

## Whenever there's a bend in the road, we will stay ahead, Kumar Mangalam Birla says



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*Like most badshahs of business, **Kumar Mangalam Birla**, chairman of the \$40-billion Aditya Birla group, is also concerned about the slowdown. But he is equally optimistic that the recent steps taken by the government to stabilize the rupee and clear project bottlenecks would yield fruit. On a Saturday afternoon, a relaxed Birla told **TOI** in an interview that despite the economic upheavals, the metals-to-retail group is sticking to its targets, though the goalpost may change. **Excerpts:***

**Q. Do you feel that India, witnessing a repeat of the 1991 balance of payments crisis, is also reversing from the path of globalization, with more controls being imposed?**

A. While it is true that the current account deficit as a percentage of GDP is higher than what it was in 1991, there are crucial dissimilarities. Firstly, our foreign exchange stock is much higher. Secondly, unlike in 1991, we have a flexible exchange rate, which depreciates due to high current account deficit. The rupee depreciation is like a shock absorber. The government is, however, not complacent and I do not see it reversing from the path of globalization any which way.

*(All your joys can't depend on growth, Kumar Mangalam Birla says)*

**Q. The RBI has imposed further controls on investments abroad at a time when many Indian companies are talking about investing abroad. How will it impact industry?**

A. Theoretically speaking...Yes, there was a forex outgo (\$7 billion) on account of this last year, therefore RBI looking at this as one avenue of capital outflow is understandable. One hopes that this is a temporary measure and when the currency

bounces back, that is something that will get withdrawn. For now, it will definitely curb the speed of investments overseas. It's not that there have been plenty of investments that have happened in any case or are likely to happen in a hurry. It's probably a stopgap control to see things through.

**Q. Apart from current account deficit, revenue deficits, depreciating rupee and high inflation, policy paralysis and clearances are perhaps twin areas which have left industry exasperated. How are you dealing with it?**

A. We have realized running the business in different parts of the world is easier than running the business in one part. It's important to highlight that the government is finally taking cognizance of the fact that putting up a project in India is becoming way too tough. I think it is taking measures to resolve problems and look at each project and see what solution they can provide to remove bottlenecks and roadblocks. I haven't seen this happening in the past. I feel very optimistic about projects which are in the pipeline being put through much more rapidly than we have seen before. I would not say the results are forthcoming yet, but I expect that with much sharper focus and intent to remove roadblocks, we should see positive results.

**Q. We speak to a lot of CEOs, and we get the sense that they are nervous about the economy...**

A. The fact that demand generally is growing at a much slower pace is something that is a cause for worry. However, it doesn't change the fundamental strength of your business. If you have, like we have, focused on the last man standing, it would not hit your margins and profitability.

**Q. You have talked of a vision of taking the group to \$65 billion in revenues by 2016. Has that been affected by the slowdown?**

A. We came up with this objective in 2008 but the world has seen a lot of upheaval since then. We are keeping our target unchanged as of now, recognizing that the stress is much higher than what we initially envisaged. What's happened in the external environment over the last five years makes the target even more difficult and in some ways unrealistic. As of now, we keep the target unchanged, recognizing fully well that the target is perhaps one that requires a stretch that is beyond the possible. Having said that, we are moving very strongly in that direction and the point is that if we don't achieve it by 2016 fiscal year, as we had envisaged, we would probably achieve it a year or year-and-a-half later. I'm not putting a date to it.

**Q. Are big ticket acquisitions a thing of the past?**

A. As of now, the focus is more on optimizing and consolidating operations as opposed to putting cash. I don't think this is an optimum time either in India or overseas to actually pull out large dollops of cash, for most players. I don't say it is over for good, but I think in this current stage I don't expect to see any large acquisition. But when it comes to

overseas investments, it's not an idea we are closed to. We have not zeroed in on anything specific.

**Q. How is FDI in retail going to change the dynamics of the industry? Do you see a shake out...new tie-ups for the group?**

A. Retail for us is one of calibrated approach. Whilst we hope that FDI in retail opens up even more, our growth is based on growth that gets to break even in cash flows at the earliest. So it is not a growth strategy that is premised on maximizing value when FDI limits are increased. It's a growth strategy that is based on building a solid fundamentally strong business. Running a retail business is an art in itself. It is something very different from what the group has done so far. One hopes that FDI limits are increased. Several of the larger retail international players would bring that accumulated experience. But the local partner will play an extremely critical role.

**Q. As and when the regulations allow it, would you consider offering a majority stake to a foreign partner or sell out at any point?**

A. That's not the intent. The intent is to grow the business.

**Q. By when do you target a breakeven in retail?**

A. We are looking at ebitda breakeven by fiscal year 2016 or 2015.

**Q. Are you happy with the Pantaloon buyout? How has it worked for you?**

A. Pantaloon is going to be a very strong asset. It will require about three years of handholding. It's a good acquisition. It adds to our whole presence in the apparel retail business...mass retail, a segment that was missing.

**Q. You have announced your intent to be in banking. What's the gameplan?**

A. The idea is to be a high quality bank that is focused on meeting the needs of the customer. We are here to grow at 8-9% per annum in the long run and the kind of credit creation that is required for that would need to be fulfilled by many banks. For us, it means that some important gaps in our portfolio in financial services would get filled. And I think there is no reason why we should not be given an approval for a banking license. It's a business we feel excited about. We have a nationwide presence so the startup would be a much simpler process for us and, I think, we will be very comfortable to meet the target and spirit behind the objective of inclusion.

The fact is that if we do get a licence, and I have every reason to believe we will, or do hope that we will, it would be like coming round a full circle (in the past, the group had a bank which was nationalized).

**Q. Telecom companies have performed much better during the last quarter.**

## **Where does Idea go from here?**

A. Telecom coming out of problems it is in - that is the first kind of improvement. One has to wait and watch. It's a very long haul. There is some benefit accruing in terms of more consolidation. One has to see. 3G has started to pick up as a service. A lot of growth is coming from data. The idea is to build a business with a strong fundamental and a strong consumer-connect. On the backend it's a strong operation in terms of quality of service, quality of network, cost structure, revenues, and there is like I said, a process of dynamic nurturance. So it's a business that's been nurtured over two decades. And now that we are very firmly entrenched in the telecom business, I hope that we would be able to meet any challenges that may come up in the industry.

## **Q. Would you use your investments in India Today to provide Idea with content once the 4G networks become a reality?**

A. No, that was never the intent. Content would be important but investment in India Today group was never done with that intent...it's a standalone investment...they have promising brands. Media investment is quite independent of our telecom business. A strong print gives you the platform to grow. They have been in the business for long, they understand the business.

## **Q. The group is said to have put projects worth Rs 15,000 crore (Hindalco) on hold...**

A. The point is we are reviewing those. Since these are large projects in the public domain, we thought it important to communicate to the market.

## **Q. Are you looking out for more coal resources?**

A. Depends - it's horses for courses - on where the plant is. If it's near the coast and ports, you are talking about fresh imported coal, you are talking about pet coke, about e-auctions, or sourcing more from local coal mines. So it is about how resourceful you can be and work the economics around it. So resource is an important sector from a future growth point of view for us. So when we bought pulp mills in Canada and copper mines in Australia. We are on the look out for resources.

## **Q. Would you be interested in buying out the Harsh Lodha's stake in Pilani Investments and Industries Corporation (the holding company of the group)?**

A. We have a majority in Pilani... I have no idea (on whether Lodha would sell M P Birla stake in Pilani)... no interest (in buying out).

## **Q. The outlook for cement appears to be depressed. What's the group's strategy?**

A. We have outperformed the industry. We have grown. We have strong financials. We are the national leaders in terms of capacity which evens out regional imbalances. Being a national leader has its own advantage. We see it as a longer play. A lot of new capacity got built in the last three-four years. Our performance has also been ahead of competition.

**Q. The proposed Companies Act has mandated spends of 2% of a company's profits on CSR. What are your comments?**

A. It's an extension of the government's focus on inclusiveness. One can discuss and debate the pros and cons. In our case, we spend over 2% (of profit). This is not something that impacts us. It's not a bad thing. In spirit of inclusion in a plural society like India, corporates have a role to play and give back to society.

**Q. Your children are still young but your daughter has already initiated a micro finance business of her own...**

A. The older two are strongly inclined towards business. It's a natural inclination and natural interest of theirs.

**Q. What keeps you going and motivated?**

A. The one important factor that keeps me going is the kind of people I work with. There is a perceptible improvement in the quality of people in terms of their competency and levels of commitment. It's a result of an ongoing skill development and competency building programme within the group. It's always great to work with people who you enjoy working with. The work environment is very important in determining how enjoyable work is. It is very important to work with smart guys who have a superior level of intellectual bandwidth and still have softer skills as well. The other thing is growth, which is always exciting and we have been growing. We have commissioned several large projects this year. Some of which are yet to be commissioned, some of which have been commissioned. The fact that you are constantly honing different aspects of business - whether it is customer service, operations - there is an attitude and culture of continuous improvement. This may be incremental or in large quantum.

**Q. The business landscape is changing dramatically. Some businesses are closing down, some companies are selling out while others are innovating to remain relevant. How would you describe the future of business in such a rapidly changing world?**

A. Being a conglomerate, each of our businesses has a different challenge, business landscape is different for each business. It makes it challenging as well as exciting. The idea is that you have to have an ecosystem and to have people with the right attitude who would not just put their finger on the pulse of the business and understand how it's changing, but also take appropriate steps to stay in tune and stay contemporary to make sure whenever there is a bend in the road, we still stay ahead.

