


**ISSUE DETAILS**

Issue Opens	13 <sup>th</sup> December, 2023
Issue Closes	15 <sup>th</sup> December, 2023
Issue Size (Rs. Crore)	1,200.00
Issue Size – Fresh (Shares)	1,62,27,181
Issue Size – OFS (Shares)	81,13,590
Authorised Shares	16,20,00,000
Subscribed & Paid-Up Shares	9,08,23,956
Face Value (Rs.)	5.00
Price Band (Rs.)	469 – 493
Lot Size	30 Shares
Issue Type	Book Build Issue
Exchanges	NSE & BSE
BRLMs	<ul style="list-style-type: none"> <li>• ICICI Securities</li> <li>• CITI Global Markets India</li> <li>• Kotak Mahindra Capital</li> <li>• Ambit</li> </ul>
Registrar	KFin Technologies
Finalisation of Allotment	On or about 18/12/2023
Initiation of Refund	On or about 19/12/2023
Credit to DMAT Account	On or about 19/12/2023
Listing on Exchanges	On or about 20/12/2023

**ISSUE STRUCTURE**

Categories	Allocation
QIBs & Anchor Investor	50.00%
Non – Institutional	15.00%
Retail	35.00%
<b>Total</b>	<b>100.00%</b>

**SHAREHOLDING PATTERN**

Categories	Pre – IPO	Post – IPO
Promoter & Promoter Group	56.93%	48.17%
Public	43.07%	51.83%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**RECOMMENDATION**
**SUBSCRIBE**
**Company Background**

India Shelter Finance Corporation Ltd. is a prominent player in India's housing finance sector. Established in 1998, the company specializes in providing housing finance solutions, including loans for construction, extension, renovation, and the purchase of homes or plots, along with loans against property (LAP).

**Objectives of the Issue**

- To meet future capital requirements towards onward lending.
- General Corporate Purposes.
- Carry out the Offer for Sale of up to 81,13,590 Equity Shares.

**Key Points**

- India Shelter Finance has demonstrated robust growth, achieving a two-year CAGR of 40.8% in AUM between FY2021 and FY2023.
- It strategically targets the self-employed segment, with an emphasis on first-time home loan seekers in the low and middle-income groups in Tier II and Tier III cities in India. It primarily deals with affordable housing loans, with a focus on loans below Rs. 25 Lakhs.
- India Shelter Finance boasts a competitive edge with a yield to advances of 14.9% for the Financial Year 2023, ranking as the third-highest in India for the same period, according to CRISIL reports.
- With a loan range of Rs. 5 Lakhs to Rs. 50 Lakhs and a maximum tenure of 20 years, India Shelter Finance has disbursed over Rs. 5,500 Crores in loans as of November 30, 2023.
- The company maintains a commendable credit quality, as evidenced by its Gross Non-Performing Assets (GNPA) standing at 1.00% as of September 30, 2023. This is attributed to effective credit and risk management policies, supported by technology and data analytics.
- With a widespread network of 203 branches across 15 states, particularly concentrated in states like Rajasthan, Maharashtra, Madhya Pradesh, Karnataka, and Gujarat, India Shelter Finance covers 94% of the affordable housing finance market in India.
- Leveraging technology, the company has implemented a paperless customer acquisition and on-boarding process. Digital modes constitute a significant portion of collections, with 92.4% and 91.9% in the H1FY24 and FY23, respectively.
- Despite the RBI's repo rate increases, the company has managed its average cost of borrowings effectively, standing at 8.9% as of September 30, 2023, and has demonstrated a disciplined approach to asset liability management (ALM).
- **India Shelter Finance excels among HFCs with robust AUM growth, targeting low and middle-income segments in Tier II & III cities. Boasting an extensive branch network, tech-driven approach, and customer-centric ethos, it ranks as India's third-highest yield to advances for FY 2023. Supported by adept risk management and impressive credit ratings, we recommend SUBSCRIBE to the issue.**

Consolidated Financials (In Rs. Crore)	H1FY24	H1FY23	YoY	FY 2023	FY 2022	FY2021
Total Income	398.58	272.89	46.06%	606.23	459.81	322.80
Total Expenses	260.22	191.71	35.74%	404.28	292.91	209.84
PAT	107.35	62.02	73.09%	155.34	128.45	87.39
Equity	45.02	43.73	2.95%	43.77	43.71	42.98
EPS	12.13	7.09	71.09%	17.75	14.80	10.19
Net Worth	1,374.97	1,142.01	20.40%	1,240.53	1,076.13	937.27
Book Value	152.70	130.57	16.95%	141.38	123.11	109.04

Source: Company RHP, AUM Research

**Industry Overview**

➤ **Credit Demand in India**

India's credit to GDP ratio and household credit as a percentage of GDP are comparatively low, indicating untapped potential in the market. While overall systemic credit in India grew modestly at 9.8% CAGR between FY2018 and FY2023, retail credit experienced a faster growth rate of 14.3% CAGR during the same period.

➤ **Housing Loans to lead NBFC Credit Growth**

With on-going government and central bank support, coupled with increased housing demand in tier-II and -III cities, affordable Housing Finance Companies (HFCs) are experiencing a robust double-digit growth trajectory, estimated at 14-16% in the fiscal year 2023. Projections from CRISIL MI&A anticipate a further growth of 15-17% for affordable HFCs in the fiscal year 2024, surpassing the rate of credit growth in the retail housing segment.

➤ **Housing Market Scenario in India**

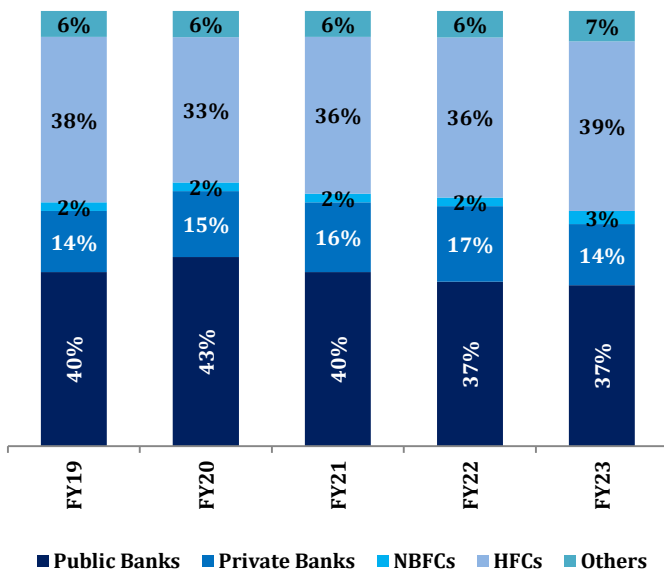
The Indian housing finance market is expected to experience robust long-term growth, with an estimated CAGR of 13-15% from FY2023 to 2026. Factors such as rising disposable incomes, stable property rates, and increased demand contribute to this growth, with the overall credit outstanding for housing finance reaching approximately Rs. 31.1 trillion as of 31<sup>st</sup> March 2023.

Affordable housing finance, focusing on loans below Rs. 2.5 million, constitutes a significant 37% of the overall housing finance market. Despite a recent slowdown, CRISIL MI&A projects a strong rebound with a growth of 15-16% CAGR from FY2023 to 2026. This optimism is driven by economic recovery, government incentives, increased affordable home supply, and a growing preference for homeownership.

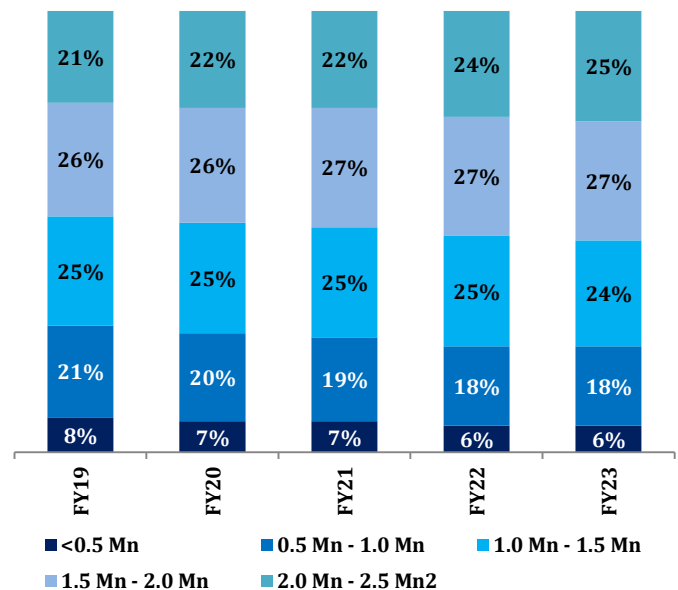
Public sector banks, currently, lead in housing loan segment with a market share of 42%, but housing finance companies (HFCs) are gaining ground, increasing their share from 32% in FY2020 to 36% in FY2023. The sector maintains sound asset quality, with an overall GNPA of 2.3%. The southern region dominates the housing loan market, and Maharashtra leads among states with a 23% share.

Government initiatives, including PMAY and relaxed ECB guidelines, contribute to a favourable regulatory environment. The sector's resilience is evident from continued growth during the COVID-19 pandemic, supported by measures such as tax sops, lower stamp duty, and favourable interest rates. In the affordable housing finance market, HFCs have a 39% market share, focusing on origination skills, niche targeting, and non-salaried customers. Technology adoption is increasing, and small HFCs are gaining traction, particularly in rural areas, with sound asset quality and a borrowing mix led by term loans.

**Growing Share of HFC Companies in Housing Finance**



**Ticket Wise Share in Affordable Housing Finance Market**

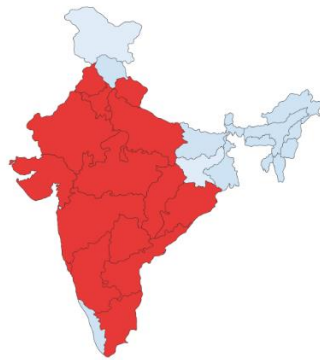


Source: Company RHP, AUM Research

## Company Overview

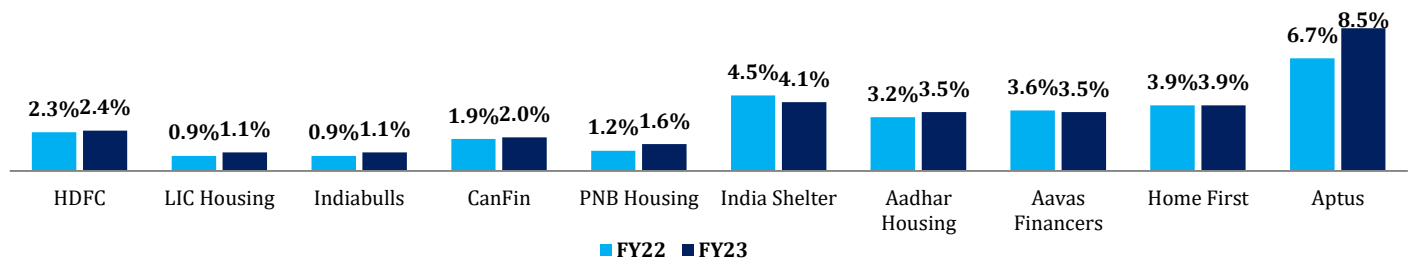
- India Shelter Finance Corporation Limited, initially known as "Satyaprakash Housing Finance India Limited" and rebranded after an acquisition by Mr. Anil Mehta in 2009, is a retail-focused affordable housing finance entity. With 203 branches as of September 30, 2023, the company targets self-employed individuals, particularly first-time home loan seekers in low and middle-income brackets across Tier II and Tier III cities in India. The company's strategic focus is on affordable housing loans with a ticket size below Rs. 2.5 million.
- Recently, the company has demonstrated robust growth in Assets Under Management (AUM), competing with industry giants such as HDFC, Aavas, and PNB Housing with one of the best RoA figures in the industry. In FY 2023, the yield to advances reached an impressive 14.9%, securing the third-highest position in India. The company maintains a strong financial standing, boasting industry leading figures for Gross Non-Performing Assets (GNPA).
- Geographically, India Shelter Finance has a substantial presence, with 203 branches spread across 15 states. It strategically focuses on regions in the Northern, Western, and Southern states of India and has plans to expand its footprint to the Eastern zone. The company's branch vintage of five years and above in key states positions it well to comprehend the intricacies of affordable housing finance in these areas.
- One of the key industry revolutions introduced by the company is the incorporation of technology across its operations and the entire loan process. The company embraces a paperless method for acquiring customers, utilizing mobile solutions and digital applications to boost sales and efficiency. By managing crucial lending processes in-house—such as customer acquisition, underwriting, collateral valuation, legal assessment, and collections—the company enables direct interaction with customers. This approach reduces turnaround times and mitigates the potential risks associated with fraudulent activities.
- The company's commitment to customer satisfaction is evident through dedicated customer service solutions and one of the fastest dispute resolution mechanisms in the industry. As of September 30, 2023, it maintains an average sanction loan-to-value (LTV) of 50.9% in its portfolio.
- India Shelter Finance pursues an end-to-end in-house approach for crucial lending operations and secures long-term funding from various sources, including both public and private sector banks, refinancing from the National Housing Bank, external commercial borrowings, and non-convertible debentures. India Shelter Finance implements a diverse and long-term debt financing strategy, holding a favourable credit rating of ICRA A+ (stable) and CARE A+ (Positive) as of September 30, 2023.

### India Shelter Branch Network



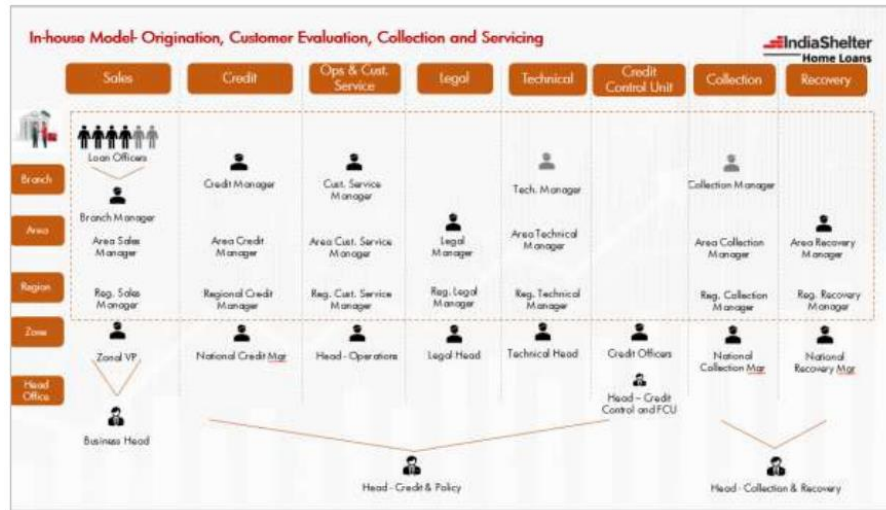
**It's network is spread across 15 states, and has 203 branches in India as of 30th September 2023**

### One of the best RoA figures in the Industry

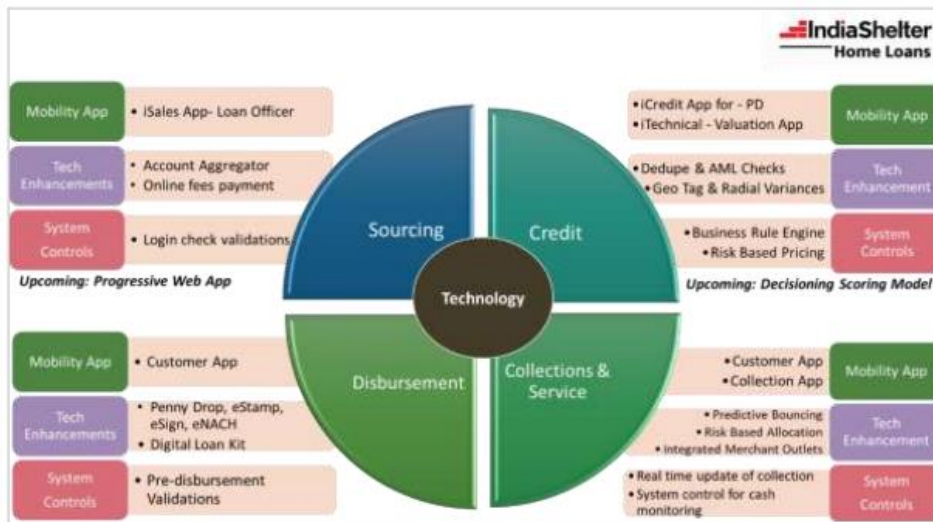


Source: Company RHP, Industry Report, AUM Research

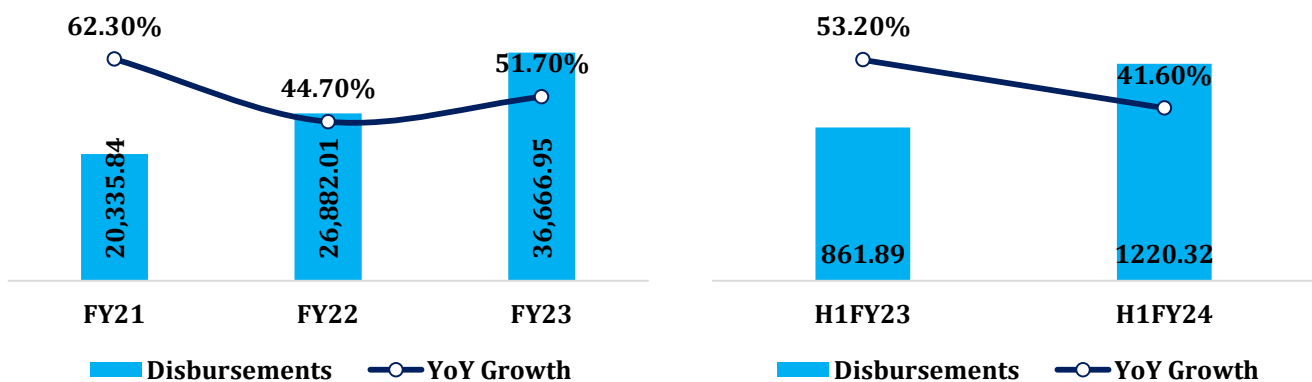
**Integrated In - House Model Of Operations At All Key Points**



**Presence Of Tech Based Products Across Verticals**



**Strong Disbursements Numbers (in Rs. Crores)**





## Investment Rationale

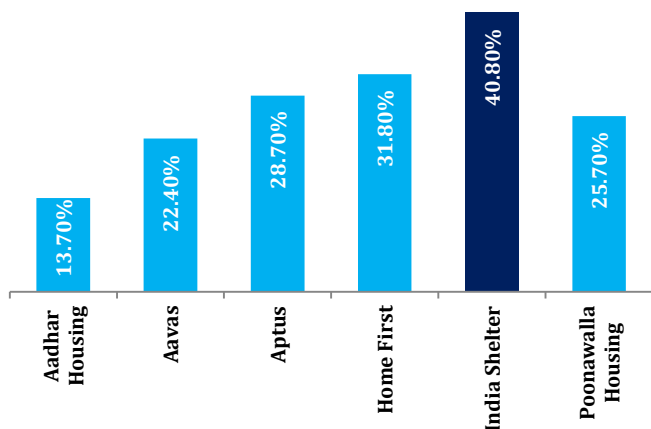
- **Rapid AUM Growth and Market Position:** Shelter Home Finance Company has exhibited exceptional growth in Assets under Management (AUM), achieving a 40.8% growth between FY2021 – FY2023. This growth reflects the company's effective operational model and its ability to serve targeted segments in Tier II and Tier III cities. The company holds a strong position in the housing finance sector, especially in the affordable housing segment, which constitutes a significant portion of the overall market. The Company maintains a customer-centric approach by focusing on serving low and middle-income individuals.

Segregation of AUM Generated (in Rs. million, except percentages)								
Particulars	Sep 30, 2023		Sept 30, 2022		FY23		FY22	
	Amount	Share %	Amount	Share %	Amount	Share %	Amount	Share %
Tier I	5,291.54	10.2	3,430.86	9.5	4,601.02	10.6	3,028.84	9.9
Tier II	21,062.34	40.7	16,013.72	44.3	18,435.37	42.3	13,792.31	44.9
Tier III	25,453.00	49.1	16,704.15	46.2	20,557.92	47.2	13,911.78	45.3
<b>Total</b>	<b>51,806.89</b>	<b>100.0</b>	<b>36,148.74</b>	<b>100.0</b>	<b>43,594.31</b>	<b>100.0</b>	<b>30,732.93</b>	<b>100.0</b>

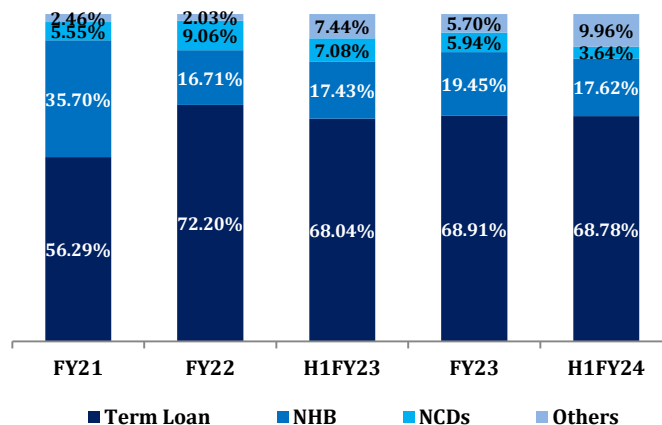
- **Diversified and Granular Portfolio:** Shelter Home Finance Company has a granular, retail-focused portfolio with a blend of home loans and loans against property. Home loans constitute 57.6% of their AUM, while loans against property represent 42.4%, providing a balanced and diversified portfolio. The company's loan portfolio comprises loans with principal amounts mostly below Rs. 25 Lakh, reflecting a focus on affordable housing and a balanced risk profile. As of September 30, 2023, 70.7% of their customers were first-time home loan takers. The majority of customers fall within a monthly income of up to Rs. 50,000, showcasing a deep understanding of the financial circumstances and challenges faced by the low and middle-income customer segment.
- **Robust *Phygital* Distribution Network:** With over 13 years of operations, the company has established a widespread distribution network with 203 branches across 15 states in India. The significant presence in states like Rajasthan, Maharashtra, Madhya Pradesh, Karnataka, and Gujarat contributes to their 47% market share in the affordable housing finance market. **The *phygital* model (Physical + Digital)**, blending physical branches with digital interfaces, allows the company to access a wider customer base and optimize cost-effective customer acquisition.
- **Technology and Analytics-Driven Operations:** Shelter Home Finance Company is positioned as a technology and analytics-driven entity, leveraging tools such as Salesforce, mobile applications, and cloud-based platforms to streamline operations. Their paperless approach to customer acquisition, mobile solutions for different stages of the lending process, and a robust in-house origination model enhance efficiency, reduce turnaround times, and contribute to a superior customer experience.
- **Strong Risk Management and Asset Quality:** The company has implemented robust underwriting, collection, and risk management systems, leading to a significant reduction in Gross Non-Performing Assets (GNPA) to 1.13% as of March 31, 2023, from 2.12% as of March 31, 2022. The risk management framework, coupled with a focus on maintaining a low average loan-to-value ratio, at 50.9% as on 30<sup>th</sup> September, 2023, demonstrates a commitment to balancing risk and safeguarding both customers and the business.
- **Positive Financial Performance:** Shelter Home Finance Company has consistently delivered a high yield of more than 14% on its portfolio over the last three financial years, showcasing strong financial performance.
- **Diversified Financing Profile:** The Company maintains a robust financing profile marked by a disciplined approach to asset liability and liquidity management. The diversified mix of credit sources, including term loans from private and public sector banks, NHB refinancing, non-convertible debentures, securitization, and external commercial borrowing, ensures a resilient capital structure.
- **Reduced Financing Costs:** The demonstrated track record of reducing financing costs is a notable strength. Despite changing market conditions, the company has consistently achieved an upgrade in credit ratings and effectively managed its average cost of borrowings. The focus on engaging with multiple lenders has not only mitigated the risk associated with a single funding source but also allowed for negotiation of favourable borrowing costs.
- **Strong Corporate Governance and Shareholder Support:**  
Corporate promoters, such as WestBridge Crossover Fund, LLC, and Aravali Investment Holdings, along with other shareholders, provide valuable capital sponsorship and professional experience. Their support has been a key factor that has allowed the company to uphold high corporate governance standards and establish a robust capital base.

## Key Highlights

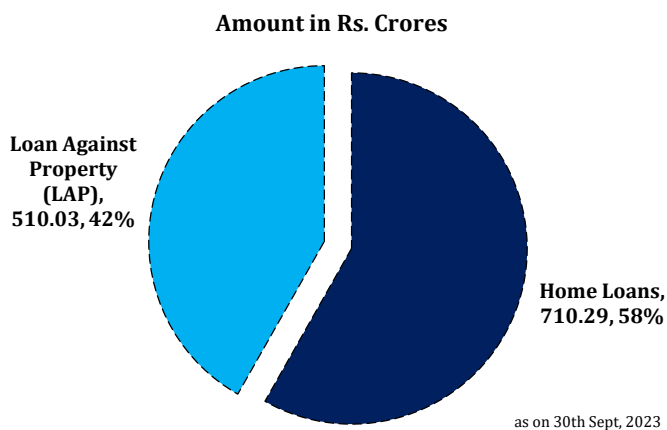
### Highest CAGR in AUM Growth (FY 2021 - 2023)



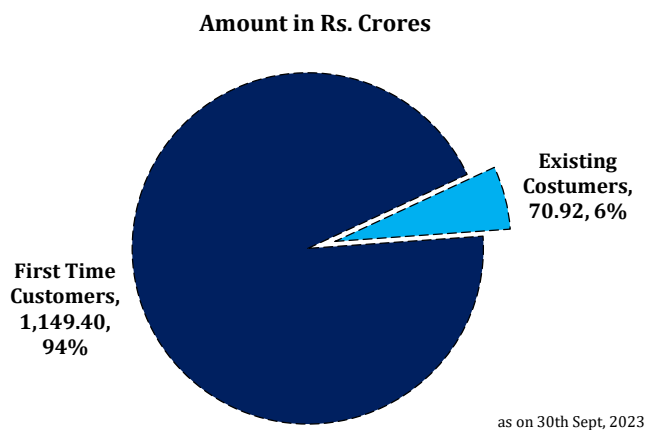
### Diversified Financing Mix



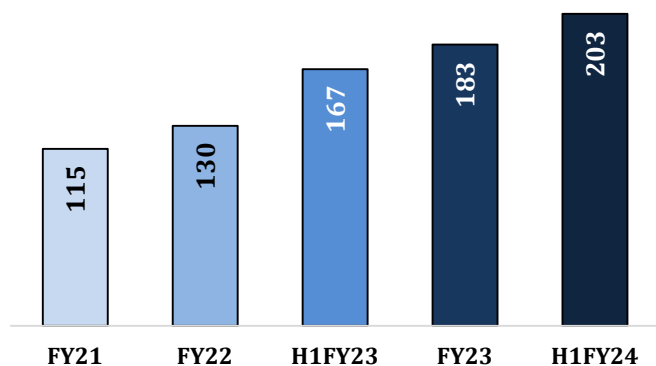
### Equal Distribution Between Home Loans and LAP



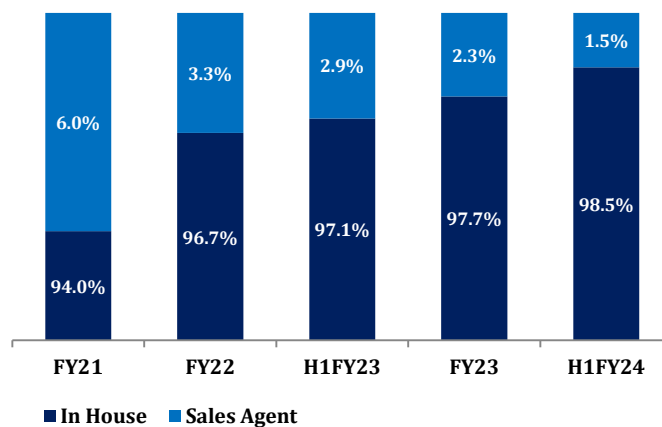
### New Customers Dominate Disbursements



### Strong Growth in Branch Network



### One of the Lowest Share of Agent Sourcing in Industry



Source: Company Reports, AUM Research

<b>Financial Highlights (Consolidated)</b>			
<b>(Amount in Rs. Crore)</b>			
<b>Particulars</b>	<b>Mar-23</b>	<b>Mar-22</b>	<b>Mar-21</b>
<b>Income / Expense Performance</b>			
Gross Sales	584.53	447.98	316.71
Total Income	606.23	459.81	322.80
Total Expenditure	182.77	134.83	97.42
Gross Profit	449.97	346.67	254.74
PBIDT	423.47	324.97	225.38
PBIT	415.26	318.43	220.29
PBT	201.95	166.90	112.96
PAT	155.34	128.45	87.39
Cash Profit	163.54	134.99	92.49
<b>Sources of Funds</b>			
Equity Paid Up	43.77	43.71	42.98
Reserves and Surplus	1,180.15	1,024.08	888.79
Net Worth	1,223.92	1,067.79	931.77
Total Debt	2,988.87	2,070.01	1,491.29
Capital Employed	4,229.40	3,146.14	2,428.56
<b>Application of Funds</b>			
Gross Block	46.85	34.82	29.31
Investments	46.93	175.32	0.00
Cash and Bank balance	507.28	330.29	413.68
Net Current Assets	4,159.04	3,131.83	2,404.04
Total Current Liabilities	60.82	65.63	30.48
Total Assets	4,292.56	3,218.27	2,453.30
<b>Cash Flow</b>			
Cash Flow from Operations	-852.18	-495.28	-420.85
Cash Flow from Investing activities	162.50	-185.78	76.64
Cash Flow from Finance activities	906.83	591.77	559.96
Free Cash flow	-851.10	-483.94	-425.06
<b>Key Ratios</b>			
Debt to Equity(x)	2.44	1.94	1.60
Current Ratio(x)	69.38	48.72	79.86
ROCE (%)	11.26	11.42	9.07
RONW (%)	13.56	12.85	9.38
GPM (%)	76.98	77.39	80.43
PBIDT Margins (%)	72.45	72.54	71.16
PAT Margins (%)	26.58	28.67	27.59
CPM (%)	27.98	30.13	29.20
Earnings Per Share	17.75	14.80	10.19
Enterprise Value	2,525.36	1,783.42	1,120.59

Source: ACE Equity, AUM Research

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