

INTERVIEW | LAKSHMINARAYANAN DURAISWAMY

'Affordable housing may not see purchases soon despite incentives'

'People may be wary of investing in these uncertain times'

K. BHARAT KUMAR

After more than a decade with the Sundaram Finance group, Lakshminarayanan Duraiswamy was appointed the MD of Sundaram Home Finance, the group's home financing arm earlier this year. He has taken over at a time when the country's economic activity, which was already facing turbulence, has come to a near standstill since end-March on account of the COVID-19 pandemic. And, demand for home loans has weakened considerably. Edited excerpts:

How has your first quarter as MD been?

■ It almost feels like a year! It is a very interesting time to be in the financial services space.

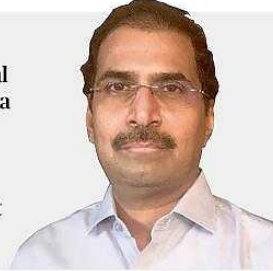
We have all been working from home. Initially, the thought process was that this would impact our lives for about three months. Now, it looks like it will be another three months before life is back to normal again. Even in States that have got down to working, there have been starts and stops. We opened for 4-5 days and then had to close for a week when the scenario got worse in that city or town. This has not helped business. We had just one disbursement in April. There was a little more in May. With the opening up last month, June was slightly better and now July looks much better.

So, gradually, we are seeing an upward trend. However, the concern remains regarding buyer behaviour.

Will they buy a big apartment or a small one? Will they look at Tier 2 and 3 towns as against larger cities? - the answers to these and more are still in the air.

Affordable housing has been

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touted as the next big growth segment within real estate.

How is it looking now?

■ This segment will be the biggest lever of growth, going forward. Also, there is only one way that housing loans in India will go and that is up.

However, the segment is the hardest hit because of COVID-19 and hence it may not grow in the next one year.

Given the uncertain environment, it is likely that prospective buyers will think twice about investing in a house as they will want to save money for now. While the government is incentivising affordable housing both to builders as well as to customers, it may not activate buying in the immediate term.

But there is already unsold inventory in real estate...

■ Even before COVID-19, real estate had faced a lot of headwinds. We would still be talking today about unsold inventory even without COVID-19. There have been no new launches in the last four months.

Prospective sellers refused to sell even in the pre-COVID days as they were waiting for a better price. How long big builders hold on to price, is something one has to wait and see. Over time, this could become illiquid and prices are likely to come down.

In secondary sales, people may not sell if they have

no immediate need for cash. The only resale in the current scenario would be by those for whom there is an emergency or who think that the worst is yet to come.

Given this scenario, how will your financial metrics look now?

■ We are reworking our metrics - disbursements, portfolio quality and profitability. Given the current disruptions and the ongoing lockdowns, we are currently monitoring weekly and monthly trends.

We will wait until the offices are fully open and have access to customers before we decide how the rest of the year will play out.

Currently, buyers are adopting a wait-and-watch approach.

If there is no activity for six months, the pie will definitely shrink and then there will be a scramble for the assets available. It does not contribute to growing the market.

How has your fund raising been in the first quarter?

■ In Q1, we raised ₹1,200 crore, primarily to shore up liquidity and to provide for buffer, given the moratorium impact on cash flows, uncertainty around extent of lockdown and resumption of business.

Fund-raising for the rest of the year will depend on the cash flows, the post-moratorium situation, and the disbursement levels.