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Aditya Birla Finance bets big on SMEs, expands to 50 cities

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Aditya Birla Finance Limited (ABFL) will be present in 50 cities (Tier I, II and III) by the end of July, tapping 85 per cent of the small and medium enterprises' (SME) credit pool, compared to 70 per cent now.

The company had grown its lending book by 25 per cent to ₹432.4 billion by the end of FY2018, with 27 per cent of ABFL's credit products being sold to SMEs. "The biggest challenge is to have a uniformity in terms of quality, culture and risk management, across all our branches. Our biggest strength is that we strive our best to maintain this uniformity," says Rakesh Singh, CEO of ABFL.

Large corporates make up 33 per cent of ABFL's lending book, followed by mid-corporates at 17 per cent and retail customers at 11 per cent. The company sees the SME segment as the primary growth driver over the next few years.

Asset quality has marginally worsened, with gross non-performing assets (NPA) increasing from 0.47 per cent in FY17 to 0.92 per cent in FY18.

Two reasons cited by the company are the RBI circular of February 12 that withdrew previous debt-restructuring schemes, and their new internal NPA framework. "We've moved from 180 to 90 days of NPA recognition, but our overall NPAs have remained stable over the last three to four years. We have been investing in online early warning systems that help us identify risks early," says Singh. Provisions for bad loans rose to 95 per cent at the end of FY18 from 59 per cent in the previous fiscal.