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L&T Infra Finance CEO upbeat on India's economic recovery by 2015

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By Swati Pandey



^[1]India's economy recorded its [slowest growth in a decade](#) ^[2] in the fiscal year ending in March but the CEO of L&T Infrastructure Finance, that provides loans to companies such as Jaypee Group to develop roads and other infrastructure, is hopeful of an economic [turnaround](#) ^[3] in less than two years that will boost business prospects.

The company, part of India's largest engineering and construction conglomerate Larsen & Toubro, will likely end up dealing with a [slowdown](#) ^[3] in business growth in

the current financial year, but might bounce right back next year if the winner of India's federal elections due in 2014 starts spending on infrastructure projects.

Reuters spoke to Chief Executive Officer Suneet Maheshwari about his outlook for the industry and the Indian economy. Here are excerpts from the interview :

Q: What is your outlook for the industry?

A: It is difficult to imagine for any individual that we will always be doing good. Sometimes you will have a viral attack. Business is also like that. To believe that this will pass off in one year for the world and for India will be extreme short-sightedness and lack of understanding of what the real world is ... I know [it is dismal](#) ^[3], but which country in the world is showing 5.3.-5.4 percent growth? This year I believe, with [whatever Chidambaram is doing](#) ^[4], we will hit 6 percent growth.

I personally feel that this view about India by ratings agencies – to put it on a [pathway to downgrade or a watch towards a negative outlook](#) ^[5] – that is being too severe on India. And those who are doing it have probably not understood India very well.

Q: Do you feel the upcoming general elections could delay plans or government spending?

A: There is a degree of uncertainty that happens around elections. I think once a new government settles down, I do expect there will be a growth path, whichever party comes in ... There is quite a possibility of a decisive win if both the parties put the right candidates. If you have a BJP-led government or a Congress-led government, how is it different? ... Pre-1990, the common Indian expected stagnation. He was happy if he died not worse off than what he arrived in the world with. Today the common Indian expects growth, he expects development, and that is a very powerful change. So, I am quite hopeful that 2014 will see the rise of a decent government and once a good government comes in, 2015 onwards, I expect a bull run of another 10-15 years. Once the elections are over, we are ready for growth.

Q: What is the business outlook for your company?

A: Last year, we (the company by itself) grew by 30 percent in a not-so-encouraging environment. This year we are expecting 20-25 percent (revenue) growth. In India, you need to have calibrated growth because it's very easy to give money; it's equally difficult to get it back. One has to be careful.

Q: Are you seeing delay in payments from customers?

A: Stress is there, but within reasonable limits. Stress levels have gone up to 2009 levels. I would focus on the loan monitoring, relationship with customers – that's our key differentiating factor.

[Editor's note: Indian banks are reeling under the pressure of increasing industrial loan defaults. The banking system is weighed down by stressed loans of nearly \$150 billion or more than 10 percent of total bank debt]

Q: Where is the loan demand coming from?

A: At the moment, there is a lot of refinancing demand, mainly because companies have borrowed costlier and now, with interest rates coming down, they want to refinance those loans. We have seen in renewables some project loan demand.

Q: Within the infrastructure segment, which area is looking up?

A: There is enough pipeline possible in roads and energy. I would like to see other areas for good assets such as urban infrastructure, water, solid wastes, hospitals. These segments have huge, huge, huge potential in India.

[1] Image: <http://blogs.reuters.com/india/files/2013/05/rupeenotes1.jpg>

[2] slowest growth in a decade:

<http://fingfx.thomsonreuters.com/2012/04/05/0045350921.htm>

[3] turnaround: <http://in.reuters.com/article/2013/05/31/india-economy-idINDEE94U03M20130531>

[4] whatever Chidambaram is doing: <http://in.reuters.com/article/2012/09/10/india-economy-chidambaram-idINDEE88900F20120910>

[5] pathway to downgrade or a watch towards a negative outlook:

<http://in.reuters.com/article/2013/05/17/india-ratings-sp-idINDEE94G06Y20130517>

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