

Piramal Enterprises Limited

Acquisition of DHFL

Creates one of the leading Housing Finance Companies in India, focused on affordable housing

29th September 2021



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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.

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What does the transaction lead to?



Creates one of the **leading HFCs in India, focused on affordable housing**



Creates an **India-wide platform**, to address the diverse financing needs of the **under-served 'Bharat' market**



Size & Diversification

~5 times

Retail Loan Book post the merger

50:50

Retail-Wholesale mix in near-term

67:33

Retail-Wholesale mix in mid-to-long term



Scale

24 states / UTs

Pan-India footprint

236 cities / towns

6x increase in presence

301 branches

22x increase



Customers

~1 million customers

Life-to-date

17 lacs

Average ticket size

56% : 44%

Self-employed: Salaried



DHFL's Retail Portfolio Quality

90%

Loans with loan-to-value of ≤75%

78%

Loans towards fully-constructed properties

2.6x times

Market value of security against loans



Liabilities Side

~130 bps

Decline in average borrowing costs vs. FY21

6.75% p.a.

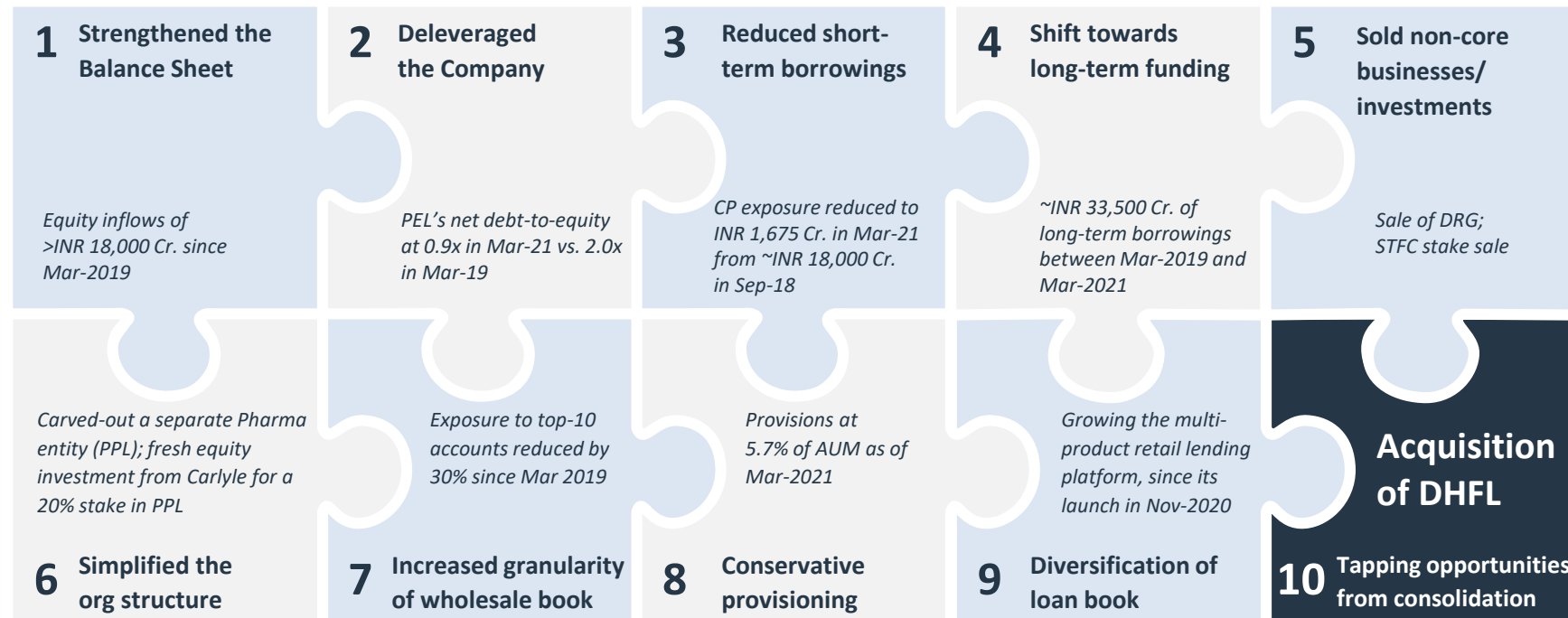
10-year NCDs worth ~INR 19,550 Cr. raised for the transaction

~4 years

Weighted average maturity of borrowings

DHFL acquisition is part of our deliberate strategy to transform Financial Services business

Key strategic initiatives enabling transformation of PEL Financial Services so far



Acquisition of DHFL is another major step towards transformation of our Financial Services business

Transaction Overview

Transaction Background

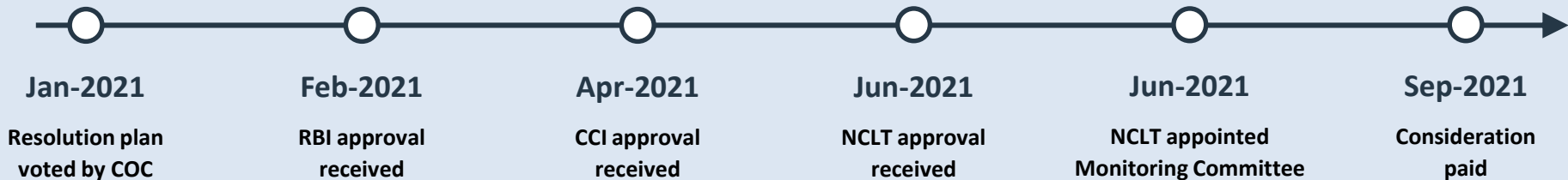
DHFL resolution – Key Highlights

**1st financial services company
to be resolved through
the IBC route**

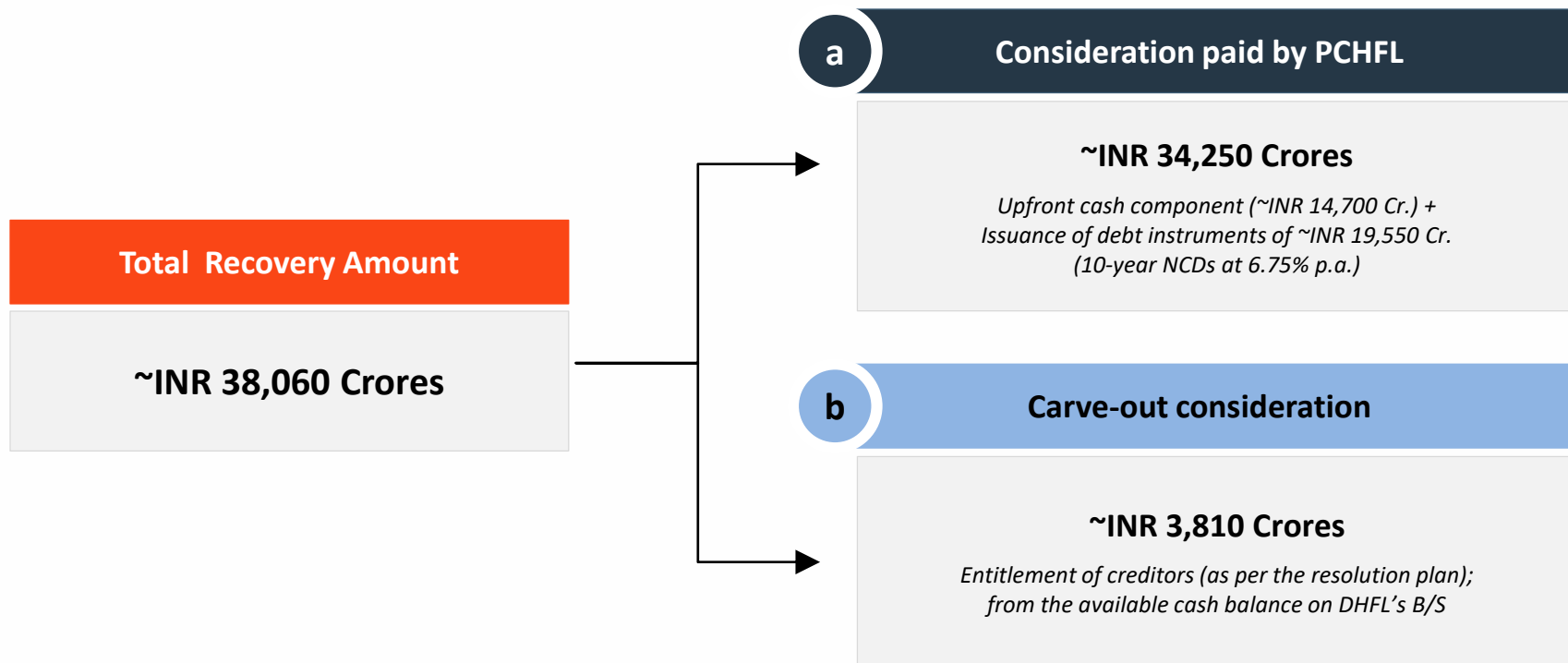
**94% of the COC voted in favor
of Piramal's resolution plan**

**Key necessary regulatory
approvals received
for transaction closure**

Key milestones

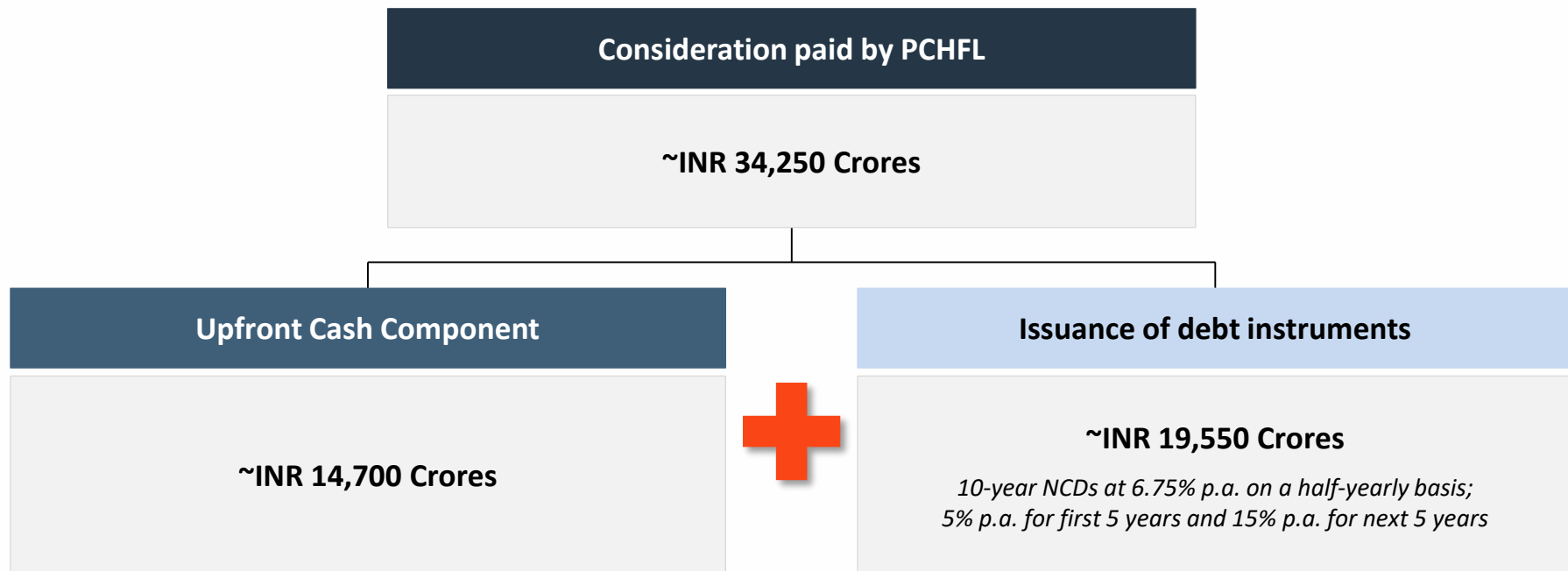


Total recovery by DHFL's creditors and deposit holders



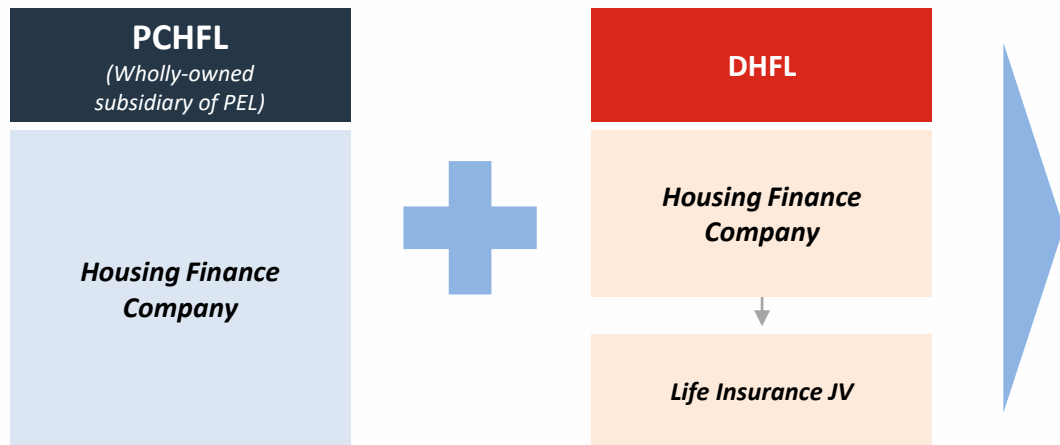
Most DHFL creditors to recover ~46% through successful completion of the resolution process

Consideration paid for the acquisition

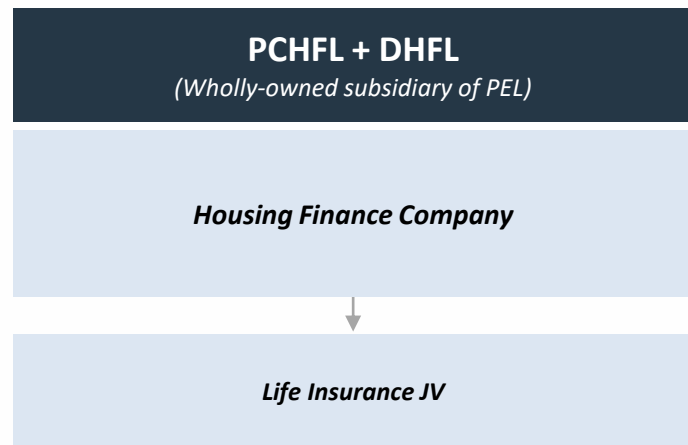


DHFL Transaction: Steps to the transaction

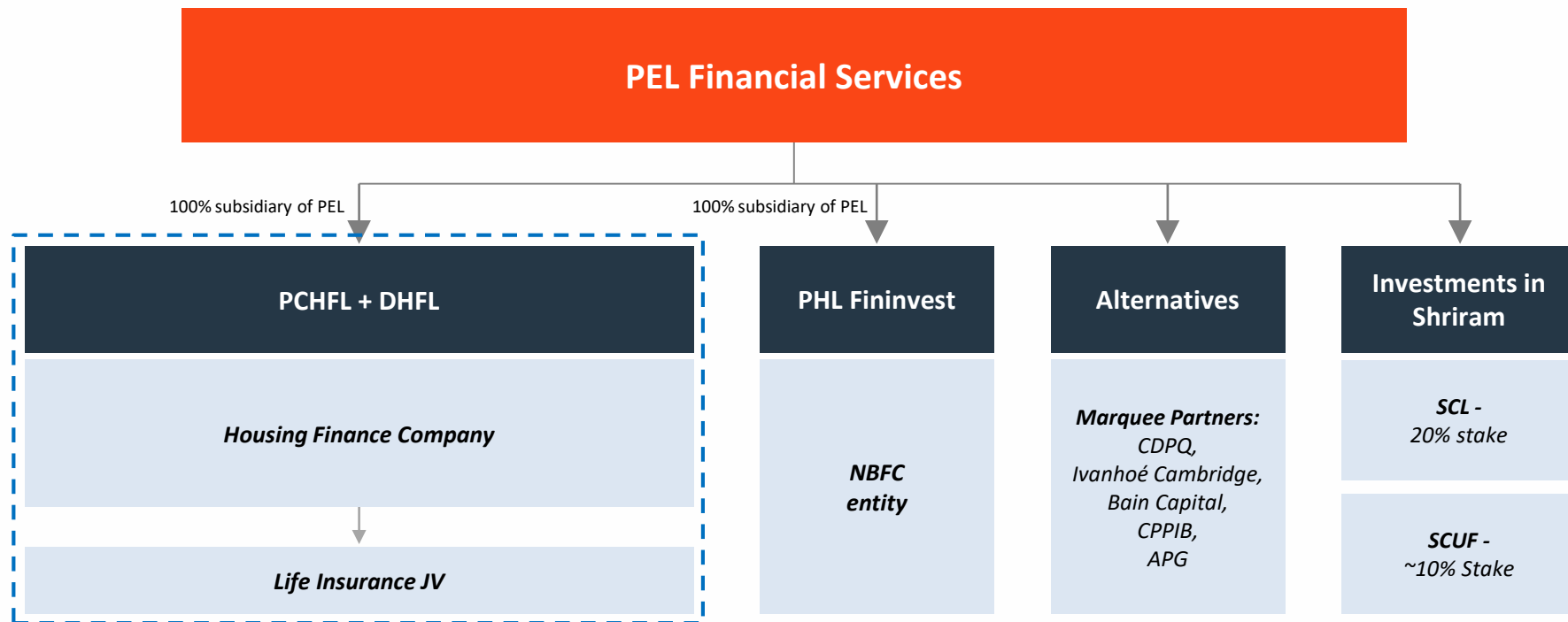
Step 1: Acquisition of DHFL



Step 2: To merge PCHFL with DHFL, resultant entity to be called as PCHFL



PEL Financial Services: Post-Merger





Strategic Rationale

Key strategic rationale and transformational synergies

A	Diversification	➤	Transforming into a well-diversified lender , focused on becoming retail-oriented
B	Growth	➤	Significant increase in loan book size – creates one of the leading HFCs in India
C	Scale	➤	Pan-India distribution network with an existing customer pool of ~1 million customers
D	Customer Segment	➤	Address financing needs of the under-served 'Bharat' market in affordable segment
E	Strengthens Liabilities	➤	Reduces borrowing cost and further improves ALM profile
F	Capital Efficiency	➤	Improves utilization of equity in the Financial Services business

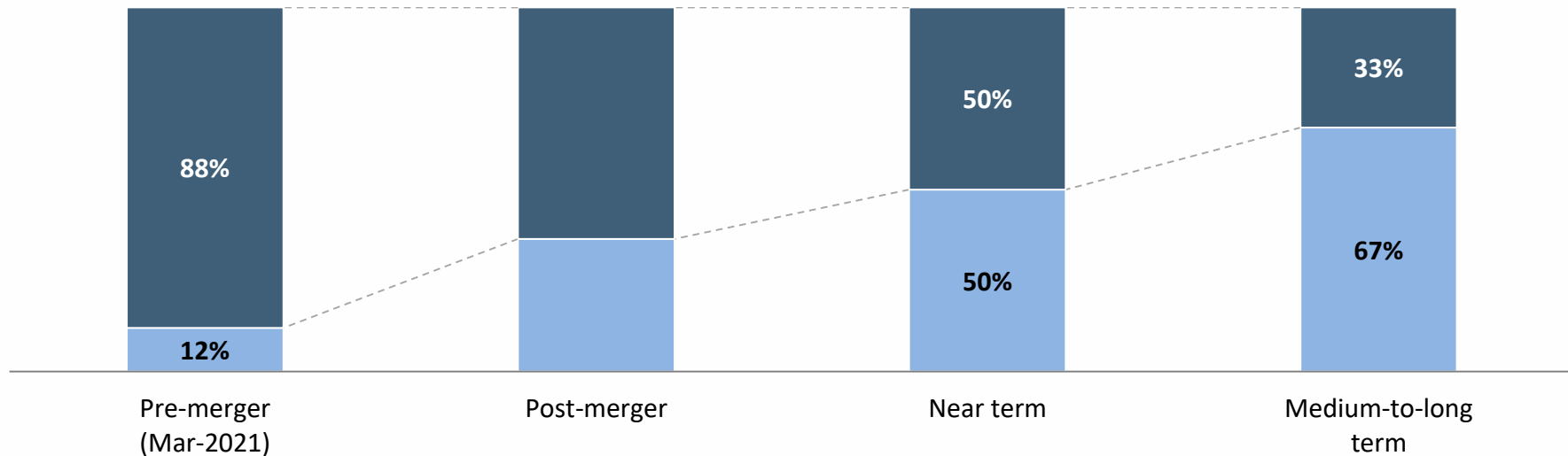


A **Diversification:** Transforming into a well-diversified lender, focused on becoming retail-oriented

PEL Financial Services: Loan Book Mix

In %

■ Wholesale ■ Retail

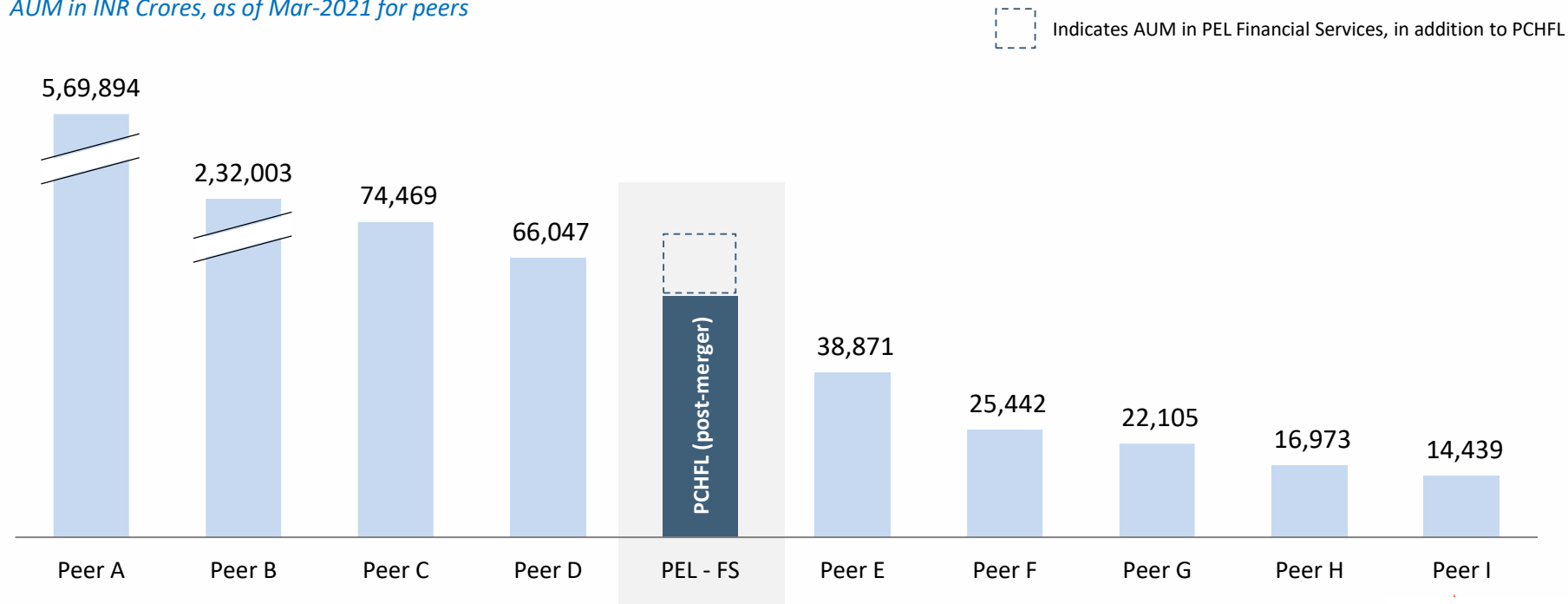


Creates a well-diversified loan book, with share of retail loans moving closer to two-thirds in the medium-to-long term

B Growth: Creates one of the leading Housing Finance Companies in India

Comparison of loan book across leading HFCs

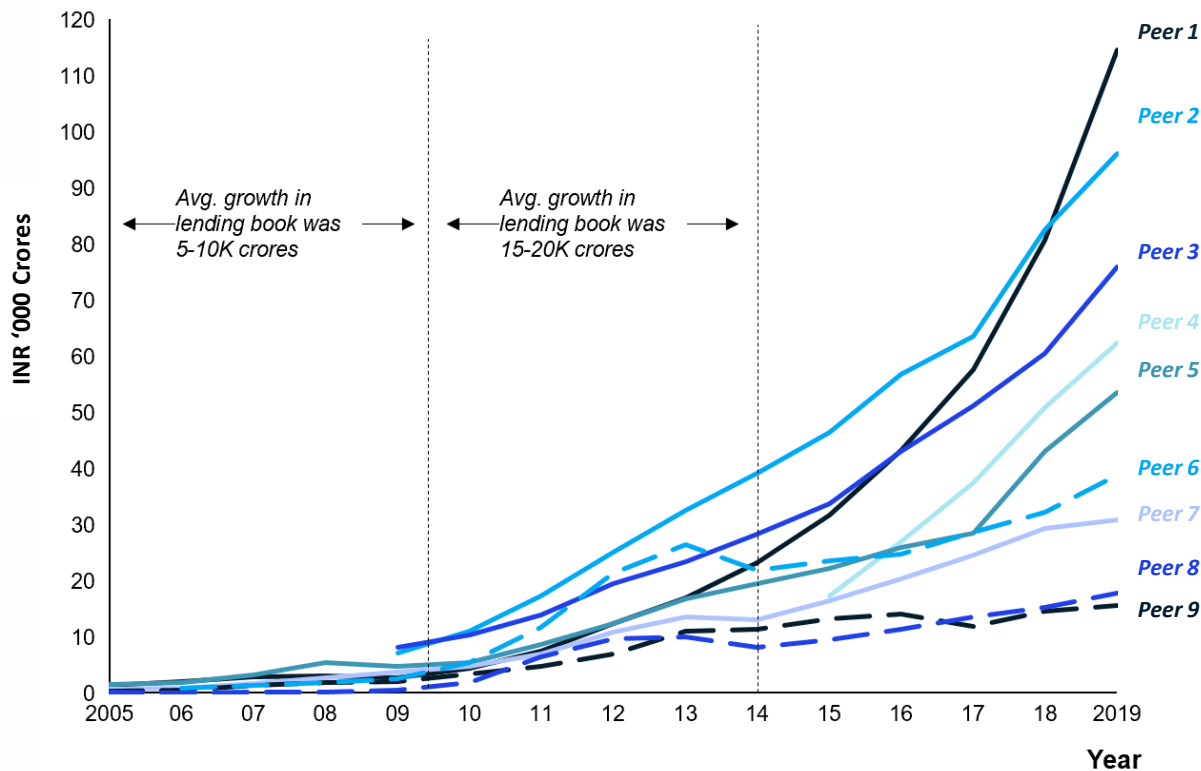
AUM in INR Crores, as of Mar-2021 for peers



Note: Entity-level AUM or loan book (as disclosed) of the Housing Finance Company for peers. The comparison does not include institutions substantially owned by central / state governments.
Peer set (in alphabetical order): Bajaj Housing Finance, CanFin Homes, HDFC Ltd., ICICI Home Finance, IIFL Home Finance, Indiabulls Housing Finance, LIC HF, PNB HF and Tata Capital Housing Finance Ltd.

B Growth: Historically, it has taken NBFCs ~10 years to scale their retail books to INR 20,000-30,000 Cr. via the organic route

Lending book outstanding of major NBFCs in India



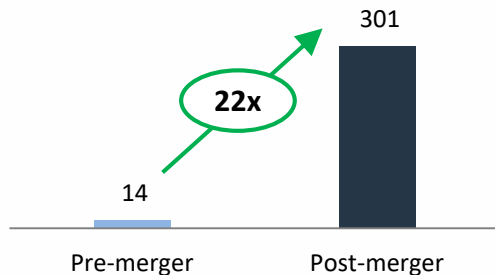
- Retail businesses require extensive infrastructure and team set up, which takes a long time to execute.
- The acquisition helps PEL achieve scale in retail lending – that would have otherwise taken several years to accomplish through the organic route.

Peer set includes (in alphabetical order): Aditya Birla Finance, Bajaj Finance, Chola, L&T Finance, Magma Fincorp, Mannapuram Finance, Muthoot Finance, Shriram City Union Finance, Tata Capital

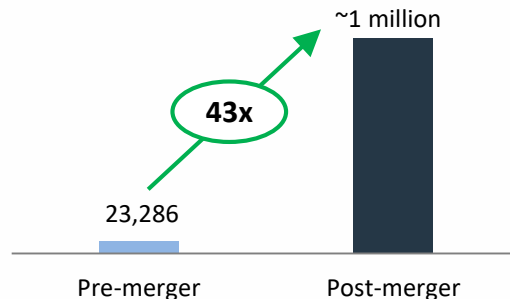
Source: Company Reports

C Scale: Creates a platform with pan-India presence and ~1 million customers

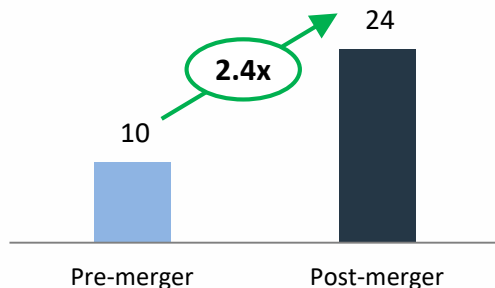
No. of branches



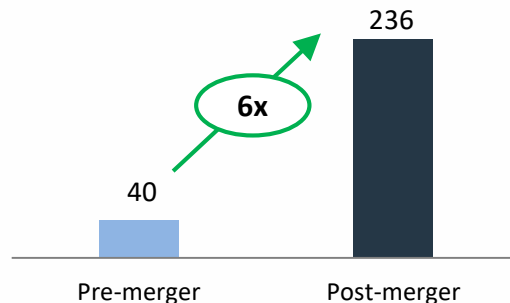
No. of customers¹



Presence in no. of states / UTs²



Presence in no. of cities / towns



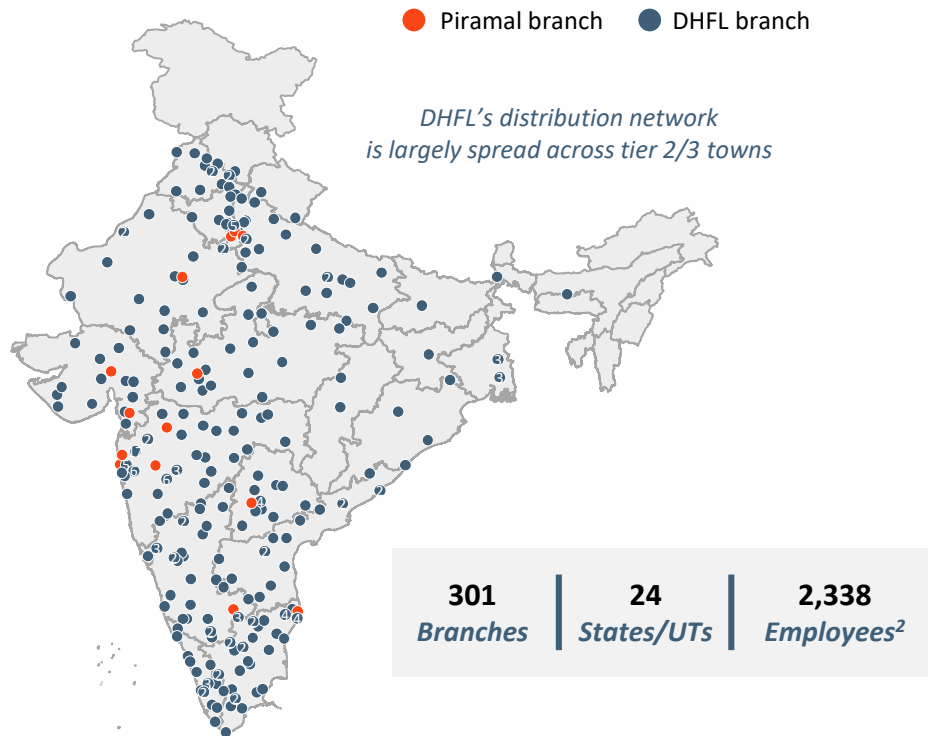
Notes:

(1) Life-to-date customers

(2) Union Territories

C Scale: Significant increase in geographic presence and distribution network

Distribution network post-merger¹

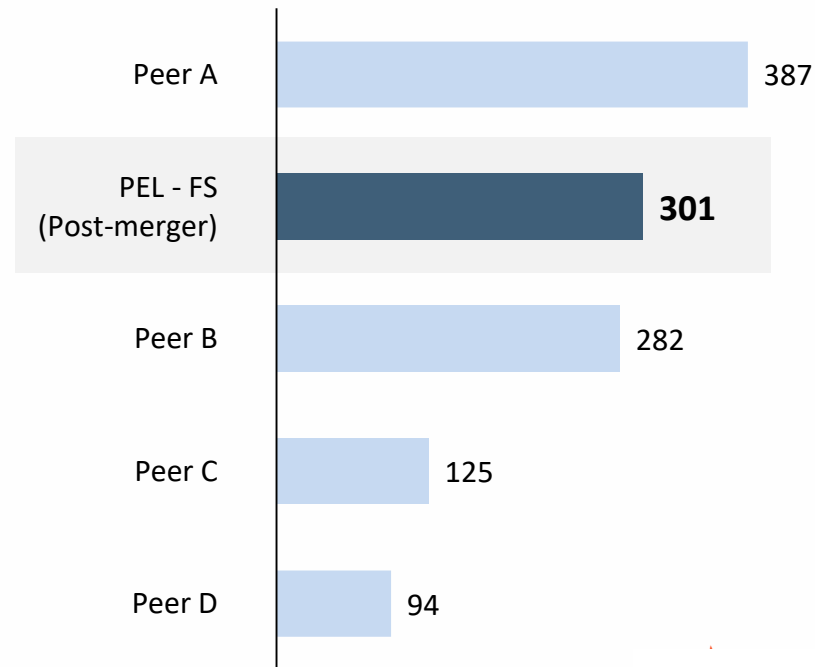


Notes: (1) Map not on scale

(2) Total employees (retail lending) at PCHFL and DHFL, as of Sep 15th 2021

Amongst the largest presence across HFCs³ in India

No. of branches (as of Mar-2021)

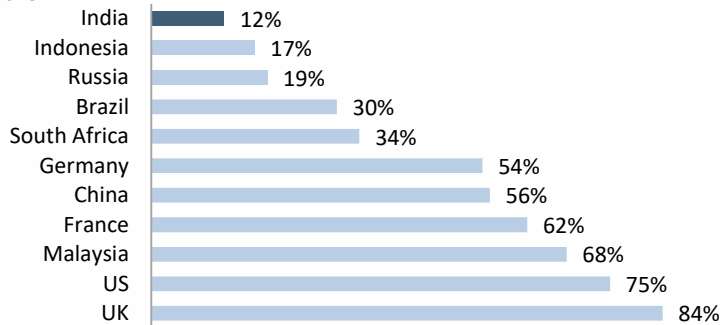


(3) Peer set (in alphabetical order): HDFC Ltd.; Indiabulls HF, LIC HF and PNB HF

D Customer Segment: Large market opportunity in Retail and Affordable Housing loans

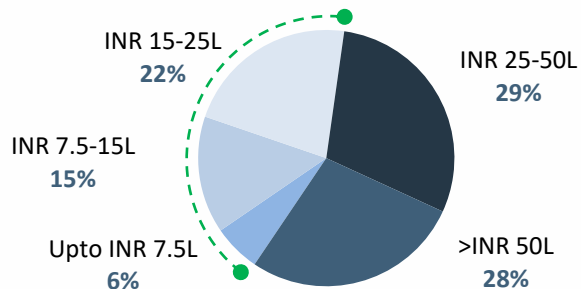
India's low household debt-to-GDP indicates significant untapped potential

As of 2019



Lower ticket-sized loans account for over 40% of housing loans

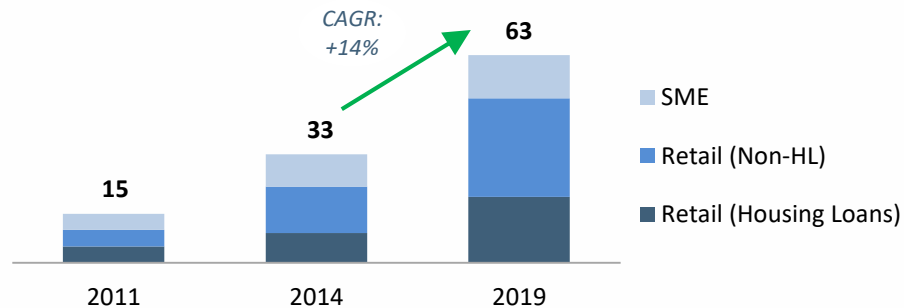
Ticket size-wise HL mix, % share by value as of Mar-2020



Source: IMF, CIBIL, CRISIL Research

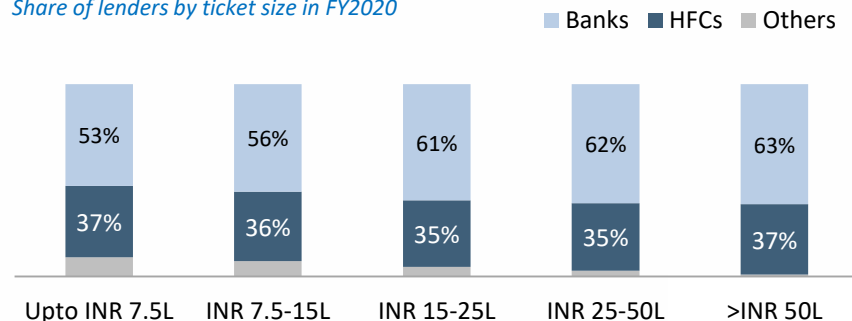
Strong growth in Retail and SME lending market

Industry-wide AUM, in INR Lakh Crores



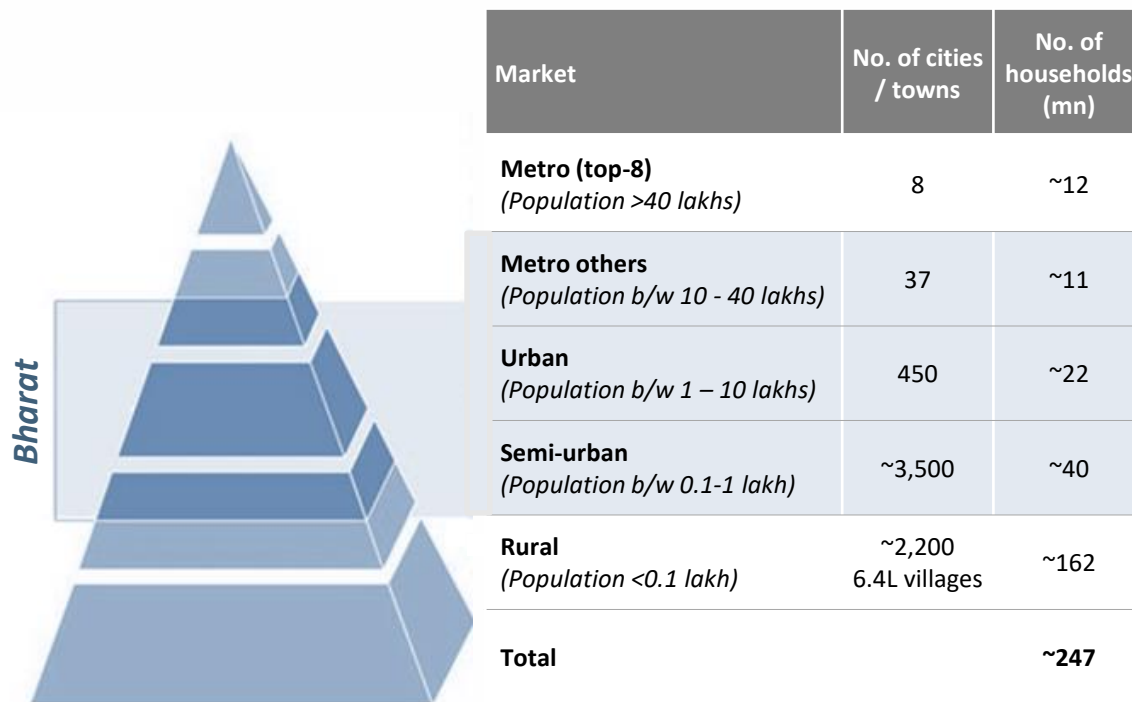
HFCs have over 1/3rd of the HL market across ticket sizes

Share of lenders by ticket size in FY2020



D Customer Segment: Significant untapped potential in the ‘Bharat’ market for affordable segment

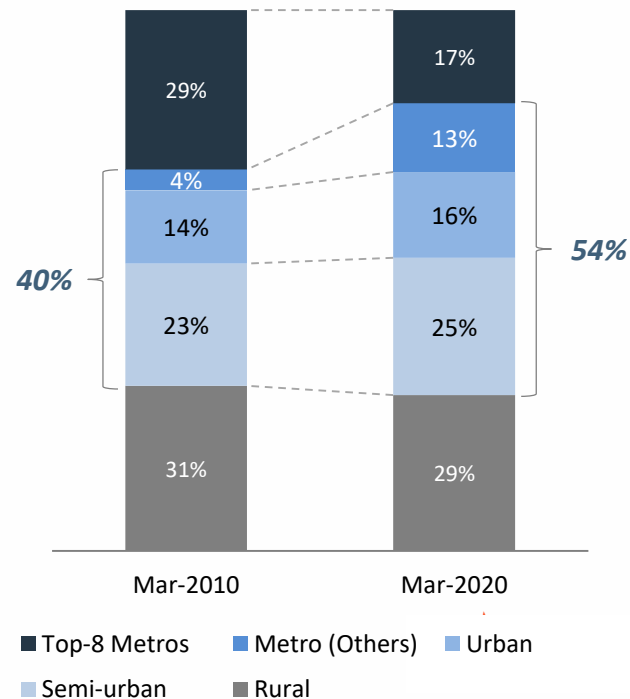
‘Bharat’ market: Tier 2/3 locations in small & mid-market India



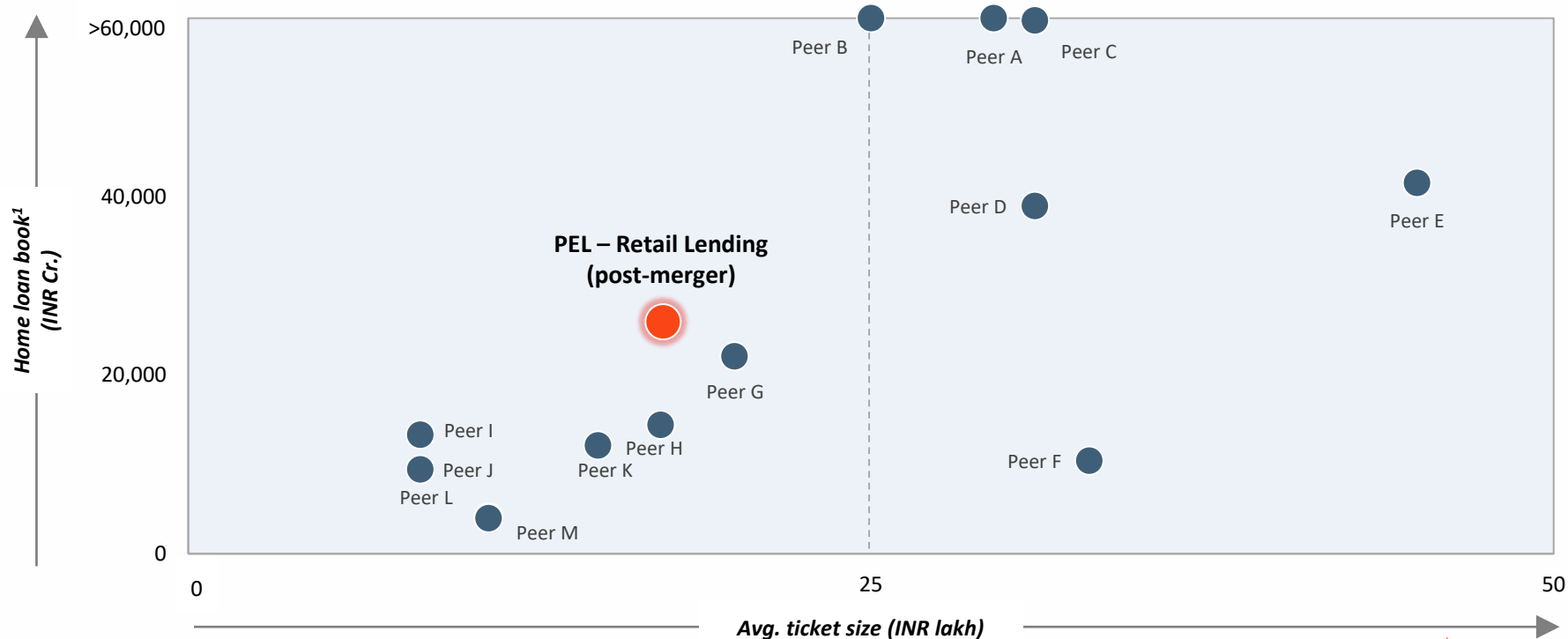
Source: RBI, Census 2011, Company Analysis

Significant increase in share of borrowers from the ‘Bharat’ market

Share of credit active consumers (# of loan accounts)



D Customer Segment: Transforms PEL Retail Financing to an at-scale, affordable segment lender



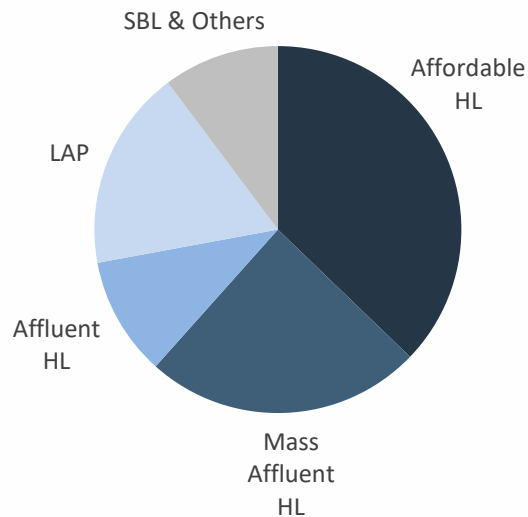
Peer set (in alphabetical order): Aadhar HF, Aavas Financiers, Bajaj Finance, CanFin Homes, HDFC Ltd, Home First Finance Company, ICICI Home Finance, IIFL Home Finance, Indiabulls HF, LIC HF, PNB HF, Poonawalla Housing Finance and Repco Home Finance

Note: (1) Home loan portfolio (including LAP, wherever disclosed) and average ticket size based on available disclosures made by peers

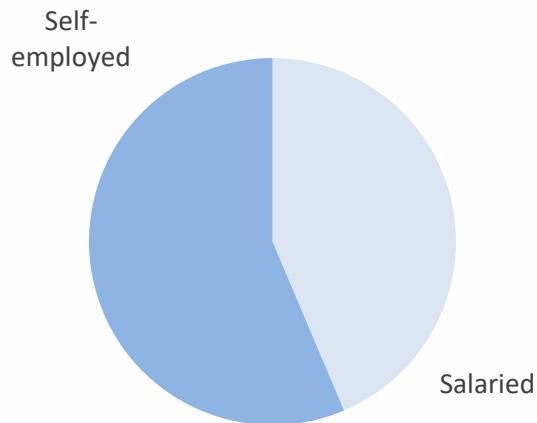
D Customer Segment: Creates a granular and diversified retail loan portfolio

Breakdown of the retail loan book – Post-merger

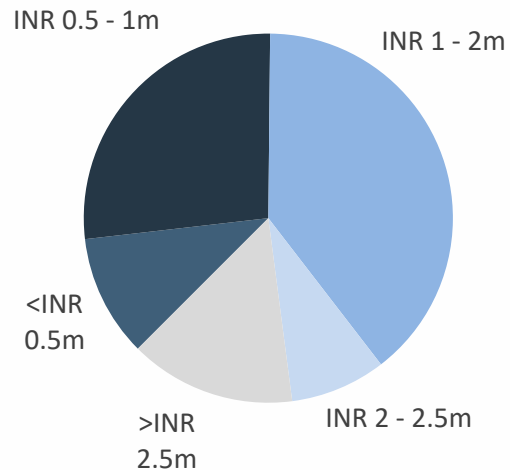
By product category



By customer segment



By ticket size



D Customer Segment: The DHFL acquisition significantly strengthens our presence in the affordable segment



Small business owner
'Kirana store' owner
in Bahadurgarh, Haryana

- Required working capital for wholesale trading in nearby localities



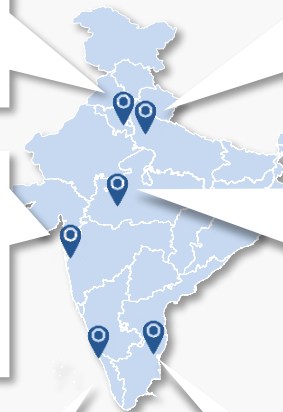
Cash salaried
Runs a coaching center
in Ulhasnagar, Maharashtra

- To purchase a 1BHK in Thane



Self-employed
Electrical contractor
in Kannur, Kerala

- To buy a house for self-occupation



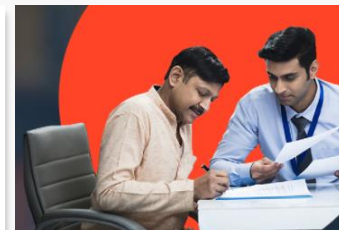
Small business owner
Tailoring business
in Meerut, Uttar Pradesh

- Required loans for renovation of shop



Self-employed
Trader of plywood
in Dewas, Madhya Pradesh

- To buy a plot and construct a house



Small business owner
Pharmacy owner
in Kanchipuram, Tamil Nadu

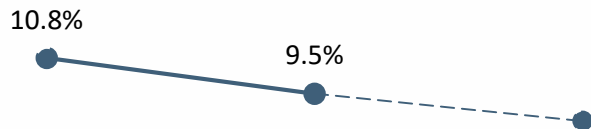
- Small business loan



E Strengthens Liabilities: Borrowing cost to decline post the merger; further improvement in the maturity profile of our borrowings

Average cost of borrowings

In %, for PEL Financial Services



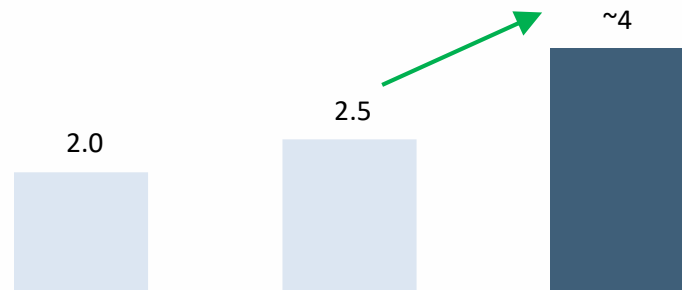
Pre-merger
(FY21)

Post-merger
(Pro Forma - FY21)

Near-to-
medium term

Weighted average maturity of borrowings

In years, on a residual basis



Mar-2020

Mar-2021

Post-Merger

Deal partly funded by long-term borrowings

Funding of INR 19,550 Cr. through 10-year NCDs at 6.75% p.a.

NCDs with back-ended outflows

Principal repayment at 5% p.a. for first 5 years and 15% p.a. for next 5 years

Retail portfolio with regular cash inflows

Average monthly cash inflows of INR 300-400 Cr. in the last 6 months

F Capital efficiency: Improved utilization of equity in FS business

	Pre-merger		Post-merger	
Equity (Financial Services)	INR 18,378 Cr.	→	No additional capital allocation	→
AUM	INR 47,181 Cr.	→	Increase in Retail AUM	↑
Net Debt-to-Equity	1.6x	→	Improved capital efficiency	↑

Low leverage even after transaction indicates sufficient capital for growth for the next 5 years

Potentially higher returns in medium-to-long term

Key ROE drivers



Immediate reduction in average cost of borrowings



Potential decline in incremental cost of funds



Improved capital utilization
(FS net debt-to-equity)



Change in retail product mix



Future growth engine



Recovery from retail NPA accounts



Potential improvement going forward

~9.5% (pro forma, post-merger) vs. 10.8% (actual) for FY2021

Driven by **loan book growth and diversification** (share of retail to increase to ~50% in the near term and to 67% in the medium-to-long term)

Increase from **1.6x (Jun-2021) to 3.5x (in near term)**

Expansion of product portfolio with **differentiated, customized products**

Leverage platform of 301 branches and ~1 million customers (life-to-date) to cross-sell

Deployment of recovery tools (using collection models, recovery prioritization, invoking SARFAESI, etc.)






ROE





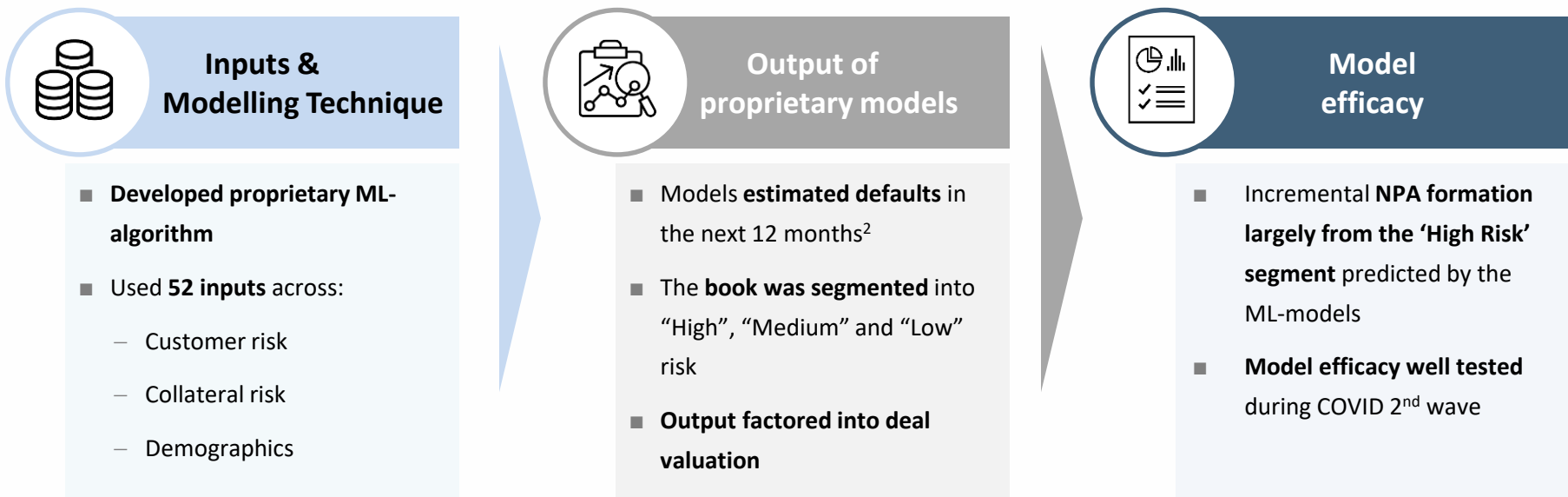
DHFL's Retail Loan Book: Diligence undertaken and asset quality

Diligence undertaken on DHFL's Retail Lending Portfolio

Key risks	Checked for	Approach to size up the risks	
 Credit risk	Potential credit losses	■ Independent models to estimate losses ★	Financial & performance diligence conducted on the entire customer pool
 Charge creation	Multiple loans from different institutions on same property	■ Generated asset reference number for all live accounts	
 Borrowers' profile	Customer footprint / creditworthiness outside DHFL	■ Bureau checks of exposures	
 Fraud risk	Fake accounts / customer existence	■ Physical visits and verification of 1,416 customers	Physical diligence conducted on a sample of ~2,600 customers
 Property Title deeds	Loan / mortgage documents	■ Reviewed 1,206 files to establish title documents	

★ Refer to the next slide for details

Credit Risk Management: Developed proprietary AI/ML¹ models to predict default risk in the DHFL portfolio

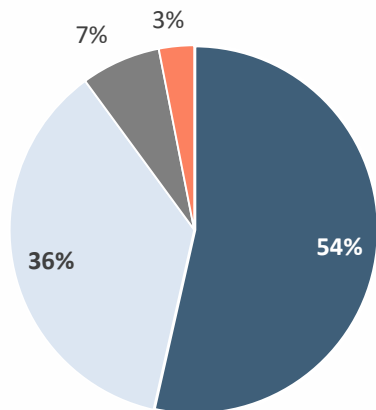


Consideration paid adequately factors in the outcome of the diligence process

DHFL's Retail Loans – Underlying assets (collateral) and construction status

90% of loan book with an LTV of $\leq 75\%$

% of on-book retail loans

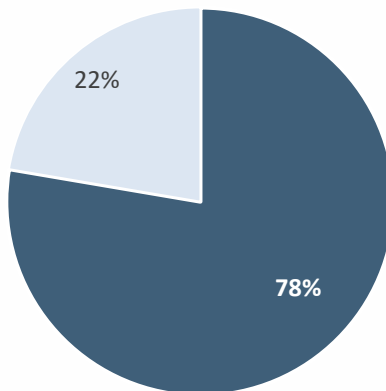


Loan-to-value (LTV):

■ <50% ■ 50-75% ■ 76-85% ■ >85%

78% of loans towards fully-constructed properties

% based on market value¹

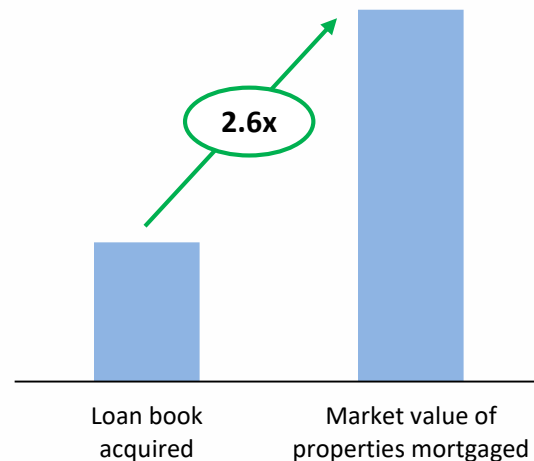


Construction status²:

■ Fully-constructed ■ Under construction

Market value of security against loan book

Corresponding to on-book retail loans (INR Cr.)



DHFL's
Customers



58% : 42%

Self-employed : Salaried (by AUM)

~730

Average CIBIL score³

Notes: (1) Market value of properties is as on underwriting stage

(3) As of Aug-2021

(2) Under-construction includes: Plot loans, HL Top-up, Plot+ construction, Home improvement, Plot+ construction, Home loans

External experts and advisors

Domain	External Advisors
Financial & Tax Due Diligence	KPMG India Private Limited
Legal Due Diligence	Trilegal
Documents / customer verification	Third Party Agencies
Credit loss assessment ¹	CRISIL ² , CIBIL and Arpwood
Valuation ¹	CRISIL ² and Arpwood
Transaction & tax structuring	KPMG India Private Limited ³ and Trilegal
Resolution Plan	Trilegal

Notes: (1) For DHFL's retail lending portfolio only

(2) External valuation service provider

(3) Provided tax structuring services in the transaction involving Piramal's investment in DHFL



Financial Services – Strategic Roadmap

Progressing on transformation agenda

Phase I: Consolidation

From Mar-2019 to Jun-2021



of accounts >15% of net worth

3



NIL



Capital adequacy ratio

22%



39%



Provisioning as a % of total AUM

1.9%



5.8%



Equity – Financial Services

INR 11,442 Cr



INR 18,378 Cr



Exposures to CPs

~INR 18,000 Cr¹



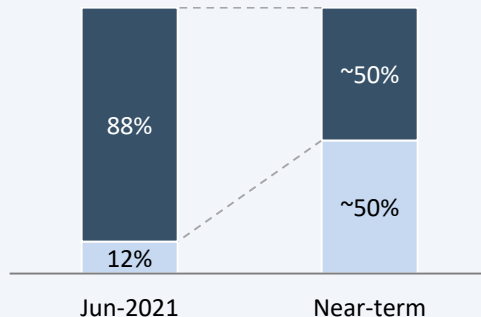
INR 2,635 Cr

Note: (1) Exposure to Commercial Papers (CPs) as of Sep-2018

Phase II: Transition + Quantum Growth

From a wholesale-led to a well-diversified business in the near term post DHFL acquisition

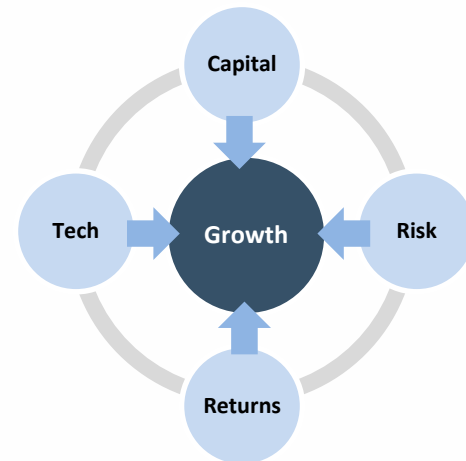
■ Retail Loans ■ Wholesale Loans



- Retail AUM expected to grow ~5x through the DHFL acquisition
- Creates one of the leading HFCs in India
- Key necessary regulatory approvals received for transaction closure

Current Position

Phase III: Sustainable Growth and Profitability



- To gradually scale-up the loan book after the DHFL acquisition
- To leverage DHFL's platform to cross-sell to its existing customer pool
- Plan to increase share of retail loans to two-third in the medium-to-long term



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