

## **We are on track to reach Rs 10,000 crore AUM by FY24: Ravi Subramanian, Shriram Housing CEO**

Betting big on the affordable housing market, mortgage lender Shriram Housing Finance Ltd has set a target of Rs 10,000 crore assets under management (AUM) by the end of financial year 2024, its managing director and CEO Ravi Subramanian said in an exclusive interaction with *Moneycontrol* on August 13.

The mortgage lender is planning to scale up its affordable housing finance business in Tier-II markets, specifically focusing on the self-employed customer segment, Subramanian said.

Shriram Housing Finance reported a 65 per cent growth in its AUM to Rs 3,910 crore but its disbursements remained subdued at Rs 221 crore due to state-level lockdowns and the impact of the second wave of COVID-19.

### **Edited Excerpts:**

#### **What is your outlook on the housing finance industry?**

**Subramanian:** We are very bullish. There is enough liquidity in the system and people have realised the worth of bigger homes. People are upgrading their houses and the government, too, had its role in pushing the transactions upwards with cuts in stamp duties.

Sops were announced for the real-estate players, and all this added to the overall mood of the industry. A record number of transactions are happening in Mumbai and a big jump is being seen in the sub-Rs 1 crore property segment. These transactions are driving the housing finance industry.

#### **What is the impact of the second wave of COVID-19 on your business?**

**Subramanian:** April-May were bad for us due to the second wave of COVID-19, and we didn't really push our sales people and disbursements were low around Rs 221 crore in Q1.

June onwards, disbursements picked up. In July, we were back to the peak and close to the highest ever disbursements of around Rs 250 crore. This is the same for most lenders.

Our collections are back to around 99 percent. We saw the lowest levels of cheque-bounce in July in the last 12 months.

#### **Could you throw some light on the asset quality situation?**

**Subramanian:** The NPAs went up in June by 30 basis points, owing to the impact of the second wave of COVID-19 in April and May. These are set of customers with one or two EMIs due. It was difficult for them to pay back and go back to normal life, so they continued to stay in delinquency for some time.

The other set of customers, who were due with three EMIs already, went to four and five EMIs as the second wave hit and they couldn't pay back to roll over.

By the end of Q3FY22, we will be lower than the March 2021 numbers. We ended FY21 at 1.9 percent GNPA. This year, we will be below 30-40 basis points by March 2022, provided a third phase of COVID-19 does not create any serious disruption.

#### **How are the numbers stacking up with respect to the loan restructuring requests?**

**Subramanian:** We restructured loans to the tune of around Rs 58 crore in the first phase, and roughly Rs 75 crore in the second phase. Out of this, Rs 40 crore were current, meaning not delinquent customers. Essentially, the restructuring bucket was of Rs 75 crore on a base of Rs 4,000 crore.

#### **Is there a customer exodus to banks from HFCs because of lower rates?**

**Subramanian:** While I stay concerned on that, my answer is no. We have a fairly sound analytical model to predict customers who have a higher propensity to shift. We reach out to these customers and fulfil their requirements.

A customer shifts because he either gets a better interest rate or more money. When a customer comes to us, seeking a balance transfer, it is normally too late as he is ready with his work and it becomes difficult to turn the clock backwards. So, we proactively reach out to these customers, trying to figure out what their requirements are. This led to a reduction in our balance transfer out.

We largely deal with the self-employed. This segment is not particularly in the bank's interest. While all banks are advertising

around 6 percent, the self-employed segment might not necessarily get the benefit of it.

Our attrition last year was 9.5 percent, which is not significant as banks have much larger attrition. The accepted norm in the industry is 1-1.5 percent a month.

#### **What is the scenario on the cost of funds?**

**Subramanian:** At this point of time, we are sitting on Rs 400 crore of undisbursed lines at 7.4 percent and we are comfortable with our position. We have Rs 600 crore cash and Rs 400 crore of undisbursed lines. My worry is if we don't start lending by September, this cash will be a huge drag.

The drag cost on excess cash is a better situation to be in than having to crack the momentum because of excess cash. This problem is there only for a couple of months but the revenue I would earn from these loans would be premium, so we are happy carrying the drag.

#### **What are your expansion plans?**

**Subramanian:** Last year, we opened 20 branches of Shriram Housing by cross-selling loans through Shriram City Union branches in Andhra Pradesh and Telangana. By December 2022, we will have a presence in all 170 branches of Shriram City Union Finance in Andhra Pradesh and Telangana, and we will hire 300 people to expand these branches.

Our employees will cross-sell to customers in these branches and in the catchment area of those branches. We will be the largest housing finance company, distribution-wise, in the affordable housing finance segment in Andhra Pradesh and Telangana.

With a productivity of Rs 30-35 lakh per employee, we will start generating business worth Rs 50-75 crore from March 2022, which is entirely affordable housing finance. Tier-2 cities will lead growth in FY23.

By next year, we will get Rs 750 crore incremental disbursal, which will constitute 25 percent of my total disbursals by FY23.

If we are able to do this model well in Telangana and Andhra Pradesh, we have 1,000 branches of Shriram City Union and over 2,000 branches of Shriram Transport Finance across the country to replicate the same model.

Our overall focus will continue to remain in four southern states – AP, Telangana, Karnataka and Tamil Nadu, and three in West -- Maharashtra, Gujarat and Rajasthan.

We have set a target of Rs 10,000 crore by FY24. By and large, we are on track to get to that number.

We will end this year at around Rs 6,000 crore, as monthly disbursals are back to Rs 220-250 crore.

Funding is well under control as we had capital infusion from our parent company (Shriram City Union Finance) to the tune of Rs 500 crore. Of this, Rs 200 crore was infused in May and the remaining should come by December 2021.

So, with over Rs 1,300 crore capital plus accrued profits, we are well on track to achieve our FY24 targets.