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EYE ON FUTURE Aditya Birla Group chief KM Birla said FIR related to coal block allocation came as “a shock” but asserted the group had bounced back

Ecomm Retail Model is Unsustainable, says Birla

ET EXCLUSIVE

Baiju Kalesh, R Sriram & Bodhisatva Ganguli

Mumbai: The deep-discount model followed by Indian retailers is unsustainable and would come to an end sooner or later as investors would surely demand returns, Aditya Birla Group Chairman Kumar Mangalam Birla has said, while calling for a level playing field for brick-and-mortar retailers.

FULL INTERVIEW
▶▶ PAGE 8

“I wonder how the (ecommerce) business can be sustainable. I understand the valuation play. At the end of the day the financial investor will have to make returns. One thing I am sure is that you can’t have unlimited access to capital funding. Therefore the question that comes to my mind is whether the deep discount model is sustainable,” Birla said in an exclusive interview. Speaking for the first time about

ON ECOMM COMPANIES

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ON THE MODI GOVERNMENT

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Kumar Mangalam Birla
Chairman, Aditya Birla Group

PHOTO: BHARAT CHANDA

the controversy which embroiled the group after CBI registered an FIR in October 2013 naming the 48-year-old industrialist as an accused in a case linked to allocation of a coal mine, Birla described the episode as a “shock” but asserted that the group had bounced back.

“It was a shock and was completely unexpected. But it did not come in the way of our growth as we are a resilient group. It is best not to get emotional about these things,” Birla said.

Focus on Non-commodity Biz ▶▶ 16

Group to Invest More in Non-commodity Business: KM Birla

►► From Page 1

Asked if he ascribed the case to political vendetta, Birla replied in the negative. He declined to discuss the affair in detail as it is sub judice. In April this year, the Supreme Court stayed a lower court order summoning Birla and former prime minister Manmohan Singh as accused.

Birla praised the efforts of the Narendra Modi government, emphasising that one year was not enough to judge its effectiveness. "When you get a business or a company that is ailing, I do not think turning it around in one year is realistic. I have a lot of faith in this government. They understand issues well. My sense is that they are doing a lot of work we are not aware of. Two sectors have taken off—one is coal in terms of production of coal. For the first time in many years, we are not struggling and have sufficient coal in our plants, which is a very big deal. Roads have taken off, which is big," he said.

In the next few years, the \$41-billion group will invest more in its non-commodity business, including a \$7-billion investment in Idea Cellular, India's third-largest telecom company by number of



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AB Group Chairman

subscribers. The group also plans to enter the health insurance and housing finance sectors and set up a payment bank if granted a licence by RBI. Further the group would build out its NBFC as well as its garment business, the latter the largest in India. Sun Life, the group's partner in the financial services business, would raise its state in the life insurance venture to 49% by the end of the year.

In general, the group's preference would be to stay away from sectors heavily dominated by the government, though there are exceptions such as Idea. The group would also foray into generation of solar power, one of the priorities of the NDA government.