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| Headline: Our target is to deliver on the returns we have promised, says Sudipta Roy, Chief Executive Officer, L&T Finance | | | |

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<https://economictimes.indiatimes.com/industry/banking/finance/banking/our-target-is-to-deliver-on-the-returns-we-have-promised-says-sudipta-roy-chief-executive-officer-lt-finance/articleshow/113577238.cms>

Rising industry wide delinquencies in microfinance and unsecured loans has made L&T Finance cautious, says MD & CEO Sudipta Roy. He also says there is no pathway for L&T Finance to become a bank but that India's second largest NBFC by customer base is not going to be distracted by it. Edited excerpts of an interview with ET's Joel Rebello.

Q: With RBI tightening regulations on NBFCs, what is L&T Finance doing to overcome this challenge?

A: We have disadvantages over a bank on the liability side. The 125% risk weighted assets increase for unsecured lending has tempered down credit from banks. Borrowings for banks are getting expensive and constricted. We are relying on commercial paper, especially on the lower end of the tenor. because that's where we see some price advantage. We have done a fair amount of ECBs. So, we are also diversifying our liabilities. In hindsight, we think that we should not have given the deposit taking licence in 2004. For us, resource mobilisation is the only disadvantage compared to a bank. But the accounts aggregator has reduced the disadvantage we had with banks. We have access to the liabilities data, which has given us a level playing field. My account aggregator success rate is now 91%. Over the last six months, we have pushed our success rate from 70% to 90% plus.

Q: Do you still have a desire to be a bank?

A: Originally, the L&T Group had bank aspirations but for various reasons it did not materialise. We have now started to work as a diversified NBFC. As of now, there is no pathway for us to become a bank There are a lot of nuances like if more than 50% of the revenue comes from non-financial, etc. We are not distracted by whether we are going to become a bank. Our target now is to make sure that we deliver on the returns that we have promised. During the process, if new RBI regulations come and a new pathway is opened, then it is not a decision for L&T Finance alone, but it is also a decision of L&T Group.

Q: What are your plans on expanding asset size? Any plans to raise capital?

A: We are aiming for a Rs 2 lakh crore balance sheet in four years from 2024. Our guidance is 3% ROA at a Rs 2 lakh crore book size, works out to Rs 6,000 crore profit. We are almost close to a Rs 1 lakh crore book size now with 34,000 people. We have enough capital (about 22%). Our debt to equity is about 3.4 times, which will sustain us to about Rs 1.5 lakh crore book size. About two- and-a-half years from now, we will look at a fresh capital base. We are also ploughing back profits.

Q: What is the outlook on credit quality?

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Q: Now that Lakshya 2026 has been achieved, what next?

A: We want to start increasing our customer acquisition velocity, from 7 lakh customers per quarter currently and to 1 million a quarter, in the next 24 months. We have set a 15% market share goal. We worked on sharpening the underwriting. Bureau data comes with 45 to 60 days lag, at times a 90 days lag. It takes time to collect, process and upload the bureau data. Last October- November, we took 10,000 of our two-wheeler customers, looked at their six- month credit behaviour. Then pulled something on the alternate data side. We could almost save 7% of 30 plus days past due. All these things go into a gradation to make underwriting sharper. That's where my confidence in alternative data has increased.

Q: Going forward, which are the products that you think will dominate your book?

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Synopsis

L&T Finance's CEO Sudipta Roy discusses the company's cautious approach amid rising delinquencies in microfinance and unsecured loans. Despite challenges, L&T Finance aims for a Rs 2 lakh crore balance sheet by 2028 and focuses on diversifying liabilities and improving customer acquisition. The company has no current plans to become a bank.



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 Joel Rebello · ET Bureau
Updated On Sep 26, 2024 at 11:17 AM IST

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