

ET Q&A **ANIL AMBANI**
Chairman, Reliance Group

The Slogan I'm Pushing Across the Group is 'Death of Debt'

THE chairman of Reliance group **Anil Ambani** expects the new government will take immediate measures to provide liquidity to the non-banking financial services (NBFC) sector, which is facing a protracted liquidity crunch over the past eight months after IL&FS began defaulting on repayments. In an interview with **Shilpy Sinha**, Anil Ambani talks about his plans of monetising assets to reduce debt and his focus on capital-light businesses.

What is your assessment of the NBFC crisis?

The sector has gone into ICCU over the past eight months. The contagion and cascading effect on the economy is clearly visible. In ICCU, if you want to save the patient, what is needed is not paracetamol, but full life support. However, ever since the IL&FS crisis, there is complete risk aversion by banks and they have stopped lending to almost all leading NBFCs and HFCs. The second pool of capital was from mutual funds – even that has shut, and exposure is only being reduced. The option left for NBFCs and HFCs then to survive was to raise funds through securitisation. These companies have spent years reaching out to the smallest towns and villages.



Affordable housing and inclusive economic growth are declared priorities of Narendrabhai Modi, and I'm sure his government will do whatever is necessary to achieve this objective. This in turn will require support to HFCs and NBFCs at this critical juncture

es to develop their retail franchise. Banks are now cherry-picking these quality portfolios, at a very high cost for the NBFCs and HFCs. The balance sheet size of all major players has shrunk in the past eight months. It is a full-blown crisis.

What are your expectations from the new government and regulators?

I am confident the government will take strong and immediate measures to impart liquidity to NBFCs and HFCs, recognising the importance of this sector to the revival of broader economic growth, and the multiplier effect of their contribution. Affordable housing and inclusive economic growth are declared priorities of Narendrabhai Modi, and I'm sure his government will do whatever is necessary to achieve this objective. This in



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The RBI has published draft guidelines on liquidity management and related matters for the sector a couple of days back. These are welcome long-term measures, but the request of the sector is an immediate liquidity window, as in the case of banks, for NBFCs and HFCs against their assets. I trust the government and RBI will look into this urgently.

How is Reliance Cap adjusting to the new realities? How do you deleverage out of debt?

We are realists. My father in his usual blunt manner taught me: "Don't shut your eyes during the day, and think that night has fallen." At Reliance Capital, we are barely 14 years old, and we have not raised any equity even once in that time. From an asset management company in 2006-07, we have transformed the breadth of our businesses to include life and general insurance, asset reconstruction, home finance, commercial finance, securities and wealth management, to name a few. All of this has been through organic growth.

As we look into the future, I have a slogan which I am pushing across the group: Death of debt. At Reliance Capital, we are fortunate that all our businesses are fully capitalised, even in traditional capital guzzlers like general and life insurance, while the other businesses are capital light. We have now moved ourselves to saying value creation and value unlocking

must lead to debt reduction.

As part of this journey, we have announced sale of our stake in the AMC business to our partner, Nippon Life of Japan, and will realise approximately ₹6,000 crore. From Reliance Capital's perspective, this transaction is an infinitely accretive proposition. Reliance Nippon Asset Management pays us ₹150-200 crore per year as dividends. Our stake sale will lead to interest cost reduction of over ₹700 crore a year in perpetuity!

We also have a very successful general insurance business that is completely owned by us and is growing way faster than the market. We are at an advanced stage for monetisation of our stake. I am very confident RCAP's debt of approximately ₹18,000 crore will reduce by over 50% in the current financial year, through these two transactions alone.

Are you looking to bring in a strategic investor in Reliance Home Finance?

Considering the new paradigm of reduced availability of funding for Indian-owned entities, we are in discussions with strategic overseas players to acquire a majority stake. We have a great team, and full-fledged infrastructure, systems and processes. We have nil exposure to large developers. There is a lot of interest and at least four serious discussions are presently underway. This transaction will put Reliance Home Finance firmly back on a stable path to growth.



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What are you doing with investments in entertainment and real estate under RCAP?

The divestment of the radio business will be announced very shortly. Monetisation of our 35% stake in Prime Focus will follow within 4-6 weeks. These two transactions alone will contribute a further ₹2,000 crore-plus to our debt reduction programme.

Rating agencies have cited delay in disinvestments and cash position for downgrades....

It is not easy to close deals in India. Our formal announcement last week on the RNAM stake sale for ₹6,000 crore, and further progress on general insurance and entertainment assets in the next few weeks, will demonstrate our serious intent and concrete progress. I hope rating agencies will act with the same alacrity in making upward revision as they made downgrades!

Did the NBFC crisis force you to sell the AMC business?

If you had asked me a year ago if I considered selling my 43% stake in Reliance Nippon AMC the answer would be no. This world does not recognise emotions. It only recognises economics. I can go back and shed a tear that I started the company and invested the first ₹10 crore. The day you get into the mode of recognising the reality and moving forward, is the only way to do it.

Will you re-enter the mutual fund business once you have exited from it?

There are no such plans presently.

Will the general insurance monetisation initiative involve an IPO or investment by a strategic partner? There was talk of Piramal being interested in buying Reliance General...

[Laughs] Then that would truly be a 'related' party transaction. The quality of our general insurance business is top class, and we are presently in exclusive discussions covered by an NDA with a strategic buyer, and cannot comment further.



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