Companies

'We are clearly focused on Tier-2 and -3 towns for growth, says Sundaram Home Fin MD

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Lakshminarayanan Duraiswamy, MD, Sundaram Home Finance

A sharp recovery in the residential housing sector post-second wave starting from Q2-FY22 has driven strong growth for leading housing finance companies such as Sundaram Home Finance (SHF), which has registered two successive quarters of close to ₹800 crore of disbursements. This is a record performance in its history. SHF aims for a 50 per cent growth in disbursements in FY23. Lakshminarayanan Duraiswamy, Managing Director of Sundaram Home Finance, spoke to *BusinessLine* about the residential demand, the company's biggest branch expansion and hiring plans to benefit from growth opportunities in the market. Excerpts:

How has the performance of the housing finance segment been in the post-Covid period?

There is a strong rebound in the segment post-second wave. I am tempted to say that the level of buoyancy in the markets today is very close to pre-pandemic levels. The level of recovery is quite strong and we are thrilled to be where we are today. A lot of things helped. The pace of vaccination and communication about the virus helped people to get on with their lives. The good news is that for most, life is back to normal and it is reflected in the increased demand in the real estate space.

What is driving demand in the home segment?

In 2021, demand was driven by those that had postponed decisions to buy their first home. That contributed to kick-starting the demand after a hiatus of two years. A lot of people had done their homework to buy a home, but couldn't proceed due to Covid. They see brighter opportunities as prices are probably a tad lower than before and interest rates are also lower. Also, this time, we are seeing a new set of buyers, first-timers, who are looking at owning a reasonably sized home. Interestingly, the new generation who previously looked at 'renting' as an option are reconsidering and are buying a home now. That is a positive development. Also, the 'Work From Home' model has necessitated the need for larger homes. The country's economic development is helping drive demand in the real estate space as more jobs are getting created and a new workforce is coming. They have money to invest which is also driving the demand. We see this as a sustainable and organic demand and expect the trend to continue given the favourable economic outlook.

Which are the home categories that witness a good demand?

In the first phase, recovery was uniform as most people who had planned to buy homes earlier went ahead with their decisions. But right now, we see good momentum in the mid and low-end segments driving growth for us, but this is not necessarily so in the luxury segment because this segment takes time to buy.

Will the repo rate hike cause any negative sentiments?

There may be temporary blips but I do not see any negative impact in the medium to long term. The interest rates that exist today compare favourably with those 3-4 years back. Also, I do not think that interest rate will be a defining feature in deciding on a home loan buy.

Do you expect strong growth in Q1 disbursements to continue for the rest of the year? What is the target for the year?

We more than tripled our disbursements to ₹796 crore in Q1 this fiscal but it would not be a fair comparison as Q1 of last year was impacted by the second Covid wave. However, it has been a good growth comparable even to 2018-19 numbers. All geographies in the South market have done well for us. Even markets in Rajasthan and Madhya Pradesh have registered good growth. We achieved disbursements of around ₹2,350 crore in FY22 and are targeting a 50 per cent growth this fiscal.

How are you planning to achieve your growth targets?

The first four months have been really good for us. We are clearly focused on tier 2 and 3 towns. We want to be present in those markets where we see the potential. Our ability to understand the customer segments and service them in the rural market is a differentiator for us. The branch expansion we are planning will be a key driver of our growth as it will further strengthen our presence in tier 2 and 3 towns. While we want to consolidate the segments we are present in, we are also looking at smaller loans of up to ₹20 lakh targeted at the self-employed. The concept is in the test phase now. I believe there is a market for us in this segment, especially in smaller towns. By year end , we should be ready to launch our offering for this segment.

How many branches are you adding? What are the hiring plans?

Probably, we are undertaking our largest-ever annual branch expansion and hiring in FY23. Presently, we have 105 branches across the country. We plan to expand into 15-18 new locations this year mostly in tier-2 and -3 locations in the South. We have already hired about 150 people in the first four months of this year, which is almost as many as we hired in the whole of last year. Most of this hiring is to strengthen the sales force to tap into opportunities we are seeing in tier 2 and 3 locations.

Are you raising more funds in FY23, especially in light of the growth targets?

Last year, we raised about ₹4,000 crore and are looking to raise around ₹5,000 crore this year. The National Housing Bank has been supporting us well. Fixed deposits constitute around 20 per cent of our funding basket. We will also be looking at bank borrowing and NCDs as part of our fundraising plans. The funding mix will largely remain the same.