

Piramal: open to acquisition in domestic pharma space

Nisha Poddar
CNBC-TV18

Ajay Piramal, chairman of Piramal Enterprises, says he is open to an acquisition in the domestic pharma space.

Edited Excerpts:
You are an industry leader. We are at a time when there is heightened global tension when it comes to the trade war. We have seen the rupee weakening for various reasons and also, as India, we are entering into an election year. As a corporate leader, how do you see corporate India poised for this?

When you look at the whole scenario now globally, there are trade wars, but to some extent, India is not going to be as affected as the rest of the world. Almost 55% of our GDP is only domestic and that is an advantage that we have. In this whole tension with trade wars, the rupee has weakened but it is not that the rupee has weakened as much as the dollar has strengthened. The Indian economy is strong and there is still a lot of interest in Indian economy. In fact I see that after this crisis in July, if you look at the foreign portfolio investments, it is showing a positive trend after several months of showing a decline.

Over the last few years, your financial services business has aggressively expanded, a lot of it coming in from real estate portfolio and funding in that particular area. Now I have seen Piramal Group as one of the most agile groups when it comes to change in strategy with changing times. What is the next phase of



Ajay Piramal, chairman, Piramal Enterprises.

ABHIJIT BHATLEKAR/MINT

restructuring and strategy for you?

What I see in the future is that we will see that the portion of our business other than real estate loans going up significantly, we will see that housing finance and hence our entry into retail will go up. In addition, I think we are also going to get some platforms for consolidation of certain assets. In financial services we also have a stressed asset fund, which is a joint venture with Bain, and I see many opportunities.

INTERVIEW

You talked about the focus in the retail

space when it comes to home finance. Of course a large part of your portfolio was in the real estate funding, over 80%. Now it has come below 75%. This migration to more retail focus than wholesale has not gone down well when it comes to the profitability angle. So is it a temporary phenomenon? How do you

see the profitability bit panning out?

Because of getting a retail housing for instance, we have seen that we have had a credit upgrade. So our rating upgrade has gone up and therefore the net interest margin in any housing portfolio would be lower, but the costs have also come down to some extent.

Second, I think, again because of housing, we can get a higher debt equity ratio. So our returns on equity which is what is really key for us, will again come back to the levels that we are aiming for which is 20%.

But over the last three years the major aggression has come in that. Now you have a sizeable loan book, ₹47,000 crore is where you ended last quarter. What next? Now that you have size, does it mean that the

strategy is now to take it a level higher and maybe inorganic? What is the next strategy?

So far as financial services is concerned, yes, we are looking at growing the book. I found that very often when you do just an acquisition on inorganic growth, the cultures are so different, the values are different, that you do not succeed. So my focus will be on organic growth rather than inorganic.

'The Shriram Group strategy is independent of what happens in Piramal. I think in Shriram, there are several options that are being examined.'

You have a large chunk of investment in Shriram Capital. How do you see that panning out? There has been talk of merging all the listed entities into one listed entity as well. In that you will be one of the larger shareholders only after the trust. So what is your strategy on that front?

The Shriram Group strategy is actually independent of

what happens in Piramal Enterprises. I think in Shriram, there are several options that are being examined and today we have not yet come to a final conclusion. The boards and the management team are discussing what various options there are that would create long term value for the group.

There was talks in the last few years about growing your financial services business under Piramal Enterprise's umbrella to a sizeable level and then merging it with Shriram Capital. Is that at all on the table now that you have attained size and it is not going to be as dilutive for Piramal Enterprises?

My belief again is that in financial services it is people that matter. If you were to go in for any large scale merger, it would mean that at least one or two years would be spent in just trying to organise people. So my view is that in the next few years, you should just focus independently on both the groups. Piramal and Shriram are doing well, there are enough opportunities to growth.

In the short term, how do we see the entire structure of Piramal Enterprises? You have been vocal that financial services will be a separately listed company. Now that it has been subsidiarised, when will the time be right for doing that?

As we have said, we will do it at the right time in the mid-term and that is all that I could say today that it will be in the mid-term where we would have financial services separately, we would have the pharma separately, and we would like to list also our healthcare insights as an independent company in the US.

feedback@livemint.com