'In Fin Services, Time will Separate Men from Boys'

ET Q&A

AJAY PIRAMAL

CHAIRMAN, PIRAMAL ENTERPRISES

Piramal Enterprises, a pharma-to-finance conglomerate, posted a third-quarter profit jump of 21%, mainly driven by a sharp 68% growth in its loan book, as it continues to strengthen its financial services business. Chairman Ajay Piramal talks to **Megha Mandavia** and **Baiju Kalesh** about emerging as the 'man' in the band of boys in the highly-competitive financial services sector. Edited excerpts:

What is the narrative of the quarter?

The narrative of the quarter is that we have been having good results. In the last 10 quarters, we have grown both our topline by 20% and bottomline by over 20%. We have been consistently creating value for our shareholders. I think it is a steady and high pace growth rate. The quality of growth is good. Our loan book has grown 68% but still our gross NPA is just 0.40%.

You had a loan book for institutions. Now you have added a home loan book. How is it going for you?

As you know housing finance is a competitive space. There would be more than 100 companies in housing finance business. The surprising part is that only five companies out of them have a loan book of over ₹10,000 crore. We started our housing finance business only in this quarter. Already, we have dispersed ₹490 crore. We have sanctioned another ₹700 crore. We have been able to make an impact in a short term.

What is special about your home loan business?

Ours is a B to B to C business. B in the middle is the developer. Because of our partnership they will guide their homebuyers to us. We are using technology and analytics for a quicker turnaround time and better quality of customers.

If you see the stock market in the last two years, financial services is adding a lot of valuation. Do you think there is froth in there?

I think so. There will be a time when there will emerge a difference between the men and boys. I also believe some of these companies are lending just to increase the size of their book so the valuation will go up. We have to be discerning.

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Many financial services companies are backed by PE firms. They will exit at some point. Do you see that as an opportunity to buy into them?

I am not for buying into financial services firms because I am not sure of the quality. Also, what is the culture of their teams? It is a people driven business. It is important for us. We have a unique culture. We want to buy into that.

Are you seeing an increase in private capital expenditure?

It is not picking up significantly yet. In real estate, investments are going on. In capex, it is not picking up. We are doing either marginal capacity expansion, working capital or just restructuring loans. Banks have become so focussed on resolving NPAs that they are leaving some space there. Many of the private banks are looking more at retail loans.

When do you see capex picking up?

I am not sure. Every time people say it will be in next 12 months. There is no basis for that. We have to realise that previous capex was unproductive. A lot of capacities are being used now.

What is your take on the Economic Survey?

I am overall optimistic about India's growth. Real growth is 7.5%. With inflation, it would be 12.5-13%. If I remove agriculture, and just calculate it for manufacturing and services sector, then it is 15%. Please tell me which other large economy has a 15-16% growth. It is a huge opportunity for India. Please understand, crony capitalism. Now only the fit will survive.