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The wealth creators

ABFS is ready to lead the industry

Ajay Srinivasan, 46, chief executive of Aditya Birla Financial Services (ABFS) and MD of Birla Sun Life Insurance Co Ltd since July 2006, is a cricket buff. During his long tenure of 11 years as CEO of various companies, Srinivasan has played club cricket in several countries, and realises the importance of inspiring and instilling confidence in a winning team. A task he has been doing ever since he took over as the leader, driving ABFS's growth since July 2007.

A division of Aditya Birla Nuvo, which was put together as a conglomerate a few years ago, ABFS enjoys a market cap of Rs9,700 crore and is on the top 10 list of the fastest growing financial groups in recent times. ABFS has seven operating companies with interests in mutual funds, equity and commodity broking, private equity, insurance and insurance advisory and a non-banking finance company (NBFC) among others. Nuvo has a presence in carbon black, insulators, fertilisers, rayon, garments, BPO, IT, telecom and an investment arm. The main reason for putting these divisions under one umbrella was to be tax-efficient and to utilise the cash flow from separate businesses for funding growth till each division has reached the appropriate size to be spun off separately.

Mutual fund and life insurance are the two main businesses of ABFS. The former was started 15 years ago, while the latter will be completing a decade in FY10. Both businesses are joint ventures with Sunlife of Canada.

Birla Sunlife Asset Management Company Ltd (BSAMCL) has witnessed a near four-fold increase in assets under management (AUM) in the past 30 months. The average AUM in the domestic market, which was around Rs19,000 crore in March 2007, increased to Rs34,000 crore by March 2008 and Rs47,000 crore in FY09. While FY07 was the peak of the bull run, FY08 was a bad year.

FY09 was particularly challenging too, with the entire industry witnessing a degrowth of 7 per cent, due to the downturn in the equity markets and redemption pressure, following tight liquidity in the domestic market after the collapse of Lehman Brothers in the US. The top three fund houses – Reliance Mutual Fund, ICICI Prudential and Unit Trust of India (UTI) – had recorded a negative growth ranging from -0.5 per cent (UTI) and 11 per cent in the case of Reliance.

BSAMCL continued its outstanding performance when the industry regained its growth momentum in FY10. As the end of November, its average domestic AUM stood at a little under Rs70,000 crore, representing a market share of 8.6 per cent. This puts it in the top five fund houses in the country. Earlier, Birla was ranked sixth, with a market share of 5.8 per cent in FY07.

What is noteworthy is not just the increased market share and swelling AUM but, more importantly, the



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Srinivasan: instilling confidence and inspiring a winning team

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