

Shriram Housing Fin looks to grow loan book to ₹20,000 cr by FY25-end

AJAY RAMANATHAN
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SHRIRAM FINANCE EXPECTS the sale of subsidiary Shriram Housing Finance to be completed in the next six months.

"We would like for it to be completed tomorrow, but the typical timeline is six months. The target is (to complete it) by March," said Shriram Finance executive vice chairman Umesh Revankar.

The board of Shriram Finance on Monday, approved the sale of the housing finance subsidiary to Warburg Pincus for ₹4,630 crore — making it the largest deal in the affordable housing segment. The deal is valued at around 3.3x price-to-book.

Warburg Pincus will acquire the stake through its affiliate Mango Crest Investment. Once the deal is completed, the private equity firm will infuse ₹1,000 crore into the housing finance company.

"Basically, one needs to be specialised when it comes to housing finance and should have a single focus. The management of Shriram Housing Finance will also be very comfortable in dealing with a single investor," he said, explaining the company's rationale for opting for a complete stake sale instead of a partial one.

The assets under management of Shriram Finance stood at ₹2.2

UMESH REVANKAR,
EXECUTIVE VICE CHAIRMAN,
SHRIRAM FINANCE

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RAVI SUBRAMANIAN,
MD & CEO, SHRIRAM
HOUSING FINANCE

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trillion as of March 31. The marquee commercial vehicle loan segment constitutes nearly 48% of the company's loan book. The company will continue to focus on other key segments like gold loans, two-wheeler loans, and loans to micro, small and medium enterprises (MSMEs).

Besides, the company is awaiting the Reserve Bank of India's approval to set up an asset reconstruction company, and expects to receive the licence soon.

Housing finance plans

Shriram Housing Finance, meanwhile, is focusing on increasing its loan book to ₹20,000 crore by the end of 2024-25 from ₹13,762 crore currently. The

company continues to invest in expanding its distribution network across key states.

"Warburg's approach in the entire affordable housing space is that they are going to back the team as it is right now. The sense I get is that they will not tamper with the core strategy of the company," Ravi Subramanian, managing director and chief executive officer, Shriram Housing Finance, said, adding that this approach from the private equity firm is "comforting".

The company plans to utilise the ₹1,000 crore of additional capital to grow its existing business. It is targeting a disbursement run-rate of ₹8,500-9,000 crore per annum.

Additionally, the company plans to borrow ₹8,000-9,000 crore of

debt in the current financial year through a mixture of bank borrowings, pass-through certificate transactions, direct assignment transactions, co-lending, and by issuing debt securities. The company is targeting a return on assets of 2.75-3.0%, and a return on equity of 16-19% by March 31.

Separately, the company is working on new businesses like micro-loan against property, and approved project finance.

"There are new initiatives that we want to develop, which will need new people, new investments. It will take three to six months. Those initiatives will give me results after two years. We will invest in them in a slow and steady manner," Subramanian said.

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