

INNOVATIVE AND MANAGEMENT PRACTICES ON FINANCE

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ABSTRACT

Project Portfolio Management is a tool for effective resource allocation, for the Selection of those projects with the highest potential to become tomorrow's new Product and service winners. The accurate implementation of project portfolio Methodology is ultimately linked to sound innovation management practices. This aims to research a financial firm, ADITYA BIRLA FINANCE, to uncover its project portfolio management practices and their role in fostering innovation. This study set out to define how project portfolio management methodology at the organization ultimately contributes to innovation, and to highlight some of the difficulties and challenges in picking the right projects. Thus, the focus of this paper is to understand how project portfolio management aids ADITYA BIRLA FINANCE in making strategic choices that will ultimately lead to innovation. A total of 11 semi structured interviews were conducted with managers at the institution in order to assess the project portfolio management practices and their focus on innovation. The results indicate an organizational shift from a lack of formal project selection to the implementation of a sound project portfolio methodology that aims at selecting those projects aligned with business strategy. The results also indicated that innovation has a significant role in the process, by functioning as criteria in the recently defined explicit method for portfolio management.

Keywords: Project portfolio management, innovation, financial industry

1.1 INTRODUCTION

Aditya Birla finance limited (ABFL) is one of the India's most reputed non-banking financial companies (NBFC). Incorporated in 1991, the company was certified as ISO 9001:2008 across all its core functional processes in March 2013 by BSI, a leading global independent business services organization. We offer customized solutions in areas of capital market, corporate finance, commercial Real Estate & Mortgages and Infrastructure project & structured finance. Aditya Birla group is an Indian multinational conglomerate named after Aditya Vikram Birla headquartered in the Aditya Birla Centre in Worli, Mumbai, India. It operates in 40 countries with more than 1.2 lakhs employees worldwide. The group was founded by Seth Shiv Narayanan Birla in 1857. The group interests in sectors such as Viscose staple fiber, metals, cement (largest in India), viscose filament yarn, branded apparel, carbon black, chemicals, fertilizers, insulators, financial services, Telecom (third largest in India), BPO and IT services.

The group had a revenue of approximately US\$45 billion in a year 2014. With a gross revenue of USD 45 billion (in 2014). It is the third-largest Indian private sector conglomerate behind TATA GROUP with revenue of just over US\$100 billion and RIL with revenue of US\$74 billion.

The group non-ferrous metals are under Hind Alco Industries. Its manufacturing locations are primarily in India and it owns mines in Australia. On 11 February 2007, the company entered into an agreement to acquire the combined entity the world's largest rolled-aluminum producer. On 15 May 2007, the acquisition was completed with

Novel is shareholders receiving \$44.93 per outstanding share of common stock. The group plans to close its part of its aluminum foil making mill in UK and shift that to plant near Nagpur.

1.2 RECENT INNOVATIVE PRACTICES IN ADITYA BIRLA GROUP:

- Capital Market
- Corporate Finance
- Commercial Real Estate & Mortgages
- Project & structured Finance
- Debt Syndication

CAPITAL MARKET:

Capital markets are financial markets for the buying and selling of long-term debt or equity-backed securities. These markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments. Capital markets are defined as markets in which money is provided for periods longer than a year. Financial regulators, such as the UK's Bank of England (BoE) or the U.S. Securities and Exchange Commission (SEC), oversee the capital markets in their jurisdictions to protect investors against fraud, among other duties.

CORPORATE FINANCE:

Corporate finance is the area of finance dealing with the sources of funding and the capital structure of corporations and the actions that managers take to increase the value of the firm to the shareholders, as well as the tools and analysis used to allocate financial resources. The primary goal of corporate finance is to maximize or increase shareholder value. Although it is in principle different from managerial finance which studies the financial management of all firms, rather than corporations alone, the main concepts in the study of corporate finance are applicable to the financial problems of all kinds of firms.

COMMERCIAL REAL ESTATE & MORTGAGES:

A **commercial mortgage** is a mortgage loan secured by commercial property, such as an office building, shopping center, industrial warehouse, or apartment complex. The proceeds from a commercial mortgage are typically used to acquire, refinance, or redevelop commercial property.

Commercial mortgages are structured to meet the needs of the borrower and the lender. Key terms include the loan amount (sometimes referred to as "loan proceeds"), interest rate, term (sometimes referred to as the "maturity"), amortization schedule, and prepayment flexibility. Commercial mortgages are generally subject to extensive underwriting and due diligence prior to closing. The lender's underwriting process may include a financial review of the property and the property owner (or "sponsor"), as well as commissioning and review of various third-party reports, such as an appraisal.

PROJECT & STRUCTURED FINANCE:

Project finance is the long-term financing of infrastructure and industrial projects based upon the projected cash flows of the project rather than the balance sheets of its sponsors. Usually, a project financing structure involves a number of equity investors, known as 'sponsors', as well as a 'syndicate' of banks or other lending institutions that provide loans to the operation. They are most commonly non-recourse loans, which are secured by the project assets and paid entirely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors, a decision in part supported by financial modeling. The financing is typically secured by all of the project assets, including the revenue-producing contracts. Project lenders are given a lien on all of these assets and are able to assume control of a project if the project company has difficulties complying with the loan terms.

DEBT SYNDICATION:

DEFINITION of 'Syndicated Loan' A loan offered by a group of lenders (called a **syndicate**) who work together to provide funds for a single borrower. The borrower could be a corporation, a large project, or a sovereignty (such as a government).

2. FUTURE FINANCE IN INDIA**FINANCIAL SERVICES****ADITYA BIRLA FINANCE SERVICES GROUP (ABFSG)**

Aditya Birla Financial Services Group (ABFSG) is the umbrella brand for all the financial services business of The Aditya Birla Group. ABFSG ranks among the top 5 fund managers in India (excluding LIC) with an AUM of USD 23 billion. Having a strong presence across the life insurance, asset management, lending (excl Housing), housing finance, equity & commodity broking, wealth management and distribution, online money management portal – Aditya Birla Money MyUniverse, general insurance advisory and private equity and health insurance businesses. ABFSG is committed to serve the end-to-end financial services needs of its retail and corporate customers. In FY 2013-14, ABFSG reported consolidated revenue from these businesses at just under ₹ 7,000 crore and profits of about 750 crore. Anchored by over 14,000 employees and trusted by over 60 lakh customers, ABFSG has a nationwide reach through 1,500 points of presence and about 1.3 lakh agents / channel partners.

ADITYA BIRLA GROUP OF COMPANIES

- Aditya Birla Chemicals (India) Limited
- Aditya Birla Chemicals (Thailand) Limited
- Aditya Birla Financial Services Group (ABFSG)
- Birla Sun Life Insurance
- Birla Sun Life Asset Management Company Ltd
- Aditya Birla Finance Limited
- Aditya Birla Money Limited
- Aditya Birla Online Fashion Private Limited
- Aditya Birla Insurance Brokers
- Aditya Birla Capital Advisors Private Limited
- Aditya Birla Minerals
- Aditya Birla Nuvo Limited
- Aditya Birla Retail
- Aditya Birla Science and Technology Company Limited
- Alexandria Carbon Black Company SAE
- Alexandria Fibre Company SAE
- Birla Jingwei Fibres Company Limited
- Birla Laos Pulp and Plantations Company Limited
- Dahej Harbour & Infrastructure

3. CONCLUSION

This unit has covered the basic foundations of corporate finance by looking at how organizations decide which projects to invest in and how best to raise funds. These two issues are of paramount importance to all stakeholders, but especially to shareholders in for-profit organizations, managers in the public sector and donors to the not-for-profit sector. The main contribution of this study lies in the investigation of how the Implementation of project portfolio management theory at a large financial services firm can foster product and service innovation. The paper provides insights into the initiatives and challenges in generating innovative products and services through effective tools and techniques. Furthermore, it shows the intertwined nature of strategy and innovation by uncovering their importance as criteria for project selection. Because of the intricacies of the field, this study suggests a deeper

investigation through the research of a larger universe of firms and their respective practices. Furthermore, in relation to the subject of investigation, it is recommended that a continuation of the study be made in 2-3 year from now, so that the results of the decision forums recently established at the Organization can be more evident.

