

Piramal Enterprises may partner PEs to buy NBFC portfolios

Enough liquidity in system, not enough confidence, says Piramal

Kapnana Pathak, Deborshi Chaki & Madhurima Nandy

MUMBAI/BENGALURU

Piramal Group flagship Piramal Enterprises Ltd (PEL) is open to tying up with private equity funds to acquire select non-banking financial company (NBFC) portfolios, group chairman Ajay Piramal said.

"There are many PE funds who think this is an opportunity to acquire portfolios and assets which are at reasonable valuations. We have looked at some proposals and if there is enough substance, then I think there are enough people who would be ready to partner with us," Piramal said in an interview.

Piramal's interest comes at a time when many listed NBFCs have lost significant market value on growing concerns around asset-liability mismatches, tightening liquidity in the short-term money market, and the ability of NBFCs with higher short-term borrowings to fully meet their repayment obligations.

On Thursday, PEL reported a 25% jump in its year-on-year consolidated profit at ₹480 crore for the July-September quarter. The company attributed the rise in profit to a healthy loan book that grew 59% to ₹52,793 crore. PEL reported a 24% rise in income to ₹3,144 crore from a year ago. During the last quarter, PEL's financial services revenue grew 46.7% to ₹1,732 crore. Its pharma revenue inched up 2.5% to ₹1,109 crore, of which global pharma business contributed as much as ₹1,029 crore.

"There is enough liquidity in the system, but not enough confidence," Piramal said, adding, "It is not that the banks and other lending institutions have dearth of funds. Funds are available, but many are hesitant to lend, and this is in some way affecting the marginal players more than the relatively larger players. If something goes wrong, the whole sector is painted wrong. In my view, there is a difference and good companies have better opportunities than before."

Piramal maintained that the liquidity crunch faced by many NBFCs has not significantly affected Piramal Enterprises. "We have enough capital and our debt-equity is



ANIRUDDHA CHOWDHURY/MINT

Piramal senses opportunity in NBFC sector

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Separately, in an analyst call, Piramal Capital & Housing Finance Ltd (PCHFL) said it is not facing any liquidity challenge

The Piramal Enterprises unit said it is well-equipped to take control in case of delays in repayment or defaults by borrowers

Piramal said in the worst-case scenario, if there are delays and defaults by a developer, the company has the ability to take over the project and get it completed

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also is conservative at 3:5. We would, however, we would like to increase long-term borrowings and reduce short-term debt. For instance, we plan to limit exposure to commercial papers at 10% from 17%. We will raise fresh funds through external commercial borrowing. We are looking to raise upto \$250 million through ECBs in near future," he said.

Separately, in an analyst call, the management of Piramal Capital & Housing Finance Ltd (PCHFL) said it is not facing any liquidity challenge and is well-equipped to take control in case of delays in repayment or defaults by borrowers. The loan book of PCHFL, part of Piramal

Group, increased to ₹52,793 crore as on September 2018, of which ₹38,700 crore is in real estate, ₹2,300 crore is in housing finance and ₹11,781 crore is non-real estate.

Serial defaults at Infrastructure Leasing & Financial Services Ltd (IL&FS) have made it hard for NBFCs to raise money, forcing them to avoid fresh lending and stop disbursing

loans already sanctioned. "IL&FS is not just an NBFC and has a much larger exposure to infrastructure and so, this crisis shouldn't put all NBFCs in the same bracket. In recent weeks, banks and mutual funds have become selective on which NBFC they want to finance. Piramal Capital falls in the category which has lower leverage, consistent performance and has been getting enough funds," Piramal said during the call. He added that in the last few weeks of the crisis, only three NBFCs got additional banks' lines from a large PSU bank, and Piramal was one of them. Piramal Enterprises currently has around ₹7,500 crore in the form of cash and unutilized bank lines.

Piramal said in the worst-case scenario, if there are delays and defaults by a developer, the company has the ability to take over the project and get it completed. Khushru Jijina, managing director of PCHFL said there has been speculation about the company's asset quality and loan portfolio, but it employs adequate risk management practices and due diligence of selection of developers and closure of transactions.

kapnana.p@livemint.com