

# 'Digital domain is a big opportunity for us'

A. Balachandrar

**W**ith challenging macro-economic conditions, growth projects are absolutely improving for non-banking financial companies (NBFCs). With total assets under management of Rs.28,000 crore as of June 2011, Chaitanya Finance Investment and Finance Company Ltd. (CFIL), is heavily invested with financial services across the growth in existing as well as new projects in various other segments. This Marignappi Group firm has just bagged the license from the Reserve Bank of India (RBI) to operate private equity funds. **Vijayaraj Balachandrar, Managing Director, CFIL,** talks to **The Hindu** about existing opportunities and the company's growth plans. Excerpts:

**Are the growth projects improving in the financial services industry?**

The main driver that decides the sector is confidence. Good thing is we have seen indications improving. We have successfully provided the risk framework, that not every banker could follow has started coming down. There is a positive trend, that whether it is improving or not we would like it to be. It is not bad, definitely things are better. From a shareholder's perspective, we are slightly cautious as we don't want to go overvalued. So, big track record, what we are seeing is strong purchase by banks, which helps payers for replacing their old vehicles. Because, average age of the fleet is going up. Sustainable being is the one that happens in the bank of limited growth. That we have not yet witnessed that is, we have not yet seen any significant de-

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growth. That is the challenge.

**Is the operating environment becoming tougher for NBFCs due to tighter regulatory norms?**

Regulatory regime is against NBFC. It is actually that we getting the way here. We are really excited about the prospects here. It is a fact that RBI's 11 features is an indication, that regulations are becoming much more granular. This is a transformation step to building the financial services ecosystem. They are basically saying that if you want to provide other services, here is the path by giving license to us and a host of other. It means that they are saying that go for it and make it happen. That is absolutely right way to do that. It is definitely an encouraging trend.

**Where do you see the immediate future opportunities for your private bank business?**

We see two or three major opportunities. First, we will be physical in digital domain. Our investments are still heavily tilted to cash payments that is almost about 60 per cent of the transactions are cash payments. So, the opportunity to move payments in digital is key to be individual players like Chait. The second one is the pure digital domain. If you take the present young generation in the country, their lives are digital. Everything about them is digital. They have no desire to walk into a bank

or any office, so they want to be on their own environment and that means they want to do their transactions on some kind of electronic device. Is pure digital domain going to be another significant opportunity for us, or we need to make payments on the traditional mode?

Also, the physical to digital business is very important in financial services. A lot of it is how we can get significant financial inclusion in the process. Here, it is advantage for NBFCs like Chait. We need to deal with a lot of customers who are really are more familiar with banking in cash domain. The need to get those people to see the value in digital and help move from cash is a great challenge. We need to launch them in the process to get them there. So, we see that as an integral part of growth plan. Thus, we are kind of working in terms of how we are going to take it forward.

**Would you continue to expand network rapidly in view of the operating opportunity in payments banks segment?**

The amount of distribution needed for this is actually far greater. Our own network and a capital base of over 22 lakh customers is an immediate opportunity that can be tapped into. Chait has been consistently expanding that asset across the country, especially in tier 2, 3 and 4 cities for last five years and has grown over 48 branches in 100 branches. During this period, Chait has also expanded its branch network in 10 towns of North East and 2 towns in J&K. Company's focus is on expanding its core professional services and look for an optimal customer experience. With a nationwide network of 104 branches, Chait makes millions of current and personal transactions across 20 states of India, that established presence in rural, semi-urban and urban geographic diversity being an advantage. The branch network enables an extensive penetration in Tier 2 cities and smaller towns which are witnessing faster growth in sales than metros and Tier 1 cities and help in the transformation of a person from being a driver, to being the strong force behind the extension. It will also help leverage the significant opportunities that exist to increase our own high yield business which is the core business of Chait. However, we will continue to look for opportunities and strengthening our footprint across the country.

**In which financing, what are your differentiators and brand positioning?**

We have been in this business for a very long time. There is definitely a high level of trust with the Chait brand. We think we always enjoyed high degree of transparency with our customers. Also, we always had quick turnaround time, high level of follow-

up responsiveness. Also, we are able to offer our customers in this business technologically advanced solutions and that is also helping to differentiate us in this business segment.

**How is home equity (loan against property) business performing?**

LAP is a good product. It continues to be a strong performing business for us. We have seen over Rs.7.5B crore in our books. We hope it will continue to perform very well. The major customers are SMEs and employed individuals constitute the customer base. The average ticket size in this portfolio is Rs.20 lakh. We have established ourselves as a trusted and reliable brand for customers seeking LAP with a quick turnaround time and customer friendly service.

**Any specific reasons for your exit from gold loan business?**

We felt that regulators didn't seem to favour that part of the business. Given the significant regulatory demands, we felt that it was better not to be in that portfolio. It was a small business and didn't impact our long term plans any way. The company stopped investments in this product and closed the book during the 4th quarter of 2010-11.

**Will there be any bank entries to account for major portion of your borrowing portfolio?**

No, we continued to make moves towards money market instruments. Within this, the portfolio will actually tilt a bit in favour of money markets like a-t-bills. Traditionally, it was 60 per cent with banks. But, this year, it will definitely go in favour of money markets.

**Will concerns over global uncertainties and unfavorable business, where do you see the growth coming from this year?**

There are concerns that I do see things getting better and it will be better. Actually, everybody is expecting some risk recovery and that may not happen. Necessary will happen gradually. For us, we expect growth to happen in two segments in the immediate term.

Two-wheel used vehicle, consumer segment and home loan. We expect faster growth in used vehicle segment than in new purchases in the near term. Also, we recently launched a new product, which we think has a lot of growth potential. This product is for students and people with high credit or transaction volumes. This is basically a working capital loan to the student.



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