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How clear thinking helped Dubhashi turn around L&T Fin

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From being an almost crippled player with low return on equity (RoE) and plenty of bad press till two years ago to one of the top five non-banking financial companies now, L&T Finance has come a long way, because of the turnaround plan sewed up by the new management under Chief Executive Dinanath Dubhashi (*pictured*).

In short, the financial services arm of engineering giant Larsen & Toubro had badly missed the bus and the bull-run that the industry had till last year, but fortunately moved up the ladder in the past six quarters.

Today, L&T Finance Holdings is among the top five NBFCs with high RoE and one of the best in terms of asset quality.

"To begin with we decided to be a pure-play NBFC as we were confused whether we are an NBFC or a bank. So, we'd to get the right business plan with the right structure in place that means less complexities, the right execution and the right



people. To get this moving we had to ensure there's no room for anyone to blame the externalities for their failure," said Dubhashi.

"So as I started off, I stuck my neck out and said we'll achieve the top quartile RoE by 2020 offering 18-20 per cent by 2020. I'm happy today that we'll be able to achieve this one full year in advance," is how Dubhashi recalled the course correction he undertook since taking over in July 2016 as the managing director & chief executive, though the turnaround plan was rolling from April 2016.

The focus was on three-four things from beginning — the right

cost structure, getting the right people in and wrong people out and right product and execution strategies.

"First of all, we had a very heavy cost structure, which was eating into our nimbleness. As an NBFC, we'd to be nimble and fast. Then we'd a laundry list of 20-odd products earlier. To trim them to a sensible level was a key target and so we slashed them to just five now," he said.

It was also saddled with too many loss-making verticals, most of which had no hope of scaling up, admits Dubhashi, who joined L&T Finance in 2007 after stints with BNP Paribas, CARE Ratings and SBI Caps.

"We're in construction equipments, cars, where others were doing a better job than us. We're also into tractors and infra finance, where we did well. We also had a very bloated people structure, especially at the mid and top-levels." Similarly, he has also shuttered most of the verticals and has limited to only five now — infra and rural financing, housing, MFs and wealth management.