"Piramal Enterprises Limited
Earnings Conference Call Q1 FY24"

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MANAGEMENT:

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4. **MR. JAIRAM SRIDHARAN – MD, PIRAMAL CAPITAL AND HOUSING FINANCE LIMITED**
5. **MR. YESH NADKARNI – CEO, WHOLESALE LENDING BUSINESS, PIRAMAL ENTERPRISES LIMITED**
6. **MS. UPMA GOEL – CFO, PIRAMAL ENTERPRISES LIMITED**
7. **MR. RAVI SINGH – HEAD, INVESTOR RELATIONS, PIRAMAL ENTERPRISES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Piramal Enterprises Limited Q1 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Singh – Head, Investor Relations. Thank you and over to you, Mr Singh.

Ravi Singh: Thanks, Nirav. Hello everyone. I am pleased to welcome you all to our Q1 FY24 Earnings Conference Call.

Our results material has been uploaded on our website and you may like to download and refer to them during our discussion. The discussion today may include some forward-looking statements and these must be viewed in conjunction with the risks that our businesses face.

On the call today, we have with us our Chairman – Mr. Ajay Piramal; Mr. Anand Piramal – Director, Piramal Enterprises and Piramal Group; Mr. Rupen Jhaveri – Group President, Piramal Enterprises; Mr. Jairam Sridharan – MD, Piramal Capital and Housing Finance; Mr. Yesh Nadkarni – CEO of our wholesale lending business and the CFO of our company – Ms. Upma Goel.

With that, I would like to hand over the call to our Chairman and I would request him to share his initial thoughts. Thank you and over to you, sir.

Ajay Piramal: Thank you and welcome to our Earnings Conference Call. Our Q1 performance is in line with our commitment towards building a large diversified nonbanking financial company. I would like to discuss how we have successfully delivered during the quarter reflecting our strategic focus. Our total assets under management stood at Rs. 63,938 crores. We have significantly improved our Retail : Wholesale AUM mix to 55:45 from 34:66 in Q1 of the last year.

Our retail AUM witnessed a 57% year-on-year growth to Rs. 34,890 crores from Rs. 22,267 crores in Q1 FY23. Quarterly retail disbursements grew at 132% year-on-year to Rs. 5,707 crores from Rs. 2,460 crores in the Q1 FY23. Our wholesale 1.0 AUM reduced as per our strategic plan by 38% year-on-year to Rs. 26,000 crores compared to Rs. 41,655 crores in Q1 FY23. The Wholesale Stage-2+3 assets reduced by 34% quarter-on-quarter to Rs. 4,200 crores from Rs. 6,374 crores in Q4 FY23. We have built a wholesale 2.0 AUM worth Rs. 3,045 crores across real estate and corporate mid-market lending. Our GNPA ratio reduced to 2.8% from 3.8% in Q4 FY23 and NNPA reduced to 1.5% from 1.9% in the Q4 FY23.

In addition to these business highlights, I am glad to announce that today the Board of Directors have approved the buyback of equity shares of the company. This is in line with our consistent focus on long-term value creation for shareholders and effective utilization of capital. This buyback will be of up to 1.4 crores number of equity shares of face value of Rs. 2 each representing 5.87% of the pre-buyback fully paid-up equity shares at a price of Rs. 1,250 per share aggregating to Rs. 1,750 crores through the tender of route.

I would like to point out that the promoter and promoter group shall not participate in the buyback. The price of Rs. 1,250 per share is a premium of 25% over the last closing price of the stock market intimation date. Considering this buyback and dividend paid over the last 12 months, the company has returned a total of Rs. 3,278 crores which is 16% of the company's 3-month average market capitalization. The entire process is expected to be completed within 2 months. Here, I would just like to highlight that the promoters and the promoter group not participating in the buyback signifies the big potential that we look at and the value that is in the shares in the long term in the future and the promoters are fully committed to ensure that your company perform in the future as well. The capital allocation strategy aims to combine investing in our core business and returning excess capital to shareholders.

With this, I will now ask my colleagues, Jairam and others to speak on our various business segments. Thank you.

Jairam Sridharan: Thank you, Chairman. Friends, you have seen in our numbers some of our business performance in the various businesses. Let me start with retail lending. Our disbursement yields in retail lending improved to 14.7% from 14.2% last quarter. Our average disbursement ticket size was at Rs. 10.3 lakh in the quarter. 78% of the AUM in our retail business is in secured loans consisting of housing loans, LAP and other secured loans, primarily used cars. In the secured offerings, the average CIBIL score of our customers is 738. We are also witnessing strong growth in our unsecured loan offerings through multiple form factors and through various channels. We have served over 11 lakh customers so far with an average CIBIL score of 755.

As we continue to expand our retail lending business, we are also investing in manpower, branch infrastructure, technology and analytics in our retail business for future growth. During the quarter, we added 19 new branches which became disbursement active. With that, we today have a network of 423 conventional branches and 136 microfinance branches across the country with 587 districts across India over 25 states. Our customer franchise now stands at 3.3 million with an acquisition of 3 lakh new customers during the course of the quarter.

I will request my colleague, Yesh to talk a little bit about the wholesale lending business.

Yesh Nadkarni: On the wholesale lending side, we generated over Rs. 2,431 crores of net cash realization during the quarter through accelerated repayments and resolution proceeds of wholesale 1.0 portfolio in line with the provisions on these assets. We continue to focus on resolution of stressed assets which will moderate the wholesale book in the short term. A dedicated team is involved in monitoring and executing the resolution strategy for complex recoveries and enforcement, aim to improve recoveries and monetization of assets over the following quarters.

This quarter is well, we concluded sale of certain wholesale loans including loans acquired from DHFL through two separate ARC transactions. In these transactions we received cash worth Rs. 316 crores and issued SRs worth roughly Rs. 2,000 odd crores after 62% mark down. Note that various SR transactions consummated have been appropriately provided for over the quarters. With this, SR outstanding stood at Rs. 5,369 crores for the Q1 FY24 of which 30% has retail loans as underlying assets and the remainder 70% wholesale. We expect our SR portfolio to reduce in the future via combination of sales, enforcement and collections at our carrying value.

We are also focusing as you know on building a high-quality wholesale 2.0 AUM wherein

- We have built wholesale 2.0 AUM of about Rs. 3,000 odd crores by adding Rs. 253 crores of loans during this quarter.
- We will further build on this book in a calibrated manner while capitalizing on market gap.
- The average ticket size is around Rs. 165 crores for real estate and around Rs. 53 crores for Corporate Mid-Market Lending within wholesale business.

I just hand over back to Jairam again.

Jairam Sridharan: I will now request our CFO, Upma to walk us through our financial performance and give us a quick overview of the liability side of the business.

Upma Goel: Thank you, Jairam. Profit after tax for Q1 FY24 stood at Rs. 509 crores, led by gain of Rs. 855 crores on the sale of Shriram Finance Limited stake. We sold 8.34% stake of Shriram Finance Limited for Rs. 4,820 crores at Rs. 1,545 per share. While our operating cost has improved quarter-on-quarter, it has gone up on a YoY basis primarily on account of scale up of the tech business and our investment into the tech platform. Our annualized credit cost reduced to 1.1% from 1.9% in Q4 FY23. We maintained a strong consolidated net worth of Rs. 30,844 crores for Q1 FY24 with capital adequacy ratio of 34.3% on consolidated balance sheet. We have maintained a strong liquidity with cash and liquid investment of Rs. 9,613 crores.

On the liability management side, we continued to focus on diversifying our borrowing mix including securitization. The fixed : floating rate debt mix has improved to 57:43 and we continued to see further improvement in the next few quarters. Our cost of borrowing has improved to 8.6% from 8.8% in Q1 FY23. Our ALM is well matched with positive gap across all buckets.

To conclude, the performance of the company in Q1 FY24 strengthens our confidence on the company's progress towards a diverse, multi-product resilient and sustainable financial services business. We remain focused on optimizing our capital allocation and generating an appropriate return on capital. I would now request Jairam to...

Jairam Sridharan: Before we open up the floor for questions, there is one item which I want to clarify on which many of you might have some questions on which is on the goodwill side where you saw a goodwill entry of about Rs. 278 crores goodwill write-off during the course of the quarter. Just to give you a little bit of context on this, this is related to transactions that happened back in 2014 where the company set up some funds to make investments in the real estate space. Over the years, those funds have had some challenges and the fund period has also now completed. What we did this quarter was to clean up that part of the balance sheet. Through this book entry, there is no cash flow associated with this. It is part of the intangible, but we start in the spirit of cleaning up the balance sheet those Rs. 278 crores getting rid of that this would be the right timing. With that, the total amount of goodwill left on the balance sheet for us on a consolidated basis is near Rs. 2 crores, so essentially all such entries have been resolved and taken care of during the course of this quarter. So that is one entry that might have been less obvious to some of you, so just wanted to provide that input. With that, I would like to open this up to all of you for questions as you might have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: A few questions, the first one broadly on asset yields, two parts to it, one if you can help explaining that your overall asset yield that had dropped sharply around 1.3% sequentially, so if you can just explain some what is the underlying morality that has sort of brought this asset yield down to 10.6% and related to yield only on the wholesale 1.0, I would expect reasonable amount of the book would be kind of on floating basis, yet if I were to look at the overall wholesale yield at 9.4% and your wholesale 2.0 yield is close to 13% that reflect that wholesale 1.0 yield is like 9%, so when those sort of if at all this floating loan that will be reprised and for long we will start of it because there is 9% yield on wholesale book looks very low?

Jairam Sridharan: The main part here, there are two important things here that you should recognize, the first is the fact that the entire AUM is not interest earning, and we have made some separate disclosures during the quarter. If you see our earnings presentation, you will see some disclosures on the Stage-1 book and how that splits up by interest earning versus not, so page 27, if you see this is a new disclosure that we have put out, just to clarify this point. So, as we are creating some of these security receipts between security receipts and some of the other assets which are non-interest earning you will see that the proportion of non-interest earning assets on the wholesale AUM has increased during the course of the quarter. What that does is that when you look at interest income as a proportion of AUM, that metrics does fall, even though nothing has chased on the loan part of the book. It is just that some interest earning assets on loans have gone to fair value side assets of SR etc. Now, over time as those non-interest earning assets come down and disappear, you would start seeing the interest income, true interest income starts to reflect, so it is not as that the interest earnings assets are sitting at 9%, there are no 9% assets on the book. It is just that as a percentage of AUM because of this dynamic you are seeing that 9% as a little bit. So that is the main dynamics that is sort of going on there. There are a couple of other smaller things in the quarter in the form of a little bit of interest reversal, little bit of increase in interest expense over the last quarter, but those are more minor compared to this major dynamic that has happened here and that is why we have put up this new disclosure on Slide #27.

Avinash Singh: Follow-up question is on one sort of disclosure or note to accounts, the potential tax assets that currently around, I guess, Rs. 6,200 odd crores so is there some sort of timeline by when, sort of, you will be in a position to either, sort of, take it into your books or is there some sort of process any timeline on that potential tax asset of Rs. 4,200 crores?

Jairam Sridharan: All matters related to taxation, we have to wait for communication from the tax authorities. We do not want to presume anything on our part. Let us see over the next two quarters or so if we hear about the past access and some of our submissions are all accepted, then we will be in a place to start bringing those on to our balance sheet, but it is not for us to dictate timing here, it is for the taxation authority should decide that.

Avinash Singh: If I can just one more follow-up, if you can provide some sort of consolidated capital adequacy post in buyback, I can see sort of a standalone capital adequacy given at 38% post buyback, what would be the consolidated number, that is currently 34% post this buyback?

Jairam Sridharan: It is approximately 31%. It would be approximately 31% where we to go to the full extent of Rs. 1,750 crores.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Sir, first of all, thank you Mr. Piramal and Mr. Jairam and Mr. Yesh and the team for improving the disclosures, really yielding to make life a whole lot easier, for you as management as well as for us. Sir, couple of questions that I had, first, out of this Rs. 4,700 – Rs. 4,800 crores that you have received from the stake sale you have already announced Rs. 1,750 crores being used for the buyback, what is the thought process around utilizing the remaining money given that I think all of us acknowledge remain only capitalized, so are we at least looking at some M&A opportunities and if yes, in which product segments are you kind of looking at those opportunities?

Jairam Sridharan: Thanks for your question, Abhijit and thanks for appreciating the improved disclosures, our colleagues in the IR team and Rupen, our senior leader in charge of the phase have been working very hard on that and I am glad you noticed it. On your question on utilization of the proceeds from Shriram, as we have been saying in the past, there are three ways we could utilize money from Shriram. One is organic growth, the second is some sort of return to shareholders, and the third is inorganic. The first two continue, clearly you have seen us take the step with respect to returning some capital of the shareholders through the buyback, proposals that we have in front of us. On your question on inorganic, if you track the Piramal House over the decade you know that Piramal is very comfortable with using M&A as a growth engine and adding value to acquired assets. It is something that we continue to be interested in. We have been active in the market, and we have been looking at transactions that have taken place, unfortunately none of them has cleared because of pricing consideration and needless to say some of it stems from the fact of where our stock itself trades and hence kind of the currency that we have to work with, so some of it does reduce some of your optionality, but we are keenly looking at potential M&A opportunities. The kind of M&A that we will be interested in is stuff that is, again, very similar to businesses that we have chosen for ourselves and it could be in spaces like small business lending, microfinance, gold, some of these businesses which are in the Bharat markets and in the retail space. Those are businesses we like and we continue to look at various options in that space.

Abhijit Tibrewal: Just one more question for Yesh, sir, what I kind of what to understand is couple of things you talked about in your opening remarks about two transactions that you have done on the wholesale side where you have sold the wholesale book which require during the DHFL acquisition, so two subparts to this question now that we are seeing accelerated reduction in the wholesale book with this SR now, how should we kind of look at SRs essentially from a standpoint of over what time can we expect recoveries or the SR go away from our balance sheet and if and when they do, will there be more hackers that you are expecting given that you have fair valued when you note these numbers on SRs? And lastly what I want to understand is, now that for the last two quarters, you have been guiding that there won't be any more negative surprises from the wholesale book either in terms of sale recognition or for that matter hackers or credit cost that will be required, are we now in a plane where we are sitting down to our Stage-2 and Stage-3, the more comfort that I wanted was more on the Stage-1 in the earning assets of about Rs. 18,000 crores which is sitting in wholesale Stage-1, are we now reached a point in time where we are much more confident that there will be no such surprises in the subsequent quarter?

Yesh Nadkarni: The answer to your third question is yes, we don’t think that there would be any surprises. We do think that we have the recognition and provisioning firmly behind us. Where we find ourselves right now at is deep in the recovery mode and the transactions that we have done in terms of the ARC deals this quarter as well as Rs. 6,000 odd crores of book reduction in the previous quarter is all in line with that strategy. So, what we actually see is only part of the recovery effort that is going on and we do expect that the recovery effort will continue intensifying as we go from here, but as far as the provisioning against the book is concerned, we do actually firmly believe that we already have that behind us and therefore going forward, the recoveries will be in line with what we have on our balance sheet. As far as the timelines are concerned, it is difficult to exactly predict by when we would end up actually cleaning up the

SRs as well as Stage-2, Stage-3 books. The efforts are on. By the very nature of the underlying assets and complexities involved in recovery of some of the assets, our expectation would be one should rely at least a few quarters for things to actually get resolved and see the end effect. So that is the answer to your first question. Second question, in terms of haircuts, I have already said that, that it is…...

Abhijit Tibrewal: Just one more technical question here, so when we look at SRs on the balance sheet, will we also be required to do mark to market every quarter, so essentially the SR number that we will see every quarter will incorporate as a kind of recoveries that you are seeing at least in terms of the SRs which are currently sitting on the balance sheet?

Yesh Nadkarni: First of all, the SR value additions on the balance sheet are at a significant discount or clean value. We have taken enormous haircuts, while enormous is a subjective term, but quite a material haircut in percentile terms. The SRs that we completed this quarter were at 63% haircut on the clean value. So I just wanted to say that as the first point. In terms of valuation, we need to get the fair market valuation done every way and it is only way which is the value can go down. It can't go up on our P&L until and unless the full recovery happens.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Asset Managers. Please go ahead.

Vivek Ramakrishnan: I had one accounting type question, so I just wanted to understand this net loss on the recognition of financial instruments of Rs. 1,482 and impairment reversal of about Rs. 1,172 crores, how does that work?

Jairam Sridharan: I would encourage you to actually look from an investor deck perspective we have talked about a loan loss provision of Rs. 179 crores, I think that is the summary view of everything that has gone on and let Upma talk a little bit about Rs. 1,172 crores and then I will get back to the Rs. 179 crores and how to think about it, my view is that is the best way to think about it. Rest of the stuff just adds up to that Rs 179 crores, so Rs. 179 crores is the best way to actually look at our credit cost, but Upma you want to explain?

Vivek Ramakrishnan: Actually, if that is the case, you just leave it there, then I can take it offline because it will just take time in the call, so we can do that. The other question was on the wholesale portfolio, is it fair to say that the cash that you have recovered is runoff of the Stage 1 portfolio and virtually all the ARC sales have come only in terms of security receipts which is why the amount has increased from Rs. 2,017 crores to Rs. 3,755 crores, is it fair to say?

Yesh Nadkarni: I would say a significant part of reduction is due to the SR transactions in Stage-2 and 3 and we got small amounts in Stage-2 and 3 in terms of the cash recoveries but also the Stage-1.

Jairam Sridharan: One thing I would also remind you is that the SR themselves have 15% cash component, so that obviously fully 85% get converted into cash, but your point is broadly correct. I would also say that this is from an SR creation standpoint. Some of the assets that we wanted to resolve through the SR route, a large part of that story over the last quarter and this quarter we have done, so in the future, the kind of resolution strategy that you would see would be a slightly different nature, so the big steep increase in SR that we have seen over last quarter and this quarter. You are not likely to see that continuing from thereon.

Yesh Nadkarni: I would also add one more point, right, just to put things in perspective, the SRs that you see right now on our balance sheet is a very small portion of the overall recoveries that we have done for the last few quarters. That is a very important point to note here because there are lot of other strategies which don't show up on the balance sheet points to the last quarter on last year, we actually did a pretty significant asset sale which in one transaction allowed us to bring down by Rs. 1,800 crores, just an example, similarly a portfolio of NPA assets that we sold last quarter for cash consideration and those efforts are going on. And as I had said while answering the previous question, I think recovery of the SRs and converting that into cash, this will move on as we move into the next few quarters.

Vivek Ramakrishnan: If I can sneak in one last question, there is one thing Stage 1 land receivables, essentially this is assets of the good cover that you expect whereas no cash flows would you expect good recovery, is that why it is classified as Stage-1, that Rs. 2,952 crores?

Yesh Nadkarni: Yes, this over time we think that is our recovery lead to. Right now, we are not really focusing on monetizing it, just what this asset sits on our balance sheet as a result of debt to assets swap we did a few years ago and there is deep embedded value in the underlying asset, but the recovery of it is something we will focus on as we go from here.

Moderator: Thank you. The next question is from the line of Kunal from DSP Asset Managers. Please go ahead.

Kunal: So I just wanted to ask that on the P&L side you have around Rs. 900 crores of onetime gain on account of which stake sale and on the expenses side, again you have around Rs. 300 crores of goodwill write-off. So if you just knock that off in this quarter, again we would have seen no profit or just a marginal amount of profit, so when are we expecting us to return back on the profitable growth trajectory sort of?

Jairam Sridharan: That is a fair backup inflow calculation and that is an appropriate representation of the quarter that we have had. I will point out that if you knock off extraordinary items from our P&L, let us say in the last financial year, you would have seen the core operating profits to have been negative. From that negative position, we have improved to sort of a breakeven sort of position during the course of this quarter. Our expectation is and needless to say this is not a situation that we are satisfied with, we need to do a lot better than where we are at and we have fully seized of the matter. Give us a couple of quarters and you will see the operating income kind of net of operating expenses etc., all start to pick up as well. So we are just on the cusp and over the next sort of quarter or two you will start seeing as firmly move into positive trajectory and as I said we have moved from negative to kind of zero, you will start seeing as moved to positive over the next quarter or two and move steadily towards a 4% pretax ROA over the medium term as we have spoken about in the past.

Moderator: Thank you. The next question is from the line of Afzal Muhammad, an Individual Investor. Please go ahead.

Afzal Muhammad: I have the question for Mr. Piramal, sir, I greatly appreciate the buyback decision, so my question was why would the promoter group not infuse capital to raise the promoter stake beyond 50% because this will increase the trust and confidence and this is the model that you are pursuing?

Ajay Piramal: In fact, this is a buyback, so the promoters cannot infuse capital is the other way around, the capital is being returned to shareholders and because the promoters are confident in the business, we are not taking part in the buyback, so in that sense, actually our shareholding will go up.

Afzal Muhammad: Yes, but there is another option you can raise your promoter stake by infusing capital via warrants so why wouldn't you do that?

Ajay Piramal: I think we are doing what is the right thing for the business.

Afzal Muhammad: My second question is to Mr. Jairam, sir, how long will this asset resolution phase last and how much will be the credit cost beyond the resolution phase?

Jairam Sridharan: We have been mentioning over the last couple of quarters that in the multiple phases of resolving an asset quality cycle, we have done the recognition bit, we have done the provisioning bit and we are now in the resolution phase. The resolution phase thus tend to be long and it needs to be seen in the context of what needs to be done operationally on an asset to asset basis to turn it around, so while we expect no further hit on P&L, operational turnarounds do take time. Yesh mentioned earlier in the call that think of the resolution process in terms of few quarters, not weeks or months.

Afzal Muhammad: And how much will be the credit cost like right now and then say beyond few quarters beyond the resolution phase?

Jairam Sridharan: This quarter you saw a net credit cost of 1.1%, we have said in the past that the kind of business that we are building is 1.5% to 2% credit cost type of business. We don't have a specific guidance out for the year or for next year, but directionally that is the kind of business we are building.

Afzal Muhammad: One last question, so Jio Financial Services also get into lending business, so will Piramal compete with Jio because this is part of the extended family?

Jairam Sridharan: I think you should wait to watch what happens with any new and large emerging competitor. We have a lot of respect for a lot of work that happens under the banner that you spoke about. We will have to wait and see as two separate listed entities, there are things that we can do and cannot do and everything has to be as per norms of SEBI etc., so we will take things as they come. As of now, we have markets that we are focusing on, businesses that we want to grow in and we will try and do our best and grow. India is the large market and lots of people can build great businesses here.

Afzal Muhammad: One last question if you can allow me, the retail AUM, so the percentage of unsecured loans is about 10%, so in the future say 2 or 3 years down the line, how much will be that unsecured loan as a percentage of total AUM, retail plus wholesale?

Jairam Sridharan: We have said that in the medium term, we would like unsecured to be twice up to 30% of our business, we will be roughly somewhere in that range, we will see. We will have to wait and watch what happens to unsecured from a credit risk perspective and depending on the cycle and it plays out, we will calibrate it up or down.

Afzal Muhammad: That is percentage of total AUM, retail?

Jairam Sridharan: Percentage of Retail AUM.

Moderator: Thank you. The next question is from the line of Ketan Chheda, a Retail Investor. Please go ahead.

Ketan Chheda: I would like to know what is the status of the land that we have in Andheri, we have not had any updates in the last few quarters on that one, so really appreciate if you could share an update on that? And the second question that I had is something similar to what has been asked before, in terms of the trajectory of the core pre-operating profit, pre-provisioning operating profit I mean, the trajectory has been actually downward, so while you did mention that we will go upwards, but I would like to know that why the trajectory of the core PPOP has been going down in the last few quarters, at least 4 to 5 quarters?

Yesh Nadkarni: I was just saying that the Andheri land is result of debt to asset swap that we did a few years ago, where are we at with that we believe that there is enormous embedded value in that plant however, we are not certain about or specific about the plans that we are going to actually put in place to be able to extract that value. We will actually focus right now on sort of resolving the loan book that we referred to earlier and, in the midterm, we will actually find different alternatives to unlock value from the land. There is no material update other than that.

Jairam Sridharan: As far as the operating profitability of the business is concerned, as I mentioned before the core driver that you should keep in mind is the proportion of interest yielding assets as the percentage of overall wholesale book. If you see the new disclosure that we have added to our presentation on Slide #27, you will see that over the last few quarters a significant proportion of assets has moved from interest yielding to noninterest yielding as we have worked on some of these resolution strategies, so these were assets that were accruing interest in the past where we have now stopped the accruing interest and moved them to investment category and that is what drive us a large part of the data that you see over the last few quarters and since that transition has largely taken shape in full from now on the growth that you see in the rest of the business etc., will start showing up in the operating profitability and hence my comment, such as give us a quarter or two and you will start seeing this gets start to move up from this bottom.

Ketan Chheda: Just one follow-up on the Andheri land again, sorry to come back on that one, but I think like in the last couple of years in one of the calls, it was mentioned that you are going to develop the land in like couple of phases and probably one phase was done and the remaining phase was to be done, you would cut the land and monetise your share, so after that you mean to say there is no update on monetizing the land while the plant was at that point in time?

Yesh Nadkarni: No, there is no specific update on that is what I meant. In the mid-term future we will find various paths to monetizing this land including what you just described, however, that is one of the options available to us and there is no specific plan that we can share with at this point in time.

Ketan Chheda: So there is no timeline as well when we want to complete the monetization?

Yesh Nadkarni: That is correct, sir.

Moderator: Thank you. The next question is from the line of Aditya Gupta, an Individual Investor. Please go ahead.

Aditya Gupta: So though the retail mix is getting improved in overall AUM, the total AUM is quite stable since few years, so what are the plans for increasing the total AUM?

Jairam Sridharan: You will note of course that over the last 5 quarters or 6 quarters, our overall AUM has been roughly the same, but the composition of the AUM has now dramatically changed from what it used to be to where we are now as we disclosed before, 55% of the book is retail and 45% is wholesale. Now, as you also saw the retail book is growing pretty strongly and so now, we are in the place where the majority of our books is growing and the minority of our books is degrowing which means the weighted average will start turning positive. So you just want to be patient for another quarter, may be 2 and you will start seeing this math play out. So as the larger part of the book is growing and the smaller part of the book is degrowing, so the math will just work out in a couple of quarters.

Aditya Gupta: And my last question is that is there any fundraising plans through NCDs or etc.?

Jairam Sridharan: As you know, we just disclosed our share buyback plan, so clearly that so we are not planning to raise any funds. I will also state that on successful completion of our buyback program we cannot be going out to market and actually raising equity for the next one year anyway, so no there are no short term plans to raise any equity.

Moderator: Thank you. The next question is from the line of Vikram Damani from Damani Securities. Please go ahead.

Vikram Damani: I just wanted to clarify one thing, when you speak about Stage-1, land and receivables that are non-interest bearing assets, I see quarter-on-quarter it is pretty much flat and your gross AUM on overall level is also flat, but could you then explain why such a sharp drop in the yields and the NIMs, is that the only thing that expedite, but since that is flat quarter-on-quarter your non-interest bearing assets how else would you sort of, can you throw some light on this on the drop of yields?

Jairam Sridharan: Don't look at it in absolute terms, look at it as a proportion of the total, you have to look at interest-bearing and noninterest-bearing, if the interest-bearing part keeps coming down and the noninterest-bearing is flat or slightly increasing, then as a proportion the noninterest-bearing keeps increasing and the yield on the interest-bearing part is not changing, so the overall yields will come down.

Vikram Damani: So as a percentage of the overall assets, could you just, I can't seem to find it on the presentation, maybe I can take this offline with you as well?

Jairam Sridharan: Yes please, we will explain to you.

Moderator: Thank you. The next question is from the line of Yash Modi from Ashika Stock Broking. Please go ahead.

Yash Modi: Just wanted some more clarity on our stake in Shriram General Insurance, Shriram Life Insurance and our DHFL Life Insurance, 50% stake in that if you could clarify what are you looking at because obviously the public market part of it is done now these unlisted entities?

Jairam Sridharan: Yes, as far as the insurance investment in Pramerica is concerned, we are 50% owners of that business along with Prudential US who owns the rest. Insurance is the long-term business, we have a commitment to IRDA to actually stay invested and continue to do what it takes to actually grow that business for a 5 year period, so you should think of that as a strategic investment where we are keen to actually grow the business and bring to materiality. As far as the Shriram unlisted businesses are concerned, let us see, we will explore various strategic options. There is no particular timeline in mind on what we need to do here. I will assure you that what we will do, we will do in such a way just that we did in the public markets transaction that we did recently. We will do it in a way that is good and accretive to all stakeholders involved in the transaction.

Moderator: Thank you. The next question is from the line of Parth Shah from ET Life. Please go ahead.

Parth Shah: Congratulations to the management and the good set of numbers, I just had one small question. In the consolidated financial statement, there is an entry other operating income of Rs. 95.46 crores which I believe is also used to offset the loan loss provisions in the investor presentation when you are showing a summarized loan loss number of Rs. 179 crores, could you just give more details on what that other operating income is?

Jairam Sridharan: Recovery from prior.

Upma Goel: So this Rs. 95.46 crores is primarily the recoveries on account of the Prudential write-off what we have done in last year.

Parth Shah: And my last question is on the unsecured book, so the 90 plus DPD has obviously seen a raise from 1.1% last quarter to 1.6% on the unsecured book, this is despite the high rate of growth and AUM increasing this seeing delinquencies showing some marginal increase, so just wanted to understand on how we are seeing that part of the business and what will be the steady state guidance as far as credit cost from the unsecured book perspective?

Jairam Sridharan: Parth, that is a good question and a good observation. Yes, you are absolutely right. A large part of this increase has come from our partnership businesses and as we have indicated in the past, a lot of these partnership businesses has some sort of credit agreements between the originator and the balance sheet provider and that is the portion in which we have had most of this increase, so while optically it shows up in your delinquency numbers, it does not cost P&L impact because it gets covered. If you net off the portion which has some sort of cover of this kind the delinquencies during the quarter for the unsecured business have been 90 basis points, so it is a good observation. It is true that on a gross basis we have seen delinquencies increase, but from a P&L impact perspective, we have not seen that, but this is a segment that we are very closely watching and we will continue to be very careful about in the quarters to come.

Parth Shah: So 90 basis points what you suggested which is probably in line with what was there even in the last quarter, so no material spike there?

Jairam Sridharan: No material thing has happened there. That said like there is a lot of growth that is going on in unsecured, so we have to careful, so we are not celebrating or calling victory here like we have to watch the things very closely, but yes, we are on a net basis at 90 basis points.

Moderator: Thank you. The next question is from the line of Afzal Muhammad, Individual Investor. Please go ahead.

Afzal Muhammad: One follow-up question, so why was there a decline Q-o-Q in the quarterly disbursement?

Jairam Sridharan: In the retail business, that is obviously seasonality, Q4 tends to be very high and Q1 tends to be lowest quarter in any year, so that is just seasonality that you are seeing, nothing else.

Afzal Muhammad: And net score would you expect similar trend or will it increase Q-o-Q?

Jairam Sridharan: Afzal, we don't offer quarter-on-quarter disbursement guidance, so we will see. Seasonality wise, Q2 does seem to be bigger than Q1, but let us see how it goes.

Afzal Muhammad: And by what timeline do you expect retail business to be two thirds at three more quarters of one year?

Jairam Sridharan: When we started talking about the two thirds, one thirds, we said that we will get there in the medium term 3 to 4 years. We are making a little bit more rapid progress towards that we had anticipated but let us see like if we start seeing some credit risk issues in retail we might slow down, etc., so it is hard to be very precise about these things and it is hard to actually move to a particular target on these things. Right now, the trajectory is strong. If we go on in this trajectory, we will probably reach there a bit faster than we had anticipated, but we don't have a specific target in mind.

Moderator: Thank you. The next question is from the line of Vinod Jain from Wells Fargo Advisors. Please go ahead.

Vinod Jain: My comments are about the insurance business, what are the prospects you see in this business going forward with the JV Pramerica and what about the mutual fund business also, can something be commented on that?

Jairam Sridharan: On the Pramerica side, we persist a 50% stake in Pramerica Life for about Rs. 1,000 crores as part of the DHFL transaction. When we purchased the business the Pramerica Life entity was number 19 in the leader board of the insurance companies in terms of premium, gross premium and if you see what has happened in the last year which was the first full year when we had full control in GWP terms. Starting from a super low base, Pramerica was the fastest growing life insurance company in the country and that has continued in this year as well. We have a long way to go. Currently we are number 15 based on May data for the year in terms of GWP, so we had gone up a few ranks on the leader board but we have long way to go and our hope and intention is to make this first a top 10 life insurance company as the first milestone and then we will see where we want to go. You also spoke about mutual fund business. Currently, we are not pursuing opportunities in the mutual fund space, we have a lot going on as it is in our core businesses. We will focus on these right now and we will take other opportunities overtime when we have a little bit more management bandwidth to spend.

Vinod Jain: Thank you.

Jairam Sridharan: Thank you, Vinod. Thank you everybody. It has been a very engaging call and thanks for all your constructive questions and your interest in Piramal Enterprises. We hope you got all the answers. If you have any more questions, please do reach out to our IR team, the details are there on our presentation and on our website, we would be happy to take you through any other technical questions or details that you might have. Otherwise, thank you so much for participating and have a very good evening.

Moderator: Thank you very much. On behalf of Piramal Enterprises Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.