



PIRAMAL ENTERPRISES LIMITED

Annual Report 2018-19

"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."

Brihadaranyaka Upanishad IV.4.5

Since 1988:

24%

CAGR

Annual Revenues over
the last 31 years¹

29%

CAGR

Net Profit over the
last 31 years^{1,2}

28%

Annualised
returns

To shareholders over
the last 31 years³

Since Abbott deal:

28%

CAGR

Annual Revenues over
the last 7 years⁴

50%

CAGR

Normalised Net Profit
over the last 7 years^{2,4}

32%

Annualised
returns

To shareholders over
the last 7 years^{3,4}

Notes: 1. FY1988 Revenue and PAT numbers were for the year ending June 30, 1988. FY2019 numbers are reported as per Ind AS, rest of the numbers are as reported. Income under share of associates primarily includes our share of profits at Shriram Capital and profit under JV with Allergan, as per the new accounting standards.
2. Normalised profit excludes exceptional items. FY2018 Normalised Net Profit excludes synergies on account of merger of subsidiaries in Financial Services segment. FY2019 normalised net profit excludes non-recurring and non-cash accounting charge towards imaging assets & non-recurring exceptional item
3. Total shareholder returns are as on March 31, 2019. Assumes re-investment of dividend in the stock (Source : Bloomberg)
4. For the period FY2012 to FY2019.



Prudence Persistence Performance

Contents

STRATEGIC OVERVIEW 1-43

Piramal Enterprises at a Glance 2

Financial Services 4

Key Highlights. 6

Pharma and Healthcare Insights & Analytics 8

Key Highlights. 10

Chairman's Message 12

Key Performance Indicators 16

Performing Stronger Despite Roadblocks 18

Stringent USFDA Audits. 20

Pricing Pressures in Pharma 22

Demonetisation, RERA and GST. 24

NBFC Liquidity Tightening. 26

Differentiators driving PEL's superior performance 28

High Promoter Commitment 30

Strong Balance Sheet & Efficient Capital Allocation. 31

Thinking Ahead of the Curve 32

Proactive measures to mitigate risks. 33

Innovation Culture. 34

Multiple Drivers of Value Creation. 36

Trusted Partnerships 37

Board and Governance 38

Trusteeship approach

Delivering to Our Employees 40

Delivering to Our Customers 41

Delivering to Our Investors. 42

Delivering to Our Society 43

MANAGEMENT DISCUSSION & ANALYSIS . . . 44

Financial Review 46

Operational Review

Financial Services. 50

Pharma 74

Healthcare Insights & Analytics 86

Risk Management 92

Human Resources 98

Information Technology & Digital 102

Analytics 106

Environment, Health & Safety 108

Corporate Social Responsibility 110

Awards & Recognition. 116

10-year Financial Highlights 119

BOARD & MANAGEMENT PROFILES . . . 120-130

Board of Directors. 122

Management Team 128

STATUTORY REPORTS 130-191

Report on Corporate Governance. 132

Board's Report & Annexures 146

Business Responsibility Report 180

FINANCIAL STATEMENTS 192-390

Standalone 194

Consolidated 278

NOTICE AND PROXY. 391-400

CORPORATE INFORMATION Inside Back Cover

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 Insights & Analytics. PEL's consolidated revenues were \$1.9 Billion in FY2019, with 40% of revenues generated from outside India.

In Financial Services, Piramal Capital & Housing Finance Limited (PCHFL), a wholly owned subsidiary of Piramal Enterprises Limited (the flagship company of Piramal Group), is registered as a housing finance company with the National Housing Bank (NHB) and is engaged in various financial services businesses. It provides wholesale financing to real estate developers and corporate clients, and retail housing loans to individual customers. In real estate, the platform provides financing solutions across the entire capital stack such as structured debt, construction finance, flexi lease rental discounting etc. to developers and housing finance to home buyers. The wholesale business in non-real estate sectors 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's group companies maintain strategic partnerships with leading global pension funds such as CPPIB, APG and Ivanhoe Cambridge.

The division has also launched a distressed asset investing platform with Bain Capital Credit - India - RF that will invest in equity and / or debt in assets across sectors (other than real estate) to drive restructuring with active participation in turnaround. PEL also has long term equity investments worth ~\$1 Billion in Shriram Group, a leading financial conglomerate 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 integrated pharma services including in the areas of injectable, HPAPIs (High Potency Active Pharmaceutical Ingredients), ADCs (Antibody Drug Conjugates) etc. The Company is also focusing on growing the Consumer Products segment in India.

PEL's Healthcare Insights & Analytics business 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

7,820

Employees

Presence in

45

locations in 18 countries

24%

Revenue CAGR for 31 years

29%

Net Profit CAGR for 31 years

29%

Dividend Payout Ratio¹

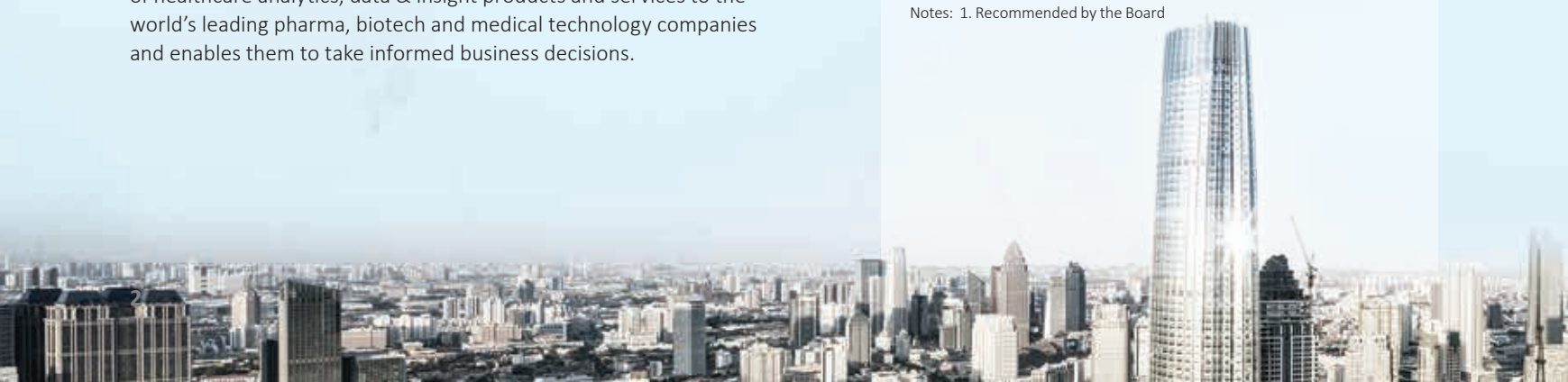
28%

Annualised shareholder returns over the last 31 years

₹50,810 Crores

Market Capitalisation as on March 31, 2019

Notes: 1. Recommended by the Board



CORE VALUES

Expertise We strive for a deeper understanding of our domain.	Entrepreneurship We are empowered to act decisively and create value.	Trusteeship We protect and enhance the interests of our customers, community, employees, partners and shareholders.	Performance We strive to achieve market leadership in scale and profitability, wherever we compete.
KNOWLEDGE	ACTION	CARE	IMPACT
Innovation We aspire to do things creatively.	Integrity We are consistent in our thought, speech and action.	Humility We aspire to be the best, yet strive to be humble.	Resilience We aspire to build businesses that anticipate, adapt and endure for generations.

At Piramal Group, our core values of Knowledge, Action, Care and Impact are integral to our guiding philosophy. These values represent our deeply held beliefs and define us at the individual as well as the organisational levels. We encourage a deep understanding of these core values and believe in institutionalising them across the organisation to build a distinctive Piramal culture.

We stay true to our purpose of 'Doing Well and Doing Good' by following three basic tenets

Serving People

We aim to serve our customers, community, employees, partners and all other stakeholders by putting their needs and well-being first.

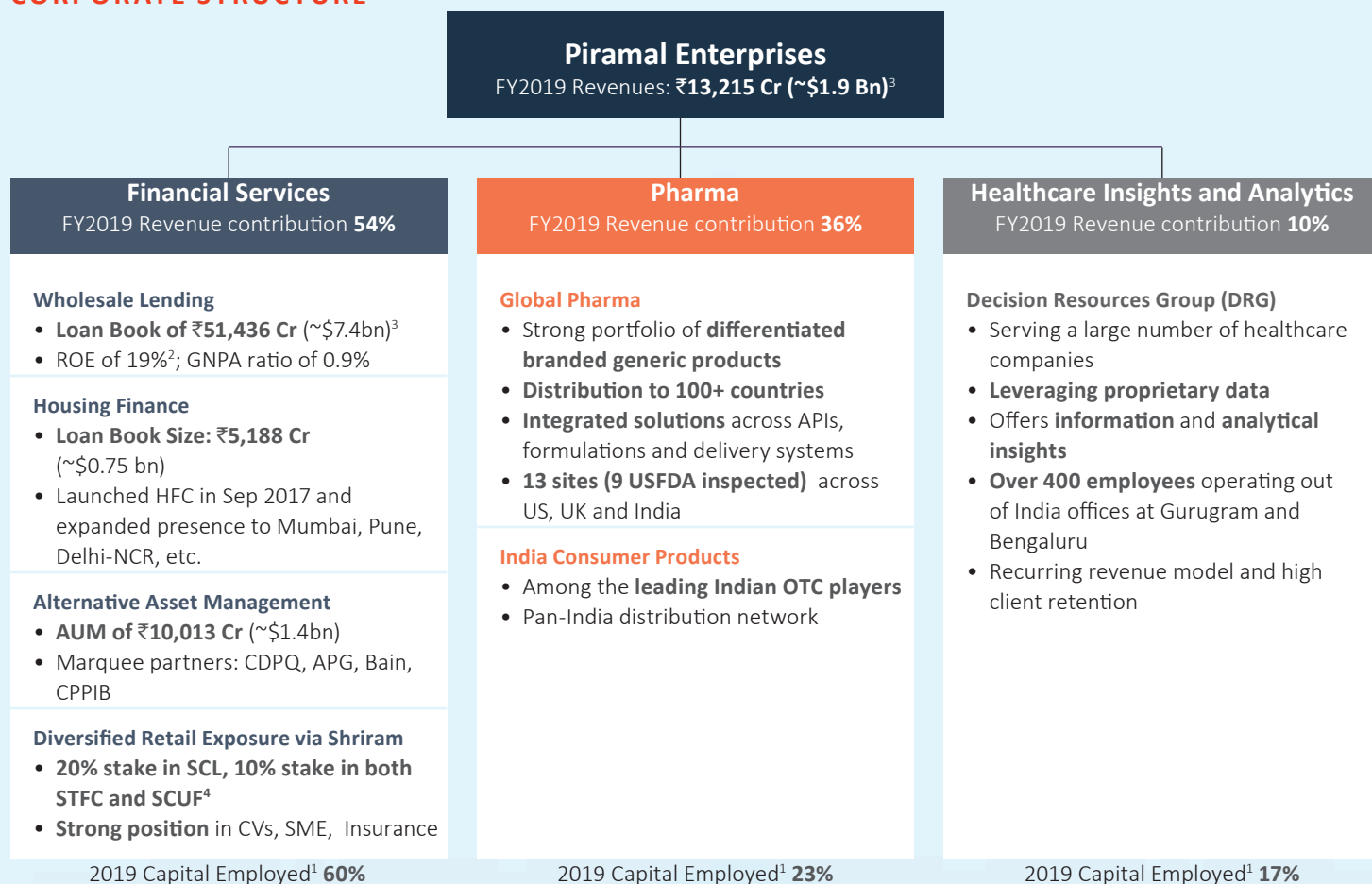
Making a Positive Difference

We aim to make a positive difference through our products, services, customer-centric approach and innovation-led research.

Living Our Values

We live by our values in our everyday actions, decisions and conduct, at a personal as well as a professional level.

CORPORATE STRUCTURE



Notes: 1. As per books. Excludes unallocated portion of capital employed to various business segments;
 2. ROE for current reported period FY2019 is considering Cash Tax and other synergies from merger;
 3. Average exchange rate for period is 69.9/USD and Closing exchange rate is 69.3/USD
 4. SCL: Shriram Capital Limited; STFC: Shriram Transport Finance; and SCUF: Shriram City Union Finance

FINANCIAL SERVICES

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:

 → Page 58	Business Description	Loan Book / AUM	Offerings
 → Page 60	Real Estate (RE) Wholesale Lending End-to-end real estate financing model	₹40,160 Crores	Mezzanine Lending Construction Finance—Residential Construction Finance—Commercial Lease Rental Discounting
 → Page 61	Corporate Finance Group (CFG) Sector agnostic corporate lending book (non – Real Estate)	₹9,889 Crores	Senior Lending Promoter Funding Loan Against Shares Mezzanine & Structured Lending Project Finance Acquisition Funding Capex Funding Working Capital Term loan
 → Page 62	Emerging Corporate Lending (ECL) Lending to emerging and mid-market companies	₹1,387 Crores	Senior Debt Loan Against Property Lease Rental Discounting Structured Debt Loan Against Shares Project Finance Loan against receivables Acquisition financing
 → Page 63	Housing Finance Company (HFC) Retail lending	₹5,188 Crores	Retail Housing Loans Loan Against Property Small Construction Finance Affordable housing
 → Page 64	Investments in Shriram Leading player in used Commercial Vehicle and MSME Financing	₹7,253 Crores Book value of investments	10% in Shriram Transport Finance Company 20% in Shriram Capital Limited 10% in Shriram City Union Finance
 → Page 65	IndiaRF Debt and/or equity in assets across sectors (other than real estate) to drive restructuring with active participation in turnaround	₹744 Crores AUM	JV with Bain Capital Credit Initial contribution of \$100 Mn each by PEL and Bain Capital Credit
	Alternative AUM The platform manages alternate AUM under several categories	₹9,269 Crores AUM	Alternate Funds Third party mandate Managed account Strategic partnerships: APG, CPPIB, CDPQ

KEY DEVELOPMENTS IN FY2019

- Loan Book Growth of 34% y-o-y
- Healthy Asset Quality with GNPA Ratio of <1%
- Delivered robust ROE¹ of 19% for FY2019
- Relationship with 147 developers across 400+ projects pan-India
- Diversification of the loan book – wholesale RE loans (excl. LRD and Hospitality) contribute ~63% of overall loans vs. ~83% as on March 31, 2015
- Significant scaling-up of the housing finance business – loan book grew to ₹5,188 Crores as on March 31, 2019 from ₹1,210 Crores a year ago
- Housing finance presence in 15 cities through 16 branches
- Partnered with 740+ Direct Sales Agents and 1,850+ Connectors on the housing finance platform
- 28 Corporate borrower groups on our Corporate Finance Group (CFG) platform

₹7,063 Crores

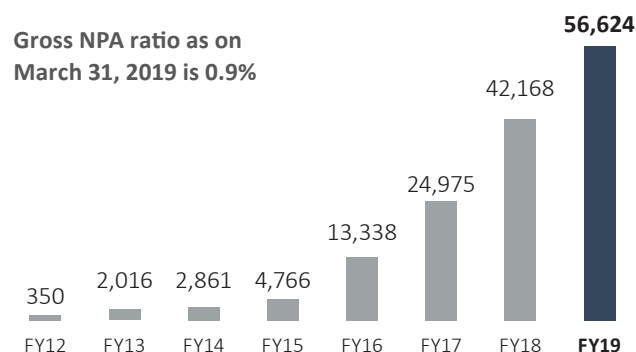
Revenues

Loan Book

(₹ Crore)

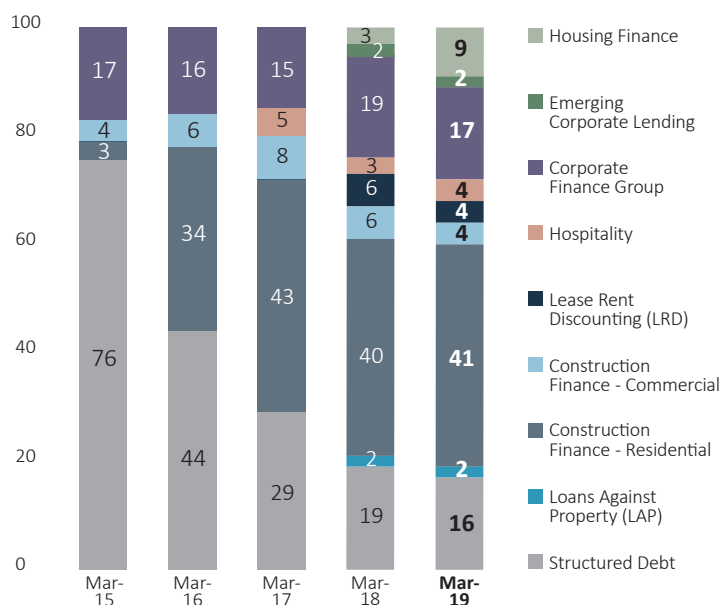
FY2019 ROE¹ of 19%

Gross NPA ratio as on March 31, 2019 is 0.9%



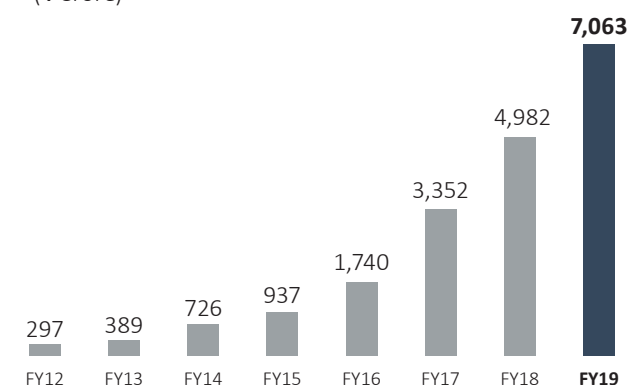
Note: 1. On cash-tax basis and other synergies from merger

Consistently diversifying the loan book to reduce the risk profile (%)



Rapidly Growing Income from Financial Services

(₹ Crore)



Growing through diversification despite a volatile business environment

- 34% y-o-y growth in loan book in FY2019
- Disbursements of ₹29,762 Crores during the year
- Housing finance became the major driver of growth since Sep-2018, loan book increased from ₹1,210 Crores to ₹5,188 Crores during the year
- Housing finance accounts for 9% of the overall loan book versus only 3% a year ago

Significantly improved borrowing mix towards long-term sources of funds, despite liquidity tightening

- Raised nearly ₹16,500 Crores in of bank loans and NCDs during H2 FY2019
- Reduced CPs from nearly ₹18,000 Crores to nearly ₹8,900 Crores during H2 FY2019
- Banks contributes 71% of borrowing in March 2019 vs. 49% in Sep 2018 in Q3 FY2018 and Q4 FY2018

Consistently maintained healthy asset quality with GNPA <1% and delivered robust ROE even after the fund raise

- GNPA ratio of 0.9% as on March 31, 2019 – among lowest across major NBFCs/HFCs in India
- Provisions of 1.9% of the total loan book, despite healthy asset quality
- Post-tax ROE* of 19% in FY2019 for the Financial Services business (excluding investments in Shriram)

*On a cash-tax basis and other synergies from merger

Amongst the least levered NBFCs / HFCs in India

- Debt-to-equity ratio (excluding investments in Shriram) of 3.9x and debt-to-equity ratio (including investments in Shriram) of 2.2x as of March 31, 2019 – amongst the lowest across sizeable NBFCs / HFCs in India
- Allocated ~₹5,000 Crores from the capital raise to the Financial Services business in Q3 FY2018 and Q4 FY2018





→ Page 81

Business Description

Global Pharma Services Business

Contract Development and Manufacturing Organisation (CDMO) offering end-to-end solutions across the drug life cycle through a globally integrated network of facilities

Products/Services

- Discovery Services
- Process R&D
- Pharmaceutical Development Services
- Clinical Trial Supply Services
- High Potency API Development & Manufacturing
- API Manufacturing
- Finished Dosage Manufacturing (Oral Solids, Sterile Injectables)
- Antibody Drug Conjugates



→ Page 81

Global Pharma Products Business

A strong product portfolio of niche differentiated branded generic products that are difficult to manufacture, sell or distribute

Inhalation Anaesthetics

- Sevoflurane
- Isoflurane
- Halothane

Intrathecal Severe Spasticity / Pain Management

- Gablofen®
- MITGO™

Injectable Anaesthesia / Pain Management

- Sublimaze®
- Sufenta®
- Rapifen®
- Dipidolor®
- Hypnomidate®

Injectable for Myxedema Coma

- Levothyroxine sodium

Capsule for type I Gaucher & Niemann-Pick disease:

- Miglustat

Others

- API Generics
- Vitamins & Premixes



→ Page 82

India Consumer Products Business

It caters to the Indian self-care market. Today, PEL's OTC range comprises 18 major brands from the pharmaceutical and personal care space, in diverse product categories like Vitamins & Nutrition, Dermatological & Antacids, Analgesics and Baby Care

Brands among India's top OTC brands

- Saridon
- Lacto Calamine
- i-pill
- Tetmosol
- Polycrol
- Naturoxax
- Caladrylh
- Little's

Presence in Segments

- Skin care
- Pain management
- Oral care
- Respiratory
- Gastro-intestinal
- Women's health
- Baby care and kids wellbeing

HEALTHCARE INSIGHTS & ANALYTICS



→ Page 86

Business Description

Healthcare Insights and Analytics

The Healthcare Insights and Analytics business is a premier provider of healthcare analytics, data and insight products and services offering data-driven decision-making resources and workflow solutions to the world's leading pharma, biotech and medical technology companies.

The Company's best-in-class methodology, talent and technology enables customers to make informed business decisions around their most critical commercial challenges.

Products/Services

Offerings include

- Research & Data
- Custom Analytics
- Consulting & Managed Services

Segments Covered

- Pharma
- Medtech
- Payer and Provider