

## INTERVIEW: N SIVARAMAN

PRESIDENT & WHOLE-TIME DIRECTOR, L&T FIN

# Lending to infra sector may see another quarter of stress

*L&T Finance Holdings posted a standalone net profit drop of ₹50.18 crore in Q3, down 73.47% y-o-y, due to higher credit costs and provisioning for bad loans. N Sivaraman, president and whole-time director, spoke to Shashidhar KJ on the company's performance, and expectations from the coming quarters.*



### Why was there such a huge drop in net profit?

The actual net profit drop is about 53% or so; and that is because of an exceptional item last year. The actual comparison we need to make is between the operational results in the two quarters. The satisfying part is that the operational parameters have been improving. There has been a 50% increase in provisions for NPAs. Profit after tax, on an operational basis, is lower by about 7% compared to the previous quarter.

**You have said that you are looking at stress in the commercial vehicle and construction equipment (CV/CE) loan segment and large corporate loans.**

### How has the performance been in these portfolios?

Overall, the aggregate drop in these segments will be around 10-12%. The important point, though, is that we have been focussing on the business-to-consumer (B2C) segment, which is personal vehicles, tractors and housing. We have been very careful about the CE/CV portfolios in the last two years. Our disbursements have been lower by 30-40% y-o-y. As these loans will be for about 2-3 years, most of the risk element would have played out in our balance sheet. Going forward, we do not see this being a major issue for us.

On the mid-corporate side, we seem to have seen the peak of bad loans. From

here, the risk may not be very significant. While depending on the ageing of the NPAs, some additional provisioning may be needed.

### What about the infrastructure segment?

In the infra book, I do believe that there will be at least one more quarter of stress. And, thereafter, you might see a gradual improvement in the situation. What it means is that the provisioning required for the next quarter could be similar to this quarter.

### What is your outlook for the coming quarters?

I think we will be cautious on disbursements to the corporate CE/CV segment. We will be positive for the disbursements to the B2C segments. We have grown at about 21% for the first nine months. I think we should see some decent growth for the coming quarters. The net interest margins have been stable and they will improve in the next two quarters. On a consolidated basis, NIMs were about 5.3% (5.54% in the previous quarter).