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RERA compliance is essential for growth of builders: Srinivas Acharya

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SRINIVAS ACHARYA, MD, Sundaram BNP Paribas Home Finance

Transparency, compliance are key aspects of the new regulation:
Sundaram BNP MD

Sundaram BNP Paribas Home Finance Ltd sees good loan growth this fiscal as it expects traction in its traditional southern markets as well as in the western and eastern regions. Srinivas Acharya, Managing Director of the company, spoke to *Business Line* about the housing demand, new regulations and company's expansion plans. Excerpts:

How was the first quarter for your company?

Overall, we had a good growth in Q1. We are also seeing a positive trend in Chennai after a gap of two years. Second-hand flat sales have seen a big boost in the city. A good chunk of our business has been in the second-hand flat sales. Since close to 50 per cent of our business comes from Tamil Nadu, recovery in Chennai demand will augur well for us. We have cut back on non-housing loans (loans against property). We are more hopeful of growth this year. The second half is expected to be better than the first half of this fiscal. We are targeting disbursement growth of 10 per cent this fiscal.

How has the IT sector slowdown impacted the market?

IT continues to be a dampener. I think now Chennai has lost out to Bangalore, Pune and Hyderabad in IT. In anticipation of the IT boom in the city, builders had built capacity but that has not converted to sales. The growth in the IT sector had earlier brought down the first time home buyers to below the age of 30. Unfortunately, there has been a slowdown in the buyers from the IT industry over the last few years because of the uncertainty in that sector.

When do you expect recovery in the Chennai market?

The State government should focus on bringing back the sheen in the IT sector. Focusing on overall infrastructure improvement and quicker pace of registration under RERA (Real Estate Regulation Act) will further help recovery in the sector. Also incentivising and ensuring that future investments in the manufacturing sector come to Tamil Nadu will boost the real estate space. The State is now known more for stability in the manufacturing sector. One of the immediate steps is to stop flight of capital away from Tamil Nadu.

How strong is your play in the affordable housing segment?

As a growing company, we will continue to focus on this segment, a key growth driver. About 36 per cent of our disbursement is in the affordable housing segment. Good volume is available. But we are now doing on a pick-and-choose way. Under the PM's scheme (Pradhan Mantri Awas Yojna), we have done about ₹12 crore and have claimed subsidies of about ₹2 crore.

How is your expansion progressing in other parts of the country?

We have been expanding in western and eastern regions. Both the regions are doing well and we are seeing growth to the tune of 43-44 per cent in disbursements. Also, we are penetrating deeper in the Southern region, where we have seen good traction this year in Karnataka, Kerala and eastern Andhra Pradesh. We have 110 branches now and will add at least 10 branches across regions this fiscal.

How is the market landscape evolving for housing finance companies?

Despite aggressive push by banks, housing finance companies (HFCs) will continue to play a dominant role in the real estate financing space, because it is a specialised domain and is our 'only' product whereas for the banks it is one of the many offerings. HFC's market share has increased to 39 per cent now in the overall home loan portfolio. We are able to offer a much better value addition. HFCs are also indirectly playing the role of assisting the removal of black money as they can only lend against accounted money. As a result, if the customer wants a larger loan, he will have to account for the entire purchase price.

How are builders responding to RERA?

RERA is very good for the buyers, but the builders will take time to reorganise themselves and come to grip with the rigours of RERA. Transparency and compliance will be two important ingredients for the builders in light of the introduction of RERA. Time has come for the builders to create their brand on the basis of reliability.