

# 1. Business Overview

## Business Model & Market Position

India Shelter Finance Corporation Limited is a housing finance company focused on **providing homeownership access to underserved communities**, particularly **low- and middle-income customers** in **Tier II & III cities**, with **72% self-employed borrowers**.

- **Geographic Reach:** Operates in **15 states**, covering **94% of the affordable housing finance market**, with **80% of AUM from smaller cities**. Strategic expansion into adjacent markets is a key focus.
- **Distribution Network:** A "phygital" model, combining **223 branches** (as of Q3FY25) with digital tools, a **dedicated sales force**, and **targeted social media campaigns** for customer acquisition.
- **Product Offerings:** Provides **home loans** for purchase, construction, extension, and repair, as well as **loans against property** (avg. ticket size: **₹10 lakh**).
- **Direct Sourcing:** **98% of business is in-house**, ensuring strong loan quality and customer control.
- **Secured Lending:** The entire loan book is **secured**, with a **low LTV ratio of 52%**, reducing risk exposure.

## Technology & Risk Management

- **Tech-Driven Model:** An **early adopter of Salesforce**, leveraging **mobile apps and a paperless approach** for seamless customer acquisition, risk assessment, and loan lifecycle management.
- **Underwriting & Creditworthiness:** Tailored underwriting for low- and middle-income customers, using **Business Rule Engine (BRE) & Radial tools** to optimize risk and compliance.

## IPO & Corporate Values

- **IPO Success:** Listed on **NSE & BSE in Dec 2023**, with an **oversubscribed IPO**, strengthening the capital base.
- **Core Values:** Focus on **honesty, respect, and hard work**, with **strong governance, transparency, and sustainability** at its core.

India Shelter's **deep customer insights, strong tech integration, and disciplined risk management** position it as a leader in affordable housing finance.

## Geographical Presence

As of **December 31, 2024**, India Shelter operates in **15 states** with **265 branches**, focusing on **Tier II & III cities**, which contribute **90% of AUM**.

## Current Presence & Concentration

- **Key States:** Rajasthan, Maharashtra, Madhya Pradesh, Haryana, Gujarat, Uttar Pradesh, Tamil Nadu, Karnataka, Telangana, and others.
- **AUM Distribution:** **Rajasthan (31%), Maharashtra (17%), Madhya Pradesh (12%)**—these top three states account for **60% of total AUM**.
- **Southern Expansion:** Over **40 branches** in South India.

## Expansion History & Future Plans

- **Founded in 2011**, starting in Rajasthan. Expanded to **12 states before 2024**.
- **Planned Growth:** Adding **40–45 branches annually**, focusing on **contiguous expansion** within existing states.
- **Branch Placement:** Typically, **60–70 km apart**, but denser in high-potential areas.
- **No New States (For Now):** Expansion will be **within the current 15 states**.

This **measured approach** balances **growth, risk management, and efficient resource allocation**, leveraging existing infrastructure while **deepening market penetration**.

## 2. Finacial Performance

### Year-on-Year (YoY) NIM

Particulars	FY24	FY23	YoY Growth
Interest Income on loans (Cr)	660.6	476.7	39%
Finance Cost (Cr)	287.0	208.7	38%
AUM (Cr)	6,084	4,359	40%
NIM (%)	6.14%	6.15%	

### QoQ NIM

Particulars	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Interest Income on loans (Cr)	233.9	216.0	200.6	190.3
Finance Cost (Cr)	91.7	84.2	76.3	74.2
AUM (Cr)	7,619	7,039	6,509	6,084
NIM (%)	5.38%	5.99%	6.92%	7.49%

### Trends Spotted:

- **Year-on-Year Stability:** The Net Interest Margin has remained relatively stable year-on-year, with a minor decrease.
- **Quarterly Fluctuations:** There are quarterly fluctuations in the Net Interest Margin.
- **Guidance:** India Shelter is maintaining the spread at around 6%.
- **Yield:** Portfolio yield is at 14.9%, year-on-year up by 20 basis points.
- **Cost of Funds:** Cost of funds is stable at 8.8%.

### YoY Loan Disbursements (in crores):

Particulars	FY24	FY23	YoY Growth (%)
Loan Disbursements	2,646	1,964	34.7%

## QoQ Loan Disbursements (in crores):

Particulars	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Loan Disbursements	879	828	715	747
<b>QoQ Growth (%)</b>	<b>6.16%</b>	<b>15.8%</b>	<b>-4.2%</b>	<b>10.4%</b>

### Future Guidance:

- **Loan Growth Target:** India Shelter expects loan growth to be in the range of **30% to 35%**. This guidance indicates the company's confidence in maintaining a robust growth rate in its loan portfolio.
- **Co-lending Arrangements:** India Shelter's co-lending arrangements with banks are gradually picking up. By Q3FY25, co-lending disbursements accounted for approximately **8%** of the total disbursements. An increased focus on co-lending may influence future disbursement volumes and yields.
- **Direct Assignment:** India Shelter carries out of balance sheet transactions in form of direct assignment (DA) and co-lending for Loan Against Property (LAP) portfolio only. As on March 31, 2024, the share of off book portfolio stood at 16%. *(LAP PF has higher yields)*
- **Yield:** Portfolio yield is at 14.9%, year-on-year up by 20 basis points.

## Cost of Borrowing YoY data

Particulars	FY24	FY23	YoY Change
Cost of Funds	8.8%	8.7%	0.1%
Finance Costs (Cr)	287.0	208.7	37.5%
Opex to AUM	4.5%	4.9%	-0.4%
Cost to Income Ratio	41.1%	45.7%	-4.6%

## Cost of Borrowing QoQ data

Particulars	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Cost of Funds	8.8%	8.8%	8.8%	8.8%
Finance Costs (Cr)	91.7	84.2	76.3	74.2
Opex to AUM	4.3%	4.4%	4.4%	4.4%
Cost to Income Ratio	37.4%	37.3%	37.8%	38.1%

### Trends Spotted:

- **Stable Cost of Funds:** The cost of funds has been maintained at **8.8%** across the reported quarters and a slight increase year-over-year. This indicates effective management of borrowing costs in a fluctuating interest rate environment.
- **Increasing Finance Costs:** Finance costs have increased both YoY and QoQ, which is expected with AUM growth.
- **Improving Operational Efficiency:** The **Opex to AUM ratio has shown improvement**, indicating increasing operational efficiency. The company has reduced this ratio from 4.9% in FY23 to 4.5% in FY24.
- **Decreasing Cost to Income Ratio:** The cost-to-income ratio has decreased, reflecting better expense management relative to income.

#### Future Guidance:

- **Cost of Funds:** In Q1FY25, cost of funds was maintained at 8.8%. **The company expects that the upgrade of credit rating from A+ to AA- will help to bring down cost of funds by 25-30 basis points.** The company has a well-diversified base of lenders, including banks, financial institutions, and capital markets, to maintain an optimum borrowing cost.
- **Margins:** India Shelter aims to maintain margins at around 6%.
- **National Housing Bank (NHB) Funding:** The company plans to increase NHB funding. Ashish Gupta said that the reduction that the company gets on new funding as well as the increase in the proportion of NHB funding will cumulatively benefit the company by around 18 to 20 basis points.
- **Borrowing Profile:** Around **one-third of the total borrowings are linked to the repo rate**. The larger part of the borrowing is linked to MCLR with a one year reset frequency. Rupinder Singh mentioned that **if there are rate cuts from the RBI, the cost of funds will come down, which will have a positive impact.** - **DONE!!!**

#### Profitability YoY data

Particulars	FY24	FY23	YoY Growth (%)	Margin (%)
Profit After Tax (PAT)	247.6	155.3	59.4%	28.7%

#### Profitability QoQ data

Particulars	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Profit After Tax (PAT)	96.1	90.1	83.5	77.9
QoQ Growth (%)	6.7%	7.9%	7.2%	25.2%

#### Future Guidance:

- **Margin Maintenance:** India Shelter aims to maintain margins at around 6%.
- **Stable Credit Costs:** Credit costs are expected to remain in the range of 40 to 50 bps.

## Loan Book Data

AUM Mix	Q3FY25	Q2FY25	Q3FY24
Home Loans	58%	59%	58%
Loan Against Property	42%	41%	42%

Category	9MFY25	9MFY24	YoY Growth (%)
Total AUM (Rs. Crores)	7,619	5,609	35.8%

Category	Q3FY25	Q2FY25	Q1FY25
Total AUM (Rs. Crores)	7,619	7,039	6,509
QoQ Growth (%)	8.2%	8.1%	7.2%

Category	Tier 1	Tier 2	Tier 3	Self-Employed	Salaried	Avg Ticket Size
Data	10%	41%	49%	71%	29%	₹10 Lakhs

### Trends Spotted:

- **Stable Product Mix:** The AUM mix between Home Loans and Loan Against Property has remained relatively stable over the quarters, with Home Loans consistently comprising around 58-59% and LAP around 41-42%.
- **Geographical Concentration:** There's a notable concentration of the loan book in a few states, particularly Rajasthan, Maharashtra, and Madhya Pradesh, although this concentration has been gradually shifting over time.
- **Growth in LAP Portfolio:** The LAP portfolio with a ticket size less than ₹25 lakh has grown at a relatively higher CAGR of 22% between 2018-19 and 2022-23. This growth is attributed to increasing penetration of formal lending channels and greater lender confidence

### Future Guidance:

- **Loan Growth:** The company aims to maintain loan growth in the range of **30% to 35%**.
- **Branch Expansion:** India Shelter plans to add around **40-45 branches** during the year, supporting further loan book growth.
- **Geographic Expansion:** The company is focused on expanding into **Tier-3 markets**, which should drive further diversification of the loan book.
- **Direct Sourcing:** The company will largely try to source through a **direct channel** which is around 97%, 98% of in-house sourcing.
- **Focus on Affordable Housing:** The company will benefit from the increase in **target by three core houses in the budget** (Q1FY25)

### 3. Asset Quality

#### Year-over-Year (YoY) Asset Quality Data

Metric	FY24	FY23	Change
Gross NPA (GNPA) Ratio	1.0%	1.13%	-0.13%
Net NPA Ratio	0.74%	0.85%	-0.11%
Provision Coverage Ratio	0.85%	0.96%	-0.11%
Gross Stage 3 Assets	1.0%	1.1%	-0.1%
Net Stage 3 Assets	N/A		
LTV Ratio	52%		

#### Quarter-over-Quarter (QoQ) Asset Quality Data

Metric	Q3FY25	Q2FY25	Q1FY25	Q4FY24
Gross NPA (GNPA) Ratio	1.2%	1.2%	1.1%	1.0%
Net NPA Ratio	0.9%	0.9%	0.9%	0.7%
30+ DPD	3.7%	3.6%	3.5%	N/A
Stage 3	1.2%	1.2%	1.1%	N/A

#### Trends Spotted:

- **Improving YoY Asset Quality:** There has been an improvement in asset quality on a year-over-year basis, as indicated by the decrease in the Gross NPA ratio from 1.13% in FY23 to 1.0% in FY24. The net NPA ratio also decreased.
- **Provisioning:** Provision coverage has been reduced in FY24 due to reduction in restructured loan provisions.
- **Slight QoQ Increase in GNPA:** The Gross NPA ratio has seen a slight increase over the quarters in FY25, from 1.0% in Q4FY24 to 1.2% in Q3FY25. Net NPA also increased from 0.7% to 0.9% in the same period.
- **Stable LTV Ratio:** The company maintains a conservative Loan to Value (LTV) ratio on its book, around 52%.
- **One Plus DPD:** While there was a marginal uptick in 30+ DPD (Days Past Due) to 3.7% in Q3FY25, the forward flow has stabilized (*in other words: "Forward flow" refers to loans moving into more*

severe delinquency (e.g., 60+ or 90+ DPD). Stabilization means that while more loans are slightly overdue (30+ DPD increased), the number of loans progressing to higher delinquency stages (more severe defaults) has remained steady or under control)

## 4. Management & Governance

The company is run by an experienced professional management team backed by marquee investors. The experienced management team has a strong alignment of interest with a 9% ESOP pool.

**Non-compliance Penalty:** The company was penalized by stock exchanges for non-compliance with regulations regarding the composition of the Nomination and Remuneration Committee.

Category	Percentage of Equity (as of March 31, 2024)
Promoters	1.47%
Foreign Promoters	46.83%
Key Management Personnel (KMP)	0.47%
Directors	0.72%
WestBridge Capital	46.8%
Nexus Venture Partners	21.3%

### Trends Spotted:

- **Increase in Promoter Shareholding:** Anil Mehta's (a promoter) shareholding increased by 82.49% during the year.
- **Stable Major Shareholder:** WestBridge Capital has maintained its shareholding.
- **Employee Ownership:** Employee Stock Option Program (ESOP) coverage has increased from 21% to 25% of employees.

### Who They Are:

- **WestBridge Capital:** WestBridge Capital is an investment firm that focuses on growth-stage companies, primarily in India and South Asia. The firm is known for backing businesses across various sectors, including SaaS, fintech, healthcare, consumer, and financial services. WestBridge manages over \$8 billion in assets and has a track record of supporting companies through their public and private growth stages. Some notable investments include Meesho, Freshworks, Zscaler, and LeadSquared.
- **Nexus Venture Partners:** Nexus Venture Partners is an early-stage venture capital firm with a strong presence in both India and the U.S. It specializes in funding startups in enterprise technology, consumer internet, and SaaS sectors. Nexus has backed several successful



companies, such as Delhivery, Postman, and Unacademy. The firm is known for supporting startups with strong global ambitions, helping them scale both in India and internationally

### **Their Roles:**

- **Major Shareholders:** They are significant institutional investors in India Shelter Finance Corporation.
- **Board Representation:** They have representation on the Board of Directors. Sumir Chadha is a Co-Founder of WestBridge. Anup Gupta was MD of Nexus Venture Partners.
- **Influence on Company Policy:** As major shareholders, they likely have influence on company strategy and decision-making.
- **ESOP Terms:** WestBridge and other investors determine the terms and conditions for employee stock options.

### **Exit Plans:**

- **No Explicit Plans:** The provided sources **do not explicitly state any immediate plans for WestBridge Capital or Nexus Venture Partners to exit** their positions in India Shelter Finance Corporation.
- **WestBridge Crossover Fund, LLC** ceased to be the holding company after the IPO was completed on December 20, 2023, as its shareholding went below 50%. This reduction was due to further issuance of shares in the Initial Public Offering (IPO), in which WestBridge Crossover Fund, LLC, and Aravali Investment Holdings did not participate in the Offer of Sale.
- **Potential for Future Exit:** It's important to note that venture capital and private equity firms like WestBridge and Nexus typically invest with a medium- to long-term horizon and may eventually look to exit their investments through various means, such as selling their shares in the open market or through a strategic sale. However, there's no concrete information about the timeline or specific plans for such an exit in the provided sources.