



Our Group crossed \$50 b m-cap today: KM Birla

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The debut of Aditya Birla Capital on the bourses was as stormy as the unveiling of the entire composite scheme for reorganisation of the holding within the Aditya Birla Group. Analysts cast aspirations that the merger was being planned to fund Idea Cellular take on the new entrant Reliance Jio. The Group denied analysts claim outright and put things in perspective. Having executed the plan to perfection, Kumar Mangalam Birla (KMB), Chairman, Aditya Birla Group, and Ajay Srinivasan (AS), CEO, Aditya Birla Capital, spoke to *BusinessLine* on future business prospects. Excerpts:

What is there for investors in this re-organisation?

KMB: The value creation from this exercise is to the extent of ₹70,000 crore. We looked at the market cap

of Nuvo and Grasim on the date of the announcement of the composite scheme and the same thing now — the valuation went up to ₹12 lakh crore from ₹50,000 crore. So, doubling in a year's time is not bad, considering all the flak we got. It is the first time we have crossed \$50-billion market capitalisation as a Group. We can say, listing of ABCL is responsible for the last mile push to reach the \$50-billion mark.

What is the update on the payments bank?

KMB: We will launch our payment bank in two months' time; it will be called the Aditya Birla Payments Bank. It will be held by Idea and Grasim. The payments bank is part of the larger Vodafone-Idea merger. Vodafone already has its own payments bank with m-pesa. We have already merged the two. We are reworking the plan, but this will go into the telecom arm. It



Kumar Mangalam Birla, Chairman, Aditya Birla Group

won't be part of ABCL. It has a huge connect with the telecom business.

Do you see upcoming fintech companies as competition?

KMB: Fintech is a great sector to be in but we see it as an allied business. We can use the platform to sell faster but it is not a threat. They are distributors, not manufacturers. You see a lot of excitement about fintech but they need to build scale, for which they will have to work with larger players



Ajay Srinivasan, CEO, Aditya Birla Capital

like us. Digital is a big part of our strategy and the way to reach large parts of the country and reduce the cost of distribution and increase the speed of service.

Which part of business will grow faster?

AS: In financial services, we see an opportunity to grow in most of the verticals in which we operate because there is such low penetration for these products. Last year, life insurance grew at 30 per cent; this year we are growing at the

same rate. For the AMC, assets under management is growing at 26 per cent per annum over the last five years.

NBFC has been growing at 44 per cent per annum, the housing finance book has been doubling every year because we are still in the growth phase. We want to grow much faster than the industry.

Do you expect headwinds from demonetisation and GST?

KMB: In fact, demonetisation is a tailwind (helps to grow business) for us rather than headwind.

We could see more money flowing in from physical assets to financial assets which itself is a big change. In that case we see flow into mutual funds, life and health insurance.

On the lending side, what is happening in the banking sector (non-performing assets issue) should provide us lot of opportunity to grow.

Do you think holding company discount will play out on ABCL also?

KMB: I think this whole thing about holding company discount is a bit of a misnomer. I do not know why there should be a discount. If a company is meeting the challenges of operating level and the profit level, then why should there be a discount.

If it all, Grasim can be considered as a holding company because it has business interests in varied segments including 57 per cent stake in ABCL. In fact, somebody should ally investor fears on large holding companies such as Grasim.

AS: In fact, it is a unique platform where investors will get exposure to a large NBFC, insurance company, mutual fund, housing finance company and AMC. The diversification in various sectors reduces business risk. So, I do not believe why there should be holding company discount, at all.

