



| **INTERVIEW UDAYAN MUKHERJEE** |

‘I’M NOT EMOTIONAL ABOUT MY BUSINESSES’

Ajay Piramal, Chairman of the Piramal Group, talks at length about his plans for the financial services business, succession and retirement

PHOTOGRAPHS BY MANDAR DEODHAR



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decades, maverick billionaire Ajay Piramal seems to have homed in on financial services and pharmaceuticals as his two big bets. With the completion of the Dewan Housing acquisition and a demerger of the finance and pharma businesses on the anvil, he is all set to give them one big push before handing the reins over to son Anand and daughter Nandini. In a freewheeling chat with *Business Today's* Global Business Editor *Udayan Mukherjee*, he talks about his career trajectory, what drives his investment decisions, family ties and retirement. Edited excerpts:

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Q: Ajay, over the years you have done so many things. It started with textiles, which you sold off, then pharmaceuticals, which you made a grand success of before selling it off. Then you dabbled with things like Vodafone, and now you have re-entered finance in a big way with the acquisition of Dewan Housing. People who admire you would say you are an entrepreneur with a remarkable sense of adventure, but your critics may say that you are a businessman with an investor's mindset and not an institution builder's mindset. How would you respond to that?

A: So, it's a fair question, Udayan. Let's look at where we began. You talked about pharmaceuticals. We entered pharmaceuticals in India in 1988 through the acquisition of Nicholas Laboratories and for 20 years we built it. It was ranked 48th in the ORG list of companies in pharma and when we exited in 2010 we were ranked No. 3. If that is not building a business then I don't know what is. It wasn't an example of an investor approach because during

that period we actually invested a lot in growing the business through acquisitions and the reason why we exited it was because I look upon myself as a trustee for all our stakeholders. Stakeholders means our employees, our customers, society and our shareholders, and I thought it was in the best interest of all these stakeholders that we exit at the time we did. So, I won't say that that was an opportunistic investment. In my view, it was the right thing to do.

Q: Fair answer but you have re-entered pharmaceuticals in a big way again, so my question is not so much to do with the past but the future. The way you are investing in finance right now, is it possible that you may build this business, too, but not hesitate to sell it at some point? Or do you feel differently about the finance business today?

A: If you would like to see it as a fault, you can say that I'm not emotionally so connected. I don't believe my identity is the same as the businesses that I run. I think I have a separate identity. So, to say that I want to build an empire which is in financial services or in pharmaceuticals, that's never my intention. My intention is to really work in the best interest of my stakeholders and create value. Coming to financial services as well, that's exactly the intention and I know in the future it will be up to the next generation to decide what they want to do with it.

Q: I just want to understand your game plan with the financial business. Not so long ago, you actually were trying to cobble together something with your investments in the

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Shriram Group. You sold off your investment with Shriram Transport Finance but you still retain a large chunk of Shriram Capital and now there's a group reorganisation which is going on there. Now, is there a play between Dewan Housing, Piramal Enterprises and Shriram Capital or would you now have to

divest your holding in Shriram Capital?

A: In Shriram Capital, when we invested in it, our plan was to always be in the financial services business. Shriram was more in the retail business; Piramal had started a wholesale lending business and we could have brought them together. That was the original plan. But as time went by, we realised it would not have created value for either Shriram or Piramal because both the cultures were very different and it did not make any sense for us just to do it in the interest of size and therefore we will ultimately disinvest our Shriram holding. We have done that with Shriram Transport and at the right time we will do so with Shriram Capital and Shriram City Union. As far as DHFL (Dewan Housing Finance Ltd) and Piramal are concerned, now they have become one entity.

Q: And what is the eventual goal for this merged entity, because a few years ago you did try to bring together Shriram and IDFC Bank to have a significant banking presence. Is it still a goal to become a bank one day?

A: As far as we are concerned we are building a significant-sized business in financial services. Even today, if you look at the equity we have in our finance business, it's almost ₹18,000 crore. If I add the unallocated equity in the parent, the 100 per cent parent of Piramal Capital, it brings the total to about ₹30,000 crore. So, we have enough firepower to grow this business as we want. Today we are just working together to ensure that we build a robust business which is in line with what the Reserve Bank [of India] wants for a banking licence and then it's really up to the RBI to decide.

Q: How are you likely to position this finance business of yours? With DHFL you have a significant presence in the housing finance market, but how would you be positioned compared to market leaders like HDFC or LIC Housing Finance?

A: We want to be in retail as well as wholesale lending; we want to do not only housing finance but also unsecured lending. It will be slightly different from HDFC and LIC Housing in the sense that our housing loans will mainly be in Tier II and Tier III cities whereas the HD-FCs have it in larger cities. The second thing is that we would go both for salaried as well as non-salaried borrowers. Our composition for salaried and non-salaried clients is about 50-50, which is higher than what the others would have.

Q: But you don't have access to deposits yet in the way an HDFC may have because of the complications with the Dewan Housing deposit licence, and on the other hand you are up

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against these nimble fintechs who are trying to play your game with a very large number of customer touch points. Caught between these two, do you see yourself at any kind of disadvantage or handicap?

A: I think you are right that as of now we do not have a deposit-taking licence. Actually, the deposit-taking licence for DHFL was suspended before we acquired it. We are hoping that as time goes by the RBI looks at us favourably for a deposit-taking licence. But quite apart from that, the cost of funding which other large competitors have will be lower than ours for a while to come. Therefore, what we need to do is to go into those areas which are not so easy to enter and which are not of great interest to the larger players. That's why I talked about Tier II and Tier III cities. Fintechs, on the other hand, bring in a lot of technology which we are also trying to do but if you look at the fintechs most of them are not of significant size and don't have the balance sheet that we would have. Very often, they have a lot of technology but not enough experience in lending. I think we have to be very aware of what the big boys are doing and what fintechs are doing and we have to find our own path.

Q: Speaking of housing, I want to ask you about the Indian real estate market, which has been in the dumps for the past seven-eight years. In the past nine months, there are clear signs of a revival after many years. You have a large group company in real estate, which your son runs. What is your sense? Do you think this real estate and housing turnaround is for real?

A: As you said, for eight years it has been a total downward cycle in housing as it was affected by several headwinds. First, the inflated cost of housing as land prices shot up and over time there were challenges—whether it was demonetisation, RERA, GST, Covid-19 and so on. But every business has to have a cycle in a growth economy—real estate is important, the whole environment has

ON THE FINANCE BUSINESS

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ON HIS BANKING PLANS

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ON SUCCESSION

My daughter Nandini will continue to run it (the pharma business). And as far as financial services is concerned, Anand is taking much more interest in it.

ON HIS LIFE MANTRA

The first part of your life is to learn, [the] second part of your life is to earn and then you have to return.

changed today with consolidation taking place in the sector, which also means bigger players are doing better and the marginal players have fallen by the wayside. Besides, interest rates have come down and some of the housing loans are sub-7 per cent, which is also a big plus alongside the fact that real estate prices haven't gone up over the past four or five years. So, demand has come back. Covid-19 has also helped in bringing up the demand from the higher income segment where savings have piled up. There's hardly been any travel in the past two years. There has been no spending on weddings, no spending on restaurants and people have also realised that they need more space at home. All this has brought about a revival in demand, which will continue for a while.

Q: Your son Anand runs the real estate business. How much of a mentoring hand do you place on his shoulder? Is he cutting his teeth in the realty arm before joining the main fold of Piramal Enterprises?

A: So, what we are doing in terms of structure is a demerger of pharmaceuticals and financial services, so in the next nine months they should be both independently listed on the stock exchanges. As far as pharmaceuticals is concerned, my daughter Nandini—who has been in this business for 13-14 years and is running it even today—will continue to run it, perhaps more independently. I am fortunate that both of my kids Nandini and Anand graduated from the best schools in the world, Nandini from Stanford and Anand from Harvard, so they are good. And even as far as financial services is concerned, Anand is taking much more interest in it now so it's not like he is going to come into the financial services fold; he is already in it.

Q: Is that the succession plan in a way at the Piramal group—that your son runs real estate and finance and daughter runs pharmaceuticals?

A: Yes, it is. We are preparing them to take [on] larger responsibilities in both and that's what they are engaged in.

Q: And you have the very interesting, even enviable position of having



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Mukesh Ambani as Anand’s father-in-law. Do you ever get together for a cup of coffee, discuss business? What’s your equation with him like?

A: Mukesh and I actually go a long way back. We were friends from before our kids were born, so that’s the good thing. I think both of us have seen our children being born. He was around when Anand was born and I have seen Isha being born. We have had a very close relationship and the union between Anand and Isha has only cemented it further.

Q: Mukesh isn’t the only top-level businessman you can be linked with. You were on the board of Tata Sons at the time N. Chandrasekaran took over and you have had the perspective of seeing him work over the past many years. As an insider almost, are you happy with the way Tata Sons is shaping up under him? Would you say he has your vote?

A: There is no doubt about that and you don’t need my validation of what he has achieved. The markets say it and you can see the business performance reflecting it, so I think this has been an exceptional performance over the past five years from where he took over to where the group is today. There’s a material change and that’s quite obvious to see in every business.

Q: How many more years do you see yourself hanging in, Ajay, because you are getting on and running these large businesses can’t be easy. You have built a large empire and your children are ready. How much time before Ajay Piramal is seen sitting at Mahalakshmi racecourse watching the horses go by, with

daughter and son running the show?

A: Udayan, I still go to Mahalakshmi racecourse and watch the horses go by and sometimes sit on them as well and take my grandchildren [along], so that’s not going to change. But yes, over time they will step in and I would like both my kids to take over the businesses. They are getting their teams ready. They have been working on it. The sooner it is, the better [it is] for me. I would like to do more things in life.

Q: What are those things? I believe you are spiritually inclined and spend a lot of time thinking about life and its many conundrums. What do you have planned out for the next 10-15 years?

A: The way the world is, I don’t know how many years are left for anybody, but yes, I am spiritually inclined and I would want to do more of it. Catch up on my reading, as it is a very important part of my life. In addition, we have a foundation and I would like to spend much more time on that. As they say—the first part of your life is to *learn*, second part of your life is to *earn* and then you have to *return*. So, we have been trying to do just that. The Prime Minister has identified 112 districts as aspirational districts. They are the most undeveloped and about 16 per cent of our population lives there, but of the total CSR funding only 1.5 per cent goes there, so we must improve this. We are working with NITI Aayog, with various state and central governments to do something there. We have a big tribal initiative. Every year we do a fellowship of young fellows who are either graduates or postgraduates. This year we recruited 650. They work with us 24/7 for two years to become better leaders. Any small contribution we can make in building this country is what we want to do. **BT**