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Piramal Finance sets up housing finance firm

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MUMBAI

Piramal Finance Ltd (PFL), the non-banking finance company of the Piramal Group, has set up a housing finance company (HFC) that will offer loans through realty developers and direct lending to retail customers. Piramal Housing Finance (PHF) received the licence from the National Housing Bank, the regulator for HFCs, on 4 September, the company said.

“We have been lending to developers already. Now our focus is to build the retail business in the home loan segment. For this, we will leverage the relationship we have built with various realty developers and our partnership with the Shriram Group that has the necessary expertise in retail lending,” Ajay Piramal, chairman of Piramal Enterprises Ltd, said.

Piramal said the HFC has been set up as a standalone company under PFL with an initial capital of Rs1,000 crore.

“If we need more capital we may also look at fund-raising through equity and non-convertible debentures,” he said. The HFC will not engage in construction finance. The lending model will be “B2B2C” (business to business to customer). “Our developers have been asking us to start a home loan business. Real estate is something we understand. The B2B2C model will help us maintain asset quality as developer loans will be hedged,” said Piramal. PHF has garnered Rs200 crore worth of assets since its launch and will be targeting self-employed customers in particular. It has tied up with 15 developers for 30 projects. The firm has a team of 150 people for the business.

Piramal said the housing finance arm is expecting a loan book worth Rs15,000 by 2020.

The HFC, although bullish on affordable housing, is also looking at large-ticket loans of Rs25 lakh and above. “We believe there will be consolidation in real estate business and only the top developers will thrive. There will be appetite for good projects,” said Khushru Jijina, managing director of Piramal Finance and Piramal Housing Finance.

Asked if the home loan business will compete with Shriram Housing Finance Ltd, Piramal said the businesses will be “complementary and not competing” because the Piramal HFC will offer bigger loans.

PHF will follow the “hub and spoke model” for serving customers and plans to set up only two branches in Mumbai. “We will initially start off with the metro cities and later tap the tier-2 and tier-3 geographies,” said Jijina.

The size of the housing finance market is estimated at Rs15 trillion, according to Harshal Patkar, senior analyst-financial institutions, India Ratings and Research Ltd, a credit rating company.

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