

‘Demand for home loan strong, don’t see asset quality challenges’

Shriram Housing Finance (SHFL) does not see any challenges on the asset quality front going ahead, as it expects the same to improve from hereon, says MD and CEO Ravi Subramanian. In an interview with Mithun Dasgupta, Subramanian says the company’s customer segment is tilted towards self-employed due to its underwriting mechanism based on cash flow assessment of small business owners. Excerpts:

During Q2, Shriram Housing Finance’s disbursements were at ₹ 633 crore, compared to ₹221 crore in Q1. What kind of demand for housing loans are you witnessing in Q3? What is the disbursement growth outlook for this quarter?

The demand for housing loans is extremely strong. We are witnessing a robust

growth in tier 2 and tier 3 locations. We are expecting to continue the upward trajectory on disbursement numbers.

Collection efficiency was 99.5% in the second quarter as September was the best month for collection for the company. Do you believe the difficult period induced by Covid is over?

Yes. Post the second wave, the economic activity seems to be back on track. The business outlook across sectors is robust. This should translate into better employment opportunities and revival of business across small & medium business enterprises. There is an upsurge in demand across segments, especially real estate. The ghost of Covid now seems to be behind us.

The company focuses on self-employed people while credit underwriting. Has this strategy helped you maintain the asset quality during the pandemic?

SHFL caters to both the self-employed and salaried segments. Our customer segment is tilted towards self-employed due to our robust underwriting mechanism based on cash flow assessment of small business owners. We did face a minor blip during the lockdown times as customers were unsure about the timelines of lockdown. With businesses back to near normal, the cash flows across small enterprises are also normalising. We do not foresee any challenges on the asset quality front in such an environment. Rather, we expect the asset quality to improve from hereon as the economic activity strengthens.



How do you plan to expand branch networks this fiscal?

Bulk of our acquisitions are in the seven states which are our focus markets. Over the next six months, we plan to enhance distribution across specific geographies. Our dis-

tribution strength would improve substantially in South with the focus markets being Andhra Pradesh, Telangana, Tamil Nadu and Karnataka.

Our branch network would see an addition of 15 branches in TN and around 10-12 branches in Karnataka. In AP-Telangana, we are driving a cross-sell initiative, ‘Griha Poorti’, where we are selling home loans to existing Shriram customers through the SCUF (Shriram City Union Finance) branches. We have already set up distribution points across 104 locations and intend to take this up to 178 over the course of next two months. So, by the end of this year, we will have over 100 branches and 178 Griha Poorti sales points.

The company received around ₹300-crore

funding in October from its parent company Shriram City Union Finance. Was this fund infusion necessary? How do you plan to use the funds?

We received ₹300 crore in October. We had earlier received ₹200 crore in May, so the overall infusion in the current financial year is ₹500 crore. This is growth equity infusion which is in line with our business plan. With the current infusion, our net worth is now over ₹1,100 crore, and this sets us on track to meet our business plan for the next two-three years. We are looking to end the current financial year at ₹5,600 crore of AUM (assets under management), which should further grow to ₹7500 crore in the next financial year. This equity infusion will enable us to pursue growth ambitions with balanced aggression.