

INDIA SHELTER FINANCE CORPORATION LIMITED

13-12-2023 to 15-12-2023

Industry: Housing Finance Company

Price Band: ₹ 469 - 493

Recommendation: Subscribe for Long Term

Post Implied Market Cap: ₹ 5,079 - 5,298 Cr

Key Data

Issue Size (₹ Cr)	1,200
Fresh (₹)	800
OFS (₹)	400
No of shares offered	25,586,354 - 24,340,768
Face Value (₹ /share)	5
Bid Lot	30

About the Company

India Shelter Finance Corporation Limited (India Shelter), established in 1998, is a retail-focused affordable housing finance company with 203 branches as of September 30, 2023. Targeting self-employed individuals in Tier II and Tier III cities, they focus on first-time home loan takers in the low-and-middle income group, primarily offering home loans for property purchase and self-construction. Additionally, they provide loans against property. As of September 30, 2023, 70.7% of their customers were first-time home loan takers. With a 2-year CAGR growth of 40.8% in AUM from FY 2021 to FY 2023, the company has a well-established network in 15 states, particularly in Rajasthan, Maharashtra, Madhya Pradesh, Karnataka, and Gujarat. Their presence covers 94% of the affordable housing finance market in India as of March 31, 2023.

Investment Rationale

- One of the Fastest Growing AUM among Housing Finance Companies in India, High Yields, and Granular, Retail Focused Portfolio:** India Shelter primarily focuses on financing residential properties for first-time home loan takers, offering both home loans and loans against property. As of September 30, 2023, 70.7% of their customers fall into this category. Home loans constitute 57.6% of their AUM, and loans against property make up 42.4%. The company achieved an AUM growth of 40.8% between FY2021 and FY2023, outpacing other housing finance companies. The majority of their customers have a monthly income of up to ₹ 50,000. About 75.7% of their loan portfolio comprises loans with principal amounts less than ₹ 1.5 million, and 95.0% comprises loans less than ₹ 2.5 million. The average loan-to-value ratios for home loans and loans against property are 55.1% and 45.3%, respectively, as of September 30, 2023. Importantly, 97.9% of their loans have one or more women as borrowers, aligning with their risk management practices.
- Extensive and Diversified Phygital Distribution Network with Significant Presence in Tier II and Tier III cities:** India Shelter has a strong presence in key states like Rajasthan, Maharashtra, Madhya Pradesh, Karnataka, and Gujarat, accounting for 47% of the affordable housing finance market in India as of March 31, 2023. Operating for over 13 years with 203 branches across 15 states, they have a branch vintage ranging from 5 to 8 years in 12 states. Their presence covers 94% of the affordable housing finance market. A significant portion (89.8%) of their portfolio is concentrated in Tier II and Tier III cities. The company's "phygital" model combines physical branches with a digital interface, leveraging a network of over 1,500 relationship managers for customer onboarding, along with digitization of processes.
- In-house Origination Model to Ensure Efficient and Seamless Operations across Various Key Functions:** The company emphasizes a robust in-house infrastructure, with 98.5% of disbursed loans originated in-house during the 6 months ending September 30, 2023, ensuring seamless and independent key functions. Prioritizing localized hiring for branches is a strategic initiative to strengthen customer connections and build trust. A sales team of 1,620 field officers strategically stationed across the branch network follows a systematic plan, creating synergy with internal and external stakeholders in the housing industry. An experienced field underwriting team operates independently and is structured into three verticals: credit underwriters, legal verification, and technical valuation. The dedicated collection team employs a customer-centric approach, utilizing historical data to predict customer behaviour and implementing a proactive and efficient collection strategy for managing delinquent accounts. The company places a high priority on customer service, implementing a dedicated channel and stationing customer service executives across branches to address queries, concerns, and feedback, offering specific assistance throughout the loan lifecycle.
- Technology and Analytics-Driven Company with Scalable Operating Model:** India Shelter operates as a technology and analytics-driven affordable housing finance company, emphasizing a scalable operating model to foster operational expansion and revenue growth. Their commitment to a paperless approach in customer acquisition and onboarding is facilitated by tailored mobile solutions, catering to distinct lending stages. Integral to their operations are applications like iSales for customer acquisition streamlining, India Shelter iCredit for efficient underwriting, India Shelter iTech for collateral assessment, and iCollect for optimized collection efforts. This tech-integrated approach enhances efficiency and decision-making. Additionally, the company maintains a comprehensive database, gathering over 100 data points on customer and collateral profiles, further bolstering their analytical capabilities.
- Diversified Financing Profile with a Demonstrated Track Record of Reducing Financing Costs:** India Shelter upholds a diversified financing profile, guided by a disciplined approach to asset liability and liquidity management. A key element of this strategy involves maintaining a diversified mix of credit. The company prioritizes a long-term and diversified borrowing profile, engaging with multiple lenders to secure timely funding throughout the year. Emphasizing a disciplined approach to Asset Liability Management (ALM), India Shelter ensures a well-balanced mix of assets and liabilities. This approach enables effective liquidity management, cash flow matching, and mitigation of interest rate risks.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	18-12-2023
Refunds/Unblocking ASBA Fund	19-12-2023
Credit of equity shares to DP A/c	19-12-2023
Trading commences	20-12-2023

Shareholding (No. of shares)

Pre-Issue	9,12,32,314
Post Issue (Lower price band)	10,82,89,883
Post Issue (Higher price band)	10,74,59,494

Shareholding Pattern

	%
Promoters:	
Pre Issue	56.67%
Post Issue	48.11%
Public - Investors Selling S/h:	
Pre Issue	33.42%
Post Issue	20.83%
Public -Others:	
Pre Issue	9.91%
Post Issue	31.06%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRRLMs: ICICI Securities, Citigroup Global, Kotak Mahindra Capital, Ambit Pvt Ltd

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

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Risk

- AUM concentration in three states.
- High regulation in Indian Housing Finance
- Inability to recover full value of collateral or amount outstanding.

MView

We believe India Shelter IPO offer gives investors an opportunity to invest in fastest growing affordable housing finance sector, with a targeted focus on financing residential properties for first-time home loan takers. We think their impressive AUM growth of 40.8% between FY2021 and FY2023 reflects their agility and market responsiveness and their significant presence in key states, comprising 47% of the affordable housing finance market, reflects a robust regional foothold. We believe India Shelter is in right space to tap GOI focus under "Aavas for all" program and target segment on first time home loan takers in the low and middle income group in Tier II and Tier III cities in India, which is growing high when compared to Tier 1 cities. By looking at the financials the company has shown a strong growth between fiscal 2022 and 2023 with a 41.45%/30.48% in revenue from operations and 48%/21% in net profit. On Valuation parse at upper price band of ₹ 493/-, the issue is asking for a Market Cap of ₹ 5298 Cr. Based on annualized FY24 earnings and fully diluted post-IPO paid-up capital, the company is asking a P/B of 2.3x which seems the valuations are reasonable when compared to its industry peers which are trading above ~4x on average. Given the company has created a niche place in affordable housing finance in the middle and lower middle class with 97.7% of their loan applicants are women which makes them apart from other housing finance companies. Hence, considering all the parameters, we are recommending investors to "SUBSCRIBE" for the long term.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30		As at March' 31		
	2023 (06)	2023 (06)	2023	2022	2021
Equity Share Capital	45.02	43.73	43.77	43.71	42.98
Reserve as stated	1,329.94	1,098.28	1,196.76	1,032.42	894.29
Net Worth as stated	1,374.97	1,142.01	1,240.53	1,076.13	937.27
Revenue From Operations	385.99	264.65	584.53	447.98	316.71
Revenue Growth %	45.85%	-	30.48%	41.75%	-
EBITDA	281.79	180.69	418.83	320.86	222.63
Profit Before Tax	138.36	81.18	201.95	166.9	112.96
Net Profit for the Period	107.35	62.02	155.34	128.45	87.39
EPS (₹)	12.13	7.09	17.75	14.8	10.19
RONW(%)	8.20%	5.60%	13.40%	12.80%	9.80%
NAV (₹)	152.7	130.57	141.38	123.11	109.04

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operation FY 2023 (In Cr)	Net Worth	EPS	NAV	P/B	P/E	RONW
India Shelter Finance Corporation	Consolidated (Annualised)	5,298	5	584.53	1,240.53	19.98	287.9	2.3	24.67	13.40%
Aptus Value Housing Finance India	Consolidated	16,375	2	1,093.36	3,339.33	10.11	67.05	4.5	29.9	16.10%
Aavas Financiers	Consolidated	12,337	10	1,608.76	3,269.66	54.38	413.58	3.6	27.4	14.10%
Home First Finance Co India	Consolidated	9,003	2	790.99	1,817.34	26.01	206.48	4.6	37.7	13.50%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 12-12-2023

Revenue/Net Worth as on FY2023

India Shelter Finance Corporation Ltd, EPS, NAV, PE, PB are based on FY2024 annualised



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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