

'We want to be No. 1 in affordable housing by FY26'

Shriram Housing Finance crossed ₹10,000 crore in assets under management in July this year. The housing finance company plans to get to a book size of ₹25,000-28,000 crore in three years from now. **RAVI SUBRAMANIAN**, managing director and chief executive officer, feels that the sector is in a sweet spot, and capital will not be a constraint for the better-run players. He spoke with **Raghu Mohan**. Edited excerpts from a video interview.

How does the affordable housing finance (AHF) market look at this point in time?

At no point in time has it been better than what it is right now, despite all the rate hikes, and talk of a slowdown. I think the market is at its peak, the portfolio quality is at its best, revenue and profitability are pretty good — the market is robust. Every housing finance player is reporting strong numbers.

With the merger of HDFC with HDFC Bank, how do you see the AHF market?

The entire segment is in the hands of HFCs. After the merger of HDFC-HDFC Bank, a lot of stuff that HDFC used to do in the past, the merged entity may not do. The money available for HFCs has actually gone up, but with specific regard to customers and the fulfilment of their needs, I'm unsure. It's not that the market was a limiting factor; capital availability was and how much debt came their (HFCs') way. The liability side was the more normalising factor for this segment than the advances side!

How do you see the liability side of the game playing out?

I would tend to imagine that interest rates have kind of peaked out and, at best, you may see a 25-basis-point hike here on. But by and large, I think with the Reserve Bank of India managing monetary policy tightly, the objective of controlling inflation has been achieved

without compromising on growth. But I also don't see interest rates coming down significantly very quickly. I guess it will be about three-four quarters before we see a reversal in the cycle. But once that comes in, it will impact HFCs positively.

Given that you are making a shift (incrementally) towards the better-rated customers, do you see stress in the sector?

Well, I can't talk about the industry and for others, but over the last four years, we have been focusing on ticket sizes of ₹16-18 lakh and on customers willing to pay an interest rate of about 12.5-13.5 per cent. This segment has performed very well for us and this is reflected in our bounce rate which is about three to four per cent, significantly lower than that of the industry. So, I don't see too much stress.

Look, India is a very emotional country as far as homes are concerned; people don't want to default on their housing loans. If you try to keep frauds out of the way, make sure your process is robust to catch frauds and eliminate valuation risks you will be safe in this business.

Can you give us a sense of your ambitions in terms of expansion and growth?

We have just hired about 600 people in this business as of April 1; and now employ 2,500. We have expanded our distribution in the



get there, we will be the largest AHF player in the country. At our strategy meeting in April this year, we set ourselves an ambitious goal of being the number one AHF company by FY26. I am reasonably confident, given the team that we have, the way we do business and given the markets that we operate in, it's just a matter of time before we get there.

You referred to growth being largely dependent on the amount of capital HFCs can raise. Now many may not be able to do so and given the scale of your ambitions, are you hinting that inorganic growth is on the cards?

We were pursuing inorganic growth, but now there are two things which come in the way. We crossed ₹10,000 crore in AUM in July this year which makes us the third-largest HFC in the AHF space to cross this mark. Most of the other players are small, and what sense does it make at this point in time to acquire a ₹2000-3000 crore (in assets) AHF company which does not give you any advantages in geographical distribution or customer segment? In fact, that's equivalent to about a quarter's originations for us, and so there's no point paying three-four times book to acquire something which I can originate in a quarter.

Somewhere, the cost-benefit analysis for an acquisition doesn't really make sense for us now, though we are still looking out if a sizeable player comes up at a reasonable price.

Can you give us an update on your co-lending relationships?

We have signed up co-lending relationships with State Bank of India, Axis Bank, and Punjab & Sind Bank. All three are working at different levels of efficiency. My guess is by the end of this year, of the ₹8,000 crore, about 10 per cent will be through co-lending.

North. Compared to last year's origination of about ₹4,100 crore, we will be originating close to ₹8,000 crore this year. That will take us to ₹13,500-14,000 crore in assets under management (AUM) in this fiscal year; and by FY26, we will get to about ₹25,000-28,000 crore. If we



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