Borrowings

MARKET SCENARIO AND KEY DEVELOPMENTS

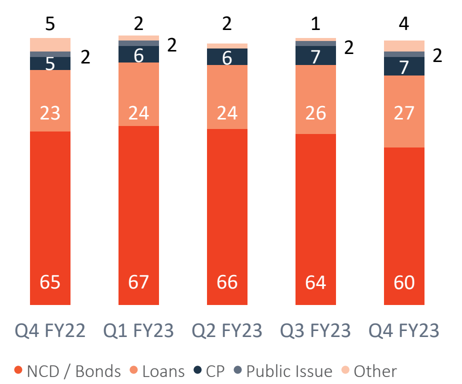
Major Central banks participated in easy liquidity programmes during the critical months of COVID 19. While this helped in preserving demand in advanced economies, supply chain bottlenecks sent inflation skyrocketing across the globe. This was accentuated by geopolitical tensions and weather shocks, forcing central banks to accelerate their path to policy normalisation through steep policy rate hikes and withdrawal of surplus liquidity.

The RBI too shifted to a tighter monetary policy since mid-2022 which was characterised by consecutive hikes of the policy repo rate by 250 bps to 6.5% and draining out excess systemic liquidity, from approximately ₹ 6.5 Lakhs Crores in mid-22 to ₹ 60,000 Crores by early 2023. While the central bank paused rate hikes in Apr'23, full-fledged shift to an easy monetary policy is not expected till inflation inches back towards the targeted level of 4%.

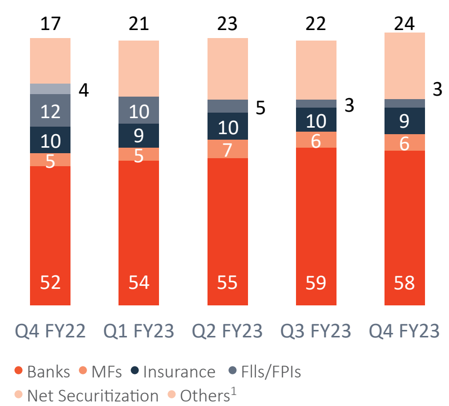
FUNDING SOURCES

The Company sources funds through several sources including term loans, NCDs, Commercial paper, securitisation, external commercial borrowings (ECB) and Public issue of NCDs. The borrowings are primarily long-term in nature, with the predominance of term loans and NCDs in the funding mix.

Breakdown of Borrowing Mix by Type of Instruments (in %)



Breakdown of Borrowing Mix by Type of Lender (in %)



Note:

[1] 'Others' include employee benefit funds, financial institutions (incl. NHB) and Individuals/HUFs/ Corporates and CROMS etc., which contribute 5%, 6%, 12% and 2% respectively, to overall borrowings.

COST OF BORROWINGS

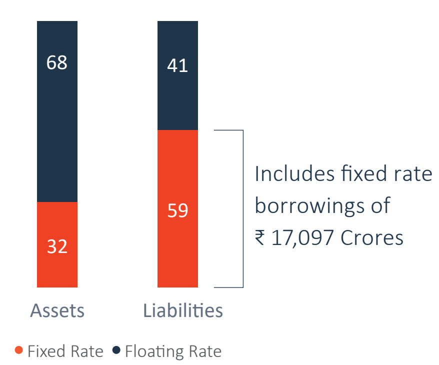
Our overall cost of borrowing has been dropping sequentially with the successful integration of DHFL and balance sheet strengthening. We have successfully reduced the borrowing costs from 10.1% in June 2021 to 8.6% in March 2023 despite a substantial increase in the market interest rates. With 59% of our total borrowings as 'fixed rate liabilities' and 32% of assets at fixed rate, as of March 2023, PEL is well positioned to navigate the rising interest rate environment. Further, cost of borrowings is expected to remain stable over time, as we continue to make the loan book more diversified and granular.

Average Cost of Borrowings improved during the year (%)

Maturity of Borrowings remain above 3 years

In years, weighted average on a residual basis

Balanced Fixed: Floating Rate Mix in current rate environment (%) As of Mar-2023

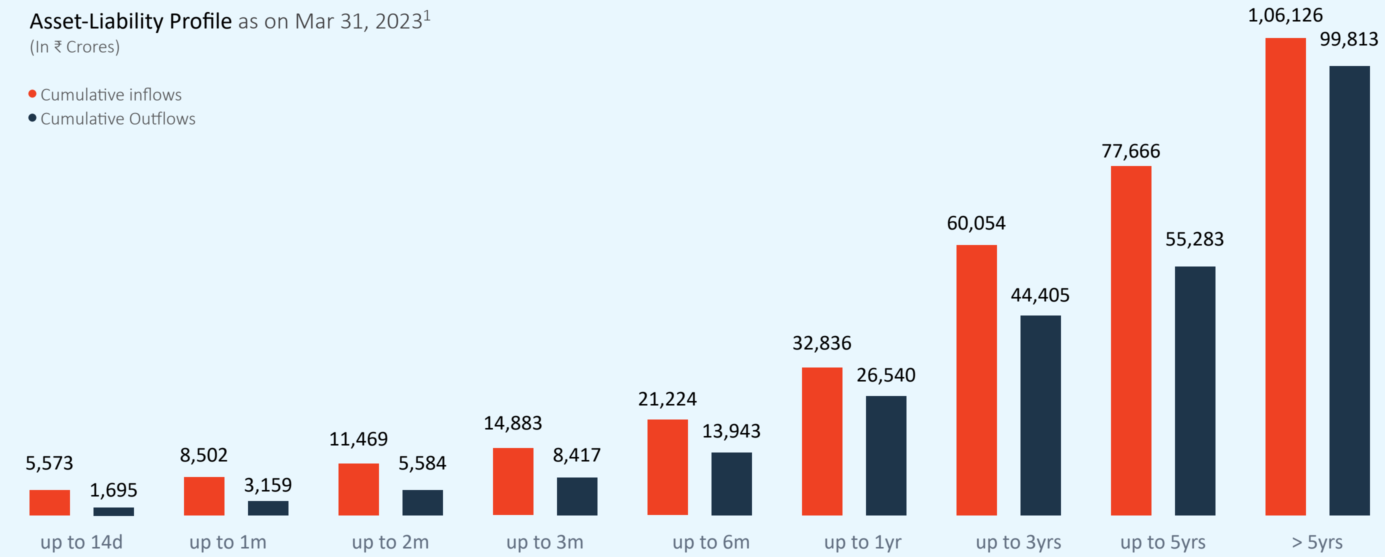


ASSET AND LIABILITY MANAGEMENT (ALM) PROFILE

As of March 31, 2023, the ALM profile reflected significant positive gaps across all time-period buckets within the norms stipulated by the RBI.

Asset-Liability Profile as on Mar 31, 2023[1]

(In ₹ Crores)



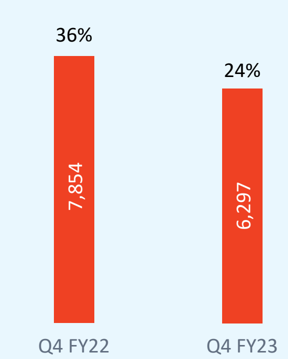
Cumulative GAP[2] (%)

up to 14d	up to 1m	up to 2m	up to 3m	up to 6m	up to 1yr	up to 3yrs	up to 5yrs	> 5yrs
+229%	+169%	+105%	+77%	+52%	+24%	+35%	+40%	+6%

Notes: (1) Based on static ALM for wholesale and behavioral ALM for the retail portfolio
(2) Cumulative GAP (%) = Net flows (i.e., cumulative inflows-cumulative outflows) as a % of cumulative outflows

Maintaining healthy Cumulative ALM GAP[1] (up to 1 year)

(In ₹ Crores period-end) GAP%



CAPITAL ADEQUACY RATIO

As of March 31, 2023, the capital adequacy ratio for the financial services business stood at 31% as compared to 21% as of March 31, 2022. The yoy change in capital adequacy reflects the impact of DHFL acquisition, which was a major step towards efficiently optimising and deploying capital. With net debt-to-equity of 1.3x as of March 2023, PEL remains amongst the most well-capitalised, sizeable NBFCs in the country.