

Few of us know that KUMAR MANGALAM BIRLA, Chairman of the Aditya Birla Group, produced the critically acclaimed Hindi movie *Black*. Or that he has taken up pistol shooting as a hobby. Or that his teenage son is a keen photographer, but he knows a thing or two about pictures and lighting himself. Most of all, Birla comes across as a very modest, self-effacing person. In two-hour-long conversations with CHAITANYA KALBAG and SUVEEN K. SINHA in Mumbai and Delhi, he spoke candidly and disarmingly about his empire, his business philosophy, and the way he runs his work and his life. Edited excerpts:



“One Has to Learn

CK: You have not done very much of expansion in Africa and you are in Latin America through Novels – so do you have any ambitions...

Birla: Africa is one of the continents of the future. It has a lot of catching up to do in terms of infrastructure. We are looking at investing in Africa but haven't found the right assets. Our philosophy has always been that we wouldn't rush into something without doing our homework well and getting the right asset on board. So I think that for a company like ours that is multinational, it will be much easier to acclimatise ourselves to a foreign country and its way of working, but there is no tearing hurry...we are scanning the environment very intensely. We are looking at coal mining. But there are lots of issues...

CK: There are some areas where you are not very prominent – infrastructure, pharma, education...

Birla: At the end of the day every corporation has a limited pool of capital as you know. And it essentially boils down to capital allocation. It depends on what you believe are the competencies required to succeed in an industry, what the returns would be – relative risk returns compared to other businesses where you could invest. As a family we play a very large role in education. But that is not on a profit basis. Those are run by trusts. So what I am saying is we are not convinced that it is a very good business to be in. We are very convinced of the cause. In fact, the family has set up educational institutions over the last sixty or seventy years.

The cause is something that is close to our hearts. The business part of it is something that we are not totally convinced about. Also Chaitanya, I think that when it has been so much a part of the family's role of giving back to society, then to think of it as a business, I think that creates a bit of a problem.

CK: What are the areas you want to go into...

Birla: I think we have enough on our hands. There are huge growth opportunities in the sectors that we are in. I do not think we need to spread ourselves thin...Having said that there are always one or two businesses one would want to examine. And I think one of them is infrastructure. Because again there's a huge need for infrastructure ...

CK: So what made you go into retail or telecom – both were very very low margin and very competitive...

Birla: Competition is not something that one is scared of. You know we operate internationally, facing international competition all the time. And when we got into telecom the margins were pretty high. We invested about 20 years ago. Retail, because it reflects the new India, it reflects the sort of very significant social-economic trend that's emerging in India. Retail is doing well...our philosophy has again been brick by brick. So we are present in two major sectors – hypermarkets and supermarkets. And we intend to keep our focus on these segments. So we are growing. I think it is a tough business. You are talking about a business where you

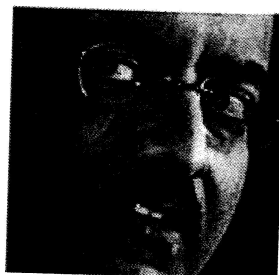




Full transcript of the interview at
www.businessToday.in/birla



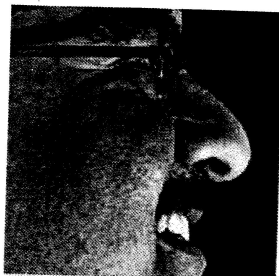
are working on a one per cent or two per cent margin...So I think we are on a very steep learning curve. I don't think there's any rush to become the largest in retail because I think, there is space for a lot of people here. I think the important thing is to grow steadily and have high quality of earnings.



CK: About retail, it is your personal investment. Do you intend to keep it that way?

Birla: We will monetise it, or partly monetise it, at the right time. It is a very low margin business, but it is the future. Given the rising consumerism in India, modern trade will grow exponentially. It is about being part of the growth story of India. It is a very tough business, but one has to learn new competencies....If you can't do that, you are shutting off opportunities.

New Competencies"



CK: Idea is a takeover and divestment target.

Birla: We have no reason to divest. Idea is as central to the group as Hindalco. We are very committed to the telecom sector. Rumour keeps going around every couple of months, we have no plans to get out of Idea.

CK Are you seriously interested in a bank?

Birla: Oh absolutely, you know. I think we have the record. Our family had a bank which got nationalised years ago – UCO Bank. It was started by my great-grandfather Mr G.D. Birla. It fleshes out our financial services portfolio and we are very keen on having a bank.

CK: What about the stipulation that you need to be doing a large chunk of the business in rural areas?

Birla: That is quite reasonable. The central bank is coming from a sound point of view. We will be very happy to comply with that...It will be much easier for someone like us. You know in a bank I do not look to be number one or number two...We are a late entrant because of regulation. We had applied for a licence 25 years ago. At that time large business houses were not allowed. It is only now that there is some positive inclination towards allowing large business houses.

CK: Novelis...that was the first time that Aditya Birla Group became a very clear and recognised presence in all the countries that they were operating in...

