



# Making of a financial services superstore

From MFs to housing finance and from equities to insurance policies, Aditya Birla Financial Services Group has it all. What is absent is a bank. Ajay Srinivasan, chief executive, sums up the activities:



It can well be a defined strategy for the conglomerate that is Aditya Birla group, which has presence in practically whatever segments you name, to establish itself in the financial services sector. The group's chairman Kumar Mangalam Birla has a vision to build a financial services superstore to reap the benefits of the potential growth of the Indian economy and Aditya Birla Financial Services Group (ABFSG) builds towards this. While it could not get a license for a universal bank in the last round, the group is intending to cover up with substantive growth in all the ten verticals that today constitute ABFSG. "Yes, we are an umbrella brand in the financial services realm," says Ajay Srinivasan, chief executive, ABFSG. "It has been possible because of our vast understanding of the financial services market. Today, the company is a broad-based and integrated player in the financial services space with 10 business lines under one umbrella - life insurance & pension fund company, asset management, NBFC, equity/currency and commodity broking, wealth management and real estate Advisory, general insurance advisory services, private equity, online money management, structured project and infrastructure finance and housing finance" says he.

"Aditya Birla Group began its financial services operations some time back. In 2007, when I joined we had five verticals," says Srinivasan. "Ever since, we have been trying to be a role model and a standard for offering the services - whether in terms of our product range, in complying with regulations, in supporting distribution

channels or in customer service. Today, short of core banking we can offer whatever service or product that is required in the Indian context to our customers. They need not look out elsewhere for this. It is this spectrum that is available with us through an integrated approach, that makes us different," he adds.

### UMBRELLA BRAND

There is definite advantage when several allied businesses are operating in an integrated way under one apex or umbrella brand. Srinivasan says first it is the question of economy of doing business with common infrastructure like technology, risk management, media buying etc. The second is the opportunity to provide a single face and brand to all customers. Thirdly, people, have a career opportunity across many more lines of businesses.

"For example, we have been able to evolve a single marketing head for the different verticals who oversees marketing across the board. This we believe has brought in not only economies of scale, but efficiency," says Srinivasan.

So, how difficult or easy it is for him to track different business verticals and ensure that they are managed as profit centers? Says he: "Each of our businesses within the group is a unique entity catering to the specific needs of the customers and contributing to the Aditya Birla Group's endeavour to become what is conceived as a financial services superstore. We do not want to disappoint our customers who would, for example, buy our mutual fund products, but would have to look

elsewhere for a general insurance product for want of such a product in our portfolio. So, we have Aditya Birla Insurance Brokers for this purpose even though we are not manufacturers for general insurance. When you ask me how difficult or easy it is to manage these verticals, I would reiterate that we have been able to build up an infrastructure in terms of technology, in terms of professional manpower and in terms of knowledge base that makes the task of managing each as a profit center easy and unassailable.

"So, when we decided that we should add more businesses to the existing ones, we could roll them out - five business verticals in fact - with the least effort, because it was just a question of replication," he adds.

Yes, there were two acquisitions - Apollo Sindhoo Capital, which subsequently became Aditya Birla Money and the mutual funds schemes of ING Investment Management India, which became part of Birla Sun Life Mutual Fund.

### INTEGRATED ENTERPRISE

Srinivasan says what has indeed helped ABFSG to be a truly integrated enterprise is the fact that it has been very customer centric - the preferred choice of customers because of the broad spectrum of services and products it could offer under one umbrella. "Another aspect is the structure of the organization," says he, adding: "While we have CEOs for each of the verticals, resources in four key functions are common for the entire group - risk function, people management, IT operations and marketing. We are putting

in place a single CRM application for the entire group, which will help us to have a single view of the customer and understand and cater to the requirements - whether it is mutual fund, or life insurance or general insurance or equities or housing finance."

How would he cover up the absence of a universal bank in this scheme of things? Would he be still applying for a license and hope to get it in the next rounds?

"There is indeed a disappointment that we could not get a universal banking license in the first round," admits Srinivasan. "It would have been a perfect strategic fit for us. But, we have to move on. We are awaiting for the RBI to come up with further guidelines in this regard and yes, definitely we will be applying for a license when that happens. Group company Aditya Birla Nuvo, which is the promoter of Idea Cellular, has applied for a payments bank license."

### TOP BUSINESSES

Can he identify the top two business verticals in the group?

Srinivasan says it is a difficult proposition because all the verticals are equally important and their performance measured relative to the sector in which they operate. "However, I will say three of these verticals are substantially large in terms of their assets, business volume and their net worth - the life insurance business, the asset management business and the NBFC," says he.

What about the technology infrastructure that is in place and how it has helped in creating a difference?

"Technology as I mentioned earlier is a common resource for the entire group," says Srinivasan. "We have a centralized data warehouse, which is a repository of all the data pertaining to ABFSG. Similarly, the IT team that manages the technology functions too is common across the group, so are the applications, infrastructure etc. And like I said, the CRM package too is a common resource. There is a DR site and we have a Business Continuity Plan in place. We have a shared service center and the costs are apportioned as per usage."



Ajay Srinivasan talks about the uniqueness of several businesses in the group functioning in an integrated manner

"We do have wealth management products and very bullish on this segment; we are not targeting the top end of the spectrum but are operating in the ₹20 lakh-plus net worth segment," reveals Srinivasan.

### INSURANCE JV

"We are at the moment excited about a joint venture we have formalized with South African insurer MMI Holdings, a major player in the insurance, healthcare administration and employee benefits in that country. This will mark our entry into health insurance and wellness business and the JV - to be called Aditya Birla Health Insurance Co - is awaiting license to operate from IRDA. We will hold 51% stake in the JV," he says.

He hastens to add: "The typical mind set in health insurance today is for people who need coverage to buy health insurance which leads to higher claims ratios. However, if health insurance becomes a habit and a way to protect oneself from the unforeseen, then the business can be very different. That is what we hope to bring in with the help of MMI"

Srinivasan is also excited about the prospects of direct investments coming into India - thanks to the group's presence in Dubai and Singapore and with current assets estimated at around \$2 billion. ABFSG indeed has scope to enhance its AUM from offshore sources, he feels.

"Across the 10 lines of business we have, as of March last year, our aggregate revenue was approx at ₹8000 crore, profit before tax was close to ₹850 crore, consolidated assets under management was at ₹1,65,00,000 crore and lending book size was at ₹17,550 crore with an aggregate customer base of 7.5 million. We are present in more than 500 cities in India through 1,500 points of presence and over 200,000 channel partners. The average assets under management in the mutual funds business have grown over six times to \$25.8 billion and our lending book has grown by nearly 30 times in the past 7 years," he concludes.

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