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MC interview | L&T Finance in tie-up with four Fintechs for personal loans, vehicle loans, says Sudipta Roy

Currently, our weighted average cost is at 7.8 percent for FY24, we may go up to 8.1-8.5 percent primarily based on the current scenario. However, we will continue to be competitive, says Sudipta Roy.

Mr. Sudipta Roy, MD& CEO, LTF

L&T Finance has signed agreements with four fintech/ e-commerce firms for origination of personal loans, two-wheeler loans, and mortgage loans, Sudipta Roy, Managing Director and Chief Executive Officer of L&T Finance told *Moneycontrol* in an exclusive interview.
He further added that one application from these partnerships will go live in the next month and the rest in the next couple of months.

Roy also added that the company is working with some fintech companies to improve the mobile application and company website and that the reflection of this will be seen in the next 4-5 months.

Edited excerpts from interview:

The wholesale book of L&T Finance has reduced significantly over the last few quarters, what are your plans for future reduction, will you sell it to other NBFCs or banks or is there any other plan?

We are about 90 percent retail right now, and our wholesale book is just a fraction of from when we started the Lakshya plan. We are in no hurry to sell any assets because those are standard assets, income generating assets, and we see no need to sell. So, as and when we get a good buyer who could give (us a) good valuation, we might consider selling.

Otherwise, we will keep it as is. Our focus now is to granularly increase the retail book.

How do you manage to maintain a lower cost of funds despite RBI's risk weight norms?

The main reason for cost remaining within the control is the fact that we are taking advantage of the asset book that we have, our asset book comprises tractor finance as well as micro loans. These are the assets which qualify for priority sector lending (PSL). So, the PSL borrowings we do from the banks come in at a concessional cost. It is 1-1.25 percent lower compared to normal borrowing.

In our overall borrowing, 20 percent borrowings are PSL borrowings, this has kept us in good stats because there is enough and more appetite for such assets by these banks. Whenever the bank lends us PSL classified money, that takes care of that PSL requirement from the RBI point of view. We have taken full benefit of it.

Secondly, the interest rate cycle - when it was actually bottoming out, we had borrowed long. On the other hand, there were a lot of players in the market who were borrowing short as the short-term rates were very low at that time. We sacrificed at that time and today we are gaining out of it.

As we go ahead, our CP total borrowing is about 5-6 percent of the total book and our ALM allows us to go 15-16 percent, so when the interest rate scenario changes, which may be take couple of quarters, the shorter end of the curve will start narrowing down. We will start taking benefit by increasing the commercial papers exposure. Even though RBI increased the interest rate by 250 bps, we will be much better placed compared to other players in the market.

Our weighted average cost may go up in the next couple of quarters, but still, we will be competitive. This will help us maintain and manage our NIM's.

Currently, our weighted average cost is at 7.8 percent for FY24, we may go up to 8.1-8.5 percent primarily based on the current scenario. Over the last three weeks, the scenario has changed, three rate cuts which were expected by US Fed has down to just one rate cut rate expectation. We believe that at least till October we can't see any rate cut but what happens is that the RBI may provide liquidity to the market and that will ensure that whatever increase is there at the end of the quarter, that will slightly subdued.

We heard L&T Finance have hired 5-6 start-up firms to help revamp the company's application and website, can you tell us which are these firms and when we can expect a new version of the app and website?

We don't want to name the individual firms, but the fact is, yes, we are working on improving the functionality of our application and move into the new version. It is for our Planet APP and website. We are working on that, and it will take 2-4 months to bring this to the market.

The next version of the Planet App will be released as and when we are ready. Yes, it is true that we are working with a couple of start-up/fintech firms to build some solutions around those.

Is there any partnership with fintech firms in the pipeline for on boarding new customers, any talks going on?

We have now signed agreements with four large fintech/e-commerce firms for origination of personal loans, two-wheeler loans and mortgage loans. A couple of them are on beta release right now, and we are testing the beta releases. The app will go live very soon. As and when we go live, we will inform the market.

One of them probably will go live next month and the others will be (go live) in the next couple of months.

Do you have plans to apply for a banking licence? If yes, when we can expect it?

Not as of now because currently we are focused on improving our core operations, including retail growth trajectory. We would like to concentrate on that for the next couple of quarters.

Is L&T Finance facing any collection issues due to restrictions by the Election Commission of India on carrying more than Rs 50,000 in cash?

Most of our urban products are completely digital, the only little amount of cash we need to carry is probably in rural **areas**. We have tie ups with banking correspondents (BC) like Airtel Money, who have branches in the villages. Firstly, we do not carry Rs 50,000 as cash because our amounts are lower. Different states have different thresholds, but in this scenario, we have cautioned our collection agents that when they do a reasonable amount of collection, they (must) go to the nearest BC point and deposit it. We have Airtel Money, Spice Money, among others as our BCs in villages.

Do you have plans in the near future to acquire smaller MFIs or NBFCs? Anything on your radar?

As of now we are focusing on organic growth and growth momentum of 25-30 percent. We have to first gain in terms of valuation and then we will think of this.