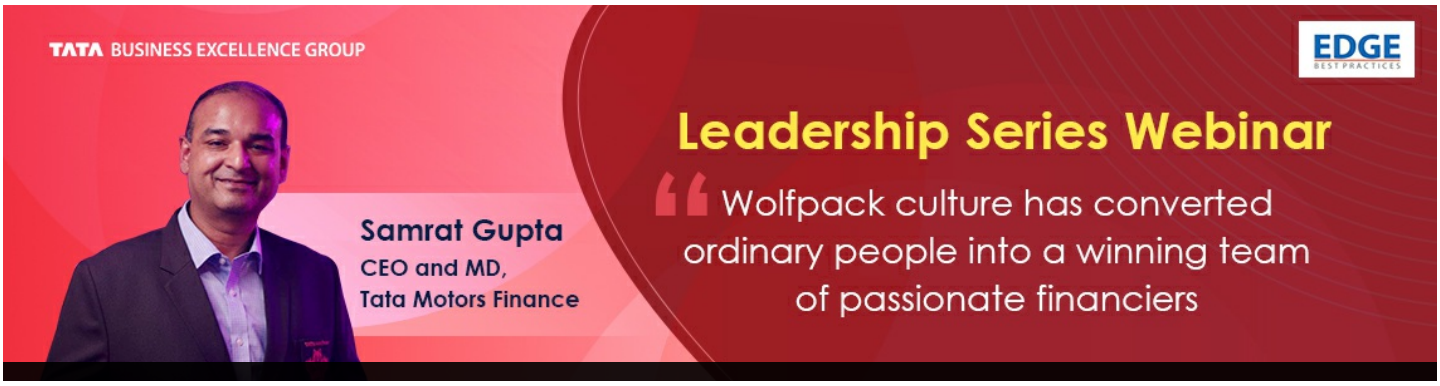
# ‘Wolfpack culture has converted ordinary people into a winning team of passionate financiers’, says Samrat Gupta in the Leadership Series EDGE Webinar




In the Leadership Series EDGE Webinar on ‘Wolfpack Culture’, Samrat Gupta, CEO and MD of Tata Motors Finance (TMF), described how the company drew inspiration from the popular Disney film, *Jungle Book*, and created the Wolfpack culture of ordinary people hunting together for extraordinary performance.

This has enabled the company to turnaround and transform itself from a loss-making financier of last resort into a nimble, profitable financial advisor of choice, offering lifecycle financing for all Tata Motors Limited’s (TML) mobility products and solutions.

Over the last four years since it began implementing the Wolfpack culture, the company has improved its performance on all key business metrics. From assets under management (AUM) of Rs 22,000 crore, net non-performing assets (NPA) of 13.6% and losses of around Rs 700 crore in FY2017, its business has grown to touch an AUM of Rs 42,000 crore with profits of Rs 250 crore and NPAs of 3.2% today. Moreover, the rallying call of the Wolfpack family has resulted in an employee engagement score of a whopping 96%, higher than the global average.

Little wonder, then, that TMF has won the Tata Business Excellence Group’s Emerging Industry Leader award.

Here are the key highlights of the session:

## Need for change

TMF traces its origin to the Bureau of Hire Purchase & Credit (BHPC), which was founded in 1957 to finance commercial vehicles manufactured by TML. In 2006, BHPC and the ailing Tata Finance were merged to form TMF, an independent non-bank finance company that was 100% owned by TML.

Charting the company’s journey, Mr Gupta stated that the company’s financial woes rose following the global financial crisis in 2008. To counter the resulting recession and push growth, TMF adopted the manufacturer guaranteed business (MGB) model from FY2009. Under this, the original equipment manufacturer (OEM) or TML offered credit subvention by guaranteeing the losses in case of default on loans. However, till such time as the loss was in provision stage and not crystallised, it was carried on TMF’s books.

While the MGB model resulted in growth initially, it caused pain later as losses mounted on TMF’s books, touching Rs 843 crore in FY2015. Mr Gupta described the FY2012 to FY2014 phase of the company’s journey as the MGB loss-cover years.

Hence, in 2015, the company closed this business and undertook a massive restructuring programme, Project Rainbow and Project Phoenix. Apart from cleaning up its balance sheet by segregating bad loans into a new entity called Tata Motors Finance Solutions Limited, the company diversified its business into used vehicle financing and wholesale debt.

## ‘Culture eats strategy’

Nevertheless, by FY2017, TMF was living proof of the cliché, ‘culture eats strategy for breakfast’, said Mr Gupta.

There were challenges galore. For one, the employees were from disparate backgrounds: the old BHPC, TML’s sales team, and from other Tata group and non-group companies.

There was a cultural challenge as the organisation was inward-looking, laid-back and lacked an independent brand presence, stated Mr Gupta.

Plus, there was the performance challenge with the nightmare of the MGB book, huge losses of Rs 700 crore, high cost to income ratio of around 75% and long turnaround time to service customers.

With a new board and management team comprising finance professionals at the helm, TMF reorganised itself in FY2017. An umbrella financial services company, Core Investment Company, was formed for the Tata Motors ecosystem. And the business was reorganised under three entities: the parent company, Tata Motors Finance Holding, which is dedicated to the TML ecosystem; TMF for new vehicle financing; and Tata Motors Finance Solutions for second-hand vehicle financing and wholesale lending.

More crucially, the company realised that it had to rebuild the fabric and create a new culture that would convert ordinary people into passionate financiers who can achieve anything they set their mind to, and who would build their success on teamwork.

## The Wolfpack family values

The real turnaround thus began with the Wolfpack family culture in 2018. The inspiration for this came when Mr Gupta watched *Jungle Book* on a flight from Delhi to Mumbai in April 2017.

Taking a cue from the team spirit, aggression and can-do attitude displayed by Mowgli and his friends in fighting their enemies in the film, TMF created the Wolfpack family culture for the organisation.

One key value it took from *Jungle Book* was the power of the collective, which Mr Gupta pointed out, is crucial for its retail CV financing business, which is spread across 68 zones. Each zone contributes around Rs 500 crore to the Rs 42,000-crore AUM today.

TMF also imbibed the values of humility – every employee is willing to learn from the customer and ecosystem players today -- and the courage to innovate financing structures. The company is regarded as a bespoke financier and is proud of its ability to offer innovative financing solutions today, stated Mr Gupta.

There are also no heroes in the company as all employees celebrate each other’s success. Mr Gupta recounted how TMF has fostered this through the democratisation of wealth, whereby there is no longer any snowballing of targets to the field officer. Rather, everyone has the same target and all incentives are paid quarterly in a transparent and fair manner.

This combination of aggression and unity is at the heart of the company’s success today, stated Mr Gupta.

## Five steps of the Wolfpack transformation

In hindsight, there were five steps that the company took that transformed the culture, stated Mr Gupta:

*Engagement:*

The company deployed a strong communication strategy to foster employee engagement with complete transparency on all communication within and between the wolfpack tribe and its network (customers, dealers, suppliers). It also drove engagement with democratisation of wealth whereby everyone joined hands to strike a deal. Plus, it nurtured the wolfpack pack as a family with the alpha wolf running it from the back. The result is a 96% employee engagement score today. This engagement also enabled TMF to stay profitable and service its customers through the Covid crisis these last nine months, said Mr Gupta.

*Leverage assets:*

Since TMF did not have the luxury of getting fresh capital from its parent, TML, the company innovated by developing an asset-light strategy of financial warehousing. Under this, TMF was able to reduce its balance sheet size by selling its seasoned assets – or well performing loans – to banks. Today, TMF sells close to Rs 10,000 of its asset book annually to over 20 banks. This has not only reduced TMF’s reliance on TML for capital but also resulted in higher return on equity (RoE).

*Automation:*

The company's digitalisation journey has spurred its growth in the last four years as it has automated its entire business from customer and employee experience to pricing of risks and decision-making to collection analytics. This has also improved its turnaround time with 85% of loans being approved within 24 hours today.

*Creating communities:*

Over the last four years, TMF has emerged as a trusted financial advisor to transporters, dealers and vendors of TML, often helping them to cure their balance sheets and grow their business. Almost 60% of its business is repeat business today.

*Staff on demand:*

Over the last 18 months, TMF has initiated family planning by keeping its on-roll staff static and deploying a dynamic off-roll workforce that crests and troughs based on business volumes. This has helped it curb its high cost-to-income ratio.

## Proof of the pudding

These five steps have helped TMF achieve scale. Its AUM has grown from Rs 22,000 crore in FY2017 to Rs 42,000 crore today, making TMF among the largest captive CV financiers in the country. It is also the country's largest financier of small CVs, which are used for last-mile delivery, with a market share of 25%.

Besides, net NPAs have reduced from 13.6% in FY2017 to 3.2% in FY2021E -- one of the lowest in the CV industry. The cost to income ratio has also fallen from 73% to 40% in the same period, and from a loss of Rs 700 crore in FY17, TMF expects to post of profit before tax of 250 crore in FY21E. It also expects to post a RoE of 8% this financial year.

That's not all. The company has also lived up to the new stakeholder expectations by improving its value proposition.

## The road ahead: 5D framework for further success

Now that it has transformed itself and turned around its business, TMF intends to maintain the momentum and emerge as a market leader, stated Mr Gupta.

Accordingly, it has developed a 5D framework to steer its growth over the next three years: Develop its culture, new leaders, products and customers; Digitise, Diversify into second-hand vehicle financing and structured lending; Divest to stay asset-light and evolve alternative ways to raise capital; and Deliver results.

As far as the last is concerned, Mr Gupta shared Tata Group Chairman's expectations in this regard. These entail achieving growth without any capital infusion from TML for the next three years, increasing the net income margin and fee-based income, improving the RoE from 8% today to 15%, and doubling the customer base to 10 lakh customers.

This is a tall ask as it means that TMF will have to grow its AUM to at least Rs 55,000 crore-Rs 60,000 crore over the next two-three years and generate 15% RoE, stated Mr Gupta. However, he was confident that the Wolfpack tribal culture would enable the company to step on the accelerator and achieve its targets.

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