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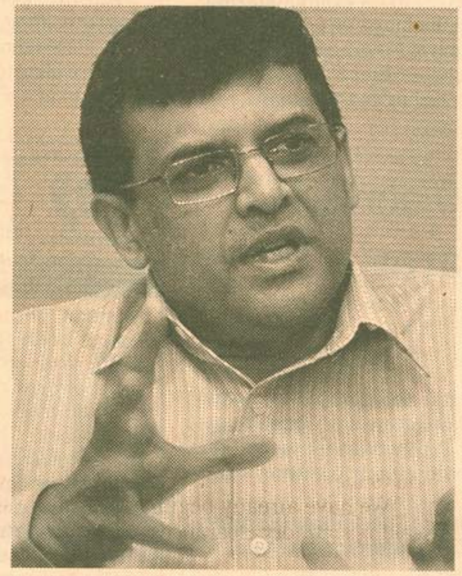
Q&A SAM GHOSH, CEO, Reliance Capital

'Reliance Capital will become a holding firm'

Sam Ghosh, who recently moved from Bajaj Allianz to Reliance Capital as the chief executive, is in the midst of restructuring and expanding the Anil Dhirubhai Ambani group company. He spoke to **Niladri Bhattacharya & Siddhartha** *on his gameplan at a time when the market conditions are not so favourable. Excerpts from the interview:*



What's the rationale for setting up separate companies for consumer finance and home loans?

If you are regulated by National Housing Bank, then you get special sanctions, essentially refinance, and you also come under the Sarfesi Act (which allows companies to take possession of assets where borrowers have defaulted). As an NBFC, we do not get that. Plus we can go for external commercial borrowings. If we want to focus more on housing finance, we can do it better through a separate company. We will push all our businesses out of Reliance Capital and make it a holding company with seven-eight subsidiaries. For example, we are making Reliance Money a subsidiary from September.

When will you be ready with your PE fund?

The company has already been incorporated and we are in the process of raising money. The plan is to raise $1 billion and that will be the equity. We hope to launch it in the third quarter. There are many private equity players in the market but you need some Indian players too.

How do you see your asset reconstruction company shaping up?

We have got three-four accounts in our books. Now, we are in the process of getting a CEO and then we can expand. Our focus is on large-tickets accounts as there is no point in dabbling in small loans and restructuring them. The old assets have been cleaned out. The assets will come on the books from now till the next six or seven months. We will target a return on investment of 24-25 per cent.

Are you planning to rope in partners for individual businesses?

That is a possibility, definitely. As and when we get a suitable partner, we will go forward with it.

You are bolstering your consumer finance business at a time when a lot of others are going slow.

Overall, it is not a good time to be in a market where interest rates are going up. But if you look at our portfolio, we are very conservative on unsecured loans. The minimum ticket size in this segment is over Rs 2 lakh. So, we are not in the sub-prime segment. The average size of the unsecured loans is Rs 4 lakh. On a monthly basis, only 9 per cent of our lending book is unsecured loans. The lending is more on the home finance side. Overall, it will be around 33 per cent of the portfolio but monthly disbursements are higher. Our NPAs are negligible also because we are a new entrant. We are very cautious and our growth rate now is half of what it was. Last year, we were growing (our loan book) at Rs 700 crore a month, this year we are growing at Rs 350 crore. We need to be cautious for the next six to 12 months. It's a high risk business to be in.

Is there a listing roadmap for the subsidiaries?

No, because Reliance Capital is a listed company and all the subsidiaries are almost 100 per cent owned by it. So, why would you want to list each company? Currently the thinking is not there but that thinking may change.

So, is there a plan to convert into a bank if RBI allows you to do so?

At this point of time we have not considered it because even if you want to go down that route you will only get a 5 or 10 per cent share, which does not make sense for us. If you look at all our businesses, we actually control and manage them. If the regulations change, we will think about it.

Why has the growth of your general insurance company slowed down?

We have slowed down deliberately because the market conditions are very tough. At this point, there is no point in going for market share. It's better to focus on keeping your profitability intact rather than just grow the top line and lose money.