

'FY16 will be better but not substantially'

Though L&T Finance Holdings could not bag a banking licence in April 2014, it is keeping its banking dreams alive. To grow its retail lending book, the firm has stepped up lending to the small and medium enterprises (SME) sector. The Chairman and managing director **Y M DEOSTHALEE** tells **Neelasri Barman** and **Abhijit Lele** the firm is geared to manage economic cycles more efficiently. Edited excerpts.



Y M DEOSTHALEE

Chairman & managing director,
L & T Finance Holdings

Do you see things changing for the better?

It's a bit premature to comment about a turnaround, given the complexity of issues. But there is an undercurrent of sincerity and urgency from the new government, to signal and demonstrate change through concrete action.

Necessary steps in the nature of regulatory modifications have been initiated. In addition, the government is following a collaborative and unified approach of consulting sectoral players, experts and other stakeholders for ideas to ensure holistic decision-making and development.

Will FY16 be better for your company?

It will be better, but not substantially. It will be adequate from a directional point of view, new investments and a corporate perspective.

Thus, from a 5.3 per cent kind of GDP growth, it is not going to go to eight per cent in a short time frame. The government is working towards bringing sustainable long-term development.

We will see some change in 2016. Fortunately for us, L&T Financial Services, business is a diversified entity, not concentrated in niche areas. We have a balanced portfolio of consumer financing, equipment financing, corporate financing and infrastructure financing. This mix enables us to manage economic cycles more efficiently. We believe we have demonstrated this well even during the downturn. Going forward, if the economy improves, it is only going to be better for us. In the past couple of years, we have consciously reduced our exposure in certain areas such as construction equipment and commercial vehicles.

If these specific sectors look up, we might venture again.

Are you seeing any uptick in construction equipment and commercial vehicles?

The past few months have seen some uptick. December 2014 had been an exceptionally good month for commercial vehicles.

However, we cannot comment if that is a trend. We have grown in areas such as two-wheelers and cars, done well in housing and renewable energy for infrastructure finance.

Thus, having built capabilities across sectors, it is possible for us to make a choice and re-calibrate ourselves from time to time.

This should enable us to grow in



a sustainable manner over a long period.

The company had planned to enter health insurance through a joint venture with Swiss Re, but that did not take off. Are you still interested in having a stand-alone health insurance company?

It is not a question of being a stand-alone health insurance company. We are already in health insurance, a very important growth area.

Further, it offers us considerable opportunities, given the increased insurance awareness and under-penetration in that sector.

Regarding partnerships, we would expect a credible partner focused on health insurance. Structuring through a joint venture or otherwise is not critical.

However, given our existing presence in general insurance, holding two general insurance licences is not a possibility, unless legislative changes are brought about facilitating establishment of a separate health insurance category.

Are you exploring any partnership for L&T General Insurance, since the earlier proposal for a merger with Future Generali was called off?

We are open to exploring partnerships. However, we have expectations in terms of partners' credibility and governance standards. It has to be a meeting of minds of both the companies.

The objective has to be clear as to why they want to enter India.

We would thus, expect our proposed partner to be an international player which can enrich us with inputs in the areas of technology and underwriting expertise.

Disbursements in the wholesale business have tapered down in the FY12-FY14 period while in the retail and mid-market business, it remained flat in this period. When do you see growth returning?

We have changed the complexion of disbursements. Our book has displayed consistent growth, which is very important.

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