

31st October, 2019

BSE Limited

1st Floor, New Trading Wing,
Rotunda Bldg, P.J. Towers,
Dalal Street, Fort,
Mumbai- 400 001

National Stock Exchange of India Ltd.,

Exchange Plaza, 5th Floor,
Plot No. C/1, G. Block,
Bandra-Kurla Complex,
Mumbai – 400 051.

Dear Sir / Madam,

Ref: BSE SCRIP CODE – 500302
NSE SYMBOL - PEL

**Sub: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-
Transcript of Conference Call with Investors/Analysts**

Further to our letter dated 21st October, 2019 whereby we had given the advance intimation of Conference Call with Investors/Analysts, enclosed please find the transcript of the Earnings Conference Call held on 22nd October, 2019 to discuss the Q2 & H1 FY2020 Results of the Company.

Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the conference call is also hosted on the website of the Company.

Kindly take the above on record.

Thanking you,

Yours truly,
For **Piramal Enterprises Limited**


Bipin Singh
Company Secretary



Encl: a/a

Piramal Enterprises Limited

CIN : L24110MH1947PLC005719

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“Piramal Enterprises Limited
Q2 and H1 FY2020 Conference Call”

October 22, 2019



MANAGEMENT: MR. AJAY PIRAMAL – CHAIRMAN, PIRAMAL ENTERPRISES LIMITED
MR. VIJAY SHAH - EXECUTIVE DIRECTOR, PIRAMAL ENTERPRISES LIMITED
MS. NANDINI PIRAMAL - EXECUTIVE DIRECTOR, PIRAMAL ENTERPRISES LIMITED
MR. KHUSHRU JIJINA - MANAGING DIRECTOR, PIRAMAL CAPITAL AND HOUSING FINANCE LTD.
MR. VIVEK VALSARAJ – CHIEF FINANCIAL OFFICER, PIRAMAL ENTERPRISES LIMITED
MR. HITESH DHADDHA - CHIEF INVESTOR RELATIONS OFFICER, PIRAMAL ENTERPRISES LIMITED



*Piramal Enterprises Limited
October 22, 2019*

Hitesh Dhatta: Good evening, everyone. I am pleased to welcome you all to this conference call to discuss our Q2 and H1 FY 2020 results. With us are Mr. Piramal; Mr. Vijay Shah, Executive Director; Nandini Piramal, Executive Director of PEL; Mr. Khushru Jijina, Managing Director of Financial Services Business; and Vivek Valsaraj, CFO of the Company.

With that, I would like to hand it over to our Chairman and would request him to share his initial thoughts. Over to you, Sir.

Ajay Piramal: My best wishes for the Diwali season now to all of you. Let me now share with you the numbers of and the performance for the first six months of the current year.

During the first six months, our revenues grew by 18% to Rs.7,110 Crores, and the profit before tax and exceptional items grew by 25% to Rs.1,338 Crores. The net profit is 19% above the same period last year at Rs.1,029 Crores.

For the second quarter this year, revenue grew by 15% compared to the same quarter last year and is now at Rs.3,604 Crores and our profit before tax and exceptional items grew by 29% to Rs.733 Crores, and net profit grew by 18% to Rs.569 Crores.

I am very happy to report that if you look at our 5-year performance, the revenue CAGR for the 5 years has been 24% and net profit during this period has grown on a compounded annual growth rate of 60%.

On Marco Environment:

Just a few comments on the macro environment. The business activity in India has been facing a slowdown. In fact, the June 2019 quarter was one of the weakest in the last six years, with GDP growth rate slipping to nearly 5%.

Liquidity tightening in the NBFC sector has accentuated this impact. Real estate and the MSME sectors, which are crucial to GDP growth, and employment continue to be impacted by shrinkage in credit flow.

As per the RBI data, total credit flow to the commercial sector has fallen by Rs.2.25 lakh Crores between April and mid-September this year compared to an increase of Rs.2.6 lakh Crores for the same period last year. The new credit provided by Housing Finance Companies declined by Rs.6,000 Crores in the first quarter of the current year compared to a growth of Rs.52,000 Crores in the same period last year. For the MSMEs, the credit grew only by 12% year-on-year as of June 2019 versus 23% last year.

While banks have more than sufficient liquidity, there is still a lack of confidence to fund NBFCs who are lenders to these important sectors. We have said this before that in such times, it is only few NBFCs and Housing Finance Companies which have a high capitalization, strong parentage, best-in-class governance, robust risk management and processes and deep sectoral understanding would survive going forward, and we can already see this consolidation taking place.

Financial Services – Inflows & Outflows:

Before I talk about performance of the Financial Services business in detail, I would like to share with you some headline numbers with respect to the liquidity of the Financial Services business because this today is perhaps the most important thing.

In the last one year, our Financial Services Business received total inflows of Rs.45,000 Crores, which includes fresh borrowings, repayments and prepayments and these inflows are equivalent to 85% of our loan book.

During this period, we have raised Rs.24,000 Crores of long-term funds, which also reflects the confidence of lenders on the quality of loan book and the underlying assets. In addition, we received Rs.19,000 Crores, which is 35% of our loan book in the form of repayments/prepayments from borrowers in the last one year, reflecting the high quality of our borrowers and their consistent trend in the sales.

What is reassuring for us is that of these repayments/prepayments, nearly Rs.7,700 Crores was through refinancing from banks, mutual funds and other institutions without any discount, reflecting our client selection and quality of underwriting.

During this period, we disbursed Rs.19,000 Crores in the last one year to meet existing commitments in wholesale lending as well as growing our Retail Housing Finance business. Debt obligations of Rs.30,000 Crores in the past one year have been met, and they have been all paid on the due date. These numbers reflect the core strength of our business.

Learnings from the recent liquidity tightening in NBFC sector:

What have we learned from the last 14 months? While our strong fundamentals enabled us to navigate through the liquidity tightening period, some of the learning's are:

- (i) We have to be more conservative in our liabilities and see that we have more long-term funds.

(ii) We have also realized that building a diversified and granular loan book is important.

(iii) We have decided to bring down our single borrower exposures.

During this period, we have taken several steps to further strengthen our assets and liabilities.

Liabilities-side:

Long-term borrowings:

On the liability side, we did have a larger proportion of short-term borrowings. We are continuing to improve our borrowing mix by shifting towards long-term funds.

During the past year, we have raised long-term debt of Rs.24,000 Crores. Bank borrowings now constitute 69% of overall borrowings, significantly higher than the 49% we had in September 2018.

Exposure to Commercial Papers (CPs):

Although we did resort to some short-term borrowing during the last few quarters, we have reduced our exposure to CPs from Rs.18000 Crores, which was at the end of September (2018) to Rs.1,480 Crores at end of September 2019.

More importantly, CPs from mutual funds have reduced to merely Rs.615 Crores compared to Rs.15,600 Crores a year ago and by the end of November, we will have no CPs from any mutual funds.

Cost of funds & yields:

During this period, because we have focused on improving our liquidity, there has been some increase in borrowing costs and we have seen a temporary rise. The average cost of funds was 11% during FY2020, first half. We expect that borrowing costs will normalize in the next year.

We are already seeing yields going up and believe that they will continue to go up further as the competition is down significantly in the spaces we operate in. As done in the past, we remain confident of fulfilling all our short-term and long-term repayment obligations.

Assets-side:

Coming to the asset side, our loan book remains flat at Rs.53,000 Crores at the end of September. This has been a deliberate strategy as we believe that in an uncertain turbulent market, it is important that we focus on liquidity and focus on seeing that the current borrowers to whom we have funded, their projects remain on track rather than going for new businesses.

Asset quality:

Even in this challenging time, our gross NPA ratios remain below 1%, which they have done for the last 14 quarters.

Loan book mix:

We have diversified our loan book. The wholesale residential real estate loans now at ~Rs.25,600 Crores, constitute 48% of the loan book compared to 79% in March 2015. Our wholesale commercial real estate loans at ~Rs.11,400 Crores now account for 22% of the loan book. The corporate lending remains unchanged at 18% and stands at ~Rs.9,600 Crores.

Share of retail loans:

Our housing finance loan book is today at Rs.6,400 Crores and accounts for 12% of the overall loan book compared to only 4%, a year ago. We have disbursed Rs.5,000 Crores towards retail in the last one year.

Single-borrower exposure:

We have also taken steps to reduce the single borrower exposures and large exposures have been reduced either through refinancing and co-origination. The top 10 exposures now account for 30% of our loan book, and we plan to reduce this to below 20% by the end of the current fiscal year.

On Consolidation & Growth Opportunities:

The environment for NBFCs is that there is significant consolidation taking place in the industry, and this gives us several substantial and profitable growth opportunities because we are well capitalized.

As I mentioned already, we are seeing an improvement in yields, especially in the wholesale lending business as we have been able to largely pass on the increase in costs of borrowings to our customers.

However, given the uncertain business environment, we are currently focused on maintaining more liquidity and not chasing growth till the environment normalizes. Our belief is that by the end of the current fiscal year, this should happen.

Fundamental strengths of the Financial Services business:

It is worth just taking a note of some of the fundamental strengths of our business.

Promoter Commitment:

The core strength that we have is, first of all, there is a credibility of our group. We have perhaps one of the highest promoter shareholdings of an NBFC, which is nearly 50% today.

Leverage:

Our balance sheet strength is also strong. We have amongst the most well-capitalized financial institutions in India. Our debt-equity ratio is 2.9x compared to 4.4x a year ago.

Asset quality & underwriting:

The last 12 months have also shown that the client selection, quality of underwriting and our robust internal controls have resulted in a healthy asset quality with our gross NPA amongst the lowest in the industry for the last 14 quarters. We have been conservative in provisioning and our provision coverage today is nearly twice that and amongst the highest in the industry.

Risk management & governance framework:

I have great satisfaction that I have a strong Board of Directors, whose emphasis is on high governance. With our robust risk management performance, with risk and legal teams reporting directly to the Board since inception, is now actually being prescribed by RBI for other NBFCs as well.

With the strengthening of our Financial Services business over the last one year, we are well positioned to take advantage of the upcoming organic and inorganic growth opportunities.

Pharma business:

In my conversations with investors, I have perceived that investors often miss the point that PEL is a multi-sector conglomerate with a substantial stake in the Pharma business, which has been consistently delivering strong performance year-after-year and hence, I would like to discuss some of the highlights of our Pharma business.

Financial performance – Pharma:

In the second quarter this year, Pharma business revenues grew by 19% to Rs.1,316 Crores versus Rs.1,109 Crores last year. EBITDA margins for the Global Pharma business, which accounts for 91% of our Pharma revenues, are now at 24%, consistently going up from 20% in the last year.

Our EBITDA CAGR for the last three years for Pharma is 31%, delivering an absolute EBITDA of Rs.533 Crores for the first half of the current year.

Factors driving long term performance:

Despite regulatory pressures and price erosion due to buyer consolidation across the sector, we have delivered a consistent performance due to our uncompromising focus on quality and compliance, our differentiated business model of specialized generic products and capabilities across development and manufacturing services around the world.

With over 90% of our revenues derived from niche businesses of specialty products and CDMO, our Pharma business is not subject to pricing pressures.

During the first half, we successfully cleared three U.S. FDA inspections, eight other regulatory inspections and 75 customer audits. Our strong track record on compliance and quality has ensured that we have not faced any production shortages and loss of sales due to noncompliance.

Due to these reasons, the business has delivered 16% revenue CAGR for the last nine years.

Focus areas for growth:

Our Global Pharma Services business has capabilities across development and manufacture and offer unique integrated solutions across the drug lifecycle, which offers us a huge growth potential through becoming growth partners with our clients.

With the addition of 30 new clients to the Global Pharma Services business in the first half, the order book sustained a strong advancement seen last year, when we had added 50 new clients.

In the Global Pharma products business, we have set up a strong sales and distribution channel, which is similar to what we had done when we had the domestic formulations business in India, where we had created a platform, which we could then add on new products to. We have invested in our Global Pharma products into a strong distribution network across North America, Europe and other major geographies. We will continue to add more products organically and inorganically on this platform to boost our growth in future.

In our specialty products business, we made three new launches in key markets in the second quarter, taking the total number of launches in the first half to seven. We expect the business to continue to deliver strong growth. With the improving EBITDA margin profile, on consistently growing revenues, we believe the absolute EBITDA for the Global Pharma business will be significantly higher in coming years, translating most of this increase into the bottom line profitability of the company.

On Indian Consumer Products:

In the Indian Consumer Products, we also saw a strong year-on-year pipeline growth of 39% with revenues of Rs.112 Crores, and the first half revenues have grown by 53% to Rs.222 Crores. Again here, we have created an India-wide distribution network and are growing this business by adding products organically and through acquisitions.

On Healthcare Insights & Analytics:

I will now move to the Healthcare Insights & Analytics, the DRG business, where the first half revenues, we have grown by 14% to be at Rs.652 Crores. EBITDA margin grew to 24% during the quarter on account of streamlining the operating processes, and our India-based employees now account for 35% of our total employees.

Our strategy for future growth in DRG is to focus on cutting-edge technology and to provide unparalleled client value by offering integrated solutions, and to grow our presence in the markets other than the U.S.

Conclusion:

In conclusion, in the past one year, we have more than delivered on our commitments made in the last few quarters.

We have significantly brought down our CP exposure to near zero by November end.

We improved the borrowing mix by raising long-term funds, further diversified our loan book by making it more granular, reducing single borrower exposure and increasing the share of retail lending.

As we expect uncertainty to persist for the next six months, our focus is to continue to preserve more liquidity than focusing on growth.

The Pharma and Healthcare Insights businesses continue to consistently deliver strong performance quarter-after-quarter, acting as a natural hedge and bringing a higher stability in the company's performance, even in the most volatile environment.

We will continue to build on the progress we made in the last one year and capitalize on both organic and inorganic opportunities.

Fund raise / equity infusion

We had also made a commitment in the last quarter that we would be raising additional equity of bringing in equity into the business of about Rs.8,000 Crores. I am glad to mention that we have made sufficient progress in that and have now asked for a Board meeting to be held this Friday to deliberate and decide about the instruments of new equity issuance, the size will be in the region of \$750 million and to decide what form the equity will be and the timing of the issuance.

Obviously, this is subject to regulatory and other clearances. We will give more details on the issuance post the approval of the Board of Directors meeting on the October 25. During this period, we had committed to raise equity and we are doing it and in the interim, we have had some rise in the cost of funds, as I said, where our cost of funds is to date at 11%, but I believe that with the raise in equity, we should come back to normal levels in cost.

With the planned equity raise that we are going ahead with, we remain extremely well positioned to grow organically and inorganically across the sectors we operate in.

We have a detailed and granular plan for this growth strategy and would like to share the same in the near future by scheduling an investor's meet sometime in mid-November, soon after Diwali.

With this, I once again wish you the best wishes for Diwali and New Year. Thank you.

Question & Answers:

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: Thank you for the opportunity. My question on your capital raise, we did sell Shriram Transport Investment. While current leverage position is quite comfortable, so I mean at the current valuation, why we are raising when the balance sheet [is] so much comfortable? Secondly, when we are seeing inorganic growth opportunities, which are the segments we are looking at in terms of inorganic opportunities?

Ajay Piramal: Let us look at the whole scenario today. Our belief is that well capitalized companies will do better in the future. Consolidation is taking place in this industry. That means that there will be a fewer players, as far as the NBFC sector is concerned. We also expect that during the next few months, there is going to be more and more turbulence. Every day you see some bad news coming in the NBFC sector. Therefore, those companies, those NBFCs, which have capital today are going to remain much stronger in the future. So, we are not playing for six months, 12 months, we are taking the long-term view. And that is why my belief is that it is better to have equity today because the returns on the equity that you will get will be much higher today than which you will get in the future. That is one.

Second thing is that therefore we believe we are quite adequate. Today it is not so much of the debt-equity ratio, more important is to have more liquidity in the system, so that any shocks that come into the system, we should be in a position to bear. That is why we have raised equity. Inorganic sectors, today there are many opportunities that are coming up. As I have said before and as we have demonstrated over the past across different businesses, we will only acquire or look at those areas, which have a strategic fit with us and where there is value.

So, even if it was to be entering into, let us say, Financial Services we will look at the quality of the company, the quality of the book, the culture of the people and if they are all fit, and if it makes economic sense, we will do it.

Manish Ostwal: Sure Sir. The second question is pertaining to the 18 deals which are under stress. What is the current size of stress in our books? Secondly, what is the resolution update on the same?

Khushru Jijina: To answer your question, out of the 18 deals, we have actually resolved all of them and four deals are work-in-progress, which I think, in the next 30 days will also be resolved. So, I want to confirm that. I am happy to note that the size of the four deals cumulatively is actually less than Rs.600 Crores only, now. So that is the answer to your first question. What was your second question?

Manish Ostwal: Second question is whether the number of deals has increased or it remains the same or what is the status?

Khushru Jijina: Actually it has decreased.

Manish Ostwal: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Sundeep Allamraju from L&T Mutual Fund. Please go ahead. It seems there is no response from the line. We will move to the next question. That is from the line of Subdural Sarkar from Mount Intra Finance. Please go ahead.

Subdural Sarkar: Sir, just one question. If you can give the breakup of yield on particular businesses, like what is the yield on Commercial Real Estate, what is the yield of Residential Real Estate, what is the yield on Housing Loan Business that way if you can give the breakup?

Khushru Jijina: Let me give you the answer. So, let us break it up a little further – in real estate, if you look at Structured deals, the yields are 16% plus, northward of 16%. If you look at our book on Construction Finance, it is in the range of 14% to 14.5%, both for Residential and Commercial [projects] it is the same. For the CFG portfolio, which is the non-real estate [portfolio], the yields again for structured deals are north of 16%, so in the range of 16% to 18% and 13.5% to 14% for senior debt. As far as the yield for housing finance goes, it is in the region of 9%.

Subdural Sarkar: Just a follow-up question on that. Our cost of funds is around 11% and housing finance yield is around 9%, so any thought on that? Why we are trying to... what is our thought on that Sir? Since there is actually maybe a negative yield currently, so what is our thought on that?

Khushru Jijina: Not really. Let me explain to you. At the end of the day, today the treasury is giving risk based pricing to all the businesses. So, for example, a structure debt would get a higher costing when they do the deal, whereas the least risky portfolio today is the Housing Finance, so their cost of funds, actually allocated by treasury is 8.5%, so it is not that the cost of funds

are higher than the yields. Because, at the end of the day you have to allocate risk-based pricing to the businesses.

Subdural Sarkar: I understand Sir, from a risk base objective, I understand that since Housing Finance is the lowest cost, so obviously that added value, but like in simple terms are we making any spread on Housing Finance business?

Khushru Jijina: Let me explain. Housing Finance, we are two years old. At the end of the day, you have to look at Housing Finance in a five to seven year horizon and why are we doing Housing Finance – because there are lots of advantages to it. It adds granularity to the book. As we move towards 20%, 30% of our book being more granular, the cost of funds for the entire book, including wholesale comes down, which more than pays for the low yield of Housing Finance. So that is the way you have to look at Housing Finance.

Subdural Sarkar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Shubham Agarwal from Compounding Capital. Please go ahead.

Shubham Agarwal: Happy Diwali Sir. This is to ask you when the promoters have such a strong understanding of the real estate business, then why are we keen on reducing our exposure to such business when it is yielding us such good deals.

Ajay Piramal: Sometimes I really wonder what investors want. If we are too much in real estate, people say you are concentrated in one space. We also understand that you have to have a balance. We understand real estate. We see that yields are good. But I think people want granularity, they want diversification and that is the way to go. So we are going to go in that way now. That is the strategy going forward.

Shubham Agarwal: I just had one more question. Like you said, we will focus on consumer lending also, so are we going in consumer lending the kind of credit cards or it will be just the Housing Finance business?

Ajay Piramal: It will be Housing Finance. It will not be credit cards, but in the future, we will also do other consumer lending, which will not be via credit cards, but another way.

Shubham Agarwal: Thank you so much, Sir.

- Moderator:** Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal. Please go ahead.
- Alpesh Mehta:** Congrats for the decent set of numbers. First question is on the cost of funds. I believe you have reported 11% for the first half or is it for the second quarter?
- Hitesh Dhaddha:** It is for the first half.
- Alpesh Mehta:** That means for the second quarter, our cost of funds is around 11.8%, because we have reported 10.2% for the first quarter?
- Hitesh Dhaddha:** Right, it is a derivation basically that you can do.
- Alpesh Mehta:** Okay. Second question is on the Pharma. When I look at the segmental results, Pharma plus IT both put together is around Rs.15,000 Crores of total assets and we have reported the net worth of around Rs.4,800 Crores allocated to these businesses. So the debt level of both these businesses are around Rs.10,200 Crores. So any breakup on that front would be very useful.
- Vivek Valsraj:** The overall debt in Pharma is about Rs.4,100 Crores, and the balance is in the Healthcare Insights and at the corporate level.
- Hitesh Dhaddha:** So there is some unallocated debt also, which is there, which has been added. If you look at the footnote on the presentation, you will find that.
- Alpesh Mehta:** Yes. Yes. Unallocated number is there.
- Hitesh Dhaddha:** Yes. Yes. So it might be looking higher, but it is not actually that high.
- Alpesh Mehta:** Okay. And of the Shriram Transport stake sale, I believe we received around Rs.2,300 Crores, wherein we allocated around Rs.1,700 Crores to FS business in this quarter. Any reason for not full allocation or any other business that...
- Ajay Piramal:** Frankly the debt-equity ratio, even when you allocate, Rs.1,700 Crores is below 3x [times] in the Financial Services business. So that is more than enough.
- Alpesh Mehta:** Okay. So we had certain debt-to-equity ratio in mind while allocating capital to the FS business. So is that the way to look at it?

Ajay Piramal: No, that's not the way, but we felt that it is prudent today. In fact, when we raise equity and now the additional equity, the debt-to-equity in Financial Services will go down further. It will come down to below 2x [times] now after the fund raise and then it will slowly go up, as we see the environment changing, we will start growing the book.

Alpesh Mehta: Okay. So two related questions to this. If we have a plan of raising around Rs.8,000 Crores to Rs.10,000 Crores of equity in this year, obviously part of that would be through Shriram Group, but any ballpark number, how much would be allocated towards the FS business from this?

Ajay Piramal: I think we will decide now – over time, we will decide. We will let you know. Let us see the opportunity. After all, please remember it is fungible. It all comes into the company. We will move it one way or the other. Today, as far as lenders are concerned at the 2.8 debt equity, Financial Services is adequately, there is enough leverage possible. We will look at opportunities and then allocate the capital. It is at the parent-level, it is fungible.

Alpesh Mehta: Okay. And two more questions. One, any guidance on the growth part now considering the environment because we have moved down from 50% plus to almost a flat growth now, so anything to read on it?

Ajay Piramal: In March 2020, I do not expect any significant growth in the book. We are keeping it flat, as I said. I think our focus is on liquidity. Beyond that, we expect that as consolidation takes place, we will talk of growth. Details, we will share with you in the Investor Day.

I do not think we should measure performance for 6 months now. More important is to strengthen the balance sheet, to strengthen the Company and then grow – there will be enough opportunities.

On the other hand, I want to just come back to the Pharma sector. We expect that the growth rate on the topline will be about 15% growth on the topline, and the bottomline the margins which we have of 24%, which itself is a 20% growth over last year, will continue to remain. I expect that the DRG performance will grow by about 10% on the topline and significantly higher on the bottomline.

Hitesh Dhaddha: Alpesh, just to add on what Chairman also mentioned is that when we speak to investors, frankly, no one is worried about growth because everyone realizes that in this environment, competition is going down quite a bit in the sectors where we are operating. So there are, frankly, no questions on growth because people know there is enough opportunity to grow. And once the equity comes in, I think, then growth is obvious to happen.

Alpesh Mehta: Okay and one of the comments Mr. Piramal mentioned that the top 10 exposures are going to come down from 30% to 20%. So if I look at your FY2019 book, the top 10 exposures were around Rs.18,000 Crores or so and could this number is likely to be around Rs.13,000 Crores-Rs.14,000 Crores or so. Obviously it is a great thing that you guys are able to reduce the exposures. But if you can elaborate further about the strategies that you guys have adopted in terms of reducing those exposures?

Khushru Jijina: In fact, just to tell you, from Rs.18,000 Crores as on date, as we speak right now, it is already down to Rs.14,500 Crores. And we will bring it down to around Rs.11,000 Crores to Rs.12,000 Crores by December. So the number of Rs.14,000 Crores is already there. We have already done it from June to October. And in March, in fact, we will be somewhere around Rs.10,000 Crores.

How we are doing it [reducing single borrower exposures]? It is through a mix of cash flows, which is there from good projects. So I will dwell upon this for a minute. In this whole journey, of the loans which we have given, what you should also realize that today, our portfolios have become mature. So what I mean is that today, more than 40% of our portfolio in real estate is near completed and completed projects. So obviously the cash is coming faster. And only now less than 20% is in the early stage. And also because we have not done any deals the moratorium has also come now to only 18%.

All this is helping us. And of course, the quality of the book, which is helping us to get refinancing because we are consciously wanting to bring the single borrower [exposure] down because that was one of the things we spoke four quarters ago in September 2018 and that is what we are doing. So our idea is that by March, we will bring all our accounts below 15% of our networth, and also the top-10 will be below 20% of the total loan book. This is the path we are taking.

Alpesh Mehta: Okay. And the moratorium would be what, around 18 to 24 months on our loan book?

Khushru Jijina: Yes, 19 months.

Alpesh Mehta: Lastly, on the new tax rate, have we moved to the new tax rate or any plans to move?

Ajay Piramal: We are actually still evaluating both the advantages and what are the consequences of this. And I think we are not in a hurry. We will let you know in the next few weeks.

Alpesh Mehta: I will come back for more questions. Thank you.

- Moderator:** Thank you. The next question is from the line of Aditya Jain from Citi Group. Please go ahead.
- Aditya Jain:** The securitization deal of wholesale loans, which was concluded by you recently. If you could give some color on it? Who were the investors? What sort of credit enhancement we did as part of that deal?
- Khushru Jijina:** Yes. So this was the first deal in India, which was done for wholesale assets, basically a mix of both real estate wholesale assets and the non-real estate assets. The pool was rated AA+ by CRISIL. The total pool which we have given was Rs.3,300 Crores with a 20% cash credit enhancement. So we raised funds in the region of Rs.2,400 Crores at 10.5% coupon.
- In fact, you will be happy to know that 10% of that pool has already been prepaid. And it was invested by a whole lot of investors.
- Hitesh Dhadha:** And the rating that we got from CRISIL was?
- Khushru Jijina:** It was AA+. The first AA+. The first time a wholesale, especially a real estate pool was rated AA+.
- Aditya Jain:** So just to confirm, you mentioned Rs.3,300 Crores was the total size and you raised Rs.2,600 Crores?
- Khushru Jijina:** Rs.2,372 Crores.
- Aditya Jain:** Rs.2,372 Crores, and at what rate?
- Khushru Jijina:** 10.5% coupon.
- Aditya Jain:** 10.5%. So clearly more of these, if possible, you would like to do?
- Khushru Jijina:** Yes. We will evaluate in our business model at any given point of time, if securitization makes [sense], because at the end of the day, you need to churn your book also. So this securitization can become a part of your business going forward.
- Aditya Jain:** All right. And could you give us an update on the Lodha exposure. Is it first planned to be reduced to around 26 billion by September? How are things looking on that?

Khushru Jijina: As you would have read in the papers that the Lodha has done very good sales in the last six months. In fact, they have started Diwali with a bang – with Rs. 320 Crores in the first 7 days. So this was a conscious strategy, which was adopted by both Lodha and us, where in this market – because Lodha is near to completion, they asked for a one quarter exception that they do not prepay us. Since anyway, Lodha has prepaid one year down the line.

So we did not insist on prepayment and the funds could be used to accelerate construction. This is what is showing now in Lodha's sales numbers. So let me tell you the next three to four months, you will see a reduction of around Rs.450 Crores to Rs.500 Crores in our exposure [to Lodha].

So while our exposure right now is at Rs.3,100 Crores, going forward, there will be a reduction of Rs.400 Crores to Rs.450 Crores. But it did not reduce [during this quarter] because of an exception. We thought it makes more business sense for Lodha to construct faster, and that's actually reflecting in the sales numbers now.

Aditya Jain: Got it. And then in Slide 22, in the borrowing mix by both instrument and investor type, there is an others part. What exactly falls into that segment?

Khushru Jijina: Just give me 1 minute. Other category will all be other ICDs. ICDs from Corporates.

Aditya Jain: Got it. And on the investor side, so that would be corporate and...

Khushru Jijina: Yes, corporates.

Aditya Jain: 9% of borrowing mix by investor is corporates?

Khushru Jijina: Yes.

Aditya Jain: Just one on the amount, which is in the principal moratorium, so you mentioned 18%, 19% in this quarter. So the amount was much higher in the past quarter, right?

Khushru Jijina: Yes, it was 35%.

Aditya Jain: Is this is a very volatile number or the move should sustain?

Khushru Jijina: No, the move is going down. Because logically, if you are doing lesser new deals and your older deals – as I explained just now on the call – are becoming much more mature. As I

mentioned, more than 40% of the book now is completed and almost completed projects, so definitely, the cash is being thrown.

In fact, even deals which were under moratorium have started prepaying us. In fact, less than Rs. 4,000 Crores is only in moratorium – Rs. 5,000 Crores, sorry. If you look at the number, it is insignificant compared to the overall book size now.

Hitesh Dhaddha So there has also been refinancing, which we talked about of the deals. The book sort of remained consistent with the retail mix going up. So there are a couple of reasons for what you are asking.

Aditya Jain: Got it. Really good to see. Just lastly, on the securitization deal, was there any investor who took more than, say, 50% of the amount?

Ajay Piramal: So we do not want to disclose the breakup. As Mr. Jijina mentioned, there has been mix of investors, and that is what we would like to say.

Aditya Jain: Thank you very much.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Just taking up from the same question, on Slide 22 of the presentation. 6% securitization, so that essentially refers to this transaction, is it?

Hitesh Dhaddha: Yes, plus there was a small transaction on retail.

Nischint Chawathe: Sure. Where you are today reporting a loan book of around Rs.53,000 Crores, that is after the transaction? Or does it take the gross book?

Khushru Jijina: No, this is the gross book.

Nischint Chawathe: Okay. So the transaction that you have sold I mean technically from a balance sheet point of view, I should be subtracting this from Rs.53,000 Crores?

Kunal Shah: So, with the new accounting standards coming in, and wherever, you know, we have been providing credit enhancement, there the book is not derecognized, and the capital on the book, which we have securitized or continues to be held back. Accordingly, we have shown the

AUM along with the securitized book and the capital is also accordingly allocated to that book.

Nischint Chawathe: On the provisioning part now, if I really look at the provisioning ratios, this has gone down from around 1.85% to 1.8% between the June and the September quarter. And your book has gone down as well. So mathematically, does it mean that you have done a provisioning write-back in the quarter?

Hitesh Dhaddha: So provisioning will be done basis what kind of book you have. So, if you see the retail mix has gone up and the book in terms of size has also changed. And so accordingly, the provision also changes because there are percentage is applicable on every kind of nature of the part of the book.

Nischint Chawathe: No, no, fair point. I am just saying that my math, that there was a net provision write-back over the last 2 quarters. I think that's fine, right?

Hitesh Dhaddha: Yes. The rest is all maths. I think I am sure you can do that.

Nischint Chawathe: Thank you very much.

Moderator: Thank you. The next question is from the line of Rohit Kothi from Marshmallow Capital. Please go ahead.

Rohit Kothi: Thank you for the opportunity. I just want to confirm what Mr. Jijina said previously. It is 18% or 19% of the total loan book that is under moratorium and principal list, more of a bullet repayment. Is that correct?

Khushru Jijina: Yes, that is right. This is, I think, a residential real estate we are talking about.

Rohit Kothi: So the 18%, 19% of the residential real estate book and not the whole book?

Khushru Jijina: So if you look at the total book, it will be far less.

Ajay Piramal: Less than 10%.

Khushru Jijina: Yes, less than 10%. But that is not the right way to look at it. So we are giving you a number of 18% of the residential real estate book.

Rohit Kothi: Understood. The second question is that you, in very great detail, talked about reducing the top-10 exposures that we have. By March 2020, you are expecting to bring it down substantially?

Khushru Jijina: Yes.

Rohit Kothi: But Chairman mentioned that our loan book will probably remain flat. So does this mean that we have seen growth in certain other segments? And what other things where we expect the growth to continue?

Hitesh Dhaddha: So one is, Chairman has not guided that book will remain flat. What he is saying is that we will focus more on liquidity than growth. That does not mean we are guiding you on the growth part. Having said that, the mix continues to change, so yes, if that answers your question.

Khushru Jijina: I will just add. I think there were a lot of questions, so just to add to what Chairman said. I think what Chairman said, I just want to summarize that we are saying that our paramount importance right now is liquidity. That does not mean that we would not be doing business.

Somebody asked that you guys are so good in real estate why are you getting out. We are not getting out. All we are saying is that we are changing the way we used to do [real estate lending]. We will have granularity, [low] single-borrower exposure, we will diversify it. That is all what we are saying, through co-lending, etc. And also we will grow our retail book. That is all what we are saying, so I just thought that I will summarize it.

Rohit Kothi: Understood. Coming back to what Mr. Piramal mentioned about how business is doing so well it is giving us sort of balance in the current environment. And basically he was talking about the benefits of the conglomerate structure. I was just curious, there has been a change in thought process at the top management level on the demerger? Do you think that a conglomerate structure is more effective as a deal, that sort of a downside protection?

Ajay Piramal: There is no rethink on that. As I just said, in this environment, it makes sense for us to look at even Pharma, and that if you look at questions also, nobody looks at that, but that gives you some stability.

In the future, we will see how the environment is. And I personally feel this turbulent environment is not going to last forever. This is, I would say, it is a black swan event, once in, I do not know, how many years.

Rohit Kothi: Yes. So essentially I was wondering...

Ajay Piramal: No, I do not think we should come to any conclusion today. Let us look at what happens. Let the storm reside, then we will talk.

Rohit Kothi: The next question I have is on our housing finance book. So we have grown quite well in that book over the last year. While it does give a granularity, I was wondering because it sort of takes away liquidity from the system. I wanted to understand your thoughts on balancing the lower cost of funds that the granularity on the book brings versus the liquidity that we mentioned that we are looking to maintain. So could you speak a little more about that?

Ajay Piramal: We have to look at a long-term strategy for the business. In the long term, it is not only the wholesale [book], you need granularity to get into retail. Today, in any new business when you start, you will see that the returns are lower. Over time, the returns become better because one is that your cost of actually getting the loan becomes lower, because you can amortize it over a larger turnover.

Secondly, retail gives you a better understanding of the consumer, and you can extend loans to other products to the consumers. So please do not look at anything just in a 6-month, 12-month period. That is why you need a balance between wholesale and retail and consumer.

Also, the debt-to-equity ratio – the amount of debt you can raise on the retail is much higher than what you can raise on the wholesale. The risk-adjusted returns are also higher. So it is a mix that we are taking. It is obvious to us that today the retail is much lower, the yield, so we should not do. But that is not the way to look at it, please look at it as a whole book.

Khushru Jijina: Let me add on this because this question on retail keeps on coming. I think one must, besides what Mr. Piramal said, and I think we have also spoken about it before, I think the very important point which is also missing is that in the last two years, and we have put substantial investment in this retail.

Today, I would like to confirm that more or less, those investments are done in terms of people, in terms of the location, in terms of branches, in terms of technology. So all that is now in place, the main thing is to bring the cost profile down, which has now started. And you will see the benefit of it percolating now in the next year to two years, etc.

So we have a plan how to grow the ROE in retail now. So please do not look at the investment phase of two years of retail and come to a conclusion. I would like to leave the investors with this thought.

Rohit Kothi: Understood. Fair enough and the last question from me, if you could speak a little more on how you see the debt in the nonfinancial services business going forward? Because I believe, as you mentioned, the Global Pharma is doing very well, but we seem to have Rs.4,000-odd Crores debt and there is a huge debt at the DRG businesses there. So is there a plan to bring it down? Or what is the plan there, basically?

Ajay Piramal: Yes. So the plan is to bring it down. One is I think we are seeing that the performance already improved. I think this year we expect that performance compared to last year will be, in terms of profitability, almost 40%-50% higher than last year. We have also got enough equity in the system. We are, as I said, today, raising more than Rs.5,000 Crores even on this Friday when we meet subject to, of course, the Board approving it. So again, there is equity available in the system. So we are quite comfortable even as a company. And the total debt equity ratio is actually less than 2 in the whole company, including Financial Services, which is such a large part. So I think there is not much concern.

These are all allocations that we can make, sometimes internally, about how much debt and equity to put beside. Please remember that we also have the whole Shriram asset, which is available, which we have publicly said we will monetize over the year.

Hitesh Dhaddha: All right. Just to add on what Chairman mentioned here, that as we continue to grow on the same trajectory, what we have been growing 15%, 16% year-after-year and with these kinds of margins, at the higher revenue numbers, the EBITDA margins are certainly going to be quite good and the fixed costs continue to remain the same and with depreciation and all keep reducing. So the incremental profitability that will come at a higher revenue level will keep helping us in deleveraging that debt. So you should look at it from a long-term perspective and not just today.

Ajay Piramal: Actually, in Pharma, debt is only 3.5x EBITDA, which is a very reasonable debt.

Rohit Kothi: Yes, sure. So thank you for that. I just wanted to know whether the trend is going to be downwards or if we plan to keep it as part of our capital structure, that is it. That is it from me. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Shah from Edelweiss. Please go ahead.

Kunal Shah: Congratulations, good set of numbers. Firstly, in terms of I think you have highlighted in terms of the 18 deals which were there, and I think most of them are near to resolution or have got resolved. But this 18 has been the number, which has been there two quarters back.

But doing the stress test and what has happened in the real estate environment and as you have clearly highlighted 18%-19% of RE book is already under moratorium, are we seeing more falling into this stress pool? Or is there any change in this overall stress pool in this quarter?

Khushru Jijina:

First of all, let me rephrase. I think let us take a step back. When this mayhem happened one year ago, what we did was and we shared with you, we stress tested all our deals, not necessarily that they were in bad shape. Let me again repeat and I think it is worth taking the time, we stress tested all our deals on four parameters, if you recollect.

One was that what happens if the sales price goes down by 20%? What happens if the sales velocity goes down? What happens if the construction slows down, etc.? And then we had come on a number of 18 deals which required resolution. It was not stressed asset. Let me again repeat.

Out of the 18 deals, we have resolved, means whatever action needed to be taken whether to bring down the prices and sell and get more cash flow in, the additional security of land to be monetized, so that the additional equity comes into the project, or change the developer and move the project to another developer all has been done. All what remains out of that 18 deals is the 4 deals, which are almost complete, as I said. And the value of these are less than Rs.600 Crores. Now that was the exercise done a year ago. That does not mean that we are only looking at that.

Last quarter, we shared with you all that with the things deteriorating, we again looked at all our deals from the perspective of that how many deals, even if only 30% of the assumed sales now work out, what is the amount required by these projects? Again, we are looking at all the projects again. So it is a fresh look. And we came to a number of Rs.1,300 Crores from the sanction of the construction panel limit of Rs.6,000 Crores. So that is what we continue to disburse. And that is why you see our projects today are nearing completion. That is the whole trajectory. In real estate, you have to be ahead of the curve. You have to ensure that the project gets completed, so that the sales are faster.

Luckily for us, almost 81% of our projects are in affordable and mid income. And that's why you will see the sales velocity on an ongoing basis. I am sure we can share with you far more granular details. Right from demonetization days till today, month on month on month, we are collecting anywhere between Rs.700 Crores to Rs.800 Crores from our project and around Rs.800 Crores to Rs.1,000 Crores of sales even in the month of August and September.

So the point I am making is that 18 deals – the exercise was a one-year-old exercise, and we continue to keep on looking at our deals on various parameters as the environment keeps on changing. The bottomline is that you have to be ahead of the curve.

Kunal Shah: Sure. And in terms of the incremental working capital requirement, so last time, you highlighted the Rs.1,600-odd Crores that would be needed, and some of it would have got disbursed. So now where does it stand? And maybe for some part of it was already disbursed. And that is a part of the disbursements, and now the requirement is lower. Then should we see the contraction in this wholesale book to be much higher than what we saw in this particular quarter?

Khushru Jijina: That is what we said. I think let me answer your contraction question. The contraction will come because of natural flows of money into the escrow because the projects are getting mature and also refinanced. Coming to your other question, your first question, last time, if you recollect, we said that in March 2020, we would require Rs.1,600 Crores. Again, that was the number as on that date, it cannot be a static number. Today, we require Rs.1,300 Crores till July 2020 now. So we keep on doing this all the time. You have to be ahead. It cannot be a static number.

Kunal Shah: Yes. Sure. And in terms of the capital raising of, say, Rs.8,000-odd Crores which we are looking at. Maybe in terms of this utilization, so one is the leverage levels are quite low and definitely given the real estate exposure that too, towards the developer, we need that to be quite comfortable out there and our CPs have in fact, run down. Earlier, we were looking at in terms of maybe if it has to run down, whether we are sufficiently capitalized, both in terms of borrowing as well as equity. But now what would be the utilization for this? Is there any inorganic opportunity also which we are looking at in any of the product segments? Or it would be purely the expansion on the housing-related sectors?

Ajay Piramal: We will share details of growth as I said, in the Investor Day in middle of November. But I can say prima facie that in an environment where consolidation is taking place, there will be opportunities that will keep coming up. One is the opportunity to grow. As you have correctly said, we do not need this capital to bring down debt. As it is, our debt-to-equity ratio is good.

But we need this firepower to grow organically and I believe that you will get good inorganic opportunities at a good value. That is the time we will take advantage. So this is the time to be ready with firepower, so that any opportunities are there, we can look at them and take advantage of it.

Vijay Shah: Once again, please, perceive this equity raise only as a growth capital.

- Kunal Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ashi Anand from Allegro Capital. Please go ahead
- Ashi Anand:** Thank you. My questions have been answered.
- Moderator:** Thank you. The next question is from the line of Vivek Joshi from Bandrpoonech Capital LLP. Please go ahead.
- Vivek Joshi:** Happy Diwali. Congratulations for an excellent set of numbers in such tough times. I had just two quick questions. Given that we are raising Rs.5,300 Crores of equity, and we pay out dividends of around Rs.550 Crores, would it be advisable to not pay out the dividend and conserve it and limit the equity dilution and are there any quick update on the Phytocare demerger, the merger?
- Ajay Piramal:** Okay. The Phytocare demerger is just waiting for NCLT to approve and there is a long backlog in NCLT. So there nothing to be done there, they have to just pass the order. I wish I can tell you when, but I am told it will be sooner than later. That is all that I can say on that.
- And equity, as I said before, it is important in today's environment to have a strong balance sheet and equity is not something that you keep taking, it is taken once in a while, so that we strengthen ourselves. Because in the future, I see that those NBFCs which go through these tough time, there will be fewer of them. There will be many more growth opportunities to grow both in terms of organic as well as inorganic and hence, I feel that this is the right time to raise equity.
- Vivek Joshi:** No, I completely buy the point. I am just saying, would not it be more prudent to not give out the dividend also to converse the capital?
- Ajay Piramal:** That is Rs.500 Crores. This is a 5,000 Crores it is 10%, and there are many people who live on the dividend. I have to take into account every shareholder. You must be one of those large shareholders, for whom dividend is not important. But I have individual shareholders whose life depends on dividends, so I cannot take a view only of what is good for you or me. I have to take for all shareholders.
- Vivek Joshi:** Thank you so much.

Moderator: Thank you. The next question is from the line of Tushar Manudhane from Motilal Oswal Securities. Please go ahead.

Tushar Manudhane: Sir, just on the Pharma side, the first half year, a 24% EBITDA margin we did in first quarter FY2020, 22(%), So effectively, second quarter, 26% EBITDA, so any particular reason for lower EBITDA margin target of 25% for FY2021?

Ajay Piramal: See, Pharma, these are all contracts and all it depends, it is not the regular flow. Sometimes, there could be a better product mix, sometimes less. So therefore, on an average, you have to take. So do not, please, go on the basis of one quarter, what happened. Therefore, you see that trend.

If you look at our trend over so many years, we have said our CAGR on topline and bottomline is going up. So please do not look at it quarter-by-quarter. Actually, if you look at it, usually in the last quarter is where we get the highest sales, even the first quarter. But in the current year, the sales were a little lower because the last quarter of last year was higher. So please do not look at it quarter-by-quarter. It will give you a misrepresentation. Take it over a year's period.

Tushar Manudhane: That helps. Thanks a lot.

Moderator: Thank you. The next question is from the line of Abhishek Leekha from Nest Wealth Management Services. Please go ahead.

Abhishek Leekha: Thank you for the opportunity. Congrats for a steady set of numbers. Wishing you all a very Happy Diwali. Coming to the point on the Pharma space, which you mentioned that re-entry into domestic formulation. This is something that you have already planned? Or how it is?

Ajay Piramal: Again, I think, as far as re-entry into domestic pharma, we understand this is a space that we know. We have had a good track record in the past. But we have to get the right opportunity, and it has to be at the right valuation. So it is not that we have identified something. We are just saying that we are ready. We are looking at opportunities. But unless and until we get something which is of adequate quality and it is of right value, then we will do it.

Abhishek Leekha: Can you also do it on an organic basis? Or probably you're only looking at inorganic...

Ajay Piramal: No, I do not think we will go organic. It will be inorganic if it was domestic-branded generic formulations. As far as the way we are playing in the domestic market is the OTC space, where we are growing organically as well as through acquisitions.

Abhishek Leekha: Thank you. The second probably, like, which quarter with probably which year probably will be like a demerging or probably like an IPO or kind of, for our Pharma business for us?

Ajay Piramal: I think, as I said before, we will see in the midterm. It is not, today, I cannot give you a definite date.

Abhishek Leekha: Any ballpark, like some idea.....

Ajay Piramal: The whole environment in the country is so volatile. I want it to settle down. That is the time when we can talk about these things.

Abhishek Leekha: Thank you so much.

Moderator: Thank you. The next question is from the line of Mitul Mehta from Lucky Investment Managers. Please go ahead.

Mitul Mehta: Good evening. Wish you a very Happy Diwali to the entire management and Mr. Piramal and Mr. Khushru. Sir, my question, your earlier answer to the loans given to the real estate developer, you did mention about Lodha. I have a specific question. If you could also give us some sense on what is happening on the Omkar Realtor side because that also seems to be kind of a hanging empire. So if you could just help us to understand because the project is not completed, we have an exposure to that developer. And I believe some of the exposure has been converted into inventory on our books. So if you could just help me to understand?

Khushru Jijina: Let me again clarify for the nth time. I think we are doing it every quarter. We have no exposure to Omkar 1973, either by way of a loan or inventory, first. Second, our exposure to Omkar, now let me spend some time on it, is basically on two projects, one which is run by L&T Realty and one which is run by Piramal Realty.

The one which is run by Piramal Realty is the Mahalaxmi project, where we had given Rs.1,100 Crores to Omkar, which is nothing but today, receivable funding in parts – because, in other words, today Omkar has completed its obligations in Mahalaxmi. Today, I am sure you are aware that a lot of sales have already taken place – nearly 5 lakh square feet has already been sold by Piramal Realty and 40% of the proceeds will automatically come into the Omkar account, which will be swept by us, 100%. So Omkar has no role to play now there at all. So in all practical purposes, it is a receivable funding now, if you really look at it, funding of Rs.1,100 Crores against the performance of Piramal Realty, number one.

Number two, we have a loan to Omkar, in the same way you can call it receivable funding against the Parel Project of L&T Crescent Bay. Again, our exposure is somewhere a shade lower than Rs. 400 Crores, where, today the sole receivables, which will now come into the escrow account and is 100% swept by us, is more than Rs.500 Crores with another Rs.800 Crores of unsold receivables.

So both are absolutely same projects, but the money comes from the Omkar escrow account and that is why this question keeps on repeating to us, that why is the loan to Omkar? While we are talking on Omkar, I also want to confirm that the way we are structured in our loan to Omkar for these projects are IBC-proof.

Mitul Mehta: Thank you so much.

Moderator: Thank you. Next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: May I know within the housing book, how much percentage comes from the captive developer financing, which we have done, the projects?

Khushru Jijina: So almost 50% comes from our developer projects.

Lalaram Singh: Okay. And with region-wise, can you split the housing book north, west?

Khushru Jijina: Yes. So the maximum comes from the MMR region, which is around 45%, and then from the other cities like Bengaluru, Hyderabad, Pune, etc.

Lalaram Singh: Got it. You said that most of the investment in terms of distribution and people have been made. So what kind of loan book is possible with the current infrastructure which we have?

Khushru Jijina: Today, with the current infrastructure, which we have, we can actually go up to any accounts Rs.700 Crores to Rs.1,000 Crores per month.

Lalaram Singh: Per month?

Khushru Jijina: Yes.

Hitesh Dhaddha: Also let's understand why Mumbai region is higher, because we started from Mumbai and then gradually, we are expanding across. So as we go on, you will start seeing growth across other regions as well on the book, and that is where the opportunity is for us.

- Lalaram Singh:** Also, any particular reason why in this quarter disbursement- the loan book growth has been pretty marginal in quarter-on-quarter because you are doing Rs.1,000 Crores, I think, every quarter, more than that. Now there is less than Rs.300 Crores in this quarter.
- Ajay Piramal:** I think, as I have said before, our focus is really to play in the long-term and for that, we should look at liquidity today and strengthen ourselves, so that we can take advantage of the future growth opportunities.
- Lalaram Singh:** So it has nothing to do with the demand side, right?
- Ajay Piramal:** Go ahead.
- Lalaram Singh:** So do you mean to say that it has nothing to do with the demand side? Just that, we are being more conservative, more cautious?
- Ajay Piramal:** In fact, the way I look at it, the demand will – because now there are fewer providers of loans – the demand will be quite good because there are fewer providers, and you will get higher NIMs in the future.
- Khushru Jijina:** If I may just a rephrase, we used to always, for last four quarters talk about consolidation will happen. I think consolidation has happened. And if you really take a step back and understand how many large NBFCs are still there, you will get the answer.
- Lalaram Singh:** Got it. Within the housing finance and inorganic growth, which we have been talking about, so it will be combination of buying out books or also entire NBFC?
- Khushru Jijina:** Yes. As Chairman said, it could be a combination of anything. At the end of the day, when you are buying a company, for us, the culture, the liabilities, the hidden liabilities are very important. So it could be – I think today, with so many NBFCs going down and hardly anybody remaining, I think you can easily take a guess of all the types of – you can pick and choose the portfolio, you can buy the entire portfolio, you can pick up the company, you can have a company without employees, everything is there, available in the market.
- Vijay Shah:** We will focus on value creation, basically.
- Hitesh Dhadha:** Whatever we will be looking at, it will be after an extensive due diligence.

Ajay Piramal: Also, we are in for the long term. It is not like today, we want to build a book and this is a long-term franchise that we are developing. So we will do what is in the best long-term interest.

Lalaram Singh: Got it. And do you want to give some color on the commercial lending side? Because I believe that also is a really lucrative space [...]. So how do we want to play that sector and Piramal's positioning in that, commercial real estate.

Khushru Jijina: I think it is a good question. Last time, we mentioned that, in fact, one of the learnings is that going forward, you are right, it is a very lucrative space. But having said that, even in the RE, we said we will restrict ourselves to single borrower exposures. Even in the non RE space, this is a commercial space you are talking about, which we call CFG, the commercial group. There, we had shared with you all that we will pursue cash flow-based and hard security-based lending to the operating companies. As far as the mezzanine deals go, we will do it through a fund structure. And in fact, on that, we will be announcing a few of these initiatives hopefully in the next few months.

Lalaram Singh: Got it. One data point, if you can give me. In the Stage 1 loan book is Rs.52,000 Crores. So if I just break it up into, what would be 7 days and above, or 7 to 30, within that?

Khushru Jijina: What is the question?

Lalaram Singh: Within the Stage I loan book, can I just split off that into 0 and 7 days and 7 to 30, basically?

Kunal Shah: For that, we will have to come back to you. Because normally, we kept it on a 0 day or 0 to 30, 30 to 60, and 60 to 90 and so on. So for that, we need to come back to you.

Lalaram Singh: Okay. One last question is on the Healthcare Analytics business. We have seen a pretty smart turnaround of the last two, three quarters, where, I think, growth had revived and with the change in the employee base to India, we have seen the margins also going up and in this we did talk about entering new geographies beyond North America. So what is the vision which we have for this business? And even in this, do we foresee the opportunity for inorganic growth and just a broad view on the business for the next five years?

Ajay Piramal: So, what are we doing in this business? Today, if you look at the environment, there is a lot of data that is generating out of Healthcare. Also, healthcare costs globally are going up. So we sit at the confluence of – at the intersection of data for healthcare and healthcare costs going up. Therefore, there is a good demand for these products.

Today, India has a good strength as far as data scientists, analytics and all are concerned. We are trying to move some of the activities into India, so that the costs are more manageable, which is what we have done, as you have seen. We have now two operation centers, one in Bengaluru and the other in Gurgaon and we are now trying to create more products and platforms, which people, global pharma, global insurers and hospitals can take advantage of.

So going forward, about what we will do in this space in an inorganic way, be small acquisitions that we would do, whereas there is some technology, there is some expertise that we want. By and large, otherwise, I think we would like to grow organically more.

Lalaram Singh: That is helpful. Thanks a lot. All the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will be able to take one last question. That is from the line of Rajeev Agrawal from DoorDarshi Advisors. Please go ahead.

Rajeev Agrawal: One question is, I think, Piramal has always been countercyclical and just raising capital at this point, do we think we can given wherever the valuations are, I just wanted to get a sense of, are we structuring the capital raise in such a manner that we are not penalized for the current low price that we have?

Ajay Piramal: I think we should take advantage of the opportunity. Even if you raise capital, the price is low but the opportunities that you will get are also where the valuations are much lower. So net to net you are not badly off, I think. Let me explain. If you are going to do, let us say, inorganic growth, the valuation, which could have been of businesses, could have been 3x [times] book, 4x [times] book only a year ago, today you may get it at book or below book. So relatively, you are well off. So the power today is not so much in valuation, the power is in the liquidity and the availability of that firepower. That is what we are looking for. Even in growth today, even if you do organic growth, our belief is that the NIMs will be much higher. So then the return that you will get on your equity will be good. So look at it in a broader sense. Let us not look at what is the valuation.

Rajeev Agrawal: Got it. Okay. The second question is on the cost of borrowing. You talked about it will move from 10.3% to 11%. Could you just give a sense of what would be the incremental cost in Q2?

Ajay Piramal: Please look at this cost of borrowing as a one-off in one quarter. When equity comes in, let me tell you that cost of borrowing will go down. So please, if you make projections based on this cost for the future, you will be making, if I may say so, a mistake. Costs will come down.



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To us, that is what I am trying to say again and again, I see that the NIMs can go up today significantly if you have liquidity. Cost is not important today.

Hitesh Dhaddha: I think we are getting into a little bit of time constraint, so we would like to restrict the call now, especially a couple of questions you have already asked. If you have more questions, you can always send us, and we will help you respond to your questions.

Moderator: Ladies and gentlemen, that would be the last question. I now hand the conference over to Mr. Hitesh Dhaddha for closing comments. Thank you, and over to you, Sir!

Hitesh Dhaddha: Thanks, everyone, for joining the call. Please feel free to reach out if you have more questions, we will always be able to help you out. Thank you.

Moderator: Thank you very much, Sir. Ladies and gentlemen, on behalf of Piramal Enterprises Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.
