

Piramal Enterprises Limited

Q4 & FY2020 Results

May 11th 2020



Strengthened the balance sheet in FY2020

Inflows from key transactions during FY20: ~INR 14,500 Cr. (~US\$ 2bn)

Preferential Allotment:

~INR 1,750 Cr. (~US\$ 250m)

- **Fresh investment by CDPQ** – an existing long-term investor / partner
 - CDPQ had also participated as the anchor investor **during PEL's previous CCD issuance** in 2017, had **invested USD 175m**

Rights Issue:

~INR 3,650 Cr. (~US\$ 520m)

- Issue over-subscribed more than **1.15x times**
- **Promoters participated** and had **underwritten the issue** – **invested ~INR 1,600 Cr.**
- Existing large holders increased their investment in the Company

Sale of business/ investment exits:

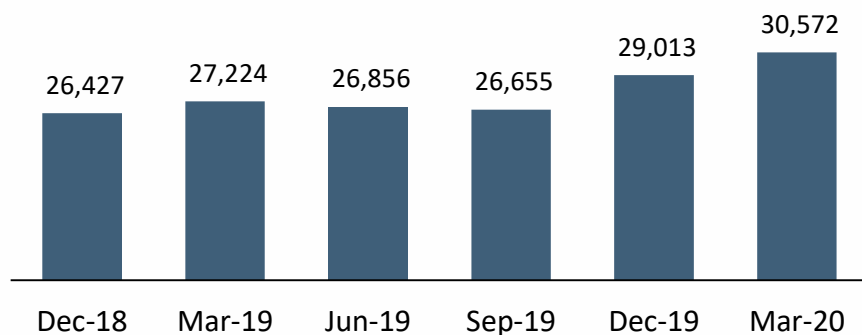
~INR 9,050 Cr. (~US\$ 1,250m)

- Sale of DRG to Clarivate Analytics plc, for a **consideration of USD 950 mn**
- **Sold 10% stake in Shriram Transport** for ~INR 2,300 Cr. in Jun-2019

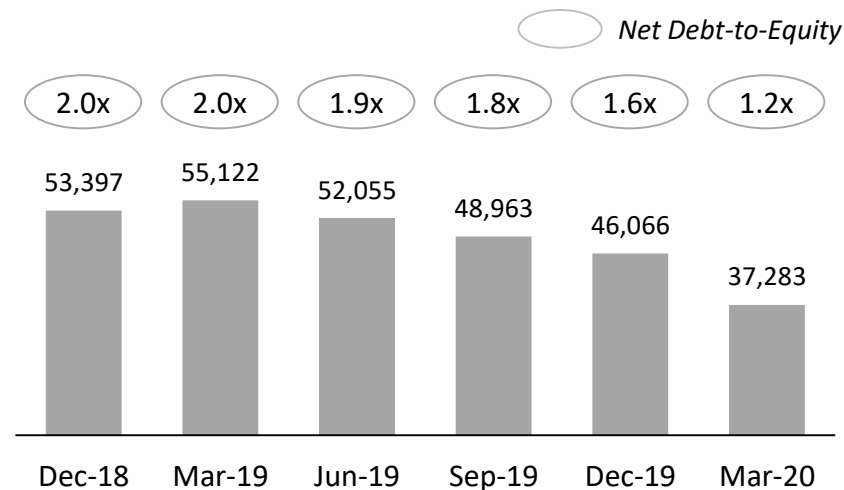
Future planned capital actions: Minority stake issuance in Pharma & Sale of Investments in Shriram Group

Key Financial Highlights: Balance Sheet

Total Equity (INR Cr.)



Net Debt (INR Cr.)



Balance Sheet (INR Cr.)	FY2020	FY2019	% Change
<i>Equity</i>	30,572	27,224	12%
<i>Gross Debt</i>	42,055	56,040	-25%
<i>Net Debt</i>	37,283	55,122	-32%

Key Financial Highlights: Profit & Loss Statement

(in INR crores)

Profit & Loss (full-year)	FY2020	FY2019	% Change
Revenue	13,068	11,883	10%
Net Profit after tax	21	1,464	n.m.
Normalized Net Profit*	2,615	2,142	22%

Profit & Loss (quarter)	Q4 FY2020	Q4 FY2019	% Change
Revenue	3,341	3,409	-2%
Net Profit after tax	(1,703)	455	n.m.
Normalized Net Profit*	807	575	40%

* Normalized net profit excludes: (i) impact of profit/loss from discontinuing operations (DRG); (ii) reversal of Deferred Tax Assets (DTA) and Minimum Alternate Tax (MAT) credit; and (iii) additional conservative provision (net of taxes) on account of COVID-19

Net Profit Reconciliation: Impact of one-off items (1/2)

Particulars (in INR Cr.)	For Quarter			For Full-Year		
	Q4 FY2020	Q4 FY2019	YoY Change	FY2020	FY2019	YoY Change
Reported Net Profit / (Loss)	(1,703)	455	-	21	1,464	-
A Add: Accounting write-off of DTA and MAT Credit Reversal B Add: Incremental conservative provisions (impact - net of tax) C Less: (Profit)/loss from Discontinued operations (DRG) Add: Accounting charge on sale of Imaging Business in FY19	1,758	-	-	1,758	-	-
	1,411	-	-	1,411	-	-
	(658)	121	-	(574)	226	-
	-	-	-	-	452	-
Normalized Profit	807	575	+40%	2,615	2,142	+22%

A, B, C Refer to the next slide for details on one-off, non-recurring items

Net Profit Reconciliation: Impact of one-off items (2/2)

A

DTA write-off and MAT Credit Reversal

- Had one-time gain on creation of DTA of ~INR 3,570 Crore in Q4 FY18
- Opted for lower rate under new corporate tax regime, resulting in one-time write-offs of INR 1,758 Cr. due to:
 - (i) Forgoing partial benefit under DTA; and (ii) unutilized MAT credit
- Benefit to profitability/cash flows to continue in future by opting for lower tax rate regime

B

Incremental conservative provisions

- Adopted a conservative & prudent approach to provisioning
- Incremental provisions of INR 1,903 Cr. (INR 1,411 Cr., net of taxes) in Financial Services
- Conservative provisioning is in addition to the usual provisions created for GNPAs
- Provision has been created out of abundant caution

C

Profit from Discontinued Operations (DRG)

- Sold DRG for a consideration of USD 950m
- Profit /loss from operations (including gain on sale of DRG) has been reversed to determine normalized profit

Equity Allocation: Segment-wise breakdown

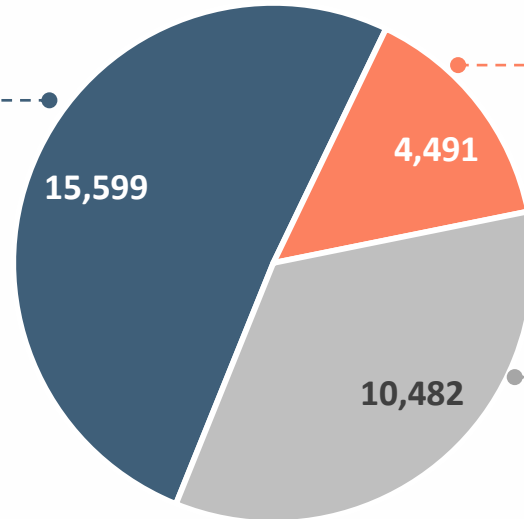
(In INR Crores)

Equity allocation as of March 31, 2020

Financial Services (Lending): 51%

To maintain net worth post creating the provision, additional allocation of ~INR 2,000 Cr. equity to FS from the unallocated equity pool in Q4

**Total Equity:
INR 30,572 Cr.**



Pharma: 15%

FY20 revenues of INR 5,419 Cr. (+13% YoY); EBITDA margin of 26%

Unallocated: 34%

Significant unallocated surplus equity pool, which includes (i) investments in Shriram, (ii) proceeds from Capital Raise and (iii) sale of DRG, net of debt.

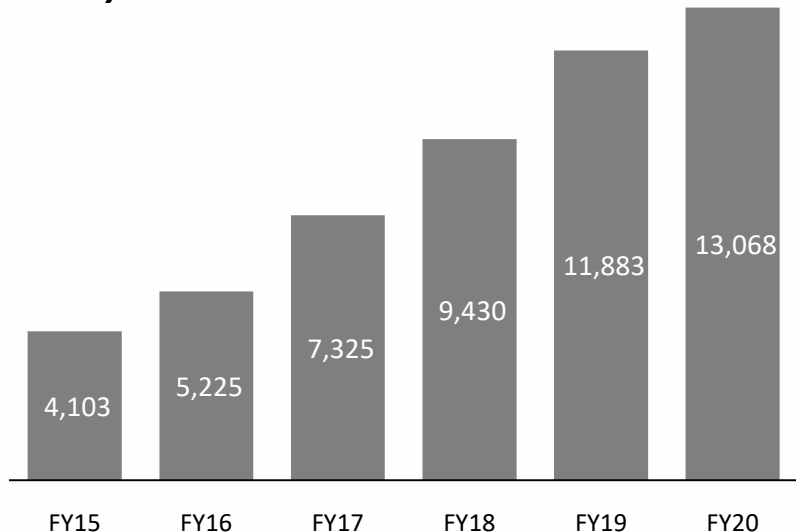
Unallocated surplus equity pool of INR 10,482 Cr.

Revenue trends by Segments

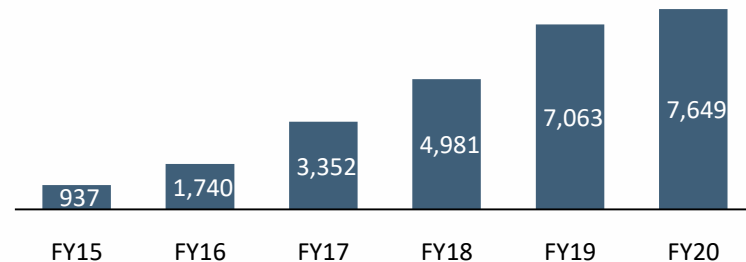
(In INR Crores)

PEL: Total Revenues^{1,2}

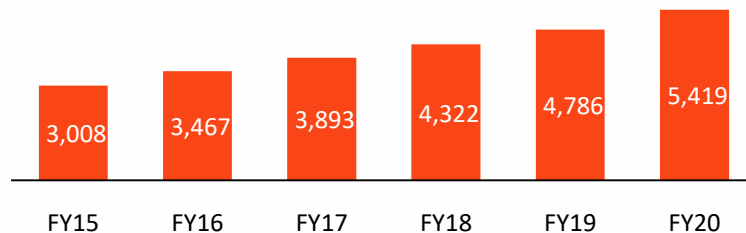
5-year CAGR: 26%



Financial Services Revenues



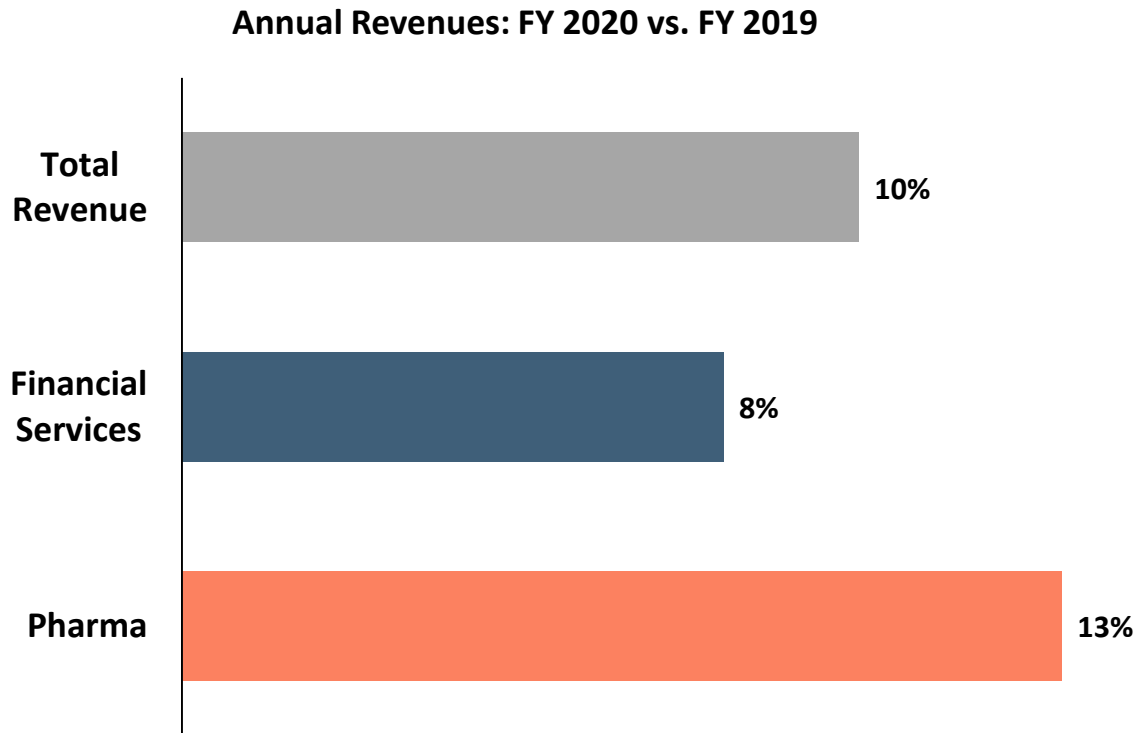
Pharma Revenues³



Notes:

- 1) FY2015 results have been prepared based on IND GAAP and FY2016 onwards on IndAS basis
- 2) Previous year figures are restated for discontinued operations of HIA
- 3) Pharma revenue includes Pharma CDMO, Complex Hospital Generics and India Consumer Healthcare and certain Forex exchange gain

Revenue growth across business segments for FY2020



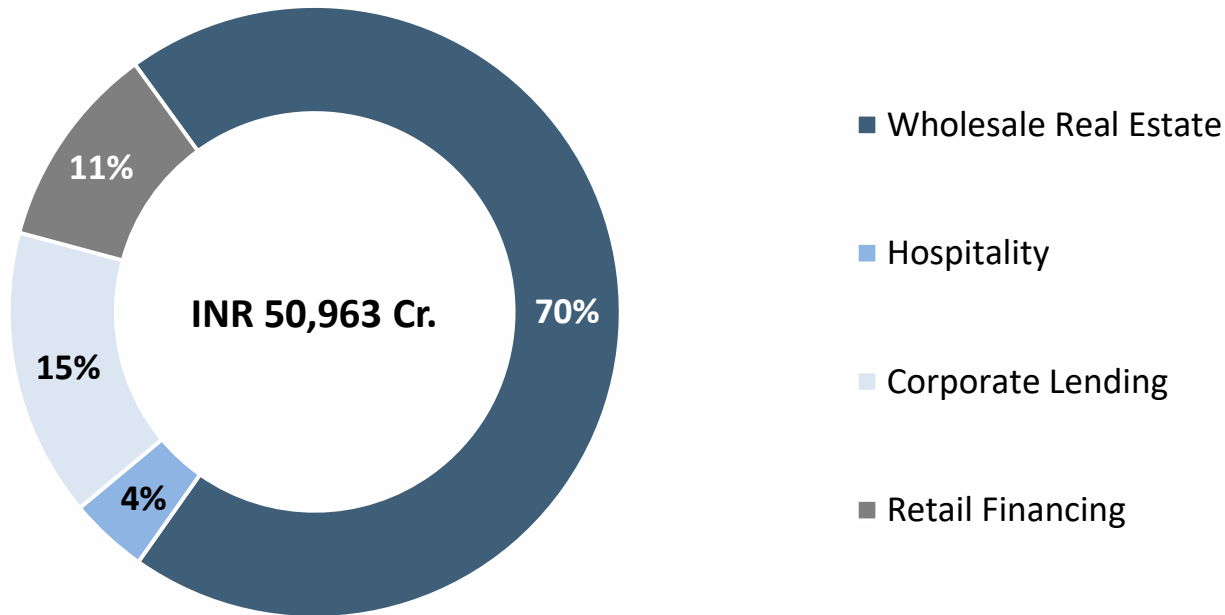
1) Note: Pharma revenue includes Pharma CDMO, Complex Hospital Generics and India Consumer Healthcare and certain Forex exchange gain



Financial Services

Loan book breakdown

Loan book split as of March 31, 2020

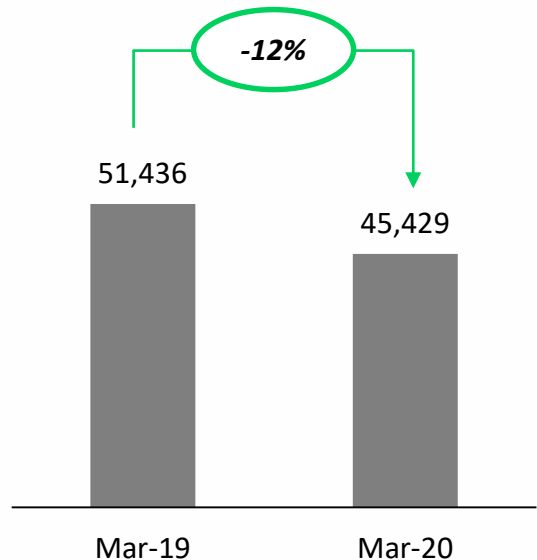


Entire loan book is secured

Assets

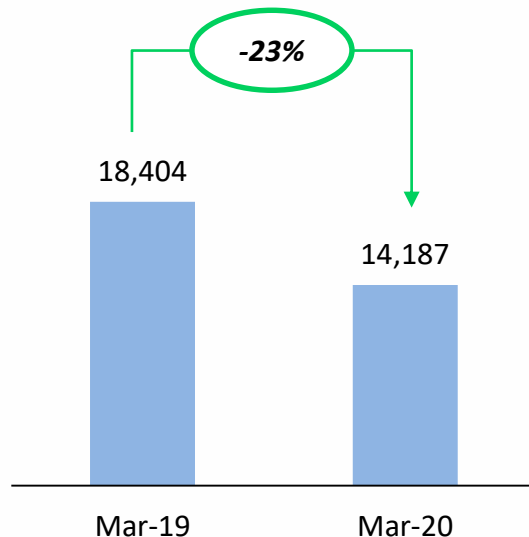
Reducing wholesale loan book concentration

Wholesale Loan Book



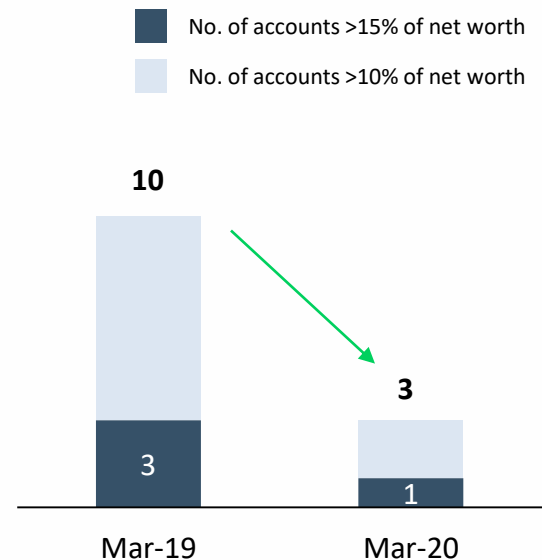
- 12% YoY reduction in wholesale loan book, which includes real estate and corporate loans

Top-10 exposures



- Exposure to top-10 accounts reduced by ~INR 4,200 Cr. during the year (decline of 23% YoY)

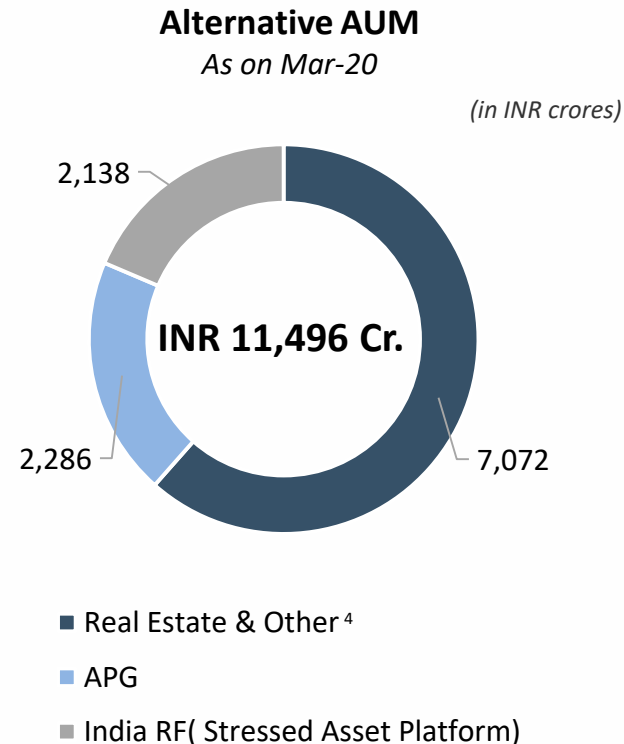
Single-borrower exposures



- As of Mar-20, three exposures were >10% of net worth of the FS business, which includes one account >15% of net worth

Fund-based platforms – Alternative Assets Under Management

Platform	JV Partner / Co-investor	Size / Initial Commitment
India RF – Stressed Asset Investing	Bain Capital	USD 567m ¹
Mezzanine investments in Infra	APG	USD 375m ²
Residential Real Estate platform	Ivanhoé Cambridge	USD 250m
Senior Debt in non-Real Estate, non-Infra sectors	CDPQ	USD 300m



Notes: (1) India RF platform has so far invested USD 398m along with along with co-investors

(2) Represents APG’s commitment; PEL has further committed USD 375m along-side these investments

(3) Represents Ivanhoé Cambridge’s commitment, PEL to co-invest 25% to pure equity and 50% to preferred transactions

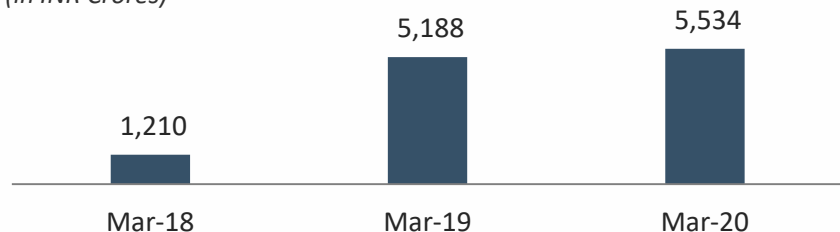
(4) Includes net AUM for the RE platform and the AUM for the platform with CDPQ

Retail Financing

Housing Finance

Housing Finance Loan book

(in INR Crores)



Housing Finance: Loan book profile & KPIs

As on Mar-20

Share of Housing Finance in Overall Loans	11%
Average ticket size (Home Loans)	INR 70 lakhs
Weighted average loan-to-value	65%
Salaried : Self-employed customers	62 : 38
GNPA ratio	0.17%

Multi-product Retail Lending

Market Landscape

- **Consolidation** to pick-up in the sector, due to COVID-19
- **Significant untapped market potential** to create long-term growth opportunities

Progress & Focus Areas

- Aim to create a multi-product retail lending business, **which will be 'digital at its core'**
- Building a new age **technology infrastructure**
- Key **talent acquisition in progress**
- **To conservatively build the book**, while incorporating learnings from the environment

Sufficient capital on the balance sheet to build a strong retail financing franchise in the future

Asset Quality

Stage-wise loan book and provisioning

Particulars (in INR Cr.)	As on Dec-19	As on Mar-20
Gross Stage 1 & 2 Loans	50,485	49,761
Provision - Stage 1 & 2 loans	717	2,480
Provision Coverage Ratio - Stage 1 & 2	1.4%	5.0%
Gross Stage 3 Loans (GNPAs)	944	1,202
<i>GNPA Ratio (% of loans in Stage 3)</i>	<i>1.8%</i>	<i>2.4%</i>
Provision - Stage 3 loans	230	483
Provision Coverage Ratio - Stage 3	24%	40%
Total Provision	947	2,963*
Total Loans	51,429	50,963
Total Provision / Total Loans	1.8%	5.8%
Total Provision / GNPAs	100%	246%

* Mar-20 data includes incremental conservative provisions of INR 1,903 Cr.

- **Large part of the portfolio is standard (97.6%)**
- Adopted a **conservative & prudent approach to provisioning**, given macroeconomic uncertainty
- Total provisions of INR 2,016 Cr. added in Q4, including **INR 1,903 Cr. of conservative provisioning** and the provisioning for change in GNPAs
- **Provisions as a % of GNPAs** at 246% as of Mar-20 (vs. 100% as of Dec-19)
- **Provisions as a % of loans** at 5.8% as of Mar-20 (vs. 1.8% as of Dec-19)

Overall provisioning at ~2.5x times of GNPAs and 5.8% of overall loan book

Note: Stage 1 - Loans which are less than or equal to 30 days past due (dpd); Stage 2 – Loans which are 31-90 dpd; and Stage 3 – Loans which are 90+ dpd

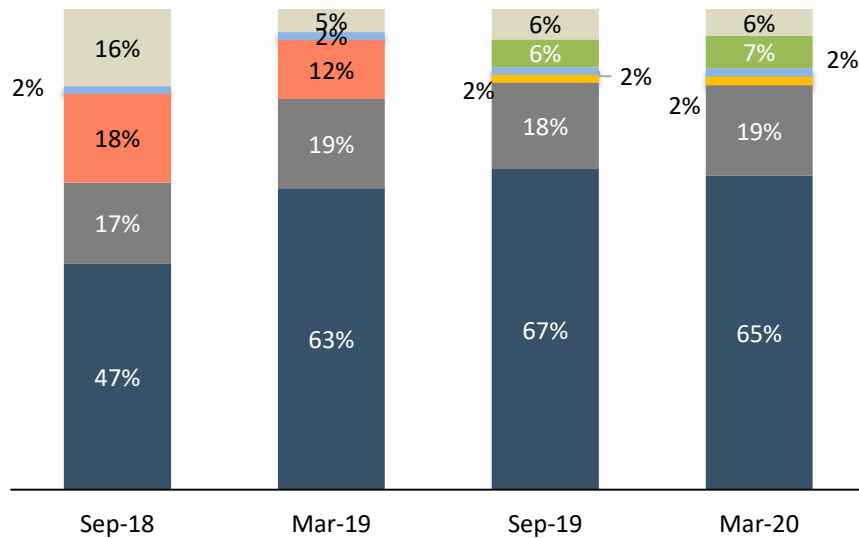
Liabilities

Liquidity Position and Liability Profile

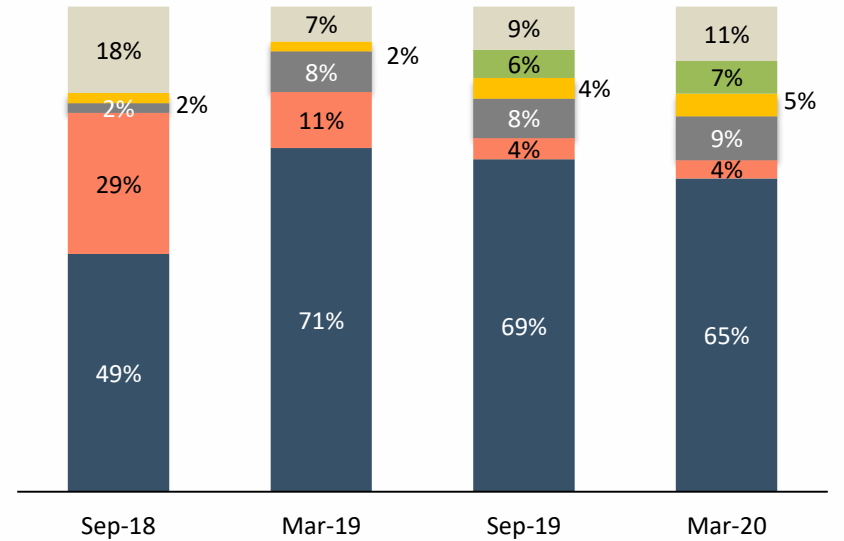
- **~INR 8,900 Crores were available in the form of cash and undrawn bank lines** as of Mar 31st, 2020
 - Out of the above, **INR 4,000 Cr. of long-term bank lines** have been drawn-down since the beginning of the Covid-19 lockdown
- Continued diversification of borrowing mix and shift toward long-term borrowings:
 - **Raised ~INR 13,500 Crores of long-term borrowings** (of ≥ 1 year tenure) in FY2020
 - **Share of CPs in overall borrowings has declined 94%** to INR 1,080 Crores as of Mar-2020 from INR 18,017 Crores in Sep-2018

Borrowing mix

Borrowing mix by type of instrument



Borrowing mix by investor



Loans NCDs / Bonds ECB CP Tier II Securitization Others

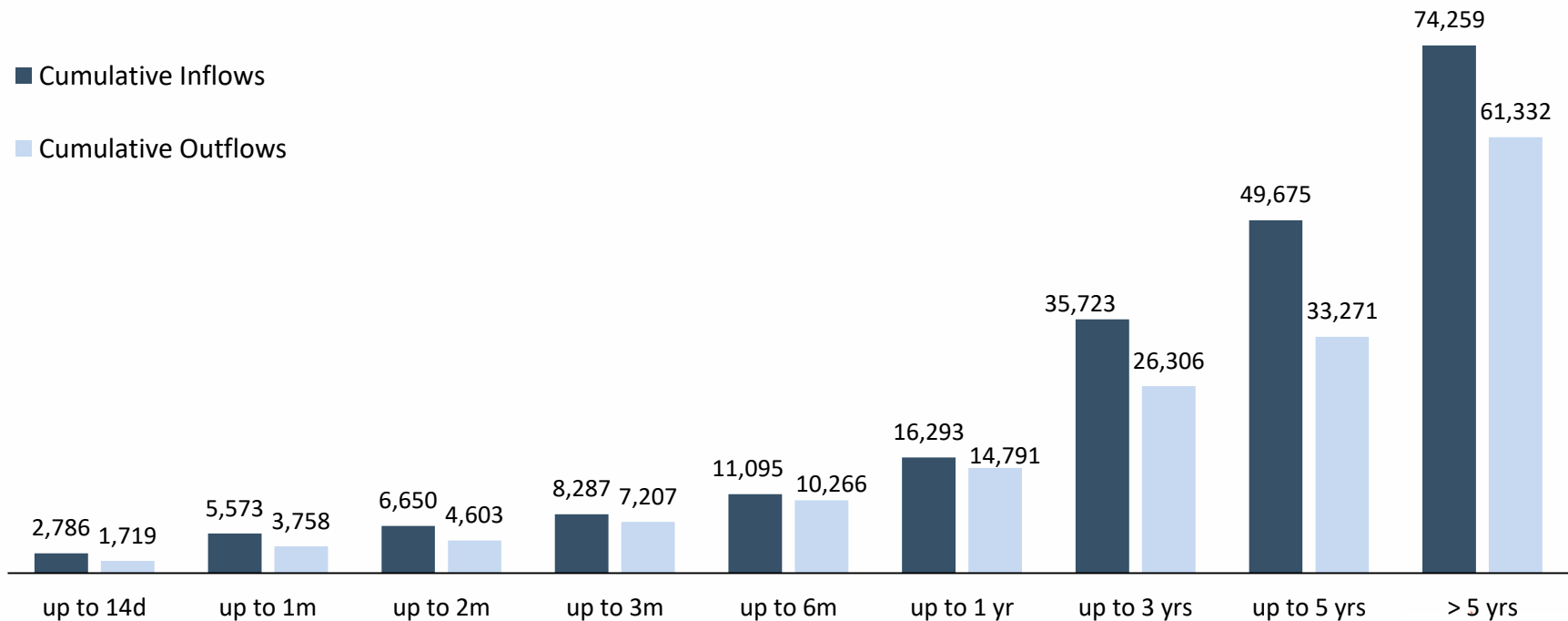
Banks MFs Insurance FIIIs Securitization Others

- Share of bank borrowings increased from 49% as of Sep-2018 to 65% as of Mar-2020
- Share of MFs in overall borrowings declined from 29% in Sep-2018 to 4% in Mar-2020

Asset-liability profile

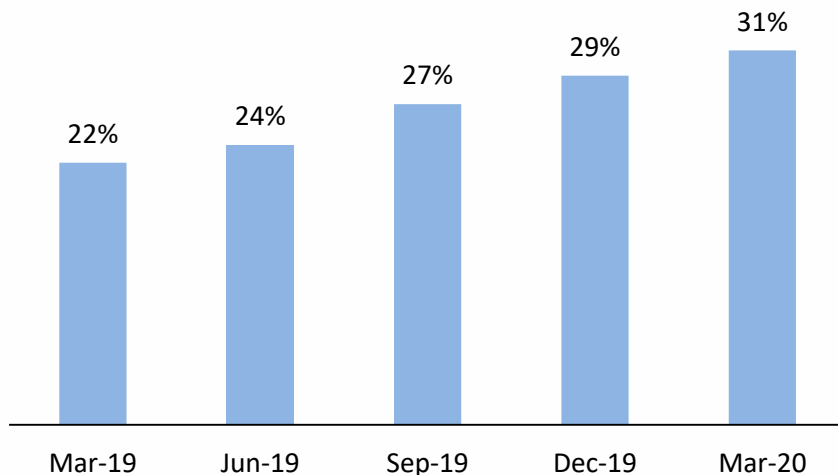
(in INR crores)

As on March 31, 2020

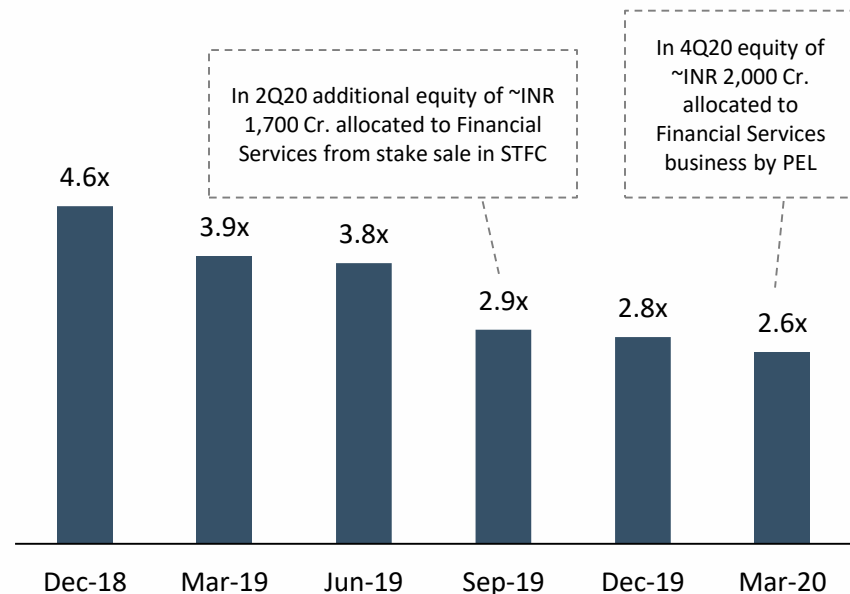


Capital Adequacy & Leverage

Capital Adequacy Ratio (%)
PEL Financial Services



Gross Debt-to-Equity:
(Lending business)



Significant deleveraging of the Financial Services business

Performance metrics

Key Performance Indicators: PEL Financial Services (Lending Business)

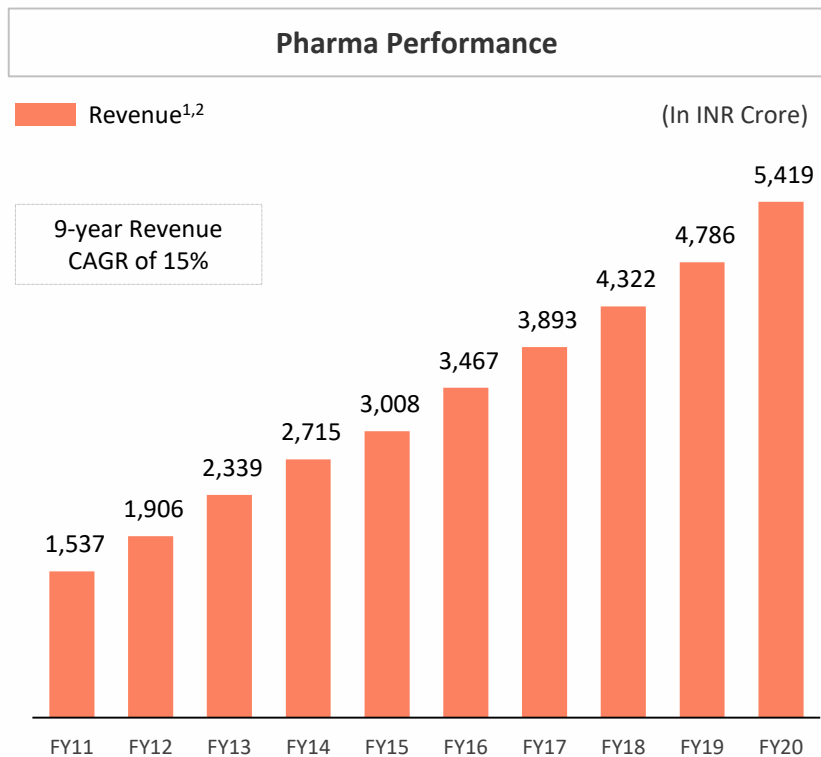
Particulars	FY2020
Total Loan Book size	INR 50,963 Cr.
Total Equity on Lending (utilized synergies from reverse merger)	INR 15,599 Cr.
Gross Debt	INR 39,832 Cr.
Net Debt	INR 35,480 Cr.
Gross Debt-to-Equity (for Lending business)	2.6x
Average Yield on Loans	14.3%
Average Cost of Borrowings	11.2%
Net Interest Margin	5.2%
Cost to Income Ratio (CIR)	22.7%
Total Provisioning as a % of loan book (as on Mar 31, 2020)	5.8%
Gross NPA ratio (based on 90 dpd)	2.4%
ROA	0.5%
ROA (considering Cash Tax and other synergies from merger)	0.8%
ROE	1.9%
ROE (considering Cash Tax and other synergies from merger)	3.3%

Excl. additional conservative provisioning of INR 1,903 Cr. and incremental capital allocation of ~INR 2,000 Cr. to Financial Services

FY2020 (Normalized)
2.1%
2.4%
3.1%
4.1%
12.4%
16.3%

Pharma

Consistent revenue performance trend in Pharma



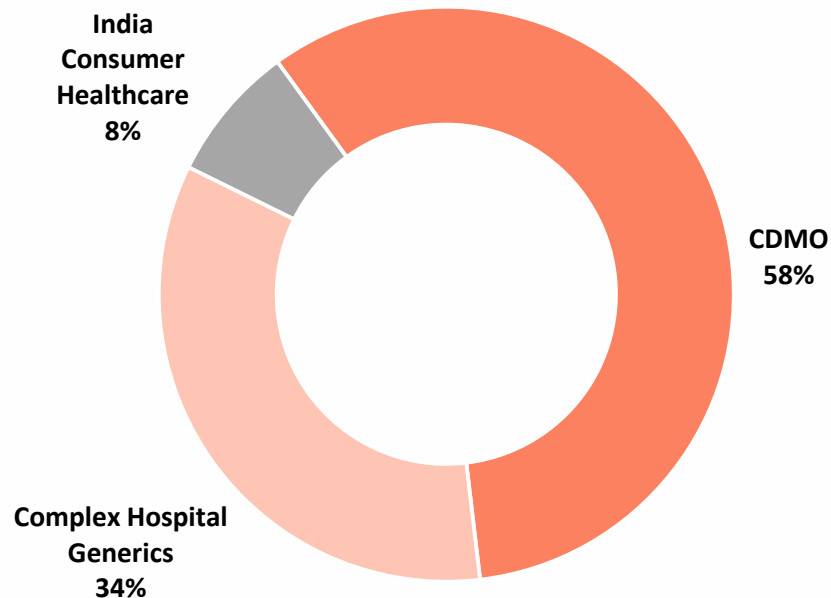
- **Consistent growth:** PEL’s annual Pharma revenue grew at a CAGR of 15% over last 9 years
- **FY20 performance:** Revenues¹ grew by 13% to INR 5,419 Cr.
 - **Pharma CDMO:** INR 3,154 Cr. (+13% growth)
 - **Complex Hospital Generics:** INR 1,853 Cr. (+11% growth)
 - **India Consumer Healthcare:** INR 418 Cr. (+25% growth)
- Pharma contributed 41% to PEL’s overall revenue
- **JV with Allergan:** PEL has 49% stake in Allergan India
 - Market leader in the ophthalmic category in the Indian formulations market
 - Revenue of INR 393 Cr. & net profit of INR 104 Cr. in FY20

Notes: (1) Pharma includes Pharma CDMO, Complex Hospital Generics and India Consumer Healthcare and certain Forex exchange income

(2) FY2016 - FY2020 results have been prepared based on IND AS, prior periods are IGAAP

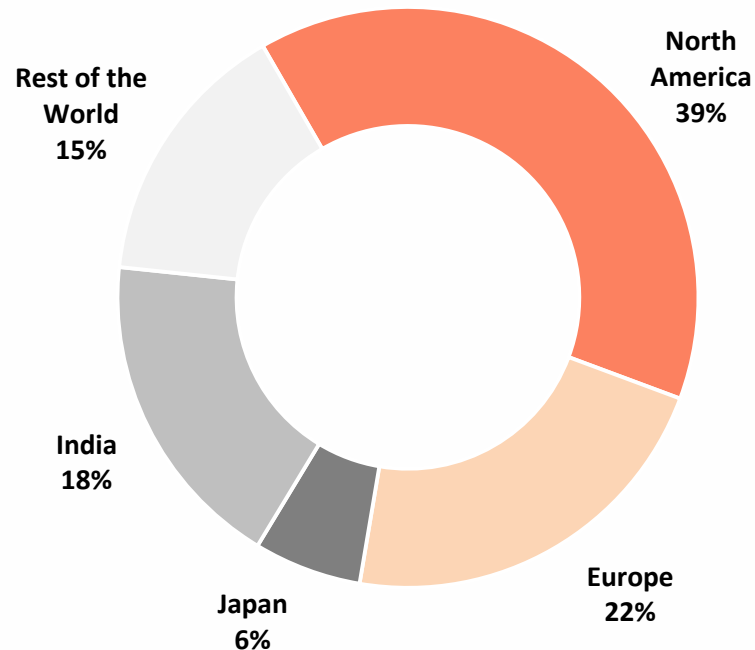
Segment-wise and Geographical breakdown of revenue

Segment-wise breakdown (%)



Over 90% of revenues derived from two niche global businesses

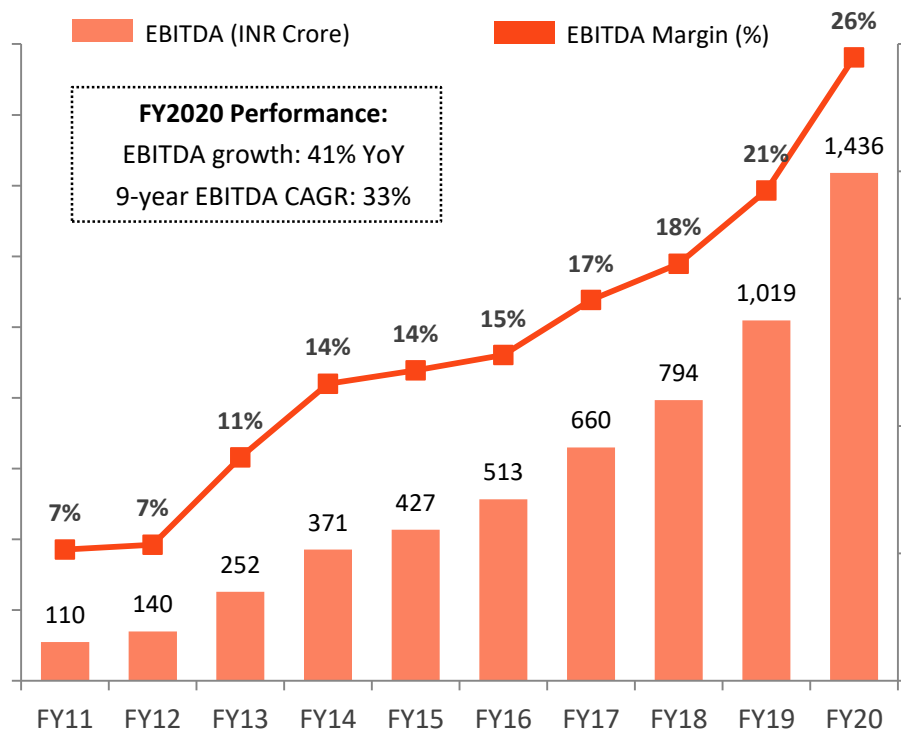
Geographical breakdown (%)



Key regulated markets (US, Europe and Japan) account for ~67% of revenues

Continued improvement in the profitability of the Pharma Business

Significant improvement in EBITDA over the last few years



Performance Highlights

- **EBITDA for the Pharma business crosses INR 1,400 Cr.**
 - Pharma EBITDA margins at 26% in FY2020
 - 9-Year EBITDA CAGR: 33%
 - Consistent improvement in margin over last few years
- **Margin expansion driven by:**
 - Synergies from acquisitions of high-margin products and niche manufacturing capabilities
 - Integrated CDMO offerings resulting in higher stickiness
 - Leveraging global distribution network to introduce new product ranges in Complex Hospital Generics business
 - Better sales realization
 - Higher capacity utilization
 - Backward integration of raw materials

Notes: (1) FY2016 - FY2020 results have been prepared based on IND AS, prior periods are IGAAP

(2) Pharma includes restated for continuing business including Pharma CDMO, Complex Hospital Generics and India Consumer Healthcare and Forex exchange income

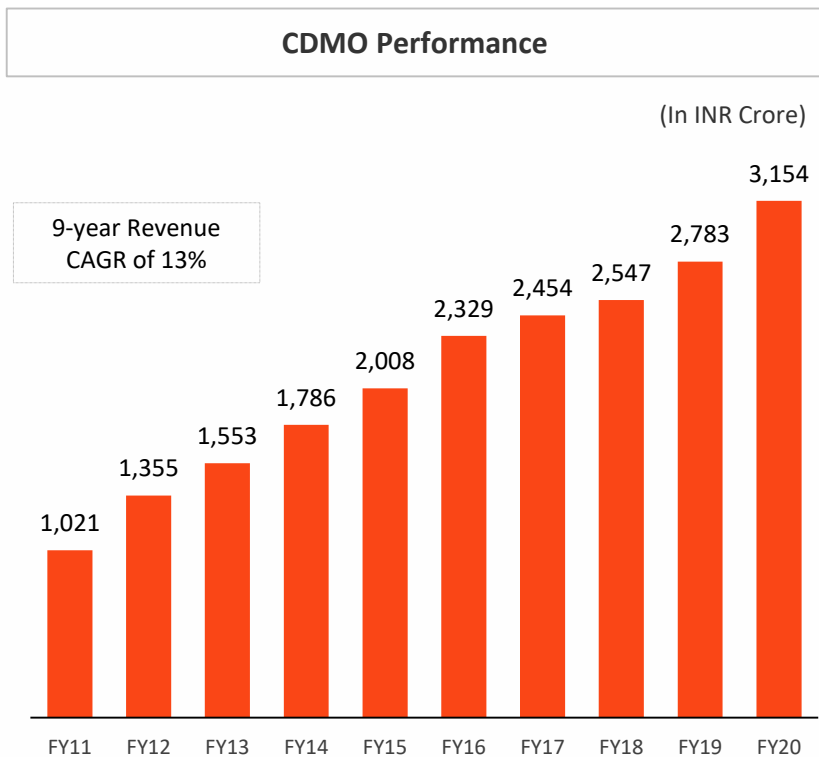
Strong focus on Quality and Compliance

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
FY2020	3	29	141
Total	36	205	1,130

- **Successfully cleared 36 USFDA inspections**, 169 other regulatory inspections, and 1,130 customer audits since start of FY2012
 - **Successfully cleared 3 USFDA inspections** for key facilities at Bethlehem, Lexington and Pithampur, 26 other regulatory inspections, and 141 customer audits during FY 2020
 - No ‘Official Action Indicated (OAI)’ for any of our USFDA audits
- **Strong quality governance model:**
 - Quality function reports directly to a Board Member

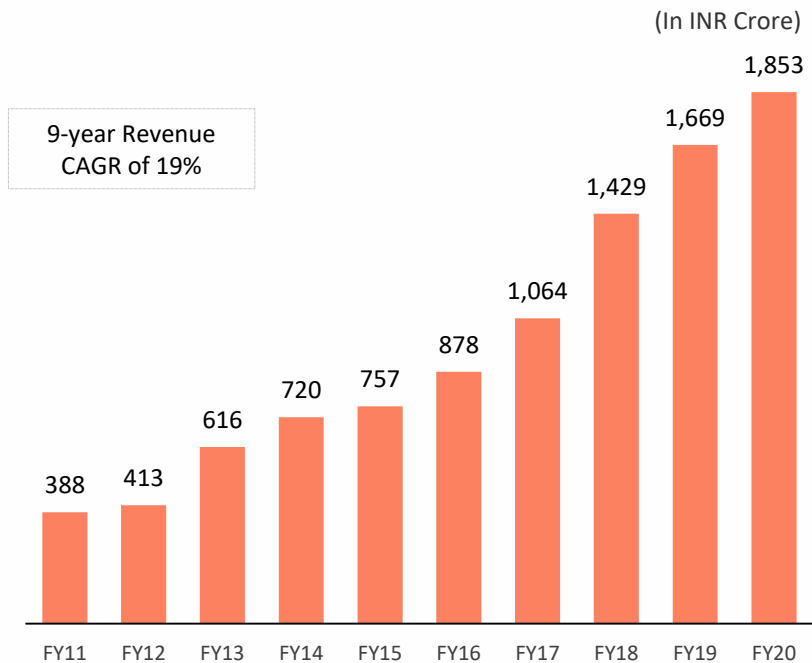
Integrated business model in CDMO segment drives consistent growth



- **FY20 performance:** Revenues grew by 13% to INR 3,154 Cr.
- Two client NCEs (new chemical entities) were approved for launch by the USFDA in Q4 FY20
- **Order book for development services** in FY20 sustained the strong advancement seen in FY19
 - Offering **integrated solutions across drug life-cycle** to be a strategic solution partner for its clients
 - ~30% of the development order book in FY20 came from integrated projects covering 2+ sites
- The business has **strong capabilities in niches** such as high potent APIs and antibody drug conjugates (ADCs), injectables and hormonal products

Differentiated product portfolio of Complex Hospital Generics

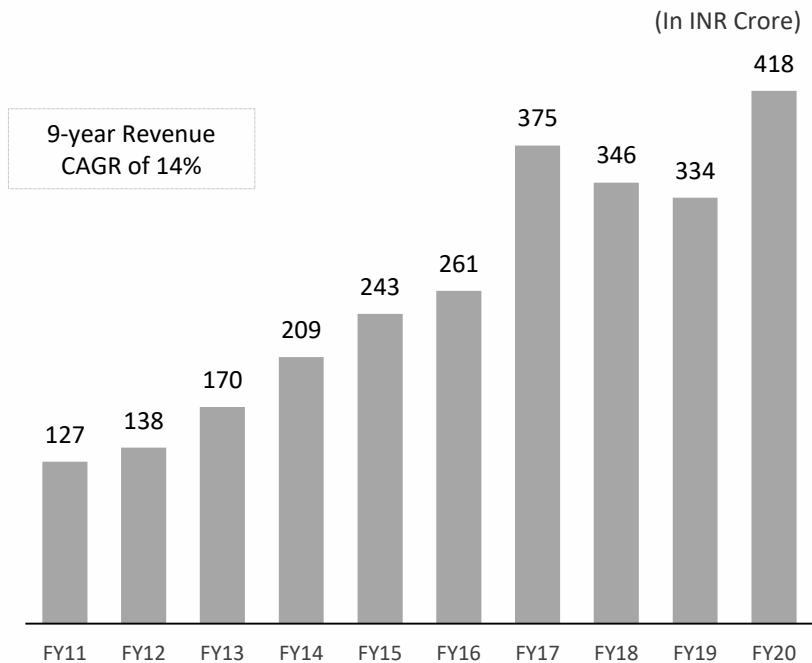
Complex Hospital Generics Performance



- **FY20 performance:** Revenues grew by 11% to INR 1,853 Cr.
- Growth in most major product families and geographies in PCC, especially in Isoflurane, Sevoflurane and injectable pain and anesthesia products previously acquired from Janssen
- **Total 11 launches in FY20**, including 3 launches in Q4 FY20
- **Won dual award** to supply **Sevoflurane** to members of **Vizient**
 - It's the largest Group Purchasing Organization (GPO) in the US that covers ~50% of the hospitals surgery centers
- The business has a **strategically chosen** portfolio comprising of product categories with **high entry barriers**
 - Injectable & inhalation anesthesia, intrathecal spasticity & pain management and selected anti-infective products

Strong performance in the India Consumer Healthcare business

India Consumer Healthcare Performance



Record sales achieved during FY20:

- The business achieved **revenues of INR 418 Cr.** in FY20 with a **growth of 25%** over FY19
- Sales figure of **INR 400 Cr.** was crossed for the **first time ever**

PEL took following initiatives during FY20:

- **Customized growth strategies** for consumer & trade brands
- **Re-initiated mass media campaigns** on brands such as Little's, Saridon, Polycrol and lacto-calamine
- **Focus on e-commerce channel** with significant **use of analytics** for driving trials and for launching new products
- **Leveraging technology** to deliver a robust distribution setup and for 100% tech-enablement of field force

Impact of nation-wide COVID-19 lockdown:

- Revenue deferral of ~INR 22 Cr. in March and ~INR 12 Cr. in April

To Summarize

Implications of COVID-19

- Operations continue at all our sites globally as Pharma is considered ‘essential’ by governments
- While there may be some near term volatility driven by COVID-19 and the impact of societies’ response to it, underlying demand for our products and services remains strong
- There may be medium and long-term upsides for us given our positioning in these segments

Revenue Performance

- Revenues for FY20 grew by 13% to INR 5,419 Cr.
- Delivered a healthy growth for the year in each of the three Pharma business segments – CDMO, Complex Hospital Generics and India Consumer Healthcare

Profitability

- EBITDA for the Pharma business crossed INR 1,400 Cr. with a 9-year CAGR of 33%
- Pharma EBITDA margins were at 26% for FY2020

Update on Fundraise

- Plan is to raise funds by issuing a minority stake to potential financial investors
- The process is currently on track



Financials

Diversified Revenue Mix

(In INR Crores or as stated)

Net Sales break-up	Quarter IV ended			% Sales for Q4 FY20	Full year ended			% Sales for FY2020
	31-Mar-20	31-Mar-19	% Change		31-Mar-20	31-Mar-19	% Change	
Financial Services	1,718	1,933	-11%	51%	7,649	7,063	8%	59%
Pharma ³	1,623	1,476	10%	49%	5,419	4,786	13%	41%
Pharma CDMO	1,048	939	12%	31%	3,154	2,783	13%	24%
Complex Hospital Generics	500	450	11%	15%	1,853	1,669	11%	14%
India Consumer Products	82	89	-8%	2%	418	334	25%	3%
Others	-	-	-	-	-	34	-	-
Total	3,341	3,409	-2%	100%	13,068	11,883	10%	100%

Notes:

1. Foreign Currency denominated revenue in Q4 FY2020 was INR 1,417 Crores (42% of total revenue) and in FY2020 was INR 4,497 Crores (34% of the total revenue)
2. Previous year figures are restated for accounting affect of Piramal Phytocare merger and discontinued operations from HIA
3. Pharma revenue includes certain Foreign exchange income

Consolidated Profit & Loss

(In INR Crores or as stated)

Particulars	Quarter IV Ended			Full year Ended		
	31-Mar-20	31-Mar-19	% Change	31-Mar-20	31-Mar-19	% Change
Net Sales	3,341	3,409	-2%	13,068	11,883	10%
Non-operating other income	240	83	190%	491	310	59%
Total income	3,581	3,491	3%	13,559	12,192	11%
Other Operating Expenses	1,420	1,364	4%	4,926	4,692	5%
Expected Credit loss	2,019	107	1786%	1,875	324	478%
OPBIDTA	142	2,020	-93%	6,758	7,175	-6%
Interest Expenses	1,295	1,237	5%	5,321	4,100	30%
Depreciation	143	105	36%	520	401	30%
Profit / (Loss) before tax & exceptional items	(1,296)	678	-	918	2,675	-66%
Exceptional items (Expenses)/Income	-	-	-	-	(452)	-
Income tax						
Current Tax and Deferred Tax	(498)	221	-	203	852	-76%
DTA and MAT Credit written off	1,758	-	-	1,758	-	-
Profit/(Loss) after tax (before MI & Prior Period items)	(2,556)	457	-	(1,043)	1,370	-
Minority interest	-	-	-	-	-	-
Share of Associates ¹	195	118	65%	490	319	53%
Net Profit/(Loss) after Tax from continuing operations	(2,361)	575	-	(553)	1,690	-
Profit / (Loss) from Discontinued operations	658	(121)	-	574	(226)	-
Net Profit after Tax from discontinuing operations	(1,703)	455	-	21	1,464	-
Normalized Net Profit ³	807	575	40%	2,615	2,142	22%

- 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.
- Previous year figures are restated for accounting affect of Piramal Phytocare merger and discontinued operations
- Normalized profit excludes: (i) impact of profit/loss from discontinuing operations; (ii) reversal of Deferred Tax Assets (DTA) and Minimum Alternate Tax (MAT) credit; and (iii) additional conservative provision (net of taxes) on account of Covid-19 (iv) Accounting charge on Sale of Piramal Imaging assets

Consolidated Balance Sheet

(In INR Crores)

Particulars	As on March 31 st , 2020	As on March 31 st , 2019
Equity Share Capital	45	37
Other Equity	30,526	27,187
Non Controlling Interests	-	9
Borrowings (Current & Non Current)	42,055	56,040
Deferred Tax Liabilities (Net)	8	19
Other Liabilities	1,965	2,109
Provisions	310	211
Total	74,909	85,613
PPE, Intangibles (Under Development), CWIP	5,794	5,751
Goodwill on Consolidation	1,139	5,939
Financial Assets		
Investment	19,443	25,747
Others	31,854	33,661
Other Non Current Assets	1,144	633
Deferred Tax Asset (Net)	2,372	4,068
Current Assets		
Inventories	1,061	831
Trade receivable	1,324	1,403
Cash & Cash Equivalents & Other Bank balances	4,771	919
Other Financial & Non Financial Assets	6,006	6,660
Total	74,909	85,613

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

Equity Reconciliation

Equity reconciliation	INR Crores
Opening Equity as on April 1, 2019*	27,224
Add: (i) Proceeds from Preferential allotment	1,459
(ii) Proceeds from Rights issue	3,465
(iii) Normalized Profit from business during FY2020	2,615
(iv) Profit from Discontinued operations (DRG)	574
(v) Others	24
	8,137
Less: (i) Non-recurring write-off of DTA and MAT Credit	(1,758)
(ii) Additional conservative provisions (impact, net of taxes)	(1,411)
(iii) Dividend for the year FY2019	(668)
(iv) Movement in OCI (Other Comprehensive Income) Incl. impact from sale of Shriram investments	(953)
	(4,790)
Closing equity as on March 31, 2020	30,572

* Opening Equity is adjusted for Piramal Phytocare Merger and does not include Non controlling interest

Dial-in details for Q4 & FY2020 Earnings Conference Call

Event	Location & Time	Telephone Number
Conference call on May 11th, 2020	India – 6:00 PM IST	+91 22 6280 1264 / +91 22 7115 8165 (Primary Number) +91 70456 71221 (Local Number)
		1800 120 1221 / 1800 266 1221 (Toll free number)
	USA – 8:30 AM (Eastern Time – New York)	Toll free number 18667462133
	UK – 1:30 PM (London Time)	Toll free number 08081011573
	Singapore – 8:30 PM (Singapore Time)	Toll free number 8001012045
	Hong Kong – 8:30 PM (Hong Kong Time)	Toll free number 800964448
For online registration	https://services.choruscall.in/DiamondPassRegistration/register?confirmationNumber=117480&linkSecurityString=45179bf8	

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