 40-50bps of credit costs for FY26.

Concall highlights

Financial performance

- Net Interest Income grew 34% YoY, supported by higher AUM and margin expansion.
- PAT for Q1FY26 surged 43% YoY to Rs 119 crore (10% QoQ), with annualized ROA reaching 6.0% (vs. 5.6% YoY) and ROE improving to a record 17.2% (vs. 14.3% YoY).
- AUM grew 34% YoY to Rs 8,712 crore (6% QoQ), underscoring continued robust demand in the affordable housing segment.
- Disbursements stood at Rs 887 crore (+24% YoY), and the company added 24 new branches, expanding its pan-India presence to 290 branches across 15 states.

Operating Metrics and Margins:

Spread improved by 30bps YoY to 6.4%, driven by a 20bps reduction in cost of funds (CoF at 8.6%)

Opex-to-AUM ratio improved to 4.2% (down 20bps YoY), signalling operating leverage gains, even as branch expansion continued.

Cost-to-Income ratio came down to 35.1% from 37.8% in Q1FY25.

Asset Quality:

- GNPA stood at 1.2% (vs. 1.0% QoQ), with Net NPA at 0.9% (vs. 0.8% QoQ)
- The 30+ DPD metric increased to 4.5%, reflecting both seasonal factors and some macro stress across states
- Credit costs remained steady at 0.5%, with PCR at ~25%
- The management reiterated confidence in its prudent underwriting, and continues to guide for credit costs of 40-50 bps for the year.

Guidance

- Management retained its guidance of 30-35% loan growth, addition of 40-45 new branches for FY26, and spreading margin of >6%.
- The credit cost guidance is unchanged; management expects 30+ DPD numbers to stabilise by Q2FY26 and improve thereafter.
- ROE is expected to remain strong (medium-term guidance: 18% by FY28 as leverage increases).

Key triggers

Strong structural demand for Affordable Housing Finance

Affordable Housing in India continues to gain momentum, supported by urbanization, rising incomes, government programs like Pradhan Mantri Awas Yojana. As per ICRA estimates, the affordable housing finance loan portfolio stood at Rs 1.4 lakh crores as of March 2025 and the affordable housing companies loan portfolio is expected to reach Rs 2.5 lakh crores by FY28, growing at a CAGR of 20-22%. The percentage of urbanisation is expected to increase further in the years to come, thereby translating into higher demand for housing and related amenities in the urban areas. Several drivers such as rising urbanization, growing disposable income, favourable demographics and government measures are expected to lead to higher mortgage penetration going forward.

India Shelter is deeply focused on the large, underpenetrated affordable housing segment, with 91% of its AUM in Tier II/III towns and 71% of borrowers as first-time mortgage users. Robust policy tailwinds like steady government, infrastructure push, favorable regulatory stance and India's massive housing shortage—especially in LIG and MIG categories—support multi-year sectoral growth.

Consistent growth and expansion

ISFCL continues on a steep growth trajectory with AUM CAGR of 38% (FY19-FY25). In Q1FY26 its AUM grew 34% YoY and the management has maintained its guidance of 30-35% growth for FY26. ISFCL relies on a comprehensive on-the-ground presence and aims to further grow and diversify its distribution network. It has added 24 branches in Q1FY26 taking its network to 290 branches providing ongoing leverage for future scale-up. By capitalizing on favorable market opportunities and maximizing branch productivity, it anticipates to cater to the specific requirements of the self-employed target customer segment.

Strong asset quality metrics

India Shelter's robust risk management infrastructure based on its in-house business rule engine, followed by physical visits by the credit officer helps it to on-board quality customers. Despite sectoral stress, GNPA's remain contained at 1.2% and credit cost at 0.5%; management is confident of maintaining 40–50 bps credit cost. While there has been a slight uptick in delinquencies with the 30+ days past due (dpd) increasing to 4.5% in Q1FY26 (3.1% in Q4FY25), management believes the same is transitory and expects higher recovery during the remainder of FY26. Further, the Company maintains a comfortable LTV of ~50-52% which helps to provide a significant margin of safety in the event of a default.

Strong capital profile to support growth

ISFCL remains well capitalised with a net worth of Rs 2,836 crore and a capital-to-risk weighted assets ratio (CRAR) of 58.4% as on Q1FY26. The leverage remained low at 2.9 times. The company had raised primary equity of Rs 800cr crore through an initial public offering (IPO) in December 2023, which strengthened its capitalisation profile. ISFCL is well capitalised with sufficient headroom to achieve the planned growth in the near-to-medium term while maintaining prudent capitalisation.

Risks & Concerns

Geographical concentration

The top 3 states account for ~60% of the loan book. Any adverse effect in any of these states could have a subsequent impact on the business.

Slowdown in affordable housing

The affordable housing space has huge scope of lending driven by demographic changes, increasing urbanization and favorable policies of the Government. Withdrawal of policies/incentives by the Government could slowdown the growth momentum.

Increasing competition

Given the huge scope of lending, it is attracting many new as well as established lenders, thereby increasing the competition for the company.

Asset quality deterioration

The Company has been able to maintain strong asset quality metrics driven by its prudent and robust underwriting practices. However, any deterioration in its asset quality or collection efficiency could impact its growth and profitability.

Company Background

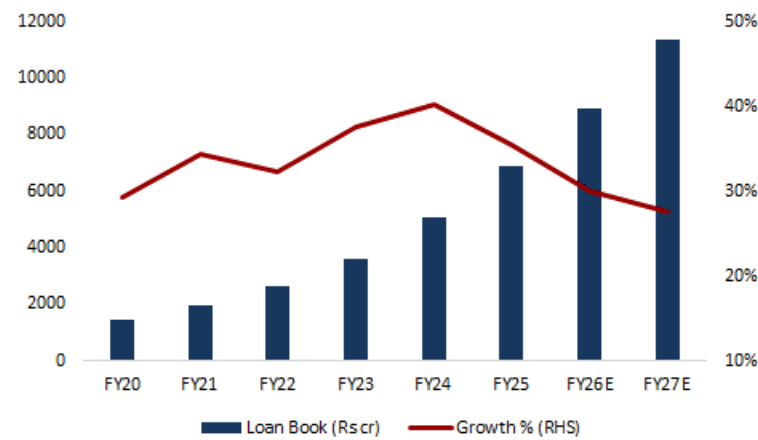
India Shelter Finance Corporation Limited (India Shelter) is a prominent housing finance company in India, with a distinct focus on providing home loans and loans against property to underserved and unserved low- and middle-income households. Originally incorporated in 1998 as Satyaprakash Housing Finance India Limited, the company rebranded to its current name in 2010 and has since built a 15-year track record, establishing deep expertise in affordable housing finance—a sector crucial for financial inclusion in India.

Leveraging a robust, tech-enabled business model, India Shelter targets customers in Tier II and Tier III cities—segments typically overlooked by traditional banks. Its product offerings primarily facilitate the purchase, construction, extension, or improvement of homes, with a particular emphasis on first-time mortgage borrowers and self-employed individuals. As of June 2025, 91% of its lending is concentrated in Tier II and III geographies, and 75% of its customers are self-employed, reflecting its core mission of serving the grassroots population.

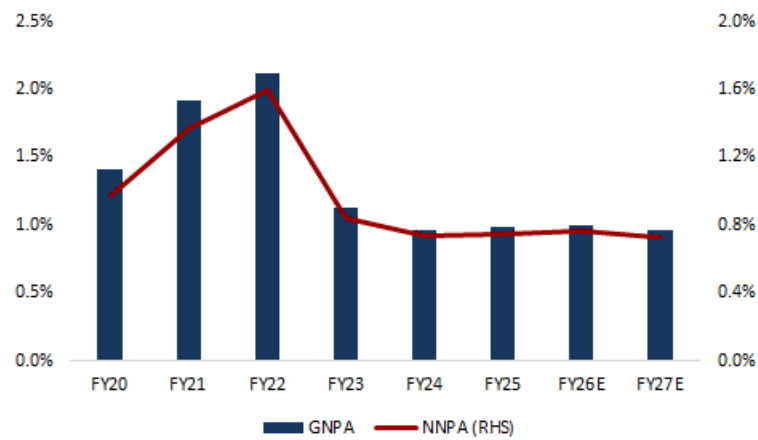
Headquartered in Gurgaon, Haryana, India Shelter has developed a pan-India presence with 290 branches across 15 states and an active customer base exceeding 116,000. The company has earned recognition for its strong governance, professional management, and marquee institutional investors—including WestBridge Capital and Nexus Venture Partners.

Technological innovation is central to India Shelter's operations, with 99% of applications now e-signed and 96% of collections digitized. This automation underpins efficient underwriting, risk assessment, and service delivery. The company continues to post solid financial growth, with FY25 Assets Under Management (AUM) reaching Rs 8,712 crore—a 38% CAGR since FY19—and robust profitability (Q1 FY26 PAT up 43% YoY). With a clear focus on inclusive growth, digital transformation, and governance, India Shelter continues to play a pivotal role in making homeownership accessible across India's emerging markets.

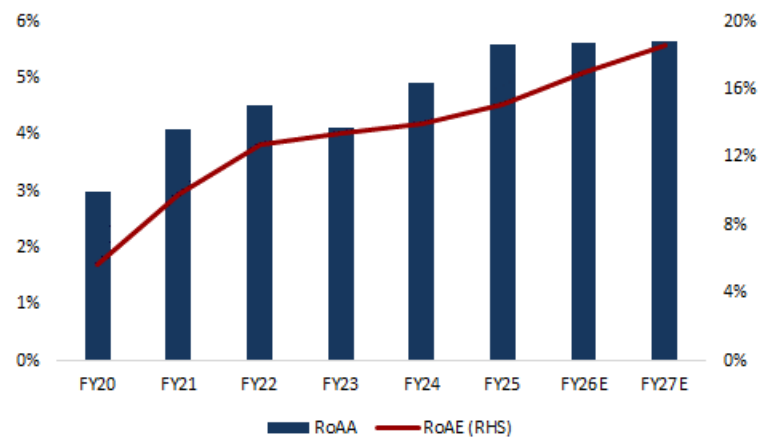
Loan Book



Asset Quality



Return Ratios



(Source: Company, HDFCsec)

Financials

Income Statement

(Rs cr)	FY23	FY24	FY25	FY26E	FY27E
Interest Income	477	661	907	1199	1522
Interest Expenses	209	287	353	474	605
Net Interest Income	268	374	554	725	916
Non interest income	130	201	269	347	446
Operating Income	398	574	822	1072	1363
Operating Expenses	182	236	307	390	494
PPP	216	338	516	682	869
Prov & Cont	14	19	26	35	46
Profit Before Tax	202	319	489	646	824
Tax	47	72	111	149	189
PAT	155	248	378	497	634

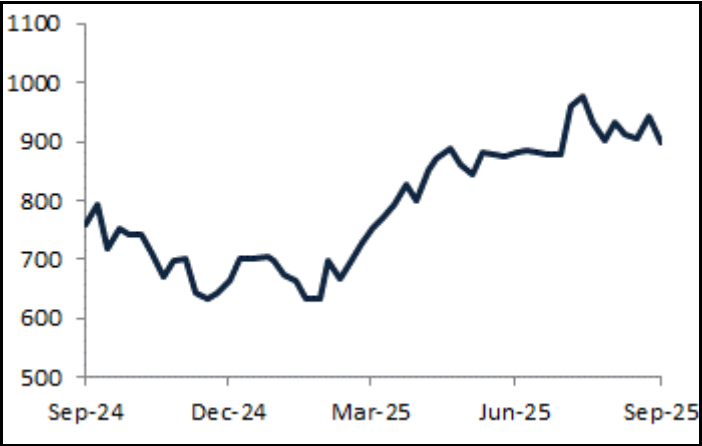
Balance Sheet

(Rs cr)	FY23	FY24	FY25	FY26E	FY27E
Share Capital	44	54	54	54	54
Reserves & Surplus	1197	2245	2655	3088	3635
Shareholder funds	1241	2299	2709	3141	3689
Borrowings	2989	3415	4969	6599	8527
Other Liab & Prov.	66	80	70	198	334
SOURCES OF FUNDS	4296	5794	7747	9938	12550
Fixed Assets	24	30	29	31	32
Investment	47	158	315	357	421
Cash & Bank Balance	507	378	343	401	455
Advances	3609	5062	6859	8917	11370
Other Assets	108	166	200	232	273
TOTAL ASSETS	4296	5794	7747	9938	12550

Ratio Analysis

Particulars	FY23	FY24	FY25	FY26E	FY27E
Return Ratios (%)					
Calc. Yield on adv	15.3	15.2	15.2	15.2	15.0
Calc. Cost of borr	8.2	9.0	8.4	8.2	8.0
NIM	8.6	8.6	9.3	9.2	9.0
RoAE	13.4	14.0	15.1	17.0	18.6
RoAA	4.1	4.9	5.6	5.6	5.6
Asset Quality Ratios (%)					
GNPA	1.1	1.0	1.0	1.0	1.0
NNPA	0.8	0.7	0.8	0.8	0.7
Growth Ratios (%)					
Advances	37.6	40.3	35.5	30.0	27.5
Borrowings	44.4	14.3	45.5	32.8	29.2
NII	30.2	39.4	48.2	30.9	26.5
PPP	20.7	56.6	52.4	32.2	27.5
PAT	20.9	59.4	52.6	31.6	27.5
Per Share Data (Rs)					
EPS	17.7	23.1	35.0	46.1	58.8
Adj. BVPS	138.2	211.2	246.2	284.9	334.2
Div. per share	0.0	0.0	5.0	6.0	8.0
Valuation Ratios (x)					
P/E (x)	51.2	39.3	26.0	19.7	15.5
P/ABV (x)	6.6	4.3	3.7	3.2	2.7
Div. Yield (%)	0.0	0.0	0.6	0.7	0.9
Other Ratios					
Cost-Income	45.7	41.1	37.3	36.4	36.2
Leverage	2.9	2.2	2.5	2.8	3.1

Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

- Buy - > 15%+ return potential
- Add - +5% to +15% return potential
- Reduce - -10% to +5% return potential
- Sell - >10% downside return potential

Disclosure:

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