

# India Shelter finance Corp. SUBSCRIBE

Play on affordable housing segment

## Summary

Indian Shelter Finance Corporation Ltd is retail focused affordable housing finance company with an extensive distribution network comprising 203 branches as of Sep'23 and a scalable technology infrastructure across its business operations. It achieved AUM growth of 40.8% CAGR between FY2021 and FY2023, second highest among the compared peers in India. Further, the company has robust underwriting process which involves specialized and independent teams dedicated to credit evaluation. It also boasts of a demonstrated track record of reducing its borrowing costs (Avg cost of borrowing ~8.3% in Mar'23 V/s 8.7% in Mar'21). At upper price band, IPO is priced at P/BV of 3.2x based on Sep'23 (V/s 3.8x-4.6x for peers) with an ROA of 4.7%. We recommend SUBSCRIBE for long term.

## Key Investment Rationale

- One of the Fastest Growing Assets under Management among Housing Finance Companies in India, High Yields, and Granular, Retail Focused Portfolio:** Company has the second highest AUM and Disbursement Growth between FY19-FY23 amongst industry peers and has the second highest yield on advances as of FY23.
- Underpenetrated affordable housing segment:** As per the report of RBI-appointed Committee, the housing shortage in India is estimated to increase to 100 million units by 2022. Majority of the household shortage is for Lower income group (LIG) and Economic weaker section (EWS). Amongst the top states with high shortage of homes are Uttar Pradesh, Bihar, West Bengal, Rajasthan & Madhya Pradesh. This provides significant opportunity for sustaining strong loan growth.
- Diversified Financing Profile with a Demonstrated Track Record of Reducing Financing Costs:** Its average borrowing costs reduced to 8.3% as of FY23 from 8.7% (FY21), and its average incremental cost of borrowings for FY23 was 7.9%, as compared to 8.0% (FY21). By reducing its borrowing costs, the company has been able to generate consistent margins and achieve higher profitability.

Issuer	India shelter finance corporation
Transaction Type	Fresh Issue of Equity shares aggregating upto ₹8000 Mn and Offer for sale of Equity Shares aggregating upto ₹4000 Mn
Issue Open / Close	13-Dec-2023 / 15-Dec-2023
Type of Offering	Fresh Issue and Offer for Sale
Total Offer Size	Rs 12,000 Mn
Price Band	Rs.463-496/Sh
Bid Lot	30 Equity Shares and in multiples thereafter
Percentage of Offer Size (Allocation)	<ul style="list-style-type: none"> <li>QIB: 50%</li> <li>NIB: 15%</li> <li>Retail: 35%</li> </ul>
Objective	To meet future capital requirements towards onward lending

## Share holding pattern (%)

	Pre-Issue	Post-Issue
Promoter	56.93	48.30
Public	43.07	51.70
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Financial Snapshot

(Rs Mn)	FY21	FY22	FY23	H1FY23	H1FY24
NII	1,692	2,253	2,931	1,346	1,803
Net Profit	874	1,284	1,553	621	1,074
EPS (Rs)	10.2	14.8	17.8	7.1	12.1
ROE (%)	9.8	12.8	13.4	5.6*	8.2*
ROA (%)	4.1	4.5	4.1	3.6	4.7
GNPA (%)	1.9	2.1	1.1	2.8	1.0
NNPA (%)	1.4	1.6	0.9	2.2	0.7
CAR (%)	71.5	55.9	52.7	49.2	48.7

Source: RHP, Company; Note: \* Ratios not annualised

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**Exhibit 1: Peer Comparison: Overall AUM**

Particulars (Rs. in millions)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>21,985</b>	<b>30,733</b>	<b>43,594</b>	<b>36,149</b>	<b>51,807</b>
Aavas Financiers Limited	94,543	1,13,502	1,41,667	1,25,437	1,53,195
Aptus Value Housing Finance India Limited	40,680	51,800	67,380	59,320	76,037
Home First Finance Company India Limited	41,411	20,310	30,129	62,754	83,654

Source: RHP; IDBI Capital Research

**Exhibit 2: Peer Comparison: Share of Home loan in overall AUM**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>57.0</b>	<b>54.1</b>	<b>56.5</b>	<b>54.8</b>	<b>57.6</b>
Aavas Financiers Limited	73.5	72.1	69.9	70.9	69.7
Aptus Value Housing Finance India Limited	NA	56.0	58.0	58.0	59.0
Home First Finance Company India Limited	92.0	91.0	88.0	89.0	87.0

Source: RHP; IDBI Capital Research

**Exhibit 3: Peer Comparison: Share of LAP in overall AUM**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>43.0</b>	<b>45.9</b>	<b>43.5</b>	<b>45.2</b>	<b>42.4</b>
Aavas Financiers Limited	26.5	27.9	30.1	29.1	30.3
Aptus Value Housing Finance India Limited	NA	NA	NA	NA	NA
Home First Finance Company India Limited	6.0	7.0	11.0	10.0	12.0

Source: RHP; IDBI Capital Research

**Exhibit 4: Peer Comparison: Share of self employed customer in overall AUM**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>64.2</b>	<b>67.6</b>	<b>69.6</b>	<b>68.8</b>	<b>70.6</b>
Aavas Financiers Limited	60.4	60.0	60.1	60.2	59.9
Aptus Value Housing Finance India Limited	72.0	72.0	71.0	72.0	72.0
Home First Finance Company India Limited	25.0	27.0	30.0	29.0	31.0

Source: RHP; IDBI Capital Research

**Exhibit 5: Peer Comparison: Share of salaried customer in overall AUM**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>35.8</b>	<b>32.4</b>	<b>30.4</b>	<b>31.2</b>	<b>29.4</b>
Aavas Financiers Limited	39.6	40.0	39.9	39.8	40.1
Aptus Value Housing Finance India Limited	28.0	28.0	29.0	28.0	28.0
Home First Finance Company India Limited	74.0	72.0	69.5	71.0	69.0

Source: RHP; IDBI Capital Research

**Exhibit 6: Peer Comparison: Presence in number of states**

Particulars	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
Aavas Financiers Limited	11	13	13	13	13
Aptus Value Housing Finance India Limited	4	5	5	5	5
Home First Finance Company India Limited	12	13	13	13	13

Source: RHP; IDBI Capital Research

**Exhibit 7: Peer Comparison: Number of branches**

Particulars	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>115</b>	<b>130</b>	<b>183</b>	<b>167</b>	<b>203</b>
Aavas Financiers Limited	280	314	346	321	350
Aptus Value Housing Finance India Limited	190	208	231	213	250
Home First Finance Company India Limited	72	80	111	101	120

Source: RHP; IDBI Capital Research

**Exhibit 8: Peer Comparison: ATS on disbursements**

Particulars (Rs. in millions)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>1.09</b>	<b>1.06</b>	<b>1.05</b>	<b>1.07</b>	<b>1.03</b>
Aavas Financiers Limited	0.85	0.86	0.89	0.88	0.93
Aptus Value Housing Finance India Limited	NA	NA	1.00	0.80	0.80
Home First Finance Company India Limited	1.00	1.05	1.10	1.09	1.07

Source: RHP; IDBI Capital Research

**Exhibit 9: Peer Comparison: Branch productivity (AUM/branch)**

Particulars (Rs. in millions)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>191.18</b>	<b>236.41</b>	<b>238.22</b>	<b>216.46</b>	<b>255.21</b>
Aavas Financiers Limited	337.65	361.47	409.44	390.77	437.70
Aptus Value Housing Finance India Limited	214.11	294.04	291.69	278.50	304.15
Home First Finance Company India Limited	575.15	672.50	648.47	621.33	697.12

Source: RHP; IDBI Capital Research

**Exhibit 10: Peer Comparison: Spread on advances**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>6.1</b>	<b>7.0</b>	<b>6.6</b>	<b>6.7</b>	<b>6.0</b>
Aavas Financiers Limited	5.3	6.2	6.0	7.1	6.6
Aptus Value Housing Finance India Limited	8.1	9.3	9.2	10.5	NA
Home First Finance Company India Limited	5.0	5.9	5.9	6.2	5.6

Source: RHP; IDBI Capital Research

**Exhibit 11: Peer Comparison: Return on Assets**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>4.1</b>	<b>4.5</b>	<b>4.1</b>	<b>3.6*</b>	<b>4.7*</b>
Aavas Financiers Limited	3.5	3.6	3.5	3.4	3.3
Aptus Value Housing Finance India Limited	6.5	7.3	7.8	7.7	7.7
Home First Finance Company India Limited	2.5	3.9	3.9	3.8	3.9

Source: RHP; IDBI Capital Research \*Note; Ratios are annualised

**Exhibit 12: Peer Comparison: Return on Equity**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>9.8</b>	<b>12.8</b>	<b>13.4</b>	<b>5.6*</b>	<b>8.2*</b>
Aavas Financiers Limited	12.8	13.6	14.1	13.4	13.7
Aptus Value Housing Finance India Limited	14.5	15.1	16.1	15.9	16.9
Home First Finance Company India Limited	8.7	12.6	13.5	13.0	15.2

Source: RHP; IDBI Capital Research \*Note; Ratios are not annualised

**Exhibit 13: Peer Comparison: Gross Stage 3 assets**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>1.92</b>	<b>2.12</b>	<b>1.13</b>	<b>2.79</b>	<b>1.00</b>
Aavas Financiers Limited	0.98	0.99	0.92	1.10	1.04
Aptus Value Housing Finance India Limited	0.69	1.21	1.15	1.47	1.19
Home First Finance Company India Limited	1.84	2.33	1.61	1.93	1.74

Source: RHP; IDBI Capital Research

**Exhibit 14: Peer Comparison: Net stage 3 assets**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>1.37</b>	<b>1.60</b>	<b>0.85</b>	<b>2.16</b>	<b>0.72</b>
Aavas Financiers Limited	0.71	0.77	0.68	0.84	0.76
Aptus Value Housing Finance India Limited	0.50	0.91	0.87	1.12	0.91
Home First Finance Company India Limited	1.20	1.77	1.07	1.43	1.22

Source: RHP; IDBI Capital Research

**Exhibit 15: Peer Comparison: Provision coverage ratio**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>29.6</b>	<b>25.5</b>	<b>26.0</b>	<b>23.6</b>	<b>28.7</b>
Aavas Financiers Limited	27.2	23.1	26.9	23.8	27.5
Aptus Value Housing Finance India Limited	27.5	25.3	25.6	25.0	25.0
Home First Finance Company India Limited	36.0	24.9	34.0	26.4	30.3

Source: RHP; IDBI Capital Research

**Exhibit 16: Peer Comparison: Credit cost**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>0.9</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>
Aavas Financiers Limited	0.4	0.2	0.1	0.0	0.2
Aptus Value Housing Finance India Limited	0.1	0.7	0.5	0.6	0.2
Home First Finance Company India Limited	0.8	0.5	0.4	0.3	0.4

Source: RHP; IDBI Capital Research

**Exhibit 17: Peer Comparison: Capital adequacy ratio**

Particulars (%)	Mar-21	Mar-22	Mar 23	Sep-22	Sep-23
<b>India Shelter Finance Corporation</b>	<b>71.5</b>	<b>55.9</b>	<b>52.7</b>	<b>49.2</b>	<b>48.7</b>
Aavas Financiers Limited	54.4	51.9	47.0	50.4	48.2
Aptus Value Housing Finance India Limited	73.6	85.6	74.4	80.3	71.0
Home First Finance Company India Limited	56.2	58.6	49.4	50.7	45.5

Source: RHP; IDBI Capital Research

## Key Investment Rationale

- **One of the Fastest Growing Assets under Management among Housing Finance Companies in India, High Yields, and Granular, Retail Focused Portfolio:**

As of September 30, 2023, home loans account for 57.6% of the company's AUM, while loans against property represent 42.4% of the AUM. The company achieved AUM with a growth of 40.8%, among housing finance companies in India, between Financial Years 2021 and 2023. The company has gained domain knowledge and understanding of the specific financial circumstances and challenges faced by the low and middle-income customer segment, and its underwriting process is tailored towards assessing their creditworthiness. As of September 30, 2023, the majority of its customers were within a monthly income of up to ₹50,000. Furthermore, as of September 30, 2023, approximately 75.7% of its loan portfolio comprises loans with principal amounts less than ₹1.5 million, while 95.0% of its loan portfolio comprises loans with principal amounts less than ₹2.5 million. Further, average loan-to-value ratio for home loans and loan against property is at 55.1% and 45.3% respectively as of September 30, 2023.

- **Extensive and Diversified Phygital Distribution Network with Significant Presence in Tier II and Tier III cities**

The company's distribution network has grown to 203 branches across 15 states in India, as of September 30, 2023. It has a significant presence in the states of Rajasthan, Maharashtra, Madhya Pradesh, Karnataka and Gujarat, which, as of March 31, 2023 account for 47% of the affordable housing finance market in India. Further, the company has presence in states which cover 94% of the affordable housing finance market in India, as of March 31, 2023. It has implemented a strategy of penetrative expansion across India by targeting areas with high economic growth and substantial demand for affordable housing finance, and a focused approach to serving low- and middle income groups in Tier II and Tier III cities in India. As of September 30, 2023, 89.8% of its portfolio is concentrated in Tier II and Tier III cities.

Particulars	Mar 21		Mar 22		Mar 23		Sep 22		Sep 23	
	Amount	(%) share	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Tier 1	1,097.65	5.0	3,028.84	9.9	4,601.2	10.6	3,430.86	9.5	5,291.54	10.2
Tier II	11,018.17	50.1	13,792.31	44.9	18,435.37	42.3	16,013.72	44.3	21,062.34	40.7
Tier III	9,869.45	44.9	13,911.78	45.3	20,557.92	47.2	16,704.15	46.2	25,453.00	49.1
<b>Total AUM</b>	<b>21,985.27</b>	<b>100</b>	<b>30,723.93</b>	<b>100</b>	<b>43,594.31</b>	<b>100</b>	<b>36,148.74</b>	<b>100</b>	<b>51,806.89</b>	<b>100</b>

Source: RHP; IDBI Capital Research

#### ■ Underpenetrated housing segment:

As per the report of RBI-appointed Committee on the Development of housing finance securitization market (September 2019), the housing shortage in India is estimated to increase to 100 million units by 2022. Majority of the household shortage is for Lower income group (LIG) and Economic weaker section (EWS). Total incremental housing loans demand, if this entire shortage is to be addressed, is estimated to be in the region of ₹ 50 trillion to ₹ 60 trillion. Amongst the top states with high shortage of homes, some states such as Uttar Pradesh, Bihar, West Bengal, Rajasthan & Madhya Pradesh. This shows that there is significant headroom for growth in terms of increasing per capita income and reducing the housing shortage in the country

#### ■ Diversified Financing Profile with a Demonstrated Track Record of Reducing Financing Costs

Its average borrowing costs reduced to 8.3% as of FY23 from 8.7% (FY21), and its average incremental cost of borrowings for FY23 was 7.9%, as compared to 8.0% (FY21). By reducing its borrowing costs, the company has been able to generate consistent margins and achieve higher profitability.

Particulars	Mar 21		Mar 22		Mar 23		Sep 22		Sep 23	
	Rs in Millions	% of total o/s borrowing	Rs in Millions	% of total o/s borrowing	Rs in Millions	% of total o/s borrowing	Rs in Millions	% of total o/s borrowing	Rs in Millions	% of total o/s borrowing
Term Loan	8,335	56.29	14,870	72.2	20,488	68.91	17,184	68.04	22,508	68.78
-Private Sector Bank	6,541	44.18	9,738	47.29	12,358	41.56	11,501	45.54	14,899	45.53
-Public Sector Bank	802	5.42	2,736	13.28	5,555	18.68	2,915	11.54	4,908	15.00
-Other Parties	992	6.7	2,396	11.63	2,576	8.66	2,769	10.97	2,701	8.25
NHB Refinance	5,285	35.7	3,440	16.71	5,784	19.45	4,403	17.43	5,766	17.62
NCD	822	5.55	1,866	9.06	1,765	5.94	1,789	7.08	1,191	3.64
Securitization	364	2.46	418	2.03	878	2.95	1,069	4.23	777	2.37
ECB	-	-	-	-	818	2.75	811	3.21	2,482	7.59
<b>Total</b>	<b>14,807</b>	<b>-</b>	<b>20,594</b>	<b>-</b>	<b>29,734</b>	<b>-</b>	<b>25,256</b>	<b>-</b>	<b>32,725</b>	<b>-</b>

Source: RHP; IDBI Capital Research

## About the Company

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The Company is retail focused affordable housing finance company with an extensive distribution network comprising 203 branches as of September 30, 2023 and a scalable technology infrastructure across its business operations and throughout the loan life cycle. The target segment is the self-employed customer with a focus on first time home loan takers in the low and middle income group in Tier II and Tier III cities in India, and affordable housing loans, i.e., loans with ticket size lower than ₹2.5 million. The Company was incorporated on October 26, 1998 as “Satyaprakash Housing Finance India Limited”, a public limited company under the Companies Act, 1956. Subsequently, Mr. Anil Mehta, our Individual Promoter, acquired control of our Company in 2009 and the name of our Company was changed to “India Shelter Finance Corporation Limited”

Their advances comprise:

- Home Loans
- Loan against property (LAP)

The Company has a network of 203 branches spread across 15 states with a significant presence in the states of Rajasthan, Maharashtra, Madhya Pradesh, Karnataka and Gujarat wherein its branch vintage is five year and above, as of September 30, 2023. It has a presence in states which cover 94% of the affordable housing finance market in India, as of March 31, 2023. It has increased the scale of its operations and grown its branches by adopting a strategy of deepening its penetration in regions with a substantial demand for affordable housing finance.

## Product Portfolio

The Company's products comprise:

- Home loans;
- Loan against property

### Exhibit 18: Disbursement by product type

Gross Loan Portfolio Mix (In Mn)	Mar 21		Mar 22		Mar 23		Sep 22		Sep 23	
	Amt	(%) share								
Home Loans	4,715	52.7	6,361	49.1	11,676	59.4	4,916	57.0	7,103	58.2
Loan against property	4,234	47.3	6,592	50.9	7,968	40.6	3,703	43.0	5,100	41.8

Source: RHP, IDBI Capital Research

### Exhibit 19: Average ticket size by product type

Gross Loan Portfolio Mix (In Mn)	Sep 23	Sep 22	Mar 23	Mar 22	Mar 21
Home Loans	1.11	1.11	1.08	1.11	1.05
Loan against property	1.05	0.99	0.97	0.98	0.98

Source: RHP, IDBI Capital Research

## Competitive Strength

### ■ In-house Origination Model to Ensure Efficient and Seamless Operations across Various Key Functions

The company maintains a robust in-house infrastructure seeking to ensure seamless operations and independence across various key functions. During the six months ended September 30, 2023, 98.5% of disbursed loans were originated in-house.

- **Onboarding:** The sales team, comprising 1,620 field officers, is strategically stationed across the branch network. These professionals adhere to a systematic plan and creating synergy with internal and external stakeholders in the housing industry. The company has also implemented a streamlined and paperless onboarding process, leveraging technology to enhance the customer experience.
- **Underwriting:** The Company has an experienced field underwriting team that operates independently of sales and other functions. This field team is structured into three verticals, i.e., credit underwriters, legal verification, and technical valuation.
- **Collection:** The dedicated collection team employs a customer-centric approach to effectively manage delinquent accounts. It utilizes historical data to predict customer behaviour regarding repayment, enabling the company to implement a proactive and efficient collection strategy. Moreover, the company has a dedicated legal recovery team responsible for managing the recovery proceedings.
- **Customer Service:** The Company has a dedicated customer service executive stationed across the branches to specifically help customers throughout the loan lifecycle. Furthermore, the company has an in-house customer care centre to address all customer grievances.

### ■ Technology and Analytics-Driven Company with Scalable Operating Model

The company is a technology and analytics-driven affordable housing finance company and has built a scalable operating model that enables it to expand its operations and drive growth in revenue. It has implemented a paperless approach to customer acquisition and onboarding, with tailored mobile solutions that cater to different stages of the lending process. It has built an extensive database with over 100 data points on customer and collateral profiles that serve as a valuable resource in underwriting and carrying out an internal risk assessment of its customers. To enhance its underwriting capabilities, the company

also engages with third-party service providers to develop tools and integrate application programming interfaces (API) to access supplementary information relating to its customers.

■ **Robust Underwriting, Collection and Risk Management Systems**

The company has a robust underwriting, collections and risk management systems, each of which contributes to its growth as an affordable housing finance company while maintaining asset quality. The underwriting process involves specialized and independent teams dedicated to credit evaluation, technical assessment, legal verification, and document authentication. Its underwriting approach combines both tangible and intuitive elements, relying on the expertise of its on-ground team to evaluate customer profiles and cash flows. These evaluations are further supported by a centralized team that plays a crucial role in its credit control framework. To streamline and enhance this process, the company leverages technology-driven solutions such as mobile-first applications, various verification APIs, and its inhouse Business Rule Engine (“BRE”). Its proprietary BRE enables real-time compliance with its credit policy, identifying any exceptions and facilitating prompt loan approvals at the branch level.

■ **Experienced Management Team Supported by Qualified and Experienced Personnel**

The company has recruited and retained employees from a variety of backgrounds, including credit evaluation, risk management, recovery, treasury, technology, and marketing as part of its Key Managerial Personnel and Senior Management. Its Key Managerial Personnel and Senior Management have diverse experience in various financial services and functions related to its business, and several of its Key Managerial Personnel and Senior Management personnel have previously worked together at other organisations.

## Strategies:

- **Further Grow and Diversify its Distribution Network to Achieve Deeper Penetration in Key States and Drive Sustainable Growth**

The company intends to penetrate further in its existing markets along with the growing size and scale of the Indian housing industry by the expansion of its branches. It aims to leverage its market presence across Tier II and Tier III cities of India to capitalize on opportunities to grow its operations and improve its market share. The company relies on a comprehensive on-the-ground presence as essential to its success and growth and aim to further grow and diversify its distribution network. The primary objectives of the company are to attain sustainable growth, reduce concentration risk, and reinforce its position in the housing loan and loan against property market. It also plans to expand its branch staff, extend its branch network within existing geographical areas, and explore opportunities in adjacent markets for diversification.

- **Leverage its Technology Stack to Achieve Scalability, Improving Efficiency and Productivity of its Existing Branches**

The company seeks to leverage technology to enhance its lead sourcing and customer fulfillment process. The company aims to leverage its technological expertise by introducing a customer-centric self-onboarding journey to streamline and expedite the overall loan application experience for its customers. Furthermore, it aims to carry out the entire authentication, verification and know-your-customer (“KYC”) process digitally, thereby improving the ease of doing business and enabling underwriting at scale. The company intends to develop machine learning based statistical models to predict the future behaviour of prospective customers by leveraging data. Furthermore, risk containment will remain key focus for the company, as it continues to employ internal scorecards to bolster its risk management practices. It further aims to increase customer engagement through its technology platforms and by leveraging technology, it seeks to conduct effective fraud checks and gain valuable insights that contribute to business improvement and risk mitigation.

### ■ Diversify Borrowing Profile and Optimize Borrowing Costs

The company's average cost of borrowings and average incremental cost of borrowings for the six months ended September 30, 2023 and September 30, 2022 was 8.9% and 8.3%, and 8.4% and 7.6%, respectively. Its average borrowing costs reduced to 8.3% as of March 31, 2023 from 8.7% as of March 31, 2021, and its average incremental cost of borrowings for March 31, 2023 was 7.9%, as compared to 8.0% for the Financial Year 2021, primarily due to its improved financial performance and credit rating. Diversifying its funding mix and liability profile is a key focus area for the company. As of September 30, 2023, it has established relationships with over 37 counterparties. Further, the company is looking to prioritize long-term borrowing to ensure stability and mitigate liquidity risks.

### ■ Enhance Brand Equity and Foster Sustainability

The company aims to build long-term relationships with our customers, while also fulfilling our responsibilities to society, the environment, and our stakeholders. As a proportion of our operations are technology-driven, we aim to leverage the use of marketing platforms to enhance brand visibility. With affordable data services and widespread access to mobile entertainment, we primarily utilize social media platforms for brand-building and advertising.

#### Exhibit 20: Key Management

Management	Designation
Mr. Sudhin Bhagwandas Choksey	Chairman and Non-Executive Nominee Director
Mr. Rupinder Singh	Managing Director and Chief Executive Officer
Mr. Anup Kumar Gupta	Non-Executive Nominee Director
Mr. Shailesh J. Mehta	Non-Executive Nominee Director
Mr. Sumir Chadha	Non-Executive Nominee Director
Ms. Rachna Dikshit	Independent Director
Mr. Thomson Kadantot Thomas	Independent Director
Mr. Parveen Kumar Gupta	Independent Director
Mr. Ajay Narayan Jha	Independent Director
Ms. Savita Mahajan	Independent Director

Source: RHP, IDBI Capital Research

**Exhibit 21: Key Milestones**

Year	Key Milestones
1998	Incorporated under the name “Satyaprakash Housing Finance India Limited” as a public limited company under the Companies Act, 1956
2002	Certificate of registration granted to “Satyaprakash Housing Finance India Limited” by the NHB to carry on the business of a housing finance institution without accepting public deposits
2009	Company taken over by the Individual Promoter
2010	The company’s name changed to “India Shelter Finance Corporation Limited.” Certificate of registration granted to “India Shelter Finance Corporation Limited” by the NHB, to carry on the business of a housing finance institution without accepting public deposits. Commenced operations by opening the first branch in Rajasthan.
2012	ICRA credit rating of BB+ (stable) assigned. Investment by Nexus Ventures III, Ltd.
2013	ICRA credit rating upgraded to BBB- (stable)
2015	Investment by WestBridge Crossover Fund, LLC ICRA credit rating upgraded to BBB+ (stable)
2016	AUM crossed ₹ 5,000 million ICRA credit rating upgraded to A- (stable)
2018	Expanded our geographical presence by opening first branch in southern India in the state of Karnataka ICRA credit rating revised to A- (positive) AUM crossed ₹10,000 million
2019	ICRA credit rating upgraded to A (stable)
2021	AUM crossed ₹ 20,000 million Number of branches in India crossed 100 Net worth crossed ₹10,000 million
2022	Incorporation of our Subsidiary, India Shelter Capital Finance Limited, as a public limited company under the Companies Act, 2013 ICRA credit rating upgraded to A+ (stable)
2023	AUM crossed ₹ 50,000 million

Source: RHP, IDBI Capital Research

## Key Risks

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- The business requires substantial amount of capital to operate. Any disruption in financing channels could harm the business prospects.
- The business faces risk from the inability to transmit the changes to the borrowers when the same has been received from the lenders.
- Since the business is heavily reliant on technology, it faces the risks arising from loss of data, system failures, cyber-attacks and reliance on third-party service providers
- Non-compliance with financial and other covenants under debt financing arrangements could adversely affect the business, its financial condition, and results of operations
- The business faces a credit risk pertaining to deterioration of its asset quality due to uncertainty regarding its customers' ability to repay the loans.

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	H1FY23	H1FY24
<b>Net interest income</b>	<b>1,692</b>	<b>2,253</b>	<b>2,931</b>	<b>1,346</b>	<b>1,803</b>
<i>Change (yoy, %)</i>	<i>0%</i>	<i>33%</i>	<i>30%</i>	<i>-54%</i>	<i>34%</i>
Other operating Income	481	861	1,032	420	784
Operating expenses	846	1,325	1,803	864	1,110
<b>Pre-Provision Profit</b>	<b>1,327</b>	<b>1,789</b>	<b>2,160</b>	<b>902</b>	<b>1,477</b>
<i>Change (yoy, %)</i>	<i>0%</i>	<i>35%</i>	<i>21%</i>	<i>-58%</i>	<i>64%</i>
Provision	455	505	607	281	404
<b>Net profit</b>	<b>872</b>	<b>1,284</b>	<b>1,553</b>	<b>621</b>	<b>1,073</b>
<i>Change (yoy, %)</i>	<i>0%</i>	<i>47%</i>	<i>21%</i>	<i>-60%</i>	<i>73%</i>
EPS	10.2	14.8	17.8	7.1	12.1
Return on Equity (%)	9.8	12.8	13.4	5.6*	8.2*
Return on Assets (%)	4.1	4.5	4.1	3.6	4.7

Source: Company; IDBI Capital Research; Note: \* Ratios are not annualised

**Balance Sheet**

(Rs mn)

Year-end: March	FY21	FY22	FY23	H1FY23	H1FY24
Capital	430	437	438	437	450
Reserves	8,943	10,324	11,968	10,983	13,299
<b>Networth</b>	<b>9,373</b>	<b>10,761</b>	<b>12,406</b>	<b>11,420</b>	<b>13,749</b>
Borrowings	14,913	20,700	29,888	25,414	32,885
Other liabilities	341	751	662	666	952
<b>Total Liab. &amp; Equity</b>	<b>24,627</b>	<b>32,212</b>	<b>42,956</b>	<b>37,500</b>	<b>47,586</b>
Cash	4,137	3,303	5,072	2,574	2,100
Loans	19,812	26,225	36,092	30,668	42,661
Investments	-	1,753	470	2,978	996
Fixed Assets	140	166	238	236	249
Other Assets	538	765	1,084	1,044	1,580
<b>Total assets</b>	<b>24,627</b>	<b>32,212</b>	<b>42,956</b>	<b>37,500</b>	<b>47,586</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

(%)

Year-end: March	FY21	FY22	FY23	H1FY23*	H1FY24*
<b>Growth</b>					
Advances	44.7	39.8	41.8	43.6	43.3
NII	NA	33.2	30.1	(54.1)	34.0
Pre-Provision Profit	NA	34.8	20.7	(58.2)	63.7
Net Profit	NA	47.2	21.0	(60.0)	72.8
<b>Spreads</b>					
Yield on Loans	14.8	15.3	14.9	15.0	14.9
Cost of Funds	8.7	8.3	8.3	8.3	8.9
Spread	6.1	7.0	6.6	6.7	6.0
<b>Operating Efficiency</b>					
Cost-to-Income	NA	42.6	45.5	42.9	42.9
Cost-to-AUM	4.0	4.7	4.8	5.0	4.9
<b>Asset Quality</b>					
GNPA	1.9	2.1	1.1	2.8	1.0
NNPA	1.4	1.6	0.9	2.2	0.7
Provision Coverage	29.6	25.5	26.0	23.6	28.7
Credit Cost	0.9	0.4	0.4	0.5	0.4
<b>Capital Adequacy</b>					
CAR	71.5	55.9	52.7	49.2	48.7
Tier I	70.8	55.4	51.9	48.9	47.9
<b>Valuation</b>					
EPS	10.2	14.8	17.8	7.1	12.1
ROE	9.8	12.8	13.4	5.6*	8.2*
ROA	4.1	4.5	4.1	3.6	4.7

Source: Company; IDBI Capital Research; Note\* Ratios are not annualised



# Notes

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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