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'Lending book of ₹57,500 crore makes us bigger than some banks'

Three years after carving out the financial services business with the Aditya Birla Nuvo restructuring, **AJAY SRINIVASAN**, CEO, Aditya Birla Capital (ABCL), is happy with the progress made, especially in retailisation efforts. Having grown larger than some banks, he tells **Hamsini Karthik** the group would possibly consider unlocking value for the benefit of shareholders.

"WHILE WE REMAIN DIVERSIFIED BY DESIGN, OUR FOCUS HAS BEEN ON GROWING OUR RETAIL AND SME LOAN MIX, WHICH HAS RISEN FROM 41% IN FY17 TO 60% IN Q3FY21"

It's been over 3 years since Aditya Birla Capital got listed. How has the journey been?

We have focussed on being customer-centric and thereby becoming significant players across protection, investing and financing segments. We have grown our lending book to ₹57,522 crore from ₹38,839 crore in FY17, which makes us bigger than some of the banks in our country.

While we remain diversified by design, our focus has been on growing our retail and small and medium enterprise (SME) loans mix, which has increased from 41 per cent in FY17 to 60 per cent in the December quarter of FY21 (Q3).

In our mutual fund arm, our assets under management (AUM) has grown to make us the largest non-bank AMC. The build-up of scale with profitability along with a strong retail franchise has been achieved in times that have been turbulent, whether due to the credit and liquidity crises or because of the pandemic.

Q&A

AJAY SRINIVASAN

Chief executive officer, Aditya Birla Capital

A lot of effort has gone into reducing the wholesale lending portfolio. How much more is left?

From 2018, we have not only resized our wholesale portfolio as a percentage of the lending book — it has come down from around 50 per cent in FY18 to around 40 per cent as of December 2020 — but also significantly reduced our concentration ratios. We are looking for opportunities to grow across portfolios and will focus on segments and transactions that deliver our desired risk-return trade-off. We do see greater growth opportunities in retail and SME over the coming years which would mean the proportion of the wholesale portfolio would further come down.

What is the strategy for affordable housing, given growing competition and the quality of assets?

Our housing finance business is largely a retail business with very little wholesale developer financing exposure i.e. 4 per cent as of December. Within that, our aim is to grow the affordable loan book. We plan to have 60-65 per cent of our book in the affordable segment by FY24. Our growth strategy is to expand both our geographic footprint, even as we explore partnerships. On the quality of assets, we focus on cash flows of our borrower and the quality of security.

Aditya Birla group was a banking aspirant years ago. Would a similar opportunity interest you now?

We had applied for a banking licence in 2012. The RBI recently set up a working group to look at ownership in the sector, including the possible entry of corporations. The guidelines are still to be announced. Our view has been that we need more capital in the banking industry to fund the growth of an economy that aspires to expand at 7-8 per cent. The question is where this capital comes from.

Since we have some large corporate-owned NBFCs that have demonstrated their capabilities, this might be an option to allow those deemed 'fit and proper' to convert into banks.

With multiple subsidiaries under AB Capital, can investors expect the theme of value unlocking to play out in the coming years?

ABCL is a unique financial conglomerate with a range of attractive and growing businesses under one listed holding company. This structure gives us several benefits. If our Board feels the market value does not represent the true sum of our parts, it would look for ways to enhance shareholder value. Recently our Board gave an in-principle approval to our material subsidiary Aditya Birla Sun Life AMC Ltd to explore an IPO subject to market conditions, applicable approvals and other considerations.