

Pandemic made us more agile than ever before: **Ravi Subramanian, MD and CEO, Shriram Housing Finance**



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*The pandemic, that brought massive challenges for industries across the globe, turned out to be an opportunity in discussion Housing Finance Sector. To understand how the sector aided the sector and made it agile, Rashi Aditi Ghosh of Elets News Network (ENN) interacted with **Ravi Subramanian**, MD and CEO, Shriram Housing Finance. During the exclusive conversation, he said, "The mental mindset of people spending most of their time away from home has taken a 360 degree shift and people are spending majority of their time at home. The whole rent vs buy debate has found an entirely new dimension. This aided growth for Housing Finance business."*

Excerpts of the conversation; Covid brought several challenges for the industries across the globe. How did it affect the housing finance segment?

The Covid pandemic played havoc across the globe bringing economies to a grinding halt. With people spending more time at home, there was a behavioural shift in people's attitude towards not just owning a home, but also the kind of house they would want to own or the way they would

want their house to be. Add to this the need for having extra space to have the make shift office for oneself and a temporary classroom for the kids. Families living in heart of the city felt the need to own their own place even if it meant moving away from the city centre, especially in metros.

Those who already have homes are looking to expand and add more rooms and also take up home improvements. The mental mindset of people spending most of their time away from

home has taken a 360 degree shift and people are spending majority of their time at home. The whole rent vs buy debate has found an entirely new dimension. This aided growth for Housing Finance business.

There were some families who moved back to their home towns and realized the importance of a good lifestyle. This fuelled demand in Tier 2 and below cities for upgrades or home renovation. The demand for affordable homes has

risen significantly. Having your own home in a scenario of risk to one's job makes a lot of sense, especially when one considers work-from-home as the new norm across many industries. Residential housing prices have marginally corrected or have been stable in most locations ever since the pandemic hit us, and government measures have provided financial incentives for buying affordable homes thus pushing up demand for affordable home loans.

Did you witness any fall in demand for housing after the first and second wave of Covid?

During the lockdown, things came to a standstill, but the demand scenario improved gradually as the economy started to open up. With the downward price corrections, falling interest rates and government incentives like stamp duty reduction we witnessed a significant pick-up in demand for realty.

Home loan affordability is currently at an all-time high which has aided the growth in business. In Tier 2, 3 and below towns we have also seen a good growth. The need for bigger and more spacious houses has also contributed to a growth in Home Improvement & Home Extension loans.

It has been estimated that Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030. What are your plans to match this growth target?

Shriram Housing Finance is amongst the fastest growing & profitable Affordable Housing Finance Companies in India. Our current Assets under management stand at Rs 4,250 crore. We expect to grow our AUM to 10,000 Cr by 2024. Shriram City (our parent company) has infused Rs 500 Cr of growth capital in us which sets us on course for our planned expansion. In the next one year we will be expanding aggressively in Andhra Pradesh and Telangana via a shop-in-shop model across all 178 branches of Shriram City Union Finance.

This would be in addition to our regular branch expansion which should see us adding another 10 branches over the next 6 months. Our Group is pioneer in addressing the financial needs of the common man through innovative financial products. We would continue to build on this ethos and remain one of the most trusted brands for the Aam Admi. Our focus would continue to be on the affordable home loan segment and cross selling

across the Shriram group customers aid our aggressive growth plans.

Do you see any competition with banks pertaining to low interest rates?

The Shriram Group has a deep rural reach and connect with the customers in the geographies we operate. Our customer segment is different from the usual bank customers. We cater to the small business owners who are operating in the unorganized/semi-organized business segment.

The pandemic, in more than one way, has helped us fasten our technology capability. Now, more than 90% of our customer acquisition journey is digitally enabled.

Our edge is the strong understanding we have of the local market, the business and the customer as well. This helps us offer a customized financial solution to our customers. Further, at SHFL we also cater to the needs of the existing group customers where we have a deeper understanding of the consumer behavior due to our analytical insight. We work in the affordable home loan space, a space which usually has first time borrowers and new to credit borrowers, along with non-salaried customers. Banks usually stay away from this segment. Also given the low penetration of mortgages in India, there is enough room for all to grow.

Did you undergo any restructuring recently? Are you planning any acquisitions also?

Since January of 2019, we revamped

our distribution footprint, increased focus on markets with good portfolio quality and those that offered a significant growth opportunity. We focused on six key states to build our 'New Book' (loans booked Jan 2019 onwards) – AP Telangana, Karnataka, Tamil Nadu, Maharashtra, Rajasthan and Gujarat. We also modified our offering towards a more diversified customer profile which included the affordable housing segment in large measure with optimal contributions from the mid-segment home loans in specific markets like Mumbai and Delhi NCR. This two-pronged approach has helped us grow. On the acquisition front, we are growing our book organically, but if the right opportunity presents itself we would consider.

What have you learnt from 2021 and how are you planning your growth strategy for 2022?

The pandemic changed the game for every organisation and pushed us to think differently. We are now more agile than ever before. We are also constantly thinking of ways to enhance customer experience remotely. The pandemic, in more than one way, has helped us fasten our technology capability. Now, more than 90% of our customer acquisition journey is digitally enabled. We just need to meet the customer for a physical signature as a regulatory requirement. Further, we have upgraded our Customer mobile App and Website portal to ensure we offer more information to the customer at a click.

The role of financial institutions like Shriram became more important than ever — where possible, providing liquidity, support and necessary forbearance to customers undergoing temporary difficulties. Sensitivity shown to customers in times of stress has led to higher brand loyalty today. On the funding side, we better understand our available capital and liquidity resources and assess the resilience of these in times of stress and account for capital buffers at all times. We are using scenario modelling and contingency planning expertise to help us and our customers to make good decisions in the face of a highly volatile operating environment.

We have incorporated new analytical indicators, prioritized by the COVID-19 outbreak, into our decision-making activities. Overall, we are being driven more by data at the backend, and continue to strengthen our relationship with our customer at the front end. •