Housing demand shifting to premium; affordable segment to follow, says Pankaj Gadgil of ABHFL

bfsi.economictimes.indiatimes.com/news/nbfc/housing-demand-shifting-to-premium-affordable-segment-to-follow-says-pankaj-gadgil-of-abhfl/118343252

www.ETBFSI.com

S

- Shrishti Sharma
- ETBFSI

Updated On Feb 19, 2025 at 01:20 PM IST

Pankaj Gadgil, MD & CEO of Aditya Birla Housing Finance Limited (ABHFL) and Head, Digital Platforms and Payments Strategy

Housing demand in India is not slowing down, it's evolving. ***"We are seeing larger housing loan ticket sizes, on the other hand developers too are launching higher-value projects. Changing consumer trends over the last decade, coupled with rising disposable incomes and urban migration have driven consumerism and fuelled demand,"*** said Pankaj Gadgil, MD & CEO of Aditya Birla Housing Finance Limited (ABHFL) and Head, Digital Platforms and Payments Strategy.

The shift toward premium housing is evident, but affordable housing is expected to pick up, especially with the anticipated rollout of PMAY 2.0 (Pradhan Mantri Awas Yojana).

> Home loan market is undergoing structural shifts, with smaller family sizes (now averaging 4 from 5.5) driving the need for second homes. Post-pandemic, buyers also prefer larger homes that support hybrid work and better lifestyles. The opportunity is massive, but prudent underwriting is really important.*Pankaj Gadgil, MD & CEO, Aditya Birla Housing Finance*

13 per cent of ABHFL's disbursements come from within the Aditya Birla Group, giving it an edge over monoline Housing Finance Companies (HFCs).

In this exclusive conversation with ETBFSI, Gadgil discussed housing loan trends, growth strategy, underwriting challenges, and portfolio management.
Edited excerpts from the conversation:

Q: Housing loan demand dipped in late 2024, according to RBI data. What trends are you seeing in consumption?

The broader housing finance market continues to grow at 14-15 per cent annually, but the nature of demand is evolving. We're seeing larger housing loan ticket sizes, reflecting a shift toward premium housing. Developers, too, are launching high-value projects.

Structural factors are also driving demand, families are getting smaller, with the average size shrinking from 5.5 to 4, creating the need for second homes. Rising disposable incomes, urban migration, and post-pandemic lifestyle changes have further fueled homeownership aspirations. The premium segment is growing rapidly, while the affordable housing sector is expected to gain momentum with PMAY 2.0 in the coming quarters.

For loans against property (LAP), the MSME space remains largely underserved, offering a significant growth opportunity—provided lenders ensure prudent underwriting.

Q: What's driving ABHFL's loan book growth, and where do you see it heading?

The growth trajectory remains strong for the next 12 to 18 months. Over the past two years, we have significantly expanded capacity with a larger branch network and more on-ground teams.

We have also made deep investments in digital platforms, covering the entire lending process from prospecting to onboarding, underwriting, record-keeping, and portfolio management.

Beyond technology, we have access to quality debt, equity, and talent.

> **Being part of the Aditya Birla Group gives us an edge in liability management, enabling us to borrow at competitive rates. Importantly, 13 per cent of our disbursements stay within the ABG ecosystem, which is a significant advantage over monoline HFCs.*****said Gadgil.***

Q: What challenges do different customer segments face while securing home loans?

We cater to three customer segments. Prime borrowers (loans above Rs 50 lakh) prioritize cost, brand trust, and digital convenience. The affordable housing segment (Rs 15-50 lakh) seeks maximum loan eligibility with minimal down payments. Then there is the 'Bharat' segment (Rs 1-15 lakh), which largely consists of self-employed or informal sector borrowers. Their biggest challenge is access to credit.

For this segment, financial advisory plays a crucial role. Many customers lack traditional income proofs, so we assess cash flows manually. Property documentation is another challenge, requiring structured solutions.

To enhance transparency, we have built a digital loan tracking system, similar to passport applications or e-commerce deliveries, so customers always know the status of their loan applications.

Q: What are the biggest challenges lenders face while sanctioning loans?

The primary challenge is ensuring customers can repay. Business slowdowns or sudden income drops can create repayment difficulties, making accurate loan eligibility estimation and responsible underwriting critical.

Another issue is that borrowers sometimes overestimate their repayment capacity. We educate them on maintaining a balanced fixed obligation to income ratio (FOIR). Additionally, credit history plays a key role in determining interest rates and loan amounts.

Q: How does ABHFL ensure strong portfolio quality and collections?

> Our asset quality has improved significantly, our Stage 2 and 3 assets have declined from 3.54 per cent last year to 1.77 per cent now. Credit cost remains at 90 basis points, positioning us among India's top HFCs in terms of portfolio health.*Gadgil added.*

We've also digitised collections with FinCollect, which automates follow-ups, logs call-center interactions, tracks bounced payments, and integrates legal workflows, allowing our teams to manage more accounts efficiently.

Q: What's your outlook on loan book growth and capital requirements?

We are growing at 15 per cent QoQ and 60 per cent YoY, in a sector where housing finance AUM stands at Rs 54 lakh crore and LAP at about Rs 47 lakh crore, indicating massive headroom for expansion.

On capital, we recently raised Rs 830 crore from IFC via rupee-denominated borrowings. This five-year instrument with a two-year reset is cost-effective. Unlike some HFCs struggling with liabilities, our access to high-volume, low-cost, and high-quality funding through Aditya Birla Group strengthens our financial position.

Published On Feb 18, 2025 at 08:11 AM IST