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Aditya Birla Capital to launch ARC business this quarter

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“We got our in-principle approval from the Reserve Bank of India (RBI) in September to set up an ARC. That company will now get capitalized in this quarter. We will put the regulatory capital and start that business,” Ajay Srin-



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Aditya Birla Capital chief executive Ajay Srinivasan.

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Aditya Birla Cap to launch ARC biz this quarter

We are open to partnering with foreign stressed assets investors, says chief executive officer Ajay Srinivasan

BY SWARAJ SINGH DHANJAL &
DEBORSHI CHAKI

MUMBAI

Aditya Birla Capital Ltd (ABCL), the financial services business of the \$50 billion Aditya Birla Group, will begin investing in its asset reconstruction company (ARC) and start business this quarter, a top company executive said.

The company, which has presence across insurance, asset management and private equity, among others, is trying to tap into the Rs10 trillion bad loan opportunity in India.

"We got our in-principle approval from the Reserve Bank of India (RBI) in September to set up an ARC. That company will now get capitalized in this quarter. We will put the regulatory capital and start that business," Ajay Srinivasan, chief executive officer of Aditya Birla Capital said in an interview.

ABCL's asset reconstruction business is housed under its subsidiary Aditya Birla ARC Ltd.

"That business will then require an AIF (alternative investment fund) and we will probably also have a fund attached to it. That's how typically a stressed assets business works. You have an ARC, and AIF and a fund. So, we will put



Aditya Birla Capital CEO Ajay Srinivasan.

all of those structures in place," said Srinivasan.

Srinivasan added that the group is open to partnering with foreign stressed assets investors for its business.

"We will explore partnerships. There is a lot of interest. Many people have approached us and we are open to having discussions," said Srinivasan.

The bad loan problem in India has attracted several foreign investors, most of whom have tied up with Indian companies to tap into the opportunity.

In 2016, Piramal Enterprises tied up with Bain Capital Credit to set up a \$1 billion distressed assets investment platform. Caisse de Dépôt et Placement du Québec (CDPQ), the

second-largest pension fund in Canada, has tied up with financial services firm Edelweiss Financial Services Ltd.

The two parties have committed to deploying \$750 million for acquiring stressed assets.

Outlining the strategy of ABCL's stressed assets platform, Srinivasan said the group will focus on the mid-corporate and SME (small) segments.

"We are not setting up our stressed assets business for what's in the NCLT (National Company Law Tribunal) already. We think there will be continued supply of NPAs going forward. We would look more at mid-corporate than large corporate. Many of the cases, today, in the NCLT are of larger size. Because we will be a start-up ARC, we would look at more mid-corporate, SME kind of stressed assets," he said.

The group's stressed assets business will focus on turnaround situations, he said.

"That is one of the things that we bring to the table as a group, because as a group we understand how to run a number of businesses. We believe that this business will become more and more of a turnaround type of business than a pure financial restructuring business," said Srinivasan.

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