

# **India Shelter Finance Corporation Ltd**

## **Where Every Loan Tells a Story**



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India Shelter Finance Corporation Ltd (ISFCL), a retail-focused affordable housing finance company, operates through 203 branches. With a robust technology infrastructure and a two-year CAGR growth of 40.8% in AUM, ISFCL targets the self-employed in Tier II and III cities. Their focus on first-time home loan takers in the low and middle-income groups enables higher yields. Positioned with the third-highest yield to advances of 14.9% in India for FY 2023, ISFCL maintains a robust credit and risk management approach.

Established in 1998 and led by Mr. Anil Mehta, the company strategically concentrates on states covering 94% of the affordable housing finance market. Leveraging technology across operations, the company offers paperless onboarding and mobile solutions while ensuring customer satisfaction through digital customer service applications. Their cloud-based integrated systems provide real-time insights and a holistic view of customer profiles, supporting efficiency and reduced transaction costs. Over 90% of collections are made through digital modes.

The anticipated increase in urbanization is projected to drive higher demand for housing and related amenities in urban areas, aligning with several factors such as growing disposable income, favorable demographics, and government initiatives.

ISFCL primarily focuses on financing residential property purchases and self-construction for first-time home loan applicants through home loans and loans against property. As of September 30, 2023, 70.7% of their customers were first-time home loan takers. Home loans accounted for 57.6% of their AUM, while loans against property represented 42.4% of their AUM. With a notable AUM growth of 40.8% between Financial Years 2021 and 2023, ISFCL has demonstrated the effectiveness of its operational model in catering to targeted segments in Tier II and Tier III cities in India, as per the CRISIL Report.

Industry	Finance	
Issue Details		
Listing	BSE & NSE	
Open Date	13 <sup>th</sup> Dec 2023	
Close Date	15 <sup>th</sup> Dec 2023	
Price Band	INR 469-493	
Face Value	INR 05	
Market Lot	30 shares	
Minimum Lot	1 Lot	
Issue Structure		
Offer for Sale	33.33%	
Fresh Issue	66.67%	
Issue Size (Amt)	INR 1,200 cr	
Issue Size (Shares)	2,43,40,771	
QIB Share (%)	≤ 50%	
Non-Inst Share (%)	≥ 15%	
Retail Share (%)	≥ 35%	
Pre issue sh (nos)	9,08,23,956	
Post issue sh (nos)	10,70,51,137	
Post issue M Cap	INR 5,278 cr	
Shareholding (%)	Pre (%)	Post (%)
Promoter & group	56.93	40.72
Public	43.07	59.28
TOTAL	100.00	100.00

### Key Financial Data (INR Cr, unless specified)

	AUM	Interest Income	Total Income	PAT	PAT	Adj EPS (INR)	BVPS (INR)	RoA (%)	RoE (%)	P/E (X)	P/B (X)
FY21	2,199	274.6	322.8	87.4	27.1	8.2	87.6	4.1	9.8	60.4	5.6
FY22	3,073	373.6	459.8	128.4	27.9	12.0	100.5	4.5	12.8	41.1	4.9
FY23	4,359	502.9	606.2	155.3	25.6	14.5	115.9	4.1	13.4	34.0	4.3

Source: Company Reports

## Growth Strategies

### **Aims to expand its reach by adding branches, particularly in Tier II and III cities, targeting self-employed customers**

Expanding in existing markets and leveraging India's housing growth, ISFCL plans to add branches, especially in Tier II and III cities. The goal is to expand operations, capture market opportunities, and increase the branch count from 167 in H1FY22 to 203 by H1FY23. Focused on states representing 94% of the housing market, ISFCL targets self-employed customers and emphasizes affordable home loans and property loans. With a balanced spread of disbursements, the aim is sustainable growth with a diverse portfolio. Targeting first-time home buyers and emphasizing affordable housing, ISFCL aims to be a go-to lender for lower- and middle-income borrowers nationwide. The expansion plan includes investing in branches, local talent, and employee training.

### **Strategically diversifies borrowing, optimizes costs, and pursues co-lending.**

ISFCL focuses on diversifying borrowing, optimizing costs, and maintaining a positive ALM position. Through risk strategies, tech investments, and co-lending, it aims to boost credit ratings and secure stable funding. Borrowing costs averaged 8.9% and 8.3% for H1FY23 and H1FY22 respectively, supporting competitive pricing and growth. With over 37 relationships in term loans and commercial borrowings, ISFCL seeks further funding diversification. Prioritizing long-term borrowing for stability, it actively pursues co-lending for customer benefits and inclusive growth across geographies.

### **Prioritizes brand equity, sustainability, and responsible lending**

ISFCL emphasizes brand equity and sustainability, forging lasting relationships with customers, society, and employees. Engaged employees serve as brand ambassadors, aligned with company values through a positive work culture and development opportunities. Leveraging technology-driven operations, ISFCL utilizes social media and traditional marketing to enhance brand visibility. Committed to responsible lending practices, they prioritize empowering women and offering tailored loan products. Optimizing costs without compromising quality is a focus, catering to diverse segments while strategically increasing property concentration in non-municipal areas for long-term value and expansion prospects.

## Key Risks & Concerns

- First-time home loan applicants in Tier II and Tier III cities in India are the primary focus. Such customers generally may have higher risk of non-payment or default.
- Three specific states accounted namely, Rajasthan, Maharashtra and Madhya Pradesh together account 63.4% of the AUM in FY23. Consequently, any unfavorable developments or issues arising in these states could significantly impact the business, operational outcomes, and financial standing of the company.
- The Indian housing finance industry is extensively regulated by NHC and RBI and any changes in laws and regulations applicable to housing finance companies could have an adverse effect on our business.
- ISFL's CRAR consistently exceeds the regulatory thresholds set by the RBI. However, if ISFL maintains the CRAR at the same levels observed in the past, it may potentially restrict ISFL's ability to utilize capital for profitable opportunities, expand its lending portfolio, or make strategic investments.

## Offer Details

ISFCL's proposed OFS size is INR 400 cr which would reduce promoter and promoter group shareholding from 56.7% (pre-issue) to 40.7% (post-issue). The size of fresh issue is INR 800 cr and this object of the issue are as follows:

- to meet future capital requirements towards onward lending and
- general corporate purposes.

## Issue Structure and Offer Details

The proposed fresh issue size of ISFCL is INR 1,200 cr (INR 400 cr OFS and INR 800 cr fresh issue) and the price band for the issue is in the range of INR 469 – 493 and the bid lot is 30 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

*Number of shares based on a higher price band of INR 493*

*Source: Company Reports*

### Details of the selling shareholders

Promoter Selling shares	Amount offered	No of shares
Catalyst Trusteeship Limited	Not more than INR 171 Cr	3,468,560
Madison India Opportunities IV	Not more than INR 54 Cr	1,095,335
MIO Starrock	Not more than INR 32 Cr	649,087
Nexus Ventures III, Ltd	Not more than INR 143 Cr	2,900,609

*The amount is based on a higher price band of INR 493*

*Source: Company Reports*

## ISFCL financial summary and analysis

Income Statement (INR Cr)	FY21	FY22	FY23
Interest Income	275	374	503
Fees and commission income	10	20	32
Net gain on fair value changes	3	5	6
Net gain on derecognition of financial instruments	29	50	44
Interest & Other Financial Charges	105	148	210
Net Interest Income	211	300	375
Other Income	6	12	22
<b>Total Income</b>	<b>323</b>	<b>460</b>	<b>606</b>
Operating expenditure	99	138	186
Employee Expenses	62	101	135
Other Expenses	37	37	52
<b>Operating Profit</b>	<b>118</b>	<b>173</b>	<b>210</b>
Depreciation & Amortisation	5	7	8
<b>Profit Before Tax</b>	<b>113</b>	<b>167</b>	<b>202</b>
Tax	26	38	47
<b>Profit After Tax</b>	<b>87</b>	<b>128</b>	<b>155</b>
Balance Sheet (INR Cr)	FY21	FY22	FY23
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	233	144	361
Bank balance other than cash and cash equivalents	181	186	146
Loans	1,981	2,623	3,609
Investments	-	175	47
Other financial assets	28	62	90
<b>Non-financial assets</b>			
Deferred tax assets (net)	9	3	3
Property, plant and equipment	14	17	24
Other intangible asset	1	-	-
Other non-financial assets	12	8	8
Assets held for sale	3	3	6
<b>Total assets</b>	<b>2,463</b>	<b>3,221</b>	<b>4,296</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Trade payables	5	5	6
Debt securities	82	187	177
Borrowings	1,409	1,883	2,812
Other financial liabilities	24	60	53
<b>Non-financial liabilities</b>			
Provisions	4	5	5
Current tax liabilities (Net)	-	4	1
Other non-financial liabilities	2	2	1
<b>Equity</b>			
Equity share capital	43	44	44
Other equity	894	1,032	1,197
<b>Total liabilities and equity</b>	<b>2,463</b>	<b>3,221</b>	<b>4,296</b>

Source: Ventura Research



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*Corporate Office: I-Think Techno Campus, 8<sup>th</sup> Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608*