

December 11, 2023

IPO Note

## IPO NOTE

### Issue Details

<b>Price Band:</b> ₹ 469 to ₹ 493
<b>Issue Opens on:</b> December 13, 2023
<b>Issue Closes on:</b> December 15, 2023
<b>Lot Size:</b> 30 Shares & in Multiples thereafter

### Issue Highlights

<b>Issue Size:</b>	₹ 1,200 Cr.
<b>No of Shares:</b>	24,340,768
<b>Face Value:</b>	₹ 5

### Offer Structure

Issuance	₹ in Cr.
Fresh Issue	800.00
Offer for Sale	400.00
<b>Total</b>	<b>1,200.00</b>

### Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	600.00
HNI	15	180.00
Retail	35	420.00
<b>Total</b>	<b>100</b>	<b>1,200.00</b>

### Listing

BSE & NSE

### Lead Managers

- Citigroup Global Markets India Private Limited
- Ambit Private Limited
- ICICI Securities Limited
- Kotak Mahindra Capital Company Limited

### Registrar

KFin Technologies Limited

### ANALYST

**Krishna Rana**

Krishna.rana@sushilfinance.com

+91 22 40936081

### SALES

**Manan Divan**

Manan.divan@sushilfinance.com

+91 22 40936091/+91 9819819979

## COMPANY OVERVIEW

Incorporated in 1998, India Shelter Finance Corporation is a retail focused affordable housing finance company with an extensive distribution network comprising 203 branches spread across 15 states with a significant presence in the states of Rajasthan, Maharashtra, Madhya Pradesh, Karnataka and Gujarat as of September 30, 2023. Their 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.

It leverages technology and analytics across operations and throughout the customer life cycle. This includes onboarding, underwriting, asset quality monitoring, collections and customer services. Their iSales application integrates, streamlines and optimizes customer acquisition process whereas their IndiaShelter iCredit application facilitates underwriting.

They have an integrated customer relationship management and loan management system set up on a cloud-based platform. They have been able to maintain average sanction loan to value ("LTV") on portfolio at 50.9% as of September 30, 2023. It has a healthy credit rating of ICRA A+ (stable) from ICRA Limited and CARE A+ (Positive) from CARE Limited, as of September 30, 2023.

## HIGHLIGHTS

1. One of the Fastest Growing Assets under Management among Housing Finance Companies in India, High Yields, and Granular, Retail Focused Portfolio
2. Extensive and Diversified Phygital Distribution Network with Significant Presence in Tier II and Tier III cities
3. Technology and Analytics-Driven Company with Scalable Operating Model
4. Robust Underwriting, Collection and Risk Management Systems
5. Diversified Financing Profile with a Demonstrated Track Record of Reducing Financing Costs

## OBJECTS OF THE ISSUE

1. To meet future capital requirements towards onward lending (₹ 640 Cr.)
2. General corporate purpose.

Offer for Sale of equity shares by selling shareholders aggregating up to ₹ 400 Cr. The company will not receive any proceeds from Offer for sale.

## OUR VIEW

Incorporated in 1998, India Shelter Finance Corporation Limited, previously known as Satyaprakash Housing Finance India Limited, is engaged in the business of housing finance. The company provides loans for house construction, extension, renovation, and purchase of new homes or plots. The company also offers loans against property (LAP).

They have been able to maintain their average sanction loan to value ("LTV") on portfolio at 50.9% as of September 30, 2023. Further, they have been able to reduce their average cost of borrowings to 8.3% as of March 31, 2023 from 8.7% as of March 31, 2021. The average incremental cost of borrowings as of March 31, 2023 was 7.9%, as compared to 8.0% as of March 31, 2021.

The Total income grew at a CAGR of 34.97% over FY21 – FY23. The net profit margin as at FY23 stood at 39.07% and as at HYFY24 -41.37%. The gross NPA and net NPA stood at 1.13% and 0.85% respectively, which improved significantly from previous year. The company generated ROE and ROA of 13.4% and 4.1% for FY23 and the number was 8.2% and 4.7% as at HYFY24.

The issue is priced at a P/BV of 3.23 based on its NAV of Rs. 152.70 as of September 30, 2023, whereas Industry average P/B ratio is 4.2x. At upper price band, the company is asking for a P/E multiple of 28x at FY23 and Industry average P/E is around 32x. The issue seems fully priced.

The company presents an investment opportunity as both its top-line & bottom-line has shown significant growth. The company's strategic focus on the self-employed segment in low and middle-income groups, especially in Tier II and Tier III cities, offers the potential for high yields on advances. At the same time the company's smooth operations depend on ability to raise both, debt and equity from various external sources on suitable terms and in a timely manner, along with the costs associated therewith. The risk of non-payment or default by customers may adversely affect the business, results of operations and financial condition.

Keeping all the factors in mind cash rich investors may apply for the IPO with medium to Long term visibility.

### Brief Financials

PARTICULARS	As at September 30, 2023			₹ in Million
		FY '23	FY '22	FY '21
Total Income	3,859.91	5,845.30	4,479.78	3,167.07
Total Expenditure	2,602.19	4,042.79	2,929.05	2,098.42
Profit before Tax	1,383.57	2,019.52	1,669.01	1,129.57
Profit after Tax	1,073.54	1,553.42	1,284.47	873.89
E.P.S. (Diluted)	12.00*	17.47	14.63	9.93
P/E (x) (Diluted)	-	28.22	-	-
RONW (%)	8.28*	13.4	12.8	9.8

\* Not Annualized

### PRICE CHART (@ ₹ 493) (Retail Category)

LOT SIZE	Amount
30	14,790
60	29,580
90	44,370
120	59,160
150	73,950
180	88,740
210	103,530
240	118,320
270	133,110
300	147,900
330	162,690
360	177,480
390	192,270

### HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	420	207,060
Big HNI	2,040	1,005,720

### Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	18/12/2023
Initiation of refunds/unblocking ASBA Fund	19/12/2023
Credit of Equity Shares to demat accounts of Allottees	19/12/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	20/12/2023

For more details, Please refer RHP,

[\(SEBI | India Shelter Finance Corporation Limited - RHP\)](#)

## **Disclaimer & Disclosures**

### **SEBI Registration No. INH000000867**

This report has been furnished to you for your general information only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. This Research Report is meant solely for use by the original recipient to whom it is sent and is not for circulation. Any unauthorized use, disclosure or public dissemination or copying of information (either whole or partial) contained herein is prohibited.

This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice/offer for the purpose of purchase or sale of any securities mentioned herein. Past performance is not a guide for future performance, future returns are not guaranteed. Opinions expressed herein are subject to change without notice. Investor should rely on information/data arising out of their own investigations. The Sushil Equity Universe is marked as # and the fundamental reports are marked as ##.

Investors are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investor may realize losses on any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by us to be reliable. A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com) Research Analyst views on Subject Company may vary based on Fundamental and Technical Research. Sushil Financial Services Private Limited or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. None of the directors, employees, affiliates or representatives of company shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages/loss etc whatsoever from the information/opinions/views contained in this Report and investors are requested to use the information contained at their risk

Sushil Financial Services Private Limited (SFSP) and its connected companies, and their respective Directors, Officers and employees or their relative, may have a long or short position in the subject companies mentioned in the report and it may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Reports based on technical and derivative analysis centre on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. SFSP has different business segments/Divisions with independent research and maintains arm's length distance catering to different set of customers having various objectives, risk profiles, investment horizon, etc. and therefore may at times have different contrary views on stocks sector and markets. Research Report may differ between SFSP's RAs on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold - SFSP, its employees and associates responsible for any losses, damages of any type whatsoever.

This Report is not intended to be a complete statement or summary of the securities, market or developments referred to in this document. SFSP or its affiliates or employees are under no obligation to update the information. SFSP or its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

SFSP or its affiliates and/or its employees/its associates or his relative does not have financial interest in the subject companies. SFSP or its affiliates and/ or its employees/its associates or his relative may or may not have beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report. SFSP/its Associates/ Research Analyst have not received any compensation from the subject company in the past twelve months. Further the subject company is/was not a client during twelve months preceding the date of distribution of the research report and the types of services provided. SFSP or its research analyst has not served as an officer, director or employee of the subject company. SFSP or its affiliates and/or its research analysts have not been engaged in market making activity for the subject company. SFSP or its associates or its Research Analyst have not received any compensation or other benefits from the subject companies or third party in connection with the research report. SFSP/its Associates/ Research Analyst/ his Relatives not have any other material conflict of interest at the time of publication of the research report.

SFSP/its Associates/ Research Analyst have not managed or co-managed public offering of securities, have not received compensation for investment banking or merchant banking or brokerage services, have not received any compensation for product or services other than investment banking or merchant banking or brokerage services from the subject companies in the last twelve months. There is no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities.

Research Disclaimer: Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

<https://www.sushilfinance.com/Disclaimer/research>

<https://bit.ly/3VbgbvL>