

V Vaidyanathan: A Big-match Player

Why work for a bank when you could own one? Setting up a retail NBFC was only the first step in V Vaidyanathan's larger game plan. Next up is converting it to a bank by merger with IDFC Bank



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by Clifford Alvares

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In 2010, Vembu Vaidyanathan left a top job at ICICI Bank, smitten with an idea that he could start a bank de-novo with ownership stakes. So how would he get a bank license? In an interview to a prominent television channel at the time, he had said that he would acquire a stake in an NBFC, build a retail banking business and hope to apply to RBI for a banking license someday.

It's a novel thought or weird depending on the prism you use, but certainly unique. Vaidyanathan risked a lot, leveraging his home, and pledging the acquired stock itself. But most of all he risked a well-paying top job as an MD in the ICICI group. Not often do you come across someone who presses this hard with his convictions.

After much hard work of raising debt brick by brick, and shutting down subsidiaries, he built a nascent proof of concept of a retail loan book of Rs 700 crore, pitched to investors. Call it serendipity or effort or both, Vaidyanathan won an equity backing of \$159 million from Warburg Pincus and completed a management buyout. And created a new brand entity — Capital First with a new business model. From a market cap of Rs 780 crore at the time of the MBO, Capital First is now worth Rs 5,500 crore, with loan book of over Rs 27,000 crore. To put oneself on the line and get this far puts Founder and Chairman, V Vaidyanathan on the elite list of BW Businessworld's Most Valuable CEOs.

Says Vaidyanathan: "We achieved it entirely because of great leaders, hardworking and talented people."

Capital First has since financed more than six million customers in 222 locations and lent over Rs 58,000 crore. The company which posted losses in 2008 and 2009, is now profitable, and as per the company website, the net profits have grown at a five-year CAGR of 39 percent to Rs 238.9 crore in FY 17. This stupendous business has consistently low NPAs of under 1.0 percent, and even breezed past the difficult period of demonetisation.

Vaidyanathan built the company around a rigorous credit underwriting process, which helps maintain high asset quality. Only loans that meet the lending norms are disbursed. An independent collection team then follows up to ensure that the credit health of the loans endures.