VARASHAKTI Housing Finance

Driving Affordable Housing Through Responsible Finance

QUARTERLY NEWSLETTER Oct - Dec 2025

Performance Highlights Q3 FY26

Building on the operational stability achieved in Q2, Q3 FY26 marked a phase of accelerated execution for VHFL. The company sustained its growth momentum through higher origination throughput and broader borrower outreach, while maintaining balance-sheet discipline. Capital adequacy strengthened further during the quarter, reinforcing the company's ability to fund near-term expansion without stressing leverage. Funding costs continued to ease, supporting margins even as pricing remained competitive. With expanded operating capacity and geographic presence, VHFL enters Q4 with clearer visibility on scale-up and profitability.

Particulars (₹ crs)	Q3 FY26	Q2 FY26	% Change	Trend (Q4 FY 26)
Net Worth	93.84	93.70	0.15%	Projected to increase to ₹99.30 crores, strengthening capital for growth
Disbursement	50.99	40.3	26.53%	Expected to scale up to ₹96 crores, driven by higher branch productivity
AUM	367.46	331.4	10.88%	Projected to grow to ₹457.33 crores, supported by strong DB momentum
Yield	20.40%	20.44%	Stable	Expected to moderate to 17.57% due to competitive pricing & portfolio mix
CRAR	42.64%	35.93%	18.68%	Likely to remain strong at 40%
IBR	12.75%	13%	Favourable	Projected to improve to 12.50% on the back of a better funding mix
Active Borrowers	5954	5252	13.37%	Expected to grow by nearly 50%, via new branch penetration and group lending operations
No of field staff	269	248	8.47%	Set to expand, aligned with the business scale up
No of Branches	53	50	6%	Branch network expected to reach 60+ by Q4

Technology & Digital Updates

The **Lead Connect Mobile App** was upgraded with **real-time bureau score integration and embedded business-rule logic**, enabling faster risk assessment and on-the-spot decision support at the customer level. The company also introduced **KI Score**, an **ML-driven credit assessment model** tailored for the informal segment. It leverages demographic, geographic, repayment, savings, and alternate data to enable consistent, data-driven underwriting for both new-to-credit and existing borrowers.

To further enhance compliance robustness, **Signzy AML Screening** was onboarded, enabling automated sanctions screening and risk checks in line with regulatory requirements. In addition, a pilot **end-to-end digital workflow** was rolled out to reduce TAT and improve frontline productivity by integrating OCR, APIs, and platform-based automation for seamless operations

Strengthening Zonal Leadership

As part of our focused growth strategy, we have strengthened zonal-level management across **Tamil Nadu, Karnataka, and Andhra Pradesh,** with a specific focus on Tamil Nadu, our largest operating market. The enhanced leadership structure brings together **experienced professionals with deep regional understanding**, aimed at driving sharper value extraction from existing markets while supporting disciplined expansion. The strengthened zonal oversight will improve execution quality across sourcing, credit, and collections, while building managerial depth and frontline capability.

HiH Synergy – Q3 Overview

The HiH channel partnership demonstrated early traction as a structured referral-led sourcing model. In Q3FY26, the channel generated **52 customer logins**, of which **25 cases progressed to disbursemen**t, translating into a **conversion rate of ~48%** from login to disbursement. Total disbursements through the channel aggregated to **~₹0.9 crore** during the period. Conversion momentum improved sequentially through the quarter, indicating better process alignment and increasing effectiveness of the referral ecosystem. Overall, Q3 performance validates the HiH channel partnership as a promising, cost-efficient sourcing channel, with scope for further scale as operational maturity improves.

From a Small House to a Big Dream

Saddam Badshah, a granite stone worker from Chittoor, AP, had a simple dream: to build a better home for his family. After demolishing his old, cramped house to make way for a new one, Saddam found himself burdened with debt and an unfinished structure. After being turned away by multiple institutions, he approached Varashakti.

"I was struggling with debt and an incomplete home. Other institutions asked for too many documents and higher fees. At Varashakti, the process was seamless," Saddam shares.

With timely financial support, Saddam was able to clear his debts and complete his home. Today, his family lives with stability and peace of mind.

Equity Investor

incofin
invest for impact

Incofin India Progress Fund I

Debt Partners

Indian

- SBI
- राष्ट्रीय आवास बैंक NATIONAL HOUSING BANK
- NAFA Netafim Agricultural Financing Agency
- IDFC FIRST Bank
- vivriti CAPITAL Ambitions Unleashed
- caspian
- HINDUJA HOUSING FINANCE
- NORTHERN ARC
- uti UTI International
- Oxyzo
- InCred finance
- AMBIT Finvest Pragati ke partner

International

- OIKO CREDIT investing in people
- EQ Enabling Qapital
- Triodos Investment Management
- responsAbility
- CREATION INVESTMENTS CAPITAL MANAGEMENT, LLC

20+ institutional partners supporting our mission

Insurance Partners

- Chola MS GENERAL INSURANCE
- ICICI Lombard Nibhaye Vaade
- BAJAJ GENERAL
- STAR Health Insurance Personal & Caring
- ICICI PRUDENTIAL LIFE INSURANCE
- CreditAccess Life Suraksha aur Samruddhi