



TAMIL NADU INFRASTRUCTURE FUND MANAGEMENT CORPORATION LTD

CASE STUDY ON RENTAL HOUSING

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**Tamil Nadu
Shelter
Fund**



TAMIL NADU INFRASTRUCTURE FUND MANAGEMENT CORPORATION LTD



Case Study on Rental Housing



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1. Executive Summary

India's accelerating industrialisation has created a large and mobile workforce concentrated around industrial corridors, while the supply of safe, affordable, and proximate rental housing has remained structurally inadequate. High land costs, fragmented rental markets, capped affordability, and the absence of long-tenor, rental-aligned finance have limited private sector participation in employee and industrial housing. This gap has translated into high labour attrition of 35–45%, long daily commute times of up to four hours, reduced productivity, and constrained labour mobility—particularly for women. While policy frameworks have increasingly recognised industrial housing as an enabler of industrial growth, the sector continues to face viability and financing challenges.

The Tamil Nadu Shelter Fund (TNSF) addressed this gap by positioning rental industrial housing as a scalable and investible asset class. Through blended financing structures, long-tenor capital aligned to rental cash flows, employer-anchored demand, and strong governance and monitoring, TNSF catalysed private developer participation while materially reducing project risk. TNSF's engagement extends beyond financing and includes project structuring, milestone-linked disbursements, active construction & cash-flow monitoring, and operational oversight to ensure affordability, sustainability, and timely delivery.

TNSF has created a scalable and sustainable rental housing platform by incubating Women's Working Hostels (WWH) and Industrial Housing (IH). What began with 500 beds has now scaled to 40,000+ beds, making it the largest industrial housing network in India. Today, every district in Tamil Nadu has a Women's Working Hostel project, providing safe, affordable, and dignified accommodation for women.

Segment	Beds Created (TNSF)	Organised Rental Housing Supply – Tamil Nadu	TNSF Share
Industrial Housing-Rental	40,000	70,000 beds	57%

TNSF also aims to catalyse broader participation from private developers and mobilize long-term institutional capital toward rental and industrial housing by strengthening project viability and mitigating systemic risks. Through an integrated approach comprising blended financing mechanisms, long-tenor capital aligned with rental cash-flow profiles, employer-anchored demand structures, and rigorous governance and monitoring frameworks, TNSF aims to establish industrial housing as a scalable and policy-aligned asset class. This framework is intended to deliver predictable financial returns while advancing measurable social and economic development outcomes.

2. Genesis

In pre-liberalisation India, industrial townships developed by public sector undertakings and large private manufacturers treated employee housing as core industrial infrastructure, enabling firms to attract and retain labour in regions with limited urban amenities. As India's economy has expanded, rising land prices and housing shortages in urban and industrial regions have revived the relevance of this model in a modern form. Inadequate affordable housing near industrial hubs has become a critical constraint, contributing to high attrition (35–45%), long commute times (around 3-4 hours daily), and restricted labour mobility—particularly for women. This is particularly acute for shop-floor workers, trainees, young engineers, and contract staff who often cannot secure decent, community-oriented rental housing. Structured employee housing—whether in full-fledged townships or more compact projects—can directly alleviate these constraints and support the expansion of industrial activity.

Key Indicators – Current Status

Indicator	Status
Increase in land prices near industrial hubs	2–4× (last decade)
Average daily commute time	2–4 hours
Annual workforce attrition	35–45%
Female participation in manufacturing	<20%
Rental affordability gap for workers	30–40%

3. Policy Framework for Industrial Housing in India

Key contemporary policies in the sector include NITI Aayog's SAFE Accommodation Initiative, Affordable Rental Housing Complexes (ARHC) Scheme and State Support through SASCI and Reform-Linked Assistance of MoHUA and the policies/schemes of various states in promoting Industrial Housing as a catalyst to Industrialisation.

3.1 NITI Aayog's SAFE Accommodation Initiative

The Site Adjacent Factory Employee (SAFE) Accommodation framework, announced in the Union Budget 2024-25 and detailed in NITI Aayog's December 2024 report, represents a targeted intervention to address worker housing as critical manufacturing infrastructure. The initiative explicitly defines SAFE Accommodation as "long-term dormitory-style accommodation exclusively for industrial workers, strategically located near workplaces, including essential amenities such as water, electricity, sanitation, food, laundry, and dispensary facilities."

Key features of the SAFE framework include:

- **Regulatory Reforms:** implementing zoning reforms such as permitting mixed land-use in industrial areas, liberalized Floor Area Ratio (FAR) and classification of SAFE accommodation as residential (not commercial) for utility tariffs, property tax, and GST purposes.
- **Financial Support:** recommended a Viability Gap Funding (VGF),
- **Economic Impact:** NITI Aayog's analysis demonstrates that regulatory reforms reduce industrial housing Opex costs.

3.2 Affordable Rental Housing Complexes (ARHC) Scheme

Aspect	Details
Scheme	Affordable Rental Housing Complexes (ARHC)
Parent Scheme	Pradhan Mantri Awas Yojana – Urban (PMAY-U)
Objective	Provide affordable rental housing for urban migrants and industrial workers
Applicable Model	Model-2: Construction of rental housing by public/private entities on own land
Incentives	Exemption/reduction of development charges, fast-track approvals, tax benefits, flexibility to convert EWS/LIG units to rental
Units Approved	82,273 units (across 7 states)
Units Completed	35,425 units
Status Date	Dec-24
Target Beneficiaries	Urban migrants, industrial and service sector workers

3.3 State Support through SASCI and Reform-Linked Assistance

The State Support for Affordable and Sustainable Housing mechanisms, administered through MoHUA's reform-linked assistance programs, provide states and private sector developers with grants and technical support to strengthen policies, capacities, and regulatory frameworks for rental

and worker accommodation. These instruments enable states to develop or refine rental housing policies, model concessions for PPP projects, and improve implementation capacity in urban local bodies and housing boards to integrate industrial worker housing into city and corridor planning.

3.4 State Policies for Industrial Housing

In addition to central initiatives, a few manufacturing-intensive states have emerged as key drivers of industrial and worker housing, supported through dedicated institutional mechanisms, planning reforms, and PPP-oriented implementation frameworks. These states account for a significant share of India's organised manufacturing employment and industrial investment.

State	Nodal Agency / Framework	Policy Focus	Key Support Instruments
Tamil Nadu	SIPCOT, TIDCO, State SPVs	Worker hostels and rental housing near industrial estates	Land facilitation, FAR/planning relaxations, PPP models, long-tenor financing
Gujarat	GIDC	Rental and dormitory housing in industrial clusters	Concessional land, higher FSI, infrastructure support
Maharashtra	MIDC, State Rental Housing Policy	Rental housing for industrial and migrant workers	Regulatory facilitation, integration with industrial land-use planning
Karnataka	KIADB	Housing aligned with electronics and manufacturing clusters	Planning facilitation, Infrastructure provisioning

4. Benefits of Rental Industrial Housing

Employee housing is no longer about shelter and has the following advantages.

- As a strategic instrument to increase productivity,
- Increased FLPR (Female Labour Force participation rate).
- Ensuring the highest safety standards and inclusive industrial housings
- Achieving capital efficiency by converting Capex into Opex

4.1 Industrial Housing as a Strategic Instrument to Increase Productivity

There is a huge shortage of affordable housing in the country, and this is more pronounced in the Industrial states. Proximate, quality housing enables workforce stability, skill development, and productivity—remains highly relevant to contemporary manufacturing challenges, particularly as India seeks to establish labour-intensive manufacturing at a global scale. Oftentimes, financial compensation in the form of wage supplements does not help any further. When employee housing is offered, the organisation gains an important competitive advantage in acquiring and retaining qualified specialists. Employee housing also increases the attractiveness for the organisation as an employer and as a brand.

Illustration: Quantifying Productivity Gains from Proximate Industrial Housing

Janaadhar's 2023 study of workers in the Narasapura Industrial Area near Bengaluru quantified the productivity¹ and economic costs of inadequate proximate housing. Workers travelled approximately 4 hours daily (2 hours each way) from temporary residences to factories, with companies spending Rs 2,500 to Rs 3,500 per worker per month on transportation. This arrangement imposes multiple costs:

¹ Janaagraha Centre for Citizenship and Democracy (2023), *Primary field research on worker mobility and housing in Narasapura Industrial Area*

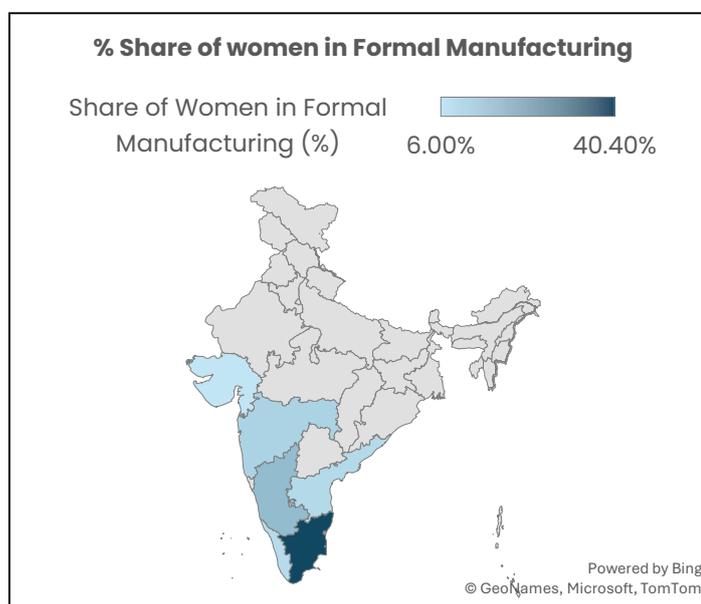
Parameter	Without Proximate Housing	With Walk-to-Work Housing (<500m)	Improvement
Average Commute Time (hours/day)	3-4 hours	0.3 hours	92% reduction
Transportation Cost to Company (Rs/worker/month)	2,500-3,500	0	100% savings
Worker Transportation Cost (Rs/month)	1,200-1,500	0	100% savings
Daily Productive Hours Lost	3 hours	0.3 hours	92% recovery
Estimated Annual Attrition Rate (%)	35-45%	12-18%	60% reduction
Absenteeism Rate (%)	15-20%	5-8%	60% reduction
Worker Satisfaction Score (out of 10)	4.5	7.5	67% increase

This can be further validated in the subsequent sections, from the economic viability perspective, the construction of the Industrial housing could be offset by just the transportation costs.

4.2 Increasing FLPR

India's overall FLPR has historically lagged global benchmarks, even most Southeast Asian countries, with the manufacturing sector employing women at only 19.7% of its formal workforce as of 2019-20. The Ministry of Labour and Employment has set an ambitious target to raise India's FLPR from 41.7% to 55% by 2030, recognizing that every prosperous economy has seen women enter the workforce in large numbers. In contrast to China, where women contribute approximately 41% to GDP with a female labour participation rate of 61%, Indian women contribute only 18% to GDP, representing substantial untapped economic potential.

Of the approximately 8 million workers in India's formal manufacturing sector in 2019-20, women made up about 1.6 million (19.7%) of that workforce. Of these female manufacturing employees, around 40.4% were in Tamil Nadu alone, making it the largest single state employer of women in formal manufacturing. Together, Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala accounted for about 72% of all women employed in formal manufacturing in India



2

This geographic concentration suggests that specific enabling factors—including progressive labour policies, safety infrastructure, and importantly, access to secure housing—play determinative roles in women's industrial employment participation.

² Annual Survey of Industries (ASI) 2019-20, conducted by India's [Ministry of Statistics and Programme Implementation \(MoSPI\)](#).

4.3 Ensuring Highest Safety Standards and Inclusive Industrial Housing

The country and currently has inadequate housing that acts as a barrier and restricts the migration of workers, particularly women, thereby limiting the sector's growth potential. TNSF's stakeholder consultations with manufacturing companies consistently emphasize that for factories seeking to hire women workers—particularly for assembly-line operations requiring precision and reliability - provision of secure, well-managed accommodation is often part of the employment agreement, as it addresses parental concerns about daughters migrating for industrial work

Global precedents support this hypothesis. During China's rapid industrialization, approximately 80% of the 30 million assembly-line workers in Special Economic Zones were women, recruited from rural interior provinces and housed in dormitories built by employers on land provided by local governments. This dormitory system made it possible for factories to recruit female labour from distant rural areas - recruitment that would have been impossible without secure housing infrastructure addressing safety concerns. Similar patterns characterized early Japanese industrialization, which housed female textile workers from distant villages in factory dormitories, and contemporary Vietnam's plan to build 1 million social housing units for workers in industrial parks.

Illustration: Design Principles for Safety and Inclusion

A well-planned industrial housing incorporates design elements specifically addressing women's safety and inclusion needs:

- Proximity to Workplace: Walk-to-work distance (<500 meters) eliminates dangerous commutes on poorly lit roads or crowded public transport, particularly for night-shift workers.
- Dedicated Women's Blocks: Separate residential blocks with controlled access reduce safety risks while maintaining community proximity.
- Professional Management: Specialized housing operators provide 24/7 security, housekeeping, maintenance, and grievance redressal mechanisms, creating accountability structures that informal rental markets lack.
- Social Infrastructure: On-site or nearby dispensaries, childcare facilities (for slightly older worker demographics), and recreational amenities support women's holistic needs.

Electronics Manufacturing unit recently completed \$85 million (INR.706 crore) dormitory complex in Sriperumbudur in Tamil Nadu exemplifies these principles, with six 10-story residential blocks housing up to 18,000 female workers within walking distance of the manufacturing facility, dramatically improving convenience and safety.

4.4 Achieving Capital Efficiency

Traditional approaches to industrial worker housing require companies to make substantial capital investments plus land acquisition costs. For most companies, particularly small and medium enterprises, this capital requirement presents multiple challenges:

- Balance Sheet Impact: Housing assets appear on company books, consuming capital that could be deployed in core manufacturing capacity expansion, technology upgrades, or working capital.
- Financing Constraints: Companies may lack real estate development expertise, access to favourable housing finance rates, or organizational capacity to manage large-scale residential construction and operations.
- Obsolescence Risk: If industrial operations scale down, relocate, or cease, company-owned housing assets become stranded, with limited alternative use or resale options.
- Opportunity Cost: Management attention and organizational resources diverted to housing development and operations represent opportunity costs relative to the core business focus.
- The Opex Alternative: Specialized Housing Operators in PPP Mode.

Illustration: Capex vs Opex Models in Industrial Housing:

Encouraged by the Government of Tamil Nadu and supported by relevant State and Central Government schemes, TNSF has successfully demonstrated economically viable models for industrial housing in Tamil Nadu. Based on implementation experience to date, these models are replicable across other states and can be adopted by private developers and employers. Compared to traditional company-owned housing, the TNSF-enabled, specialist-led rental (Opex) model offers clear advantages in terms of capital efficiency, risk allocation, scalability, and workforce outcomes, as summarised below.

Aspect	Capex Model (Company-Owned Housing)	Opex Model (Leased from Specialist Operator)	Quantified / Qualified Benefit
Upfront Capital	Rs.40–50 Cr equity for ~5,000 beds	Nil upfront capital	Frees Rs.40–50 Cr for core manufacturing
Land Ownership	Company-owned land	Operator-owned land	Avoids land locking; faster project start
Construction Cost	Rs.5 lakh per bed.	Fully operator-funded	Zero construction & execution risk
Financing Cost	8–10% debt on balance sheet	Not applicable to employer	No interest or refinancing exposure
Time to Operationalise	24–36 months	6–12 months	12–24 months faster deployment
Operating Cost	15–20% of capex annually	Rs.3,000–4,000/bed/month	Predictable, budgetable housing cost
Maintenance & Upgrades	Company-funded lifecycle capex	Included in lease	No future capex shocks
Demand Risk	High (fixed asset)	Low (scalable leases)	Capacity aligned to workforce cycles
Balance Sheet Impact	Asset capitalised	Off-balance sheet	Improved ROCE and leverage ratios
Flexibility & Scalability	Low	High	Easy expansion or downsizing
Management Bandwidth	High	Low	Focus on core manufacturing
Employee Experience	Variable	Standardised	Improved living standards
Overall Outcome	Asset-heavy, long-term	Asset-light, scalable	Replicable across industrial corridors

5. Rental Industrial Housing in Tamil Nadu

Tamil Nadu is one of India's most industrialized states, contributing significantly to the country's GDP. At present the workers and employers in Industrial clusters across the state are sourced from the hinterland and the Tier 2, 3 centres and villages.

Continued push towards greater industrialisation by the Government also requires the necessary infrastructure to house the workers of these industries. As the infrastructure arm of GoTN, the State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) develops industrial complexes by

providing basic and comprehensive infrastructure facilities for the industries to set up their units. SIPCOT has so far developed 24 Industrial Complexes/parks, including 6 Sector Specific Special Economic Zones (SEZs) across Tamil Nadu in a total extent of about 34,000 acres spread over 15 districts. They establish, develop, maintain, and manage industrial complexes, parks, and growth centres in various places across Tamil Nadu.

The state has emerged as India's electronics manufacturing hub through a deliberate strategy integrating industrial policy, infrastructure provision, and worker welfare, including targeted housing interventions. The state's Electronics Hardware Manufacturing Policy 2020, Tamil Nadu Industrial Policy 2021, and Semiconductor and Advanced Electronics Policy 2024 offer structured incentive packages for investments exceeding Rs.200 crores with minimum employment thresholds of 150 jobs. This approach explicitly recognizes that attracting global manufacturing anchors—particularly in labour-intensive electronics assembly and with specific emphasis on employment to women requiring holistic ecosystem development encompassing not just land and utilities, but also worker housing and social infrastructure.

5.1 Outcomes of the Integrated Approach

Between October 2019 and March 2024, Tamil Nadu attracted USD 23.1 billion in FDI, spanning electronics, automotive, EVs, pharmaceuticals, engineering, and allied manufacturing³. A key differentiator has been the State's ability to integrate industrial growth with worker housing solutions. Through varied instruments and partnership models, TNSF has played a catalytic role in enabling housing linked to large industrial investments, demonstrating replicable approaches for crowding in private developers and long-term capital.

Company / Programme	Sector	Housing Model (Illustrative)	Role of TNSF / TNIFMC	Investment Value (S Cr)	Housing Capacity (Beds)
Large electronics anchor (Sriperumbudur)	Electronics Manufacturing	Ecosystem-linked Worker Housing	Structured Debt (NCDs)	Overall Project: 700 TNSF NCD: up to 100	18,750
Large electronics/semiconductor anchor (Hosur)	Electronics / Semiconductors	PPP / SPV-based Worker Housing	Equity + Mezzanine Debt at SPV level	MoU Value: 24,300+TNSF equity & mezzanine (approved)	14,586
Large electronics anchor	Electronics Manufacturing	Potential Worker Housing	Project appraisal and structuring support	5,000+	TBD
Large Auto & EV Manufacturers	Automotive / EV	Employer-linked / Developer-led Housing	Pipeline development; structuring support	10,000+	TBD
Pharma & Engineering Units	Pharmaceuticals / Engineering	Rental Worker Housing	Assessment and potential debt / equity support	6,000+	TBD

³ Tamil Nadu attracted approximately **\$2.44 billion in FDI inflows in FY 2023-24**, up from \$2.17 billion the year before-Times of India

Company / Programme	Sector	Housing Model (Illustrative)	Role of TNSF / TNIFMC	Investment Value (S Cr)	Housing Capacity (Beds)
Tamil Nadu Govt – Worker Hostel Programme	Multi-sector workforce	State-led Worker Housing	SPV platform enablement (TNIHPL)	500+ (State Budget)	10,000+

The various models where Tamil Nadu Shelter Fund has played a role in the projects are illustrated in the subsequent sections.

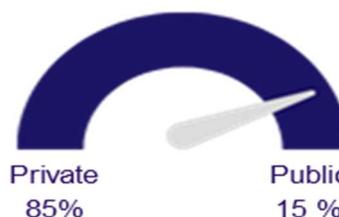
Tamil Nadu’s success in attracting large-scale manufacturing FDI is reinforced by its ability to integrate industrial growth with scalable worker housing solutions, where TNSF acts as a catalytic platform—using structured finance, PPPs, and SPVs—to crowd in private developers and long-term capital through replicable models.

6. Tamil Nadu Shelter Fund – Case Studies

6.1 Industrial Housing PPP model (Through a Joint Venture with SIPCOT)S

The Tamil Nadu Industrial Housing Pvt Ltd (TNIHPL) is a Special Purpose Vehicle (SPV) promoted by State Industries Promotion Corporation of Tamil Nadu (SIPCOT) with equal equity contribution by SIPCOT and TNSF.

The SPV aims to develop affordable rental housing facilities for workers in the SIPCOT campuses across the state.



Private sector leads design, construction, financing, and operations.

Public sector provides limited facilitation and support.

6.1.1 Project Details

Women’s industrial housing consisting of 800-bedded facilities, catering to the housing needs of women workers in the SIPCOT Siruseri campus that houses IT and technology companies.

Key Term	Details
Project Name	800 beds-Industrial Housing Project for Women Employees
Physical Stage of the Project	Final Finishing Stage



6.2 Industrial Housing Private Model

Currently TNSF is financing large private led industrial housing under this model. The project envisages to develop 14,000 units of rental housing facilities for female migrant workers near Shoolagiri, Hosur district.



Private sector leads design, construction, financing, and operations.

Public sector provides limited facilitation and support.

6.2.1 Project Details

Item	Key Details
Project Name	Integrated Industrial Housing Project. (14308 beds)

6.2.2 Construction Methodology

Precast Methodology is adopted. Precast methodology involves the off-site manufacturing of structural elements in a controlled casting yard as per approved designs and specifications. The finished components are transported to the site and erected using cranes in a planned sequence to ensure accuracy and stability. Final integration is achieved through grouting and in-situ concrete joints, completing the structural system efficiently.



Aspect	How Precast Helps This Project	Impact
Construction Cost	Lower site labour, shuttering, and rework through factory-made elements	5–8% cost efficiency at execution level
Construction Time	Parallel off-site casting and on-site works	20–30% reduction in overall construction duration
Labour Requirement	Shift from site-intensive work to mechanised erection	30–40% reduction in on-site labour dependency
Material Wastage	Controlled manufacturing and mould reuse	10–15% reduction in material wastage
Quality & Rework	Standardised components with dimensional accuracy	15–25% reduction in rework / rectification
Cash Flow & IDC	Faster completion and earlier stabilisation	8–12% savings in interest during construction
Schedule Risk	Defined erection sequence and modular planning	Lower delay risk (qualitative)
Replicability	Repeatable layouts and modular elements	High (≥80% components reusable in similar projects)

6.3 Working Women Hostel Model:

- TNWWHCL, with the support of GoTN and Tamil Nadu Shelter Fund (TNSF), which has contributions from the World Bank and Asian Development Bank, has so far developed 19 hostels, catering to the rental housing requirements of 1,824 working women across the state.
- The company is also currently developing 30 working women's hostels across the state of Tamil Nadu which shall benefit more than 2,750 women.
- Hostels are designed with enhanced safety features (CCTV, Bio-metric access, 24 hrs security), and inclusive design features (disabled friendly rooms and access features, parking, creche, common areas/lounge and study/workspaces).
- These hostels are also equipped with unique facilities (Wi-Fi, personal study desks, laundromats, TV rooms, pantry with kitchen appliances, two-wheeler parking) that provide an enhanced living experience for the residents.



6.3.1 Project Details

Key Item	Details
Company	Tamil Nadu Working Women Hostels Corporation Limited (TNWWHCL)
Promoter	Social Welfare & Women Empowerment (SW&WE) Department, GoTN
Business Objective	Development, management, and operation of working women hostels and allied housing

- TNWWHCL has more than 1,700 operational beds with more than 1,900 beds under construction.
- The operations of the hostels commenced in Apr'23. The current occupancy across all hostels stands at 88%.
- The WWHs has 19 hostels operational and another 8 hostels consisting of 400 beds are expected to be operational by Feb'26.

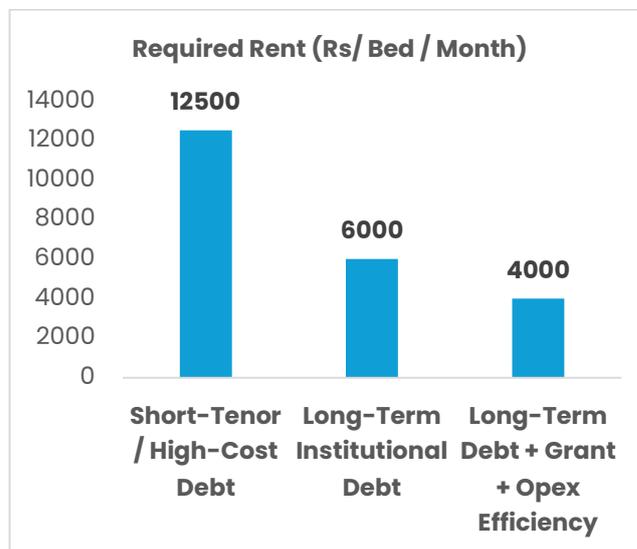
6.3.4. Feature Story by world Bank-Tamil Nadu Working Women's Hostels – A Home Away from Home

- Working women's hostels in Tamil Nadu address the need for safe accommodation as more women enter the workforce, supporting economic growth.
- Thozhi Hostels offer secure living with 24/7 security and various room options, catering to different budgets and needs.
- These hostels result from a public-private partnership supported by the World Bank, combining government resources with private management for high-quality services.
- **Article Link:** [Tamil Nadu Working Women's Hostels – A Home Away from Home](#)

7. Increase in Affordability by Blending Grants with Long-Term Finance:

Source	% of Total CAPEX
Promoter Contribution (Equity)	5.00%
Senior Debt	72.00%
Funding Institution (TNSF)	20.00%
Grant	2.50%
Total	100%

Particulars	Rs per Bed
Capex per Bed	5 Lakhs
Opex Per Bed	1,200 per bed per month



The Graph represents how TNSF's financing intervention acts as a key enabler of affordability, aligning social impact with long-term project viability. This model demonstrates that affordable rents in rental and industrial housing are achieved through the right blend of limited government grants, long-term institutional financing, and efficient operations. Capital structure directly determines rent viability, enabling scalable, sustainable housing solutions for industrial workers and workers.

TNSF's role in improving housing affordability through its financing approach. By providing long-term finance and blending it with grant support, TNSF reduces the debt burden on projects, which directly translates into lower rental requirements for end users.

Unlike short-tenure, debt-heavy funding structures that push rents upward, TNSF's patient capital model enables stable cash flows, lower monthly repayment pressure, and affordable rents, while still ensuring the financial sustainability of the project.

8. Conclusion

The Tamil Nadu Shelter Fund (TNSF) has pioneered a sustainable and innovative model for addressing the housing needs of industrial workers in Tamil Nadu. By leveraging Public-Private Partnerships (PPPs) and a structured financial model, TNSF has successfully created a blueprint for industrial housing that balances social impact with financial viability. This model not only addresses the immediate housing needs of workers but also contributes to the state's broader industrial growth by ensuring a stable and productive workforce. The success of projects like these, demonstrates the potential for scaling this model across other

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