Piramal Enterprises

BSE SENSEX	S&P CNX
35,171	10,383

Stock Info

Bloomberg	PIEL IN
Equity Shares (m)	199
M.Cap.(INRb)/(USDb)	302.9 / 4
52-Week Range (INR)	2050 / 608
1, 6, 12 Rel. Per (%)	33/-2/-16
12M Avg Val (INR M)	2749
Free float (%)	53.9

Financials Snapshot (INR b)

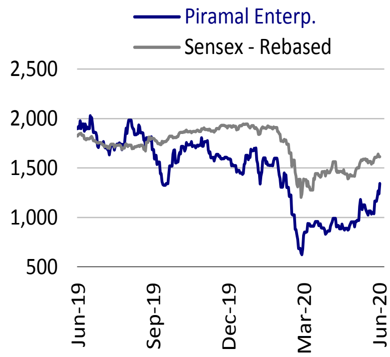
Y/E March	2020	2021E	2022E
Revenues	130.7	134.2	145.8
EBITDA	17.9	20.0	22.8
PAT	-5.5	12.6	15.5
EPS (INR)	-24.5	56.0	65.3
EPS Gr. (%)	-135	-328	17
BV/Sh. (INR)	1,274	1,443	1,489
Payout (%)	NA	35	35
Valuations			
P/E (x)	NA	24.0	20.6
P/BV (x)	1.1	0.9	0.9
Div. Yield (%)	1.0	1.5	1.7

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	46.1	46.1	49.7
DII	9.7	9.9	6.3
FII	30.2	29.9	27.7
Others	14.1	14.2	16.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,343 TP: INR1,600 (+19%) Buy

Simplifying group structure

Pharma benchmark valuation established at INR210b

- **Piramal Enterprises' (PIEL) has announced 20% stake sale in the Pharma division with fresh equity infusion of ~USD490m by the Carlyle group. The deal values the Pharma division at an EV of USD2.8b (INR210b) and factors in net debt reduction to INR25b from INR42b.**
- **The stake sale is another step on the part of PIEL toward simplifying the group structure and effectively demerging the Pharma division in the ensuing quarters. Recently, PIEL sold its DRG division. The company has also made its intention clear of exiting its investments in Shriram group. In our view, ultimately PIEL would have a simplified structure with two listed businesses - Piramal Pharma Ltd (PPL) and PIEL (Listed Company will be for Financial Services business).**
- **The tough environment of the past 1-1.5 years has prompted PIEL to undertake various steps to protect its balance sheet. These steps include (a) consolidating its loan book and reducing the share of large exposure, (b) raising significant capital and reducing leverage, and (c) now preparing a strategy to foray into retail products in the Lending business.**
- **More importantly, the company has been on a deleveraging exercise over the past year. It divested 10% stake in SHTF and also raised INR54b via a mix of preferential issue to CDPQ and a rights issue. Post this, it sold its DRG business for USD900m. Now, divestment of 20% stake in its Pharma business has already established the benchmark valuation.**
- **Using SOTP method (FY22E based), we value the Lending business at 1x BVPS, the Pharma business at 12x EV/EBITDA (in line with benchmark valuation and peers) and the Shriram group investments at our TP for its subsidiaries. PIEL has excess net worth of ~INR30b, which we have valued at 1x Cash. Maintain Buy with a revised TP of INR1,600.**

Unlocking value in Pharma business

PIEL has announced that all Pharma related businesses at the group level would be merged into a wholly-owned subsidiary, Piramal Pharma Ltd (PPL). Further, PPL would get strategic growth investment from the Carlyle group for 20% equity stake in the company. EV for the proposed transaction is USD2.8b with an upside of USD360m if PPL achieves certain financial parameters in FY21. According to the manegement, PIEL would utilize part of the stake sale money to reduce net debt to INR25b from INR42b and the rest could be utilized for inorganic opportunities. With EV of USD2.8b (INR210b) and debt reduction to INR25b, the equity value works out to INR185b with a realized upside value of INR212b (USD360m). Accordingly, Carlyle would invest USD490m for the proposed 20% stake and an additional USD72m if the upside is triggered. In our view, this step to effectively simplify the group structure is in the right direction and would ultimately lead to the listing of the Pharma division.

Significant reduction in consolidated leverage

Over the past year, PIEL has focused on reducing leverage. **This was done by (a) rundown of the loan book in FY20, (b) stake sale of INR23b in SHTF, (c) INR17.5b preferential share allotment to CDPQ, (d) INR36.5b rights issue, and (e)**

Research Analyst: Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com);+91 22 6129 1526 | Tushar Manudhane (Tushar.Manudhane@MotilalOswal.com); +91 022 6129 1536
Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com); +91 22 6129 1542 | Piran Engineer (Piran.Engineer@MotilalOswal.com); +91 22 6129 1539

USD900m sale of DRG. Consolidated leverage declined from 2.1x in FY19 to 1.4x in FY20. Leverage of the FS business declined from 3.9x to 2.6x during same period. Divestment of 20% stake in its Pharma business would further reduce net debt at the group level. **Post the pharma stake sale, the company would be sitting on a comfortable consolidate net debt/equity of ~1.1x.**

Financial Services – Thrust on strengthening balance sheet

In FY20, management took various steps to strengthen the Financial Services (FS) business. These include (a) increasing the share of long-term borrowings, (b) additional capital infusion (INR40b - CAR at 30%+ now), (c) aggressive provisioning (~5.8% of loans as at FY20 v/s ~1.9% in FY19), and (d) sell-down of portfolios. While loans were down 10% YoY, net worth in the FS business increased to INR156b from INR114b (despite aggressive provisions of INR19b in 4QFY20). **In addition, the company trimmed exposure to its top-3 clients (*refer Exhibits 10 & 11*).** While the company was focused on foraying into Retail lending, the COVID-19 situation is likely to delay it. In the ensuing quarters, the company is expected to focus completely on augmenting long-term borrowings, collections, deleveraging, organizing infrastructure and getting its strategy in place to launch retail products.

Pharma segment - Niche products/capabilities provide robust outlook

PIEL has built robust Pharma business model, which offers (a) Contract Development and Manufacturing Outsourcing (CDMO; 58% of sales), (b) Complex Hospital Generics (34% of sales), and (c) India consumer products (8% of sales). The company delivered sales growth of 13% YoY and strong EBITDA growth of 41% YoY in FY20. PIEL's presence across the manufacturing/distribution value chain and consistent compliance has further strengthened its outlook for the next 3-5 years. Accordingly, we expect 13%/10% CAGR in Pharma sales/EBITDA over FY20-22E. This would be led by (a) superior execution of projects under CDMO, (b) increased market share in Inhalation Anaesthesia portfolio, and (c) enhanced marketing efforts in the Consumer Healthcare segment.

Valuation and view

Over the past year, PIEL has curtailed disbursements in wholesale lending and reduced exposure to its top-10 clients. In our view, FY21 would remain a year of caution for the FS business with the company continuing its focus on strengthening the balance sheet. With lumpy exposures and tough macros, there could be high incremental provisioning over the next one year. We bake in 3% credit costs each for the next two years. The Pharma business is witnessing increased traction with strong EBITDA margins of 26%. This business is likely to be a key value driver in the near term. Using SOTP, we arrive at a TP of **INR1,600** (FY22E based). Maintain **Buy.**

Exhibit 1: SOTP (FY22E based)

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	178	2.4	751	47	1.0x PBV
Pharma Business	132	1.8	558	35	Pharma EV/EBITDA 12x; EV of INR205b; 80% Stake; 20% Holdco dis
Shriram Group	38	0.5	159	10	Based on our TP for SHTF and SCUF
Unallocated NW	31	0.4	131	8	1x PBV (Net of DTA, OCI and Shriram Group allocated NW)
Total Value	**379**	**5.1**	**1,600**	**100**	**Implied 1.1x Consolidated BV**
Current market cap.	318	4.2	1,343		
Upside (%)	***19.1***	***19.1***	***19.1***		

Source: MOFSL, Company

Pharma: Well placed to enhance value

Pharma business benchmark valuation established at USD2.8b

Unlocking value in Pharma division

PIEL has announced 20% stake sale in the Pharma business with fresh capital infusion from the Carlyle group at EV of USD2.8b. The deal factors in net debt reduction to INR25b from INR42b. Effectively, Carlyle would bring in USD490m for 20% stake. The EV also has an upside of USD360m if certain financial parameters are met in FY21. While the deal valuation has net debt of INR25b, it factors in certain expected acquisitions. Our estimates do not factor in such acquisitions; accordingly, we reduce net debt from INR42b to INR5b. The deal effectively values the Pharma division at 12x EV/EBITDA v/s our earlier valuation of 10x. Management has indicated that this fresh investment would be used as growth capital for the Pharma business to expand capacity across sites as well as to tap attractive acquisition opportunities within and outside India.

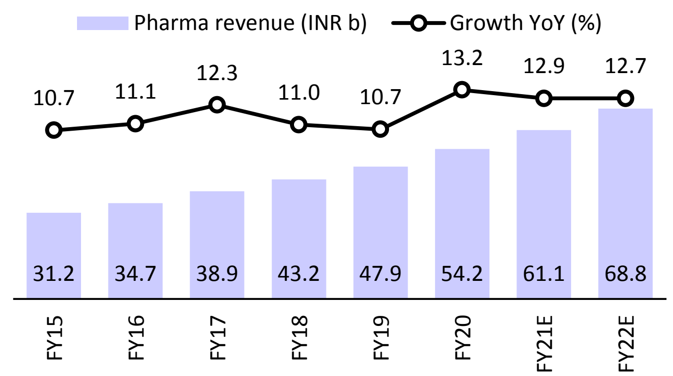
Simplifying Pharma business structure in the group

All Pharma related businesses at the group level would be merged into a wholly-owned subsidiary, Piramal Pharma Ltd (PPL). PPL would include (a) Piramal Pharma Solutions, an end-to-end Contract Development and Manufacturing (CDMO) business; (b) Piramal Critical Care, a Complex Hospital Generics business selling specialized products to over 100 countries, (c) Consumer Products Division, a Consumer Healthcare business selling over-the-counter products in India; and (d) PEL's investment in the joint venture with Allergan India (a leader in Ophthalmology in the domestic market) and Convergence Chemicals Private Limited.

Pharma – Promising outlook in all major segments

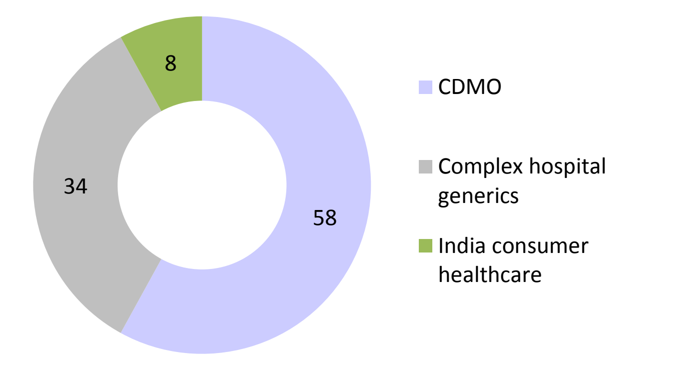
PIEL delivered ~13% revenue CAGR over FY15-20, driven by 10% sales CAGR in the CDMO business, 20% sales CAGR in the Hospital business and 12% sales CAGR in the India Consumer Healthcare business. In FY20, revenues grew 13% YoY – the CDMO business grew in line with revenues at 13% while the Complex Hospital Generics business grew 11%. The smaller India Consumer business posted strong 25% YoY growth in FY20. Out of the total revenues, CDMO accounted for 58%, the Hospital business contributed 34% and the Consumer business accounted for 8%. Overall, we expect the PIEL's Pharma business to deliver 12.8% sales CAGR to INR69b over FY20-22E.

Exhibit 2: Healthy growth trajectory for Pharma segment



Source: MOFSL, Company

Exhibit 3: Pharma revenue composition (FY20)

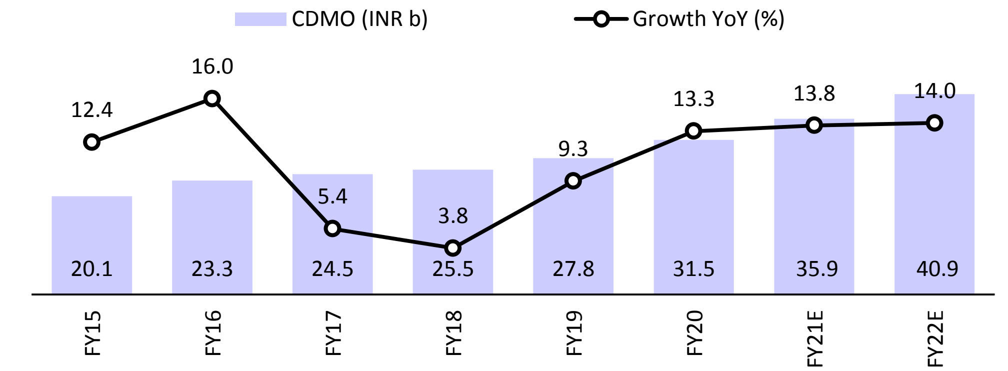


Source: MOFSL, Company

Niche capabilities/integrated service/customer adds to lead CDMO biz

The CDMO business is the largest segment in PIEL's Pharma business. It accounted for 58% of revenues in FY20. The CDMO business provides integrated solutions – from drug discovery support to commercialization of on-patent and off-patent drugs. Its strong and varying capabilities in niche products such as HPAPIs (High potent APIs), Antibody Drug Conjugates (ADCs) and injectable and hormones has helped the company to serve the increased client base and expand margin. To generate sufficient capacity for future demand and to become a partner of choice for large global pharma/biotech companies, PIEL has (a) enhanced API capabilities at Morpeth (UK facility), (b) expanded OSD capacity at the Pithampur facility, and (c) added 2 new API reactor suites at Aurora, Canada. Accordingly, the new customer addition has increased business and should drive 14% CAGR in the CDMO business to INR41b over FY20-22E.

Exhibit 4: CDMO business on healthy growth trajectory

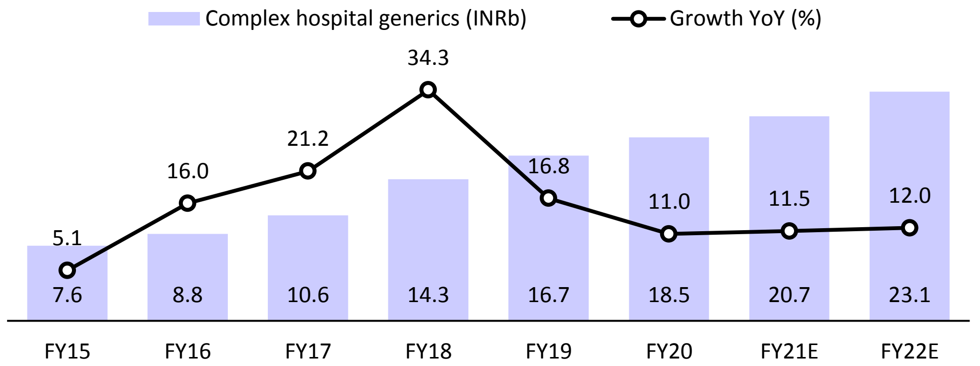


Source: MOFSL, Company

Hospital generics – Product addition and market share gain key drivers

The Complex Hospital Generics business grew 13% YoY in FY20 and accounts for 34% of Pharma revenues. In addition to products developed in-house, PIEL has expanded its product portfolio through the inorganic route – it acquired 5 products from Janssen Pharma (JnJ) in 2016 and 4 products from Mallinckrodt (2 products in 2017 and another 2 in 2018). PIEL's portfolio is present in select therapies like Anesthetics, Pain Management, Anti-Infectives and controlled substances (in different complex dosage forms such as injectable, inhaled products and intrathecal). It has 30% market share in Inhaled Anesthesia products in North America and is one of the only 3 generics' companies approved for Sevoflurane in Japan. It is the only branded generic company approved for Fentanyl and has leading market share for the drug in Japan. These products are primarily promoted by PIEL's direct sales force in the US, the UK and Japan. FY20 performance of 11% YoY growth was led by better traction in Isoflurane, Sevoflurane, injectable pain and anesthesia products. Synergies from acquired products are also getting reflected in the performance. We expect 11.7% sales CAGR in this segment led by increased market share in the Inhalation Anesthesia portfolio and on addition of products like Desflurane. PIEL is also continuing work on the product pipeline to drive future growth in this segment.

Exhibit 5: Growth path to stabilize and gradually improve



Source: MOFSL, Company

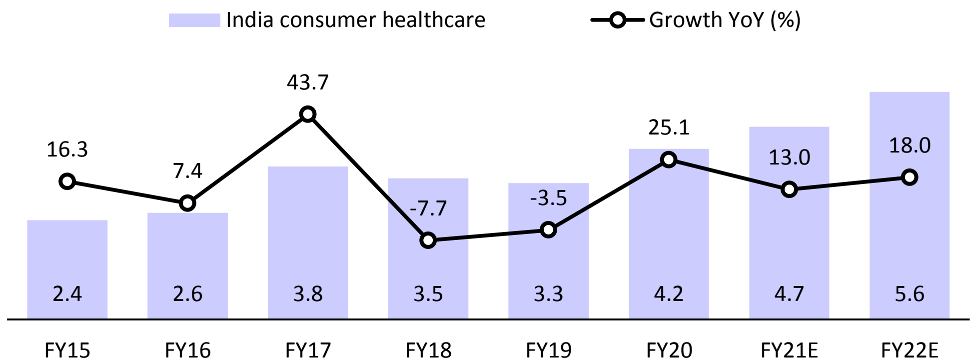
Consistent compliance boosts customer confidence for increased outsourcing

PIEL's facilities have completed 200+ regulatory inspections from different authorities, including the USFDA, and have undergone 1,100+ customer audits. Currently, there is no pending USFDA compliance issues for any of the plants. Thus, clean regulatory record of its facilities reduces the risk of adverse regulatory actions in the near term.

India Consumer business – Strategic initiatives reflecting in performance

PIEL's India Consumer business grew a steep 25% YoY in FY20, led by mass media campaigns. Focus on E-commerce channels and use of technology should also improve distribution efficiency. Its portfolio includes well known consumer brands like Saridon, Lacto Calamine, iPill, etc. The products are available across 280k outlets in India across 1,500+ towns and are supported by a field force of 1,700+ sales representatives. While brand awareness campaigns generate pull for its products, use of analytics to improve distribution and listing of products on E-commerce platforms has been able to translate marketing into actual sales. Considering the COVID-19 led slowdown, we expect 15.5% sales CAGR over FY20-22E, driven by enhanced marketing effort and increased market share.

Exhibit 6: PIEL ended India Consumer Healthcare business in FY20 on strong note



Source: MOFSL, Company

EBITDA margin at all-time high

For the Pharma segment, EBITDA grew 41% YoY to INR14b in FY20, much faster than the 13% growth in top line. The company has been able to continuously grow margins faster than sales, leading to substantial margin expansion over the past 5 years. Over the past 5 years, the company delivered EBITDA CAGR of 28%, leading to margin improvement of 1,200bp+ over the same period (from 14.2% in FY15 to 26.5% in FY20). Addition of high margin products, increasing dosage offerings, expanding manufacturing capabilities, improving synergies from acquired products and better operating leverage in the Consumer business has led considerable margin expansion for PIEL.

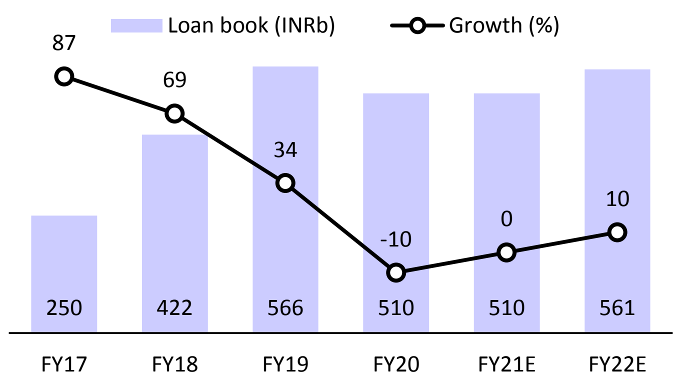
Cautious stance on Financial Services business

Focus on balance sheet strengthening in the near term

Consolidating the Lending business

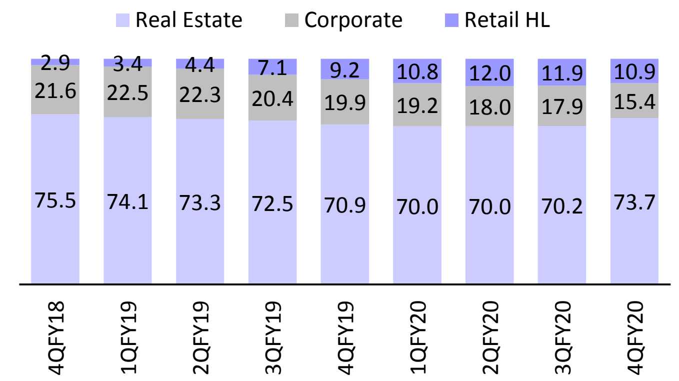
- After delivering 60%+ CAGR in the loan book over FY16-19, the company has turned cautious given the external environment. Thus, its loan book declined 10% YoY in FY20. **Moreover, the Corporate Lending segment was more de-focused. As a result, its share in the total loan book declined 500bp YoY to 15% in FY20**.
- The company's stance is unlikely to change in FY21 too. We expect its focus to remain on balance sheet strengthening with increase in the share of long-term borrowings and sell-down of portfolio as and when an opportunity arises.
- Near-term focus of the company would be on getting strategy and Infrastructure in place for its Consumer Lending foray. However, actual lending is expected to be some time away due to challenges posed by the COVID-19 situation.

Exhibit 7: Focus on loan book consolidation



Source: MOFSL, Company

Exhibit 8: Share of retail home loans increasing (%)



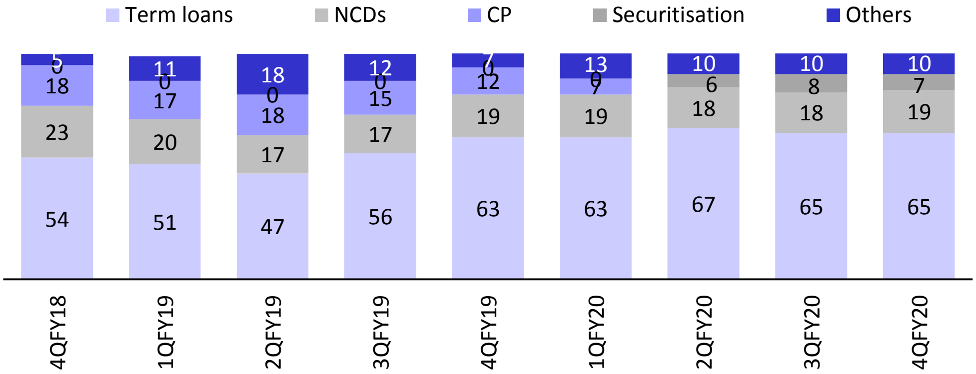
Source: MOFSL, Company

Nil commercial paper; Started securitization too

Overhauled the borrowing mix; Adequate liquidity on the balance sheet

- Post the IL&FS crisis, the company remained focused on (a) reducing the share of CPs from an average 17-18% of borrowings earlier to 'Nil', and (b) starting securitization as a means to raise funds.
- Moreover, PIEL is focused on long-term borrowings in order to mitigate ALM mismatch – it raised INR135b of long-term borrowings in FY20.
- As of FY20, PIEL had INR90b of cash and undrawn bank lines as liquidity.

Exhibit 9: CP now down to zero; Started securitization in the past few quarters



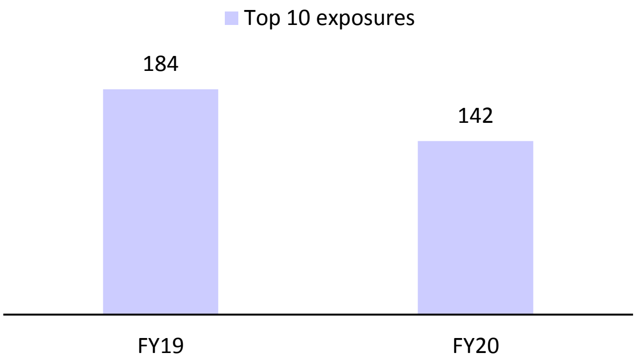
Source: MOFSL, Company

Only 3 exposures comprise 10%+ of net worth currently v/s 10 exposures in FY19

Reducing concentration risk

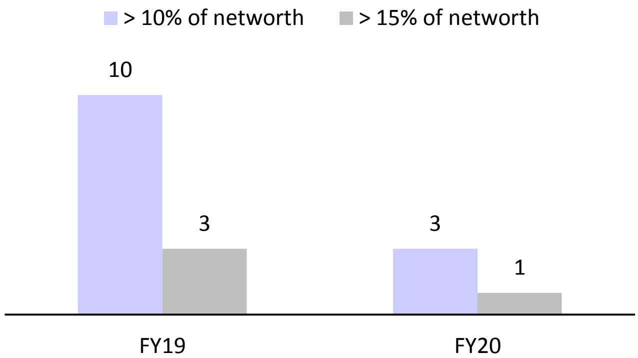
- **The company reduced its top-10 wholesale exposures by nearly 25% YoY to ~INR140b in FY20**.
- More importantly, it had committed to reducing each of the top-3 exposures to sub-15% of net worth (of the financial services business) each. It managed to reduce two exposures to below the threshold, while the other exposure is expected to come down in FY21.
- **Even the number of accounts that comprised 10%+ of net worth is down from 10 to 3 YoY**.

Exhibit 10: ~20% reduction in top-10 exposures (INR b)



Source: MOFSL, Company

Exhibit 11: Number of loan accounts



Source: MOFSL, Company

Aggressive provisioning to strengthen the balance sheet

- PIEL took INR19b COVID-19 related provisions in 4QFY20. This amounts to 3.7% of the loan book and 4.7% of the loan book under moratorium. Overall provisioning stands at ~5.8% of loans v/s ~1.9% a year back.
- Considering lumpiness of the exposures and tough macros, we continue to bake in higher credit cost – 3% each for FY21/22E.

Exhibit 12: Overview of the loan book under moratorium and COVID-19 provisions taken in 4QFY20 for some key NBFCs

Company	Moratorium %	Covid Provisions (INR b)	Loans (INR b)	Covid Prov. (% of loans)	Covid Prov. (% of morat loans)
Vehicle Financiers					
CIFC	76	5.0	570	0.9%	1.2%
MMFS	75	5.7	650	0.9%	1.2%
STF	95	9.1	1,022	0.9%	0.9%
SUF	64	0.3	299	0.1%	0.1%
Diversified					
LTFH	36	3.1	995	0.3%	0.9%
BAF	27	9.0	1,414	0.6%	2.4%
SCUF	65	4.3	266	1.6%	2.5%
Housing Finance					
HDFC	26	5.5	4,509	0.1%	0.5%
PNBHF	49	4.7	676	0.7%	1.4%
Wholesale					
PIEL	80	19.0	510	3.7%	4.7%
ABCL	33	1.6	471	0.3%	1.0%

Source: MOFSL, Company

Valuation and view

Significant capital to face contingency/capitalize on emerging opportunities

- Over the past few quarters, PIEL took aggressive steps to deleverage and strengthen its balance sheet at the consolidated level. Further, for the FS business, focus is on liquidity management, augmenting long-term resources, reduction in lumpiness of exposures, capital infusion and aggressive provisioning. While PIEL has plans to foray into Consumer Lending products, we believe it would utilize the current environment to get Infrastructure and strategy in place. However, actual lending may be some time away.
- The pharma business is witnessing increased traction with strong EBITDA margins of 26%. We are now valuing the Pharma division in line with the benchmark EV of INR210b (USD2.8b), leading to an EV/EBITDA of ~12x FY22E. This is largely in line with the recent re-rating of the sector based on reduced logistics issue, improving capacity utilization, better patient-doctor connect and increased growth visibility for the US generic segment.
- Outlook for the FS business remains challenging due to further weakness caused by COVID-19 in the underlying segment. **The INR19b one-time provisions have helped strengthen the balance sheet;** however, we do acknowledge that there could be incremental provisioning over the next year. We expect elevated credit cost over the next two years (3% for each year). We bake in total provisioning of ~INR60b (~12% of AUM), including existing provisioning of INR30b by FY22E.
- Despite aggressively capitalizing the FS business in FY20 (Tier I of 30%, capital infusion of ~INR40b), PIEL is still sitting with an unallocated net worth (ex OCI and DTA) of INR34b. With significant capital, PIEL is well placed to capture any emerging opportunities in both Pharma and the FS segments.

Exhibit 13: SOTP (FY22E based)

	Value (INR B)	Value (USD B)	INR per share	% To Total	Rationale
Lending Business	178	2.4	751	47	1.0x PBV
Pharma Business	132	1.8	558	35	Pharma EV/EBITDA 12x; EV of INR205b; 80% Stake; 20% Holdco dis
Shriram Group	38	0.5	159	10	Based on our TP for SHTF and SCUF
Unallocated NW	31	0.4	131	8	1x PBV (Net of DTA, OCI and Shriram Group allocated NW)
Total Value	**379**	**5.1**	**1,600**	**100**	**Implied 1.1x Consolidated BV**
Current market cap.	318	4.2	1,343		
Upside (%)	***19.1***	***19.1***	***19.1***		

Source: MOFSL, Company

Valuation Matrix

	Rating	CMP	Mcap	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
		(INR)	(USDb)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
HFCs											
HDFC*	Buy	1,770	40.5	16.6	12.6	1.8	1.3	1.6	1.5	11.2	11.0
LICHF	Buy	271	1.8	6.7	5.8	0.7	0.6	1.0	1.1	11.0	11.5
PNBHF	Neutral	223	0.5	15.0	4.7	0.5	0.4	0.3	1.0	3.1	9.3
REPCO	Buy	134	0.1	3.0	2.8	0.4	0.4	2.3	2.4	14.4	13.6
Vehicle fin.											
SHTF	Buy	705	2.1	10.6	6.0	0.8	0.7	1.4	2.4	8.1	13.0
MMFS	Buy	177	1.5	22.2	12.3	0.9	0.9	0.7	1.2	4.2	7.2
CIFC	Buy	202	2.2	21.2	15.6	1.9	1.7	1.2	1.6	9.4	11.6
Diversified											
BAF	Neutral	2,904	22.9	43.4	28.4	4.8	4.2	2.4	3.4	11.8	15.9
SCUF	Buy	696	0.6	7.0	6.1	0.6	0.5	2.1	2.4	8.7	9.2
LTFH	Buy	69	1.9	8.0	5.9	0.9	0.8	1.6	2.1	11.3	13.8
MUTH	Neutral	1,090	5.8	12.7	10.8	3.1	2.5	6.4	6.6	26.6	25.4
MAS	Buy	671	0.5	21.8	18.2	3.3	2.9	3.7	4.0	16.0	16.9

Financials and valuations

INCOME STATEMENT							(INR Mn)
	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenues	**63,815**	**85,468**	**106,394**	**132,153**	**130,683**	**134,239**	**145,811**
Change (%)	24.6	33.9	24.5	24.2	-1.1	2.7	8.6
HealthCare	34,670	38,927	43,220	47,860	54,189	61,065	68,817
Financial Services	17,397	33,515	49,816	70,634	76,494	73,174	76,994
Info Mgmt	11,559	12,224	12,092	13,322			
Others	188	802	1,266	337			
EBITDA*	**13,726**	**21,007**	**29,611**	**36,582**	**17,889**	**19,997**	**22,776**
Change (%)	57.8	53.0	41.0	23.5	-51.1	11.8	13.9
HealthCare	3,266	6,028	8,001	9,809	14,336	15,266	17,204
Financial Services #	8,185	12,837	19,933	24,507	3,553	4,731	5,572
Info Mgmt	2,276	2,143	1,677	2,266			
EBIT*	**11,172**	**17,190**	**24,838**	**31,380**	**12,686**	**14,619**	**17,148**
Change (%)	92.6	53.9	44.5	26.3	-59.6	15.2	17.3
HealthCare	1,151	3,124	4,244	5,880	9,208	9,888	11,576
Financial Services #	8,159	12,813	19,897	24,431	3,478	4,731	5,572
Info Mgmt	1,862	1,254	697	1,069			
Unallocated Inc/(Exp)	**-4,028**	**-3,988**	**-5,200**	**-6,605**	**-3,510**	**490**	**488**
Core PBT	**7,144**	**13,202**	**19,638**	**24,775**	**9,176**	**15,109**	**17,636**
Change (%)	110.6	84.8	48.7	26.2	-63.0	64.7	16.7
Exceptional Items	457	-99	0	-4,656	0	0	0
Reported PBT	**7,600**	**13,103**	**19,638**	**20,119**	**9,176**	**15,109**	**17,636**
Taxes	**495**	**2,281**	**6,928**	**8,611**	**19,604**	**3,777**	**4,409**
Tax Rate (%)	6.5	17.4	35.3	42.8	213.7	25.0	25.0
PAT	**7,105**	**10,821**	**12,710**	**11,507**	**-10,429**	**11,332**	**13,227**
Change (%)	-73.6	52.3	17.5	-9.5	-190.6	-208.7	16.7
Minority Interest	0	-3	0	0	0	0	0
Share from Asso. Co	1,942	1,699	2,801	3,194	4,896	4,363	5,335
PAT Post MI	**9,047**	**12,523**	**15,511**	**14,701**	**-5,533**	**15,695**	**18,562**
Change (%)	-68.3	38.4	23.9	-5.2	-137.6	-383.7	18.3
Dividend (Including Tax)	**3,635**	**4,348**	**5,415**	**6,065**	**3,500**	**5,493**	**6,497**

* Ex Exceptional, # Post interest expenses; FY16-18 nos based on IND AS; FY18 Excluding one off DTA of INR35.6b

BALANCE SHEET							(INR Mn)
Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	345	345	424	424	451	451	474
Reserves (Ex OCI)	121,102	133,609	243,287	253,732	286,835	297,037	326,579
Networth	**121,447**	**133,954**	**243,711**	**254,156**	**287,286**	**297,488**	**327,054**
OCI	8,037	14,872	21,977	18,430	18,430	18,430	18,430
Networth	**129,484**	**148,826**	**265,688**	**272,586**	**305,716**	**315,918**	**345,483**
Change (%)	-3.6	14.9	78.5	2.6	12.2	3.3	9.4
Borrowings	**162,788**	**304,510**	**441,608**	**559,867**	**419,562**	**451,794**	**500,451**
Change (%)	126.5	87.1	45.0	26.8	-25.1	7.7	10.8
Other liabilities	**17,526**	**29,058**	**20,708**	**23,808**	**23,808**	**39,097**	**55,151**
Change (%)	26.0	65.8	-28.7	15.0	0.0	64.2	41.1
Total Liabilities	**309,798**	**482,394**	**728,004**	**856,261**	**749,086**	**806,809**	**901,085**
Loans+Investments	**198,500**	**325,163**	**514,984**	**645,325**	**548,231**	**548,231**	**599,194**
Change (%)	57.9	63.8	58.4	25.3	-15.0	0.0	9.3
Goodwill	54,854	54,272	56,326	59,395	11,391	11,391	11,391
Fixed Assets	23,949	54,251	57,402	57,510	57,935	63,729	70,739
Other assets	**32,495**	**48,707**	**99,293**	**94,032**	**131,529**	**183,459**	**219,762**
Change (%)	22.2	49.9	103.9	-5.3	39.9	39.5	19.8
Total Assets	**309,798**	**482,394**	**728,004**	**856,261**	**749,086**	**806,809**	**901,085**

Financials and valuations

Profitability Ratios (%)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
EBITDA Margin - IT	19.7	17.5	13.9	17.0			
EBITDA Margin - Pharma	9.4	15.5	18.5	20.5	26.5	25.0	25.0
Core ROE	5.5	9.8	8.2	5.9	-2.0	5.4	5.9
ROE	7.5	9.8	8.2	5.9	-2.0	5.4	5.9
Valuations							
Book Value (INR)	**704**	**776**	**1,148**	**1,198**	**1,274**	**1,319**	**1,379**
BV Growth (%)	1.0	10.3	47.9	4.3	6.4	3.6	4.6
Price-BV (x)					1.1	1.0	1.0
EPS (INR)	**52**	**73**	**73**	**69**	**-25**	**70**	**78**
EPS Growth (%)	-68.3	38.4	0.7	-5.2	N.A	N.A	12.5
Price-Earnings (x)						19.3	17.2
DPS (INR)	**18**	**21**	**25**	**28**	**13**	**24**	**27**
Dividend Yield (%)					1.0	1.8	2.0

E: MOFSL Estimates

N O T E S

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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