

# Piramal Enterprises Limited

## Investor Presentation

March 2020



# Disclaimer

*Except for the historical information contained herein, statements in this presentation and any subsequent discussions, which include words or phrases such as 'will', 'aim', 'will likely result', 'would', 'believe', 'may', 'expect', 'will continue', 'anticipate', 'estimate', 'intend', 'plan', 'contemplate', 'seek to', 'future', 'objective', 'goal', 'likely', 'project', 'on-course', 'should', 'potential', 'pipeline', 'guidance', 'will pursue' 'trend line' and similar expressions or variations of such expressions may constitute 'forward-looking statements'.*

*These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements.*

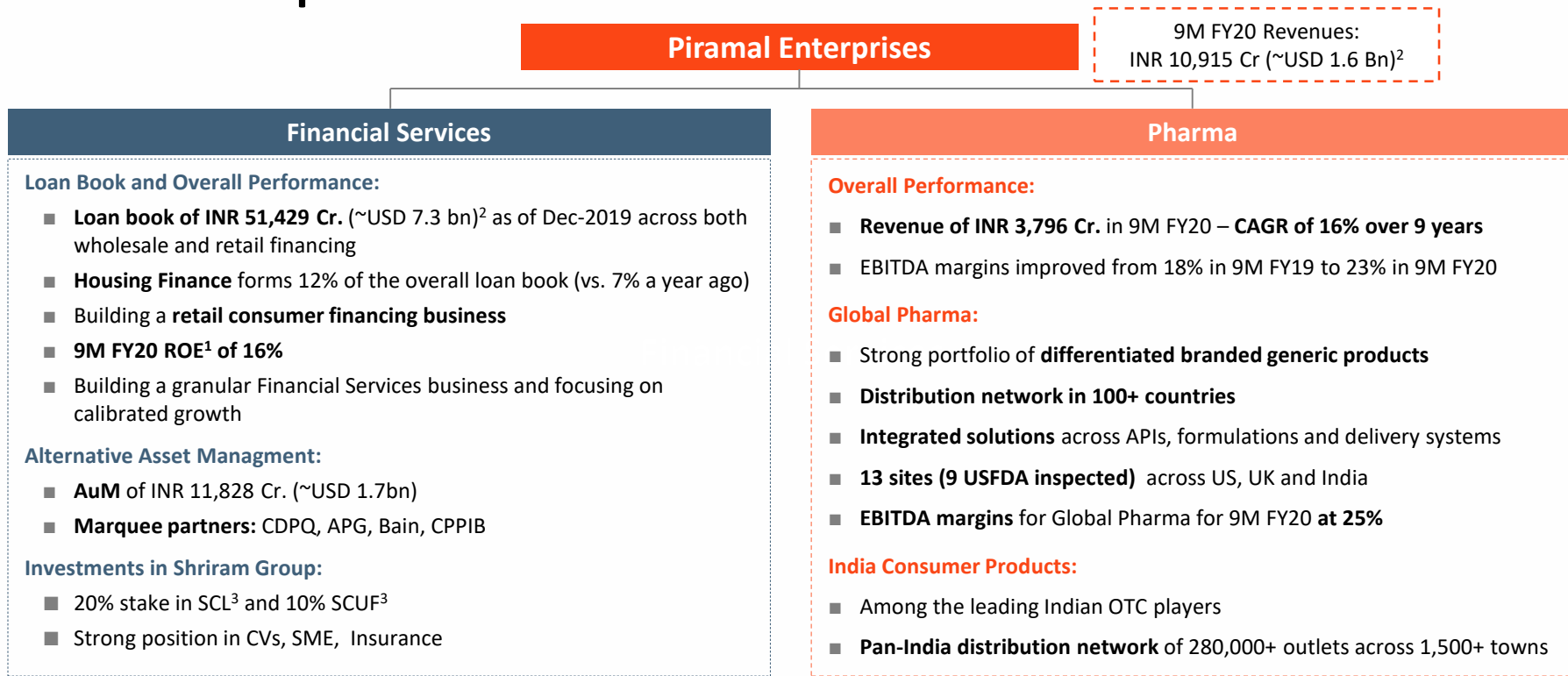
*These risks and uncertainties include, but are not limited to Piramal Enterprise Limited's ability to successfully implement its strategy, the Company's growth and expansion plans, obtain regulatory approvals, provisioning policies, technological changes, investment and business income, cash flow projections, exposure to market risks as well as other risks.*

*Piramal Enterprises Limited does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.*

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*Note: Figures in previous periods might have been regrouped or restated, wherever necessary to make them comparable to current period.*

# Piramal Enterprises Limited: Business Overview



## Sale of DRG : Simplifying the structure of the Company, with focus on two core businesses – Financial Services & Pharma

Note: In Jan-2020, the Company signed a definitive agreement for the sale of Healthcare Insights & Analytics (DRG) to Clarivate Analytics for a consideration of USD 950m; The deal was closed in Feb-2020 and USD 900m were received

1) ROE for current reported period Q1FY20 is considering Cash Tax and other synergies from merger; SCUF: Shriram City Union Finance

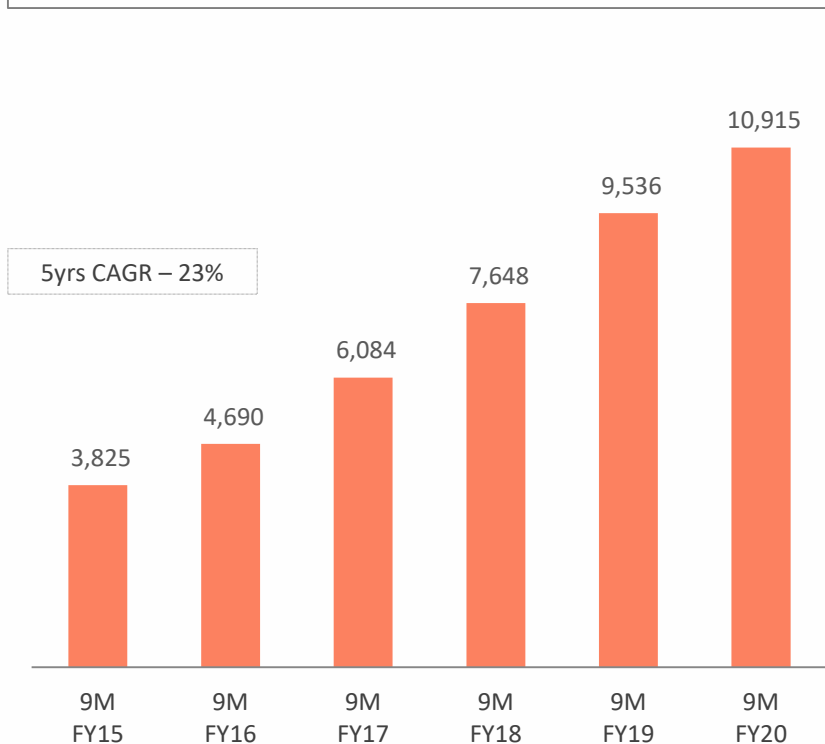
2) Exchange rate for revenues and Loan book is INR 70/ USD

3) SCL: Shriram Capital Limited and

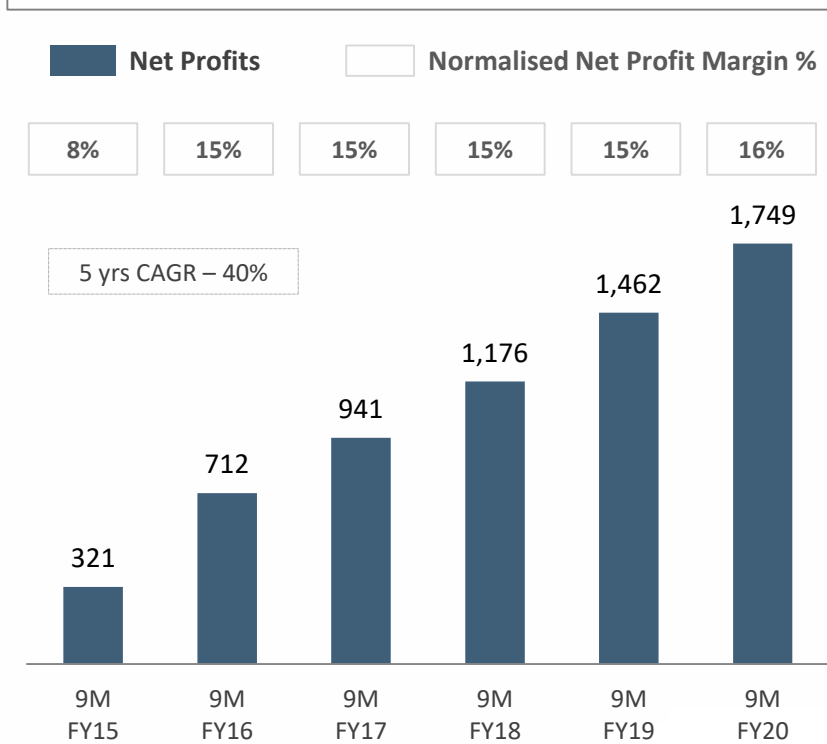
# Delivering growth track record

(In INR Crores)

## Total Revenues<sup>1</sup>



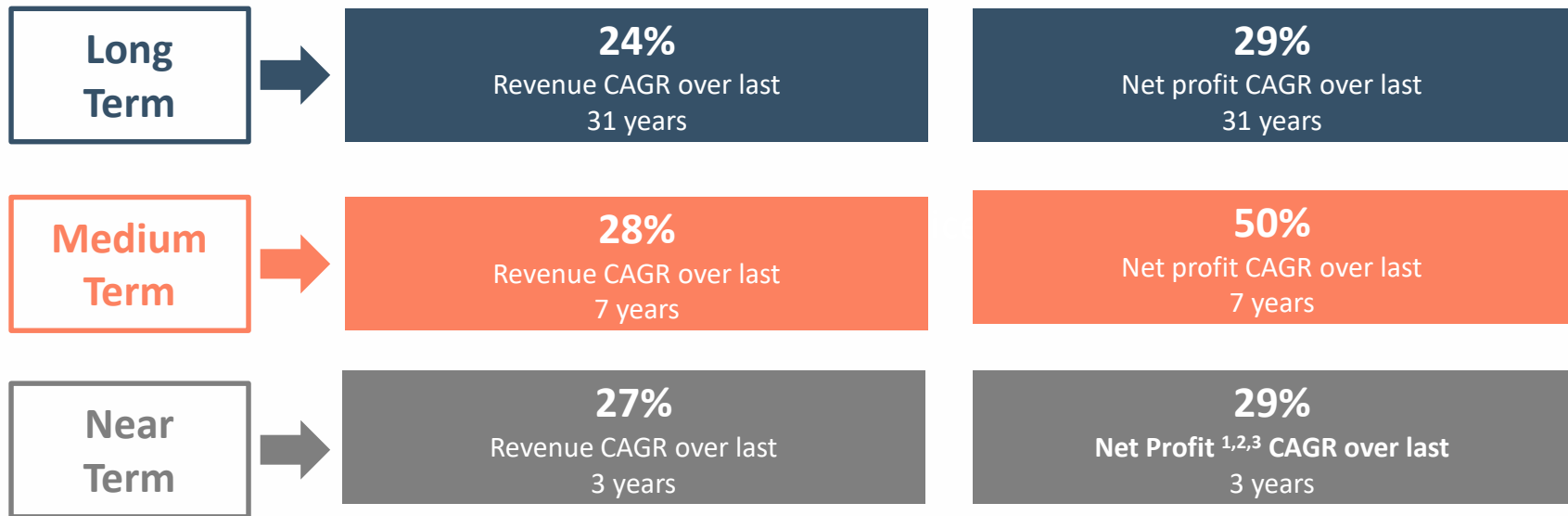
## Net Profit<sup>1,2,3</sup>



Note:

- 1) FY2015 results have been prepared based on IND GAAP and FY2016 onwards on IndAS basis
- 2) Net Profit excludes exceptional gain/loss for the period; 3) Previous year figures for FY19 are restated for accounting affect of Piramal Phytocare merger

# Performance across various periods

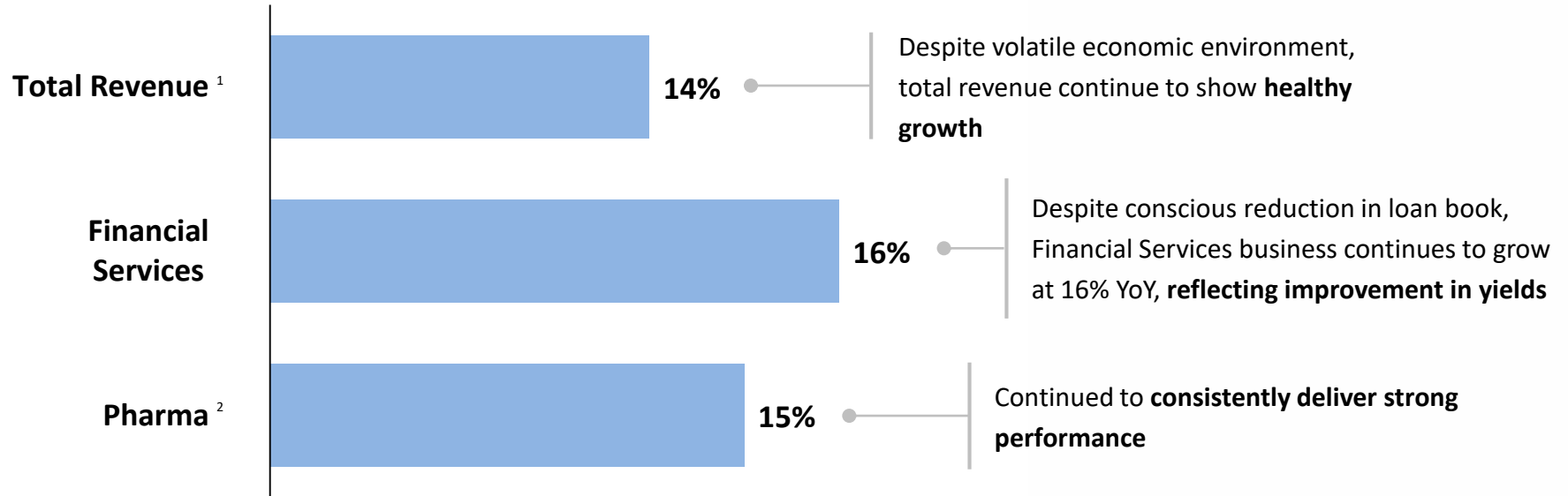


Notes:

- 1) FY2016 - FY2019 results have been prepared based on IND AS, prior periods are IGAAP;
- 2) Q4FY2018 normalised net profit excludes synergies from reverse merger of subsidiaries in Financial Services segment;
- 3) ) FY2019 normalised net profit excludes non-recurring and non-cash accounting charge towards imaging assets in Q1 FY2019 and non-recurring exceptional item in Q4 FY2019

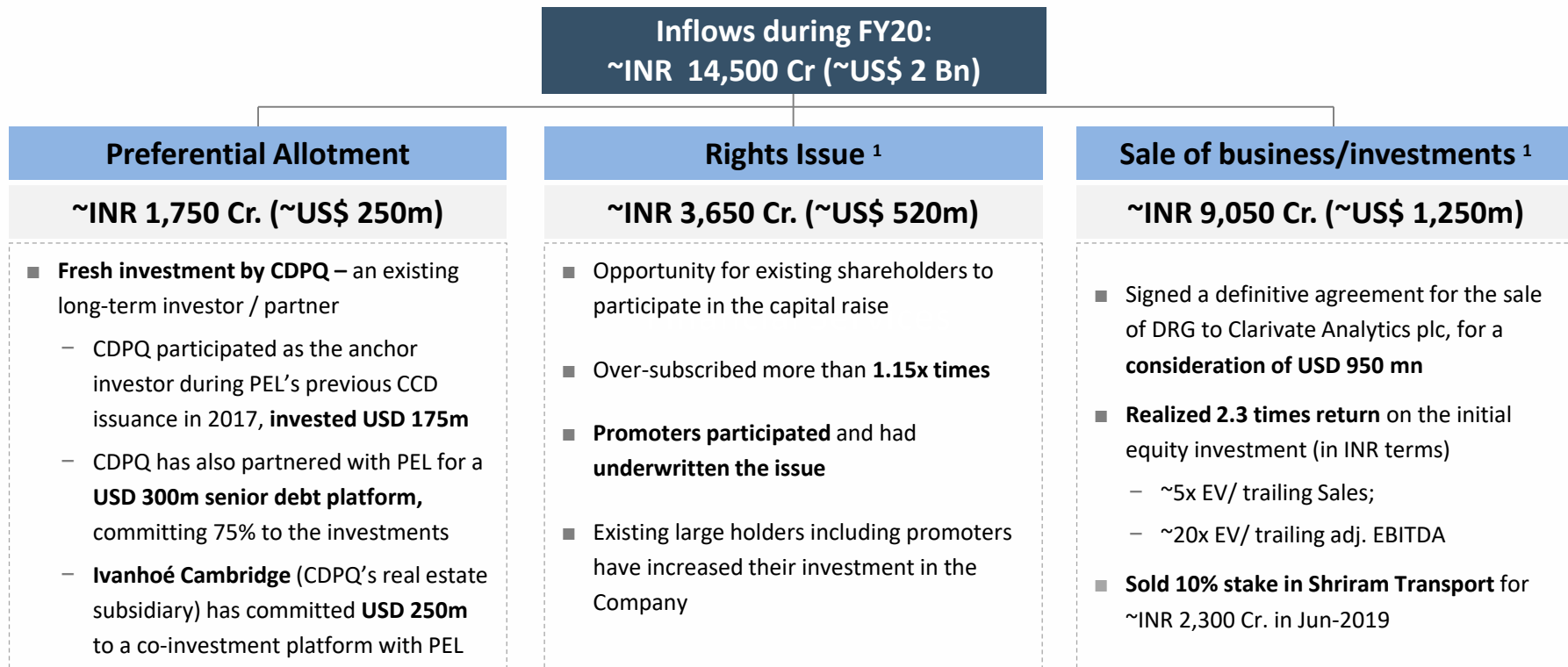
# Stable revenue growth across business segments

Revenues: 9M FY2020 vs. 9M FY2019



Notes:  
 (1) Total Revenue includes revenue from Healthcare Insight & Analytics (DRG) Business  
 (2) Pharma includes Global Pharma and India Consumer Products

# Significantly strengthened the balance sheet: Inflows of ~INR 14,500 Cr.



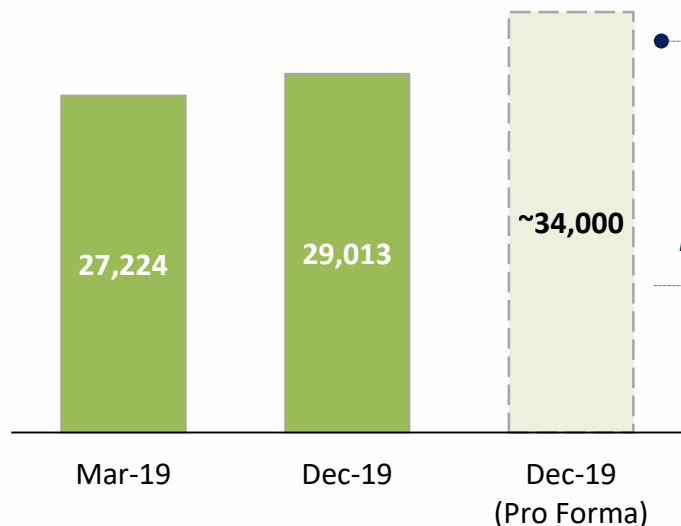
**Exceeding commitment of bringing in INR 8,000-10,000 Crores of capital during the year**

Note: 1) Inflows from Rights issue and Sale of DRG are post December 31, 2019 events and hence would have impact in Q4 FY2020

# Significant strengthening of the balance sheet driven by increase in the equity and decrease in debt

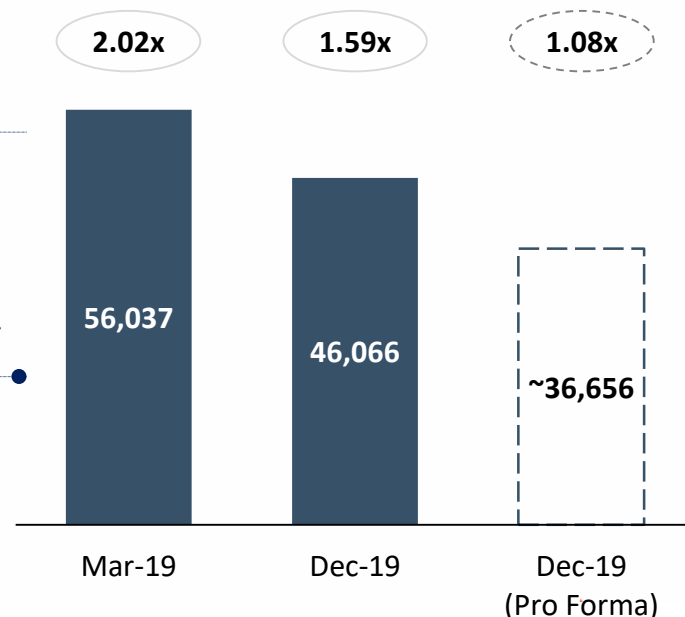
○ Net Debt-to-Equity

Total Equity (INR Cr.)



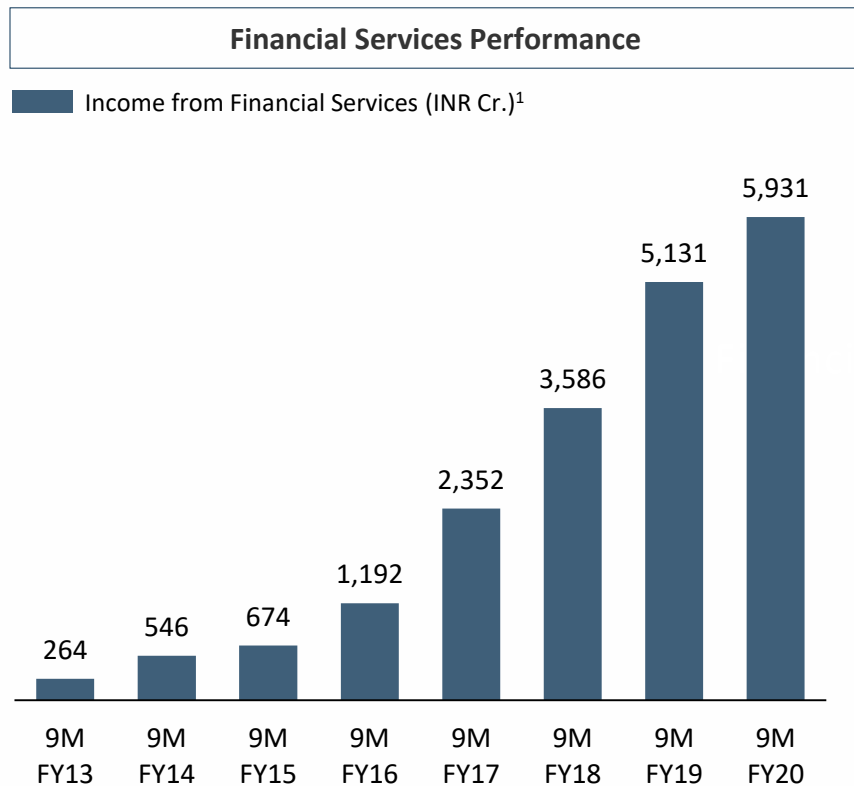
*Increase in equity base to ~INR 34,000 Cr. (pro-forma) and pro-forma debt reduction by ~INR 15,000 Cr., resulting in debt-to-equity of 1.2x times*

Net Debt (INR Cr.)





# Performance trend in Financial Services



- **Diversified loan book** at INR 51,429 Cr. as of Dec-2019 across wholesale and retail financing

## Wholesale Financing:

- **Diversified wholesale loan book** across – Residential RE (47% of overall loans), Commercial RE (23%) and Corporate Loans (18%)
- **Yields** improved ~150bps to 14.9% from 13.4% in Q2 FY19, reflecting ability to pass on the rise in borrowing costs to customers

## Retail Financing:

- **Housing Finance** forms 12% of the overall loan book (vs. 7% a year ago)
- Building a **retail consumer financing business**

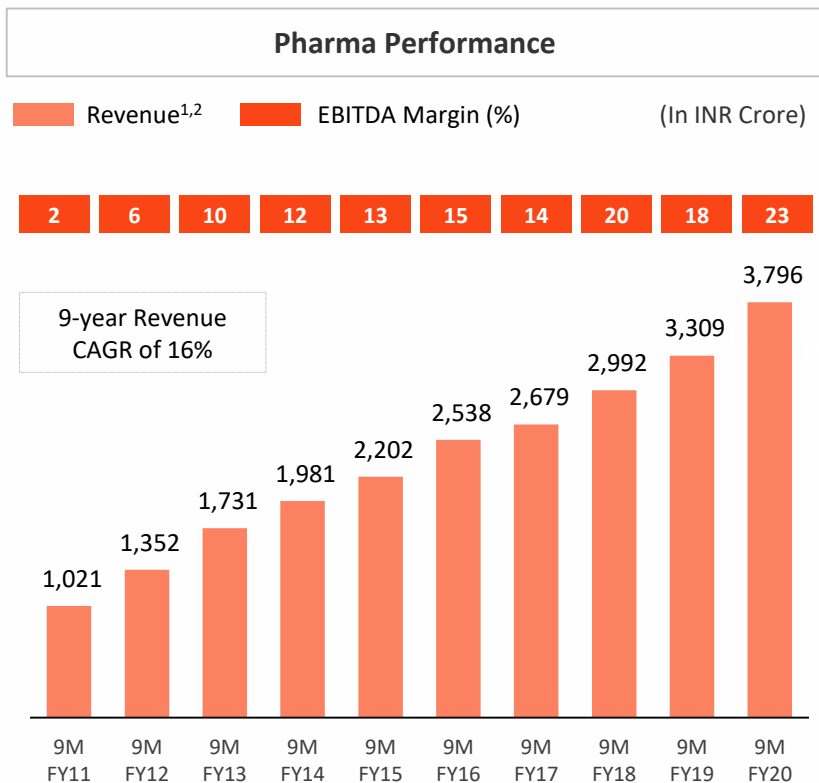
## Asset quality:

- **GNPA** ratio at 1.8%; no major loss given default since Sep-2018

## Liabilities-side:

- **Raised ~INR 28,000 Cr. in long-term funds** since Sep-2018, of which INR 4,276 Cr. (incl. securitization) were raised in Q3 FY2020
- **Borrowing costs to gradually decline**; raised ~INR 1,900 Cr. at or below 9% coupon recently
- **Significant deleveraging** – debt-to-equity at 2.8x times (for the lending business)

# Consistent performance trend in Pharma



- **Consistent growth:** PEL’s 9M Pharma revenue grew at a CAGR of 16% over last 9 years
- **9M FY20 performance:** Revenues grew by 15% to INR 3,796 Cr.
  - Pharma contributed 35% to PEL’s overall revenue
  - India Consumer Healthcare business grew by 37% YoY
- **Differentiated Model:** Over 90% of revenues derived from Global Pharma which has two niche businesses – CDMO & complex hospital generics – that are relatively less impacted by the pricing pressures
- **Quality & Compliance:** Since FY2011, PEL has successfully cleared 36 USFDA inspections, 162 other regulatory audits & 1,097 client audits
- **Profitability:** EBITDA margins for the overall Pharma business improved from 18% in 9M’FY19 to 23% in 9M’FY20
  - **EBITDA margins** for Global Pharma for 9M FY20 is **at 25%**
- **JV with Allergan:** PEL has 49% stake in Allergan India Pvt. Ltd. - the market leader for the fast growing ophthalmic category in the Indian formulations market with a reported revenue of INR 408 Cr. in FY19

Notes: (1) Pharma includes Global Pharma and India Consumer Product  
 (2) FY2016 - FY2020 results have been prepared based on IND AS, prior periods are IGAAP

# Board of Directors



**AJAY PIRAMAL**  
 CHAIRMAN  
 AWARDED “ASIA BUSINESS LEADER OF THE YEAR” BY CNBC ASIA  
 NON - EXECUTIVE DIRECTOR, TATA SONS

## DIRECTORS



**DR. SWATI PIRAMAL**  
 VICE-CHAIRPERSON  
 EMINENT SCIENTIST  
 AWARDED PADMA SHRI



**NANDINI PIRAMAL**  
 EXECUTIVE DIRECTOR,  
 OTC, HR, QUALITY & RISK  
 MBA, STANFORD



**ANAND PIRAMAL**  
 NON-EXECUTIVE DIRECTOR,  
 HEADS PIRAMAL REALTY  
 MBA, HARVARD

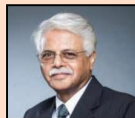


**VIJAY SHAH**  
 EXECUTIVE DIRECTOR,  
 25+ YEARS WITH GROUP  
 TURNAROUND BUSINESSES

## INDEPENDENT DIRECTORS



**N VAGHUL**  
 FORMER CHAIRMAN,  
 ICICI BANK



**DEEPAK M SATWALEKAR**  
 FORMER MD & CEO,  
 HDFC STANDARD LIFE



**KEKI DADISETH**  
 FORMER CHAIRMAN,  
 HINDUSTAN UNILEVER LTD



**PROF. GOVERDHAN MEHTA**  
 EMINENT SCIENTIST  
 FORMER DIRECTOR - IISc  
 AWARDED PADMA SHRI



**GAUTAM BANERJEE**  
 SENIOR MD & Co-CHAIRMAN,  
 ASIA OPERATING COMMITTEE,  
 BLACKSTONE, SINGAPORE



**ARUNDHATI BHATTACHARYA**  
 FORMER CHAIRPERSON,  
 STATE BANK OF INDIA

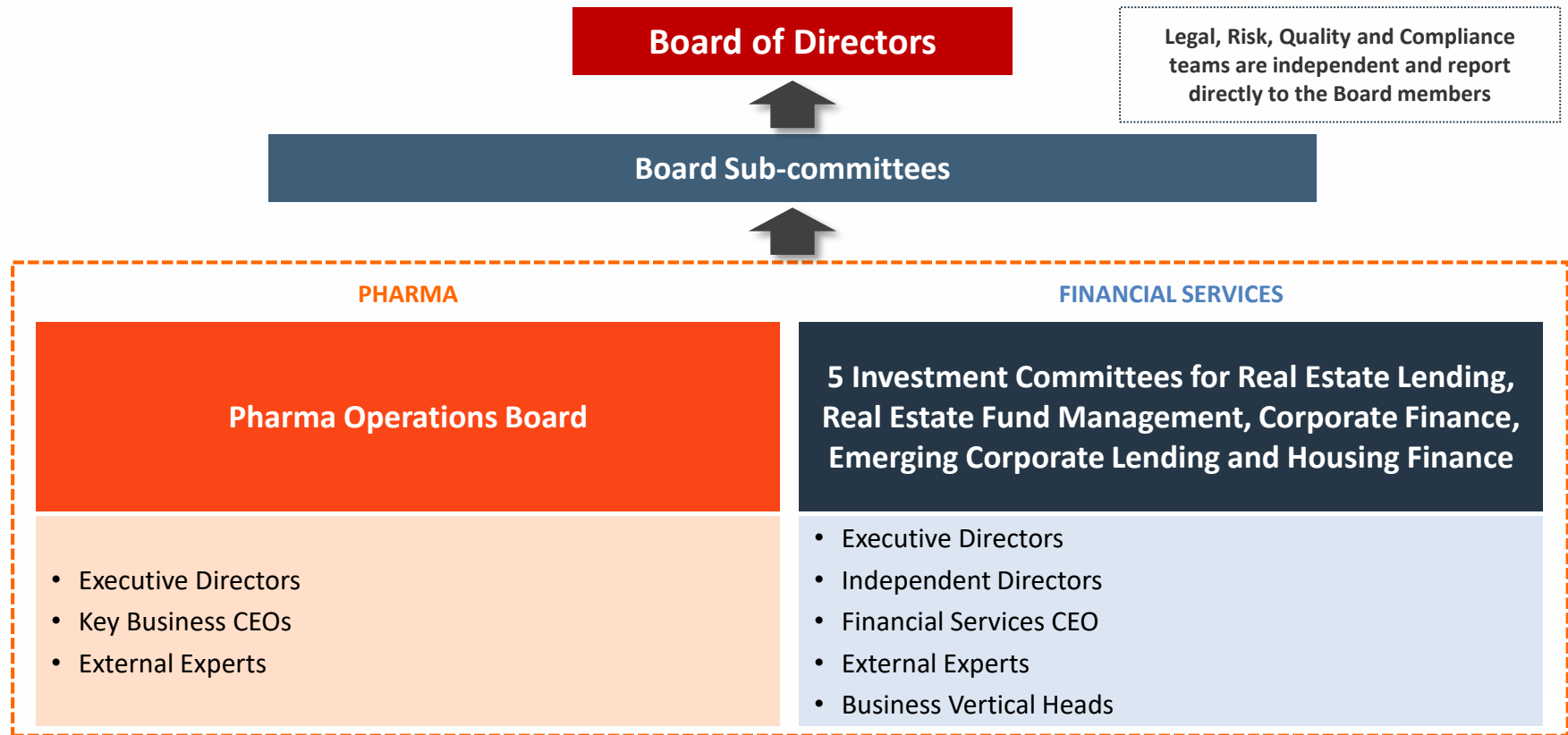


**S RAMADORAI**  
 FORMER VICE-CHAIRMAN,  
 TCS



**DR. R MASHEKAR**  
 EMINENT SCIENTIST  
 FORMER DG, CSIR  
 AWARDED PADMA VIBHUSHAN

# Robust Governance Mechanism



# Trusted Partnerships

## Our Strategic Partners



## Our Top Investors



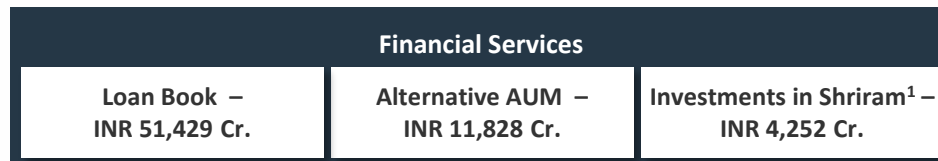


# Financial Services

*Transforming the Financial Services business model*

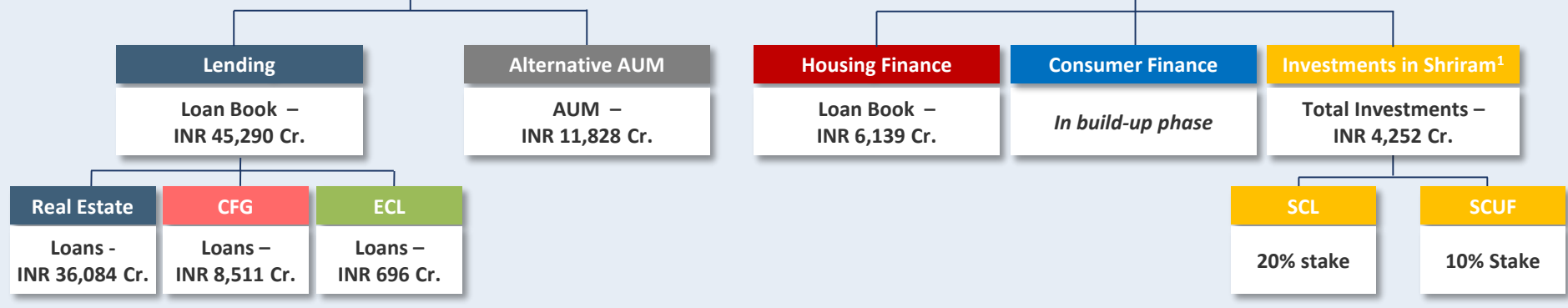
# Diversified exposure across both wholesale and retail financing

As on Dec 31, 2019



## Wholesale business

## Retail business



CFG – Corporate Finance Group;  
SCUF – Shriram City Union Finance

ECL – Emerging Corporate Lending;  
India RF – India Resurgence Fund (our JV with Bain Capital Credit to invest in distressed assets in India)

HFC – Housing Finance Company;

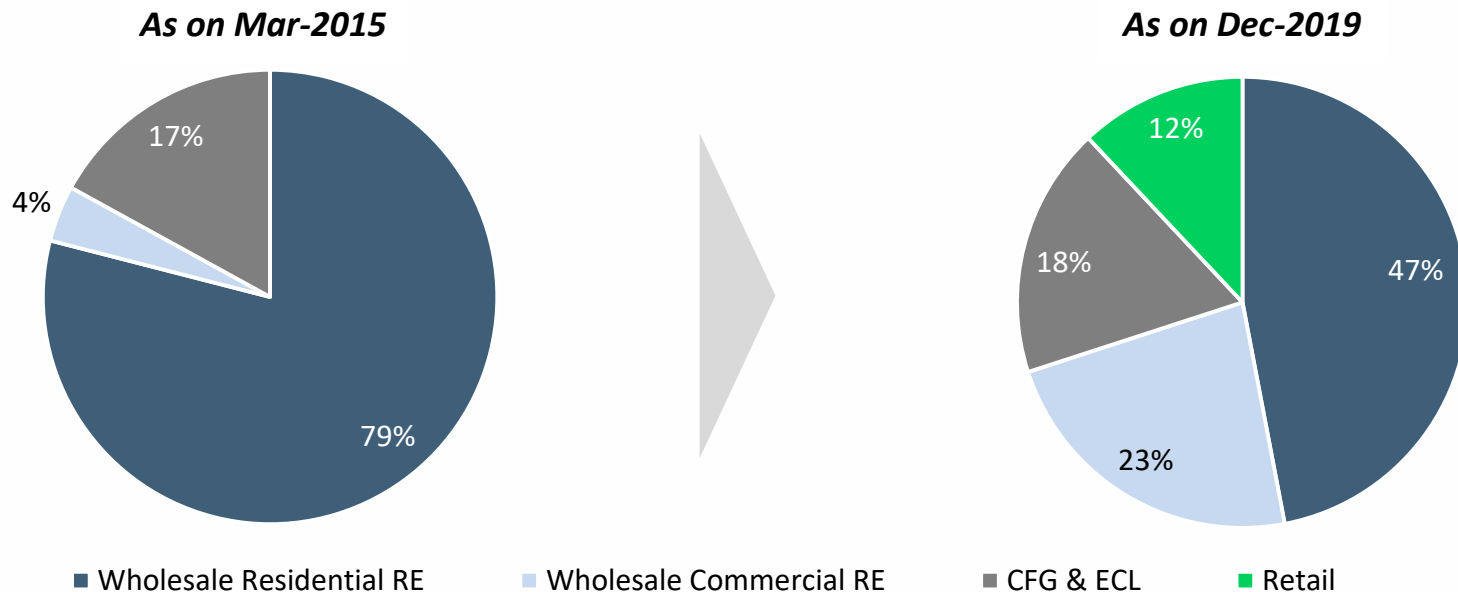
SCL – Shriram Capital Limited;

**Strong portfolio with total investments, loans and assets under management of ~INR 67,500 Crores**

Note: 1) Investments in Shriram: SCUF based on market value; SCL based on book value, including accumulated profits

# Transforming the Financial Services business into a well-diversified model across both wholesale and retail financing

Breakdown of overall loan book<sup>1</sup>



**Significantly diversified the loan book by increasing the share of retail**



# Key strategic initiatives to transform the business model



## *Wholesale Lending*

- A Reducing single-borrower exposure
- B Developing fund-based (off-balance sheet) platforms
- C Selectively tapping superior 'risk-reward' & last-mile funding opportunities



## *Retail Lending*

- D Building & scaling-up a leading retail consumer financing business
- E Growing the Housing Finance business



## *Borrowing-mix & Leverage*

- F Further diversifying borrowing mix – increasing long-term borrowings
- G Well-capitalized business – no need of additional capital in the near future

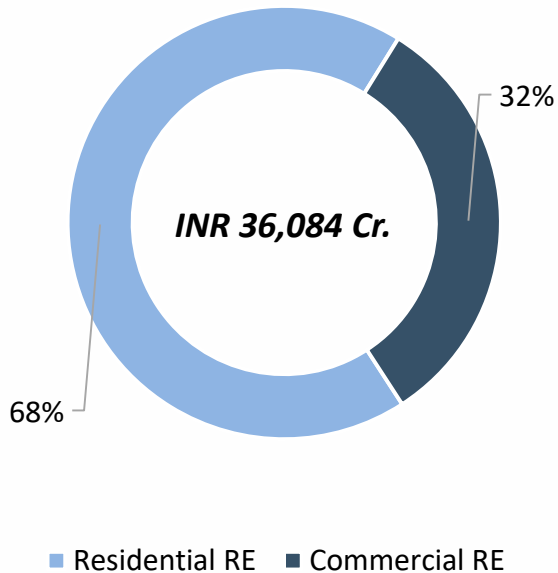
Building a granular Financial Services business and focusing on calibrated growth



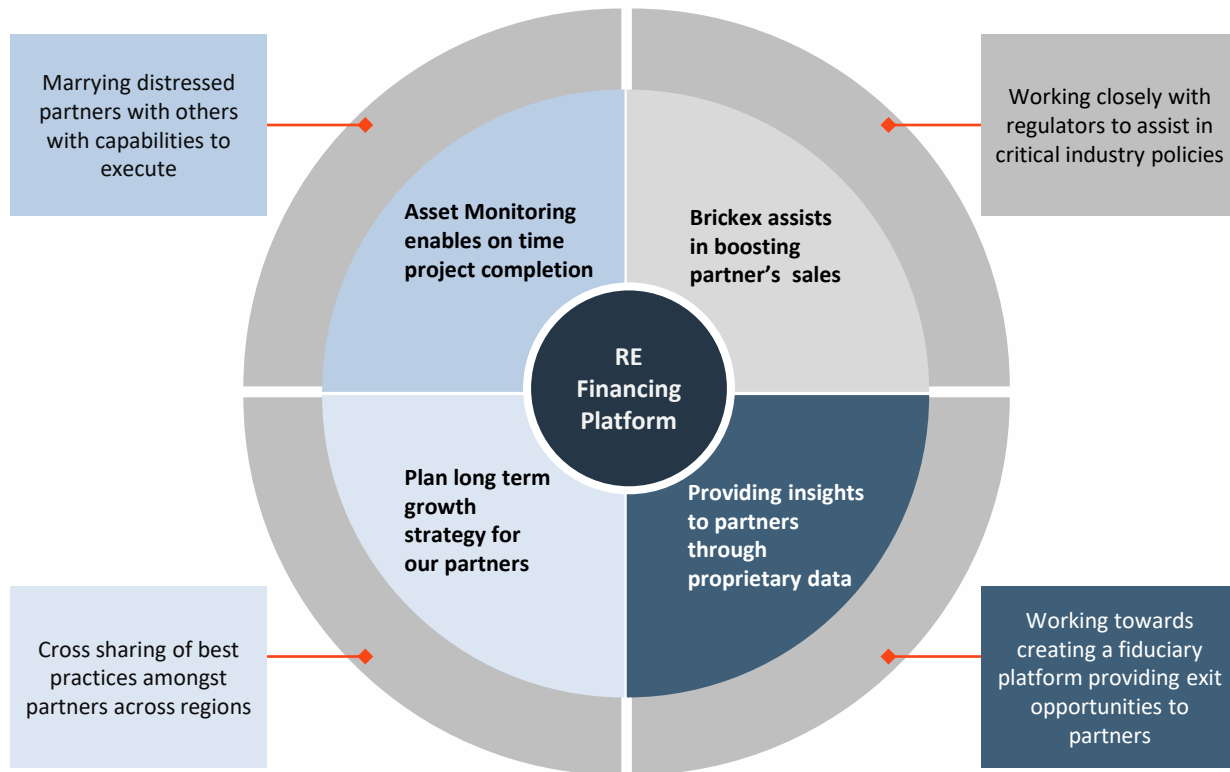
# Wholesale Financing

# Real Estate Lending: Integrated platform creating value for customers

Mix of PEL's wholesale Real Estate book<sup>1</sup>  
(As on Dec-2019)



## Integrated Real Estate Financing Platform

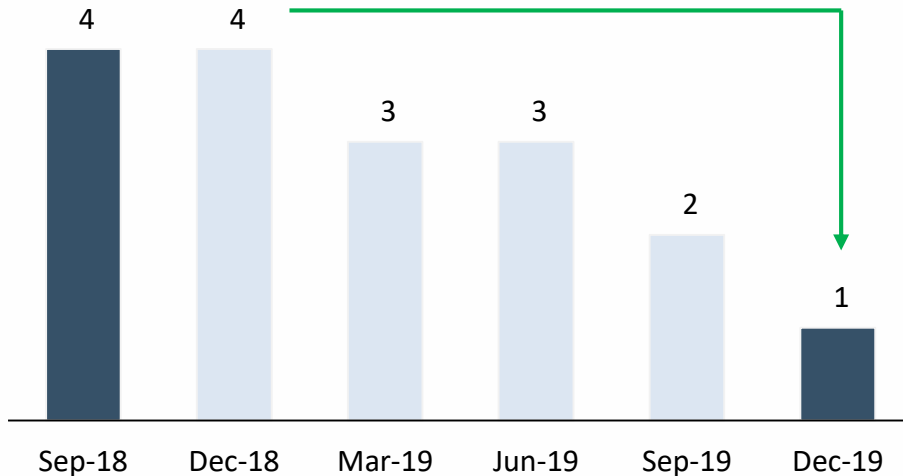


Note: (1) Breakdown of residential & commercial real estate exposures as per regulatory reporting

# Reducing single-borrower exposure

## Significant reduction in single-borrower exposure

*No. of accounts (exposures) exceeding the threshold (15% of net worth of the lending business)*



## Loan book concentration

- **Reducing single-borrower exposure:**
  - **Only one exposure above the threshold of 15% of net worth** of the Financial Services business
  - **All other single-borrower exposures are below 12%** of net worth of the business
- **Re-financed / sold-down ~INR 9,900 Cr. of loan portfolio** between Oct-2018 and Dec-2019

# Last-mile funding: Selectively tapping superior ‘risk-reward’ opportunities

## Last-mile funding for select real estate projects

- Leveraging the underwriting strengths, will focus on ‘last in, first out’ (LIFO) deals offering attractive yields across Tier 1 cities in India
- **Co-investment with IIFL on an Alternative Investment Fund (AIF) platform** to fund select late stage / last-mile real estate projects
  - **AIF target size of INR 2,000 Cr.**
  - Concluded deals amounting to INR 1,000 Cr.

Establish co-lending arrangements with PSU banks, global funds or foreign banks



Reduces PEL’s single-borrower exposure



Additional fee income for PEL

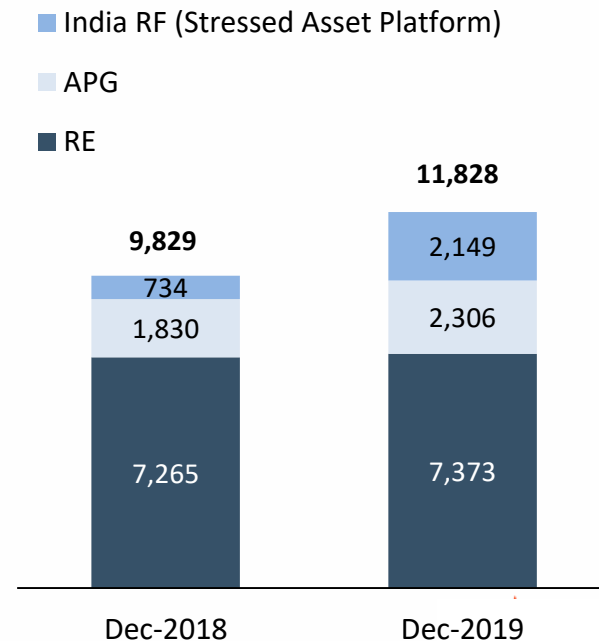


Co-lending partners benefit by leveraging PEL’s underwriting & monitoring capabilities

# Developing fund-based platforms to tap wholesale financing opportunities

<p><b>InvIT platform for renewables</b></p>	<ul style="list-style-type: none"> <li>■ <b>USD 600m asset aggregation platform with CPPIB</b>; initial allocation of USD 360m and USD 90m by CPPIB and PEL, resp.</li> <li>■ <b>Actively evaluating potential seed transactions</b></li> </ul>
<p><b>JV with Bain Capital - IndiaRF</b></p>	<ul style="list-style-type: none"> <li>■ <b>CPPIB and IFC</b> have also committed USD 225m and USD 100m, respectively</li> <li>■ <b>Concluded 4 investments so far, investing USD 398m</b> across sectors, such as marine chemicals, pharmaceuticals and steel</li> </ul>
<p><b>JV with APG</b></p>	<ul style="list-style-type: none"> <li>■ Platform for <b>mezzanine investments</b> in infra companies</li> <li>■ The fund is fully deployed across <b>6 deals totaling USD 800m</b></li> </ul>
<p><b>Equity fund for residential real estate</b></p>	<ul style="list-style-type: none"> <li>■ <b>Partnered with Ivanhoé Cambridge</b> (real estate subsidiary of CDPQ) to provide long-term equity to developers</li> <li>■ <b>Ivanhoé initially committed USD 250m</b>, with co-investments from PEL; ~USD 70m investment concluded in FY19</li> </ul>
<p><b>Senior-debt platform with CDPQ</b></p>	<ul style="list-style-type: none"> <li>■ <b>USD 300 million platform</b> with CDPQ committing 75% of the investment and PEL the remaining 25%</li> <li>■ Plan to invest in senior-debt in non-real estate, non-infra sectors</li> </ul>

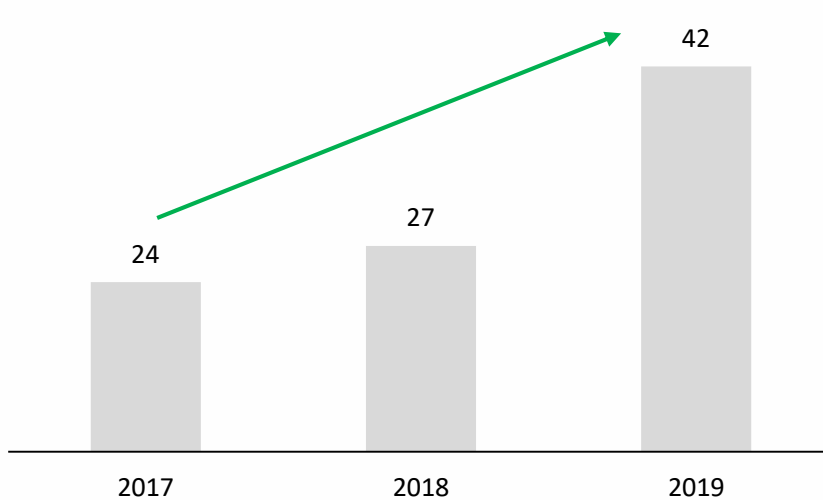
## Alternative Assets Under Management (in INR Crores)



# Commercial real estate sector: Potential growth opportunities

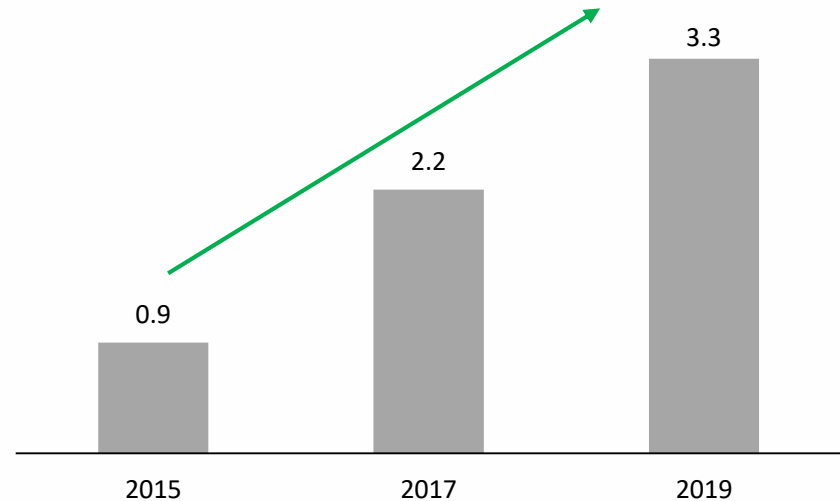
## Net absorption – Commercial RE in India (msf)

*Record net absorption of 42 msf in CY19 vs. previous high of CY08*



## Global PE investments in Commercial RE in India (USD bn)

*Rising PE interest amid robust absorption, falling vacancy and rising rentals*




















**~1/3<sup>rd</sup> of PEL's wholesale real estate loan book comprises of commercial real estate exposure**

# Corporate Finance Group: Performance trends

<b>FY14 - FY16</b>		<b>As of Dec-2019</b>
Infra	<b>SECTOR FOCUS</b>	Infra, Cement, Transmission, Auto Comp, Logistics, Chemicals
INR 1,857 Cr.	<b>LOAN BOOK</b>	INR 8,511 Cr.
INR 2,015 Cr.	<b>LOAN BOOK (Including APG)</b>	INR 10,817 Cr.

**Increased number of sectors with growth in lending platform**

FY2014	FY2016	FY2017	9M FY2020
<b>Book: INR 925 Cr</b>	<b>Book: INR 1,857 Cr</b>	<b>Book: INR 3,599 Cr</b>	<b>Book: INR 8,511 Cr.</b>
 Roads  Renewable	 Roads  Renewable  <b>Cement</b>	 Roads  Renewable  Cement  <b>Auto Ancillaries</b>	 Roads  Renewable  Cement  Auto Ancillaries  <b>Transmission</b>  <b>Logistics and Warehousing</b>  <b>Packaging</b>  <b>Cash Management</b>

**Yield range widened to 13-16%**

(1) Excludes 'Partner Functions', such as Risk Management, Asset Monitoring, Legal etc.





## Retail Lending

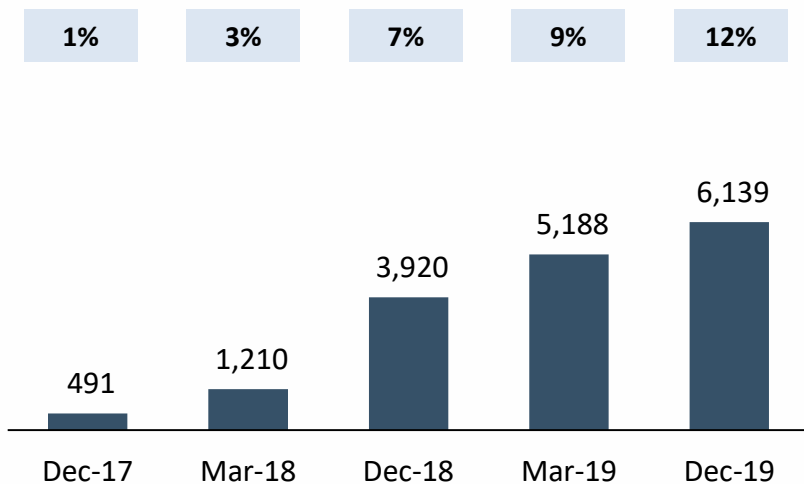
*Building a leading retail financing business spanning across housing finance, consumer & SME digital lending*

# Growing Housing Finance business

## Retail housing loans outstanding

(INR Crores)

### Share of retail housing loans in overall loan book



Share of retail loans increased to 12% as of Dec-2019 compared to 7% a year ago

### Business highlights:

- **Loan book growth of 57% YoY** as of Dec-2019

### Key measures to drive growth & profitability:

- **Targeting customer segments** under-served / not served by banks – industry consolidation & market dislocation offer significant opportunities
- **Reducing customer acquisition costs** by shifting towards low-cost, granular channels
- Building a **Centralized Operating Model** (i.e. centralizing back-office functions)
- **Leveraging technology & advanced analytics** for risk management and improving operating efficiency

## Trends shaping the retail credit opportunity in India

1

**Low retail penetration  
at 15% of GDP in India**

*Retail advances at 66% of GDP in  
China and 81% of GDP in the U.S.*

2

**Housing credit est. at  
USD 540bn by CY2024**

*Housing loan market to increase >2x  
times driven by rising demand*

3

**~500m smartphone and  
~566m internet users**

*India has witnessed a rapid increase  
in digitalization and connectivity*

4

**~58m SMEs, of which  
several remain unbanked**

*~40% of these SMEs do not  
borrow from banks*

5

**Large addressable  
market of ~USD 1.2trn**

*Significant lending opportunity to  
SME & Consumer segments by 2023*

6

**Not many dominant  
technology-enabled  
lenders**

# Building a leading, technology-led consumer financing business

## Key differentiators

- **Tailored financial products / solutions**
- **Underwriting:** Using proprietary risk models & advanced data analytics
- **Collections strategy:** Restricting customer's access to ecosystem
- **To partner with a large telcom player** to gain access to **large customer digital ecosystems**

## Target customer & product segments

- **Individual consumer loans:** Primarily consumption loans generated at point-of-sale (PoS)
- **Small business loans:** Primarily working capital loans, other business loans
- Credit risk to be on PEL's balance sheet

## Leveraging technology and analytics

- Customized technology platform to **leverage Fintechs**
- **Limited physical presence (branches)** especially for small businesses etc.
- **Data analytics, Machine Learning and Artificial Intelligence** to be at the core of the business

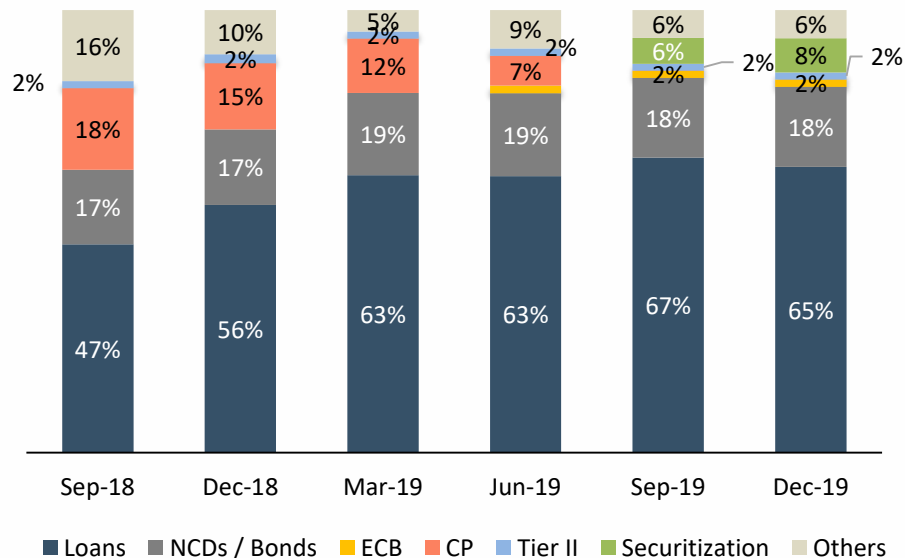
Consumer Finance to be a separate entity (subsidiary) and will be led by Jairam Sridharan (joining from Axis Bank) .



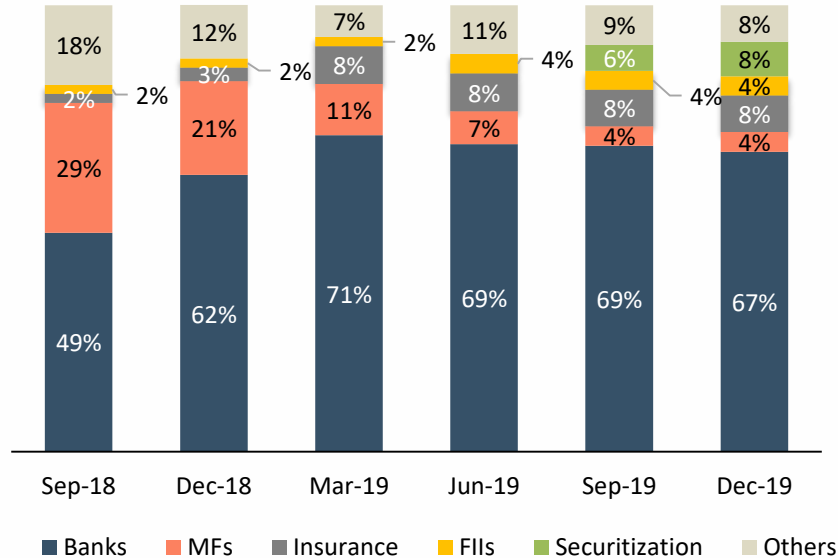
## **Borrowing Profile and Capital Adequacy**

# Borrowing mix

Borrowing mix by type of instrument<sup>1</sup>



Borrowing mix by investor<sup>1</sup>



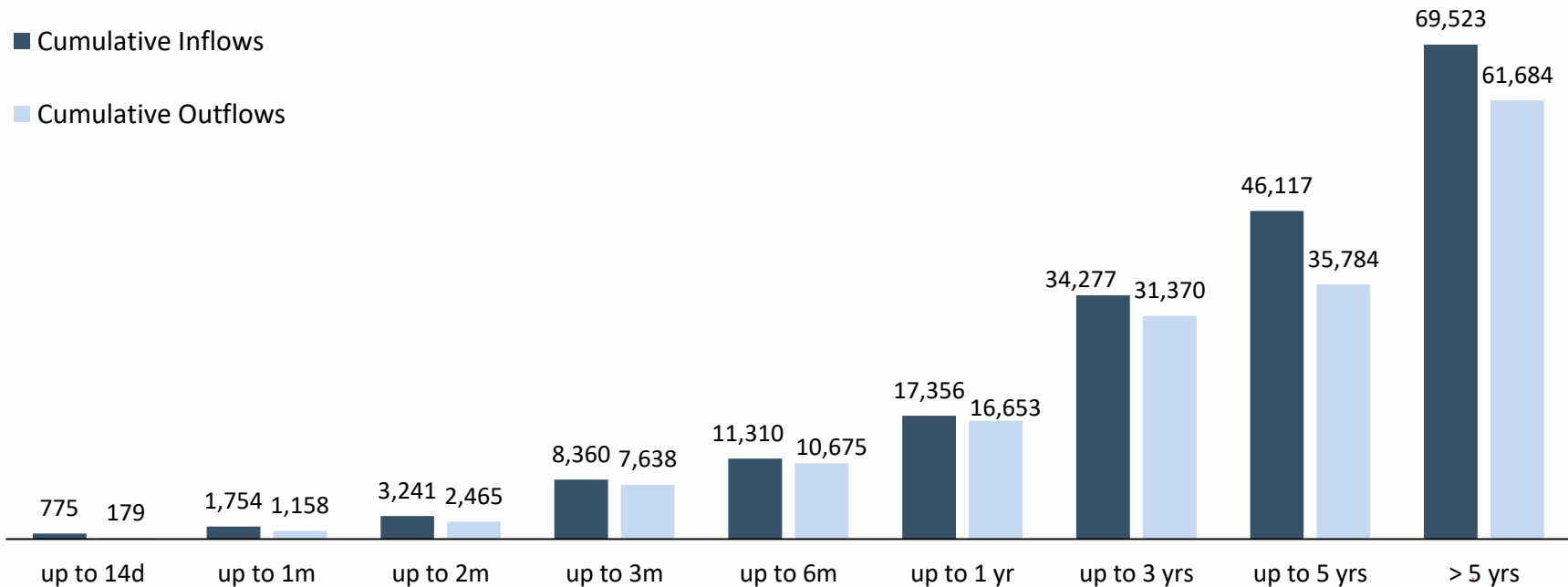
- Total long-term borrowings of INR 4,276 Cr. (incl. securitization) during Q3 FY2020
- Between Sep-2018 and Dec-2019, share of bank borrowings increased from 49% to 67% and share of MFs declined from 29% to 4%
- Multiple avenues available to raise funds, such as tapping foreign markets for MTN issuance and ECBs
- Incremental borrowing costs have started to decline – raised INR 1,900 Cr. at ~9% coupon or lower recently

Note: (1) Data for PCHFL

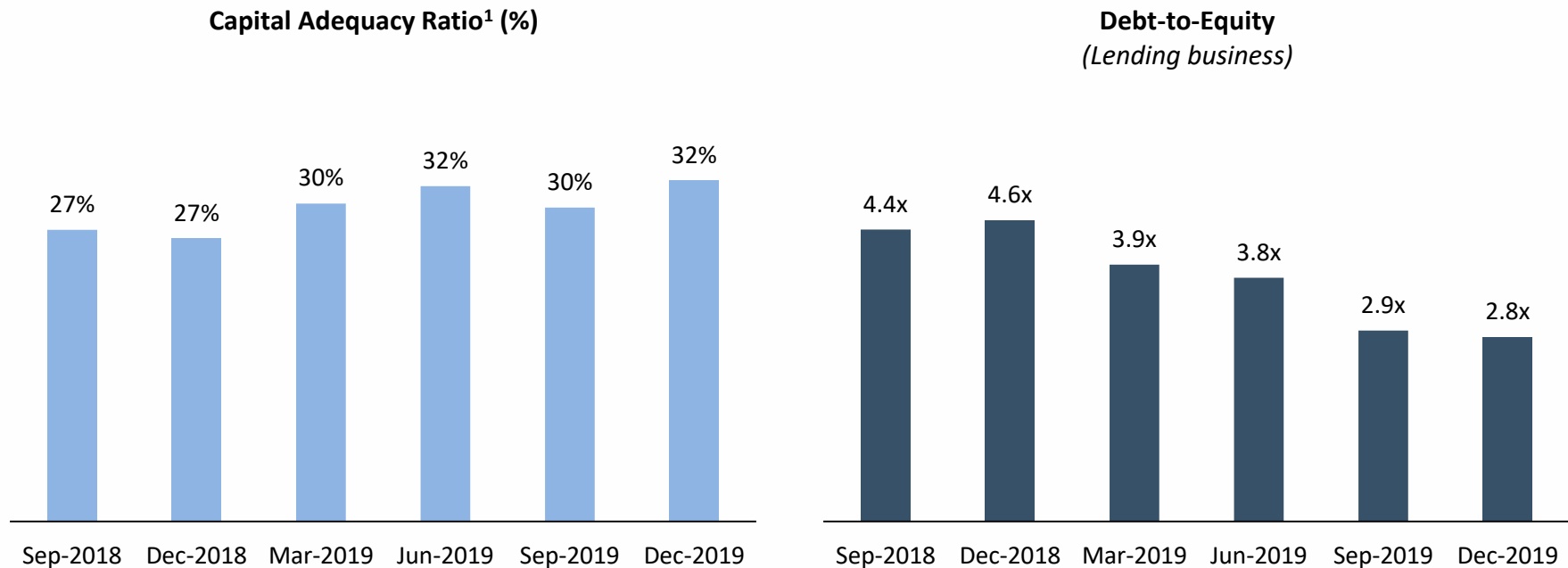
# Asset-liability profile

(in INR crores)

As on Dec 31, 2019



# Creating a well-capitalized Financial Services business



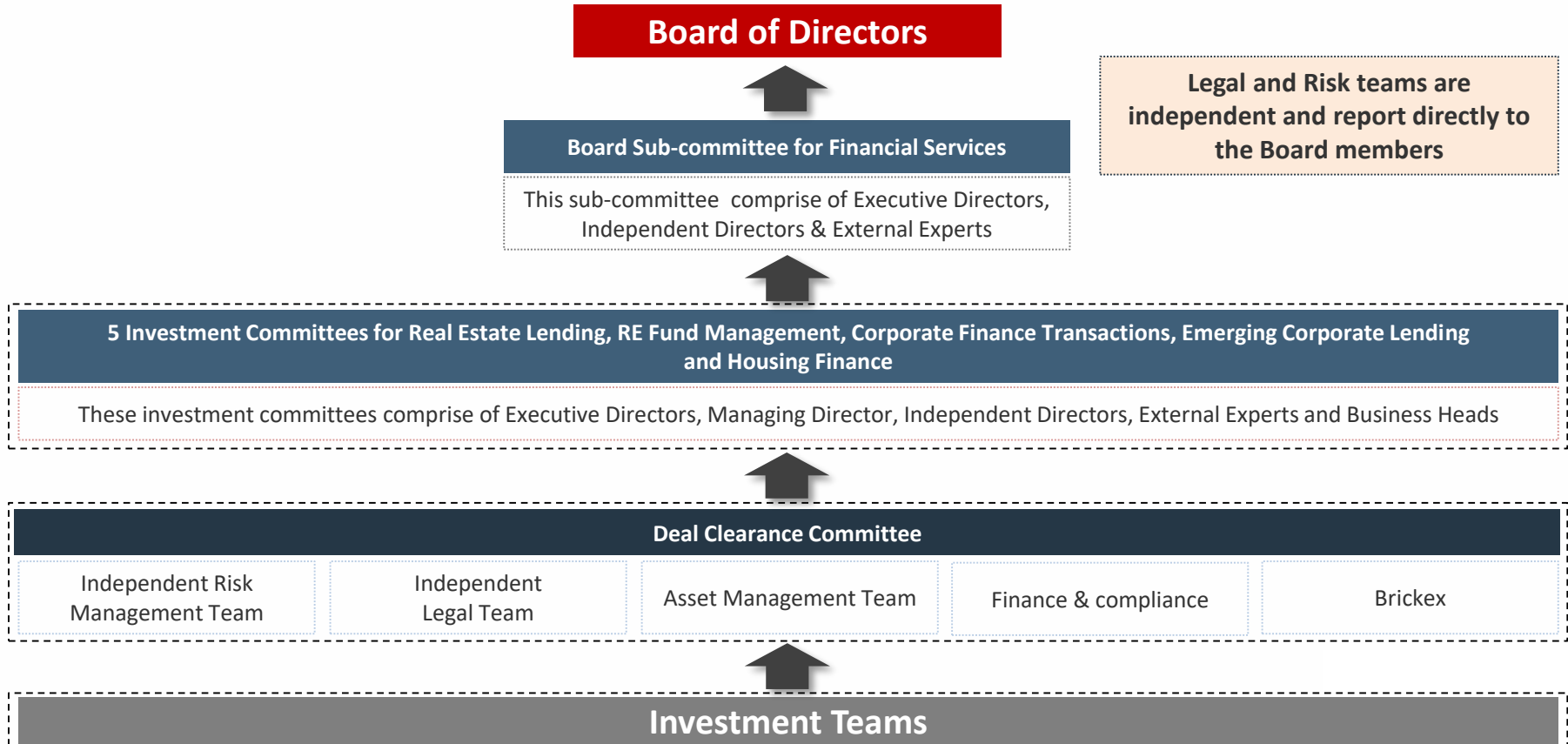
**Well-capitalized business – with no need of additional capital in the near future**





# Asset Quality

# Review and governance mechanism



# Role of the Asset Monitoring Team

## Physical Presence at Site

### ‘Ears to the ground’ approach

- Periodic site visits (Monthly/quarterly)
- Construction status
- Real time feedback to Team
- Micro Market Analysis / Sector Updates
- PMC & Board Meetings
- Engagement with Lender’s Engineer

## Operating Performance

### Adherence to Business Plan

- Actual v/s Budget (Sales Velocity, Selling Price, Collection, Costs)
- Cash Cover Ratio (Actual v/s Budget)
- Sales Trend Analysis
- Operating and financial analysis
- NOC issuance
- Escrow statement

## EWS Meetings

### ‘Early Warning Signals’ identified

- Project performance
- Key issues highlighted
- Action items
- Market trends
- Regulatory developments
- APG Portfolio updates

Developers

152+\*

Transactions

261+

Projects across cities

385+

Site Visits / month

180+

\*Including mid-market developers

# Asset Monitoring: Sample site visit photos

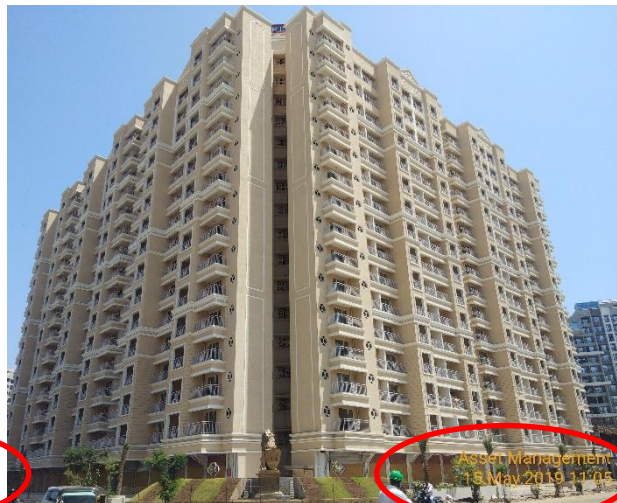
Aug'17 – Mid stage



Sep'18 – Late Stage



May'19 – Completed



Progress on projects monitored regularly through site visits

# Sample of Site Visit Report



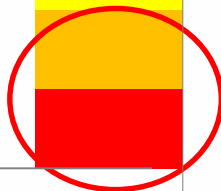
Tower Name	Expected completion date	Dec 07, 2016	Nov 23, 2016	Oct 20, 2016	Sep 20, 2016	Aug 16, 2016	Jul 18, 2016
No. of Labours on site		400 - 425	400 - 425	400-425	430-450	360-380	310-330
<b>Tower 1 : 4B + G + 22 Flr.</b>							
<b>RCC</b>	Mar, 2017	Work in progress on 18 <sup>th</sup> and 19 <sup>th</sup> floors	Work in progress on 18 <sup>th</sup> floor.	Work in progress on 14 <sup>th</sup> & 15 <sup>th</sup> floor.	Work in progress on 12 <sup>th</sup> & 13 <sup>th</sup> floors.	Work in progress on 9 <sup>th</sup> & 10 <sup>th</sup> floors.	Work in progress on 6 <sup>th</sup> & 7 <sup>th</sup> floors.
<b>Block Work</b>	Jun, 2017	12 <sup>th</sup> floor in progress.	9 <sup>th</sup> floor in progress.	6 <sup>th</sup> floor in progress.	4 <sup>th</sup> floor in progress.	3 <sup>rd</sup> floor in progress.	2 <sup>nd</sup> floor in progress.
<b>Plastering / Gypsum</b>	Sep, 2017	Gypsum started on 1 <sup>st</sup> and 2 <sup>nd</sup> floor.	-	-	-	-	-
<b>Flooring</b>	Dec, 2017	Awaiting for material to start with flooring in next week.	-	-	-	-	-
<b>Finishes</b>	Jun, 2018	-	-	-	-	-	-

Dashboard of site visits and stalled projects separately highlighted to the MD on a monthly basis

# Sample of overall Portfolio Performance Review Sheet

## AUM Summary (INR Cr)

Category	No. of Deals	Total
<b>Green</b> – No major concerns		
<b>Yellow</b> – Closely monitor for next 6 months		
<b>Amber</b> – Envisage stress over next 6 months		
<b>Red</b> – Overdue		
<b>Total</b>		



Teams spend significant time post disbursement to **detect and react to early warning signals (EWS)**

### Key parameters for colour coding

1. Site visit findings
2. Approval timelines
3. Construction cost
4. Sales Velocity in terms of units, area and value
5. Pricing – per sq ft and ticket size
6. Collections
7. Cover computation
8. Ability to meet principal and interest obligations
9. Discussions with developers / promoters

## Asset Quality: Stage-wise loan book and provisioning

Loan Book as on	December 31, 2019		September 30, 2019	
	Loan Book (INR Crores)	% of Loan Book	Loan Book (INR Crores)	% of Loan Book
Stage 1	50,343	97.9%	52,107	98.2%
Stage 2	142	0.3%	465	0.9%
Stage 3	944	1.8%	484	0.9%
<b>Total Stage 2 &amp; 3</b>	<b>1,086</b>	<b>2.1%</b>	<b>949</b>	<b>1.8%</b>
<b>Total Loan Book</b>	<b>51,429</b>	<b>100%</b>	<b>53,055</b>	<b>100%</b>

While GNPA ratio (stage-3) increased 90bps QoQ, 'Stage-2 & Stage-3' loans as a % of overall book increased only 30bps QoQ as of Dec-2019

## Demonstrated ability to proactively resolve projects and ensure recoveries

*GNPAs and write-offs – quarterly trends*

Particulars	Sep-2018	Dec-2018	Mar-2019	Jun-2019	Sep-2019	Dec-2019
<b>GNPA Ratio (%)</b>	0.5%	0.5%	0.9%	0.9%	0.9%	1.8%
<b>Proactive, corrective measures to mitigate potential stress</b>	<ul style="list-style-type: none"> <li>Stronger developer was brought on-board</li> <li>Took additional security</li> <li>Got the project re-financed</li> </ul>			<ul style="list-style-type: none"> <li>Additional capital infusion from the developer</li> <li>Ability to correct prices to ensure sales velocity</li> <li>Initiated legal action</li> </ul>		
<b>Loss / Write-offs (INR Cr.)</b>	-	-	4.2	-	-	-

**So far, the Company has been able to recover its money and has not witnessed any significant loss given default**





# Financial Services: Performance Indicators

# Performance metrics

## Key Performance Indicators: PEL Financial Services (excl. Shriram)

Particulars	9M FY2020
Total Loan Book size	INR 51,429 Cr.
Total Equity on Lending (utilized synergies from reverse merger)	INR 14,731 Cr.
Debt-to-Equity (for Lending business)	2.8x
Average Yield on Loans	14.3%
Average Cost of Borrowings	11%
Net Interest Margin	5.5%
Cost to Income Ratio	19.9%
Total Provisioning as a % of loan book (as on Dec 31, 2019)	1.8%
Gross NPA ratio (based on 90 dpd)	1.8%
ROA	3.3%
ROA (considering Cash Tax and other synergies from merger)	3.8%
ROE	13.6%
ROE (considering Cash Tax and other synergies from merger)	15.9%

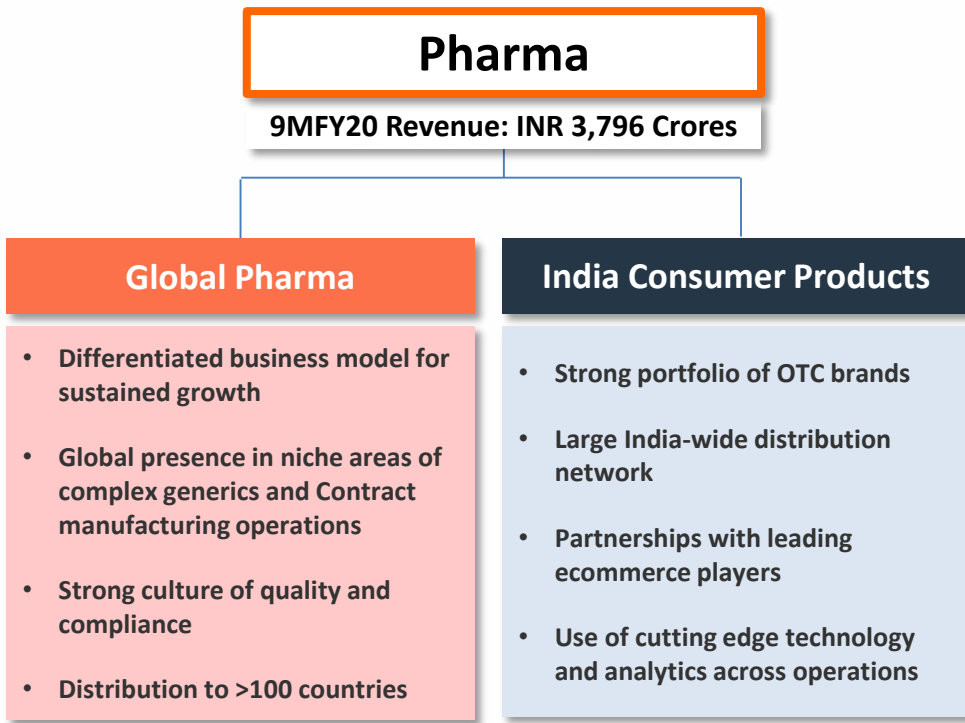
- **Yields** improved YoY, primarily in wholesale lending (+150 bps since Q2 FY19 to 14.9%), given the ability to pass on rates to customers
- **Average cost of borrowings** are currently similar to H1 FY20, however, fresh borrowings have started happening at lower rates
- **NIMs** have started widening amid higher yields and gradual reduction in borrowing costs
- **Debt-to-equity** has significantly reduced YoY, as a result of deleveraging efforts
- **Cost-to-income ratio (9M)** increased YoY, due to an increase in costs and a marginal reduction in net interest income

## Key Performance Indicators: Financial Services

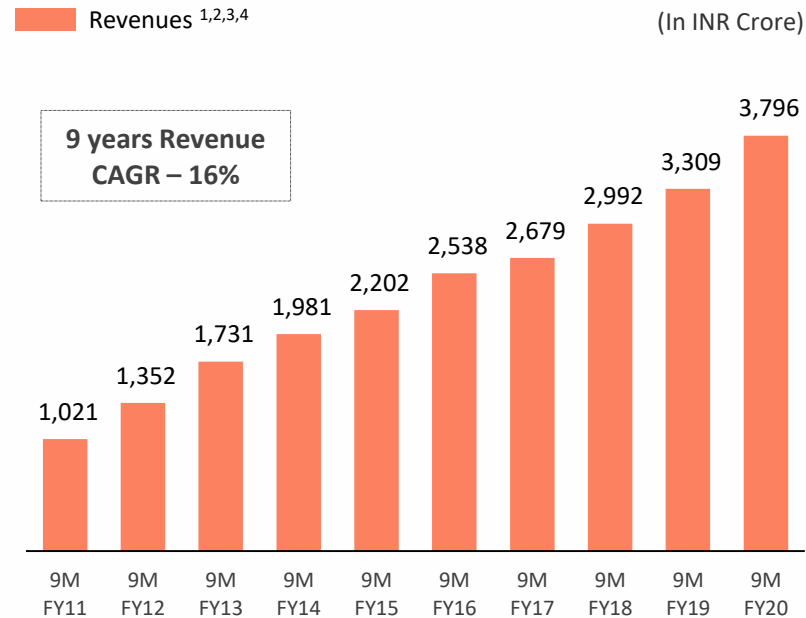
	<i>Sep-2018</i>	<i>Dec-2019</i>
Share of retail loans in overall loan book	4%	12%
No. of accounts exceeding the 15% net worth threshold	4	1
Leverage (Debt-to-equity)	4.4x	2.8x
Capital adequacy ratio (PCHFL)	27%	32%
Yields – wholesale lending ( <i>for quarter ended</i> )	13.4%	14.9%
Borrowing costs ( <i>year-to-date for respective FY</i> )	8.6%	11%
GNPA ratio	0.5%	1.8%
Stage 2 & 3 loans as a % of overall loans	1.3%	2.1%
Total Provisioning (INR Cr.)	921	947
Loss given default (INR Cr.)	Nil	4.2 ( <i>Cumulative</i> )

# Pharma

# Niche portfolio and Consistent topline performance



## Consistent Revenue Growth since FY11



Note :

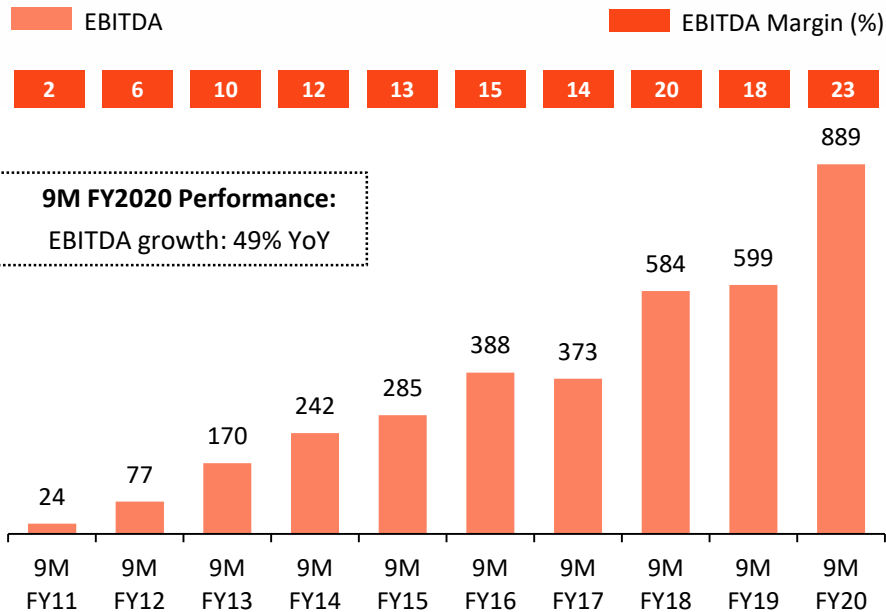
1. Excludes revenue from JV with Allergan
2. FY2016 - FY2020 results have been prepared based on IND AS, prior periods are IGAAP

3. Global Pharma revenue accounted for 91% of the overall Pharma revenue
4. Pharma revenue includes Global Pharma and India Consumer Products revenues

# Continued improvement in the profitability of the Pharma Business

## Significant improvement in EBITDA over the last few years

(In INR Crore)



### 9M FY2020 Performance:

EBITDA growth: 49% YoY

## Performance Highlights

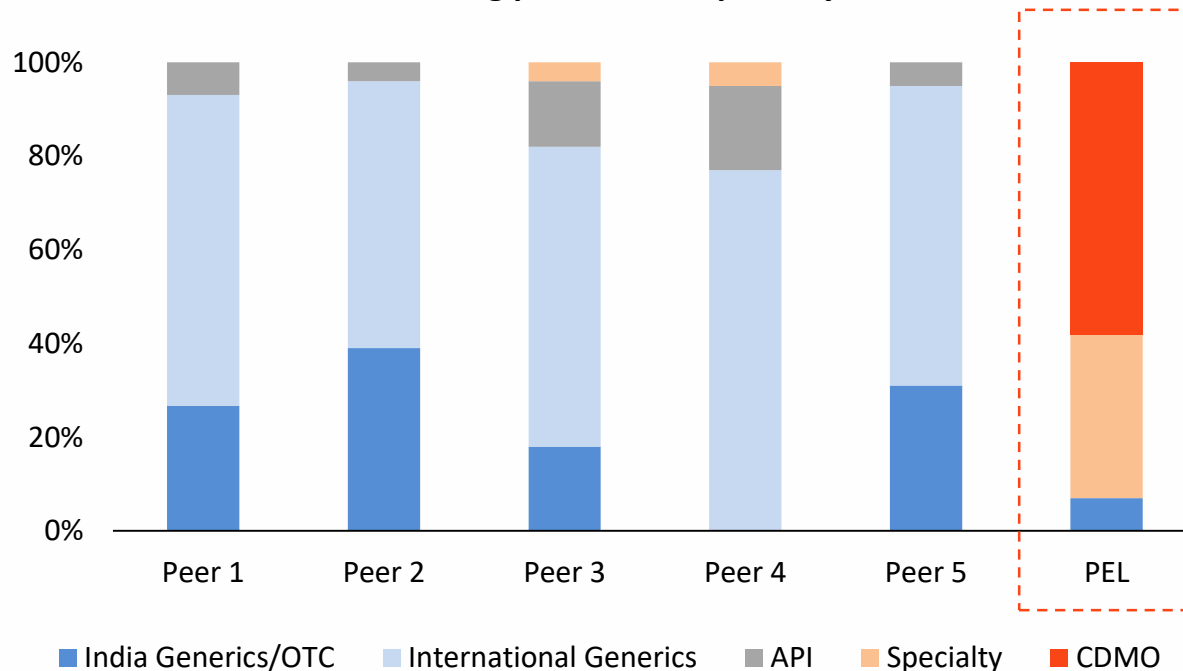
- **Pharma EBITDA margins at 23% in 9M FY2020**
  - 3-Year EBITDA CAGR: 39%
  - Global Pharma EBITDA margins for 9M FY20 at 25%
  - Consistent improvement in margin over last few years
  
- **Margin expansion driven by:**
  - Synergies from acquisitions
  - Growth of high margin products
  - Integrated offerings with niche capabilities
  - Leveraging global distribution network
  - Higher capacity utilization
  - Backward integration of raw materials
  - Process optimizations
  - Cost improvement initiatives

Note: 1) FY2016 - FY2020 results have been prepared based on IND AS, prior periods are IGAAP  
 2) Pharma includes Global Pharma and India Consumer Products

**Targeting to continue to deliver strong revenue growth and robust EBITDA margins**

# Differentiated business model

PEL's Strong presence in Specialty and CDMO



- Over 90% of revenues are derived from global **niche businesses** of CDMO and complex hospital generics
  - This proportion is less than 5% for most large Indian Pharma companies
- Due to this differentiation, our Pharma business was **comparatively less affected** by the pricing pressures from US and other regulated markets







Note: 1) Pharma peer set includes (not necessarily in the same order): Aurobindo Pharma, Cipla, Dr. Reddy's Lab, Lupin and Sun Pharma

2) Data set for the period ending March 31, 2019 Source : Companies reported numbers, Stock Exchange Filings, Bloomberg

# Pharma: Our differentiated business model enabling superior performance vs. peers

PEL's relative position vs. median for peers

 Above  In-line  Below

Particulars		PEL - Overall Pharma	PEL's relative position	Median - Peers	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Revenue growth – YoY (%)	FY16	16%		12%	12%	4%	5%	22%	15%
	FY17	12%		8%	23%	11%	(9%)	6%	8%
	FY18	11%		1%	(9%)	(14%)	1%	3%	9%
	FY19	11%		8%	5%	10%	8%	8%	19%
	9M FY20	15%		12%	7%	12%	14%	7%	19%
EBITDA margin – 9M FY20 (%)		23%		21%	16%	22%	24%	20%	21%

Note: Pharma peer set includes (not necessarily in the same order): Aurobindo Pharma, Cipla, Dr. Reddy's Lab, Lupin and Sun Pharma

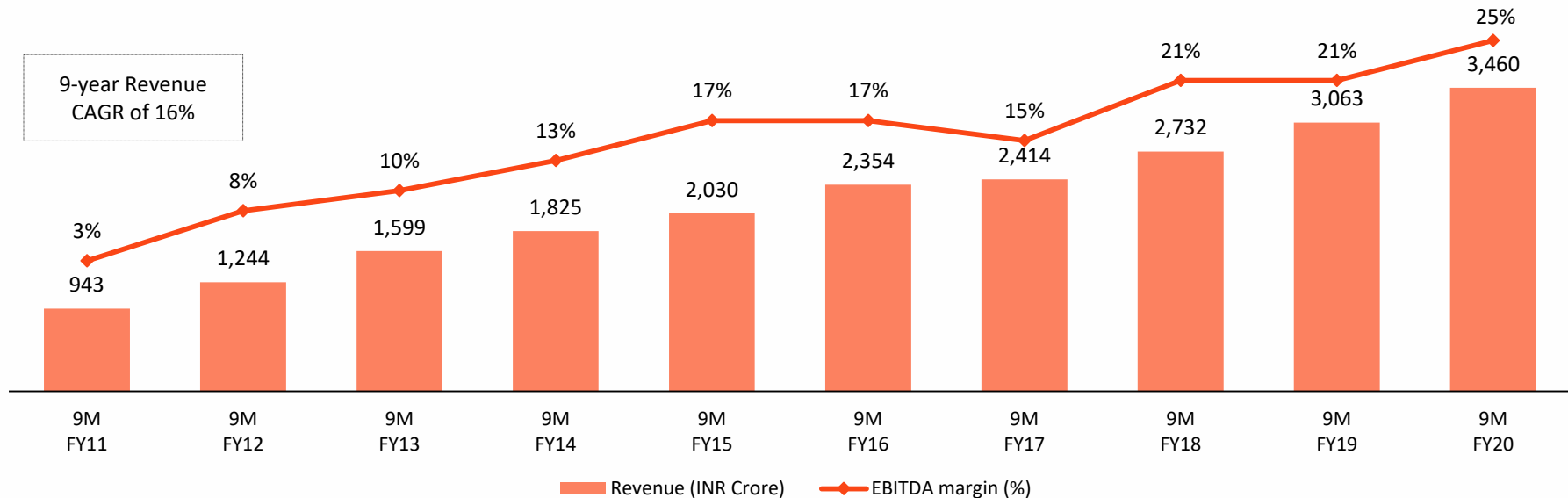
Source : Companies reported numbers, Stock Exchange Filings, Reuters





# Global Pharma

# Consistent performance in Global Pharma



- **Global Pharma Revenues grew 13% YoY to INR 1,193 Crore in Q3 FY2020**
  - Global Pharma contributes 91% of total Pharma revenues
- **Key regulated markets (US, Europe and Japan) comprise ~75% of Global Pharma revenues**
- **9M Global Pharma EBITDA Margins at 25%, growing consistently over last few years**

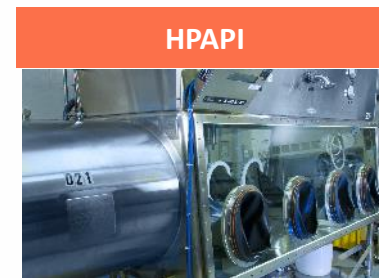
Note: FY2016 - FY2020 results have been prepared based on IND AS, prior periods are IGAAP

# Moving up the Value Chain

## 1 Acquired global businesses to enter into niche capabilities



## 2 Expanding manufacturing capacities in niche areas



# Moving up the Value Chain (cont'd)

## 3 Adding differentiated hospital branded generic products organically and inorganically



- **Leverage global distribution network** by adding differentiated products
- **Differentiated offerings** – Niche branded generics and controlled substances

## 4 Strong product portfolio to leverage global distribution network



- **Entry barrier** – Complex to manufacture, sell or distribute resulting in limited competition
- **Expanded addressable market size** from US\$ 1bn Inhalation Anaesthesia market to US\$ 58bn generic hospital product market

Our strategy of moving up the value chain is enabling us to boost growth and enhance margins

# Differentiated product portfolio of complex products

Acquired from Janssen  
Pharmaceutical  
in 2016

Acquired from  
Mallinckrodt LLC  
in 2017

Acquired  
in Jan 2018

Acquired  
in Jun 2018

Inhalation Anaesthesia	Injectable Anaesthesia / Pain Management	Plasma Volume Expander	Intrathecal Spasticity Pain Mgmt	Injectable for Myxedema Coma	Capsule for type I Gaucher & Niemann-Pick disease	Selected Anti-infectives	Other Products
<b>Sojourn®</b> Sevoflurane USP	<b>Sublimaze®</b> ● Fentanyl citrate	<b>Haemaccel#</b> Polygeline	<b>Gablofen®</b> Baclofen	<b>Levothyroxine Sodium</b>	<b>Yargesa</b> Miglustat	<b>Ampicillin-Sulbactam</b>	<b>Generic APIs, Vitamins and Premixes, Established Products</b>
<b>Terrell®</b> Isoflurane USP	<b>Sufenta®</b> ● Sufentanil citrate		<b>Mitigo™</b> ● Morphine Sulfate			<b>Cefepime</b>	
<b>Fluothane®</b> Halothane USP	<b>Rapifen®</b> ● Alfentanil hydrochloride					<b>Ceftriaxone</b>	
<b>Torrane™</b> Desflurane USP#	<b>Dipidor®</b> ● Piritramide					<b>Oxacillin</b>	
	<b>Hypnomidate®</b> Etomidate						
	<b>Glycopyrrolate**</b>						

# In select markets

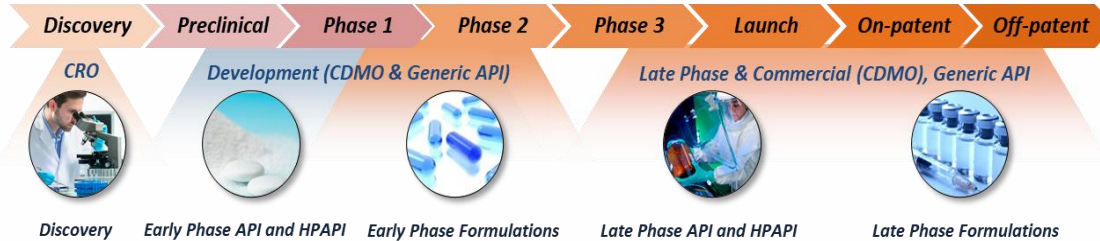
● Controlled substances

\*\* Developed in-house

- Growth in all major product families and geographies in Global Pharma Products business
- Total 8 key launches in 9M FY20
  - 1 launch in Q3 FY20
- **Built niche capabilities** in injectable anesthesia, inhalation anesthesia, intrathecal spasticity and pain management
- **Synergies from integration of key acquired products** from Janssen and Mallinckrodt getting reflected in the segment's performance

# Integrated business model in services business

## Capabilities across entire drug life-cycle



### Leveraging multiple sites across the globe to offer integrated solutions

Type of Project	Route Scouting – Intermediate dev. ~API supply	Formulation and Supply	Dev	Formulation: Dev, Mfg and Supply	API and FDF: Dev and Supply	API dev, Clinical Supply and Commercial Supply	API and FDF: Dev to Mfg to NDA filing	ADC Fill Finish
Ahmedabad (PDS)	✓							
Ahmedabad		✓		✓	✓			
Ennore	✓				✓	✓	✓	
Digwal							✓	
Pithampur		✓					✓	
Riverview	✓							
Lexington					✓			✓
Aurora					✓	✓		
Morpeth				✓	✓			
Grangemouth								✓

Note: Representative Integrated Projects

- **Strong capabilities in niches** such as Highly Potent APIs and Antibody Drug Conjugates (ADCs), Injectables and Hormonal products
- Offering **unique integrated solutions across drug life-cycle** to be a one-stop-shop solution partner for its clients
- Helping pharma companies go to market with fast track, breakthrough designated drugs in considerably reduced time
- PEL is highly **client-oriented** in its approach- positioning itself as a **partner of choice** for large Global Pharma and virtual Biotech companies

# 13 manufacturing & Development facilities globally – All key sites USFDA inspected



Note: \* Dietary Ingredients

# Strong focus on Quality and Compliance

## Multi-year track record of successful inspections

Year	USFDA	Total Regulatory Inspections (incl. USFDA)	Customer Audits
FY2012	5	13	60
FY2013	2	10	71
FY2014	4	14	116
FY2015	7	17	115
FY2016	5	26	140
FY2017	5	25	157
FY2018	3	27	167
FY2019	2	44	163
<b>9M FY2020</b>	<b>3</b>	<b>22</b>	<b>108</b>
<b>Total</b>	<b>36</b>	<b>198</b>	<b>1,097</b>

- **Successfully cleared 36 USFDA inspections**, 162 other regulatory inspections, and 1,097 customer audits since start of FY2012
  - **Successfully cleared 3 USFDA inspections** for key facilities at Bethlehem, Lexington and Pithampur, 19 other regulatory inspections, and 108 customer audits during 9M FY 2020
  - We never had any ‘Official Action Indicated (OAI)’ for any of our USFDA audits
  - With such strong quality track record, we have not faced production stoppages & loss of sales
- **Strong quality governance model:**
  - Quality function reporting directly to a Board Member



# ~75% of FY 2019 revenues from regulated markets



**Strong presence in North America**



**Expanding presence in Europe**



**Expanding Presence in Japan**



**Strong presence in India**

**Manufacturing Facilities**

- Aurora : API Dev & Mfg
- Lexington : Sterile Dev & Mfg
- Riverview : HPAPI Dev & Mfg
- Bethlehem : Anaesthesia Mfg

- Grangemouth : Antibody Drug Conjugates , Mfg
- Morpeth : API & Form. Dev & Mfg

- One of the three approved generics in the market for Sevoflurane
- Leading market share for Fentanyl with the only currently approved branded generic in the market

- Mumbai : API & Form. Dev
- Digwal : API Dev & Mfg and Anaesthesia Manufacturing
- Pithampur : Form. Mfg
- Ahmedabad : Drug Discovery and Form. Dev
- Ennore : API Dev & Mfg
- Mahad : Vitamins & Minerals Premixes

**Distribution Presence**

30% market share in US in Inhalation Anaesthesia

Expanding presence in key countries including UK, Italy, Germany, etc.

**Distribution Model**

Through direct sales force

Through direct sales force and distributors

**% Global Business Revenues (For 9M FY 2020)**

~50%

~20%

~5%

Note: Form – Formulations; Dev – Development; Mfg - Manufacturing



# India Consumer Products

# Strong Product Portfolio

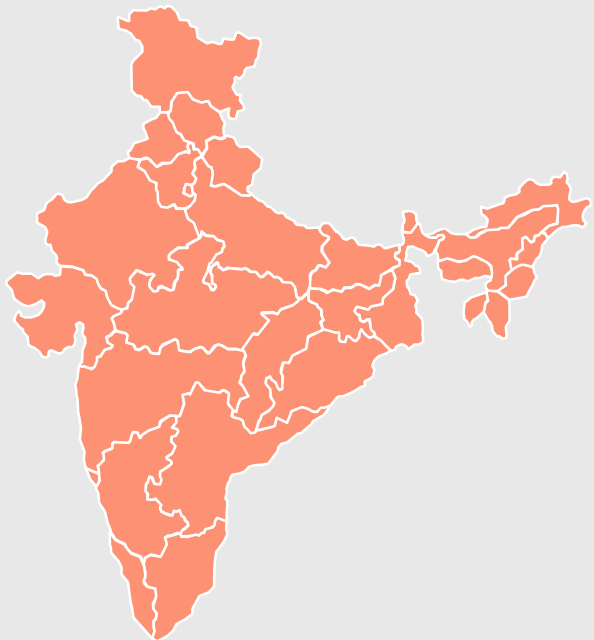
\* indicates acquired



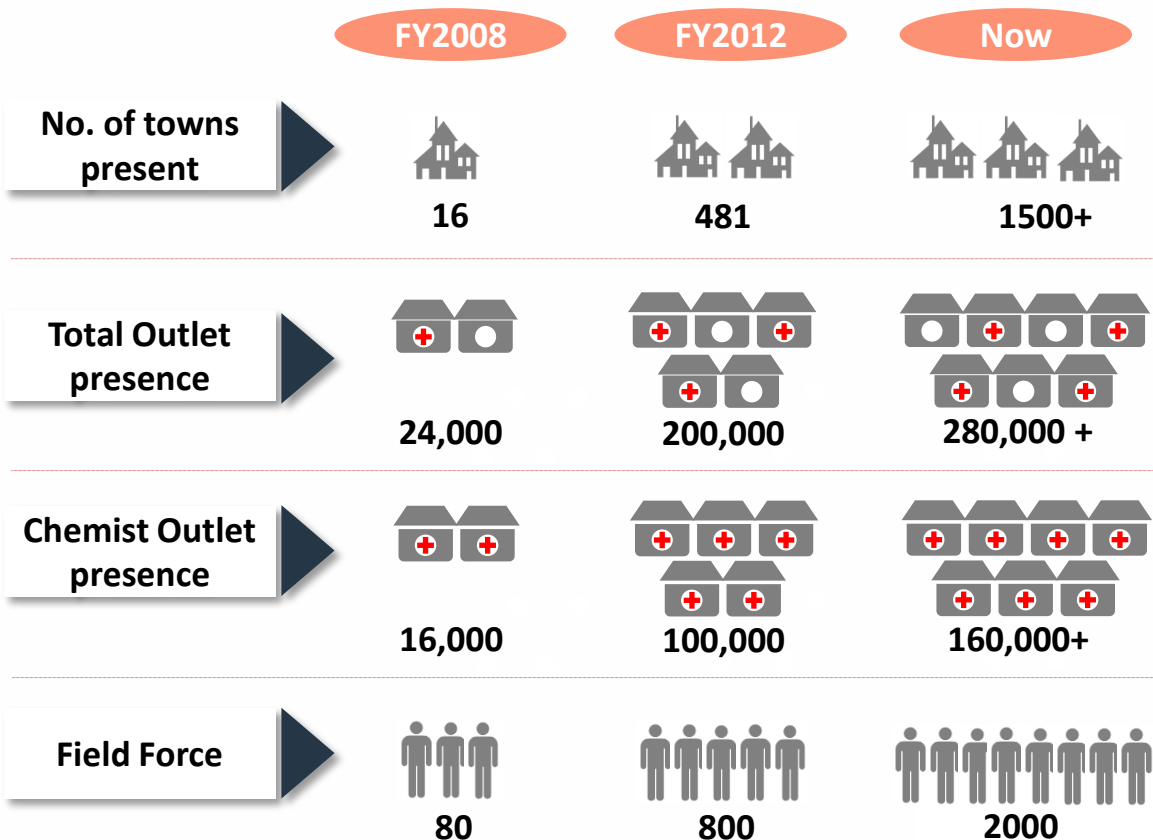
Most brands are among the 'Top-2' in their respective representative market

# Large India-wide Distribution Network

## Wide Distribution Network



Our chemist coverage is now comparable with the top OTC players

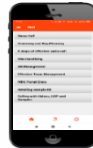


# Using distribution, e-commerce, technology and media to grow the business

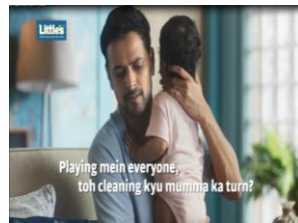
## Partnerships with leading E-commerce players



## Leveraging technology across operations



## Re-initiation of advertisements for Saridon, Polycrol and Little's



### ■ Leveraging a large India-wide distribution network:

- Our chemist coverage of 160,000+ outlets across 1,500+ towns is comparable with top peers

### ■ Branding activities for leading consumer brands:

- From Q2FY20 onwards, the business re-focused on TV commercials in selective target markets for key brands such as Saridon, Polycrol and Little's
  - Association with Sourav Ganguly as the brand ambassador for 'Polycrol' – an antacid brand
  - Initial results of these launches are quite positive

### ■ Focus on e-commerce channel for growing trade brands:

- Significant upswing in Little's toys and wipes, i-can, i-know and LactoCalamine volumes
- Entire OTC product range has now been listed on e-pharmacies

### ■ Using analytics and technology tools to improve productivity:

- Insights gained by analytics are being used to drive business decisions on distributor credit limits, product distribution, scale, etc.
- Use of technology continues to monitor real-time sales movement

# Strong performance in the India Consumer Healthcare business

## Revenue performance

(In INR Crore)

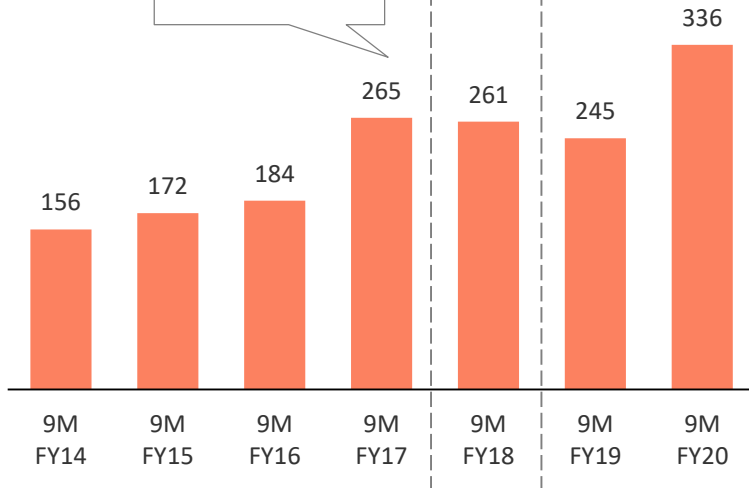
### 9M FY2020 Performance:

Revenue growth: 37% YoY

5-Year CAGR: 14%

Nov 2016  
Demonetization

Jul 2017  
GST  
Implemented



### Record sales achieved during 9M FY20:

- Revenue grew 37% YoY to INR 336 Cr. vs. INR 245 Cr. in 9M FY2019
- The trend continues from improved performance seen in H2 FY2019, when revenues were up 30% as against H1 FY2019

**External disruptions such as GST and demonetization** had impacted Indian OTC and pharma industry through down-stocking by distributors and retailers

### PEL took following measures:

- Customized growth strategies for consumer and trade brands
- Investments in digital assets to increase consumer awareness
- Use of technology and analytics to bring in operational efficiencies
- Established the e-commerce channel



## Pharma: Growth drivers and plans for fund-raising

# Growth drivers for the Pharma business

## CDMO

- Healthy pipeline of early and late-stage development projects
  - Share of innovator products in the CDMO portfolio is increasing
- Strong **capabilities in niche, complex areas such as** Antibody Drug Conjugates (ADCs), high potency APIs and sterile injectables, serving high growth segments
- **Integrated services across the drug life-cycle** to increase customers stickiness
- Enhance production capacity through **brownfield expansions**

## Complex Hospital Generics

- **Increasing market share** in the inhalation anesthesia portfolio
- Leveraging strong global distribution network and GPO relationships by **adding new complex hospital generics** such as Desflurane
- **Strong pipeline of new products** across various stages of development

## Consumer Healthcare

- Leveraging strong **brand equity** and **consumer pull** for the core brands to cater to a larger share of the consumer healthcare market
- Increased **investment in marketing** and promotion



# Plans for infusing growth capital into the Pharma businesses



## Details of fund-raising

- Plan to bring Pharma businesses under a subsidiary and raise funds by **issuing a minority stake (<20%)** to potential financial investors
- This fund raise will not only **provide capital for growth**, but will also **enable value discovery** for our pharma business



## Use of growth capital

- To target both organic and inorganic growth opportunities across businesses we operate in.
- Evaluating re-entry in domestic formulations



# Financials

# Diversified Revenue Mix

(In INR Crores or as stated)

Net Sales break-up	Quarter III ended			% Sales	9 months ended			% Sales
	31-Dec-19	31-Dec-18	% Change		31-Dec-19	31-Dec-18	% Change	
Financial Services	1,963	1,840	7%	52%	5,931	5,131	16%	54%
Pharma <sup>1</sup>	1,307	1,156	13%	34%	3,796	3,309	15%	35%
Global Pharma	1,193	1,056	13%	31%	3,460	3,063	13%	32%
India Consumer Products	114	100	14%	3%	336	245	37%	3%
Healthcare Insight and Analytics	536	492	9%	14%	1,188	1,062	12%	11%
Others	-	1	-	-	-	34	-	-
<b>Total</b>	<b>3,806</b>	<b>3,489</b>	<b>9%</b>	<b>100%</b>	<b>10,915</b>	<b>9,536</b>	<b>14%</b>	<b>100%</b>

Notes:

1. Pharma revenue unless specified includes revenue from Global Pharma Services, Global Pharma Products, and India Consumer Product
2. Foreign Currency denominated revenue in Q3 FY2020 was INR 1,599 Crores (42% of total revenue) and in 9M FY2020 was INR 4,268 Crores (39% of the total revenue)
3. Previous year figures are restated for accounting affect of Piramal Phytocare merger

# Consolidated Profit & Loss

*(In INR Crores or as stated)*

Particulars	Quarter III Ended			9 Months Ended		
	31-Dec-19	31-Dec-18	% Change	31-Dec-19	31-Dec-18	% Change
Net Sales	3,806	3,489	9%	10,915	9,536	14%
Non-operating other income	141	103	37%	271	228	19%
Total income	3,947	3,592	10%	11,186	9,763	15%
Other Operating Expenses	1,510	1,463	3%	4,264	4,387	-3%
OPBIDTA	2,437	2,129	14%	6,923	5,377	29%
Interest Expenses	1,442	1,169	23%	4,269	3,094	38%
Depreciation	166	133	26%	491	385	28%
Profit before tax & exceptional items	829	827	-	2,162	1,897	14%
Exceptional items (Expenses)/Income	-	-	-	(25)	(452)	-
<b>Income tax</b>						
Current Tax and Deferred Tax	231	293	-21%	708	637	11%
Profit after tax (before MI & Prior Period items)	598	534	12%	1,429	808	77%
Minority interest	-	-	-	-	-	-
Share of Associates <sup>1</sup>	126	68	86%	295	201	47%
Net Profit after Tax	724	602	20%	1,724	1,009	71%
Net Profit Margin %	18%	17%	-	15%	10%	-
Net Profit (excluding Exceptional item)	724	602	20%	1,749	1,462	20%
Net Profit Margin % <sup>2</sup>	18%	17%	-	16%	15%	-
EPS (INR/share)	35.30	29.67	19%	84.50	49.80	70%
Normalised EPS (INR/share) <sup>2</sup>	35.30	29.67	19%	85.74	72.06	19%

- Income under share of associates primarily includes our share of profits at Shriram Capital and profit under JV with Allergan, as per the new accounting standards.
- Net Profit excludes Exceptional gain/loss for the period
- Previous year figures are restated for accounting affect of Piramal Phytocare merger

# Consolidated Balance Sheet

*(In INR Crores)*

Particulars	As on Dec 31 <sup>st</sup> , 2019
Equity Share Capital	40
Other Equity	28,973
Non Controlling Interests	6
Borrowings (Current & Non Current)	50,410
Deferred Tax Liabilities (Net)	50
Other Liabilities	2,451
Provisions	178
<b>Total</b>	<b>82,110</b>
PPE, Intangibles (Under Development), CWIP	6,126
Goodwill on Consolidation	6,121
Financial Assets	
Investment	17,283
Others	30,157
Other Non Current Assets	726
Deferred Tax Asset (Net)	3,903
Current Assets	
Inventories	1,098
Trade receivable	1,400
Cash & Cash Equivalents & Other Bank balances	4,344
Other Financial & Non Financial Assets	10,951
<b>Total</b>	<b>82,110</b>

Note : 1) The above numbers have been regrouped from IND AS Financial Statements for Presentation purposes only

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