

# Demand for our loans grew as other NBFCs stopped lending: Ajay Piramal

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FILE PHOTO - Ajay Piramal, Chairman, Piramal Group - PAUL NORONHA

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The financial services business of diversified Piramal group has shown strong results despite recent tightening of liquidity in the industry as the IL&FS crisis spun out of control.

“I feel that demand for our loans is more because other Non Banking Financial Companies (NBFC) have stopped lending,” said Ajay Piramal, Chairman of the Piramal Enterprises, in an interview to *BusinessLine*. According to Piramal, this is despite the lending rates for new loans expected to go up by around 50 per cent.

## More conservative

“We have not gone slow (on lending), but I think are being more conservative as far as liquidity is concerned,” Piramal added.

According to him, there is no lack of liquidity in the system, but lack of confidence.

“People are not willing to lend. Commercial papers market has dried up, mutual funds are pulling out, but this is a crisis we have made ourselves. There is no liquidity problem, no demand for credit,” he said.

According to Piramal, lenders must get the confidence that the NBFC sector is a good sector to lend.

“NBFCs play an important role in the economy, today 31 per cent of the country’s GDP is due to small and medium sized enterprises (SME), in the next four years, according to RBI estimates from NBFCs, so the estimations is that ₹65,000 crore will be met by banks and about four times of that will have to be met by NBFCs,” he said.

“It will be a concerted effort by the government, the RBI, and other institutions to see that long-term funding is given to NBFCs to restore the confidence of the other lenders,” he added.

Piramal Enterprises has heavily invested into real estate sector that currently accounts for around 70 per cent of its loan book. When asked whether the group has seen any defaults by real estate companies, he said no such defaults have happened so far.

“We are particular in our selection— the counter party and the track record is important, we only lend in limited Tier-1 cities, most of our loans are given in Mumbai, Bengaluru, Pune, Chennai, NCR and Hyderabad and now in 2-3 smaller cities,” he said.

“We don’t want to lend against a specific project, we want to lend against a number of projects because you can cross-collateralise them.

We also have adequate security from all the project,” he said.

## Real estate projects

He added that as the Piramal group has experience in developing real estate projects, it can take over the stressed asset and “cure it”.

Piramal said that the non-real estate loan book of the Piramal’s financial arm has tripled over the last year. “We have started housing finance, and lending to emerging corporates. We are lending to renewable energy, and people in auto ancillaries.” said Piramal.

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The author's comments are relevant to the prevailing context of imaginary crisis of IL&FS lead by the systems themselves in the first place & later their failure to acknowledge the fact. Thier adamancy in accepting and raising to the occasion is causing more serious problems than the crisis itself.

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