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"The focus is on building distribution infrastructure"

It has been six months since ***Ajay Srinivasan*** quit as Asia Head of Prudential Corporation and joined the Aditya Birla group. He has now taken on a dual responsibility—as Chief Executive, Financial Services, and as Director, Corporate Strategy and Business Development. He talks to ***M Anand*** about the challenges in his new roles

How is your new role shaping up in financial services?
Our financial services business has a good platform. When I say platform, I am talking about not just the businesses but also about the brand, the licences and the people we have. All the segments we are in—life insurance, asset management, NBFC, distribution of wealth management products, broking for general insurance—are growing well and have a good momentum. But right now, we need to turbo-charge our existing businesses. We are also looking at other opportunities in this space. My vision is to build a financial services business that is leading in many aspects and is valuable to all our stakeholders.

But outsiders feel the group's financial services business has not done as well as others in the space...
If you take a two to two-and-a-half-year timeframe, our market share has slipped in both life insurance and mutual funds. But this financial year, our market share has increased. The curve has turned up and that's what I meant by momentum (market share in insurance, for example, has increased from 5% to 6%, though it was at 13% at one point of time). Our asset management business is no different—we were at Rs 19,000 crore in assets in March 2007, today we are at Rs 32,000-33,000 crore. Both these businesses have grown faster than the market. We are among the top five players in insurance and asset management. The group may have slipped a little, but that does not mean that the group is not serious about the business.

Your last job was at the Asia-Pacific level, responsible for assets of over $60 billion. What made you move here?
There are three kinds of changes. One is from a fund management perspective—to do something that's broad-based. I'd like to do more in retail financial services in a broad platform and not limit myself to fund management. The second change is from a pan-Asian perspective to an Indian perspective, at least for now. But this could very well become a regional thing later. To me, sitting in Hong Kong, it was very clear that there are really four markets that are of interest. You have Japan and Korea—that's where all the wealth lies. Nearly 85% of assets in the region lie in Japan and Korea. But if you look at where the growth is, and therefore, where the numbers are going to be, China and India are the obvious places. The third change was a shift from a foreign MNC to an Indian MNC. To me Indian groups have a flexible and nimble mindset. This allows you the speed of execution that is required today.

I gather that you have already put together a blueprint for the group in this space. What were the key takeaways from this exercise?
The idea was to get a top management consulting firm to draw up a landscape of opportunities in financial services, not just from a perspective of where the businesses are today, but also from a perspective of how this has developed globally and also to get a sense of how developments could unfold. It was really meant to be a landscape presentation that would help us build a vision and road map. That exercise now becomes a guiding path for people within the team and the shareholders.

Everybody knows there is a large opportunity, but this exercise has helped us put a number to it. The specific areas

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where we see an opportunity and areas we can compete in were identified. The third outcome is a plan to stitch it all together.

Do we expect a lot of new initiatives in the financial services space?
Definitely. We will look at a few new areas. There is no question about that. In fact, we have just launched a private equity (PE) business. We have announced the appointment of an internal candidate to head our PE initiative. That is an important area. The exercise with the consultant helped us get to this decision. We want to build a PE business of scale and substance.

We are also taking a relook at the broking business. There are opportunities here. We haven't come to a decision yet. But we are interested in it.

What about opportunities in using the chain of retail stores the group is building?
I would prefer not to comment on any specific opportunity, but if you look at the group, one of the advantages is the level of synergy. Linkages are possible in retail, in telecom, and with a number of other businesses from the point of view of their presence, customer bases and brand that they have. Using the synergy of the group is a big advantage.

And wealth management?
We have a portfolio management licence for our asset management company (AMC). That allows us to participate in this opportunity. Part of the plans to turbo-charging our business also involves doing more with what we already have. Wealth management is a big theme in India. We will want to participate in it.

How would you assess the group's financial businesses?
In life insurance, where our product suite is very competitive, we are seeing strong growth in the top line. Our fund performance (a large percentage is unit-linked products) is strong. Going forward, the focus will be on building the distribution infrastructure. We were 139 branches in March 2007. The team added 202 branches till October. The intention is to keep building that.

In the AMC business, market share has grown and our fund performance is strong. Similarly, the focus is going to be on building distribution infrastructure. In March 2007, we had 20 branches, we are up to 65-70 now. We want to ensure we have the infrastructure on the ground to build the scale of business that we want to do.

You had talked about turbo-charging the businesses. Is it only about distribution?
Given the scale of the opportunity and our product suite, turbo-charging essentially involves building the pipes to push the products through. It does ultimately boil down to distribution infrastructure. Though that is the visible part, building distribution infrastructure also involves building operation and IT support systems around it and also building the customer service platform.

And, where would you like to take the group's financial services business?
I would like to build something that will be considered as a role model. This will require us to have a more balanced approach to the way we measure our success.

We will also look at the quality of the business, the kind of customer service we provide, and the quality of returns we give to our shareholders. Having that balance is very critical. We want a business that is progressive both in terms of quantity and quality. There is no trade-off between the two. It has to involve both. We are also very clear that we want to be among the top three players in asset management and insurance.

What does the second part of your role as Director, Corporate Strategy, involve?
That is very interesting, given the breadth and aspirations of the group. I lead a team of 8-10 bright people who look at corporate strategy. The key is to look at the group's portfolio and come up with initiatives that will create value for the group. It could be within businesses, across businesses or even new businesses.

It is really taking a look at the portfolio of the group and seeing how we can position it better for the future. A fair bit of my time is spent on this