

## Piramal pays consideration for acquisition and merger of Dewan Housing Finance (DHFL)

### Transaction highlights

- The first successful resolution under the IBC route in the financial services sector and amongst the largest resolutions in value terms
- Total consideration of ~INR 34,250 Crores paid for the completion of the acquisition
- 94% of the creditors had voted in favor of Piramal's resolution plan
- Approvals obtained from Reserve Bank of India (RBI), Competition Commission of India (CCI) and National Company Law Tribunal (NCLT)
- Piramal Capital and Housing Finance Ltd. (PCHFL) to merge with DHFL. Resultant entity to be named as PCHFL.
- Most of the DHFL creditors are recovering nearly 46% through successful completion of the resolution process

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

- Access to over ~1 million lifetime customers
- Presence across 24 states with a network of 301 branches and 2,338 employees
- India-wide platform to address diverse financing needs of the under-served 'Bharat' market
- Significantly diversifies the loan book towards retail financing – Nearly 50:50 retail wholesale mix in the near-term
- Acquisition will scale up our retail loan book to ~5 times
- Reduces the average borrowing cost and further improves the Asset Liability profile of our Financial Services business

### Acquisition is in line with a strategic roadmap to transform our financial services business, over the last two years

- Raised ~INR 18,000 Crores of equity - strengthened the balance sheet to take advantage of such large opportunities
- Significantly reduced debt-to-equity – creating a headroom for significant growth in the merged entity

**Mumbai, India | September 29, 2021:** Piramal Enterprises Limited ('PEL', NSE: PEL, BSE: 500302) today announced the payment of consideration for the acquisition of Dewan Housing Finance Corporation Ltd. (DHFL), marking the first successful resolution under the IBC route in the financial services sector. In value terms, the transaction is among the largest resolutions till date, setting the precedent for future resolutions in the sector.

Speaking on the occasion, **Ajay Piramal, Chairman, Piramal Group** said, "We are very pleased to announce the consideration payment made towards the completion of this exciting acquisition. This accelerates our plans to become a leading digitally oriented, diversified financial services

conglomerate that focuses on serving the financial needs of the unserved and underserved customers of our country.

An important characteristic of any advanced economy is a robust insolvency code. The landmark bankruptcy reforms have made it possible to solve complex resolutions like this in a more complete and timely way.'

**Anand Piramal, Executive Director, Piramal Group** said, "The combined entity will have 301 branches, 2,338 employees and over 1 million lifetime customers. We will be a dominant player in the fast-growing affordable housing segment. Over the last two years we have successfully built our next-gen technology platform, advanced analytics engine and AI/ML capabilities. This acquisition allows us to implement these technologies across a much larger base of customers. The new merged entity is poised to be at the forefront of the digital-first retail lending market in India."

### **About the transaction**

In January 2021, 94% of the Creditors of DHFL voted in favor of Piramal's resolution plan. Approvals were also obtained from the RBI, CCI and NCLT for the completion of this transaction. As a part of the process, Piramal Capital and Housing Finance Ltd. (PCHFL) will merge with DHFL. The merged entity will be 100% owned by Piramal Enterprises Limited.

The creditors of DHFL (including FD holders) would recover an aggregate amount of ~Rs.38,000 Crores from the resolution process of DHFL. This amount comprises of (i) ~Rs. 34,250 Crores to be paid by PCHFL as a combination of cash and Non-Convertible Debentures and (ii) an amount of ~Rs. 3,800 Crores, which is the entitlement of creditors (as per the resolution plan), from the cash balance available with DHFL.

There were ~70,000 creditors of DHFL and most of them are recovering nearly 46% of their pending dues through the successful completion of resolution process.

The total consideration paid by the Piramal Group of ~INR 34,250 Crores at the completion of the acquisition, includes an upfront cash component of ~INR 14,700 Crores and issuance of debt instruments of ~INR 19,550 Crores (10-year NCDs at 6.75% p.a. on a half-yearly basis).

### **Transaction Synergies**

The merged entity combines Piramal's financial strength, core values and institutional credibility with DHFL's geographic footprint and distribution network of 301 branches and 2,338 employees catering to ~1 million lifetime customers across 24 states - making it one of the leading housing finance companies in the country.

It creates an India-wide platform focused on the affordable segment (with average loan ticket size of nearly INR 17 Lacs) to address the diverse financing needs of the under-served and unserved 'Bharat'

market – that represents Indian budget conscious customers at the periphery of metros and in Tier I, II and III cities.

Over the last two years, Piramal Enterprises strengthened its balance sheet to take advantage of such large opportunities by raising ~INR 18,000 Crores of equity. It reduced net debt-to-equity and shifted towards long-term borrowings, thereby creating a headroom for significant growth in the merged entity. The acquisition is a major step under the execution of a strategic roadmap to transform our financial services business.

This transaction will not only grow the retail loan book to ~5 times, but also lead to a significant diversification of the overall loan book. This paves the way for achieving nearly 50:50 retail wholesale mix in the near-term. The company will leverage the “*phygital*” lending platform driven by Machine Learning (ML) and Artificial Intelligence (AI), including the new mobile app.

In addition, the transaction will lead to a reduction in weighted average borrowing cost by nearly ~130 basis points and should further improve the Asset Liability Management (ALM) profile of our Financial Services business. The transaction will also significantly improve the utilization of equity in our Financial Services business, with net debt-to-equity of the Financial Services business getting efficient from 1.6x as of Jun-2021 to 3.5x in the near term.

Parameters	What changes?
<b>No. of Customers</b>	43 times increase from <b>23,286 to ~1 million</b> in the number of lifetime customers
<b>No. of States</b>	2.4 times increase in presence from <b>10 to 24 states</b>
<b>No. of Cities / Towns</b>	6 times increase in presence from <b>40 to 236 cities and towns</b>
<b>Branches</b>	22 times increase in the number for branches from <b>14 to 301</b>
<b>Scale</b>	<b>~5 times</b> increase in the size of retail AUM
<b>Diversification</b>	From largely wholesale led to <b>50:50 retail wholesale mix</b> in the near term

### Future Roadmap

India’s household credit to GDP at 12% is lowest among sizable economies of the world, indicating a huge untapped market potential for the housing finance business in India<sup>1</sup>. With major push from the Government of India towards affordable housing, the share of credit active customers in Tier 2 and Tier 3 cities/towns is significantly increasing over the last few years<sup>2</sup>.

<sup>1</sup> Source: IMF

<sup>2</sup> Source: RBI

The acquisition will now provide an India-wide infrastructure with a large branch network as well as a sizable customer base that will leverage the technology-driven multi-product retail lending digital platform. It enables the company to significantly grow and diversify the retail loan book through product innovation, customised offering and superior customer experience. The share of retail financing is likely to improve to 50% in near-term and 67% in mid-to-long term. The growth in the retail loan book will facilitate capital efficiency in the financial services business.

The company will offer services such as used cars and two-wheeler loans; education loans for vocational and online courses; small builder finance to meet construction finance requirement; unsecured business loans; personal loans and loan against securities.

Piramal's 'Digital at the Core' proprietary tech platform will extensively leverage Artificial Intelligence and Machine Learning, including the new mobile app, to create a seamless customer journey. Additionally, to maintain continuous innovation and improvement of its platform, Piramal has invested in a ~10,000 sq. ft—Centre of Excellence for Technology, Engineering and Data Analytics centre in Bangalore.

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**About Piramal Enterprises Ltd:**

Piramal Enterprises Limited (PEL) is one of the large companies in India, with a presence in Financial Services and Pharmaceuticals. PEL's consolidated revenues were US\$1.7 Billion in FY 2021, with ~37% of revenues generated from outside India.

In Financial Services, the Company offers a wide range of financial products and solutions, with presence across both retail and wholesale financing. Within retail lending, through its multi-product platform, the Company offers home loans, loans for small businesses and loans for working capital to customers in affordable housing and mass affluent segments across Tier I, II and III cities. Within wholesale lending, the business provides financing to real estate developers, as well as corporate clients. The Company has also formed strategic partnerships with leading financial institutions such as CPPIB, APG and Ivanhoe Cambridge, etc. across various investment platforms. Piramal Alternatives, the fund management business, provides customised financing solutions to high quality corporates through – 'Piramal Credit Fund', a performing, sector-agnostic credit fund with capital commitment from CDPQ; and 'IndiaRF', a distressed asset investing platform with Bain Capital Credit, which invests in equity and/or debt across non-real estate sectors. PEL also has equity investments in the Shriram Group, a leading financial conglomerate in India.

In Pharma, the Company has a differentiated business model that is diversified across three segments: Contract Development and Manufacturing Organization (CDMO), Complex Hospital Generics (CHG) and India Consumer Healthcare. Through end-to-end manufacturing capabilities across 15 global facilities and a large global distribution network spanning over 100 countries, PEL sells a portfolio of niche differentiated pharma products and provides an entire pool of pharma services. CDMO business offers integrated solutions across the drug lifecycle - ranging from discovery clinical development to commercial manufacturing of Active Pharmaceutical Ingredients (APIs) and Formulations. The Complex Hospital Generics business markets niche inhalation anaesthesia, injectable anaesthesia, intrathecal spasticity and pain management and select antibiotics. PEL's Consumer Healthcare business is among the leading players in India in the self-care space, with established brands in the Indian consumer healthcare market. The Pharma Business has a joint venture with Allergan, a leader in ophthalmology in the Indian formulations market. In October 2020, the company raised fresh equity from The Carlyle Group for a 20% stake in Piramal Pharma.

For more information visit: [www.piramal.com](http://www.piramal.com), [Facebook](#), [Twitter](#), [LinkedIn](#)

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