

Amenities sans convenience, a deterrent to consumption drive: Srinivas Acharya

Amidst talk of recessionary trends in the country's economic landscape gaining credence, the emergence of new economic indices needs to be focused upon. If cars, houses, trucks are not selling, it does not mean that the economy has collapsed, says Sundaram Home Finance MD Srinivas Acharya.



Srinivas Acharya, MD, Sundaram Home Finance
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In an interaction with DTNext, he sheds light on the evolving customer dynamics in the home finance segment and the impact of disruption.

Growth of housing loan

There is no urge for Sundaram Home Finance to grow at all cost. We will take a 'wait and watch' approach to see how it pans out. Buyers have become cautious. For completely non-financial reasons, previous generations bought homes. Now financial and cultural factors are driving the purchase. Also, the stigma of living in a rented house or the anticipation of annual rental hikes, are passé. We are looking at flat growth this year given that there is no demand buoyancy. Housing absorption will be triggered by stable employment. Our attempt is to increase the salaried segment portfolio, which currently contributes around 45% of our business. Affordable housing is the fast-moving segment due to the government's push. There was a dire need for affordable housing. We are focusing on affordable housing projects, built by builders of repute.

Fundraising plans

We follow a prudent policy and borrow only when there are opportunities to grow in the market. If the business demands, we will raise money. Interestingly, fixed deposits have registered a 27% growth in the first half of the year, an indication that people are taking a safe and cautious route to investment in the current scenario.

Geographic expansion

In the South, TN contributes to half of our overall business. AP and Telangana contribute 25% while Karnataka contributes around 13%. We will take a steady approach to our pan-India growth plans. We have expanded in recent years to Maharashtra, Gujarat, Rajasthan, Bhubaneswar, Kolkata, Burdwan and Durgapur. We will consolidate our presence in these locations, while simultaneously explore opportunities in nearby locations.

Corporate tax cuts, GST

India is going through a transformative 'Phase Changing' period. No amount of sops will help the sectors because once you start giving, the expectations (of sops) will only increase. Corporate tax rates were reduced. Now, there is an expectation that the individual tax rate will be reduced. If you bring GST to zero per cent, it will still not boost sales, because the drivers of demand are drastically changing. Economic activity is undergoing a serious change. Predictive parameters are changing. So also are the buying patterns. Every element of the economy is evolving. Components of the population, the new age group patterns, will have to be taken into account. New economic indices will emerge.

Passenger car segment

Car companies added capacity expecting demand to increase. One of the fall-outs of the current disruption is that the new generation doesn't attach 'status or prestige' to ownership of cars and homes. And thus, the demand factor has changed. The passenger car segment will see a new base. Reducing GST will not drive demand. What is required is convenience of usage that includes availability of world-class parking facilities and improved infrastructure. The new generation is changing the dynamics of the game. Ease of buying has increased with the capacity of technology to drive business. Technology has brought about disruptions in many sectors. Quantum of e-transactions is something to consider. Globally, the evolution happened in phased manner. But in India, too many disruptions are happening all at once. Cars remaining unsold is not due to an economic collapse, but because of the continuous change in people's preferences. The need of the hour is adaptability.

In this churn, it is difficult to estimate, project and predict demand. You have to allow this churn to settle down. In fact, disruptions have a destabilising approach in the short-term but usually turns out to be positive in the long run, once it has stabilised. Disruption will bring about long term changes. The under currents of the economy are strong but the recessionary phase will end.