

RCap to focus on loans for affordable housing: CEO

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Mumbai: Reliance Capital, the flagship financial services company of the Anil Ambani-led Reliance Group, has not yet realized its ambition of obtaining a universal bank licence. The company is, however, planning to build a large retail home loan book and wait for the Reserve Bank of India to open its window for universal bank licences again. In an interview with TOI, Sam Ghosh, CEO, Reliance Capital, speaks of the ambitious growth plans for housing. Excerpts:

You sold additional stakes of 14% in your asset management company and 26% in the life insurance venture to Nippon Life Insurance for Rs 1,196 crore and Rs 2,265 crore, respectively. What do you intend to use the money for?

We will be using the funds largely to repay debt (currently debt-equity at 1.76) and a part of the money will go into funding our housing finance subsidiary. We plan to grow our HFC loan book by 80% to Rs 9,000 crore by this year end and Rs 15,000 crore by FY17. Our target is to achieve a size of Rs 50,000 crore by 2020. Focus would be primarily on "affordable housing" in Tier-1

and Tier-2 towns as part of the growth strategy. As economic growth picks up, disposable incomes rise and new Smart Cities develop, we see a huge growth potential in the sector:

How do you plan to achieve this growth given that it is a competitive business with several banks getting into the fray?

The self-employed and SME segment, which accounts for nearly 70% of the working population, is largely untapped by the structured banking sector. We intend to focus on this niche, having developed high expertise in assessing risk in this segment through our commercial loans experience. Additionally, we will focus on four states initially — Gujarat, Rajasthan, MP and Maharashtra — and target 8-10% share in these states. These are the states which are experiencing high growth rates of 15-20%. We offer loans at the lowest rate of 9.6% and would customize products to the self-employed and SME segment. Our plan is to double the network from the present level of 100 branches by the end of two years.

Is there any other business where you are looking at unlocking value?

We are looking for a partner for our non-life business, which is currently a 100% subsidiary. We are in talks with two-three strategic investors, a couple of which are new to India and are looking to enter the Indian general insurance space.

Besides housing, are there any other focus areas for Reliance Capital?

Our commodities exchange — ICEX — is a business that we are looking at growing. We currently hold 26% and MMTC holds another 26%. We plan to acquire an additional 10% stake that is being divested by MMTC, after which we will revive the exchange. Broking would also be an area where we see good growth. We have appointed a new CEO, Mr B Gopkumar, to head Reliance Securities, our broking company, and are looking at growing the business.

Most of the major groups with telecom companies in their fold had sought a payments bank licence. Why has Reliance stayed away despite banking licence aspirations?

Our aspiration is for a universal bank licence and we will apply for that whenever the window opens. We chose not to apply for a payments bank licence because we feel that it is a very low margin business.

