



PIRAMAL ENTERPRISES LIMITED

Annual Report 2017-18

"you are what your deep driving desire is. as your desire is, so is your will. as your will is, so is your deed. as your deed is, so is your destiny."

bṛiḥaḍaranyaka upanishad iv.4.5

SINCE 1988:

23%

CAGR

ANNUAL REVENUES
OVER THE LAST
30 YEARS¹

29%

CAGR

NET PROFIT
OVER THE LAST
30 YEARS^{1,2}

29%

ANNUALISED
RETURN

TO SHAREHOLDERS
OVER THE LAST
30 YEARS³

SINCE ABBOTT DEAL:

29%

CAGR

REVENUE OVER THE
LAST 6 YEARS⁴

55%

CAGR

NORMALISED NET
PROFIT OVER THE
LAST 6 YEARS^{2,4}

40%

ANNUALISED
RETURN

TO SHAREHOLDERS
OVER THE LAST
5 YEARS^{3,5}

NOTES

1. FY1988 Revenue and PAT numbers were for the year ending June 30, 1988. FY2018 numbers are reported as per Ind AS, rest of the numbers are as reported.
2. Normalised profit excludes exceptional items. FY2018 Normalised Net Profit excludes synergies on account of merger of subsidiaries in Financial Services segment.
3. Annualised shareholder returns computed using Bloomberg as on April 30, 2018 (assumed dividend reinvested in the stock).
4. For the period FY2012 to FY2018.
5. For the period FY2013 to FY2018.

CONTENTS

STRATEGIC OVERVIEW 1-41

Piramal Enterprises at a Glance	2
A Billion Dollar Fund Raise	4
Financial Services – Business at a Glance	6
Pharma and DRG – Business at a Glance	10
Chairman's Message	14
Key Performance Indicators	18
Key Milestones in the Last 30 Years	20
30-year Journey of Piramal Enterprises	22
Integrated Value-creation Model	28
Values-driven Culture	30
Efficient Capital Allocation	31
Constantly Building Businesses	32
Building Trusted Partnerships	33
Board and Governance	34
Innovation Culture	36
Delivering to Our Employees	38
Delivering to Our Customers	39
Delivering to Our Investors	40
Delivering to Our Society	41

MANAGEMENT DISCUSSION & ANALYSIS 42-117

Financial Review	43
Operations Review - Financial Services	46
Operations Review - Global Pharma	66
Operations Review - India Consumer Products	76
Operations Review - Healthcare Insight & Analytics	84
Risk Management	90
Human Resources	94
Information Technology & Digital	100
Data and Analytics	104
Environment, Health & Safety	106
Corporate Social Responsibility	108
Awards & Recognition	114
10-year Financial Highlights	117

BOARD & MANAGEMENT PROFILES118-125

Board of Directors	118
Management Team	124

STATUTORY REPORTS126-185

Report on Corporate Governance	126
Board's Report and Annexures	140
Business Responsibility Report	176

FINANCIAL STATEMENTS186-396

Standalone

Independent Auditor's Report	186
Balance Sheet	192
Statement of Profit and Loss	193
Cash Flow Statement	194
Statement of Changes in Equity	196
Notes to Financial Statements	197
Form AOC-1	272

Consolidated

Independent Auditor's Report	275
Consolidated Balance Sheet	280
Consolidated Statement of Profit and Loss	281
Consolidated Cash Flow Statement	282
Statement of Changes in Equity	284
Notes to Consolidated Financial Statements	285

NOTICE397-412

CORPORATE INFORMATION 416



30 years of Responsible Entrepreneurship

Entrepreneurship is an art as well as a science. It is one of the most celebrated and rewarded virtues that moves the world forward. Responsible entrepreneurship goes a step further. It accentuates positive contribution to society while limiting negative impacts on people and the environment. It is about treating customers fairly; caring about the well-being of employees; acting as good citizens in the local communities, and preserving natural resources and the environment.

Responsible entrepreneurship is not merely about building a business or generating profits, without thinking about how the profits are to be generated. Besides coming up with and implementing innovative ideas by leveraging the potential of high-quality teams, responsible entrepreneurship is also about taking all the stakeholders ahead together and consistently creating sustainable long-term value for each one of them.

At Piramal Enterprises Limited (PEL), we are led by our values of Knowledge, Action, Care and Impact. Over the last three decades, we have created a business model that has constantly transformed itself with the ever-changing world. This has helped us to create sustained long-term value for all our stakeholders, including delivering outcomes that create a lasting impact on communities, people and the world around us. For us, this is what responsible entrepreneurship stands for.

We have also been responsive while being responsible. From being a textile company, over the last 30 years, we have moved to expand, diversify and grow into Pharma and later also into Financial Services, while taking calculated risks and remaining constantly focused on long-term value-creation. Our journey has been characterised by trusted partnerships, organic and inorganic initiatives and investments that make both business and social sense. Our well-integrated and diversified Financial Services business, highly responsible Pharmaceutical business and data-led Healthcare Analytics are all testament to how we carry forward an experienced, yet contemporary enterprise.

As we celebrate 30 years of responsible entrepreneurship, we feel encouraged to do a lot more. Our entrepreneurial spirit is young at heart and enthusiastic to achieve even bigger milestones in the future.

Piramal Enterprises at a Glance

Piramal Enterprises Limited (PEL) is one of India's large diversified companies, with a presence in Financial Services, Pharmaceuticals and Healthcare Insight & Analytics. PEL's consolidated revenues were over \$1.6 billion in FY2018, with around 46% of revenues generated from outside India.

In Financial Services, Piramal Capital & Housing Finance Limited (PCHFL), wholly owned subsidiary of Piramal Enterprises Limited (the flagship company of Piramal Group), is registered as a housing finance company with National Housing Bank (NHB) and engages in various financial services businesses. It provides both wholesale and retail funding opportunities across sectors. In real estate, the platform provides housing finance and other financing solutions across the entire capital stack ranging from early stage private equity, structured debt, senior secured debt, construction finance and flexi lease rental discounting. The wholesale business in non-real estate sector includes separate verticals- Corporate Finance (CFG) and Emerging Corporate Lending (ECL). CFG provides customised funding solutions to companies across sectors such as infrastructure, renewable energy, roads, industrials, auto components etc., while ECL focuses on lending towards Small and Medium Enterprises (SMEs).

PCHFL through its group companies provides customised strategies for institutional and retail investors (through Piramal Fund Management) and has strategic partnerships with leading global pension funds such as CPPIB, APG and Ivanhoe Cambridge. PEL entered into a JV with Bain Capital Credit (the credit arm of Bain Capital) to tap into distressed asset resolution opportunity in India.

In Pharma, through an end-to-end manufacturing capabilities across 13 global facilities and a large global distribution network to over 100 countries, PEL sells a portfolio of niche differentiated pharma products and provides an entire pool of pharma services (including in the areas of injectable, HPAPI etc.). The Company is also strengthening its presence in the Consumer Product segment in India.

PEL's Healthcare Insight & Analytics business, Decision Resources Group, is the premier provider of healthcare analytics, data & insight products and services to the world's leading pharma, biotech and medical technology companies and enables them to take informed business decisions.



HIGHLIGHTS OF THE COMPANY

6,843
EMPLOYEES

30
OFFICES ACROSS THE GLOBE

29%
FY2018 DIVIDEND
PAYOUT RATIO

₹44,002cr¹
MARKET CAPITALISATION

29%
ANNUALISED SHAREHOLDER
RETURN OVER 30 YEARS

OVER A
BILLION
DOLLAR RAISE IN FY2018

Note:

1. Market Capitalisation as on March 31, 2018

Our Values

Expertise
We strive for a deeper understanding of our domain.

knowledge

Innovation
We aspire to do things creatively.

Entrepreneurship
We are empowered to act decisively and create value.

action

Integrity
We are consistent in our thought, speech and action.

Trusteeship
We protect and enhance the interests of our customers, community, employees, partners and shareholders.

care

Humility
We aspire to be the best, yet strive to be humble.

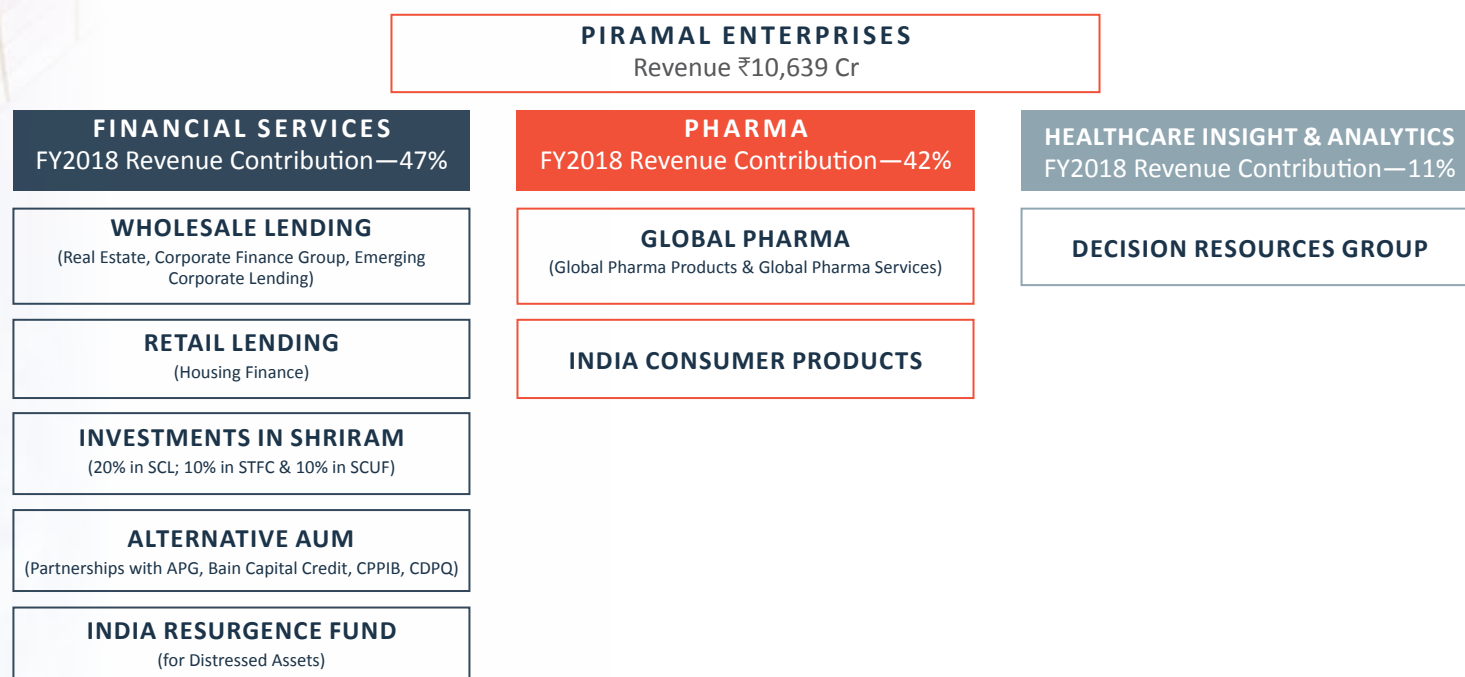
Performance
We strive to achieve market leadership in scale and profitability, wherever we compete.

impact

Resilience
We aspire to build businesses that anticipate, adapt and endure for generations.

Our Purpose — Doing Well and Doing Good

Corporate Structure



Geographical Diversification



A Billion Dollar Fund Raise

First major fundraise in the history of PEL - Raised ~₹7,000 Cr

Raised ~₹4,996 Cr through QIP of CCDs

HIGHLIGHTS OF QUALIFIED INSTITUTIONAL PLACEMENT (QIP) OF CUMULATIVE CONVERTIBLE DEBENTURES (CCDS)

Largest QIP deal by any company (excluding banks) in India

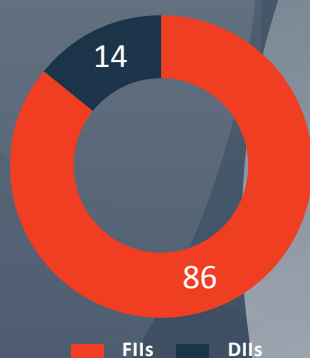
First QIP of INR denominated CCDs in India - A milestone deal in the history of Corporate India — a benchmark for future fund raising deals in India

Widespread participation: from FII long only investors, global university endowment fund, domestic institutions and alternative asset managers comprising over 30 institutional investors

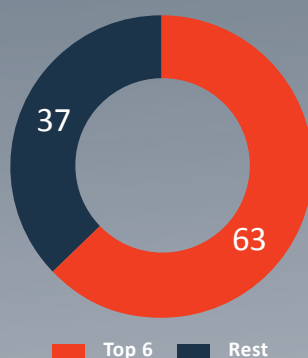
Provides benefit of both debt (downside protection) and equity (upside opportunity) instruments

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

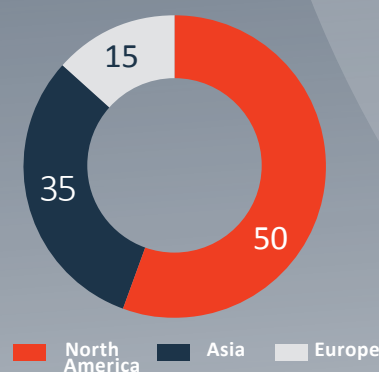
86% of CCDs were allotted to FIIs (%)



Top 6 investors contributed 63% of allotted CCDs (%)



Investors were spread across geographies (%)



Raising ₹1,978 Cr through Rights Issue

HIGHLIGHTS OF RIGHTS ISSUE

Existing shareholders of PEL got an equal opportunity to participate in the fund raising

Rights issue size of ₹1,978 Crs includes ₹190 Crs of entitlement reserved for the CCD holders

Issue was oversubscribed by 1.26x times excluding the CCD holders reservation

CCD holders will be entitled to subscribe to rights issue portion of their entitlement as and when they convert CCD into shares over the next one year

Promoter Group had underwritten the Rights Issuance to an extent of 90% of its size

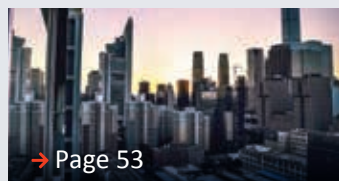
USE OF TOTAL PROCEEDS

Out of the ₹7,000 Cr that the Company raised in this financial year, ~₹5,000 Cr has been allocated to Financial Services and balance is for Pharma and other initiatives.

Financial Services — Business at a Glance

PEL's Financial Services segment offers a comprehensive suite of financial products to meet the diverse and evolving needs of its customers. The Company has created its unique positioning in the financial services space through its strong presence in the following sub-segments:

Wholesale Lending



BUSINESS DESCRIPTION

Real Estate Wholesale Lending
End-to-end real estate financing model

LOAN BOOK/AUM

₹31,833 Cr
87%
5-year CAGR

PRODUCTS/SERVICES

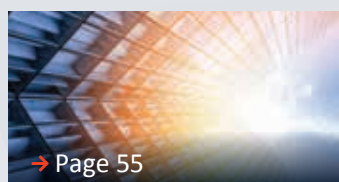
- Mezzanine Lending
- Construction Finance—Residential
- Construction Finance—Commercial
- Lease Rental Discounting



Corporate Finance Group
Sector agnostic corporate lending book (non – Real Estate)

₹8,209 Cr
118%
3-year CAGR

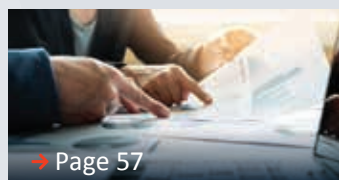
- Senior Lending
- Promoter Funding
- Loan Against Shares
- Mezzanine & Structured Lending
- Project Finance
- Acquisition Funding
- Capex Funding
- Working Capital Term loan



Emerging Corporate Lending
Lending to emerging and mid-market companies

₹916 Cr
Launched in FY2018

- Senior Debt
- Loan Against Property
- Lease Rental Discounting
- Structured Debt
- Loan Against Shares
- Project Finance
- Loan against receivables
- Acquisition financing

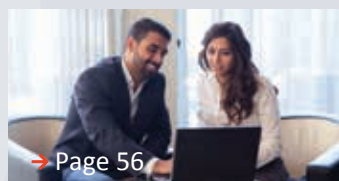


Alternative Asset Management
The platform in its fiduciary capacity also manages alternate AUM under several categories

₹7,620 Cr
Assets Under Management

- Alternate Funds
- Third party mandate
- Managed account
- Strategic partnerships: APG, CPPIB, CDPQ

Retail Lending



Housing Finance
Entered retail lending through housing finance business – a natural extension to our end to end real estate financing solution

₹1,210 Cr
Launched in FY2018

- Retail Housing Loans
- Loan Against Property
- Small Construction Finance
- Affordable housing

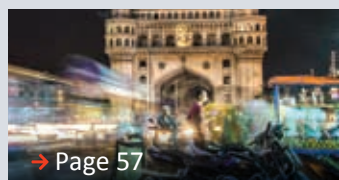


Investments in Shriram Group
Leading player in used Commercial Vehicle and Micro, Small and Medium Enterprises financing

₹4,583 Cr
Amount invested

- 10% in STFC – ₹1,636 Crore
- 20% in SCL – ₹2,146 Crore
- 10% in SCUF – ₹801 Crore

Stressed Assets



India Resurgence Fund
Debt and/or equity in assets across sectors (other than real estate) to drive restructuring with active participation in turnaround

Initial contribution of
US\$100 Mn each
by PEL and Bain Capital Credit

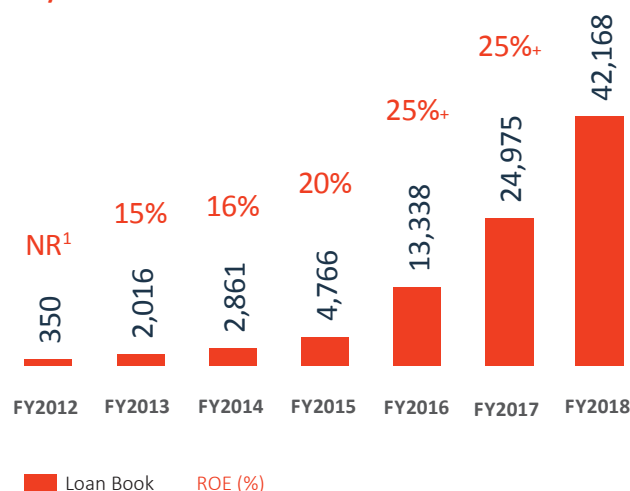
- JV with Bain Capital Credit
- Target to launch US\$1 billion fund

KEY HIGHLIGHTS

- 69% YoY growth in Loan Book in FY2018
- Gross NPAs of 0.3% as on March 31, 2018
- FY2018 ROE - 19%
- Merger of Piramal Finance and Piramal Capital with Piramal Housing Finance to create significant synergies
- The consistent growth in Loan Book is an outcome of strong diversification - Launched 22 products across various business verticals
- 98% Real Estate lending in Tier I cities of Mumbai, Pune, Bengaluru Hyderabad, Chennai and NCR
- 70% of the portfolio comprising of Grade A Developers
- Relationship with 120+ developers and presence in 375+ projects pan India
- Launched housing finance offerings in Delhi-NCR, Bengaluru and Pune. Plan to open branches in Nashik, Ahmedabad, Hyderabad and Chennai in near term
- Partnered with 445 connectors, 123 Direct Sales Agents & 100 projects on the housing finance platform
- 22 corporate borrower groups on our Corporate Finance Group (CFG) platform
- Formed the Capital Markets and Advisory group which houses the Corporate Client Coverage Group (CCG) and the Syndication Group (SG)

STRONG LOAN BOOK TREND (IN ₹ CR)

6-year Loan Book CAGR 122%

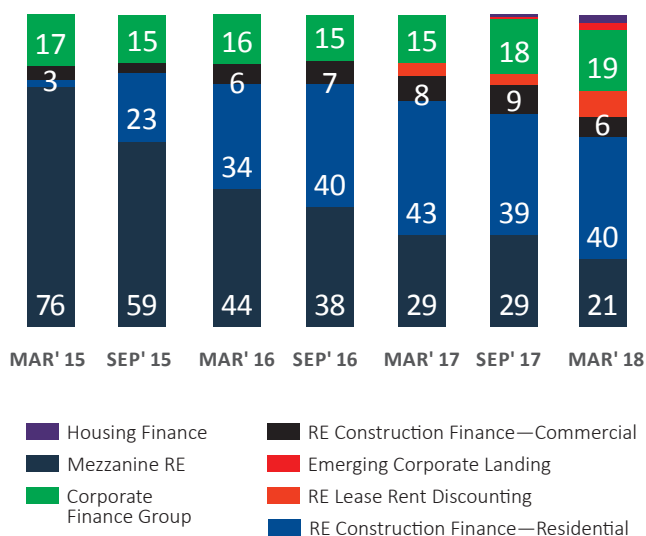


Note:

1. NR — Not Reported

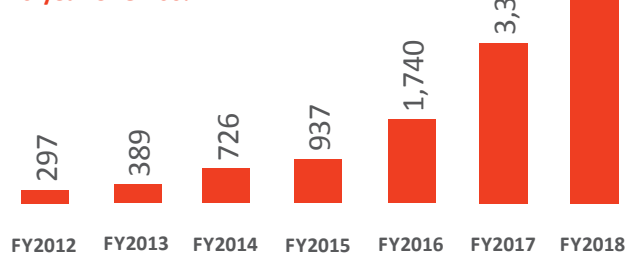
*ROE went down marginally due to the recent fund raise


CONSISTENTLY ENHANCING DIVERSIFICATION IN THE LENDING PORTFOLIO; SIGNIFICANTLY LOWERING THE OVERALL RISK PROFILE (%)



RAPIDLY GROWING INCOME FROM FINANCIAL SERVICES BUSINESS (IN ₹ CR)

6-year CAGR 60%





Expanded presence in retail financing with the launch of Housing Finance Company (HFC)

- Launched HFC and entered 4 cities – Mumbai, Pune, Delhi – NCR and Bengaluru during FY2018
- Loan Book size of ₹1,210 Cr in 6 months of launch
- Natural extension to our end – to – end real estate financing platform to help the developers
- B2B2C model wherein the developer relations would play an important role



Created India's second largest and a high quality real estate developer financing platform

- PEL's real estate developer financing Loan Book has grown at a robust CAGR of 112% over last 6 years.
- Consistently delivering 50%+ YoY growth in Loan Book in each of the last 12 quarters
- End – to – end real estate developer financing platform offering product solutions right from the time of land purchase to housing finance
- Real Estate lending in Tier I cities of Mumbai, Pune, Bengaluru, Hyderabad, Chennai and NCR
- Strong relations with 120+ developers and has presence in 375+ projects pan India