

WE WANT TO ACHIEVE A LOAN BOOK SIZE OF US\$1 BILLION

Mahindra Rural Housing Finance, a subsidiary of Mahindra & Mahindra Financial Services aims towards tapping around 5 lakh customers in rural and semi-urban by way of providing home loans, states **Anuj Mehra, Managing Director, MRHFL** in an interview with **Rahul Kamat**. Edited excerpts...



Anuj Mehra,
Managing Director, MRHFL

You had recently a joint venture with the Business Call to Action. Could you elaborate upon this?

Business Call to Action is a global initiative that seeks to challenge companies towards developing inclusive business models that offer the potential for development impact along with commercial success. The initiative is the result of a partnership between the Australian Agency for International Development, the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, and the UK Department for International Development, the US Agency for International Development, UN Development Programme, the UN Global Compact, the Clinton Global Initiative, and the International Business Leaders Forum.

Through this initiative, we seek to expand the access to cost-effective and flexible home loans to a wide base of customers in rural India, ensuring that the basic need of shelter of this large "under banked" customer base is met expediently. Our association with Business Call to Action underscores our com-

mitment to financial inclusion and our goal of providing home loans to at least 500,000 customers in rural India by 2015. Our target is to achieve a loan book size of approximately US\$1 billion by providing home loans to customers in rural and semi-urban India.

So till now, of the 5 lakh targeted households, what is the extent of financing completed by the company?

Presently, we have disbursed loans to around 1.5 lakh customers. However, the loan amount differs ranging from Rs 90,000 to Rs 2.5 lakh. By next year, we are planning to double our disbursement. So we are confident enough to finance 5 lakh targeted households by 2015.

Could you elucidate upon your total disbursement for the year 2012-13?

I don't think we will be able to share the figures since we are yet to finalise our results proceedings. But all I can say is the response from the rural market was very encouraging. When we started the ticket size was much larger. However, it has come down, but with increasing numbers in customers.

Does this business provide 'good' margins?

Yes. We are earning two per cent plus returns on assets. This year we should be getting two and a half per cent which is better than the most housing finances entities. But then you see it's a riskier business. So the riskier the business, the benefits earned would also be substantial.

What sort of interest do you charge?

It depends upon my borrowing cost and depends upon the customer. It could be a range depending upon our risk perception of that person and the cost of collecting.

At present, in how many states does the company have its presence?

We are in eight states and we will add two or three more states in the coming months. We are in all the four southern states, Gujarat, Rajasthan and Madhya Pradesh. In addition we have just entered into Bihar region. We are also looking for an opportunity to enter into UP and Chhattisgarh too. Moreover, we are yet to tap the entire region in these states.

For e.g. though we are in all southern state, we are yet to make our footprint in coastal region. Similarly, in Gujarat, we do not have a presence in the Saurashtra region. Even in Maharashtra, we are yet to tap South Maharashtra.

Since there are very few NBFCs that target the rural regions, do you think that the scenario could change in the coming years?

The scenario is changing as some of the corporate are vying desperately towards entering the rural finance market. As a veteran in this space, we as a group welcome more NBFCs to have their footprint.

Are you not bothered by the competition?

In fact it will help us grow more. Today, the core issue in rural financing is whether the poor people will get loans or not despite not having much of credit eligibility, which needs to change. And this will happen when more NBFCs or national banks enter this space.

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