

'Infra lending opportunities may grow in next two quarters'

'Lenders are getting more cautious. Now, they are looking at basic level of comfort'

L&T Finance Holdings has over the past couple of years shown its intent to go big in the financial services space, and in the process, completed three acquisitions across three businesses in last one year. While it wants to be among the top players, N Sivaraman, president and wholetime director told Sandeep Singh that size does matter in the financial services business. He says the opportunity to become a bank is to be looked at in the context of building the business, growing it more efficiently and in a sustainable way. Excerpts:



Infrastructure lending contributes to a sizeable portion of your business. How do you see it growing amidst the overall pressure. Where are you focussing?

In terms of new projects, we see opportunity around renewable energy — solar and wind — and the other opportunity for growth will be around refinancing where developers are looking for better pricing on their operational projects and banks are looking to lighten their exposure in the infrastructure sector.

However, I think that that over the next two quarters we should see a lot more opportunities coming around road projects and thermal power projects. The government is attempting to sort the fuel availability issue for thermal projects but it may take another two quarters for some of these issues to get resolved.

How comfortable are lenders in financing these sectors?

Lenders are getting more cautious and unlike in the past, where loans were available after fulfilling certain criteria, now they are looking at basic level of comfort.

The environment now is a bit more circumspect on committing to projects than in the past. Scrutiny and review are more intense and even developers are realising that without some of those enablers firmly in place there is no point pursuing for new financing opportunities.

How do you see your overall loan book grow?

Both from an ability and opportunity

“ The environment now is a bit more circumspect on committing to projects than in the past. Scrutiny and review are more intense and even developers are realising that without some of those enablers firmly in place there is no point pursuing for new financing opportunities ”

point of view, 25-30 per cent growth is possible.

You made three acquisitions in 2012, including Indo-Pacific Housing finance. How do you view the housing finance business?

As of now, our HFC business has a book size of around Rs 200 crore and for us to be relevant and meaningful, we need to achieve about Rs 4,000-5,000 crore book size in about 5 years time. We have a small base and we will see aggressive growth.

Will the growth be organic or inorganic?

We can do it the organic way but if some interesting inorganic opportunity comes up and fits with in our vision for financial services, we will not ignore it.

Your Non Performing Assets have been on a rise. Do you see more slippages?

I think we might see some more slippages coming in this quarter and there will be an overall increase in NPA's. We originally assessed that by December quarter, things would have stabilised and NPA's would be at its peak, it looks like the peak could be in the March quarter. Unless cash flows of medium enterprises and corporates especially in the construction segment really improve, it may still not change the outlook on ground or on NPA's. However, it may not increase the credit costs as a percentage of assets.

With few companies in your bag, do you see the economic slowdown as a period of consolidation?

Acquisitions are towards consolidating our position and enhancing our presence, so that definitely helps. Organisationally, we are trying to use this breathing time to consolidate and improve our processes and controls.

Are you looking at more acquisitions in Mutual Fund space? You said in the past that you want to be among the top 5 players?

The acquisition we did gave us enough positioning on which we can build on giving us the opportunity to grow the Asset Under Management on accelerated basis. However, if there is a viable and meaningful consolidation opportunity, and if it makes sense, we will go forward.

Do you plan to enter the life insurance business as you are present in all other major financial services space?

Life Insurance is an important business in the financial services umbrella. However, at the moment, we don't have it on the table. If there is an opportunity or something that will make us look into it, we will look into.

What is the long term strategy for L&T Finance?

The vision is to build a comprehensive financial services business. It is not our plan to be a niche player. We will clearly build in a calibrated manner in the context of where we are at a given point of time. There is a method to the way we are executing. We will look at inorganic opportunities that will make our entry to market faster.

Do you think scale will be needed for that and banking license may help?

In financial services, size matters and it helps you to achieve economies of scale and be visible to enable client acquisition. Opportunity to become a bank is to be looked at in the context of building the business, growing it more efficiently and in a sustainable way. As a bank, the scope of the services that you can provide expands and you end up expanding the customer segment you can address. The virtuous cycle will help you grow faster while adding value.

sandeep.singh@expressindia.com