Q&A WITH KAPIL WADHWAN

Chairman & Managing Director, Dewan Housing Finance Corporation (DHFL)

Could you tell us a bit about the history of the company?

We started as the second housing finance company in India in1984 and, in fact, DHFL's inception preceded the formation of National Housing Bank in 1988- 89. So it was a modest beginning. It began from Bombay with focus on the lower and middle income segment, a segment which did not have the access to the common sources of funding. Obviously, the market demographics were very different at that time in terms of the general population being very averse to the culture for housing loans.

How has been the journey of the company?

It has not been an easy ride. Right from 1997 when I joined business, DHFL had a very modest operation. In the year 2000 I lost my father and then it took a while for the stake holders, the creditors, National Housing Bank, which is our regulator and the share holders to place their belief in me. And since then we have never looked back.

So what are the challenges that you face today in the market?

The market has evolved right from 1984 to 2000 and from 2000 till 2010. Today, people are willing to take more risks and with the availability of credit, the concept of housing finance has been well accepted. Also, customers no longer need 100% of his own equity to buy a house, which was the case way back. From a market dynamic perspective it has changed because till 2000, banks were not very active in housing finance. We have seen a good run in real estate from 2001-02 till 2007-08, before it crashed and the same downfall was witnessed around a year and half back. Presently, the real estate industry has been performing well.

What has DHFL modeled its operations?

Since inception, DHFL has been focusing on the Lower and Middle Income (LMI) segment in the semi-urban and the rural areas of the country. DHFL operates on the hub-and-spoke model and has over 342 points of presence across the country. DHFL's credit policy has been designed to cater to the LMI segment across tier II & tier III locations. Even in the 27th year of operation, DHFL's average loan size is probably the lowest in the industry.

How much is the percentage of property value that you give out as loans?

In case of purchase of a property, the loan to cost ratio is 80 to 85 per cent. In case of self construction, the loan to value ratio would be less than 60%. We have more than

60 per cent provision coverage as well.

What growth prospects do you see?
Growth prospects are very positive and the housing market has seen a fair bit of activity on the ground. Also, a lot has been talked about the need for affordable housing. My father spoke about it in the mid-eighties and, today, 25 years later people have realised the need for housing for the common man. In the last 7 years, DHFL has been growing at a CAGR of 35% year-on-year with a total book size in excess of Rs 11,500 crore currently.
By 2013, we want to take this number to 25,000 crores.
We have been very successful in raising capital from the market and have raised close to 800 crores fresh capital in the last 14 to 15 months.

Now with real estate prices and interest rate zooming up, how does that affect the company?
No, it has not had any impact. Yes, the interest rates have moved up a little and we have had to adjust our interest rates as well for the existing as well as new customers. But, a 50 basis point rise is not significant when it comes to the purchasing power of people ▪

Q&A WITH ANIL SACHIDANAND

Chief Executive Officer, Dewan Housing Finance Corporation (DHFL)

What's DHFL's balance sheet size and which category do you focus on?
We have a balance sheet size of Rs 11,500 crore. We are primarily a retail housing Finance company as 93% of our portfolio comprises of retail. We are a lower- and middle-income group-focused company and our average ticket size is between Rs 6 and 7 lakh.

What kind of growth has DHFL recorded in the past two years?
We have been growing at a top line CAGR Of 35% year-on-year, this is in line or beyond the industry growth rate.

How are you positioning your brand against the biggies in the housing finance market like HDFC and ICICI Bank?
We are in the 27th year of operation and we have always catered to the lower and middle income group of the society. Others players have migrated to middle- and higher-income category but we have stayed put in the lower- and middle-income segment. We are one of the most experienced formal lending player in the lowest segment of the society.

More and more players are entering the lower housing finance space. Do you see that as a threat?
Competition is always good for industry growth. More importantly one has to see the demand- supply equation. Every player who operates in this space will have an opportunity. What kind of services we provide to the customers will be the key differentiating factor.

As you operate in the low and middle housing finance market is there a threat of high delinquencies?
Unlike other markets where the low income group are treated as sub-prime customers, we as a company consider them as prime. Our NNPA (net non-performing assets) has never gone beyond 1.25%, which says a lot about this segment ▪