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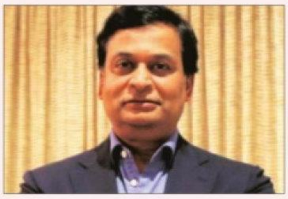
INTERVIEW: AJAY SRINIVASAN, CEO OF ADITYA BIRLA CAPITAL

‘With rise in borrowing cost, margins grew by 90 bps’

*Aditya Birla Capital, the financial arm of the Aditya Birla Group, reported a consolidated net profit of ₹258.4 crore in Q4FY19, a 52.6% growth year-on-year, aided by a strong performance in its NBFC, insurance and asset management businesses. The lender's NBFC arm disbursed loans amounting to ₹63,000 crore in FY19, which was dominated by 59% share of SME loans. The biggest opportunity for a non-banking financial company (NBFC) currently is in the small and medium enterprise (SME) sector as the typical banking structure has always under served SMEs, **Ajay Srinivasan**, CEO, Aditya Birla Capital told **Chirag Madia and Shashank Nayar**. Excerpts:*



How do you see the overall demand shaping up over Q4?

India is a story of financial markets growing, because in any market when you have GDP growing as fast as it is growing in India and you see per-capita income rising, and the biggest beneficiaries of this growth is the financial services market. What we foresee is financial services to grow 1.2-1.5 times the GDP growth. So, if the country grows at a nominal rate of 11%, financial services are bound to grow at an average 15-16%.

Your NBFC portfolio focuses only on SME and retail loans. Will you continue to go with this strategy for your NBFC arm and do you plan to enter into new business ventures like your asset reconstruction business?

I think SME is a very large under served segment in India and the country by large is a self employed country and the organised sector comprises of a very small portion of the overall economy, so the biggest opportunity for an NBFC lies in the SME, sector and I think the typical banking structure as well has always under served SMEs. Talking about entering into other ventures, we feel our portfolio is now complete and we will not diversify further.

Do you feel the NBFC crisis is past us or do you foresee further pain in the sector?

It depends on various entities functioning within the sector. What has happened since September is that the liabilities side of the NBFC have become much more of focus. They must be able to raise money for their growth requirements as well as to match their asset liability requirements. The NBFCs able to do this will see opportunities. The credit market in India is a large market and leaves enough scope for companies looking to borrow. Pre-September raising money was much more easier, so the crisis further will largely depend on the access to liabilities.

The cost of borrowing for NBFCs has risen on an average of 70-80 bps over the previous year. How expensive has it become for you to borrow?

Our cost of funds has seen a rise of 40 bps year-on-year for Q4 and we expect costs to remain at current levels without much increase. However, along with the increase in our borrowing cost, we saw our margins grow by 90 bps, meaning we are able to pass on the increase to our borrowers.