

Piramal Enterprises Limited

Q2 & H1 FY2018 Results Presentation

6 November 2017



Key Financial Highlights

29% growth in revenues
during
Q2 FY2018

Rs.2,536 Crores

25% growth in net profit
during
Q2 FY2018

Rs.384 Crores

28% growth in revenues
during
H1 FY2018

Rs.4,790 Crores

28% growth in net profit
during
H1 FY2018

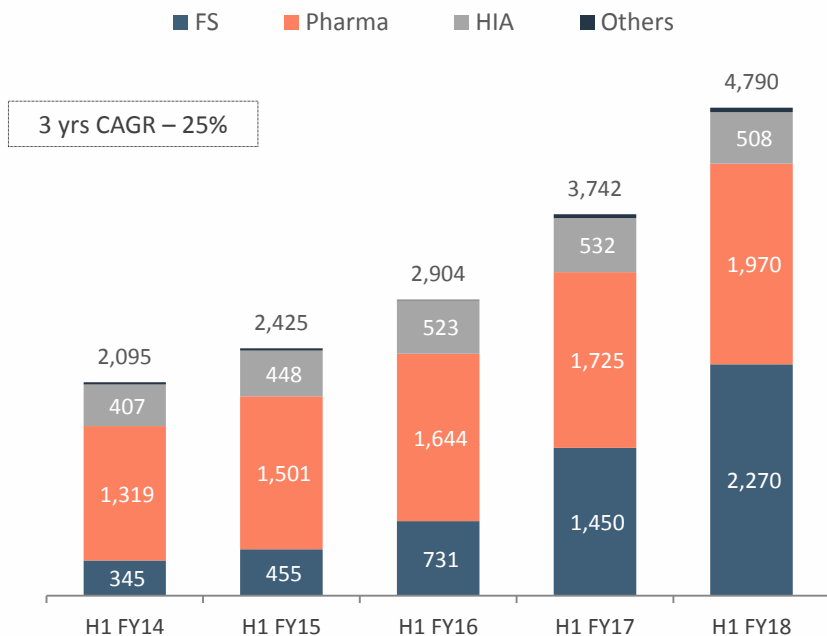
Rs.686 Crores

Operational highlights for the quarter

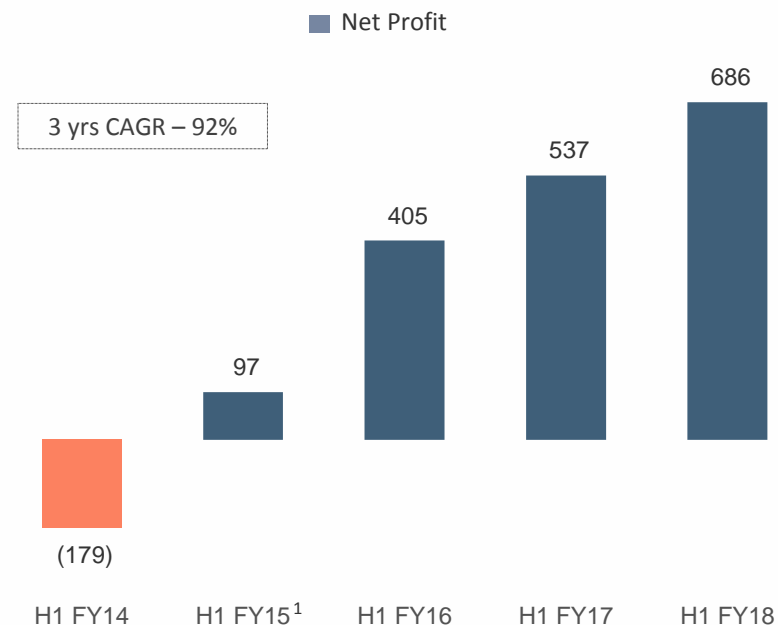
<p>Overall</p> <p>Successfully raised ~Rs.5,000 Crores through Qualified Institutional Placement (QIP) of Compulsorily Convertible Debentures (CCDs)</p>	<p>Financial Services</p> <p>Total Loan Book grew 69% to Rs.33,261 Crores; CFG loan book grew 100% to Rs.5,863 Crores</p>	<p>Financial Services</p> <p>Received Housing Finance Licence from National Housing Board; disbursed Rs.202 Crores in first month of operation</p>	<p>Global Pharma</p> <p>Announced USD 55 mn expansion of API manufacturing capabilities & capacities in North America and Asia</p>
<p>Global Pharma</p> <p>Successfully cleared 3 regulatory audits including 1 USFDA audit</p>	<p>Financial Services</p> <p>Proposed merger of Piramal Finance and Piramal Capital with Piramal Housing Finance</p>	<p>India Consumer Products</p> <p>Despite subdued performance of the industry due to GST launch, India Consumer Product business grew by 20% for the quarter</p>	<p>Healthcare Insight & Analytics</p> <p>Acquired Context Matters, a US-based data and analytics company to expand Global Market Access Intelligence offerings</p>

Delivering robust growth track record

Business-wise Revenue Trend



Net profit & Margin Trend



Note:

- H1 FY2015 net profit excludes exceptional gain on sale of 11% stake in Vodafone India partly offset by the amount written down on account of scaling back of our investments in NCE research.
- H1 FY2016, H1 FY2017 and H1 FY2018 results have been prepared based on IND AS
- HIA – Healthcare Insight and Analytics

Consistently delivering strong performance since last many quarters

Period	Revenues			Net Profits		
	Reported Period (Rs. Cr)	Previous Period (Rs. Cr)	% YoY Change	Reported Period (Rs. Cr)	Previous Period (Rs. Cr)	% YoY Change
Q1FY15	1,182	965	+22%	55	(147)	NM
Q2FY15	1,243	1,131	+10%	41	(32)	NM
Q3FY15	1,400	1,286	+9%	224	(11)	NM
Q4FY15	1,298	1,121	+16%	100	(311)	NM
Q1FY16	1,401	1,182	+19%	169	55	+206%
Q2FY16	1,504	1,243	+21%	235	41	+473%
Q3FY16	1,786	1,400	+28%	307	224	+37%
Q4FY16	1,691	1,298	+30%	193	100	+93%
Q1FY17	1,776	1,401	+27%	231	169	+36%
Q2FY17	1,966	1,504	+31%	306	235	+30%
Q3FY17	2,342	1,786	+31%	404	307	+32%
Q4FY17	2,463	1,691	+46%	311	193	+61%
Q1FY18	2,254	1,776	+27%	302	231	+31%
Q2FY18	2,536	1,966	+29%	384	306	+25%

Overall top line growth has been higher than 25%
in each of the last 8 quarters

Our normalised net profit has grown over 25%
in each of the last 10 quarters

Note:

- All periods of FY2017, Q1 FY2018 and Q2 FY2018 results have been reported in line with Ind AS Accounting and the results of the corresponding periods of the previous year have been reinstated to make them comparable with the reported period. Prior period numbers are as reported in their respective period.
- FY2015 quarterly net profit numbers exclude exceptional gain from Vodafone transaction and exceptional loss from NCE shutdown
- NM – Not measurable

Revenue growth across key business segments

% change - Q2 FY2018 vs. Q2 FY2017 Revenues

Financial Services



Global Pharma



India Consumer Products



Healthcare Insight and Analytics

-2%



Total Revenue



PEL among best performing companies in terms of revenue and profitability growth

- PEL among top 5 companies (within BSE 100 Index) in terms of 5 years revenue CAGR
- PEL among top 5 companies (within BSE 100 Index) in terms of 5 years Net Profit CAGR
- Very few companies are currently delivering similar / better track record of consistent growth in revenue and net profit over last so many quarters

PEL's relative positioning in terms of 5 year revenue and net profit CAGR among BSE 100 companies

BSE-100	5Yr Revenue CAGR	5Yr Net Profit CAGR
Quartile 1 Top 25 companies	●	●
Quartile 2 26-50 companies		
Quartile 3 51-75 companies		
Quartile 4 76-100 companies		

Source : Factset



Fund Raising

Deal Highlights

- ✓ **First major fund raise in the history of PEL**
- ✓ **Raising up to Rs.7,000 Crores (around US\$ 1 billion) :**
 - Around Rs.5,000 Crores through Qualified Institutional Placement (QIP) of Compulsorily Convertible Debentures (CCDs)
 - Up to Rs.2,000 Crores through Rights Issue
- ✓ **Largest QIP deal by any company (excluding banks) in India**
- ✓ **First QIP of INR denominated CCDs in India** - A milestone deal in the history of Corporate India
 - Structure of the deal to set a **benchmark for future fund raising** deals in India
- ✓ **Widespread participation** from FII long only investors, global university endowment fund, domestic institutions and alternative asset managers comprising over 30 institutional investors

Raising over a billion dollar capital via CCDs and rights issue

CCDs QIP

Successfully raised **~Rs.5,000 Crores**
through CCDs

- ✓ Issued 464,330 CCDs of the face value of Rs.107,600 each with a coupon of 7.80% p.a.
- ✓ It can be converted into pure equity at any time till the maturity date
- ✓ Each CCD will be compulsorily converted into 40 equity shares on maturity (at the end of the 18 months from the date of allotment)
- ✓ Conversion price fixed at Rs.2,690 per equity share

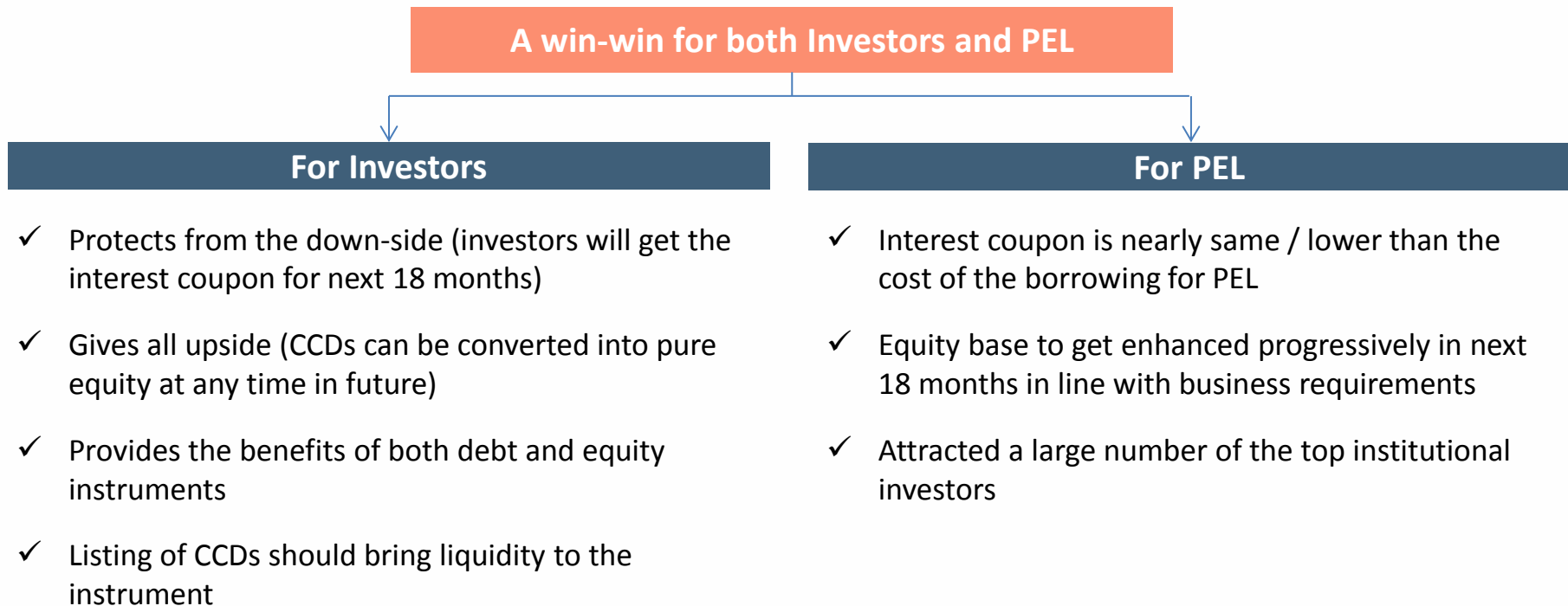


Rights issue

Plans to raise up to **Rs.2,000 Crores**
through Rights Issue

- ✓ Board and promoters are keen to give the existing shareholders of PEL an equal opportunity to participate in the fund raising
- ✓ Board approved a Rights Issue of equity shares at a price of Rs.2,380 for up to Rs.2,000 Crores
- ✓ Promoter Group to underwrite the Rights Issuance to an extent of 90% of the size

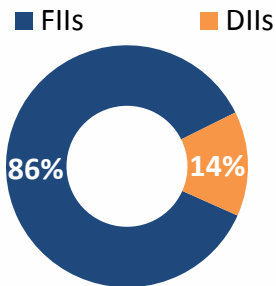
The structure of the deal to set a benchmark for the future fund raising deals in India



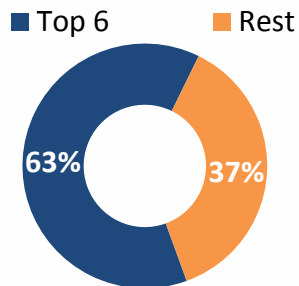
Participation from global pension funds, FII long only investors, domestic institutions and alternative asset managers

No.	Top 10 QIP participants
1	CDPQ
2	CAPITAL INTERNATIONAL
3	EASTBRIDGE CAPITAL
4	UNIVERSITY OF CALIFORNIA
5	JUPITER ASSET MANAGEMENT
6	KARST PEAK CAPITAL
7	STEADVIEW CAPITAL
8	DISCOVERY CAPITAL
9	MYRIAD ASSET MANGEMENT
10	RELIANCE INDUSTRIES

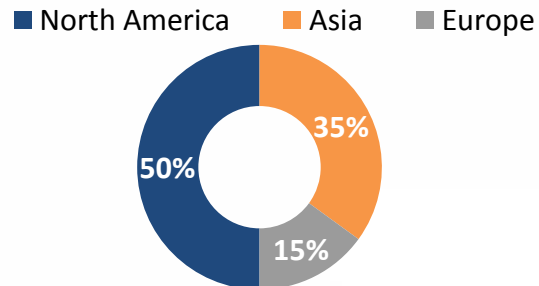
86% of CCDs were allotted to FIIs



Top 6 investors contributed 63% of the allotted CCDs



Investors were spread across geographies





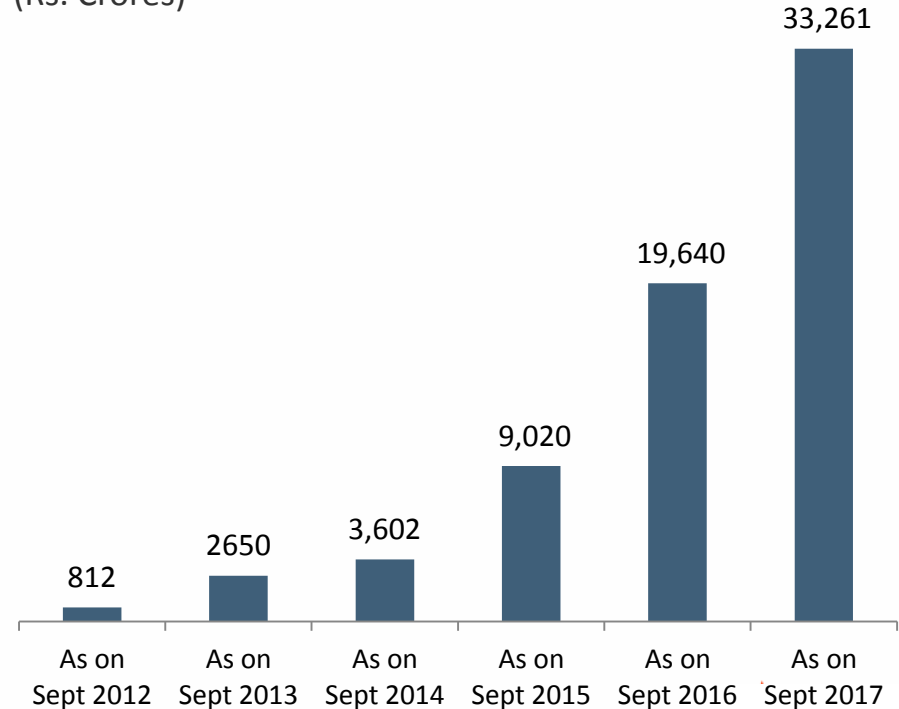
Financial Services

Built a robust and scalable financial services platform

Consistently delivering exceptional performance

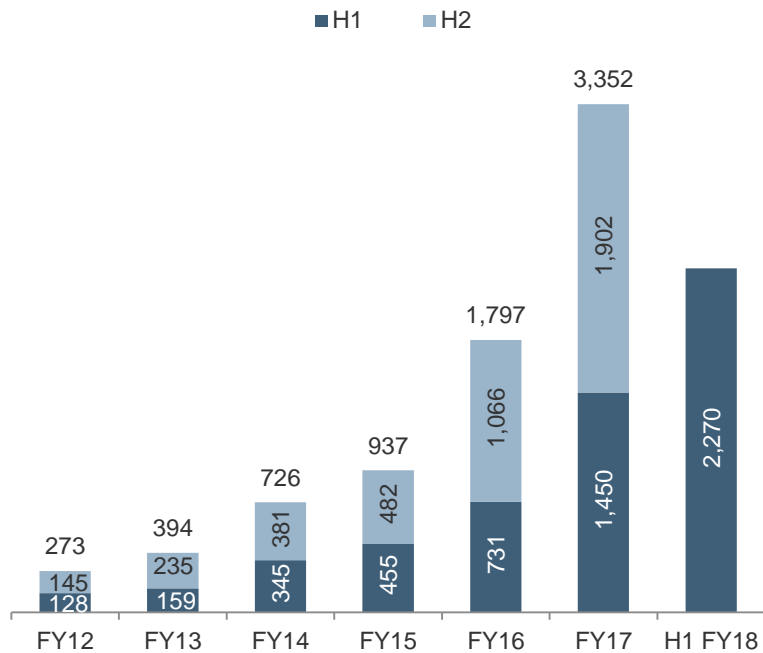
- Total Loan Book grew by 69% to Rs.33,261 Crores as on 30 Sept 2017 vs. Rs.19,640 Crores as on 30 Sept 2016
- Received Housing Finance Licence and started operations in Sept 2017
- Proposed merger of Piramal Capital and Piramal Finance into Piramal Housing Finance
- Continue to deliver 25%+ RoE for over last 10 quarters
- Robust asset quality
 - Gross NPAs ratio (based on 90 dpd) remained stable at 0.2% in Q2 FY2018
 - Provisioning maintained at 2%

Continued scaling up of loan book (Rs. Crores)

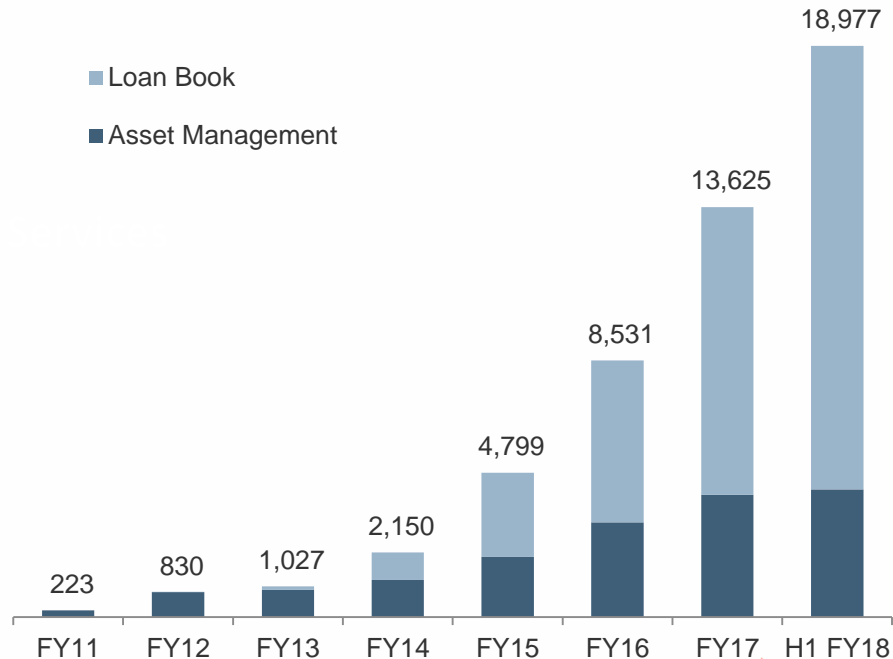


Strong trend in growth of income and exits/repayments

Rapidly growing income from Financial Services business
(in Rs. Crores)



Strong trend of cumulative exits / repayments^{1,2}
(in Rs. Crores)



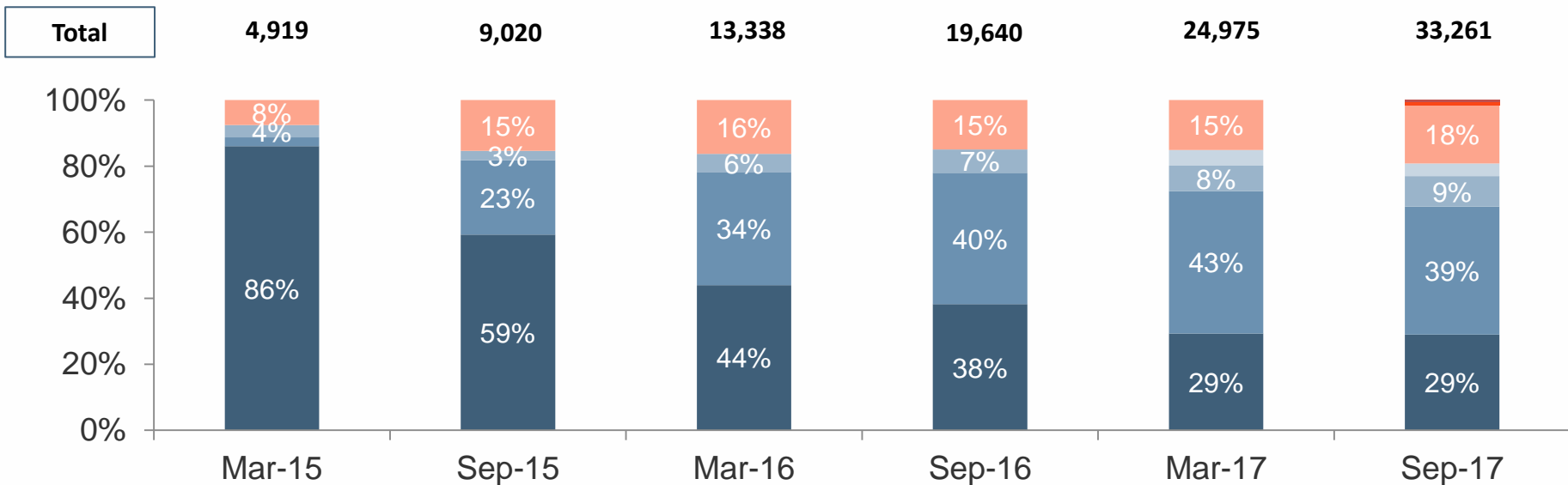
Notes:

1. Excludes our investment in Vodafone India, which was exited during FY2015
2. Exits from Asset Management business have been included on calendar year basis

Significantly diversifying the lending portfolio; lowering overall risk profile

Trend of changing portfolio mix (%)

- Mezzanine RE
- RE Lease Rent Discounting
- Housing Finance ^{New}
- RE Construction Finance - Residential
- Corporate Finance Group
- RE Construction Finance - Commercial
- Emerging Corporate Lending ^{New}



Note : RE – Real Estate

Strong growth in Real Estate loan book and commencement of Housing finance business

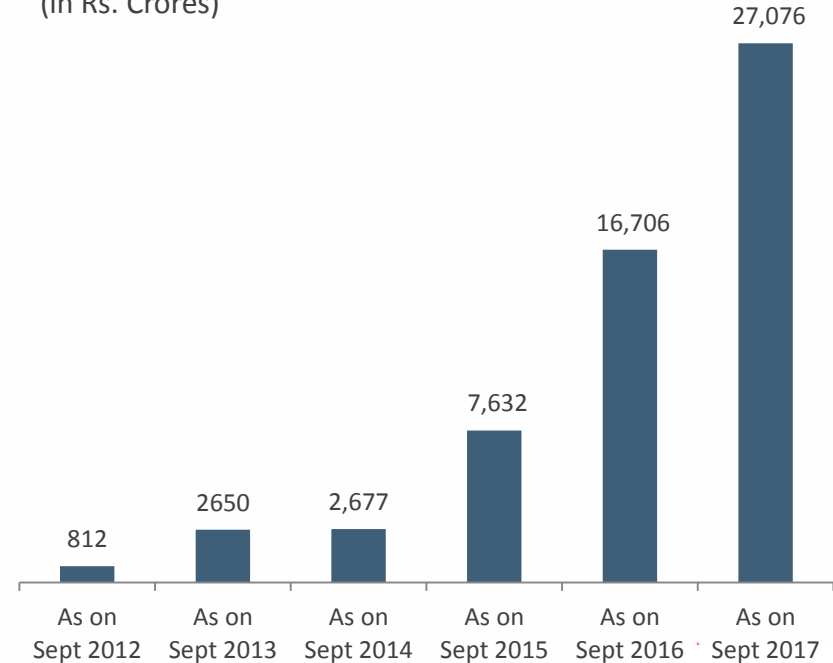
Real Estate Lending :

- Loan book grew by 61% to Rs.26,874 Crores as on 30 Sept 2017
 - Construction Finance is now 59% of our Real Estate loan book
 - Rs.2,290 Crores repaid / prepaid during the quarter
- Covering 110+ developers, 200+ transactions and over 360 projects across India
- Technology platform for wholesale as well retail segment have gone live during the quarter

Housing Finance :

- Received housing finance licence in Aug 2017
- Disbursed Rs.202 Crores in Sept 2017
- Opened a hub and two branches in Mumbai region and hired 150+ employees
- Strong underwriting and asset monitoring processes are in place

Rapidly growing Real Estate (incl. Housing Finance) loan book (in Rs. Crores)



Note : For more details on housing finance click here : [Call transcript Presentation](#)

Robust growth in Corporate Finance and Emerging Corporate loan book

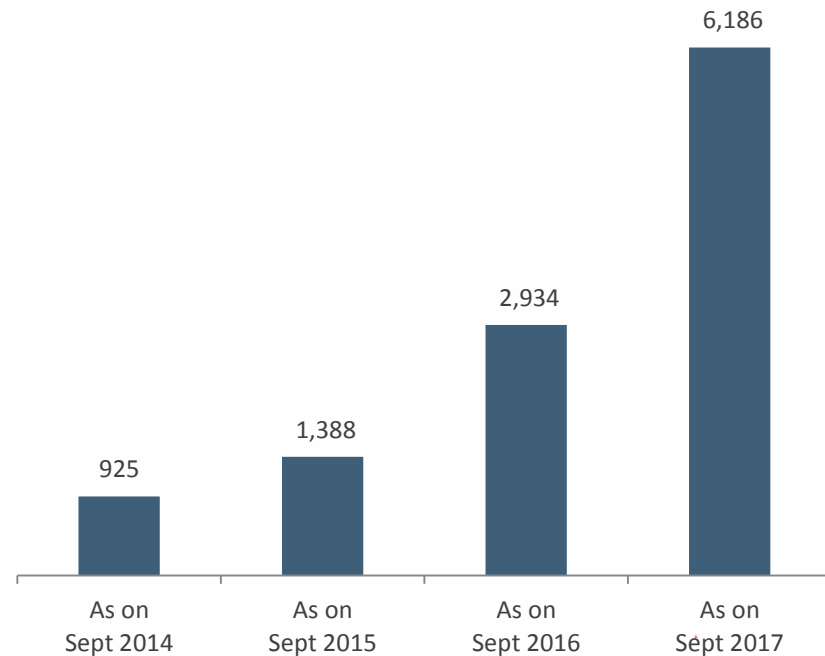
Corporate Finance Group (CFG) :

- Loan book grew by 100% to Rs.5,863 Crores as 30 Sept 2017
 - Disbursed Rs.2,857 Crores during the quarter
 - Introduced new products like Flexi Line of Credit and Project Finance
 - Investments worth Rs.1,800 Crores along with APG and Goldman Sachs
 - Successfully exited two deals worth Rs.240 Crores

Emerging Corporate Lending (ECL):

- Sector-agnostic platform with funding provided to diverse sectors such as automotive dealerships, auto ancillaries, manufacturing, pharmaceuticals and hospitality
- Offering solutions with ticket size ranging from Rs.10 Crores to Rs.100 Crores
- Loan Book grew to Rs.322 Crores as on 30 Sept 2017; an increase of Rs.182 Crores in last one quarter

Strong growth in Corporate Finance and ECL portfolio (in Rs. Crores)



Proposed merger of Piramal Finance and Piramal Capital with Piramal Housing Finance

Benefits of merger

Optimum capital adequacy requirement to improve returns

Diversified portfolio comprising both retail and wholesale should improve credit rating, in turn reducing borrowing cost

Open up avenues for combined entity to raise funds from diversified lenders

Mutual Fund can lend higher amount to HFCs as against NBFCs

One entity to provide end-to-end financing solutions

Capitalising on the in-house Brickex arm for sourcing and facilitating home loans

Leveraging robust asset monitoring capabilities of the wholesale platform for retail construction finance loans

Restructuring will enhance management and operational efficiency due to integration of common functions like IT, HR, Finance, Legal, etc.

Note : The combined entity's name to be changed to Piramal Capital Limited

Alternative Asset Management

Total gross assets under management at Rs. 6,792 Crores

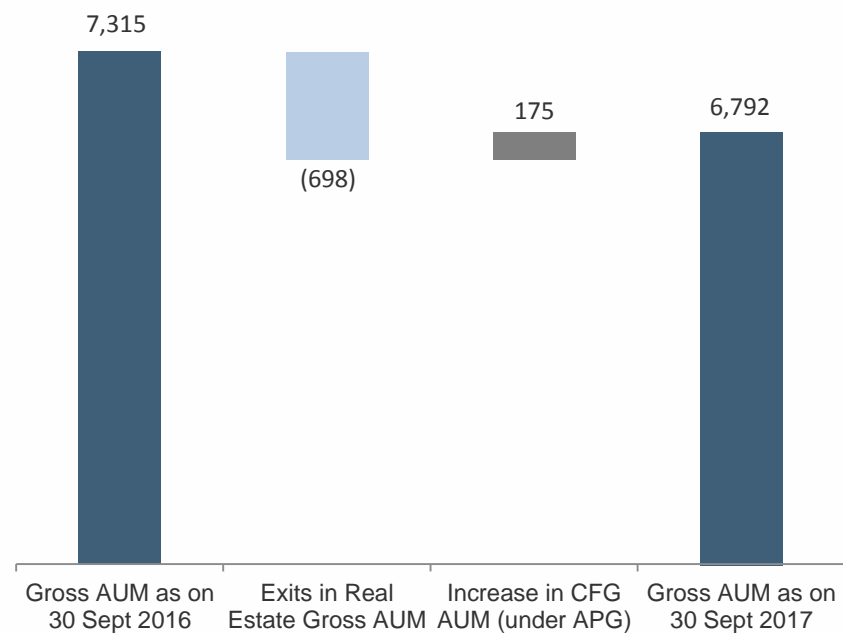
Real Estate :

- Real Estate gross funds under management was Rs.5,792 Crores
- Continued exits from vintage funds
- **JV with Ivanhoé Cambridge:** Timing opportune for securing deals on attractive valuations
 - First deal with Ivanhoé Cambridge under negotiation

Corporate Finance :

- Investments made by APG under our alliance with them include total disbursements of Rs.1,000 Crores as on 30 Sept 2017
- Of the Rs.1,800 Crores invested by the CFG, Rs.1,025 Crores taken over by APG and Goldman Sachs in Q3 FY2018

Alternative Asset Management business
(Rs. Crores)

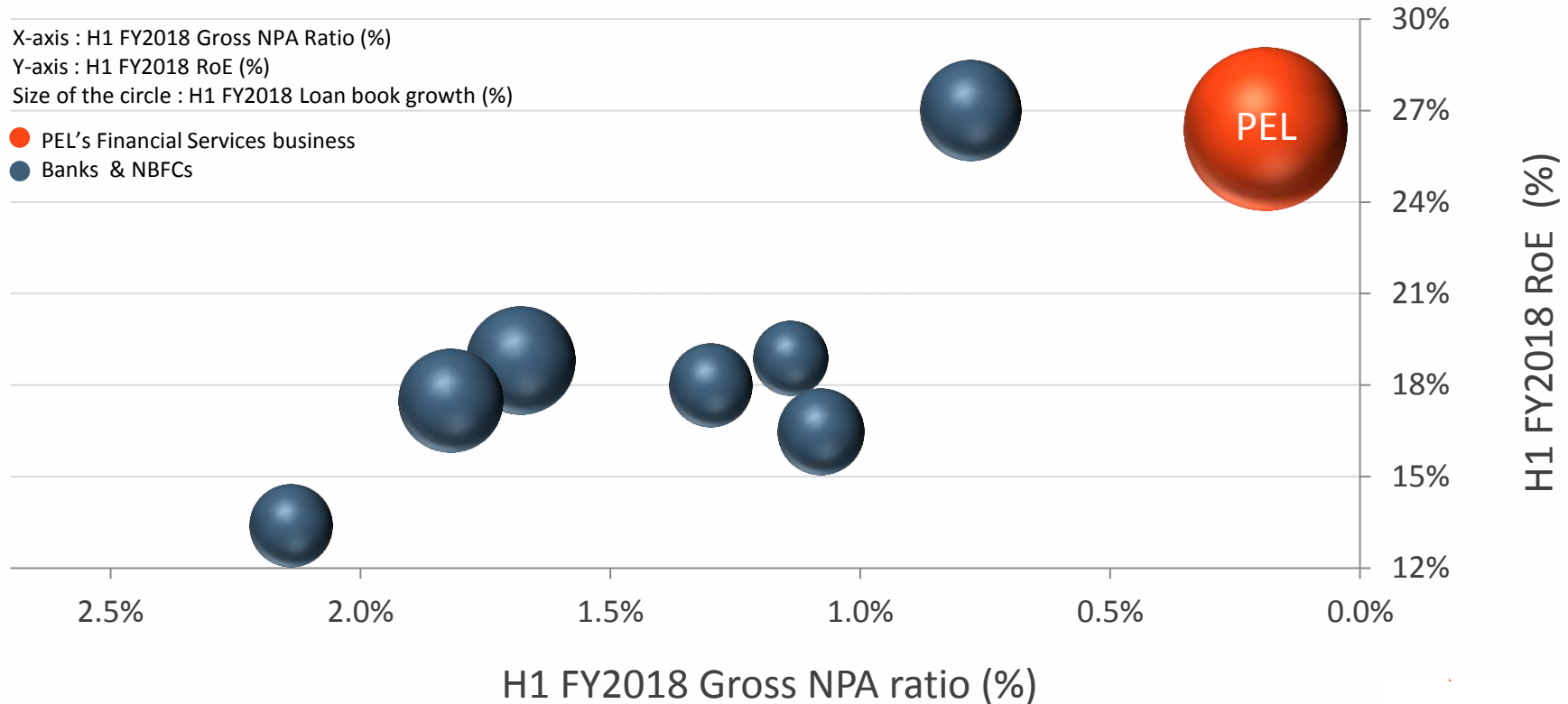


Performance metrics

Loan book performance against various parameters

Particulars	H1 FY2018
Total Loan Book size	Rs.33,261 Crores
Average Yield on Loans	15%
Average Cost of Borrowings	8.5%
Cost to Income Ratio	14.6%
Gross NPA ratio (based on 90 dpd)	0.2%
Total Provisioning	2.0%
ROA	4.2%
ROE	25%+

Performing better than the best performing banks and NBFCs of India



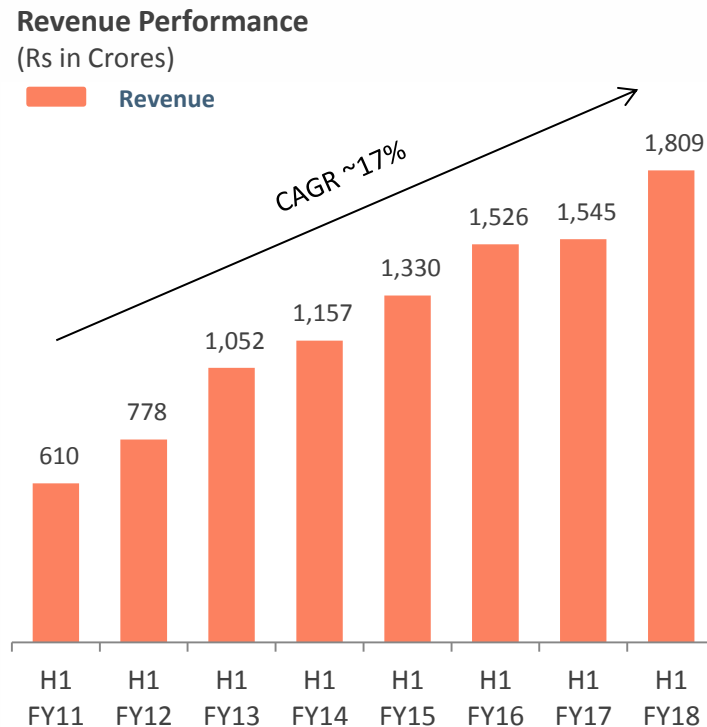
Note: Banks and NBFCs includes Bajaj Finance, HDFC Ltd, Indiabulls Housing Finance, HDFC Bank, Kotak Bank, IndusInd Bank and Yes Bank



Pharma

Global Pharma : Successfully integrating acquisitions; maintaining high focus on quality

- **Revenue Performance** : Q2 FY2018 revenue grew 24% to Rs.963 Crores on account of organic initiatives and successful integration of acquisitions happened during last year:
 - Products acquired from Janssen and Mallinckrodt
 - Ash Stevens facility
- **Transition and integration of acquired products from Mallinckrodt & Janssen:**
 - Significant completion of transition and integration of Gablofen® acquired from Mallinckrodt in the US market
 - Transition and integration of products acquired from Janssen is in progress and will continue as per plan
- In collaboration with our local marketing partner, we launched Sevoflurane variant in Turkey



Global Pharma : Successfully integrating acquisitions; maintaining high focus on quality

- Capacity Expansion :

- Global Pharma services business announced USD 55 mn expansion of API manufacturing capabilities & capacities in North America and Asia to support commercialisation of pipeline of >80 programs that are at Phase II or beyond currently
- New capex of USD 4mn sanctioned at Ahmedabad's formulation development facility to facilitate expansion for a Big Pharma customer
- Phase I of the USD 25 mn expansion at Lexington is progressing well and new high speed filling line for liquid injectables is expected to start in November 2017

- Focus on Quality:

- During Q2 FY2018, the Company underwent **3 regulatory audits** (including **1 USFDA audit**) and 36 customer audits
- PEL won the 'Regulatory Procedures and Compliance' award at the prestigious **CPhI Pharma Awards (2017)** in Germany
- PEL won the '**Industry Partner of the Year**' award at Global Generics and Biosimilars Awards 2017 in Germany

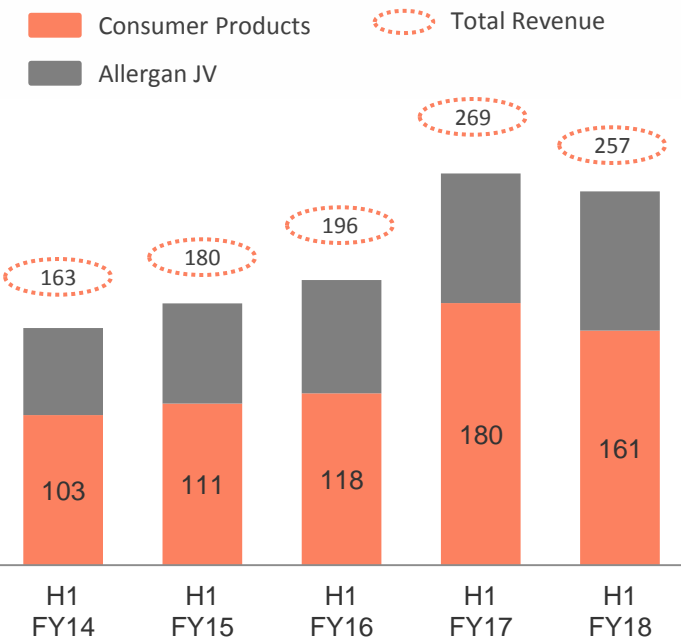


India Consumer Products : Well-positioned to recover shortfall post GST launch

- **Revenue performance:** Revenue for the quarter grew by 20% to Rs.119 Crores as the business recovered strongly from the impact of channel destocking led by the newly introduced GST tax regime in Q1 FY2018
 - Despite subdued performance in the industry (~1% growth for the quarter) due to GST, our business registered a strong growth
- **GST Transition:** While there was significant destocking and wholesale continued to remain muted, our consumer offtakes were robust
 - Despite the challenges of demonetization and GST, consumer offtakes remained robust across categories over past 6 quarters
 - Destocking by trade has seen recovery since July. However, it is yet to fully recover
 - Wholesale channel has been impacted by GST. However, it is yet to recover completely
- **New Launches / Relaunches** - Sloan's pain relieving spray, Waterbury's compound, Jungle Magic Garden Sciencz and Little's breast pump were launched / re-launched during the quarter

Revenue Performance

(In Rs. Crores)



GST - Opportunity for us to improve business fundamentals

Gross Contribution Improvement

- Brands across portfolio have seen increase in gross margins on account of vendor negotiations and operational excellence bringing cost efficiencies.

Promo Optimization

- In Q2 FY2018, promo spends were brought to pre demonetization levels, distribution network was realigned, trade schemes and promo mix were optimized.

Closing Stock Reduction

- Our average inventory days significantly reduced from those in pre GST levels.

Reducing Supply Chain Costs

- Business took conscious efforts to reduce its supply chain costs by reducing CFA count, providing optimal level of service at lower cost. Distribution expenses are expected to come down further.

Shift in consumer influence model

- Business has transitioned towards digital platform as its key communication medium for influencing consumers, maximising reach to target group and conducting focused pilot / campaigns to target consumers.

Business is undergoing transformation on cost structure to deliver significant improvement in profitability margins

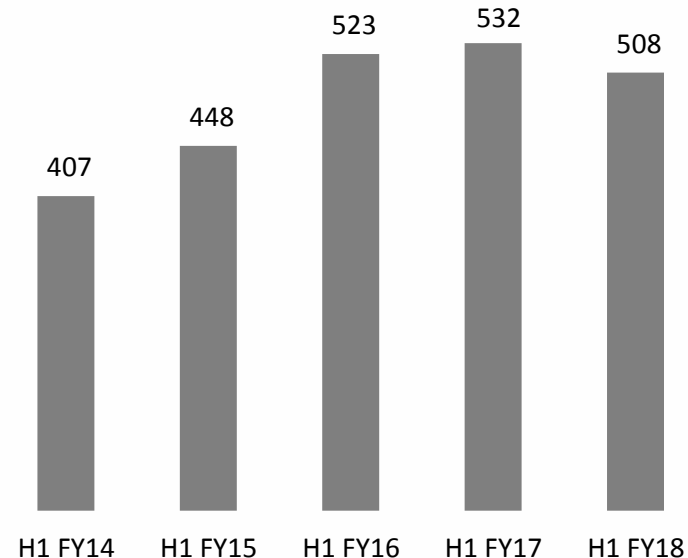


Healthcare Insight and Analytics

Healthcare Insight and Analytics

- **Revenue performance:** Revenue marginally declined by 2% during the quarter due to :
 - Demand is shifting from research products toward dynamic, user-centric applications
 - Partially getting offset by gains in Data & Analytics products and services
- **Continued focus on innovation and new products** by introducing innovative new, technology-enabled products
- **Strategic acquisitions:** Acquired Context Matters, a US-based data and analytics company to expand Global Market Access Intelligence offerings

Revenue performance (In Rs. Crores)





Financials

Diversified Revenue Mix

(In Rs. Crores or as stated)

Net Sales break-up	Quarter II ended			% Sales	Half year ended		
	30-Sept-17	30-Sept-16	% Change		30-Sept-17	30-Sept-16	% Change
Financial Services	1,186	815	45.4%	47.4%	2,270	1,450	56.6%
Pharma	1,083	874	23.9%	41.1%	1,970	1,725	14.2%
Global Pharma	963	774	24.4%	-	1,809	1,545	17.1%
India Consumer Products	119	99	20.1%	-	161	180	(10.5%)
Healthcare Insight and Analytics	256	262	(2.4%)	10.6%	508	532	(4.5%)
Others	12	15	-	0.9%	43	36	-
Total	2,536	1,966	29.0%	100%	4,790	3,742	28.0%

Note:

- Foreign Currency denominated revenue in Q2 FY2018 was Rs.1,178 Crores (46% of total revenue) and in H1 FY2018 was Rs. 2,223 Crores (46% of the total revenue)

Consolidated P&L

(In Rs. Crores or as stated)

Particulars	Quarter II Ended			Half year ended		
	30-Sept-17	30-Sept-16	% Change	30-Sept-17	30-Sept-16	% Change
Net Sales	2,536	1,966	29%	4,790	3,742	28%
Non-operating other income	75	42	78%	159	95	67%
Total income	2,611	2,008	30%	4,949	3,838	29%
Other Operating Expenses	1,266	1,223	4%	2,458	2,361	4%
OPBIDTA	1,345	786	71%	2,491	1,477	69%
Interest Expenses	725	455	59%	1,398	851	64%
Depreciation	129	73	76%	252	150	68%
Profit before tax & exceptional items	491	257	91%	841	476	76%
Exceptional items (Expenses)/Income	-	-	-	-	-	-
Income tax	190	3	-	292	49	-
Profit after tax (before MI & Prior Period items)	301	254	19%	549	427	28%
Minority interest	-	-	-	-	-	-
Share of Associates	82	52	58%	137	110	24%
Net Profit after Tax	384	306	25%	686	537	28%
Net Profit Margin %	15%	16%	-	14%	14%	-
EPS (Rs./share)	22.3	17.8	25%	39.8	31.1	28%

Notes:

- 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.

Consolidated Balance Sheet

(In Rs. Crores)

Particulars	30 Sept 2017	31 March 2017
Equity Share Capital	35	35
Other Equity	14,896	14,848
Non Controlling Interests	12	13
Borrowings (Current & Non Current)	38,833	30,451
Deferred Tax Liabilities (Net)	35	31
Other Liabilities	2,677	2,675
Provisions	133	187
Total	56,620	48,239
PPE, Intangibles (Under Development), CWIP	5,595	5,425
Goodwill on Consolidation	5,535	5,427
Financial Assets		
Investment	20,898	21,717
Others	12,921	5,887
Other Non Current Assets	421	399
Deferred Tax Asset (Net)	660	625
Current Assets		
Inventories	812	723
Trade receivable	1,134	1,108
Cash & Cash Equivalents & Other Bank balances	1,395	1,541
Other Financial & Non Financial Assets	7,249	5,387
Total	56,620	48,239

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

Awards and recognitions



Piramal Pharma Solutions won the 'Regulatory Procedures and Compliance' award at the prestigious **CPhI Pharma Awards (2017)** in Germany



Won the 'Industry Partner of the Year' award at **Global Generics and Biosimilars Awards 2017** in Germany



Piramal Finance received '**Best Overall Investment Manager for Real Estate in India**' award by Euromoney Real Estate Awards 2017



Piramal Finance Limited was ranked 4th amongst **Top 10 India's Great Mid-size Workplaces** by Great Place to Work Institute

Awards and recognitions



Piramal Enterprises won the **Gold Award at the 2016 Vision Awards Annual Report Competition**, held by the League of American Communications Professionals (LACP)



Mr. Ajay Piramal, Chairman of Piramal Group has been honored with the **CNBC Asia Business Leader Award 2017**



Mr Khushru Jijina, MD & CEO of Piramal Housing Finance has been conferred with the **'AsiaOne Global Indian of the Year 2016-17'** under the 'Business Leadership (Finance)' Category



Piramal Enterprises has been rated among **best companies in India Disclosure Index** by FTI Consulting

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