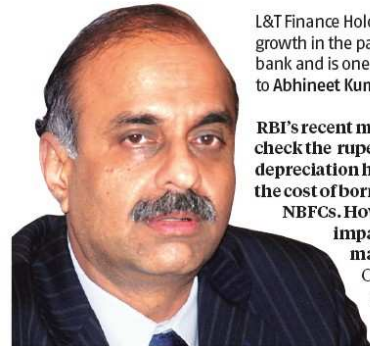


# 'Rural markets are large but will be built over a long period'



L&T Finance Holdings, the financial services arm of Larsen & Toubro, the \$14-billion engineering and construction conglomerate, has seen rapid growth in the past five years, with its loan-book size growing to ₹34,337 crore. The non-banking financial company (NBFC) is keen to convert to a bank and is one of the 26 that have applied to the Reserve Bank of India (RBI) for licences. **N SIVARAMAN**, president and whole-time director, spoke to Abhineet Kumar about the prevailing challenges for the company and its preparedness for a banking foray. Edited excerpts:

**RBI's recent measures to check the rupee's depreciation have impacted the cost of borrowing for NBFCs. How are they impacting your margins?**

Our margins have remained stable or have been improving

over the past four quarters. In the current quarter, RBI measures have created a level of volatility in shorter-range interest rates and marginal impact on the longer-term rates. This is going to have some impact on the margin. RBI has said this is a temporary measure but it is more than three weeks now. People were expecting this to

be rolled back in three weeks. It really creates a skew. The yield curve has become inverted once again and the credit curve has become inverted. Government securities are quoting a far higher price than even corporate bonds of similar tenures. This is curious. The level of excess holding with banks is getting liquidated to

generate funds for lending and other needs.

It has become a curious situation which has its own risk. In the way you plan financing, in the way you make your investments in the short term... all these are creating chaos in the system. This needs to be corrected. So, the consistent improvement we have had over

the past four to five quarters may be a little difficult to achieve in this quarter and it might remain flat.

**There are micro-finance companies that have applied for bank licences. What advantages can an NBFC like you offer in meeting RBI's financial-inclusion guidelines?**

Existing microfinance companies will have an advantage.



**N SIVARAMAN**  
President & whole-time director,  
L&T Finance Holdings

But a bank is not about a single-product window. A bank is about a variety of products and a variety of customers to manage risks very well. And financial inclusion

is not the only business. It is not about lending to the weaker section alone. It has to be seen in an overall sense.

RBI says you should open at least 25 per cent of your branches in unbanked areas. This we

can do. They also appreciate that I cannot, overnight, build 30 per cent of my balance sheet from financial inclusion. Rural markets are large but are going to be built over a long period, not in the first three, five or 10 years. I can build a ₹10,000-crore loan book with 100 borrowers of ₹100 crore each. With ₹10,000 each per borrower to reach a ₹1,000 crore loan book, I have to get one million borrowers. You have to imagine the scale and what one needs to do. It has to be built painstakingly and has to be sustainable.

For full interview, visit [www.business-standard.com](http://www.business-standard.com)