

Demonetisation behind us, things are picking up now: Sundaram Finance

In an interview to CNBC-TV18's Latha Venkatesh & Sonia Shenoy, TT Srinivasaraghavan, MD of [Sundaram Finance](#) said that demonetisation is fairly behind for the non-banking financial companies (NBFCs).

He further said that Sundaram Finance saw some disruption in December and January but things are picking up now.

Latha: What is the mood now? You anyway didn't see too much of downtick in demonetisation months but there was downtick. Is there an aggressive rebound?

A: I wouldn't say aggressive but yes, demonetisation is behind us. I am not just speaking for our company but across the non banking financial companies (NBFC) world. People have moved on and a numbers of colleagues I talk to in the industry have confirmed this. There was some disruption in December and January but they are all back on track, disbursements are going, recoveries are looking okay. So yes, demonetisation is behind us.

Sonia: What kind of asset under management (AUM) growth are you looking at over the next 6-12 months? Based on what you have done in the past, the double digit growth that you saw, is that something that you see resume over the next six months?

A: It is little tough to call because on commercial vehicles there is pre-buying stuff which everyone is talking about. We are on March 22 and we still haven't seen the surge that people have talked about but in the last week of March things could go crazy in terms of pre-buying because of BS-IV coming in. If that happens then Q1 of FY18 could be best. However, we will have to wait and see but without any buying or pre-buying madness in the last week of this financial then we should be on the normal track but this can significantly affect that.

Latha: What about asset quality. You noticed a quarter-on-quarter jump in your gross non-performing loans (NPLs) and we routinely get a lot of MFIs saying collections are not back in orders. So, tell us about asset quality in Q4.

A: Asset quality is first-class. No concerns on asset quality, in fact during November and December, I mentioned this when we spoke the last time, recovery has held during the worst of the so-called demonetisation disruption but asset quality is absolutely first-class.

However, we switched to 90 day norm even last year though the Reserve Bank of India mandate is only for March 2018. We switched to 90 day norm in March 2016. Our portfolio quality is absolutely first-class; there are no concerns around that.

Latha: You are also in home finance. How are you looking at the changed rules towards affordable housing, more subventions? We also understand that the sub rules on affordable housing and on subvention for Rs 12 lakh and Rs 18 lakh homes is likely to be out today. Is that a space that will see good growth?

A: I think so. Affordable housing is sort of a new microfinance institution (MFI) for the housing sector. It's definitely an area which is of interest to all the players in the space and also Real Estate Regulatory Authority (RERA) notification needs to happen at each state level. Once that happens there should be significant activity in that space.

Sonia: What is your presence in the home segment as a whole and within that in the affordable segment, if any and what kind of growth would you see?

A: Sundaram Home Finance is a separate legal entity. It is not part of our book. Sundaram Home Finance has a loan book of approximately Rs 8,000 crore. It is a standalone legal entity. Our business is commercial vehicles, cars etc.

However, affordable housing's definition has changed over time. Up to Rs 30 lakh is affordable housing. So a goodish chunk of our business would qualify in that sense as affordable but here we are also talking about the new definition of affordability in terms of Rs 12-15-18 lakh type affordable housing - that's the one affords room for growth, that is potentially the new MFI type lending.

Latha: What is listed Sundaram Finance's stake in home finance?

A: It is 51 percent.

Latha: So the investors and the listed entity do get to gain if Sundaram Home Finance grows rapidly?

A: Yes, of course. In the last couple of years the industry itself has been sort of subdued but we expect that that will change in FY18. So hopefully that's upswing.