

Charting the course: A CEO's transition journey

By Sudipta Roy, MD & CEO, L&T Finance Ltd.



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Managing Director & CEO,
L&T Finance Ltd.

L&T Finance Ltd. (LTF), the Non-Banking Financial Company (NBFC) of the L&T Group, has been around for three decades and has transformed from the group's investment company into an institution. The last two fiscals have seen massive transformation through customer-focused retailisation, systematic growth in high quality retail assets, futuristic digital transformation, and continuous improvement in Return on Assets.

The ambitious plan 'Lakshya 2026', rolled out at the start of 2022, has been achieved two-years before schedule, and that makes my stint a lot more interesting.

My first 100 days

Upon assuming the role of Chief Operating Officer at the Company on July 1, 2023, I embarked on a strategic journey focused on the five Ps: People, Products, Processes, Progress, and Perception.

Recognising that 'People' extended far beyond the realm of business heads, I traversed over 12,500 kilometres nationwide to connect with our diverse stakeholders, gaining invaluable insights

to enhance our offerings and operations. The purpose was to gain deep insights into their lives: to understand their challenges, explore opportunities for improvement, and seek innovative ways to enhance both our products and processes.

With regards to 'Products', from familiarising myself with existing products to delving into new territories like microfinance, I dedicated significant time to understanding the products, their delivery, the role of technology, credit philosophy, and monitoring mechanisms.

Being a regulated industry, 'Processes' are very crucial in the financial services industry, where the products are just the tip of the iceberg. Recognising the same, I prioritised comprehensive assessments of compliance, risk control, and collection frameworks.

With the familiarisation of people-products-processes, it became easy for me to form the mental map for drawing the blueprint for the areas where future 'Progress' could come from. As a listed company, my impetus is on strengthening its 'Perception' and delivering shareholder value to our investors and promoters alike.

My smooth transition

My gratitude extends to our Chairman, S N Subrahmanyam, whose unwavering support since assuming leadership has revitalised LTF, amplifying our promoter's backing. His strategic guidance propels our pursuit of 2.5X organisational growth.

Under the adept stewardship of Dinanath Dubhashi (fondly known as DD), who helmed the Company as MD & CEO from July 2016 to January 2024, significant strides were made. I assumed the mantle of MD & CEO on January 24, 2024, while DD superannuated from the role of Whole-time Director on April 30, 2024. The transition has been exceptionally smooth.

DD's visionary 'Lakshya 2026' has worked well and delivered its objective in advance. In DD's view, the leader of the franchise needed to be a person who could take the Company into the top league of retail financiers. With retail growing at over 25% Compound Annual Growth Rate and fast moving towards 100%, with good asset quality and Return on Assets of about 3%, DD strongly believed that the new leader should adopt the rechristened organisation and take it to the next level.

DD has always valued my skill sets around urban unsecured assets, digital mindset, and brand promotion. He is also vocal that if one were to take an objective view of the organisation, then these three areas have strong development potential. Historically, LTF's strengths have been around rural markets, where physical infrastructure and other operational functions were in place. The clear intent and these complementary synergies of exposure to the rural side have worked very beautifully.

DD and I believe that our relationship should be that of two professionals having an open exchange of views around the five Ps. It has been about me bringing in the outside-in view and DD focusing on the inside-out view, which has worked pretty well.

The five pillars for institution building

DD has adeptly transformed the organisation into a robust institution, and my mission is to expedite this institutional development further by concentrating on five key pillars of execution.

These include: (i) increasing the retail customer acquisition velocity every quarter; (ii) building world-class risk frameworks focusing on credit quality and the next-gen credit engine; (iii) creating next-gen digital architecture; (iv) focusing on brand building to make sure that we increase our visibility; and (v) prioritising capability building by hiring talent and creating positions to improve our efficiencies.

Across key businesses, we have replicated bank-like structures by creating positions for regional business heads for granular distribution and control. We are also cognizant of the fact that compliance and control are as important as business development.

These five pillars aim to further build upon DD's exceptional groundwork, which transformed an SBU of L&T Group into a highly esteemed, retail-focused NBFC. Throughout this process, we will uphold our track record of earnings and predictability, reinforcing investor confidence in our growth trajectory.

The role of my past experience

My previous experiences are going to be my guiding forces in the current journey. Over



Dinanath Dubhashi

Our five pillars, namely enhancing customer acquisition, sharpening credit underwriting, implementing futuristic digital architecture, heightened brand visibility, and capability building, aim to further build upon Dinanath Dubhashi's exceptional groundwork, which transformed an SBU of L&T Group into a highly esteemed, retail-focused NBFC.

the years, I have often joked that I sleep on dynamite every night, as for the longest time, my financial services career has been focused on driving unsecured assets, the riskiest part of retail lending portfolios.

After treasury, a bank's cards and payments business is the most complex, as it involves technology and high-paced transaction flows that require stringent risk management. If you are not careful about credit, consumption, and velocity, then you will be taken to the cleaners in a matter of no time. The learnings from this high velocity business have been immensely useful while handling the Two-wheeler business at LTF, another high velocity product involving the interplay of technology, volumes and complex risk guardrails.

My previous stints have also inculcated my love for technology, and I bring a strong understanding of technology across consumer finance products. Also, building greenfield businesses in China and Canada

has given me a good ringside view of technology and market specific nuances, which have broadened my thinking towards international parallels and best practices.

Along with these skill sets, I have also developed an intense sense of marketing, which is especially useful in consumer finance businesses. Consumer finance strongly needs reinvention and to sell on both the rationality and emotionality axes instead of rationality alone.

I am certain that this treasure of experiences and learnings created over the course of my professional journey across various roles that I've served will be invaluable in taking LTF to newer heights.

The way forward

In the last five to six years, India has gone from a financially data poor to a financially data dense economy. In the next couple of years, we will see massive use of technology-enabled efficiencies that will emerge across customer acquisition, user experience, artificial intelligence, and machine learning algorithms, which will help credit underwriting through sophisticated data models using the data that we are generating.

Also, for NBFCs, the next phase of growth will come from Bharat, and we are doubling down our efforts on the same. The government has been aiming to double farm incomes, which can change the amount of consumption demand that will come from rural India, where LTF has a long-established, strong network. We have a lot to gain from Bharat because of our extensive reach and the enormous rural engine already chugging. Also, setting up a far-reaching network is time consuming for our competitors, which people in this organisation have built over the last 15 years.

As India strides toward becoming the world's second-largest economy in the next decade, the NBFC sector is poised for further expansion, welcoming new entrants. However, success in retail financial services demands resilience and perseverance, as incumbents fiercely defend their market share. Hence, while newcomers may boast sophistication, navigating the competitive landscape will undoubtedly pose challenges requiring resilience.