November 20, 2026

India Shelter Finance Corporation Limited: Rating reaffirmed and outlook revised to Positive from Stable; rating assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term fund based – Term loan	3,000.00	3,500.00	[ICRA]AA- (Positive); reaffirmed and assigned for enhanced amount; outlook revised to Positive from Stable	RBI
Non-convertible Debenture	300.00	300.00	[ICRA]AA- (Positive); reaffirmed and outlook revised to Positive from Stable	SEBI
Total	**3,300.00**	**3,800.00**		

**Instrument details are provided in Annexure I*

 # SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI

Rationale

The rating action factors in India Shelter Finance Corporation Limited's (ISFCL) strong capitalisation profile and robust internal accruals, which have supported the continued improvement in its scale amid healthy demand. The company remains well capitalised with a net worth of Rs. 3,198 crore and managed gearing of 2.7 times as on March 31, 2026 (Rs. 2,707 crore and 2.4 times, respectively, as on March 31, 2025). The rating also considers ISFCL's comfortable earnings profile with a 5-year average (FY2022-FY2026) return on average managed assets[1] (RoMA) of 4.4% (4.6% in H1 FY2027; 4.7% in FY2026; 4.6% in FY2025), driven by healthy margins, controlled credit costs and improving operating efficiency.

Aided by the strong capitalisation profile and healthy earnings, ISFCL's assets under management (AUM[2]) increased at a compound annual growth rate (CAGR) of ~38% over the last five years (March 2021 to March 2026) to Rs. 11,044 crore as on March 31, 2026 (Rs. 11,997 crore as on September 30, 2026). With ~84% of its AUM comprising loans with ticket sizes up to Rs. 20 lakh as on September 30, 2026, the company is well placed to tap the healthy demand in the low-income housing segment.

ICRA notes that delinquencies can exhibit volatility, given the relatively vulnerable borrower profile and relatively limited portfolio seasoning. Nonetheless, ISFCL continues to report healthy asset quality with gross non-performing assets (NPAs) of 1.5% as on September 30, 2026 (1.2% as on March 31, 2026; 1.0% as on March 31, 2025). Further, solvency remains comfortable with net NPAs equivalent to 3.2% of the company's net worth as on September 30, 2026.

ISFCL's rating continues to factor in the risks associated with the relatively vulnerable borrower segment, which is susceptible to income shocks. In this regard, the company's ability to engage with customers and improve its systems and controls continuously to maintain the asset quality remains monitorable. ICRA also takes note of the gradual improvement in geographical diversification with the reduction in the share of the top 3 states (55% of the AUM as on September 30, 2026 vis-à-vis 64% as on March 31, 2022). Nonetheless, the rating continues to consider the relatively high geographical concentration with Rajasthan accounting for 31% of AUM as on September 30, 2026 (31% as on March 31, 2026). As the company continues

[1] *Managed assets = Total assets + Off-book portfolio + Impairment allowance*

[2] *AUM = On-book + Direct assignment + Co-lending*

to scale up its operations, geographical diversity is expected to improve further with the same remaining important from a credit perspective.

Around 47% of ISFCL's loan book, as on September 30, 2026 (48% as of March 31, 2026; 56% as of March 31, 2025), carries fixed interest rates. While a major part of company's funding is at a floating rate, its healthy capitalisation profile with net worth equivalent ~28% of its AUM provides some cushion against interest rate movements. Nonetheless, the difference in the interest rate characteristics of its assets and liabilities results in an inherent degree of interest rate sensitivity. Consequently, the lending spreads and net interest margins remain vulnerable to interest rate movements. ICRA notes that ISFCL has been reducing the share of fixed rate loans while maintaining healthy spreads; company's strategy of maintaining the spread, while growing at a healthy pace, will remain monitorable.

The Positive outlook reflects ICRA's opinion that ISFCL will be able to sustain its growth trajectory and healthy earnings profile, supported by its strong capitalisation and experienced management team, systems and processes.

Key rating drivers and their description

Credit strengths

Strong capital profile to support growth – ISFCL remains well capitalised with a net worth of Rs. 3,401 crore and a capital-to-risk weighted assets ratio (CRAR) of 53.5% as on September 30, 2026. The managed gearing remained low at 2.8 times as on September 30, 2026 (2.7 times as on March 31, 2026). The company had raised primary equity of Rs. 800 crore through an initial public offering (IPO) in December 2023, which had augmented its net worth and strengthened its capitalisation profile. In ICRA's opinion, ISFCL is well capitalised with sufficient headroom to achieve the planned growth in the near-to-medium term while maintaining prudent capitalisation.

Healthy earnings profile and asset quality metrics – ISFCL continues to report healthy profitability with a net profit of Rs. 289 crore in H1 FY2027, translating into an annualised RoMA of 4.6% compared to Rs. 505 crore and 4.7%, respectively, in FY2026. The earnings profile is supported by healthy lending spreads and NIMs. Further, the operating efficiency is gradually improving, driven by the enhanced scale and productivity, with operating expenses in relation to average managed assets (AMA) declining to 3.6% in H1 FY2027 (3.6% in FY2026) from 3.7% in FY2025. While credit costs have increased slightly (0.5% of AMA in H1 FY2027, 0.4% in FY2026, 0.3% in FY2025) due to the uptick in delinquencies, the same remains low and supports the overall earnings profile. ICRA expects the company to be able to maintain a healthy earnings profile with improving operating efficiency and controlled credit costs.

ICRA takes note of the increase in delinquencies with the 30+ days past due (dpd) rising to 5.2% as on September 30, 2026 (4.7% as on September 30, 2025) from 4.0% as on March 31, 2026 with the gradual seasoning of the portfolio. Nonetheless, the company's reported asset quality indicators remain healthy with gross and net NPAs of 1.5% and 1.2%, respectively, as on September 30, 2026 (1.2% and 0.9%, respectively, as on March 31, 2026; 1.3% and 1.0%, respectively, as on September 30, 2025). Further, solvency remains comfortable with net NPAs equivalent to 3.2% of the company's net worth as on September 30, 2026. Moreover, ultimate losses are expected to be low, given the secured nature of the portfolio.

Credit challenges

Relatively vulnerable borrower profile and limited portfolio seasoning – ISFCL's underlying borrower segment comprises low- and middle-income self-employed customers (~78% of the total AUM as on September 30, 2026), who are relatively more vulnerable to economic cycles and have limited buffers to absorb income shocks. Additionally, the share of non-housing loans (NHLs) was relatively high at ~44% of the AUM as of September 2026 (~44% as on March 31, 2026). ICRA notes that ISFCL has a track record of more than a decade in the affordable housing sector, though a significant portion of the book was sourced in the last few years like most of its peers. Disbursements during the 12 quarters ended September 2026 (aggregating Rs. 10,382 crore including co-lending) were equivalent to 87% of the AUM as on September 30, 2026. Though the portfolio has witnessed various economic disruptions over the past few years, its long-term performance is yet to be seen, considering the limited vintage of a significant part of the same.

Relatively high, albeit improving, geographical concentration – The company's operations are geographically concentrated with the top 3 states comprising ~55% of the AUM as on September 30, 2026, though the same has been gradually declining (64% as on March 31, 2022). ISFCL's AUM has the highest concentration in Rajasthan (31% as on September 30, 2026), followed by Maharashtra (15%) and Madhya Pradesh (9%). Given the target borrower segment and portfolio seasoning, geographical concentration makes the company vulnerable to geography-specific issues. ICRA notes that ISFCL had a presence in 15 states/Union Territories (UTs) as on September 30, 2026, with geographical concentration expected to decline gradually as it scales up and increases its operations in the southern markets and tier 2 and 3 cities.

Vulnerability to interest rate movements, given the high share of the fixed rate portfolio – Around 47% of ISFCL's loan book, as on September 30, 2026 (48% as of March 31, 2026; 56% as of March 31, 2025), carries fixed interest rates. While a major part of company's funding is at a floating rate, its healthy capitalisation profile with net worth equivalent ~28% of its AUM provides some cushion against interest rate movements. Nonetheless, the difference in the interest rate characteristics of its assets and liabilities results in an inherent degree of interest rate sensitivity. Consequently, the lending spreads and net interest margins remain vulnerable to interest rate movements. ICRA notes that ISFCL has been reducing the share of fixed rate loans while maintaining healthy spreads; company's strategy of maintaining the spread, while growing at a healthy pace, will remain monitorable.

Environmental and social risks

Environmental – While housing finance companies (HFCs) like ISFCL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. ICRA notes that most of the underlying properties in the portfolio are insured. If the borrowers, to whom such HFCs have an exposure, face livelihood disruption because of physical climate adversities, the same could translate into credit risks for HFCs. However, such risk is not material for ISFCL with improving geographical diversification.

Social – With regard to social risks, data security and customer privacy are among the key sources of vulnerability for HFCs as any material lapse could be detrimental to their reputation and invite regulatory censure. ISFCL has not faced any material lapse over the years, which highlights its resilience to such risks. While it contributes to promoting financial inclusion by lending to underserved segments, the company's lending practices remain prudent as reflected in the healthy asset quality numbers in this segment.

Liquidity position: Strong

The company's liquidity profile is strong with a free cash and bank balance and liquid investments of around Rs. 760 crore as on September 30, 2026 (equivalent to ~11% of its on-balance sheet borrowings). This, along with scheduled inflows of Rs. 1,232 crore, is sufficient to meet the scheduled debt repayments of ~Rs. 1,716 crore over the next one year, as per the asset-liability management (ALM) profile as on September 30, 2026. The liquidity profile is also supported by the presence of unavailed sanctions of ~Rs. 1,450 crore as on September 30, 2026. ISFCL's liquidity coverage ratio (as per regulatory guidelines) of 153.94% for the quarter ended September 30, 2026 was well above the regulatory requirement. The company's fairly diversified funding profile and track record of raising funds from diverse sources augur well from a financial flexibility and liquidity perspective.

Rating sensitivities

Positive factors – A significant increase in the scale of operations along with geographical diversification, while maintaining healthy asset quality and profitability and prudent capitalisation, could positively impact the rating.

Negative factors – Pressure on the rating could arise in case of a continued increase in the managed gearing beyond 5 times or a deterioration in the asset quality indicators (90+ dpd above 2.5%) on a sustained basis, thereby impacting the earnings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking finance companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

India Shelter Finance Corporation Limited (ISFCL) is a housing finance company, which was incorporated in 1998 as Satyaprakash Housing Finance. The company was acquired by the current investors in September 2009. It is focussed on the low cost and affordable housing segment, targeting self-employed customers in the informal low- and middle-income segment. As on September 30, 2026, the company's assets under management (AUM) stood at Rs. 11,997 crore, spread across 15 states/UTs. It offers loans to customers for home improvement, home extension, construction of dwelling units on an owned plot of land, home purchase and loan against property (LAP).

Key financial indicators (audited)

India Shelter Finance Corporation Limited	FY2025	FY2026	H1 FY2027
Total income	1,175	1,530	883
PAT	377	505	289
Total managed assets	9,421	12,090	13,162
Return on managed assets	4.6%	4.7%	4.6%
Managed gearing (times)	2.4	2.7	2.8
GNPA/Gross stage 3	1.0%	1.2%	1.5%
CRAR	60.6%	55.8%	53.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Nov-20-2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term fund based – Term loan	Long term	3,500.00	[ICRA]AA- (Positive)	Jun-30-2025	[ICRA]AA- (Stable)	May-08-2024	[ICRA]A+ (Positive)	Jul-21-2023	[ICRA]A+ (Stable)
				Nov-25-2025	[ICRA]AA- (Stable)	Aug-23-2024	[ICRA]AA- (Stable)	Oct-13-2023	[ICRA]A+ (Stable)
						-	-	Feb-29-2024	[ICRA]A+ (Positive)
Non-convertible Debenture	Long term	300	[ICRA]AA- (Positive)	Jun-30-2025	[ICRA]AA- (Stable)	May 08-2024	[ICRA]A+ (Positive)	Jul-21-2023	[ICRA]A+ (Stable)
				Nov-25-2025	[ICRA]AA- (Stable)	Aug-23-2024	[ICRA]AA- (Stable)	Oct-13-2023	[ICRA]A+ (Stable)
						-	-	Feb-29-2024	[ICRA]A+ (Positive)

Source: Company, ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Term loan	Simple
NCD programme	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
NA	**Long term fund based – Term loan**	September 2015 to Feb 2026	2.8% to 9.8%	July 2021 to April 2034	3,500.0	[ICRA]AA- (Positive)	RBI
INE922K07104	**Non-convertible Debenture**	Mar-26-2025	3M SBI MCLR + 0.10%	Mar-25-2029	50.0	[ICRA]AA- (Positive)	SEBI
INE922K07112	**Non-convertible Debenture**	Nov-27-2025	7.85%	Nov-26-2030	150.0	[ICRA]AA- (Positive)	SEBI
INE922K07120	**Non-convertible Debenture**	Jul-30-2026	8.1%	Jul-30-2031	75.0	[ICRA]AA- (Positive)	SEBI
Yet to be placed	**Non-convertible Debenture**	NA	NA	NA	25.0	[ICRA]AA- (Positive)	SEBI

Source: Company, ICRA Research

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

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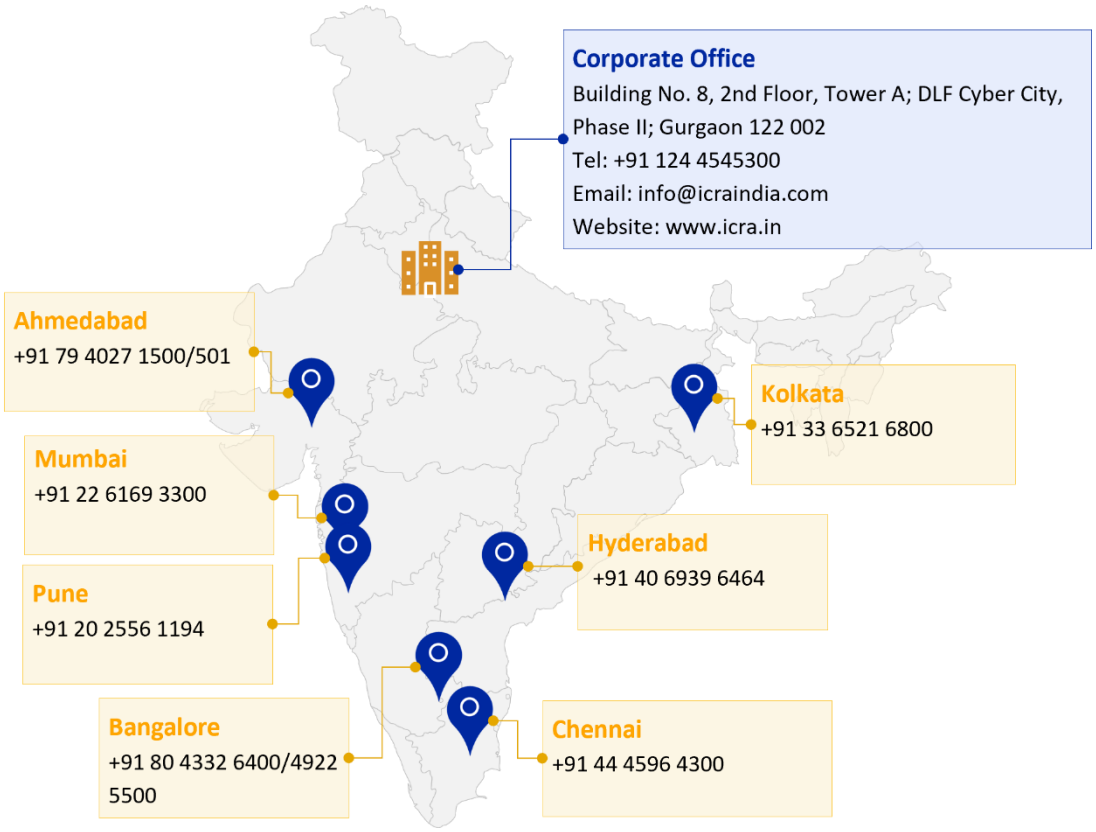
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