



**ADITYA BIRLA  
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

Publication: Banking Frontiers

Page no: 10-11

Date: May, 2016

**B** Interaction

## Aditya Birla Finance on a growth momentum

Aditya Birla Finance offers a range of financing solutions to make its customers achieve ambitious growth. Rakesh Singh, CEO, provides an insight into the company's strengths and priorities:

**N. Mohan:** Tell us briefly about the Aditya Birla Financial Services Group and where does Aditya Birla Finance fit in?

**Rakesh Singh:** The Aditya Birla Financial Services Group (ABFSG) is an umbrella brand for all the financial services businesses of the \$41 billion Aditya Birla group. We are a significant player in the non-banking financial services space and rank among the top 5 fund managers in India (excluding LIC). Our presence extends across many sectors, including life insurance, asset management, private equity, general insurance broking, wealth management, broking, online personal finance, housing finance, pension fund management and NBFC. We are also setting up a health insurance business with MMI Holdings of South Africa and a payment bank along with group telecom company Idea. Across our 12 lines of business, we enjoy the trust of over 7.8 million customers, manage assets worth over ₹185,515 crore and possess a talent pool of over 12,000 committed employees. ABFSG's wings are spread across more than 500 cities in India through 1350 points of presence and over 112,000 agents / channel partners. With approximately ₹6270 crore in consolidated revenues and profits of about ₹743 crore, we are today a significant non-bank player.

As the lending arm of ABFSG, Aditya Birla Finance (ABFL) is one of India's leading non-banking financial companies, providing financing solutions to customers, which completes the ABFSG bouquet of financial services. ABFL offers customized solutions in areas of capital markets, corporate finance, commercial real estate and mortgages, retail business and personal loans and infrastructure



**Rakesh Singh** explains how solution-oriented approach and structuring the deals based on customer requirement have helped the company

project and structured finance.

**What have been the key factors that ensured sustained growth for Aditya Birla Finance in spite of the sector as a whole showing just moderate growth?**

We have managed a consolidated portfolio worth ₹25,755 crore for the year ended 31 March 2016 and has registered a healthy yoy growth of 46%. The gross NPAs as on 31 March 2016 have been - 0.63% as compared to 0.90% in the previous year and our net NPA is 0.22%. Our earnings before tax have been ₹626 crore registering yoy growth of 52%.

We attribute this performance to

strategic design in chosen product categories, expansion of geographies, increased manpower productivity and prudent customer selection. We have also invested heavily in technology platforms to bring in high levels of efficiency and service.

**What are your focus areas and what are the products to suit these customers?**

We have traditionally been laying a whole lot of emphasis on the SME and MSME sector. I can say this is our core focus area. As much as 30-35% of our business is with the SME sector. We have products specifically structured for this sector. This business actually comes under the broad product called corporate finance, which also offers products such as treasury risk solutions, structured finance, working capital, demand loans, term loans and supply chain financing solutions, including invoice discounting.

I must mention that one of these products - structured treasury risk solutions - is a popular product for us. What we do is we offer assisted guidance to safeguard one's business against the volatility in the currency markets. We provide long term advice as well as timely insights to guide the corporate in its dealings with the forex market. We can offer solutions structured to the requirements of the corporate concerned. This I believe is our USP.

One of our key business drivers is the mortgages business. Through this, we help SMEs and individuals to realize their financial goals like buying new premises or investing in machinery and processes. We offer loan against property, lease rental discounting, construction finance and



commercial property purchase loan. This business vertical now runs in 30 cities and we intend to double this in about a year.

Quite a good number of SMEs and MSMEs avail of our financing solutions such as SME loan, working capital demand loan and term loans.

We have recently entered unsecured lending. We have started offering personal loans and business loans. The focus will be on SMEs and it is part of our retail business but a separate vertical.

#### **What are the advantages or constraints that an NBFC like ABFL has over a bank?**

Our biggest strengths are a faster turnaround and a hassle-free process for customers. We have some of the best approval turn-around-time (TAT) in industry. We have a dedicated business credit team to evaluate all the proposals in terms of borrower financials, credentials, security analysis and it provides suggestions to make the same workable. Generally, in the BFSI industry, the evaluation is done only by the risk team. At ABFL, the credit process works as an additional check point and helps faster approvals.

We take a solution-oriented approach and structure the deals based on the requirement of our customers. Customized solutions, hassle-free financing, standardized processes and risk management are the strongest pillars of our business.

#### **What role has technology played in ABFL's success?**

We primarily operate within the B2B sphere where relationship-based acquisition and servicing plays a major role in revenue generation. We have invested heavily in developing IT systems to pave the way for seamless on-boarding and servicing. Examples include an end-to-end lifecycle transaction processing system for mortgages, which boasts of state-of-the-art customizations for the end customer, credit underwriting tools and scorecards, monitoring systems and servicing workflows and platforms among others. Given the changing technological landscape, the company is simultaneously developing



digitized modes of acquiring and servicing customers. This industry will continue to rely heavily on the existing model of business acquisition, but technology trends suggest that efforts need to be directed towards using the digital platform to not only acquire customers but to use initiatives such as search engine optimisation (SEO) and search-engine-marketing (SEM) to bring in customers directly.

#### **How do you intend to address the challenges and opportunities?**

I strongly believe that challenges and opportunities go hand in hand. The competition is increasing every year with the entry of new players in the market. We are often faced with the challenge of competing with banks on pricing in price-sensitive segments, such as SME term loan and working capital requirements without access to a full product suite that a bank has. Keeping pace with the ever-changing and evolving technology is also a challenge. This calls for heavy investment in technology which is sometimes hard to justify as we do not have the advantage of economies of scale that the banks and FIs that cater to retail customers have.

Ever shifting and evolving regulatory environment brings in a great deal of challenges. We are also impacted by the global and domestic macro-economic conditions, as they directly or indirectly impact our business. A slowdown in certain important sectors, such as real estate, which are struggling due to limited number of transactions, impacts the financial services industry. Another issue of concern is the rising incidence of frauds. Finally, managing customer attrition in an environment of zero pre-closure charges and high competition continues to pose challenges.

On the positive side, there are also several opportunities in the business environment.

For instance, on account of various policy changes and initiatives by the government to make the environment conducive for growth of small and medium businesses, SME finance presents huge opportunities.

There is scope to grow further by penetrating deeper in the existing locations. We have an opportunity to add new asset classes to increase our scale, and thereby not just grow out revenue, but also reduce our cost. We also have a significant opportunity to diversify in the retail space.

#### **What does the future look like for the company?**

The performance of the economy in FY 16 suggests that the way ahead is going to be trickier than anticipated, at least in the short term. Nevertheless, the green shoots are clearly visible. I believe that while the pace of recovery has been negatively surprising, once the building blocks are in place, we will be surprised again - but positively. The key challenges remain in engendering business confidence, reviving sentiment and ensuring business predictability. Our medium to long term story is still intact. In 5 years, we will have the youngest population amongst large economies. The challenge is how we can ensure that we maximize our potential.

From a future outlook perspective, the digital transformation underway will bring about a sea change in the way of doing business. NBFCs are and will be critical to the financial sector. Due to the nature of the financial system, there will be customers and segments of the economy that banks cannot adequately cater to and where NBFCs can add significant value for the financial system as a whole. We expect the growth momentum NBFCs have shown in the past decade to continue for the next. And Aditya Birla Finance will be at the forefront of this growth path.

[mohan@bankingfrontiers.com](mailto:mohan@bankingfrontiers.com)