

# SHFL Eyes AUM of Rs 10,000 Crore by FY24

Non-banking financial companies are central to fulfilling the financial needs of common consumers. Shriram Housing Finance (SHFL) has performed remarkably well in the last three years.

**RAVI SUBRAMANIAN**, MD & CEO, SHFL talks to **ASHISH SINHA** about the reasons for success and how the 'Housing for All' initiative is helping SHFL. Excerpts

**SHFL has emerged as a key contributor to the affordable finance solution. What is driving business?**

SHFL stood by its customers during the pandemic—providing liquidity, support and necessary forbearance against temporary difficulties. This encouraged higher brand loyalty, even as we strengthened capital and liquidity resources to deal with the uncertainty.

Backed by Shriram Group, SHFL has a strong understanding of the local markets, business and customers; which allow it to offer customized and affordable financial solutions. We take pride in our robust asset quality and high collection efficiency, as we work towards making financial services to the 'aam aadmi'. Ten per cent of SHFL's customers are new-to-credit and over 75 per cent have a credit score above 700. The average CIBIL score of the portfolio is 733. Non-salaried customers accounted for 83 per cent of Q3FY22 disbursements and 79 per cent of the portfolio as of December 2021. With the focus on distribution and expansion, SHFL aims to reach an AUM of Rs 10,000 crore by FY24.

**Despite being 11-years-old, SHFL has only transformed in the last three years under your**



### **Leadership. What led to this shift?**

Shriram Housing Finance started as a pan-India housing financier in 2010. Our growth momentum picked up post-2018, aptly termed SHFL 2.0 when the company transformed. The operating structure was revamped to drive operational efficiency, whilst continuing to focus on the core business of secured mortgages.

As a part of the change, the new leadership team brought in helped scale SHFL's granular book in the affordable and mid-housing segments, implemented a new credit appraisal process — better suited to the target consumer segment, and built an innovation and technology-driven business model. This resulted in 3x growth in AUM in three years, from Rs 1,500 crore to Rs 5,000 crore growing over 3x.

We have tapped our strong parentage in the last year. SHFL leveraged Shriram Group's infrastructure to enhance its distribution footprint, improve productivity and widen the offerings for middle-income borrowers. To build a sustainable retail portfolio, SHFL is running down its residential-focused construction finance book, and focusing on building scale via granular distribution in six key states.

### **Affordable housing finance is seeing a lot of interest from customers and investors. What makes SHFL placed to ride this growth wave?**

The government has undertaken the 'Housing for All' mission by 2024—which focuses on affordable housing that is crucial for the middle and low-income segments, especially in urban

and semi-urban areas.

SHFL caters to the 'aam aadmi' and targets the end customer directly. The portfolio comprises 67 per cent housing loans, of which the majority are affordable home loans, followed by the mid-market segment. Our sweet spot is the average ticket size home loans of Rs 15-16 lakh. The company's ability to assess the new to credit customers is its key strength. Of this, over 99 per cent are retail customers, with over 80 per cent loans below Rs 25 lakh. This makes us well placed to participate in the affordable housing growth story. The company recently entered into a co-lending partnership with State Bank of India (SBI), which will give fillip to our distribution strength. SHFL has set the stage and is among the top five private sector players in the affordable housing finance space today.

### **You have a strategy to look at six key geographies instead of pan-India. Why?**

SHFL has a widespread presence with 103 branches across 15 states and 196 Griha Poorti offices across AP, Telangana & Gujarat. Griha Poorti is an initiative to bring SHFL products to the doorstep of Shriram customers. Our objective is to ensure that the Home Loan needs of Shriram customers should be fulfilled solely by SHFL. To make this possible, we run a special product scheme for them with differentiated approval metrics.

SHFL has aligned the distribution strategy to focus on the four southern states in line with Shriram Group's vision and extensive network in Tamil Nadu, Andhra Pradesh, Telangana and Karnataka.

Maharashtra, Gujarat, Delhi and Rajasthan are also key regions, and together with the Southern states account for 87 per cent of the AUM as of December 2021. SHFL aims to become a market leader by going deep and wide in these geographies. It will also grow its presence in Punjab, Madhya Pradesh and Chhattisgarh.



**“We adopted the digital-first approach by quickly pivoting and innovating to find new ways to connect with new customers”**

even if away from the city centre. Existing homeowners too are looking to expand or improve, driving demand for home improvement and extension loans. At the organisation level, we adopted an operating model built for speed. A rapid operating model has helped us unleash nimble, empowered teams with multidisciplinary skills who use analytics to drive test-and-learn approaches while making speedy decisions. We have incorporated customer-centred strategies, real-time analytics, and the right talent model to absorb sudden shocks and stay on course.

### **How will affordable housing finance take shape in the next five years, and what role will SHFL play?**

The affordable housing finance sector is on the cusp of long-term secular growth, because of favourable macros, government push, low-interest rates, and revival in residential real estate. This has improved affordability, and the segment should grow at a CAGR of 15-20 per cent over the next five years. Given our differentiated strategy, we should be able to grow at 30-40 per cent which is double the industry growth.

SHFL specialises in affordable housing finance, especially for the economically weaker sections. It is one of the fastest-growing NBFCs today and has the largest distribution

### **What are some post-pandemic trends that you've witnessed? How are you addressing them?**

Customers are demanding products and services via digital modes much more than before. We adopted the digital-first approach by quickly pivoting and innovating to find new ways to connect with new customers. Our recently launched Customer Service App offers a host of services for all our existing and new customers. SHFL constantly explores ways to enhance the remote experience, as over 90 per cent of our customer acquisition journey is digitally enabled.

Staying at home boosted the homebody economy, behavioural shifts towards families and millennials wanting to own a home,



**“SHFL is one of the fastest-growing NBFCs today and has the largest distribution network for an affordable HFC, a quality portfolio, and profitability...”**

network for an affordable HFC, a quality portfolio, profitability, and a customer-centric approach. SHFL is banking on immense cost synergies from Shriram Group’s branch network. The ‘Griha Poorti’ programme will be expanded to all viable branches, which will drive growth at a low cost. SHFL is poised to double its AUM to Rs 10,000 crore by FY24 and become an industry leader.

**Shriram Group is in the midst of a mega merger. What collaboration can be expected across group companies and what will trickle down to SHFL?**

The proposed merger of Shriram City Union Finance (SCUF) and Shriram Transport Finance (STFC) will create synergies and distribution capabilities across the group companies.

The merged entity will have nearly 4,000 branches and sales points combined, with a credit-tested customer base of over 6.4 million, most of whom require mortgage loans at some point. SHFL has built a robust cross-sell model under the ‘Griha Poorti’ programme which will be scaled into the merged entity. Anticipating SHFL’s growth prospects, holding company SCUF infused Rs 500 crore in FY22. This has allowed SHFL to have a better credit rating, facilitate a diversified borrowing profile, lower the cost of funds and ensure stable asset-liability management.

**What was SHFL’s revenue for FY19-FY21? What was the reason for the growth and how much revenue do you see for FY22?**

SHFL’s fundamentals have been improving since it undertook the transformation journey. Revenue from operations grew from Rs 291 crore in FY19 to Rs 363 crore in FY20 and further to Rs 422 crore in FY21. During this period, SHFL concentrated on a few key states, overhauled its underwriting and loan processes, and implemented technological and digital initiatives.

**What was SHFL’s AUM in the past three financial years, and what was the quantum of loans disbursed?**

SHFL disbursed loans worth Rs 759 crore in FY19, followed by Rs 1,127 crore in FY20 and Rs 2,195 crore in FY21. Simultaneously, AUM increased from Rs 1,848 crore at the end of FY19 to Rs 2,305 crore in FY20 and Rs 3,929 crore in FY21 and as of Feb-22, we touched Rs 5000 crore. We focussed on controlled growth during the pandemic, and SHFL still managed to have an excellent Q3 — reporting the highest ever quarterly disbursements of Rs 768 crore. **BW**

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