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'Aditya Birla Capital will start ARC and stressed asset fund in 6 months'

*ADITYA BIRLA CAPITAL, the holding company for all the financial services businesses of the Aditya Birla Group, plans to set up an asset reconstruction company and a stressed asset fund in the next six months, it's chief executive officer **Ajay Srinivasan** told FE. The company is seeing a revival in credit demand, and expects strong growth in FY19, Srinivasan added. Excerpts:*

When is your asset reconstruction company (ARC) and stressed asset fund likely to begin operations?

It is still in progress. We don't have a finalised plan on that yet. In that area, there will be a lot of opportunities over the next few years because there will be a steady supply of stressed assets. There will be a need for entities that can resolve these stressed assets and provide operating turnaround as well. We will start our ARC and stressed asset fund in the next 6 months. The ARC will obviously start first. We have already got the licence for it. But we would like to start the fund reasonably soon as well. We have not finalised the size of the ARC or the fund yet.

What kind of growth do you see for your non-banking financial company (NBFC)?

If we continue to grow in the 25-30% range, that will be ahead of market, and we will continue to gain market share. That is our growth projection for net profit in the NBFC business.

With many of the banks under pressure, do you think there is an opportunity to grow your NBFC business faster than usual?

I think there is an overall opportunity. Let's leave aside the issue of banks. In general, I think the credit demand is slowly starting to pick up in the country. Traditionally, if India continues to grow at the pace it does, credit demand will always be stronger than credit supply. We think there is opportunity across the spectrum. SMEs will provide us an opportunity. Large corporates and mid corporates need solutions that will also create opportunities for us.

Which are the areas where you have seen a pick-up in credit demand?

Among the large sectors, we have seen continued demand in the renewable energy sector and the road sector. There has been good demand from the hospitality sector as well, with a pick-up in credit demand from hotels. Then there are individual businesses that are doing well even if the sector isn't. We are seeing demand from them as well.

Which are your businesses where you see the fastest growth?

We see opportunity in all our businesses. Because these businesses are not competing with each other, they all have the opportunity to grow. While the NBFC is the largest business, our asset management has grown really fast last year. Our life insurance business has turned from negative net value of new business (VNB) to positive net VNB, which is a big switch for us. Our housing finance business was losing money last year but it has made money this year. And our health insurance business has built significant scale in the first year and we cover a million lives.

What is your view on the housing sector?

It is a mixed bag. There is no one view. Luxury housing is facing some slowdown. RERA means more organised players are going to benefit rather than small players. But if you look at the smaller cities – where the ticket size is also small – there is a continued demand. That is the story – it is a story of different geographies across the country.

What is your interest rate view?

I don't think we will see a big move either up or down from where we are, unless we see a spike in oil rates, or there is some disconnect because of geopolitical issues. Other than that, we are in a band as far as interest rates are concerned. I don't see it coming down too much. In an election year, the interest rates don't come down too much.

What are you capital raising plans?

At the board meeting, we have passed an enabling resolution to raise ₹3,500 crore via equity at an appropriate time. Most finance companies do it because it is the raw material for us. At this point, we don't know when we will raise this money.