

Sundaram Home Finance bets on demand in smaller towns

By Dia Rekhi, ET Bureau • Last Updated: May 24, 2022, 06:21 AM IST

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Synopsis

The Chennai-based mortgage lender, a unit of Sundaram Finance, would raise as much as ₹4,500 crore from multiple sources to lend and replace some maturing debt, said D Lakshminarayanan, managing director, Sundaram Home Finance.



Lakshminarayanan added that smaller ancillary businesses are mushrooming in these towns and cities which in turn is creating jobs in such locations and driving housing growth in these regions.

Chennai: [Sundaram Home Finance](#) is targeting a near 50% rise in disbursements this year as economic activity in smaller towns is accelerating and more small [businesses](#) join the formal [economy](#) as they come to terms with the reality of the Goods and Services Tax, said a senior executive.

The Chennai-based mortgage lender, a unit of [Sundaram Finance](#), would raise as much as

₹4,500 crore from multiple sources to lend and replace some maturing [debt](#), said D Lakshminarayanan, managing director, [Sundaram](#) NSE -0.18 % Home Finance.

"We have been doing well month-on-month in the last four months and believe that there is a potential to carry forward this growth into the future," Lakshminarayanan told ET in an interview. "Our record disbursements of close to ₹350 crore in March point to the fact that we are seeing a fair bit of momentum."

The company aims to disburse ₹3,500 crore this year, up from ₹2,350 crore last fiscal, which would be raised through [market](#) borrowings, loans from banks and funding from the National Housing Bank.

The funding mix typically has been about 20-25% from NHB, 20-25% from non-convertible debentures, 20% from bank borrowings, 15-20% from deposits and the rest from commercial papers.

The company's March quarter net profit rose 45% to ₹53.05 crore, from ₹36.60 crore a year earlier. Disbursements during the quarter went up 73% to ₹794.11 crore compared to ₹459.38 crore in the year-ago period.

The real estate market is witnessing new dynamics with smaller cities leading the boom. Housing demand is likely to grow 5-10% supported by favourable demographics and urbanisation, forecasts rating firm [Crisil](#). It estimated the demand had risen 33-38% last fiscal, surpassing pre-Covid levels on a low base when demand fell by 20-25%.

"The emergence of an organised SME/MSME segment is driving this growth," Lakshminarayanan said. "SMEs have understood the importance of formal registration. Finally, GST has become acceptable to them. To access organised credit of a scale, they need to have a GST statement and IT returns filing. With this acceptability, the registrations of SMEs/MSMEs have been on the rise and they are now looking at expansion driven by financing from institutions."

Lakshminarayanan added that smaller ancillary businesses are mushrooming in these towns and cities which in turn is creating jobs in such locations and driving housing growth in these regions. To cater to this uptick in demand, Sundaram Home Finance is going to be more aggressive with its 'feet-on-street' model.