

India Stack to aid in effective underwriting, reduce cost of borrowing: MD & CEO of JM Financial Home Loans

Vikas Kumar, ET BFSI : 15-19 minutes

Amid India's growth roadmap towards a developed economy, the housing finance sector plays a pivotal role. There is a considerable demand for affordable housing even in the Tier 2 and 3 cities post-Covid, and growth of the real estate sector is bound to take centre stage. Manish Sheth, MD and CEO of JM Financial Home Loans Limited talked to ETBFSI to discuss the developments happening in the housing sector, and the roadmap of the company.



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Here are the edited excerpts:

Q: What are the factors that contributed to the growth of JM Financial Home Loan businesses?

Since inception in 2017, JM Financial Home Loans has been witnessing steady growth in AUM, targeting the underserved market segments. Our Retail Mortgage business' AUM stands at ~ Rs 2,500 crores at the quarter ended December 2023 and has witnessed a robust 65% year-on-year growth from ~ Rs. 1,500 crores in the same quarter in 2022.

During the initial phase of our journey in the retail mortgage side, we navigated challenges emanating out of demonetisation, GST, IL&FS crisis and pandemic. Capital adequacy, effective talent acquisition and retention strategy and agile credit evaluation policy are some of the key factors that have been driving the growth for us. We presently have 112 branches across the country with a diversified presence in the tier-2 and tier-3 cities.

There is a considerable demand for affordable housing in these cities where the growth of the real estate sector is bound to take the centre stage. The evolving aspirations and favourable demographics coupled with infrastructure development and affordable options in these smaller towns shall pave the way for a robust growth trajectory for real estate development.

We expect the demand for our range of products including home loans, loan against property, loans for home construction, home improvement and home extension to grow further.

Q: How are you positioning JM Financial Home Loans to leverage the emerging opportunities in the affordable housing space?

We are focussed on 4Ps – People, Product, Policies and Processes. On the first P i.e. – People, talent acquisition, development and retention is the key for the success of any business. We believe the real cost of employee turnover goes beyond numbers. In fact, nurturing and retaining the right talent is an integral part of our group's culture. We have managed to successfully implement a hub and spoke model to expand our presence, banking on a committed workforce and leadership team.

When it comes to other three Ps i.e. Product, Policies and Processes, based on the experience of more than six years, we always pay attention to developing client centric Products. Over the years, our Policies and Processes are fine tuned to evaluate the credit worthiness of the loan applicants, while adhering to the required compliance mechanisms. We have developed micro market-specific models to evaluate credit worthiness of the loan applicants in the small towns as well as assess the collateral value.

Understanding the cash-flow cycle is critical when it comes to offering home loans to small business owners in towns like Jalgaon in Maharashtra or Morbi in Gujarat. Property valuation varies across locations based on municipal corporation limits or gram panchayat limits. Therefore, I personally visited tier 2 cities like Warangal in Telangana, Erode, Salem and Tiruchirappalli in Tamil Nadu, etc. to understand the ground realities and formulate micro market-specific credit and collateral evaluation policies.

On the credit underwriting front, we follow a multi-layered vertical credit approval system having effective delegation and Maker-Checker concept.

Q: What's your capital raising and borrowing strategy?

Being a part of a listed Group, we always have the backing of steady equity infusion in the [home loan](#) business based on the business growth outlook. In addition, we follow a diversified borrowing strategy. Our borrowing profile includes bank term loans, long tenor refinancing from National Housing Bank and debt instruments like non-convertible debentures (NCDs). As home loans are long-term, we always go for long-tenor borrowing.

Our diversified retail asset pool, risk management policies and repayment track record always gives confidence to rating agencies, lending institutions and debt investors. It also helps us in raising funds at competitive interest rates. Ours is a well-capitalised business and we are sitting with a capital base of Rs. 450 crores and a quite comfortable leverage of three times.

Q: What is your expansion plan?

We believe that the regions where we have presence are still underleveraged. Therefore, we are currently planning to further penetrate our existing markets like Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Telangana, Andhra Pradesh, Karnataka and Tamil Nadu, as we are witnessing steady growth in demand for affordable housing. Following a hub and spoke model, we are strengthening our operational network in these areas.

Once we achieve our disbursement targets, we will set our sight on new regions for growth. Banking on our resilient business model, we aim to grow our AUM to Rs.5,000 crore by FY26.

Q: How do you foresee the growth of the affordable housing segment in the next 10 years in India?

India is set to become a third largest economy very soon. India is also hoping for a rating notch-up from international rating agencies. Per Capita Income of the country is set to rise even further. With all the macroeconomic factors in place, we are set to see high demand for a housing from people emanating out of population migrating to tier 2-3 cities and nuclearisation of the families.

Post COVID, trend of work from home has generated unprecedented demand for houses and infrastructure in these cities. Further, we are expecting robust demand growth for affordable housing on the back of the government's continued focus on building homes for the deserving sections of the population living in rented accommodations.

The India Stack on digitisation including UPI, DigiLocker, Credit Bureaus, Account Aggregators etc. will aid a lot in effective underwriting and reduction in cost of borrowing for the home loan seekers.

Going forward, we should definitely witness a steady growth of AUM in the affordable housing segment.

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