ADITYA BIRLA CAPITAL

PROTECTING INVESTING FINANCING ADVISING

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INTERVIEW | AJAY SRINIVASAN

Aditya Birla Financial eyes unsecured loans

OOMMEN A. NINAN

Aditya Birla Financial Services Group (ABFSG) comprises all the financial services businesses of the Aditya Birla Group. ABFSG's consolidated revenues quadrupled to Rs. 7,941 crore in 2014-15, from Rs.1,897 crore in 2006-07. **Ajay Srinivasan**, *Chief Executive, Financial Services, has been with the Aditya Birla Group since July 2007.*

In an e-mail interview with **The Hindu,** *he outlines his plans for the group and the outlook for the country's financial services landscape.*

• How has Aditya Birla Financial Services Group evolved over the years?

We are a significant non-bank financial services conglomerate today, having a wide spectrum of solutions across businesses such as life insurance, asset management, private equity, general insurance broking, wealth management, broking, online personal finance, housing finance, pension fund management and lending. We are in the process of seeking a license from Insurance Regulatory and Development Authority of India (IRDAI) for launching a health insurance business in a joint venture with MMI Group of South Africa. This expanding bouquet of services enables us to serve the end-to-end financial needs of our retail and corporate customers, barring core banking products.

We have moved from being five individual lines of business in 2007 to being an integrated player, comprising 12 business lines.

Over the years we have not only grown the number of businesses we operate in, but also achieved scale in each of our businesses, across different economic cycles.

Today, our stable includes a top-five asset management business, a top-five private life insurance company and one of the faster growing non-banking financial companies (NBFCs) in the industry.

Our consolidated revenues have grown from Rs.1,897 crore in 2006-07 to Rs. 7,941 crore for 2014-15. From a loss of Rs.100 crore in FY07 we have recorded a profit before tax of Rs. 850 crore in FY15 and Rs. 507 crore in first half of FY16.

India's financial services landscape is dominated primarily by banks on one hand and the non-bank financial institutions on the other. If you look at the non banks, many of them are focused towards singular lines of business.

ABFSG at one level is differentiated given our ability to offer a wide range of financial solutions for our individual and corporate customers combined by scale in each business, which is an uncommon combination to find.

ABFSG is also differentiated by its unique structure through which we operate. One of our key differentiators towards giving life to our strategy of operating as an integrated player was to adopt a structure to house all the financial services businesses.

This structure allows us to manage critical functions such as IT and operations, risk and compliance, marketing and human resources, with a common and integrated approach across all our verticals, instead of operating in their respective silos. Today, we have the ability to offer a complete bouquet of services to meet our customer's financial services needs across his/her life cycle. We aim to be a single window solutions provider to all our customers.

It is this integrated approach to business and our customers and our ability to combine our wide array of offerings with scale that makes us different.

• What are your plans for the NBFC business, Aditya Birla Finance Ltd.?

Our lending business, Aditya Birla Finance, is one of the fastest growing businesses within the ABFSG portfolio and is growing ahead of the industry.

We have a well diversified business portfolio comprising capital markets based lending, corporate finance, mortgages and infrastructure finance that help us manage risks effectively. ABFL's book size is larger than that of several smaller banks and unlike many NBFCs is very diversified in terms of segments.

Recently, we have added housing finance to our lending portfolio through a company called Aditya Birla Housing Finance Ltd.

Within its first year of operation this business has already scaled its lending book to Rs. 880 crores, at the end of September 2015. We have expanded our footprint rapidly from 15 cities in March 2015 to 26 cities as on September 2015 and intend to scale across 10 more cities by the end of this financial year. We are gaining good momentum in this business.

We are also looking at a possible foray into unsecured loans. This will not just help us reach out to our customers with additional offerings, but also enable us cross sell to existing customers and ABG employees. It will bring in synergies with our existing businesses and leverage on existing branches, technology and infrastructure.

In India, the credit/GDP ratio is low moreover there are several pockets where access to credit in the way it's required is not available. We see a lot of potential for growth in this business, especially as India growth picks up.

• What will be the future of the financial services industry, given the entry of payments banks and small finance banks as well as financial portals?

Rapidly advancing technologies, evolving customer expectations and a changing regulatory landscape are opening doors to disruptive innovation in financial services, from crypto-currencies to big data to peer-to-peer lending to payments banks and small finance banks.

The new crop of payments banks that will spring up over the next year or so, promise to change the country's banking landscape, altering the way transactions and inclusion take place. At the core of this change will be the mobile phone. India's payments market today is estimated at $15.5 trillion (excluding inter-bank clearing and CCIL).

The share of mobile banking may rise to 10 per cent in seven years from 0.1 per cent currently, with the value increasing 200 times to $3.5 trillion.

Financial inclusion will be very effectively addressed through the combo of payment and small banks. I think payment banks and small finance banks will not just increase reach but provide some competition to existing banks and that will ultimately benefit customers.

People are likely to use mobiles for making payments through all key channels. Payments through paper may fall to less than 2 per cent, according to some estimates.

• What are your views on the Indian financial services industry vis-à-vis global players?

A well spread out financial services network is a prerequisite for inclusive sustainable growth. We started the process of reforms in the finance sector understanding how financial exclusion is a hindrance to the growth of this sector. While we have moved some distance from that, there is still a long way to go.

When we compare the reach of financial institutions - Banks, Insurance Companies, Mutual funds, Pension funds etc with our peers in other markets, that's when we realize how big an opportunity we have. Imagine what will financial inclusion bring to credit growth; we have 61 per cent of our deposits as credit, this number is 130 per cent for China.

So, as more people come under the financial net, our ability to fund growth rises automatically. We already are the 4th largest AMC in India, but as the AUM of the MF industry as a percentage of GDP goes up from 8 per cent to 25 per cent as it is in UK or 32 per cent as in Switzerland, the potential looks staggering.

Moving on to insurance, in India insurance penetration stands at a mere 3.17 per cent, not even half of the global average of 7.99 per cent. In that case it's not too ambitious to expect that insurance AUM as a percentage of GDP in India goes up substantially from 3 per cent to 44 per cent as is in case of US or 50 per cent for Japan.

With the emphasis on financial inclusion, the role of digitization, movement to a cash-less society etc. this big divergence which exists between India and global players should only reduce going forward.

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