

‘With growth returning to the economy, we are planning to build scale’



SAM GHOSH

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In December Reliance Capital entered into a partnership with Sumitomo Mitsui Trust Bank (SMTB), with plans to offer businesses like real estate broking, vendor financing and advisory services to the Japanese bank's clients in India. How much progress have you made?

We are working with SMTB on various initiatives, including supply chain management and financing, for some of their clients. We have also started investment banking activity, a business we intend to grow. The target market is Japanese SME (small and medium enterprise) clients, \$50-500 million, looking to set up operations in India. Discussions have been initiated with four-five clients but no deals have been executed yet. We continue with our aspiration to apply for a universal bank licence with SMTB. In the meantime we will continue working with SMTB on various initiatives.

Have you started catering to Japanese clients in real estate brokerage, too?

We have real estate broking operations under Reliance Property Solutions and will be offering these services to Japanese clients. When the Mumbai-Delhi industrial corridor picks up, we will see a large number of SME clients coming to India. Our estimates indicate ₹60,000 crore of investments in this corridor alone. We would be targeting about a 20 per cent share of this by providing services under M&A (mergers and acquisitions), advisory, fund raising and other services to these SMEs.

You have entered into partnership with SMTB for a banking foray. What if you don't get the licence?

Our partnership is for the entire financial services sector but we obviously aspire for a banking

Reliance Capital, non-banking financial services arm of the Anil Ambani-led Reliance Group, aspiring for a banking licence, is set to build scale in its existing businesses and add a separate subsidiary for investment banking. **SAM GHOSH**, chief executive officer, recently elevated to the board of RCap as an executive director, shares the company's diversification plans with **Neelasri Barman**. Edited excerpts:

licence, jointly with SMTB, as and when the guidelines are issued. We will continue to do other businesses in the financial space — investment banking, supply chain financing, real estate brokerage, etc — with SMTB. We can build scale in investment banking like others have. A bank will certainly add to and complete our offerings under the financial services portfolio.

Will you have a separate subsidiary for investment banking and other businesses planned with SMTB?

For the initial six to 12 months, investment banking will be a division under RCap and then we will spin it off as a separate subsidiary from April 2016, once it scales up. RCap acts as a holding company for all its businesses, a similar structure for insurance, mutual fund, home finance. Supply chain financing will be done by Reliance Commercial Finance and we will continue doing it that way. For the real estate brokerage, it will continue to happen through Reliance Property Solutions.

For the existing businesses of RCap, what kind of growth are you aiming for?

In our asset management business, we expect over 20 per cent growth in assets under management (AUM) next year. We are glad the AUMs have been growing and retail investors have started coming back, a big positive for a retail-focused fund house like Reliance Mutual Fund. In our life insurance and general insurance, we are expecting 15 per cent growth in premiums and above 20 per cent growth in profits.

For the NBFC (non-banking finance company) business, we are looking at increasing the scale of housing finance substantially. In 2014-15, the AUMs in housing finance were about ₹7,000 crore; this year, we want to take it up to about ₹10,000 crore. For the rest of the commercial finance division, we are expecting growth of about 15 per cent in AUMs, primarily driven by SME financing. We had gone slow in the commercial finance business in the recent past. Now, with growth returning to the economy, we are planning to build scale.

In your affordable housing business, your focus has primarily been in tier-I and tier-II cities. Do you plan to venture into tier-III and tier-IV cities, too?

Though we have around 40 branches, we have added about 40 satellite offices and our pres-

ence is in 80 locations. We are present in tier-III cities and will gradually venture into tier-IV, too. To spread into smaller cities, we will continue adding satellite offices.

Have you decided on Nippon Life raising stake in the life insurance venture?

We have been in discussion. As and when the time is right, it will be done. They have shown interest and we are also interested in allowing Nippon Life to go up to 49 per cent. The transaction will happen in due course, based on an agreed time frame. Our intent is to close the deal soon.

What will be the criteria to rope in a partner for your general insurance venture?

Our thinking is to move the health insurance business into a separate company and then look for strategic partners in both the health and non-health business. We are looking for partners with experience, which know the business well and operate globally. They need to add value in our businesses. We would prefer strategic partners to financial investors.

Why split the health business? How big is your health portfolio under general insurance?

Globally, health insurance is always a separate entity. If we move out the health insurance business, we will be one of the largest among standalone health insurance companies. Our health insurance business is about 25 per cent of the general insurance business, about ₹500 crore. Our aim will be to become the largest health insurer in the next few years.

Tell us more about the company's plans of setting up businesses in the International Finance Service Centre (IFSC) Special Economic Zone, being set up under the GIFT project (near Gandhinagar)?

RCap has taken office and residential space in GIFT (IFSC). We want to bring a number of our existing business there. The first one will be from our mutual funds — alternate investment fund business and portfolio management service — and will look at scaling up our offshore investment portfolio from the GIFT facility. We also want to set up a commodities exchange in GIFT, to look at global commodities. Gradually, we will also look at the wealth management business, catering to non-resident Indians and high net worth customers, who look to park money in Indian and foreign currencies.

Some analysts who track your company believe the pace at which your business is growing is not very fast and as a result, they have cut their

target price. Do you agree that the pace of growth is slow?

All our businesses have grown — mutual funds, general insurance and broking have done well — and I don't think anyone can question that. There are concerns on the life insurance business, across the sector, and that has had an impact on RCap. All the analysts continue to maintain a 'buy' rating on RCap.

What is your current debt-equity ratio? Are you looking at further capital raising by way of preferential allotment or a qualified institutional placement?

Our debt to equity ratio is one of the lowest in the sector, at 1.8. We are not looking at raising any capital for the time being, unless the opportunity arises.

