

Housing finance still at nascent stage, says L&T Finance Holdings



N Sivaraman

President, L&T Finance Holdings
talks to Sanjeev Sharma

L&T Finance Holdings is a financial holding company promoted by Larsen & Toubro, one of India's leading companies. N. Sivaraman, President and Wholtime Director — L&T Finance Holdings, talks about the company's ambition to become a bank and how a strong government will improve decision making and growth prospects.

Q: What has been the performance of L&T Finance Holdings in retail segment and infrastructure finance?

A: Our overall lending asset book comprises mid market finance (22%), retail finance (34%) and wholesale or infra finance (44%). Our group's focus is around the consumer-oriented segments or what we call B2C (retail) segments. Our disbursements or the portfolio around the B2C segment comprising of housing, two-wheelers, cars, tractors and microfinance is doing well for the past 5-6 quarters. It has increased by

11% in FY14 vis-à-vis FY13. In infrastructure finance, our focus continues to be on operational projects and high quality, larger-ticket relationships. We disbursed Rs 6,800 crore to different infra projects in various segments whereas our loans and advances stood at Rs 17,600 crore as on March 31, 2014.

Q: What is the status of your application for bank licence and future plans?

A: We continue to maintain our ambition or the desire to become a bank. As we wait for the regulatory situation to evolve on this, our focus will be to further expand, grow in terms of geography, further increase the offerings, while keeping the operating cost under control so that we are able to achieve better returns as we wait to become a bank. In addition to this, we would definitely continue our efforts to diversify the sources of funding for our businesses with more retail offering being a part of our liability book too.

Q: What are your expectations from the Narendra Modi government?

A: Today our economy faces challenges such as delay in projects sanctioning, inadequate government funding and diminishing projects in the infrastructure and mining sectors. Corporates are



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also facing liquidity crunch and their funds have remained locked up causing failure in repayment of loans. The new government should bring in stability and only then these problems will be solved. Development depends on how fast you take decisions, hence it's important to avoid delays and take immediate and firm decisions. Only a strong government can fill this gap and stabilise the economy.

Q: What is the company's strategy for growth?

A: We believe there is a huge opportunity in the retail segment. Rural demand has continued to be strong and

can be supported with a good monsoon.

The second is the infrastructure finance segment. The desired capital spend is about a trillion dollars in the next five years. Hence, it is fairly large opportunity to provide credit to this segment.

Q: What is your outlook on the infrastructure sector?

A: In the infrastructure sector, especially in thermal power, we continue to see issues both on the demand as well as from the fuel availability side. Electricity boards have their own issues and the overall economic environment has not promoted consumption, so consequently there is some stress continuing to remain even in the operational projects in the segment. The good piece is that we are seeing investment interest in the segment.

Q: How do you view the housing finance space?

A: The industry is still at a nascent stage in terms of penetration as compared to other markets, such as South East Asia and the US markets. The Indian housing loan market is still roughly at about 6.5% to 7% of the total GDP. Hence, the penetration is still relatively shallow, which makes the opportunity quite huge.