

Chairman's Message



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Dear Shareholder,

Macroeconomic Overview

India has re-established its position as the fastest growing nation on earth. The growth of 6.6% in FY18 was achieved by overwhelming the effects of demonetization in November 2017 and transitory challenges of a new tax (GST) system. The economy recovered significantly in the second half of FY18 thanks to the buoyancy in agriculture and increased government spending on public administration and construction projects (esp. roads).

FY19 remains sensitive to higher crude oil prices and tighter financial conditions. With the base level of US \$ 2.5 trillion and a consensus growth expectation of ~7.5% with an upward trajectory, the economy is well poised to touch the 5 trillion levels in 2025.

FY2018 in Perspective

The year FY18 was the second year of successful execution of a strategy aimed at taking Return on Equity (RoE) from below 10% to sustainable top quartile level in the industry. This strategy is successfully executed through a combination of clear management intent, an efficient and well-oiled execution engine and an evolving result-oriented culture.

For FY18, disbursements went up by 68% whereas focused loan book grew by 28% from `63,978 cr. on March 31, 2017 to `82,114 cr. on March 31, 2018.

The Average AUM of the Mutual fund business went up from `39,300 cr. in FY17 to `65,932 cr. in FY18. For the Wealth management business, Average AUS increased from `13,623 cr. in FY17 to `18,347 cr. in FY18. This remarkable growth helped turn our asset management businesses.

Our asset quality improved substantially with Gross NPAs at 4.80% on March 31, 2018 vs 7.11% on March 31, 2017. Remarkably, Net NPAs showed a marked improvement YOY from 5.02% to 2.34%. Conservative provisioning policy and a sharp and relentless focus on collections on due dates led to these outcomes. We are hawkishly monitoring this aspect of your Company's activities.

The Company's investments in digital and data analytics have started yielding results. Our TAT improved substantially which resulted in increase in market share across products. The investments also resulted in substantial productivity gains causing cost to income ratio reduction from 26% in FY17 to 23% in FY18.

RoE increased to 15.03% for FY18 from 12.31% in previous year. This RoE is delivered after raising `3,000 cr. through Preferential allotment to our parent and QIP. I would also like to thank Larsen and Toubro Ltd and all investors for showing their support to us.

Clear focus on strategy

Our strategy of achieving top quartile RoE through the three pronged strategy of Right Businesses, Right Structure and Right People remains relevant and robust even after two years. Excellent growth in focused businesses, excellent fee income stream, strict cost control and improvement in asset quality with accelerated provisioning is leading to an excellent and sustainable trajectory of RoE improvement.

We will continue to improve our competitive position in each of our businesses, further simplify our systems, processes & structures and continue to attract, nurture and retain the right talent to implement this roadmap.

Our future will continue to be guided by these simple percepts. We are in it for the long haul.

Our massive investments in a strong digital and data analytics roadmap capturing every aspect of the customer journey are targeted to help us achieve seamless customer on-boarding, efficiency and productivity gains. Data intelligence will be used to unlock every part of RoE tree. Our commitment is to build a Company which delivers sustainable RoE for years, through a culture of "Results" not "Reasons".

I take this opportunity to thank all the shareholders for continued faith in us. I also thank my colleagues on the Board for their valuable contribution and all the employees for their unflinching efforts towards building this institution.

Shailesh Haribhakti