

Piramal Enterprises

 BSE SENSEX
 37,397

 S&P CNX
 11,085

CMP: INR1,787
TP: INR2,400 (+34%)
Buy

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| | |
|-----------------------|-------------|
| Bloomberg | PIEL IN |
| Equity Shares (m) | 199 |
| M.Cap.(INRb)/(USDb) | 355.6 / 5.2 |
| 52-Week Range (INR) | 3303 / 1706 |
| 1, 6, 12 Rel. Per (%) | -3/-15/-33 |
| 12M Avg Val (INR M) | 1696 |
| Free float (%) | 53.9 |

Financials & Valuations (INR b)

| Y/E March | 2019 | 2020E | 2021E |
|-------------------|-------|-------|-------|
| Revenues | 132.2 | 153.6 | 181.5 |
| EBITDA | 36.6 | 42.2 | 48.8 |
| PAT | 14.7 | 20.5 | 25.4 |
| EPS (INR) | 73.7 | 102.9 | 127.3 |
| EPS Gr. (%) | -5.2 | 39.5 | 23.7 |
| BV/Sh. (INR) | 1,275 | 1,342 | 1,424 |
| Payout (%) | 38.0 | 29.2 | 35.0 |
| Valuations | | | |
| P/E (x) | 32.8 | 23.5 | 19.0 |
| P/BV (x) | 1.9 | 1.8 | 1.7 |
| Div. Yield (%) | 1.2 | 1.3 | 1.9 |

Stable quarter; loan growth moderates; asset quality improves sequentially

- Piramal Enterprises (PIEL) reported 1QFY20 PAT of INR4.5b (core PBT up 20% YoY). The quarter was characterized by a moderation in loan growth (flat QoQ and 20% YoY v/s 30%+ earlier), an improvement in asset quality (GNPA flat QoQ; stage 2 loans down to 0.5% from 1.5% in 4Q) and an expansion in the Pharma EBITDA margin to 22% (+200bp YoY).
- **Financial Services:** Loan book was stable QoQ at INR566b. Retail housing book grew 18% QoQ to INR61b and accounts for 11% of total loan book (v/s 9% QoQ). Real estate/corp. fin loan book declined 1%/4% QoQ.
- NIM fell 70bp QoQ (-140bp YoY) to 5.7%. Outstanding provisions stood at 1.85% of loans (v/s 1.93% in the prior quarter).
- During the quarter, PIEL sold its entire 9.96% stake in Shriram Transport Finance. Consequently, it realized gain of INR6.2b, which was transferred from OCI to retained earnings. Fair value of SHTF as of FY19 was INR28.9b, which came down to INR22.6b (INR16.36b cost+ INR6.17b of FV gain) at the time of sale. Hence, it recorded an MTM loss of INR7.9b in OCI (including INR1.6b on SCUF).
- **Pharma Services:** Revenue increased 10% YoY to INR11.7b, led by growth of 9% YoY in Global Pharma segment and 70% YoY in India segment (off low base). EBITDA margin rose 200bp YoY to 22%.
- **Key takeaways from concall:** (a) Management is looking to raise INR80-100b of capital for sustaining growth in the financial services business. (b) PIEL guides to trim its exposures to Lodha, Wadhwa and Omkar to below 15% of net worth by end-FY20. (c) Standalone loan book exposure of INR33b (from INR45b as of FY19) to run down by Dec'19.
- **Valuation view:** In the current environment, PIEL is focused on (a) reducing its key large exposures such as Lodha, Wadhwa and Omkar, (b) lowering the share of short-term borrowings and (c) diversifying the loan mix to retail / lower risk assets. The company also plans to raise capital to reduce leverage. Moderating the growth estimates and higher costs, we cut our core PBT estimate by 15-18% for FY20/21. Key risk to our estimates could stem from changes in regulatory norms for NBFCs and outlook for real estate. Our revised SOTP based TP is INR2,400.

Exhibit 1: Quarterly Performance

(INR Mn)

| Y/E March | FY19 | | | | FY20 | | | | FY19 | FY20 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | |
| Revenues | 29,025 | 31,441 | 34,891 | 36,797 | 35,063 | 36,398 | 39,679 | 42,475 | 1,32,153 | 1,53,614 |
| Growth YoY % | 28.8 | 24.0 | 22.1 | 23.0 | 20.8 | 15.8 | 13.7 | 15.4 | 24.2 | 16.2 |
| Financial Services | 15,586 | 17,316 | 18,405 | 19,328 | 20,144 | 20,749 | 21,527 | 22,403 | 70,634 | 84,823 |
| Healthcare | 10,658 | 11,204 | 11,571 | 14,765 | 11,726 | 12,436 | 12,844 | 17,131 | 48,197 | 54,137 |
| HC Insights and Analytics | 2,781 | 2,922 | 4,915 | 2,705 | 3,192 | 3,214 | 5,308 | 2,940 | 13,322 | 14,654 |
| Results (Ex Exceptional) | 7,831 | 8,832 | 11,108 | 8,812 | 10,289 | 9,108 | 11,677 | 11,165 | 36,582 | 42,239 |
| Growth YoY % | 28.7 | 17.4 | 26.1 | 22.5 | 31.4 | 3.1 | 5.1 | 26.7 | 23.5 | 15.5 |
| Financial Services | 6,138 | 6,460 | 6,626 | 5,284 | 7,344 | 6,426 | 6,683 | 7,153 | 24,507 | 27,605 |
| Healthcare | 1,578 | 2,190 | 2,569 | 3,472 | 2,442 | 2,464 | 2,890 | 3,908 | 9,809 | 11,703 |
| HC Insights and Analytics | 115 | 182 | 1,913 | 56 | 504 | 219 | 2,104 | 104 | 2,266 | 2,931 |
| Depr/Interest/Unallocated | 2,798 | 3,134 | 2,821 | 3,054 | 4,229 | 3,550 | 3,565 | 3,574 | 11,807 | 14,918 |
| PBT (Ex Exceptional) | 5,032 | 5,698 | 8,287 | 5,758 | 6,060 | 5,558 | 8,112 | 7,591 | 24,775 | 27,321 |
| Growth YoY % | 44.0 | 16.0 | 27.2 | 22.1 | 20.4 | -2.5 | -2.1 | 31.8 | 26.2 | 10.3 |
| Extra Ordinary Item | -4,523 | 0 | 0 | -134 | -113 | 0 | 0 | 0 | -4,656 | -113 |
| Reported Profit Before Tax | 510 | 5,698 | 8,287 | 5,624 | 5,947 | 5,558 | 8,112 | 7,591 | 20,119 | 27,208 |
| Growth YoY % | -85.4 | 16.0 | 27.2 | 19.3 | 1066.5 | -2.5 | -2.1 | 35.0 | 2.4 | 35.2 |
| Taxes | 1,810 | 1,628 | 2,930 | 2,243 | 2,176 | 1,945 | 2,839 | 2,563 | 8,611 | 9,523 |
| Tax rate % | 355.1 | 33.0 | 33.0 | 34.0 | 36.6 | 35.0 | 35.0 | 33.8 | 42.8 | 35.0 |
| Profit After Tax | -1,300 | 4,070 | 5,356 | 3,381 | 3,771 | 3,613 | 5,273 | 5,028 | 11,507 | 17,685 |
| Growth YoY % | -152.5 | 35.0 | 21.8 | 19.7 | -390.0 | -11.2 | -1.6 | 48.7 | -9.5 | 53.7 |
| MI and Others | 602 | 734 | 676 | 1,181 | 729 | 500 | 500 | 1,093 | 3,194 | 2,822 |
| PAT | -698 | 4,804 | 6,033 | 4,562 | 4,500 | 4,113 | 5,773 | 6,121 | 14,701 | 20,507 |
| Growth YoY % | -123.1 | 25.2 | 23.0 | 21.7 | -744.6 | -14.4 | -4.3 | 34.2 | -5.2 | 39.5 |

Source: MOFSL, Company

Loan book stable QoQ at
INR566b.

Lending business – growth moderates; asset quality improves QoQ

- **The loan book remained stable on a sequential basis at INR566b.** Within this, the retail housing book grew 18% QoQ to INR61b – it now accounts for 11% of total loan book (v/s 9% QoQ). On the other hand, the real estate/corp. fin loan book declined 1%/4% QoQ.
- NIM remain under pressure – down 70bp QoQ and 140bp YoY to 5.7%. Cost of funds increased 30bp QoQ to 10.3%.
- GNPL ratio was stable QoQ at 0.9%. Stage 2 loans declined 63% QoQ to INR3.1b (0.5% of loans v/s 1.5% in the prior quarter). Against this, total outstanding provisions amount to 1.85% of loans (v/s 1.93% in the prior quarter).
- **Management looks to raise INR80-100b of capital for sustaining growth in the financial services business.**

Global pharma sales growth
of 12% YoY

Global pharma business growth stable

- Revenues increased 10% YoY to INR11.7b, driven by 9% YoY growth in the Global Pharma segment and 70% YoY growth in the India segment (off a low base).
- EBITDA margin improved 200bp YoY to 22%.

Valuation and view

- In the current environment, PIEL has focused on (a) reducing its key large exposures such as Lodha, Wadhwa and Omkar, (b) lowering the share of short-term borrowings and (c) diversifying the loan mix to lower risk assets.
- The company also plans to raise capital to reduce leverage – this would help lower its cost of funds in the financing business, which is currently elevated at 10.3%.

- Considering the challenging macro environment, we cut our core PBT estimate by 15-18% for FY20/21, factoring in a reduction in our growth estimates and higher borrowing cost.
- Key risk to our estimates could stem from any change in regulatory norms for NBFCs and large defaults in real estate financing, if any.
- We arrive at a TP of **INR2,400** using SOTP (FY21 based). **Buy**.

Exhibit 2: SOTP (FY21E based)

| | Value (INR B) | Value (USD B) | INR per share | % To Total | Rationale |
|-----------------------|---------------|---------------|---------------|------------|--|
| Lending Business | 318 | 4.5 | 1,597 | 67 | 2x PBV; ROA of 2.4-2.5% - Loan CAGR of 18% FY19-22 |
| Shriram Group | 45 | 0.6 | 226 | 9 | Based on our TP; Implied 1.5x of invested capital; Post 20% Holdco |
| Pharma, IT and Others | 115 | 1.6 | 578 | 24 | Pharma EV/EBITDA 10x; IT EV/Sales of 4x |
| Target Value | 479 | 6.7 | 2,400 | 100 | Implied 1.7x Consolidated BV |
| Current market cap. | 356 | 5.0 | 1,787 | | |
| Upside (%) | 34.3 | 34.3 | 34.3 | | |

Source: MOFSL, Company

**Key conference call highlights****Macro level**

- Liquidity crisis relapsed in April due to one of the large corporates, impacting the system wide flow of credit, especially for NBFCs.
- Measures taken by GOI and regulators are in the right direction; Awaiting for the final guidelines from the regulators on many aspects.

Strategy going forward

- Reducing the contribution of residential RE exposure and increasing that of individual housing loans.
- Focus on increasing the long-term liabilities and reducing the share of short-term liabilities.
- **Planning to get INR80-100b of equity infusion for FS business.**

Trends in RE space

- Under consolidation phase – 90% of RE developers will find it difficult to survive.
- Top 9 cities developers are down by 50% from FY12 and expected to be down by 70% in next 2-3 years.
- Saleable inventory is less than 50% of inventory reported.
- Disbursed INR48b during the quarter to ensure project construction continues. This is matched by repayment/down sell of INR50b.

Proactive steps in RE business

- Entire lending is 100% secured.
- Nirmal group peak exposure is down from INR2b to INR70m.
- LG yard scale (Delhi) – Recovered entire principal and interest amount.
- Proactive measures have been completed in 10 out of 18 deals; on advance stage in remaining deals. Rest 8 deals have INR10b exposure, of which six will be resolved in 2Q and two are already in NPA (LG and Jain group).
- Wholesale residential RE portfolio working capital requirement in next nine months would be INR14-16b (fraction of limits already given).

Clarification on rumours and large exposures

- No exposure to Radius, Supertech, Amarapali, Aristo, Nahar.
- **Lodha** – No default on principal and interest till date. Lodha has significant share of commercial project which helps in debt servicing. Exposure of INR43b came down to INR39b March 2019 and INR31.9b as of June. QoQ decline is led by INR5.9b down sold to GS. Expect the exposure to come down to INR26b (September 2019 partially helped by INR5b GS deal recently).
- **Omkar** - Zero exposure to Omkar 1973. Exposures are at JDA project level like Creasant Bay (L&T JDA partner) and Piramal Mahalaxmi (Piramal Realty is a JDA partner) – In Piramal Mahalaxmi exposure to Omkar is INR11b. Project has already sold INR18b of inventory and of which INR7b is Omkar's share.
- Top 3 exposures will be less than 15% of net worth in FY20 - Lodha (end of FY20), Wadhwa (by September 2019) and Omkar (Deals will take it down).
- **Acme renewable** – INR5b downsold so far. Loans are long term at the holdco level with the small share of projects in Andhra state.
- Sold stake in SHTF due to liquidity crisis – part of intent already declared; creating a war-chest for opportunities.
- Rating revision by ICRA – Since June 2019 raised INR80b without change in interest rate.
- No attrition issue - Headcount has increased from 900 to 1,400 in last nine months.

Liability side

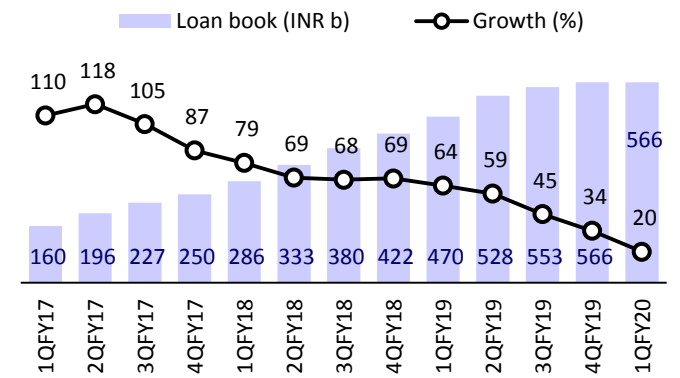
- CP exposure down to INR73b at the consol level. At Piramal Capital and Housing Finance, it is INR35b; planning to bring it down to negligible level.
- In last nine months, raised INR185b – some borrowings are to the extent of 10 years.
- Met the entire funding requirements without any issue.
- Downsold INR39b of LRD and some RE portfolio at PAR in the last nine months.
- **By CY19, plans to raise INR250b – additional bank lines, ECB, Dollar bonds etc. Assuming CP share will come down to zero.**
- Expected repayment in next six months is INR170b.
- **Cost of funds is 10.3% (up 30bp QoQ). Incremental CoF is 11%. Expect cost of funds to remain here.**
- Raised ECBs at 9.75% fully hedged.

Others

- 30-35% of loans would be in moratorium (18-24 months).
- Several PE funds are jointly working with the company to portfolio buyout or developer buyout.
- **Looking at new opportunities in NBFC space apart from existing lines of business.**
- Housing loans yield is 9.4%; 2-2.5% RoA in retail home loans in the next 2-3 years.
- No portfolio buyouts in retail housing finance during the quarter.
- INR6.5b OCI loss on SHTF in 1Q.
- **Nil loans on parent balance sheet by Dec '19 (currently INR33b).**
- No commercial real estate NPLs. Residential NPLs – 0.6%.
- 1.5% PCR on Stage 1, 10% on Stage 2 and 33% on Stage 3.

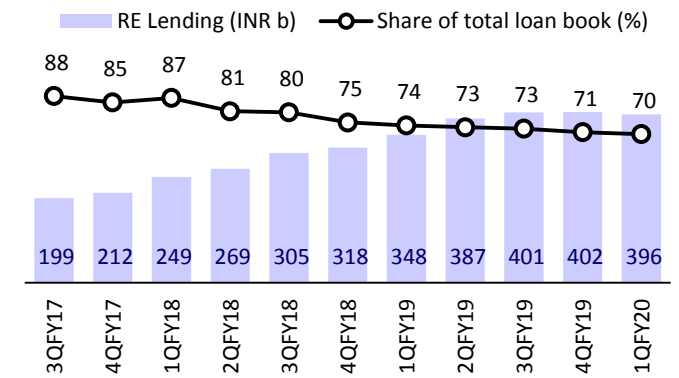
Story in charts

Exhibit 3: Overall AUM growth moderates



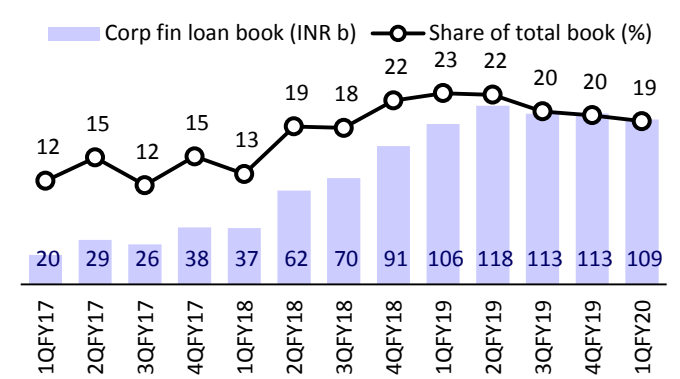
Source: MOFSL, Company

Exhibit 4: Share of real estate lending sequentially stable



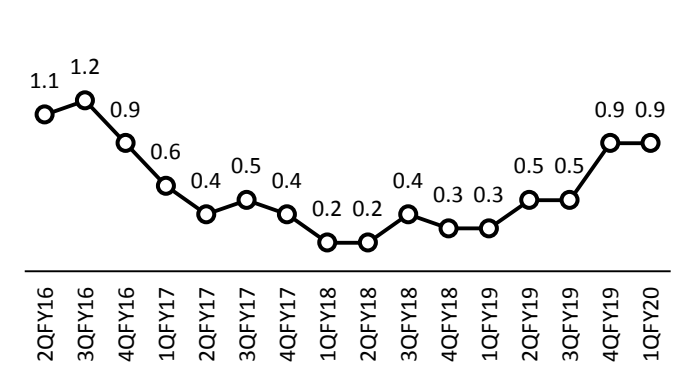
Source: MOFSL, Company

Exhibit 5: Corporate finance share moderates



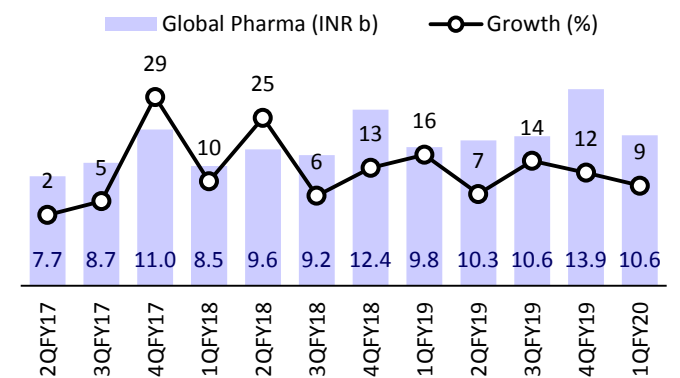
Source: MOFSL, Company

Exhibit 6: GNPL ratio stable (%)



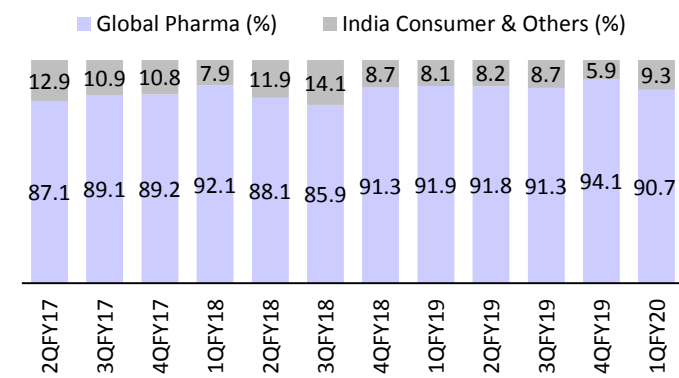
Source: MOFSL, Company

Exhibit 7: Global Pharma revenue growth stable



Source: MOFSL, Company

Exhibit 8: Pharma revenue mix stable



Source: MOFSL, Company

Exhibit 9: Financials – Valuation Matrix

| | Rating | CMP (INR) | Mcap (USDb) | P/E (x) | | P/BV (x) | | RoA (%) | | RoE (%) | |
|--------------------------|--------------|--------------|----------------|---------|-------|----------|-------|---------|-------|---------|-------|
| | | | | FY20E | FY21E | FY20E | FY21E | FY20E | FY21E | FY20E | FY21E |
| ICICIBC* | Buy | 425 | 40.2 | 15.4 | 11.6 | 1.7 | 1.6 | 1.3 | 1.5 | 12.0 | 14.4 |
| HDFCB | Buy | 2,253 | 89.1 | 24.3 | 20.1 | 3.7 | 3.2 | 1.9 | 1.9 | 15.9 | 16.9 |
| AXSB | Buy | 707 | 26.9 | 19.9 | 13.7 | 2.4 | 2.0 | 1.1 | 1.3 | 12.8 | 16.1 |
| KMB* | Neutral | 1,498 | 41.6 | 33.9 | 27.8 | 4.3 | 3.8 | 1.8 | 1.8 | 13.2 | 14.3 |
| IIB | Buy | 1,337 | 12.5 | 14.6 | 11.1 | 2.5 | 2.0 | 1.9 | 2.1 | 18.6 | 20.1 |
| FB | Buy | 91 | 2.7 | 11.3 | 8.9 | 1.2 | 1.1 | 0.9 | 1.0 | 11.5 | 13.3 |
| DCBB | Neutral | 193 | 0.9 | 15.9 | 12.5 | 1.8 | 1.6 | 1.0 | 1.1 | 12.3 | 13.9 |
| Equitas | Buy | 108 | 0.6 | 10.8 | 8.1 | 1.3 | 1.2 | 1.8 | 1.8 | 13.0 | 15.3 |
| RBL | Buy | 398 | 2.8 | 16.4 | 12.7 | 2.0 | 1.5 | 1.1 | 1.2 | 13.0 | 14.3 |
| Private Aggregate | | | | | | | | | | | |
| SBIN (cons)* | Buy | 328 | 44.5 | 8.8 | 8.3 | 1.1 | 1.0 | 0.7 | 0.7 | 13.4 | 13.2 |
| PNB | Neutral | 67 | 4.6 | 10.2 | 7.2 | 0.7 | 0.6 | 0.4 | 0.5 | 6.6 | 8.6 |
| BOI | Neutral | 71 | 3.0 | -88.9 | 8.7 | 0.5 | 0.4 | 0.0 | 0.3 | -0.5 | 4.7 |
| BOB | Buy | 103 | 6.1 | 8.9 | 4.7 | 0.6 | 0.5 | 0.4 | 0.7 | 6.4 | 12.0 |
| CBK | Neutral | 232 | 2.6 | 8.0 | 7.6 | 0.5 | 0.5 | 0.3 | 0.3 | 5.9 | 6.0 |
| Public Aggregate | | | | | | | | | | | |
| Banks Aggregate | | | | | | | | | | | |
| HDFC* | Buy | 2,128 | 52.3 | 25.2 | 19.0 | 3.0 | 2.3 | 1.6 | 1.6 | 12.8 | 12.8 |
| LICHF | Buy | 514 | 3.8 | 9.2 | 8.1 | 1.4 | 1.2 | 1.3 | 1.3 | 16.3 | 16.3 |
| IHFL | Under Review | 524 | 3.5 | 6.5 | 6.1 | 1.2 | 1.1 | 2.9 | 2.9 | 19.9 | 19.3 |
| PNBHF | Buy | 716 | 1.7 | 9.2 | 8.4 | 1.4 | 1.2 | 1.4 | 1.3 | 16.4 | 15.7 |
| REPCO | Buy | 319 | 0.3 | 8.4 | 7.4 | 1.1 | 1.0 | 2.0 | 2.0 | 14.4 | 14.4 |
| Housing Finance | | | | | | | | | | | |
| SHTF | Buy | 969 | 3.2 | 8.3 | 7.5 | 1.2 | 1.1 | 2.4 | 2.5 | 15.7 | 15.3 |
| MMFS | Buy | 298 | 2.7 | 11.7 | 10.7 | 1.6 | 1.4 | 2.2 | 2.2 | 14.1 | 13.9 |
| BAF | Neutral | 3,250 | 27.2 | 36.8 | 29.8 | 7.8 | 6.3 | 3.5 | 3.4 | 23.2 | 23.3 |
| CIFC | Under Review | 244 | 2.8 | 13.9 | 12.4 | 2.6 | 2.2 | 2.2 | 2.1 | 20.2 | 19.0 |
| SCUF | Buy | 1,403 | 1.4 | 8.3 | 7.5 | 1.3 | 1.1 | 3.6 | 3.4 | 16.1 | 15.5 |
| LTFH | Buy | 98 | 2.9 | 7.7 | 6.6 | 1.2 | 1.1 | 2.3 | 2.4 | 17.1 | 17.2 |
| MUTH | Neutral | 602 | 3.4 | 10.8 | 9.5 | 2.2 | 1.9 | 5.5 | 5.4 | 22.4 | 21.8 |
| INDOSTAR | Buy | 298 | 0.4 | 8.4 | 5.9 | 0.8 | 0.7 | 2.2 | 2.4 | 10.3 | 12.9 |
| MAS | Buy | 597 | 0.5 | 18.5 | 15.5 | 3.2 | 2.7 | 4.4 | 4.3 | 19.3 | 19.8 |

Source: MOFSL, Company

Financials and valuations

| INCOME STATEMENT | | | | | | | | (INR M) |
|---------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY22E |
| Revenues | 51,230 | 63,815 | 85,468 | 106,394 | 132,153 | 153,614 | 181,530 | 214,783 |
| Change (%) | 13.8 | 24.6 | 33.9 | 24.5 | 24.2 | 16.2 | 18.2 | 18.3 |
| HealthCare | 31,210 | 34,670 | 38,927 | 43,220 | 47,860 | 53,759 | 60,637 | 68,569 |
| Financial Services | 9,371 | 17,397 | 33,515 | 49,816 | 70,634 | 84,823 | 104,063 | 127,375 |
| Info Mgmt | 10,196 | 11,559 | 12,224 | 12,092 | 13,322 | 14,654 | 16,413 | 18,382 |
| Others | 453 | 188 | 802 | 1,266 | 337 | 378 | 416 | 458 |
| EBITDA* | 8,698 | 13,726 | 21,007 | 29,611 | 36,582 | 42,239 | 48,822 | 56,640 |
| Change (%) | 102.3 | 57.8 | 53.0 | 41.0 | 23.5 | 15.5 | 15.6 | 16.0 |
| HealthCare | 299 | 3,266 | 6,028 | 8,001 | 9,809 | 11,703 | 13,300 | 15,060 |
| Financial Services # | 6,575 | 8,185 | 12,837 | 19,933 | 24,507 | 27,605 | 32,240 | 37,904 |
| Info Mgmt | 1,824 | 2,276 | 2,143 | 1,677 | 2,266 | 2,931 | 3,283 | 3,676 |
| EBIT* | 5,799 | 11,172 | 17,190 | 24,838 | 31,380 | 35,613 | 41,747 | 49,114 |
| Change (%) | 216.7 | 92.6 | 53.9 | 44.5 | 26.3 | 13.5 | 17.2 | 17.6 |
| HealthCare | -1,628 | 1,151 | 3,124 | 4,244 | 5,880 | 6,525 | 7,871 | 9,381 |
| Financial Services # | 6,557 | 8,159 | 12,813 | 19,897 | 24,431 | 27,605 | 32,240 | 37,904 |
| Info Mgmt | 870 | 1,862 | 1,254 | 697 | 1,069 | 1,484 | 1,636 | 1,830 |
| Unallocated Inc/(Exp) | -2,407 | -4,028 | -3,988 | -5,200 | -6,605 | -8,293 | -9,001 | -10,005 |
| Core PBT | 3,392 | 7,144 | 13,202 | 19,638 | 24,775 | 27,321 | 32,745 | 39,110 |
| Change (%) | -177.8 | 110.6 | 84.8 | 48.7 | 26.2 | 10.3 | 19.9 | 19.4 |
| Exceptional Items | 26,962 | 457 | -99 | 0 | -4,656 | -113 | 0 | 0 |
| Reported PBT | 30,354 | 7,600 | 13,103 | 19,638 | 20,119 | 27,208 | 32,745 | 39,110 |
| Taxes | 3,450 | 495 | 2,281 | 6,928 | 8,611 | 9,523 | 10,479 | 12,515 |
| Tax Rate (%) | 11.4 | 6.5 | 17.4 | 35.3 | 42.8 | 35.0 | 32.0 | 32.0 |
| PAT | 26,904 | 7,105 | 10,821 | 12,710 | 11,507 | 17,685 | 22,267 | 26,594 |
| Change (%) | -640.8 | -73.6 | 52.3 | 17.5 | -9.5 | 53.7 | 25.9 | 19.4 |
| Minority Interest | -3 | 0 | -3 | 0 | 0 | 0 | 0 | 0 |
| Share from Asso. Co | 1,593 | 1,942 | 1,699 | 2,801 | 3,194 | 2,822 | 3,105 | 3,426 |
| PAT Post MI | 28,500 | 9,047 | 12,523 | 15,511 | 14,701 | 20,507 | 25,371 | 30,021 |
| Change (%) | -668.4 | -68.3 | 38.4 | 23.9 | -5.2 | 39.5 | 23.7 | 18.3 |
| Dividend (Including Tax) | 4,154 | 3,635 | 4,348 | 5,415 | 6,065 | 7,177 | 8,880 | 10,507 |

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

Financials and valuations

| BALANCE SHEET | | | | | | | | (INR M) |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Y/E MARCH | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY21E |
| Equity Share Capital | 345 | 345 | 345 | 399 | 399 | 399 | 399 | 399 |
| Reserves (Ex OCI) | 119,925 | 121,102 | 133,609 | 243,287 | 253,732 | 267,061 | 283,553 | 303,066 |
| Networth | 120,270 | 121,447 | 133,954 | 243,686 | 254,131 | 267,460 | 283,951 | 303,465 |
| OCI | 13,985 | 8,037 | 14,872 | 21,977 | 18,430 | 18,430 | 18,430 | 18,430 |
| Networth | 134,255 | 129,484 | 148,826 | 265,662 | 272,560 | 285,890 | 302,381 | 321,895 |
| Change (%) | 44.0 | -3.6 | 14.9 | 78.5 | 2.6 | 4.9 | 5.8 | 6.5 |
| Borrowings | 71,863 | 162,788 | 304,510 | 441,608 | 559,867 | 616,216 | 741,611 | 895,511 |
| Change (%) | -24.8 | 126.5 | 87.1 | 45.0 | 26.8 | 10.1 | 20.3 | 20.8 |
| Other liabilities | 13,908 | 17,526 | 29,058 | 20,734 | 23,834 | 27,503 | 33,283 | 41,086 |
| Change (%) | -47.2 | 26.0 | 65.8 | -28.6 | 15.0 | 15.4 | 21.0 | 23.4 |
| Total Liabilities | 220,026 | 309,798 | 482,394 | 728,004 | 856,261 | 929,608 | 1,077,275 | 1,258,492 |
| Loans+Investments | 125,696 | 198,500 | 325,163 | 514,984 | 645,325 | 735,923 | 867,291 | 1,024,932 |
| Change (%) | 12.8 | 57.9 | 63.8 | 58.4 | 25.3 | 14.0 | 17.9 | 18.2 |
| Goodwill | 49,437 | 54,854 | 54,272 | 56,326 | 59,395 | 59,395 | 59,395 | 59,395 |
| Fixed Assets | 18,298 | 23,949 | 54,251 | 57,402 | 57,510 | 63,261 | 69,587 | 77,241 |
| Other assets | 26,595 | 32,495 | 48,707 | 99,293 | 94,032 | 71,030 | 81,003 | 96,924 |
| Change (%) | -27.8 | 22.2 | 49.9 | 103.9 | -5.3 | -24.5 | 14.0 | 19.7 |
| Total Assets | 220,026 | 309,798 | 482,394 | 728,004 | 856,261 | 929,608 | 1,077,275 | 1,258,492 |
| Profitability Ratios (%) | | | | | | | | |
| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E | FY21E |
| EBITDA Margin - IT | 17.9 | 19.7 | 17.5 | 13.9 | 17.0 | 20.0 | 20.0 | 20.0 |
| EBITDA Margin - Pharma | 1.0 | 9.4 | 15.5 | 18.5 | 20.5 | 21.8 | 21.9 | 22.0 |
| Core ROE | 2.8 | 5.5 | 9.8 | 8.2 | 5.9 | 7.9 | 9.2 | 10.2 |
| ROE | 26.7 | 7.5 | 9.8 | 8.2 | 5.9 | 7.9 | 9.2 | 10.2 |
| Valuations | | | | | | | | |
| Book Value (INR) | 697 | 704 | 776 | 1,222 | 1,275 | 1,342 | 1,424 | 1,522 |
| BV Growth (%) | 29.0 | 1.0 | 10.3 | 57.4 | 4.3 | 5.2 | 6.2 | 6.9 |
| Price-BV (x) | | | | 2.0 | 1.9 | 1.8 | 1.7 | 1.6 |
| EPS (INR) | 165.2 | 52.4 | 72.6 | 77.8 | 73.7 | 102.9 | 127.3 | 150.6 |
| EPS Growth (%) | -668 | -68 | 38 | 7 | -5 | 39 | 24 | 18 |
| Price-Earnings (x) | | | | 30.8 | 32.5 | 23.3 | 18.8 | 15.9 |
| DPS (INR) | 20 | 18 | 21 | 25 | 28 | 30 | 45 | 53 |
| Dividend Yield (%) | | | | 1.0 | 1.2 | 1.3 | 1.9 | 2.2 |

E: MOFSL Estimates

Corporate profile

Company description

Piramal Enterprises Ltd., the flagship company of the Piramal Group, has a fundamental position in the Pharma, Healthcare Information Management, and Financial Services. In 2010, PIEL sold its domestic formulations business at a valuation of ~9x sales. It also commenced the wholesale lending business, with a particular focus on real estate lending. In May 2013, it acquired a 10% equity stake in Shriram Transport Finance followed by a 20% equity stake in Shriram Capital Limited, and in June, 2014, acquired an additional 9.9% stake in Shriram City Union Finance Limited. In June 2019, it sold its stake in SHTF.

Exhibit 1: Sensex rebased

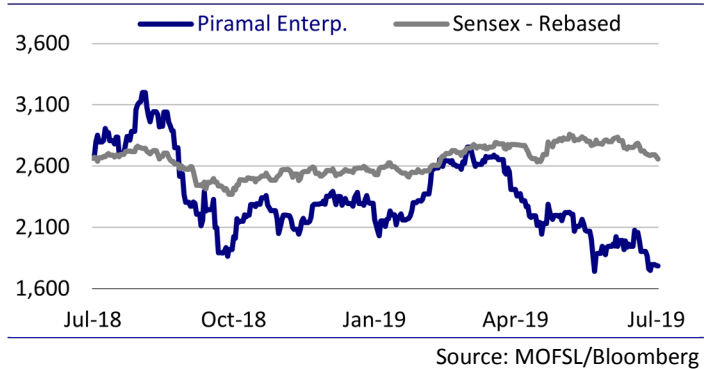


Exhibit 2: Shareholding pattern (%)

| | Jun-19 | Mar-19 | Jun-18 |
|----------|--------|--------|--------|
| Promoter | 46.1 | 49.7 | 50.8 |
| DII | 9.1 | 6.3 | 4.4 |
| FII | 29.3 | 27.7 | 27.5 |
| Others | 15.6 | 16.4 | 17.3 |

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

| Holder Name | % Holding |
|---|-----------|
| Life Insurance Corporation Of India | 7.5 |
| East Bridge Capital Master Fund Limited | 4.4 |
| East Bridge Capital Master Fund I Ltd | 2.8 |
| Indiahold Limited | 2.2 |
| Caisse de Depot Et Placement Du Quebec | 2.2 |

Source: Capitaline

Exhibit 4: Top management

| Name | Designation |
|-----------------|--------------------------|
| Ajay G Piramal | Chairman |
| Swati A Piramal | Vice Chairperson |
| Vijay Shah | Executive Director & COO |
| Leonard Dsouza | Company Secretary |

Source: Capitaline

Exhibit 5: Directors

| Name | Name |
|--------------------|-------------------------|
| Anand Piramal | N Vaghul* |
| Nandini Piramal | R A Mashelkar* |
| Deepak Satwalekar* | S Rama Dorai* |
| Gautam Banerjee* | Siddharth Mehta* |
| Goverdhan Mehta* | Arundhati Bhattacharya* |
| Keki Dadiseth* | |

*Independent

Exhibit 6: Auditors

| Name | Type |
|------------------------------|-------------------|
| Deloitte Haskins & Sells LLP | Statutory |
| N L Bhatia & Associates | Secretarial Audit |

Source: Capitaline

Exhibit 7: MOFSL forecast v/s consensus

| EPS (INR) | MOFSL forecast | Consensus forecast | Variation (%) |
|-----------|----------------|--------------------|---------------|
| FY19 | 73.7 | 74.2 | -0.6 |
| FY20 | 102.9 | 121.4 | -15.2 |
| FY21 | 127.3 | 146.6 | -13.1 |

Source: Bloomberg

NOTES

| 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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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