

Piramal Enterprises Limited

Q1 FY2021 Results

30 July 2020



Key Highlights

Pharma Fund Raise

Agreement with Carlyle for a fresh equity investment of USD 490m for a 20% stake in Piramal Pharma; valued at an EV of USD 2,775m, with an upside component of up to USD 360m

Deleveraging

Net debt reduction of INR 13,902 Cr. since last one year; net debt-to-equity declined to 1.2x vs. 1.9x a year ago

Borrowings / Inflows

Raised ~INR 9,600 Cr. of long-term borrowings in Q1 FY21. Total inflows of ~INR 35,680 Cr. in the last 1-year (from debt / equity / divestment transactions)

Pharma

Despite the impact of COVID-19 globally, delivered revenues of INR 1,038 Cr. in Q1 FY21 (i.e. ~90% of Q1 FY20 revenues); Acquired Solid Oral Dosage drug product facility in US

India Consumer Products

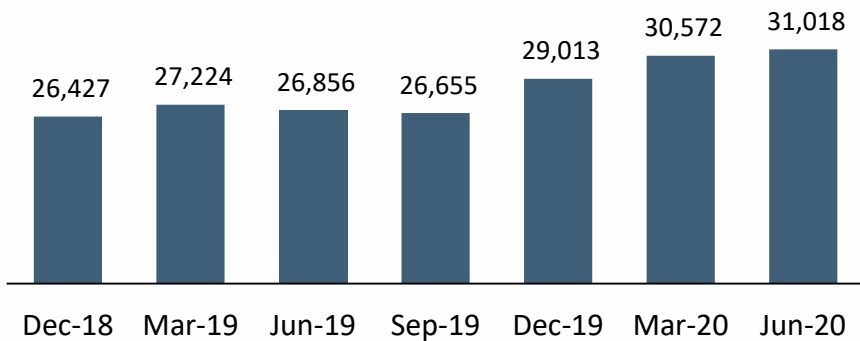
India Consumer Products grew by 28% QoQ to 104 Cr.

Retail Lending

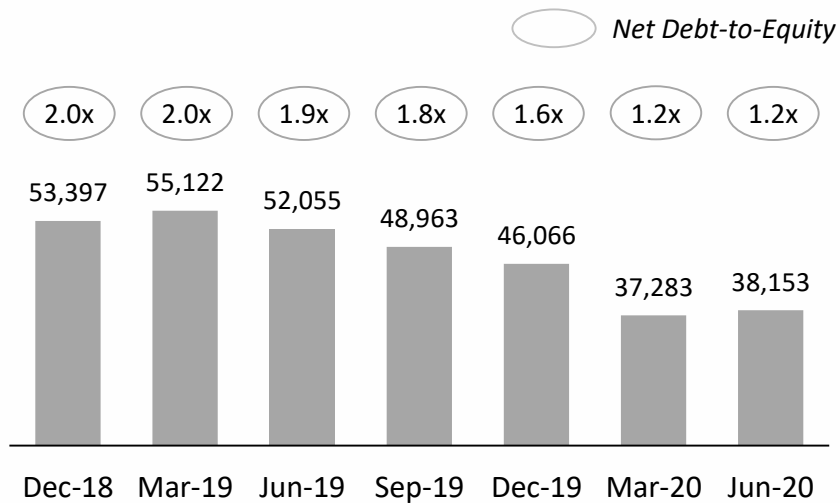
Making significant progress on building a multi-product retail lending platform – digital at its core

Balance Sheet Highlights

Equity (INR Cr.)



Net Debt (INR Cr.)



Balance Sheet (INR Cr.)	As on Jun-2020	As on Jun-2019	YoY Change
Equity	31,018	26,856	+15%
Net Debt	38,153	52,055	-27%

Pharma Fund-raise

Carlyle and Piramal Pharma signed an agreement for a strategic growth investment



Deal valued at EV of **USD 2,775m** with an upside component of up to **USD 360m** depending on FY21 performance



USD 490m for a 20% stake to be invested by Carlyle as fresh equity in the Pharma business



The partnership is an **affirmation of the strength of our ability** to build new, attractive, scalable and sustainable businesses



Dec-2020 - expected time for the deal to close, subject to customary closing conditions and regulatory approvals



The deal **further strengthens the Company's balance sheet**



To accelerate **organic and inorganic growth plans** going forward

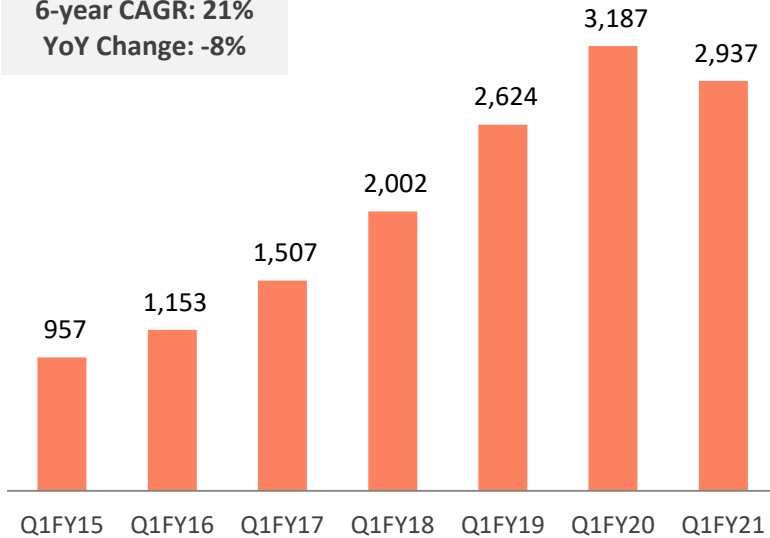
Amongst the largest PE deals in the pharmaceuticals sector in India

Revenues and Net Profits

(In INR Crores)

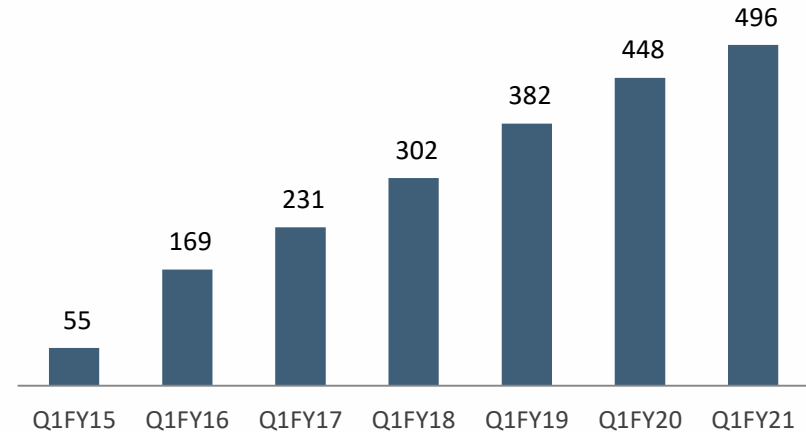
Total Revenues^{1,2}

6-year CAGR: 21%
YoY Change: -8%



Net Profit³

6-year CAGR: 44%
YoY Change: 11%



Despite COVID-19 impact, the Company delivered a resilient performance in Q1 FY2021

Notes: (1) FY2015 results have been prepared based on IND GAAP and FY2016 onwards on IndAS basis

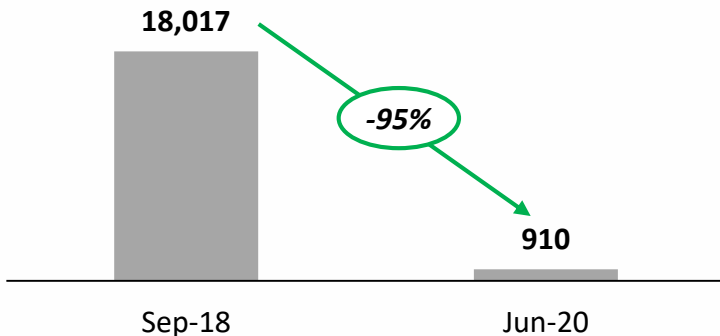
(2) Revenue for prior quarters excludes revenue from HIA Business

(3) Net profit excludes exceptional profits/loss for the respective quarter, but includes profits/loss from HIA Business (discontinued operations)

Liquidity position, borrowings and capital inflows

- Raised ~INR 9,600 Cr. of long-term borrowings (≥1 year tenure) during Q1 FY2021
- Exposure to Commercial Paper (CPs) in overall borrowings declined to INR 910 Cr. from INR 18,017 Cr. in Sep-2018

CP exposure (in INR Cr.)



(in INR Crores)

Inflows ¹ in the last 1 year	Borrowings	Equity ³ / Other inflows
Long-term borrowings (≥1 year tenure)	17,350	-
Securitization	3,900	-
Stake sale in STFC ²	-	2,300
Rights Issue	-	3,630
Preferential Allotment	-	1,750
Sale of DRG	-	6,750
Total	21,250	14,430
Grand Total	35,680	

Notes:

(1) Figures in the table above have been approximated or rounded-off

(2) Sale of stake in Shriram Transport Finance Company (STFC) in Jun-2019

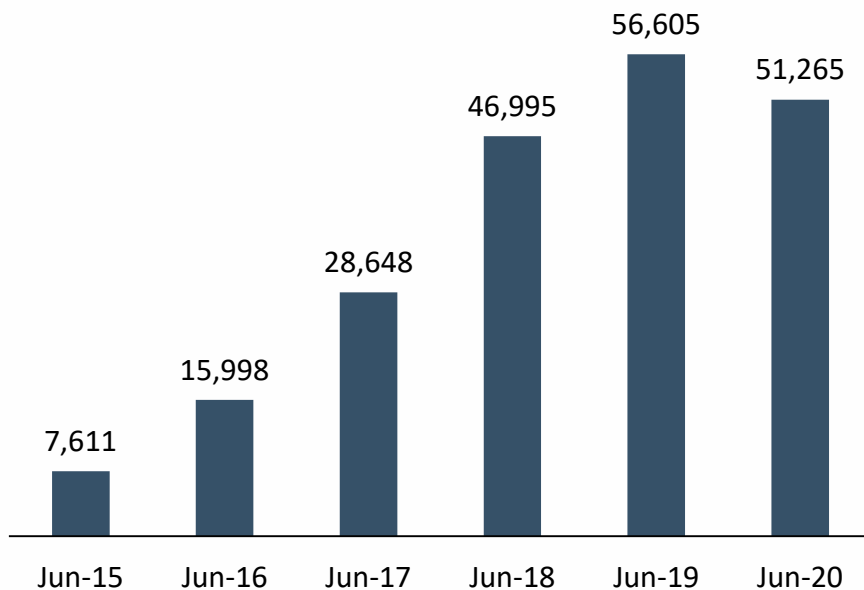
(3) Represents gross inflows



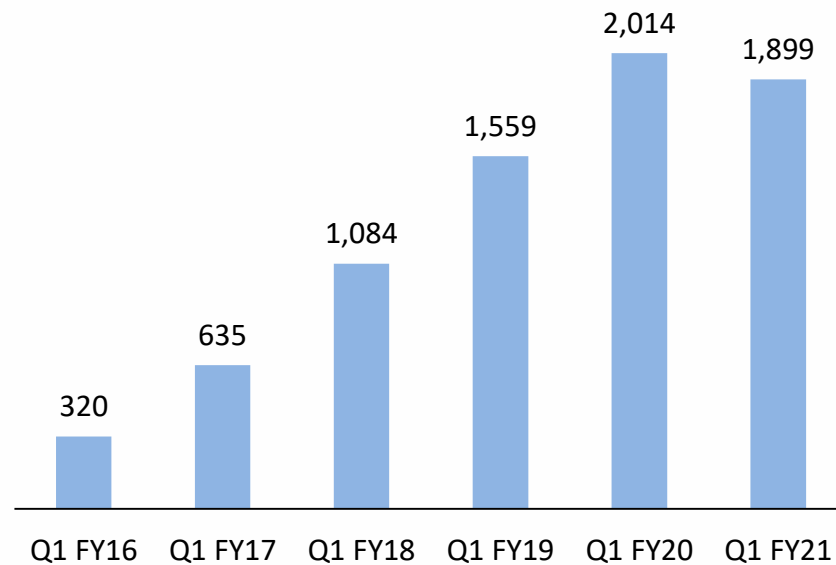
Financial Services

Loan Book and Total Income

Loan book ¹ (in INR Crores)



Income from Financial Services (in INR Crores)



Notes: (1) Carrying value till Dec'15 and amortised cost thereafter

Key strategic priorities

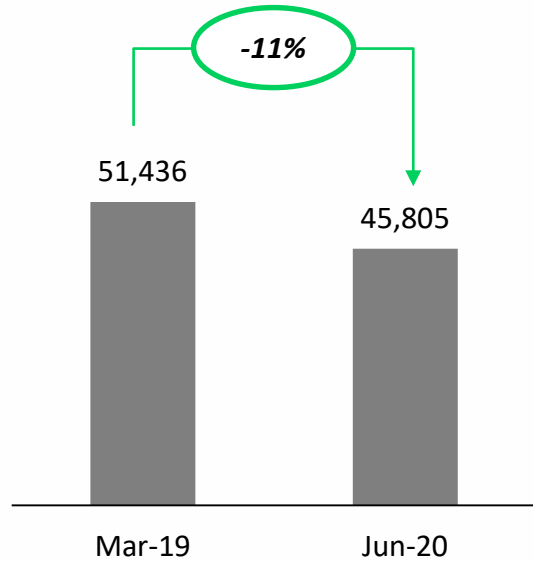
Wholesale Lending	A	Increasing granularity of the loan book
	B	Taking proactive corrective actions to mitigate potential risks
Retail Lending	C	Building a digitally-led, multi-product retail lending platform
Alternative AUM	D	Focused on developing fund-based platforms
Asset Quality	E	Conservative provisioning to manage any contingences
Borrowings and capital adequacy	F	Increasing share of long-term borrowings in overall borrowing mix
	G	Maintaining healthy capital adequacy

Building a well-diversified Financial Services business across both wholesale and retail lending

A Increasing granularity of the loan book

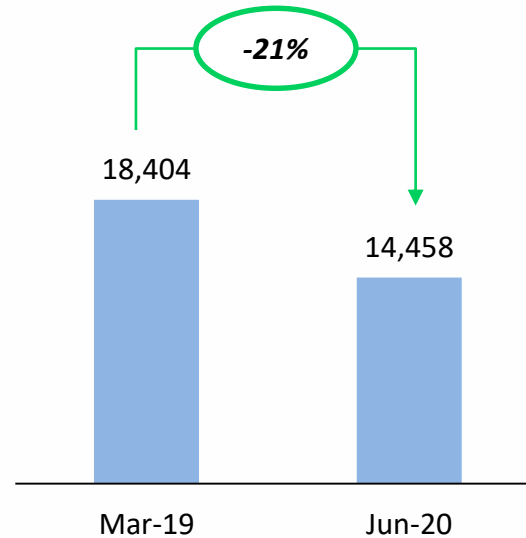
(in INR Crores, unless otherwise stated)

Wholesale Loan Book



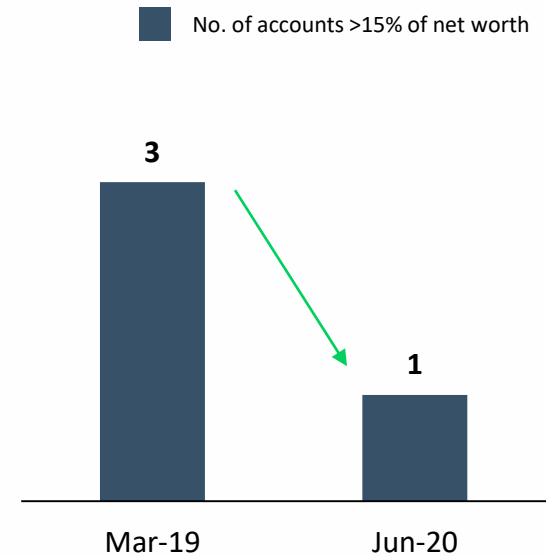
- 11% reduction in wholesale loan book since Mar-2019, which includes real estate and corporate loans

Top-10 exposures



- Exposure to top-10 accounts reduced 21% since Mar-2019 (~INR 4,000 Crores)

Single-borrower exposures



- Only one account exceeding the 15% net-worth threshold

B Proactive corrective actions to mitigate potential risks

Fundamental factors enabling healthy asset quality

Domain expertise in Real Estate

Entire portfolio is secured

Escrow Control

Conducted a Scenario Analysis at the onset of the COVID-19 outbreak

- I **Risk Management and Asset Monitoring teams assessed the sectoral impact** of COVID-19 by conducting a scenario analysis
- II **Sectoral impacts were applied at the deal-level** to assess the impact on PEL's portfolio
- III **The stressed scenario assumed no sales, collections and construction activity for Q1 & Q2 FY21**, followed by minimal pick up starting Q3 FY21
- IV **~88% of the wholesale real estate portfolio had a >1x security / cash cover**, under the stressed scenario

Actions taken

To preserve and replenish security and cash covers, we initiated several proactive actions for the deals below internal thresholds in the scenario analysis.

Some of these measures include:

- ✓ Change of developer through joint development agreement
- ✓ Equity infusion by developer via sale of asset (not mortgaged to PEL)
- ✓ Resolution – typically with smaller developers
- ✓ Additional security brought in (not mortgaged to PEL)
- ✓ Last-mile funding

C Building a multi-product retail lending platform

We have made 3 choices for our next rollout phase



Product Strategy

- **Pivot:** From 'Affluent Housing' to 'Mass Affluent' and 'Affordable' Housing
- **FY21:** Largely secured lending, with testing volumes of other lending products
- **FY22+:** Other lending products in Rollout

Products for FY21 rollout

Affordable Housing Loans

Mass Affluent Housing Loans

Secured Business Loans



Channel Strategy

- **Phygital:** Digital-at-the-core augmented with physical channels for Customer Acquisition and Collections
- **Partnerships:** Strategic partnerships for customer access at scale, distribution, and data access

Customer Access Models

Proprietary sales force

Direct to customer digital channels

Partnerships / Third party distribution



Geography Selection

- **Bharat** – small and mid-market India (population 10,000 to 4 million)
- Identified markets based on potential and historical risk performance

Geo footprint

Focus on Tier-II/III locations

Hub and spoke model with tech led spokes

Centralised, digital fulfilment

Building a multi-product retail lending platform (cont'd)

Currently focused on building a strong foundation for the business



Technology

- Assembling future-ready tech stack for a successful launch
- Combination of off-the-shelf and internally engineered tech
- Cloud native, AI/ML ready from Day-1

Choices made in tech infrastructure

Fully modular, API based architecture

Deep integration with India Stack

Credit as a bundle of micro-services



Talent pool

- Continue to hire top-tier talent
- Focusing on roles in business, collections, operations, and tech

Key People updates

14 senior team members on-boarded

379 employees

Redesigned operating model



Processes and Risk Management

- Analytics woven deeply into the very fabric of business
- Designing tight processes and controls
- Key focus areas: Underwriting, Risk Management and collections

Infrastructure currently being built

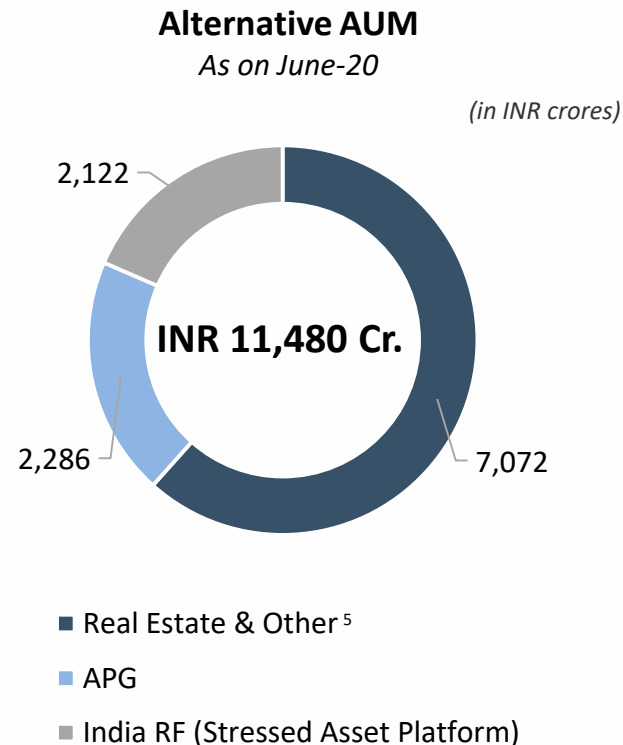
Credit and Fraud Risk models

Customer segmentation and Credit Policy

Customer journeys and Digital Process Design

D Developing fund-based platforms – Alternative AUM

Platform	JV Partner / Co-investor	Size / Initial Commitment
India RF – Stressed Asset Investing	Bain Capital	USD 629m ¹
Mezzanine investments in Infra	APG	USD 375m ²
Residential Real Estate platform	Ivanhoe Cambridge	USD 250m ³
Senior Debt in non-Real Estate, non-Infra sectors	CDPQ	USD 300m
InvIT platform for renewables	CPPIB	USD 600m ⁴



Notes:

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

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

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

(4) Initial targeted corpus of USD 600m; evaluating potential seed transactions

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

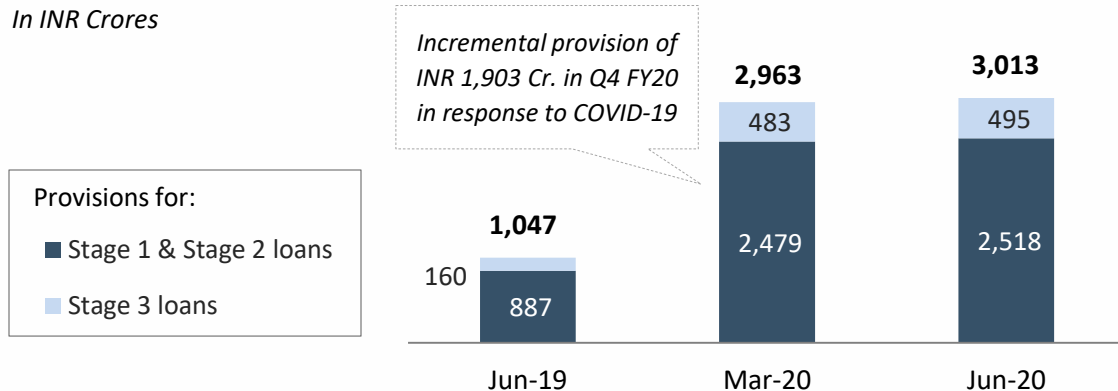


Asset Quality

E Conservative provisioning to manage any contingences

Total Provisions

In INR Crores



Provisions for:

- Stage 1 & Stage 2 loans
- Stage 3 loans

	Jun-19	Mar-20	Jun-20
GNPA Ratio	0.9%	2.4%	2.5%
Total provision as a % of GNPA's	216%	246%	235%
Provision Coverage – Stage 1 & 2	1.6%	5.0%	5.0%
Total provision as a % of loan book	1.8%	5.8%	5.9%

Provisioning for Standard Assets:

- Provision against Stage 1 & 2 loans has increased by INR 1,631 Crores from INR 887 Crores as of Jun-2019, to INR 2,518 Crores as of Jun-2020
- As a result, **non-NPA assets have a provisioning of 5%** as of Jun-2020

Provisioning for Wholesale Loans:

- While total provisions as a % of loan book stand at 5.9%, the **provisioning against wholesale loans is higher at 6.3%**

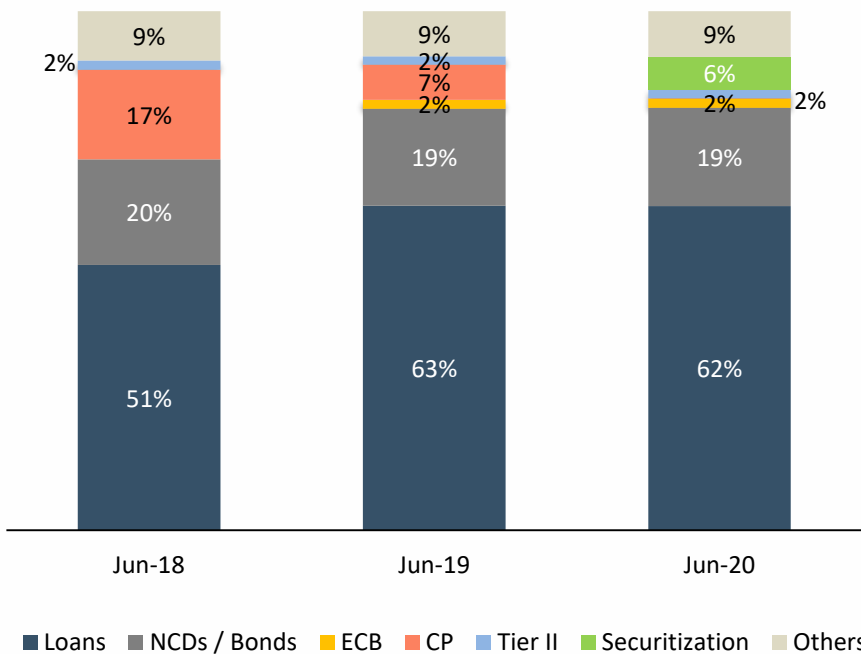
Note: Stage 1 - Loans which are less than or equal to 30 days past due (dpd); Stage 2 – Loans which are 31-90 dpd; and Stage 3 – Loans which are 90+ dpd



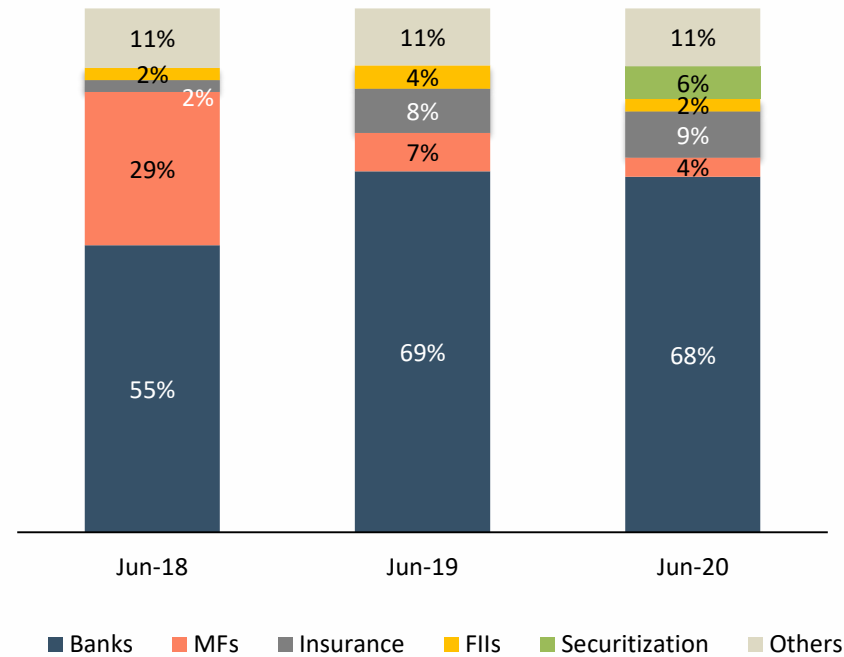
Liabilities

F Borrowing mix

Borrowing mix by type of instrument



Borrowing mix by investor

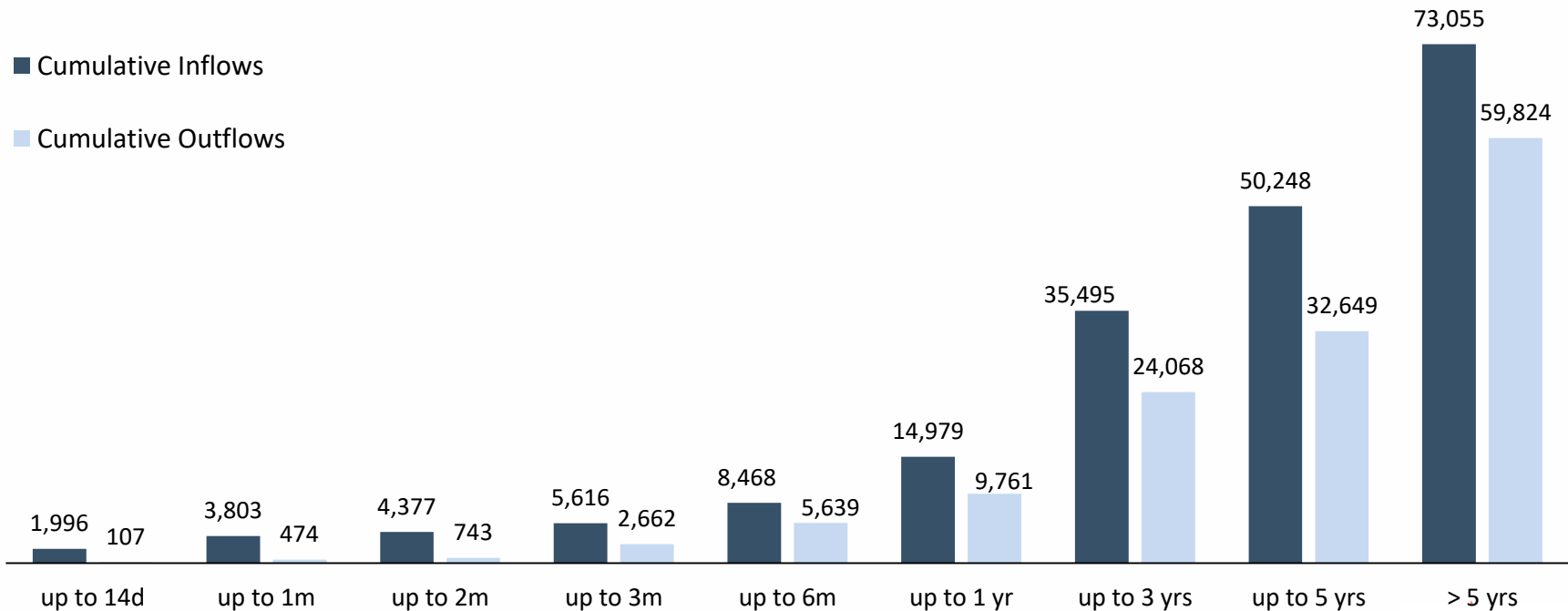


Share of bank borrowings increased from 55% as of Jun-2018 to 68% as of Jun-2020

Asset-liability profile

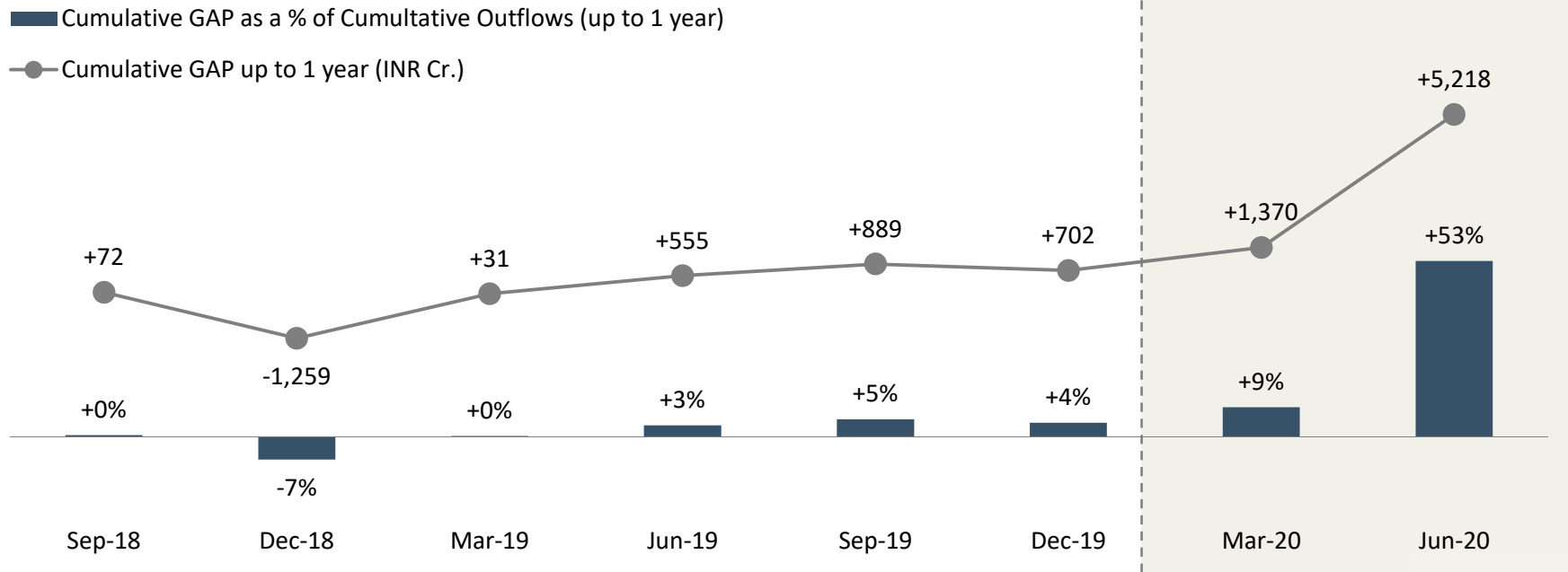
(in INR crores)

As on June 30, 2020



Improved ALM – increase in positive GAP

**Cumulative ALM GAP - up to 1-year
(period-end)**

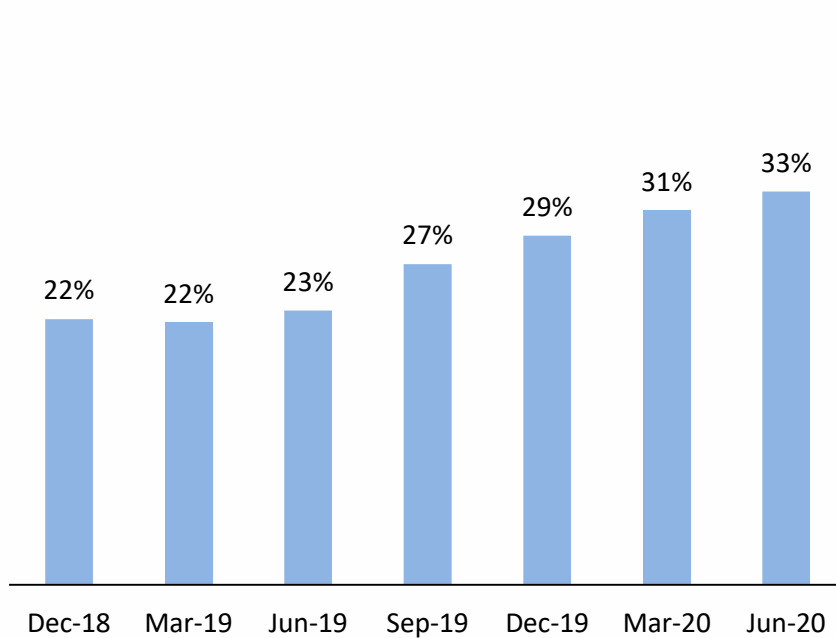


Notes: (1) Cumulative GAP = Cumulative inflows up to 1-year – Cumulative outflows up to 1-year

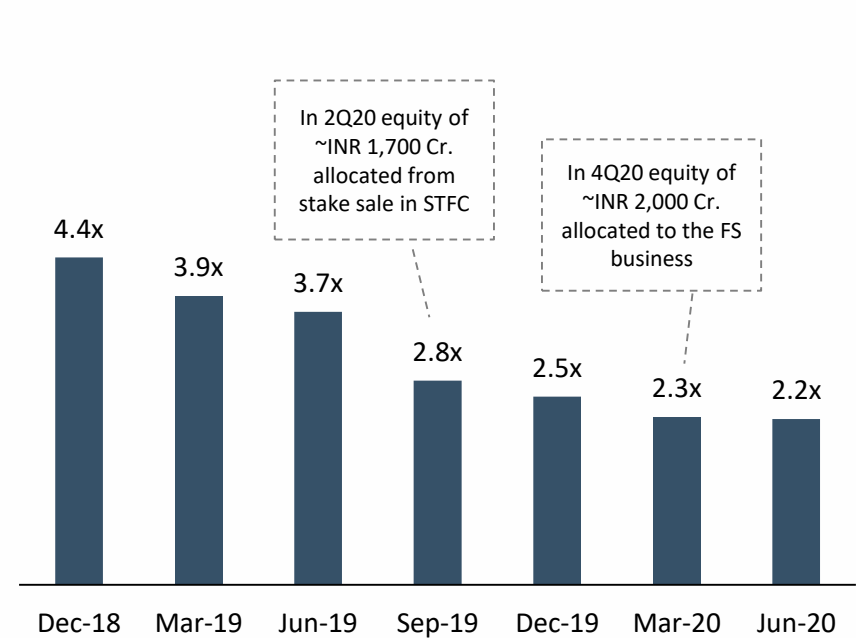
(2) Data for PCHFL

G Capital Adequacy and Leverage

Capital Adequacy Ratio (%)^{1,2}



Net Debt-to-Equity²



Significant deleveraging of the Financial Services business

Notes: (1) Based on internal estimates (2) Figures are for Lending business

Performance metrics

Key Performance Indicators: PEL Financial Services (Lending Business)

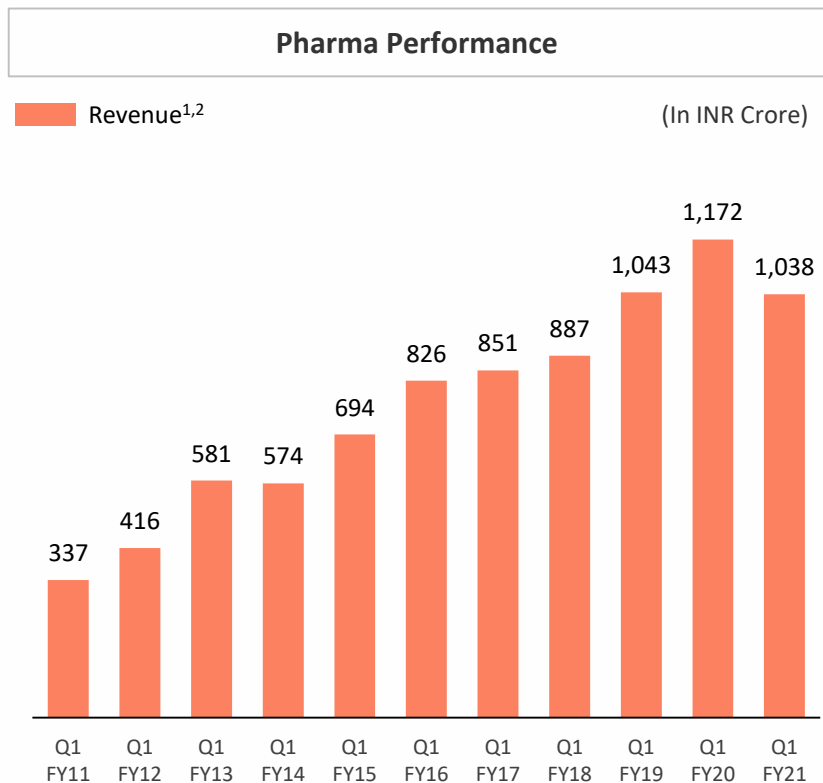
Particulars	Q1 FY2021
Total Loan Book size	INR 51,265 Cr.
Total Equity on Lending (utilized synergies from reverse merger)	INR 16,192 Cr.
Net Debt	INR 36,355 Cr.
Net Debt-to-Equity	2.2x
Average Yield on Loans	15.2%
Average Cost of Borrowings	10.8%
Net Interest Margin	6.5%
Cost to Income Ratio (CIR)	17%
Total Provisioning as a % of loan book (as on Jun 30, 2020)	5.9%
Gross NPA ratio (based on 90 dpd)	2.5%
ROA ¹	3.8%
ROE ¹	12.0%

Note: (1) On considering cash-tax and other synergies from merger, ROA was 4.9% and ROE was 15.2%



Pharma

Delivered resilient revenue performance despite COVID-19 global pandemic



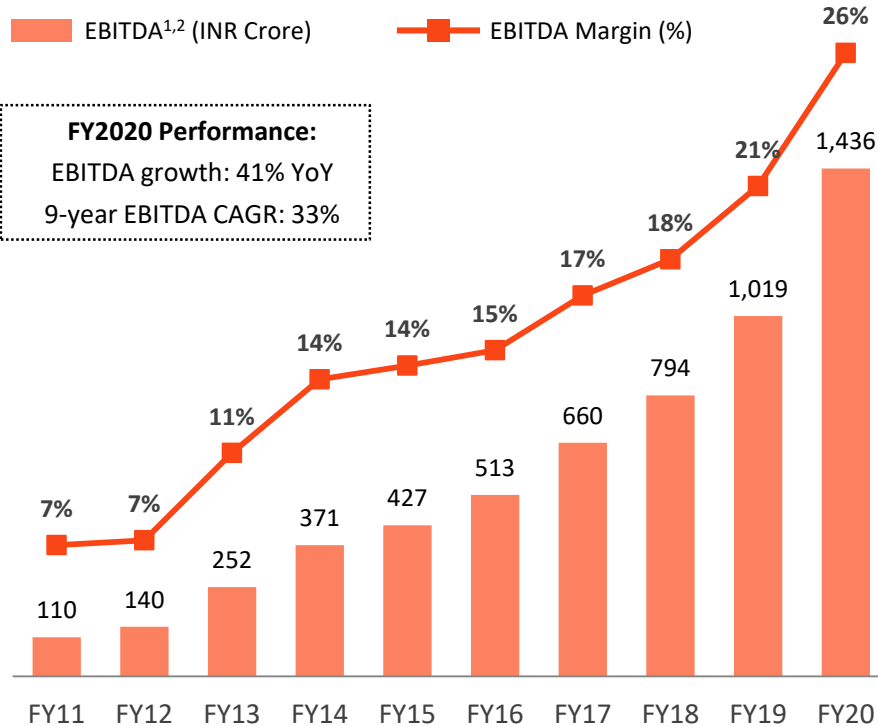
- **Q1 FY21 performance:** Despite global COVID-19 pandemic impact, delivered revenues¹ of INR 1,038 Cr. i.e. ~90% of Q1 FY20 revenues
 - **Pharma CDMO:** INR 614 Cr. (95% of Q1 FY20)
 - **Complex Hospital Generics:** INR 324 Cr. (78% of Q1 FY20)
 - **India Consumer Healthcare:** INR 104 Cr. (96% of Q1 FY20)
 - Volatility in the short-term; businesses to normalise over time
- **Consistent growth:** PEL's annual Pharma revenue grew at a CAGR of 15% over last 9 years
- Pharma contributed 35% to PEL's overall revenue
- In line with our strategy to also focus on inorganic opportunities, acquired Solid Oral Dosage Drug Product Facility in US
- **JV with Allergan:** PEL has 49% stake in Allergan India
 - Market leader in ophthalmic category in Indian formulations
 - 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

Continued improvement in the profitability over the years

Significant improvement in EBITDA over the last few years



FY2020 Performance:

EBITDA growth: 41% YoY

9-year EBITDA CAGR: 33%

Performance Highlights

- **EBITDA of Pharma business crossed INR 1,400 Cr.** with EBITDA margins at 26% in FY2020
 - 9-Year EBITDA CAGR: 33%
 - Consistent improvement in margin over last few years
- EBITDA for Q1 FY21 was **impacted by short-term volatility** in sales due to COVID-19 pandemic
 - Margins for Q1 FY21 at 11% as compared to 21% in FY20
 - Healthy margins expected again in coming quarters

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

COVID-19: PEL well-positioned despite pandemic-related challenges

Pharma – an essential service

- Contribution of the Pharma sector even more critical in the times of health emergencies
- Playing an extremely important role by enabling the supply of key medicines across the world
- This makes it one of the safest and most resilient industries in such periods of uncertainty

Demand for our Pharma products and services

- Underlying medical conditions that drive demand for our pharma products & services are largely unchanged
- Volatility in sales and changes in procurement patterns in the short-term; businesses to normalize over time

Potential upsides for businesses

- Some of our Complex Hospital Generics are used in COVID-19 treatments
- Received 30+ COVID-19 related new business inquiries for our CDMO business
- Greater demand in certain consumer healthcare categories such as hygiene products or preventive healthcare products – e.g. multivitamins, sanitizers

Resilient business model

- Robust businesses with differentiated business segments
- Achieved ~90% of Q1 FY20 revenues in Q1 FY21, despite major challenges posed by COVID-19 pandemic
- This reflects the inherent resilience of our business model

COVID-19: Measures taken to overcome the challenges

<p>Securing supply chain</p>	<ul style="list-style-type: none"> ■ Alternative vendor management was proactively accelerated 21+ months ago ■ Reduced location & supplier-concentration risks ■ Hence, no major negative impact of COVID-19 pandemic on our supply chain so far
<p>Business continuity</p>	<ul style="list-style-type: none"> ■ Our production facilities are diversified geographically across India, the US, the UK and Canada <ul style="list-style-type: none"> - Provides customers with flexibility and business continuity options ■ Compartmentalization of operations and interactions of employees at each of the sites to limit the impact of COVID-19
<p>Innovative BD and sales approaches</p>	<ul style="list-style-type: none"> ■ In light of reduced in person meeting opportunities, both CDMO and Complex Hospital Generics teams are innovating around customer interaction models and tools for business development (BD) activities ■ Use of technology along with training and support mechanisms for field force (of the Consumer Healthcare business in India) is enabling them to achieve sales in a virtual setting
<p>Safety of employees</p>	<ul style="list-style-type: none"> ■ Robust protocols at sites for prevention, response, and treatment; Work-from-home wherever feasible ■ Revised visitor guidelines; Regular updates on health and travel advisory to all employees

Successful fund-raise agreement amidst COVID-19 is an affirmation of inherent robustness of the business model and the measures taken



Financials

Diversified Revenue Mix

(In INR Crores or as stated)

Net Sales break-up	Quarter I ended			% Sales for Q1 FY2021
	30-June-20	30-June-19	% Change	
Financial Services	1,899	2,014	-6%	65%
Pharma ²	1,038	1,172	-11%	35%
Pharma Solutions	614	649	-5%	21%
Pharma Critical Care	324	414	-22%	11%
India Consumer Products	104	109	-4%	4%
Total	2,937	3,187	-8%	100%

Notes:

1. Foreign Currency denominated revenue in Q1 FY2021 was Rs.861 Cr. (29% of total revenue)
2. Pharma Revenue includes foreign exchange revenue as well.

Consolidated Profit & Loss

(In INR Crores or as stated)

Particulars	Quarter I Ended		
	30-Jun-20	30-Jun-19	% Change
Net Sales	2,937	3,187	-8%
Non-operating other income	65	64	2%
Total income	3,003	3,251	-8%
Other Operating Expenses	1,091	1,175	-7%
Expected Credit loss	51	(45)	n.m.
OPBIDTA	1,861	2,121	-12%
Interest Expenses	1,105	1,329	-17%
Depreciation	135	121	11%
Profit before tax & exceptional items	622	671	-7%
Exceptional items expenses/(Income)	-	-	-
Income tax	161	216	-25%
Profit after tax (before MI & Prior Period items)	461	456	1%
Minority interest	-	-	-
Share of Associates ¹	35	73	-52%
Net Profit after Tax from continuing operations	496	529	-6%
Net Profit Margin %	17%	16%	
Less: Loss from Discontinuing operations	-	(80)	
Reported Net Profit	496	448	11%

Note: (1) 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
(2) Previous year figures are restated for accounting affect of Piramal Phytocare merger

Appendix

Stage-wise provisioning

Particulars (in INR Cr.)	As of Jun-2019	As on Mar-2020	As on Jun-2020
Gross Stage 1 & 2 Loans	56,120	49,761	49,984
Provision - Stage 1 & 2 loans	887	2,479	2,518
Provision Coverage Ratio - Stage 1 & 2	1.6%	5.0%	5.0%
Gross Stage 3 Loans (GNPAs)	485	1,202	1,281
GNPA Ratio (% of loans in Stage 3)	0.9%	2.4%	2.5%
Provision - Stage 3 loans	160	483	495
Provision Coverage Ratio - Stage 3	33%	40%	39%
Total Provision	1,047	2,963*	3,013*
Total Loans	56,605	50,963	51,265
Total Provision / Total Loans	1.8%	5.8%	5.9%
Total Provision / GNPAs	216%	246%	235%

* Includes incremental conservative provisions of INR 1,903 Cr. created in Q4 FY20 in response to COVID-19

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

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: Sale of Investments in Shriram Group

Dial-in details for Q1 FY2021 Earnings Conference Call

Event	Location & Time	Telephone Number
Conference call on 30 th July 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=3982835&linkSecurityStri ng=a554c3425

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