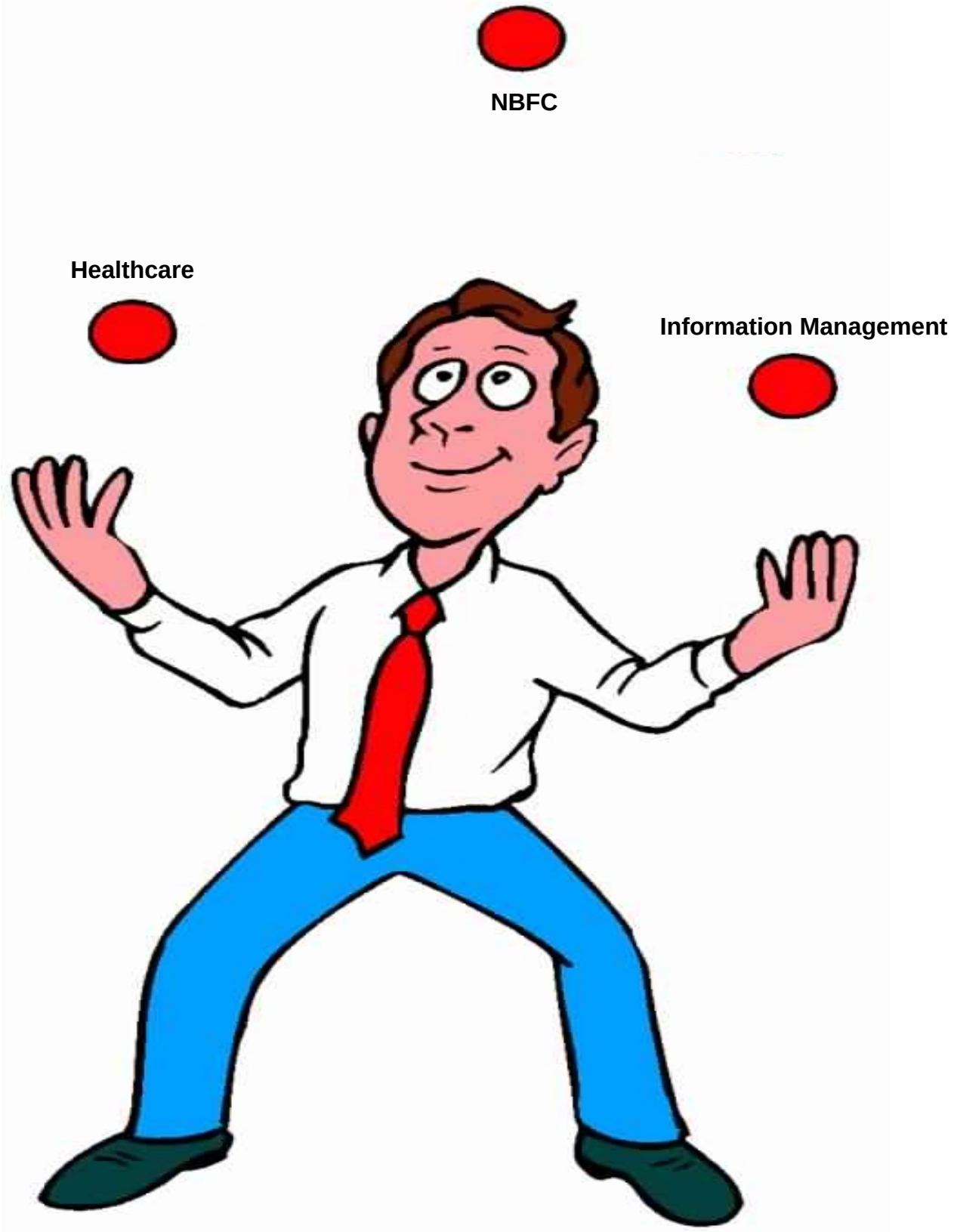
Piramal Enterprises Ltd

Initiating Coverage



Prudent stewardship nurtures different businesses effectively

December 2018

Table of Content

Piramal Enterprises Ltd

Buy

BP WEALTH

Diversified | Initiating Coverage

3rd December,2018

Company Background

Piramal Enterprises Ltd (PEL) is one of the leading diversified companies in India operating through three major verticals comprising-Financial services, Pharmaceuticals and Healthcare Insight & Analytics. The Pharmaceutical business started in 1988 with the acquisition of Nicholas laborites and today it has evolved into a major global player with segments such as Contract Development and Manufacturing (CDMO) ,in which it ranks among the top 10 globally. Other segments include a strong portfolio of niche differentiated branded generic products, OTC products in the domestic Indian market and the critical care division, in which the company sells products across 118 countries with a market share of over 50% in emerging markets. In the Financial services vertical, PEL has its roots embedded in real estate financing that has now transformed into a diversified financial services lender with presence across whole and retail lending (Loan book-INR 53,000 Crores) along with a strategic interest in the Shriram Group. The Healthcare insights and analytics vertical operates through the Decision Resources Group (DRG) that provides a decision support platform in the healthcare information services space and has leading global Healthcare players as its customers.

Housing finance segment compliments real estate financing platform and provides a stronger hold in the retail segment

PEL views the HFC as a B to B to C business and an extension of the partnership relationship with the developer. Housing finance for the company is just another product on the wholesale lending platform offered to developers, wherein PEL can provide them with a solution to sell. The HFC business had a loan book of INR ~24 Bn as on Q2FY19.With only 8-10 players in the INR 100 Bn + category, there is sufficient room for PFL to grow, especially given it's inherent competencies**.** PEL's focus would be on Tier 2 and Tier 3 cities to drive incremental growth and has planned to open 24 branches by 2020.The HFC segment had an average ticket size of INR 7.4 Mn as of FY18, primarily due to the concentration in MMR. However, going ahead the average ticket size is expected to reduce further on account of deeper penetration into micro markets. Given PEL's capabilities in this space, the HFC business can be easily scaled up in the medium to long term. Within the HFC business, segments like Small construction finance are helping in reaching out to grade 'A' developers in micro markets and which was not possible to address earlier through the wholesale platform. Additionally ,LAP is being pursed cautiously by the company, focusing predominantly on cash flow generation. We feel that despite the steep competition in the HFC space PEL remains strong 1) owing to the long standing relationships that the group has with developers and 2) the thrust on launching customized solutions that help both the developer as well as the individual home buyers. This offers the company a firm footing in the housing finance market to anchor and grow.

Corporate finance group (CFG) & emerging corporate lending (ECL) segments to fuel next leg of growth for financial services vertical and help in diversifying away from RE financing

The CFG originally started by providing structured credit solutions to the infrastructure vertical and eventually PEL started providing credit solutions to non-RE corporates with a yield expectation of 12-18%. The CFG loan book has witnessed a CAGR of ~60% over (FY14-18) contributing largely to the loan book growth leading up to Q2FY19.Emerging Corporate Lending (ECL) was started by the Company in FY18 with the objective of lending to emerging and mid-market businesses.ECL operates with a sector-agnostic approach and a ticket size ranging from INR 10 Crores to INR 125 Crores. ECL has a loan book of INR 15 Bn and an average deal size of INR 0.5 Bn as of Q2FY19.The CFG & ECL segments have grown at a CAGR of 126% over (FY15-18).Going ahead these segments are expected to contribute to the growth in the wholesale lending book leading to a reduction in contribution from real estate.

Established presence and strong position in real estate developer financing

PEL is one of largest lenders of capital across all stages of the life-cycle of real estate projects (mainly residential). The company is also among the top providers of structured mezzanine funding **.**PEL has expertise in alternate financing mechanism across various asset classes with a strong track record of developing large real estate projects in India. The company also posses the ability to take over projects, complete and sell them (if required). The real estate book has grown at a CAGR of 88% over a 5 year period. Construction finance comprises 60% of this book offering yields of 14-16% with a tenor of 4-6 years. Consolidation in the real estate sector would help PEL on account of its focus on tier 1 developers and long standing relationships coupled with a vast amount experience in this space.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook **Positive**

Stock

CMP (Rs)	2,200
Target Price (Rs)	2,784
BSE code	500302
NSE Symbol	PEL
Bloomberg	PIEL IN
Reuters	PIRA.BO

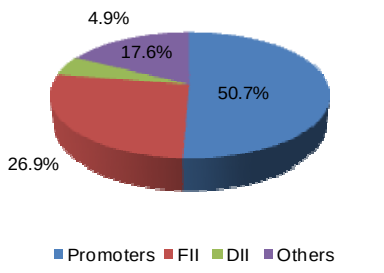
Key Data

Nifty	10,876
52 Week H/L (Rs)	3,302/1,796
O/s Shares (Mn)	199
Market Cap (Bn)	403
Face Value (Rs)	2

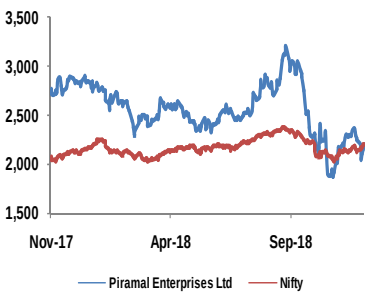
Average volume

3 months	772,688
6 months	541,664
1 year	387,066

Share Holding Pattern (%)



Relative Price Chart



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Healthcare: Moving up the value chain by focusing on niche products & capabilities

The Healthcare vertical of PEL is uniquely positioned with a strong presence both within and outside India. It is divided into two large businesses: the Global Pharma business (constituting 88% of Healthcare revenues), which sells pharmaceutical products and services around the world, and the India Consumer Products business (12%), which sells Over-the-Counter (OTC) products in India. PEL was initially present in the USD 1.2 bn market of inhalation anaesthesia. The acquisition of the niche product portfolios of Janssen Pharmaceutica NV in October 2016 (Five injectable anaesthesia and pain management products) and Mallinckrodt LLC in March 2017 (A portfolio of intrathecal spasticity and pain management) expanded the addressable market opportunity for the Company from USD 1.2bn in inhalation anaesthesia to USD 20bn in the hospital generics market. PEL's OTC business is an India-centric consumer healthcare business with the portfolio of high-ranked brands – Saridon (analgesic), Lacto Calamine (skincare), i-pill (oral contraceptive), Polycrol (antacid), Tetmosol (dermatology) and Jungle Magic. .The business has a significant distribution footprint covering over 2000 towns(vs 481 in FY12) with a field force of 2,100 (vs 800 in FY12) across the country. This gives an access to over 420,000 retail outlets (including 220,000 chemist stores) across India. Allergan India, the Company's JV with Allergan, continues to remain India's leader in Ophthalmology. PEL continues to develop new brands and products, along with evaluating inorganic opportunities. We expect healthcare (Global Pharma + consumer product) business to deliver robust mid-teens growth over next three years, driven by continuing transition and integration of products from recent acquisitions, simultaneously taping newer markets to increase market share, reinvesting profits into scaling the business and continuing to develop and acquire new brands and products.

Healthcare insight and analytics business: Steady path of growth

After PEL's acquisition of DRG, the latter added six companies, thereby expanding the addressable market by ~2.7x (to USD16bn from USD6bn in FY14). The global healthcare expenditures are growing at a rapid rate driven by aging populations in G7 countries, new regulations and the availability of new treatments. The management expects that these factors will contribute to increasing demand for products and services among its customers. The Company's growth has led to a well-diversified customer base (900 total clients including the vast majority of top pharmaceutical and medical technology companies) with no single client representing more than 5% of revenue. Data & Analytics and Research Products comprise over 75% of total revenues. With 100% retention among top 50 customers contributing to ~80% of revenues, the Company has high revenue visibility. Total revenue retention by value is ~96% across the entire customer base. Over FY13-18, DRG's revenue grew at a CAGR of 13.2% with15-22% EBITDA margin. The company has capabilities across the customers' product life cycle, and employs 1,200 people, globally (386 employees in India). PEL's strategy is based on the dual intent of revenue growth and profitability improvement. It has been increasing its addressable market size through acquisitions and product innovation, and the focus on profitability improvement is visible through its efforts to augment presence in India, and realize operational synergies. Going forward, we expect revenue growth remain at 12% on the back of existing client mining and new client addition.

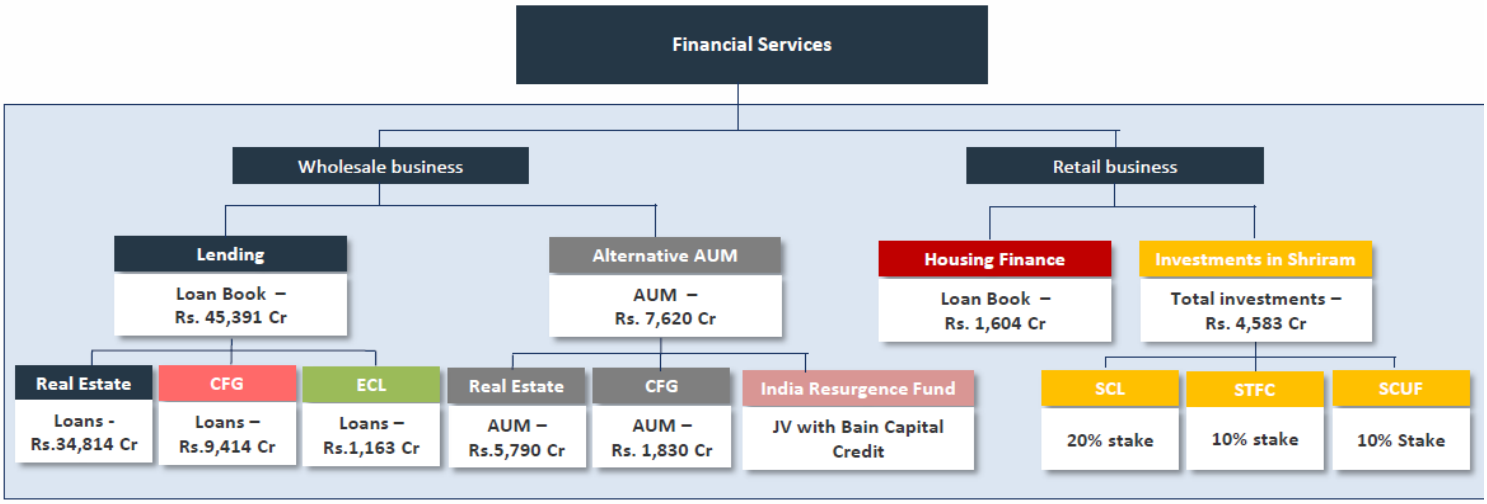
Why we like this stock & valuation methodology

In the wake of rising liquidity concerns for NBFCs and HFCs, entities like PEL which have strong promoter backing ,a well entrenched top management team bolstered by a long standing track record and proven execution, underscores a fair degree of confidence .We feel that this opportunity will be beneficial for the company due to the cautious stance adopted by lenders in a relatively tight liquidity situation ,albeit at a slightly higher borrowing cost. Given the focus of the management in steadily growing the AUM along with a tight lid on achieving ~20% ROE, underpinned by a prudent risk management framework which has resulted in robust asset quality (GNPA of 0.5% with a healthy provision of 1.74% as of Q2FY19).We have used SOTP methodology to value PEL and value the financial services vertical at 2.8X FY20 P/B, after considering the above factors. Total capital employed in Pharma and IT businesses stands at R274bn+ as of FY18. Healthcare business grew at 16% CAGR over FY11-18 on the back of multiple acquisitions and steady growth across the portfolio. We expect the healthcare business to continue to deliver double digit growth supported by increasing market share in existing products and addition of niche products to the kitty. EBITDA growth is expected to be ~12% over FY18-21E.Our valuation of the healthcare business based on EV/EBITDA and of the information management business is based on EV/Sales. On a blended basis, we have valued healthcare business at EV/EBITDA of 12x. Revenue in the information management business is expected to grow at a CAGR of 12% over FY18-21 and EBITDA is expected to be ~15% over the same period. We value this business at EV/sales of 3.5x.

We have valued PEL using SOTP methodology. The Financial services business is valued at 2.8x FY20 P/B and forms 60% of our total target price. The Pharma and IT businesses comprise 24% of the total with the remainder being contributed by investments in the Shriram group. This imputes a target price of INR 2,784 (27% upside from CMP)

Financial services Vertical

Piramal Enterprises Limited-Financial services vertical-As of Q1FY19-(Total loan book-INR 52,793 Cr-H1FY19)



CFG – Corporate Finance Group; ECL – Emerging Corporate Lending; HFC – Housing Finance Company; SCL – Shriram Capital Limited; STFC – Shriram Transport Housing Finance; SCUF – Shriram City Union Finance

Source: Company, BP Equities Research

PEL has created a diversified financial services lending platform that started off by providing real estate developer financing, owing to its expertise in the real estate sector and eventually adding other segments such as corporate finance and middle market lending to businesses as a means to scale the wholesale lending book while simultaneously diversifying away from real estate.

Within real estate, construction finance accounts for ~60% of the book and lease rental discounting which stood at ~INR 50 Bn as of Q2FY19,form the main growth drivers in this segment. However ,overall growth in the wholesale business is mainly being contributed by CFG and ECL which had a cumulative book size of INR 100 Bn and posted a growth of 76% in Q2FY19.Going ahead, real estate is expected to constitute ~50% of the total portfolio in the medium term. Aside from fuelling growth, these segments will also be helping in generating fee-based income in the future.

In a bid to become a full fledged financial lender, PEL has also been growing its presence in the retail lending space –first through an acquisition in the Shririam group and then through the launch of the housing finance company that not only completes its real estate wholesale financing platform but also helps in strengthening its retail presence.

PEL has also partnered with global financial institutions that want to invest in Indian real estate and has set up a distressed asset fund given the vast opportunities being presented due to the cleanup of NPAs in the banking system.

Financial services-Performance matrix

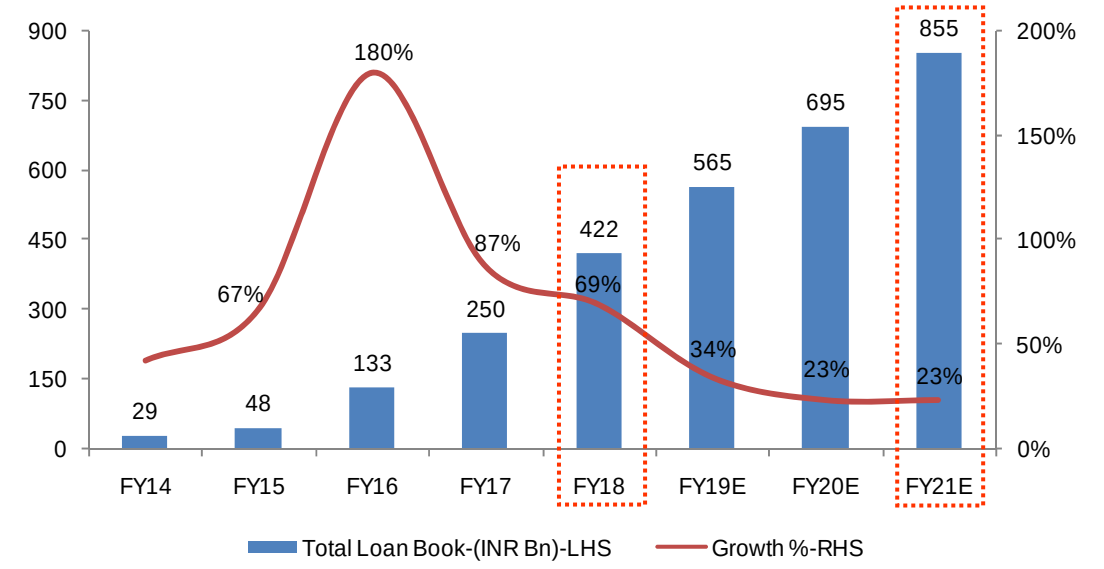
Particulars	H1FY19
Average yield on loans	13.7%
Average cost of Borrowings	8.6%
Net Interest Margin	6.9%
Cost to income ratio	17.7%
Total Provisioning	1.7%
ROE	17%

Source: Company, BP Equities Research

Description of services and products offered by Piramal Enterprises Ltd		
Sub-segment within main category	**PRODUCTS/SERVICES**	**BUSINESS DESCRIPTION**
Wholesale Lending		
Real Estate Wholesale Lending	• Mezzanine Lending • Construction Finance—Residential • Construction Finance—Commercial • Lease Rental Discounting	End–to–end real estate financing model
Corporate Finance Group	• Senior Lending • Promoter Funding • Loan Against Shares • Mezzanine & Structured Lending • Project Finance • Acquisition Funding • Capex Funding • Working Capital Term loan	Sector agnostic corporate lending book (non – Real Estate)
Emerging Corporate Lending	• Senior Debt • Loan Against Property • Lease Rental Discounting • Structured Debt • Loan Against Shares • Project Finance • Loan against receivables • Acquisition financing	Lending to emerging and mid-market companies
Alternative Asset Management	• Alternate Funds • Third party mandate • Managed account • Strategic partnerships: **APG, CPPIB, CDPQ**	The platform functions in its fiduciary capacity and also manages alternate AUM under several categories such as Real estate & Corporate finance
Retail Lending		
Housing Finance	• Retail Housing Loans • Loan Against Property • Small Construction Finance • Affordable housing	Entered retail lending through housing finance business – a natural extension to PEL's end to end real estate financing solution
Investments in Shriram Group	10% stake in STFC – INR 1,636 Crore 20% stake in SCL – INR 2,146 Crore 10% stake in SCUF – INR 801 Crore	Leading player in used Commercial Vehicle and Micro, Small and Medium Enterprises financing
Stressed Assets		
India Resurgence Fund	• JV with Bain Capital Credit	Invests in Debt and/or equity in assets across sectors (other than real estate) to drive restructuring with active participation in turnaround

Source: Company, BP Equities Research

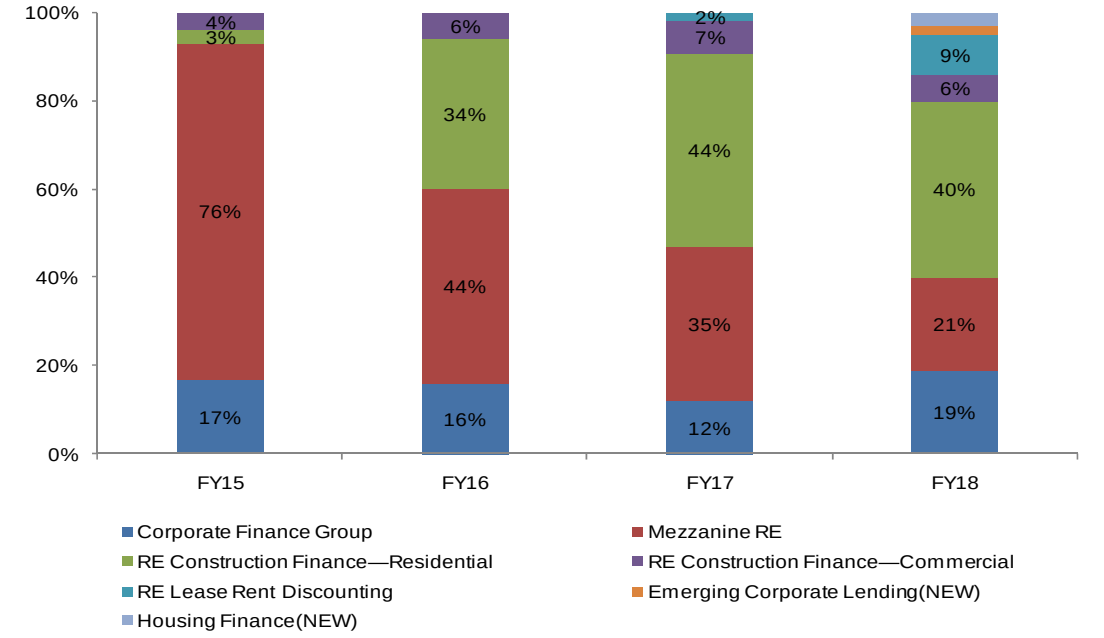
Trend in Loan Book



Source: Company, BP Equities Research

The total loan book has grown at a CAGR of 96% (FY14-18) and is expected to grow at a CAGR of 27% over FY18-21E.

Trend in loan book mix(%)

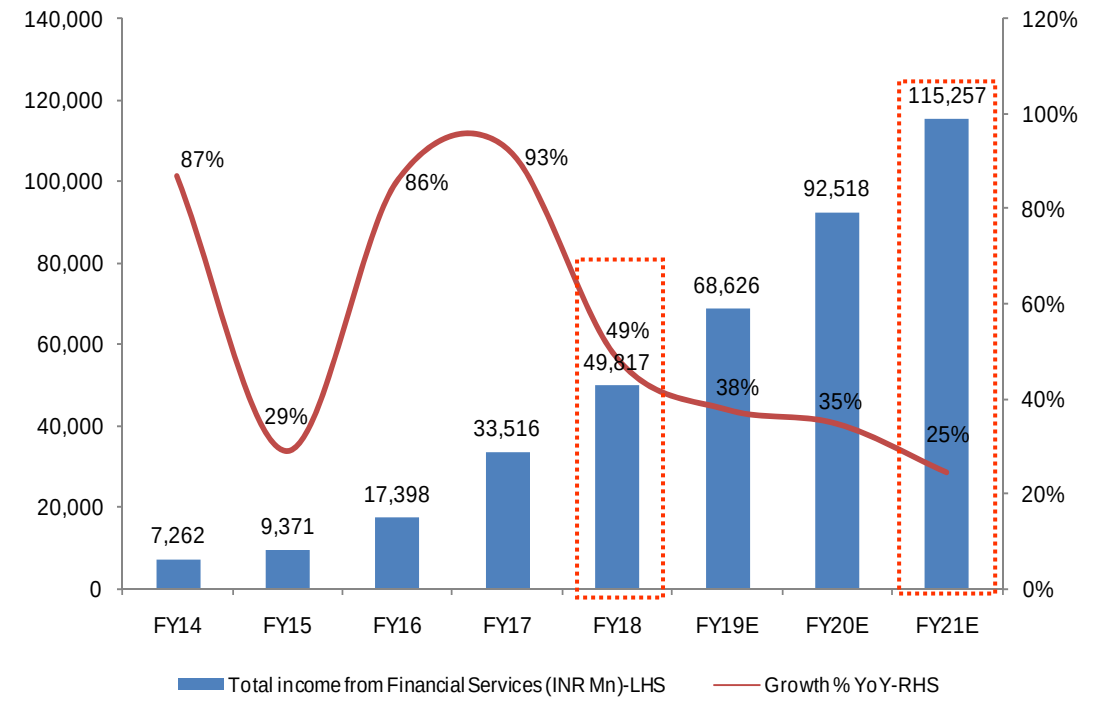


Source: Company, BP Equities Research

PEL's loan book mix is evolving with the addition of new segments like Housing finance-which is a key growth area. The company's focus on the CFG space– which is in line with the diversification strategy. Going ahead, the addition of retail products would help in creating a balanced portfolio in the medium term helping in lowering the overall risk profile.

The company's total loan book has grown strongly at a CAGR of 96% over (FY14-FY18).The growth in the former years had been contributed primarily by Real Estate mezzanine finance and Corporate finance lending segments (forming 76% & 17% of FY15 loan book respectively). However, with the diversification in lending mix –Real Estate mezzanine finance accounted for 21% (in FY18) of total loans,-reducing risk and achieved by adding other segments is helping in creating a more fragmented balanced portfolio with a sizeable contribution from retail lending in the medium term. Going ahead the loan book is expected to grow at a CAGR of 27% over FY18-FY21E -driven by:1)focusing on growing real estate loan book in specific areas like hospitality and offering more customized solutions, 2) diversification through expanding in the CFG space-poised to grow at a fast pace and 3) strong support from scaling up the HFC business by leveraging relationships with developers. HFC is expected to be an important area for the company. Going ahead, the contribution from this segment is expected to double from ~4% in FY18.4)Strenghten opportunities in emerging corporate lending segment.

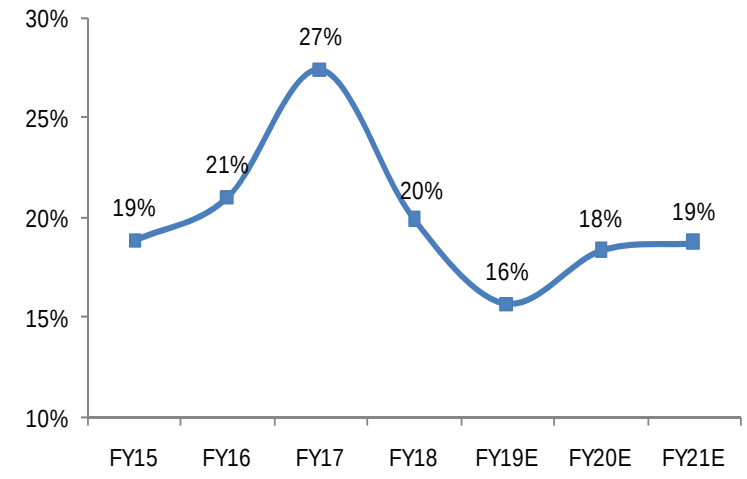
Total Income from Financial services Trend



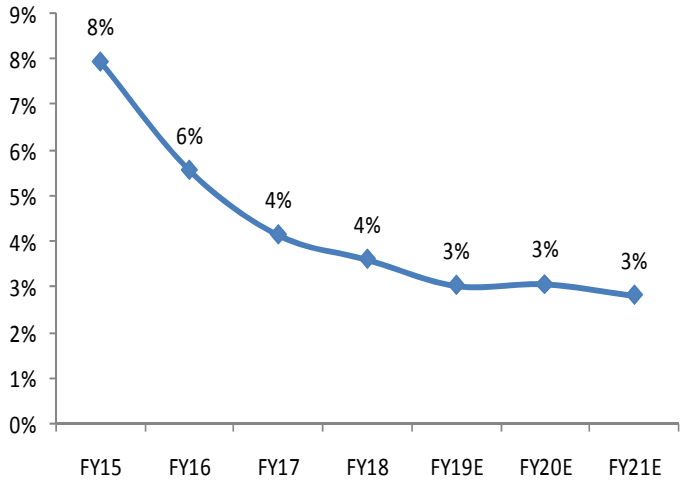
Total income from financial services has grown at a CAGR of 62%(FY14-FY18)and is expected to grow at CAGR of 32% over (FY18-21E)

Source: Company, BP Equities Research

Trend in ROE(%)



Trend in ROA(%)



Source: Company, BP Equities Research

The management has stated its objective of growing the overall AUM by expanding the financial products portfolio and also focusing on achieving an ROE of ~20% in the medium term. This would be achieved by launching innovative products with an intention of balancing the portfolio yields and controlling asset quality simultaneously.

We feel that the ROA's will stabilize to ~3% by FY21E on a sizeable AUM and the ROE target of ~20% should be achievable given the thrust on differentiation and higher yielding products.

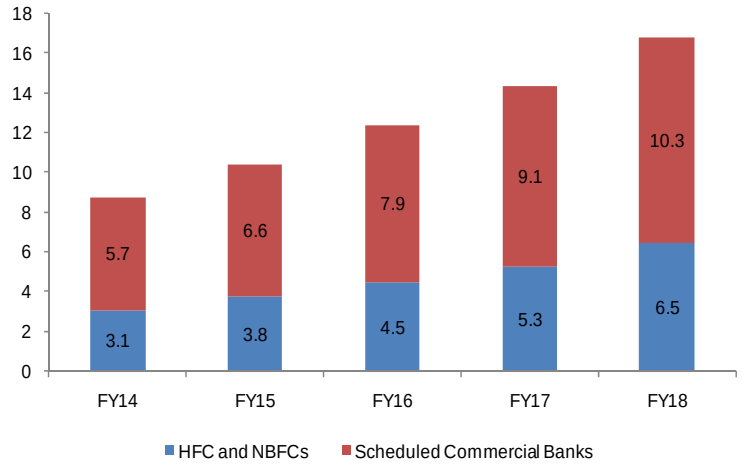
Housing finance segment compliments real estate financing platform and provides a stronger hold in the retail segment

PEL forayed into the housing finance segment under the premise of a diversification strategy, by offering individual loans as well as a natural extension of its business complimenting its wholesale real estate lending platform.PEL views the HFC as a B to B to C business and an extension of the partnership relationship with the developer. Housing finance for the company is just another product on the wholesale lending platform for the developers where the company can help them with a solution to sell. Being an established player in real estate financing, the company remains well placed to benefit from its existing relationships with more than 85 development partners and investments in greater than 275 projects pan India. Innovative retail focused products are continuously being launched for targeting end buyers in the partnered projects ,as these products help in differentiation amongst the retail buyer and at the same time help the developer in selling inventory.

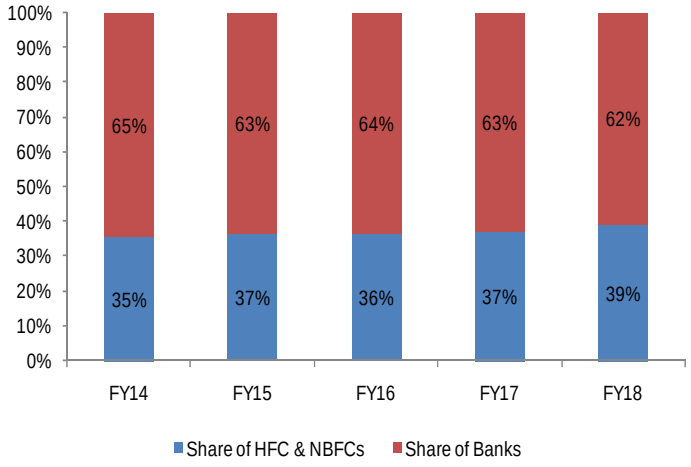
The HFC business had a loan book of INR ~24 Bn as of Q2FY19.With only 8-10 players in the INR 100 Bn + category there is sufficient room for PFL to grow, given its inherent competencies

PEL had dispelled the misguided notion of the over crowded position in housing finance market to preclude its entry. Instead, the company believes that there are only around 8-10 large players that have an AUM of > INR 10,000 Crore, implying ample room to grow.

Housing credit outstanding -Banks & NBFCs-INR Tr

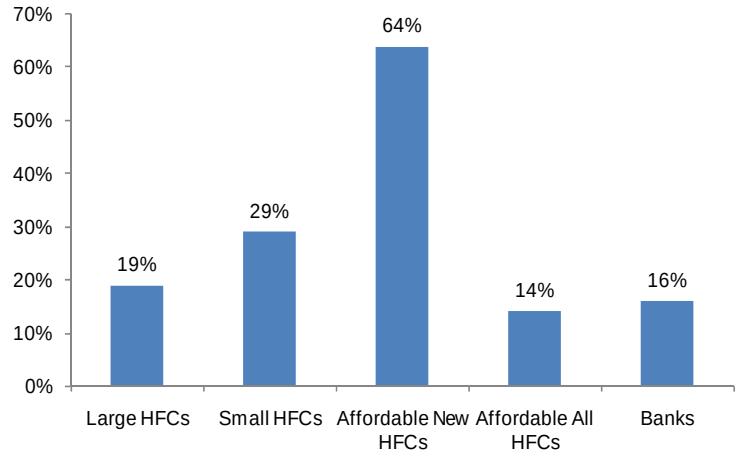


Housing credit outstanding-Share of Banks & NBFCs (%)

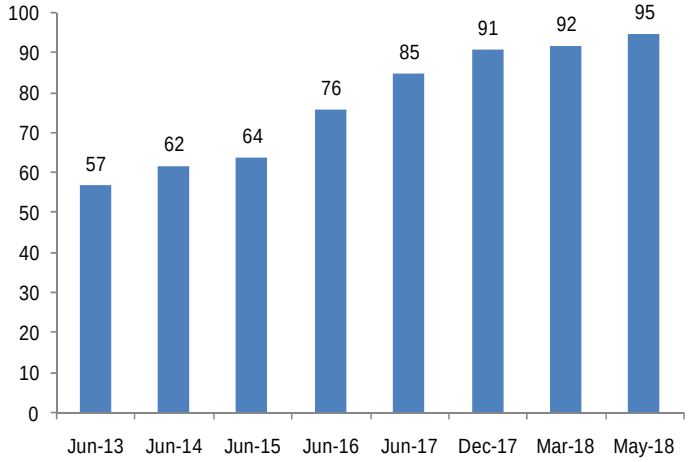


Source: Company, BP Equities Research

Comparison of HFC segments vs Banks (FY16-FY18 CAGR)

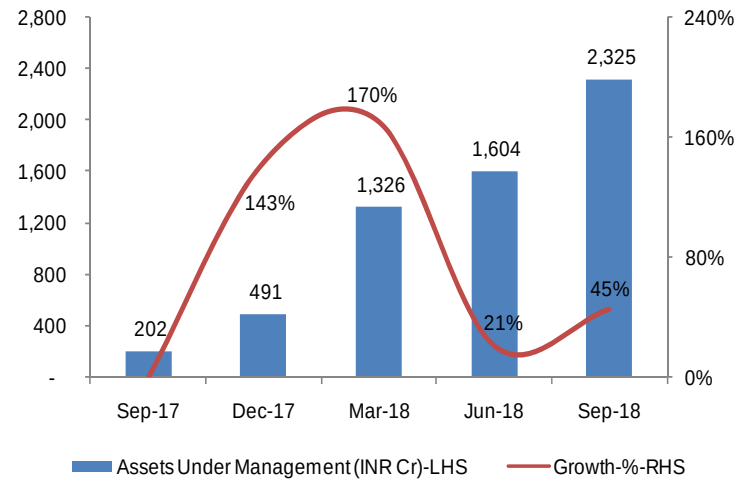


Number of HFCs registered with NHB

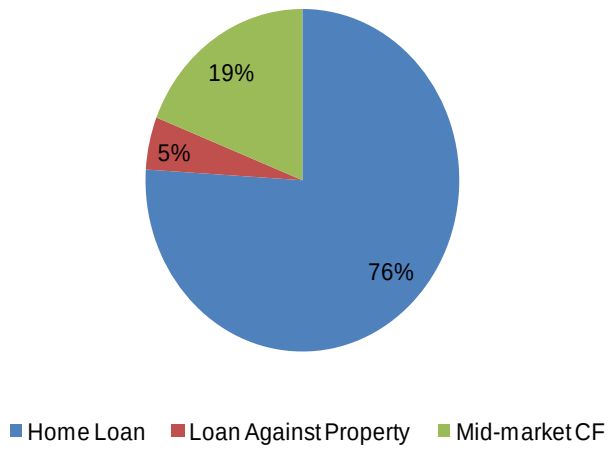


Source: Company, BP Equities Research

HFC-AUM growth-QoQ, since launch



HFC-Product Mix (%)-Q2FY19



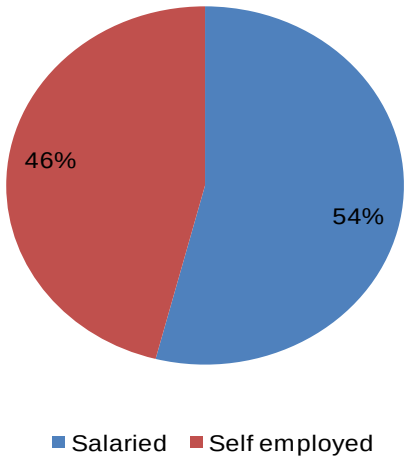
Source: Company, BP Equities Research

PEL launched its Housing Finance vertical in September 2017 after receiving its license from the National Housing Board (NHB). Since its launch, the company has opened seven branches in Mumbai, Delhi-NCR, Bengaluru and Pune, partnered with 445 connectors, 123 Direct Sale Agents (DSAs) and has a tie up with 100 projects.

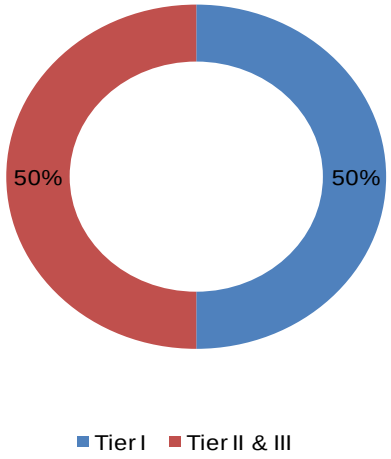
Product offering:

The HFC offers a gamut of products for homeowners, homebuyers and even small developers. The product offerings are customized to meet the customer's need. Housing loans, construction finance to small developers and LAP are the products offered by the segment.

Customer split (%)-Q2FY19



Geography split (%)-Q2FY19



Source: Company, BP Equities Research

Customer profile and Geography:

The HFC targets the segment comprising middle and high-income customers and focuses on both salaried as well as self-employed customers across Tier I and Tier II cities. It also offers lending solutions to small developers. The company's strategy of balancing ticket sizes ranging from affordable to high end and helps in increasing yields. The company's customers comprise salaried and self employed with varying levels of income proof. Salaried customers are necessary for top line growth, while lending to self employed customers with partial and full income proof helps in increasing yields and improving return ratios. Currently, PEL has de-prioritized lending to self employed customers with no income proof.

PEL's focus would be on Tier 2 and Tier 3 cities to drive incremental growth. Plans to target 24 branches by 2020

Differentiators and growth drivers in the HFC segment:

⇒ **Ability in leveraging the strong relationships with top developers (focusing on the B2B2C model instead of the business to consumer B2C model)**

PEL started the HFC business to complement their real estate developer financing platform as a way to offer a customized solution for the builders in order to sell their inventory and help customers with a flexible financing avenue that the company has been developing through constant innovation.57% of the retail HFC loans were from existing relationships as of Q2FY19.

HFC segment had an average ticket size of INR 7.4 Mn as of FY18 due to the concentration in MMR. Going ahead, this amount is expected to come down further on account of deeper penetrations in micro markets. Given PEL's capabilities, the HFC business can be easily scaled in medium to long term

⇒ **Deep understanding of Micro Markets and focusing on Tier 2 cities**

Being a well entrenched and seasoned player in the real estate sector, PEL is using its understanding and experience by partnering with grade A developers in Tier 2 cities to drive growth and at the same time help in balancing risk. While the company has maintained initial focus on Tier I cities, entry into Tier 2 and Tier 3 cities by partnering with grade 'A' developers, would be the strategy for driving incremental growth.PEL has slated 50% of branch network to be comprised from these markets in the medium term.

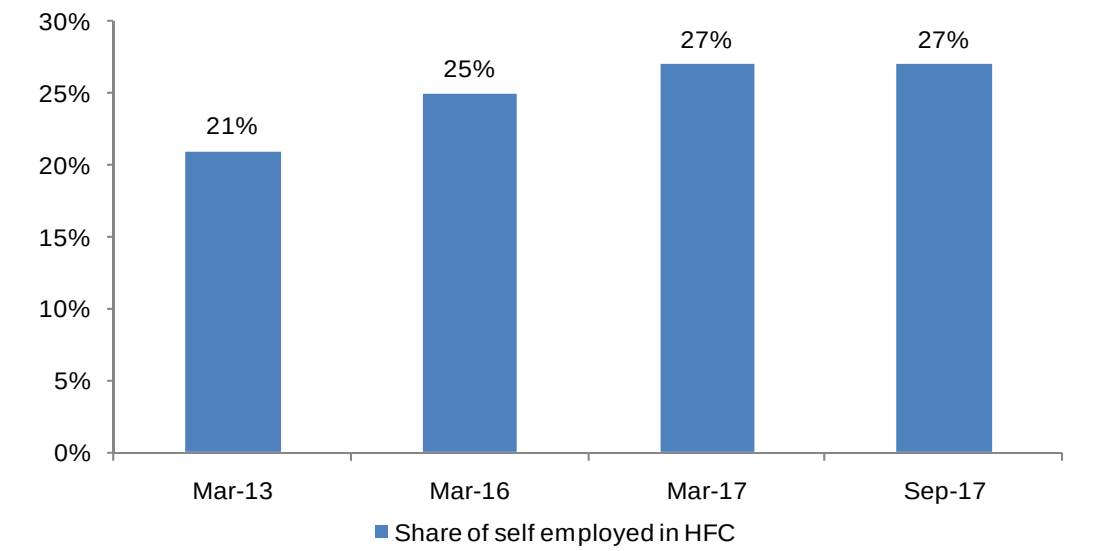
⇒ **Extensive deployment of the Brickex platform**

PEL is relying on the Brickex platform which is a B2B platform of more than 10,000 distributors ,which not only helps on the wholesale platform but also helps the partnered developer sell their flats. The company has iterated that Brickex would form one of its largest DSA and also help in underwriting, as it provides a dynamic view of the constantly changing marketplace. This would be beneficial for the company, as DSAs in general are an integral element of HFCs but traditional DSAs switch constantly in search of profits, hence the Brickex platform would help in providing stickiness.

⇒ **Extending loans to the self-employed category**

In India almost 50% of the workforce is self-employed.PEL has created a proprietary set of underwriting parameters to assess the credit worthiness of self-employed individuals. Focusing on the self-employed under the services category would help the company drive higher yields. Shriram Housing has helped PEL in the development of proprietary underwriting, since they have mastered the art of doing surrogate underwriting by determining the income of the person without any income proof.

self-employed segment in home loan portfolio for all HFCs



Source: Company, BP Equities Research

⇒ **LAP and small construction finance:**

Though the core focus of PEL is on grade 'A' developers in Tier 1 cities, PHL is also engaged in selectively financing construction activities of leading local developers in certain micro markets across Tier 2 cities. This helps the company in extending reach to the quality developers in Tier 2 cities as the wholesale platform, which funds much larger transactions could not cater to this market but with the opening of HFC branches in these areas makes it possible to serve these markets.

Small construction finance is helping to reach out to grade 'A' developers in micro markets which was not possible to address earlier through the wholesale platform

The HFC segment further leverages the group's ecosystem for opportunities in the LAP space with a strong focus on select markets, quality developers, end use and collateral quality. PEL does not generate loans in the LAP segment purely against the property but pays attention to the cash flows associated with it. This helps in mitigating the typical risk associated with financing in this space. Scaling up of these offerings would help in adding to the AUM growth.

Corporate finance group (CFG) & emerging corporate lending (ECL) segments to fuel next leg of growth for financial services vertical and help in diversifying away from RE financing

⇒ **Corporate finance group (CFG)**

The CFG originally started by providing structured credit solutions to the infrastructure vertical and eventually ,PEL started providing credit solutions to non-RE corporates with a yield expectation of 12-18%.

CFG operates within yields ranging from 12-18%

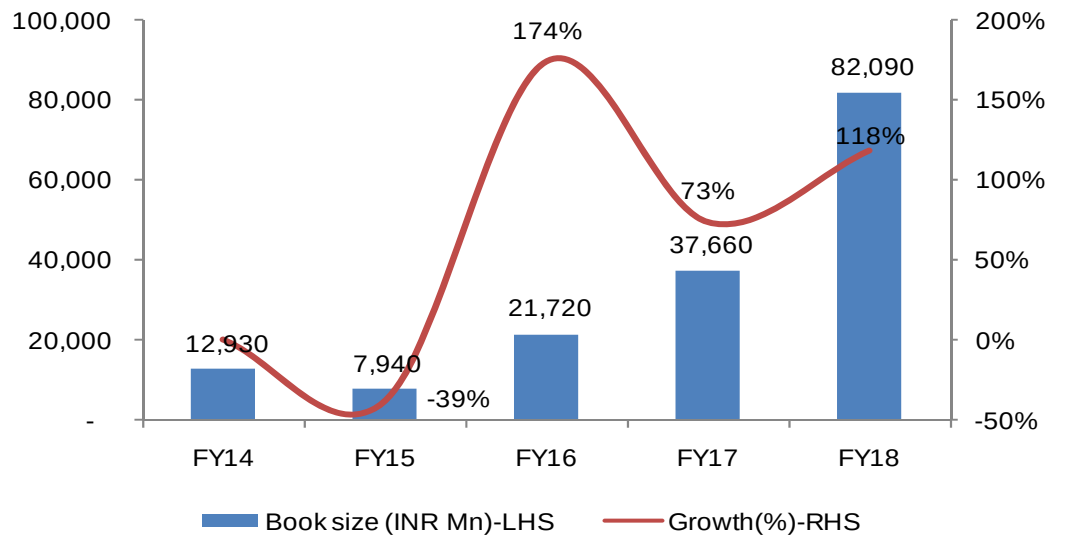
Products & services offered:

The company's products & services include general corporate lending, structured credit solutions, promoter funding for private equity take out, equity infusion, loan against shares, project financing, capex funding, and special situations, among others.

Industries & Sectors covered:

The CFG vertical identifies particular sectors and then works closely with clients to develop customized credit solutions that help in matching the underlying cash flows of the business. In FY14,the segment had started with a focus on infrastructure and renewable energy sectors but over a period of time has added cement, auto components, logistics, entertainment, etc now transforming the CFG vertical into a multi sector lender.

Corporate finance group (CFG)-Trend in Loan Book



Source: Company, BP Equities Research

The CFG loan book has witnessed a CAGR of ~60% over (FY14-18) contributing largely to the loan book growth leading up to Q2FY19.

Key Differentiators and capabilities of PEL in the CFG segment:

Sector specific approach-The segment has sector specific teams that are able to provide detailed industry analysis and risk assessment, enabling effective underwriting.

Ability to align customized need based solutions-Customized solutions are provided across the capital structure with a mixture of various debt and equity products.

Faster turn around times-The relationship based nature and in-dept understanding of sectors coupled with high levels of client engagement results in faster turnaround times for the segment.

Capital market advisory group-underpins the wholesale financing business

The Capital Markets and Advisory group was formed in April 2017 in a bid to develop deeper relationships with Indian corporates..The Capital Markets and Advisory group houses **the Corporate Client Coverage Group (CCG)** and the **Syndication Group (SG).** CCG is primarily responsible for developing and maintaining direct relationships with corporates spanning the country across sectors and works towards originating deals across various financial products offered in the wholesale lending platform .SG functions by down-selling the underwritten transactions across the real estate and CFG platforms. SG works in conjunction with various banks, financial institutions, mutual funds, NBFCs, Alternate Investment Funds (AIFs) and Foreign Portfolio Investments (FPIs) and functions with a strong network across the market. The syndication capability is crucial for PEL and enables the company to underwrite large transactions bolstering the end to end financing platform.

The CCG has engaged with over 50 groups and 400 companies with established relationships consisting of more than 30 Private equity funds. There is a 12 member team that covers clients across India.

⇒ **Emerging Corporate Lending (ECL)**

Emerging Corporate Lending (ECL) was started by the Company in FY18 with the objective of lending to emerging and mid-market businesses.ECL operates with a sector-agnostic approach with a ticket size ranging from INR 10 Crores to INR 125 Crores. The total loan book was INR 1,500 Crores with an average deal size of INR 55 Cr as of Q2FY19 . ECL provides a range of products, operating with a regional origination and central underwriting model.

ECL has a loan book of INR 15 Bn and an average deal size of INR 0.5 Bn as of Q2FY19

Key Differentiators and capabilities in ECL segment

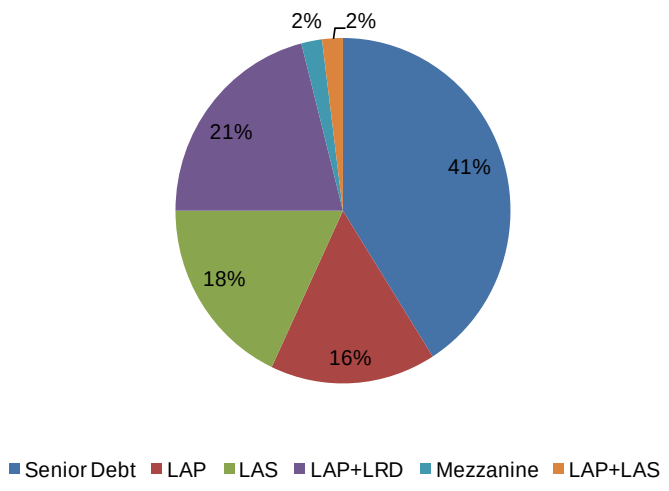
The ECL segment faces competition from banks other NBFCs. PEL's key differentiators help in carving out a niche for itself.

Regional origination teams-leading to short response time for client's requirements. For deal origination, senior relationship managers are based in Mumbai, Delhi, Chennai, Hyderabad, Pune and Ahmedabad. Bangalore operations to start in Q2FY2019

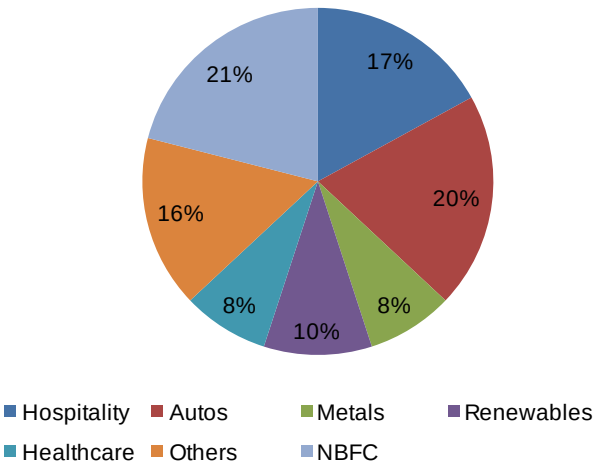
Solution versus product approach- Ability to provide a wide range of comprehensive products allows customization solutions to suit the client's requirement

Centralized underwriting-PEL engages in common underwriting practices across regions, which helps in monitoring asset quality and managing risks

Product-wise AUM-Q1FY19

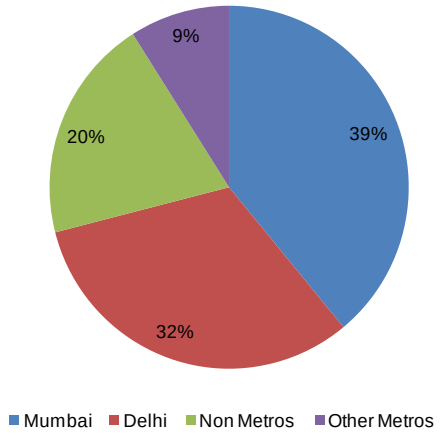


Sector-wise AUM-Q1FY19



Source: Company, BP Equities Research

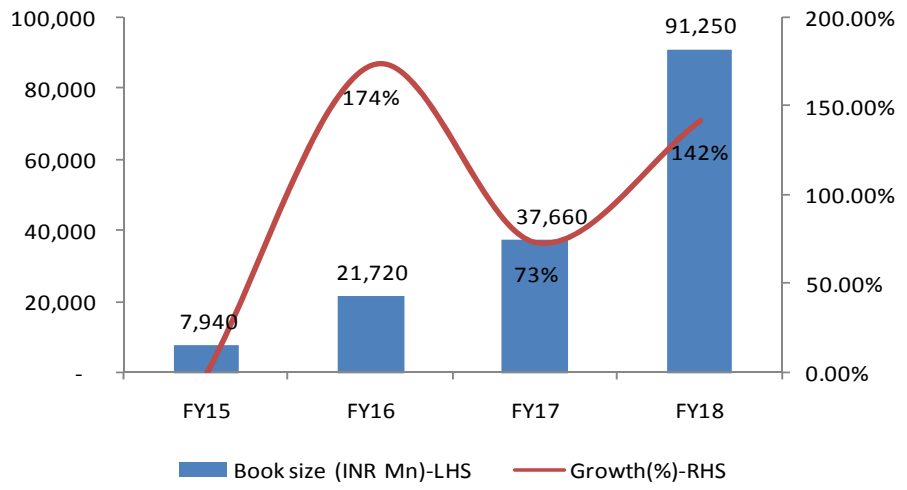
ECL-Region wise AUM-Q1FY9



Source: Company, BP Equities Research

Since the last 2-3 quarters, the CFG has been one of the biggest growth drivers of the overall loan book. In Q2FY19, the ECL segment also posted robust growth forming an additional growth lever. PEL's focus on increasing fee income is also going to be contributed through the CFG platform. Going ahead, these two verticals are expected to grow strongly and reduce the exposure of the real estate sector to 50% of the total book from 74% as of Q2FY19.However,the management has iterated that it does imply a slowdown in lending to the real estate sector but instead the increasing growth from the other verticals would be contributing to the changing composition.

Corporate finance group (CFG) & Emerging Corporate lending (ECL)-Trend in Loan Book



Source: Company, BP Equities Research

The CFG & ECL segments have grown at a CAGR of 126% over (FY15-19).Going ahead, these segments are expected to contribute to the growth in the wholesale lending book-reducing the composition of real estate

Established presence and strong position in real estate developer financing

Key differentiators and attributes that help establish the company's position in this space:

Established and proven track record:

PEL is one of largest lenders of capital across all stages of the life-cycle of real estate projects (mainly residential) holding a top spot in structured mezzanine funding. A well-established track record in wholesale lending has enabled PEL to become a prominent lender among reputed and trusted developers, having successfully demonstrated a full cycle of fund raising, deployment, exits and distributions from the projects.

Domain expertise:

PEL has an expertise in alternate financing mechanism across various asset classes with a strong track record of developing large real estate projects in India. The company also posses the ability to take over projects, complete and sell them (if required). This is further supported by a deep industry experience and expertise of external experts and board members in investment committees, augmenting decision making.

The real estate book has grown at a CAGR of 88% over a 5 year period. Construction finance comprises 60% of this book offering yields of 14-16% with a tenor of 4-6 years.

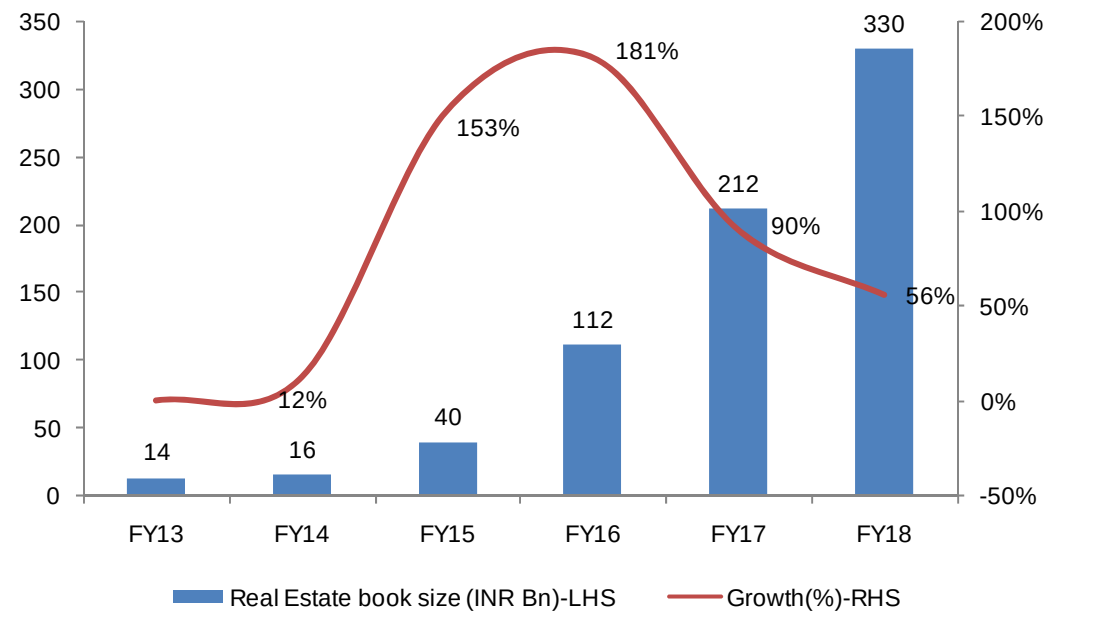
Strong relationships with international financial institutions that provide access to capital:

The company has strategic tie ups with large global financial institutions for investing in real estate in India. These include APG, Ivanhoe Cambridge, CPP Investment Board & Bain Capital Credit (for investing in stressed assets)

Constantly expanding product portfolio to boost growth and improve return ratios

PEL has been contently expanding its product portfolio to integrate offerings by creating a scalable end to end real estate finance platform. These measures help in boosting AUM growth while at the same time differentiated and customized solutions help in improving the ROE profile.

Real estate & Housing Finance-Trend in Loan Book



Source: Company, BP Equities Research

Moving down the risk profile

Aside from adding new products to fund AUM growth, the company has set forth a strategy of moving down the risk profile. The real estate financing book stood at INR 387 Bn and the company has been continuously adding new products such as construction financing and lease rental discounting (LRD) to achieve this objective. The construction finance segment accounted for 60% of the book and the LRD book has also tripled in value to INR 50 Bn as of Q2FY19.Going ahead, PEL plans to focus on LRD in the hospitality space.

Focus on Tier 1 and good quality developers along with a stringent risk management process to strengthen position during impeding consolidation

The company has been concentrating only on good quality developers that have a proven execution in metros as well as micro markets.PEL has a total developer market share of only 1.3% but has a share of 7% of the total sales-underscoring the selective stance adopted in lending to quality developers.

PEL share of developer and sales-Q2FY19

Sr No.	Region	Total No. of Developers			Sales Velocity-6 Months (Lac sq ft)		
		Market	PEL	%	Market	PEL	%
1	MMR	2,776	29	1.0%	305	28	9.2%
2	Bangalore	2,280	38	1.7%	319	18	5.6%
3	NCR	377	14	2.9%	115	20	17.4%
4	Chennai	829	23	2.8%	72	8	11.7%
5	Pune	2,058	13	0.6%	158	7	4.5%
6	Ahmedabad + Surat	919	5	0.5%	166	2	1.1%
7	Hyderabad	1,197	12	1.0%	141	3	2.1%
	Total	10,436	134	1.3%	1,276	86	6.7%

Source: Company, BP Equities Research

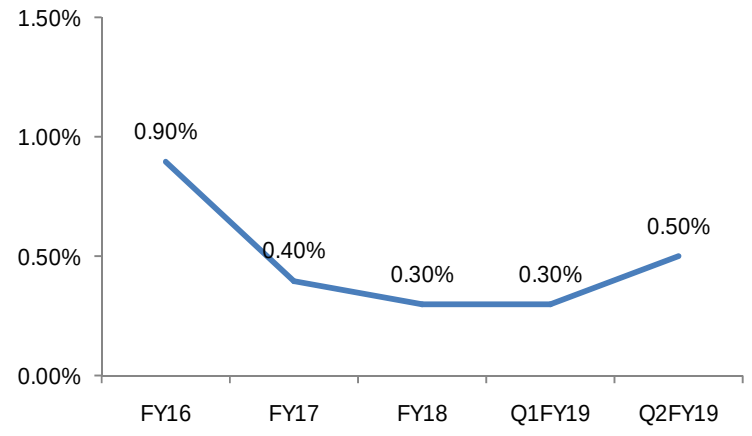
The fact that 7% of the industry sales were contributed by only 1.3% of the developers further hints at the consolidation that is underway in the real estate sector. This move would be beneficial for PEL on account of selective underwriting to strong developers, which we feel would be in a position to emerge stronger during a slowdown. In such situations, the weaker developers would face difficulty in selling their inventory and availing financing, leading to a deterioration in the overall financial position. The top 10 developers account for 42% of the company's real estate portfolio.

PEL's cross collateralization also helps in securing cash flows at the developer level in the event of stress in a particular project. By drawing cash flows from any unaffected assets helps in reducing risk.

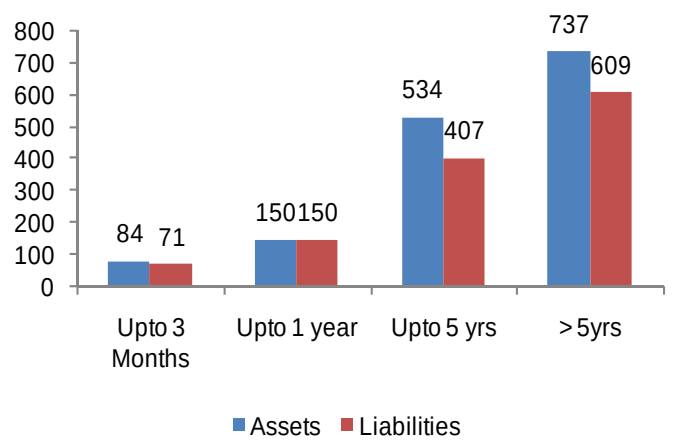
PEL's rich experience in the real estate sector reflected in its selective and qualitative underwriting help it lend effectively in a space that is mired with inherent risks. We feel that this capability helps the company to lay strong ,specially in a situation where consolidation in the real estate sector is imminent with only quality developers having strong balance sheets, with which PEL already has long standing relationships being able to withstand.

Consolidation in the real estate sector would help PEL on account of its focus on tier 1 developers and long standing relationships coupled with a vast amount experience in this space

Trend in GNPA (%)

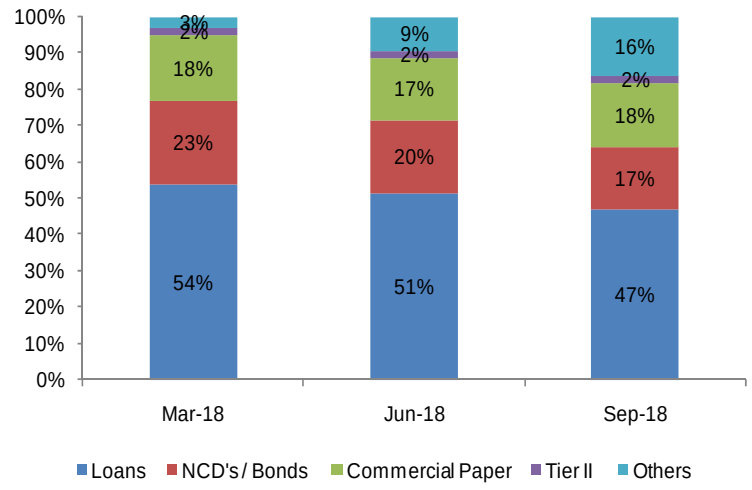


Duration of Assets-Liabilities-INR Bn-Q2FY19

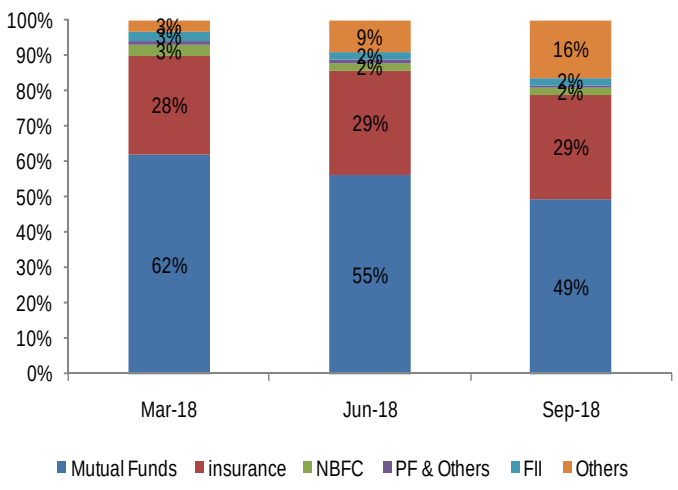


Source: Company, BP Equities Research

Debt Profile(%)

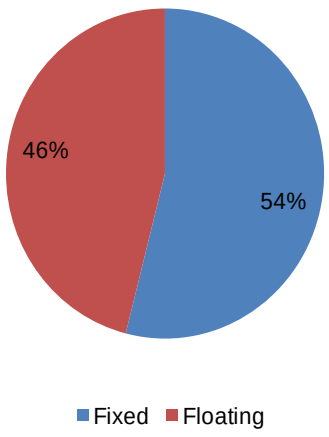


Investor Mix(%)

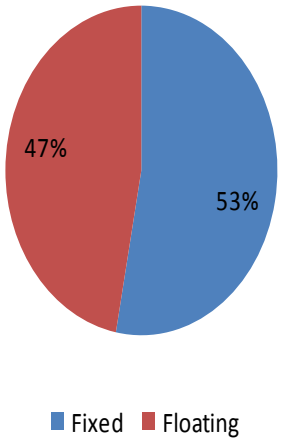


Source: Company, BP Equities Research

Asset Mix(%)-Q2FY19



Liabilities Mix(%)-Q2FY19

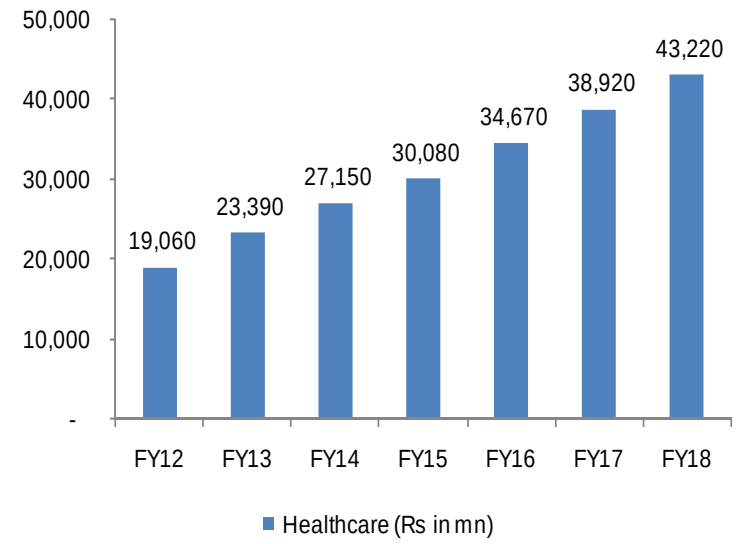


Source: Company, BP Equities Research

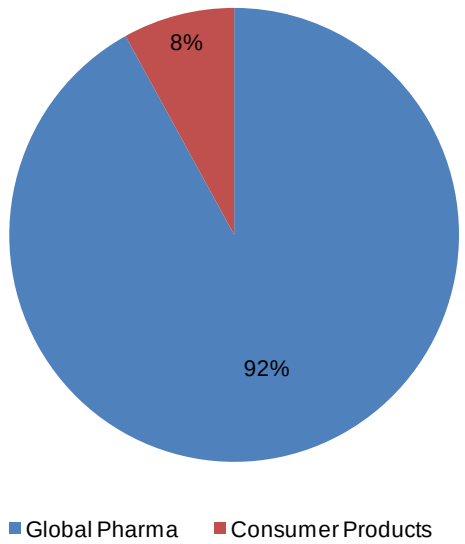
Healthcare: Moving up the value chain by focusing on niche products & capabilities

PEL entered pharma space through the acquisition of Nicholas Lab in 1988. Since then PEL has done series of M&As, JVs and alliances and various organic initiatives to grow their pharma business. In 2010, PEL sold its domestic formulation business to Abbott for USD 3.8bn at 9x Sales and 30x EBITDA. After the sale of Domestic formulation business, PEL has re-built its healthcare business. Over the last six years, the company recorded healthcare revenue CAGR of 14%, delivering Rs 43.2bn during FY18(46% of total revenue). The Healthcare vertical of PEL is uniquely positioned with a strong presence both within and outside India. It is divided into two large businesses: the Global Pharma business (constituting 92% of Healthcare revenues), which sells pharmaceutical products and services around the world, and the India Consumer Products business (8%), which sells Over-the-Counter (OTC) products in India. Factors that will enable the company to report strong growth in the segment going forward includes: -

Healthcare Business Revenue Trend



Healthcare Business—Revenue Breakup



Source: Company

Adding niche capabilities in the Global Pharma business

Under the global pharma business, the company operates in two segments: 1) Service Business (CDMO) in which PEL has end-to-end development and manufacturing capabilitiesboth for Active Pharmaceutical Ingredients (APIs) andformulations, including niche capabilities in handling Cytotoxic Injectables, High-potency APIs (HPAPIs), Anti-body Drug Conjugates (ADC) etc. It also has a large global distribution network, reaching over 100 countries through dedicated sales force/distributors with a strong presence in key geographies of North America, Europe, India and Japan.

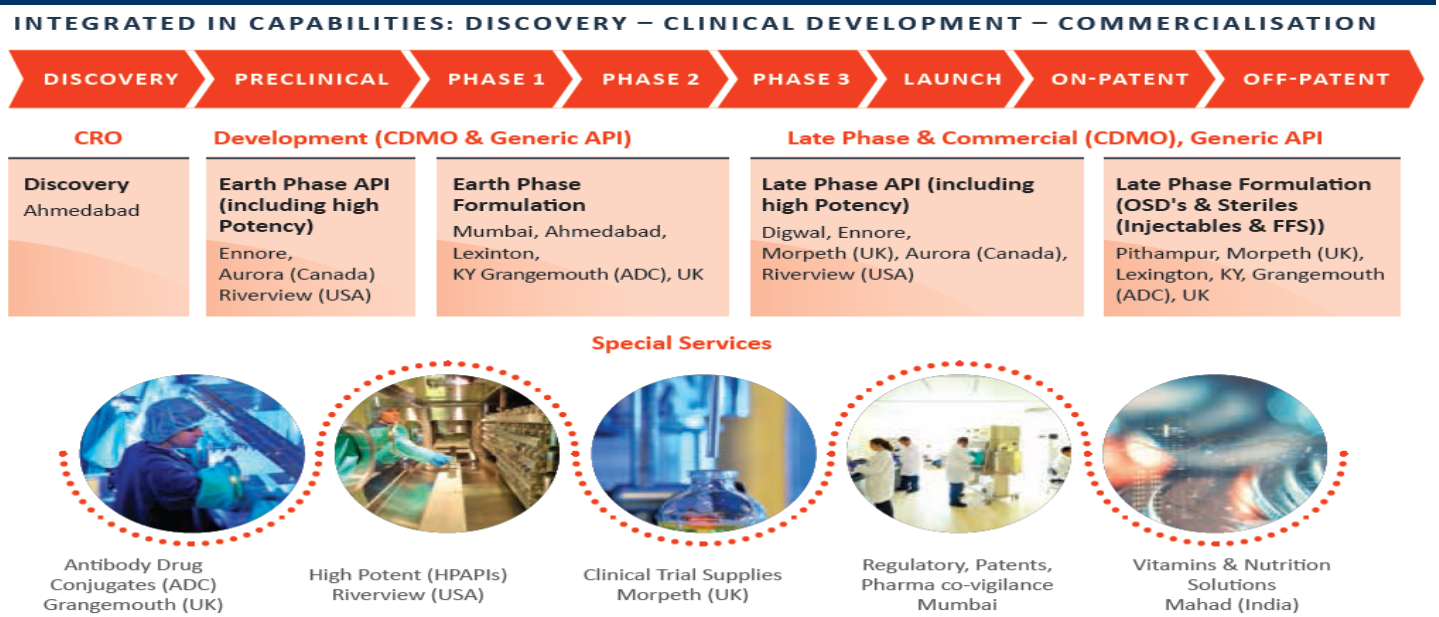
PEL offers end-to-end contract development and manufacturing services (CDMO) through collaborative partnerships

Service Vertical:

In Service category PEL provides Contract Development and Manufacturing Organisations (CDMOs) services ranging from preclinical and clinical development through commercialisation. Globally, the total pharmaceutical outsourced manufacturing market was estimated at USD 71.5 billion in 2015, growing at 6.6% per year to reach USD 105 billion by 2021. The API Outsourcing segment contributed to a larger share (~70% in 2016) compared to the Formulations segment; however, formulations is a faster growing segment (CAGR of 7.4% from 2016 to 2026). The CDMOs market is fragmented and has a large number of players, with few companies having significant market share. The competitive intensity in the market is high; hence, differentiation plays a key role.

At present, the one-stop shop model as an integrated provider for APIs and formulations has been a key differentiator among the major CDMOs. Consolidation among players – Recent Mergers and Acquisitions (M&A) consolidations by big pharma companies have resulted in making the buyers' position strong in the pharma industry. PEL, through its recent acquisitions of Sterile injectables and HPAPI facilities in the US, has proactively set itself to create a one-stop-shop for its customers.

End-to-end CRAMS players for APIs and formulations



Source: Company, BP Equities Research

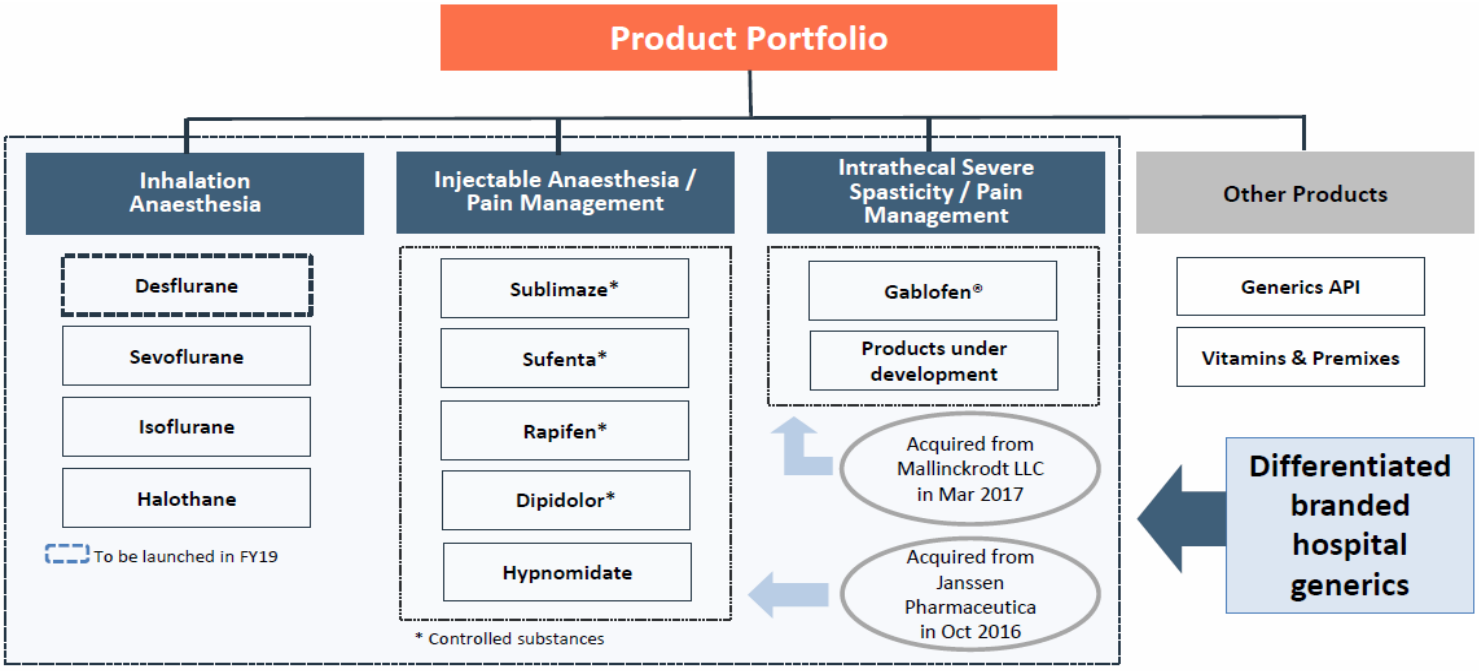
Products Vertical:

With a varied range of anesthesia solutions, primarily inhalation anesthetic products, PEL provides customers with superior access to high quality critical care drugs across the world. The global inhalation anesthesia market is estimated at USD 1.2 billion Currently,the Company is one of the top three global players (Abbvie and Baxter) in inhaled anesthetics 2/3rd of this is concentrated in the US and Europe. With the launching of Desflurane, PEL become the only pharma company to have all four generations of inhalation anaesthesia products under its basket. PEL Commands 12% market share in the global inhalation anaesthesia space which has increased from 3% in FY09, led by a strong product portfolio, competitive pricing, consistent supply of products and a robust distribution network.

With the acquisition of Janssen and Mallinckrodt portfolio of Injectable anesthesia and pain management products, Addressable market size expanded from USD 1.1bn to USD20bn.

PEL was initially present in the USD 1.2bn market of inhalation anaesthesia. The acquisition of the niche product portfolios of Janssen Pharmaceutica NV in October 2016 (Five injectable anaesthesia and pain management products) and Mallinckrodt LLC in March 2017 (A portfolio of intrathecal spasticity and pain management) expanded the addressable market opportunity for the Company from USD 1.2bn in inhalation anaesthesia to USD 20bn in the hospital generics market.

We expect this business to deliver robust mid-teens growth over next three years, driven by (1) Continue transition and integration of products acquired from Janssen(2) in-licensing opportunities for generic hospital products and (3) Simultaneously taping newer markets in increase market share.



Source: Company, BP Equities Research

⇒ **Increasing presence in Sevoflurane**

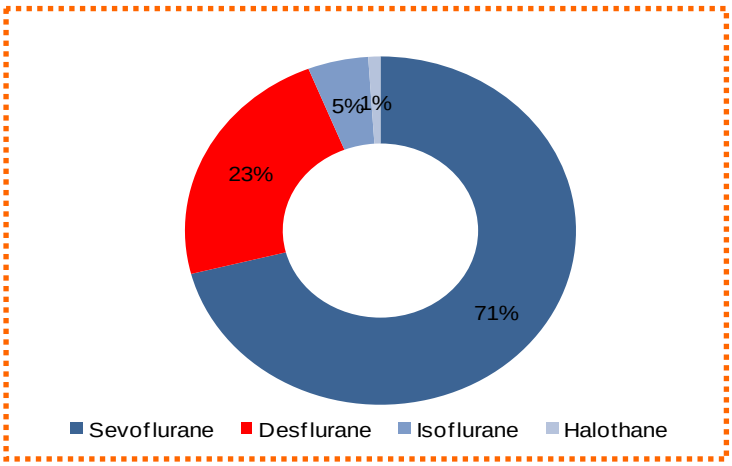
Sevoflurane, the current generation product, accounts for more than 70% of the global inhalation anaesthesia market. The US and Europe are the largest markets for critical care segment. PEL has a large share in the US Sevoflurane market and is gaining traction in key European and emerging markets. After the Company's entry into the UK, its market share has grown to 42%. The Company's Sevoflurane market share, in terms of volume has grown significantly in the US, from 20% in 2011 to 30% currently. During the year, Sevoflurane's market share in Japan surged to 56%.**We expect PEL to continue its strong performance in critical care business, PEL entering new geographies and increasing market share in in existing market and though commercializing Sevoflurene line extension**

⇒ **Desflurane launch in the US**

PEL is expected to launch its next generation product, Desflurane in the US in during FY19. Currently, there is no generic substitute for this product in the US. Besides the launch of the first generic Desflurane in the US and other key geographies, growth would also be aided by increasing share in inhalation anesthesia markets and launch of existing products in new geographies.

PEL's global pharma business has recorded a 15.9%CAGR during FY11-18 with EBITDA margin improved from 10% to 22% during same period. Going ahead, we expect with the ramp up of injectable business, expansion into new areas , including high-potency API's and ADC manufacturing capacity and launch of Desflurane should help the company achieve **11%** CAGR over FY18-21E with 100bps improvement in EBITDA margin on the back of Integration or launch of high margin products, higher capacity utilisation, backward integration for raw materials and further leveraging global distribution network **.**

Inhalation Anaesthesia Market-Product Wise



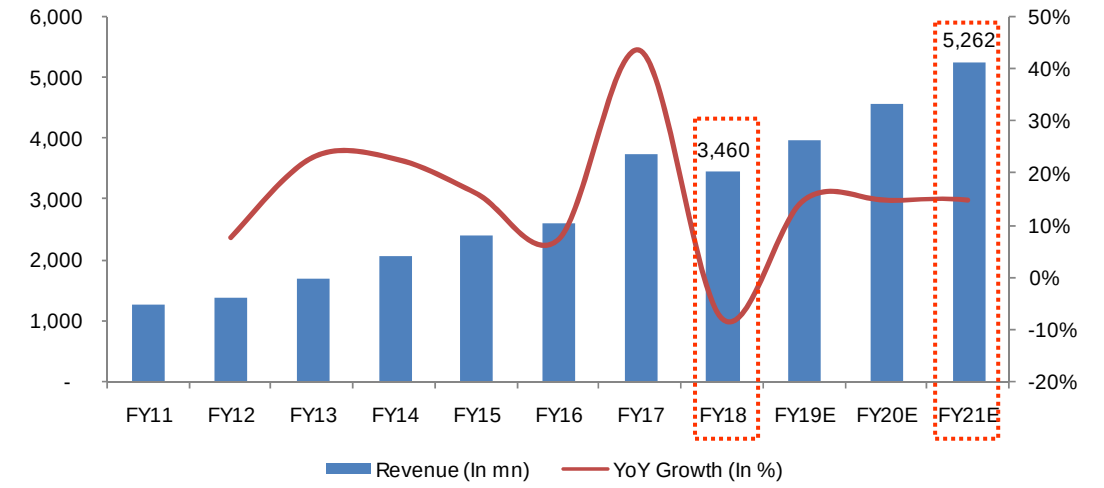
Source: Company, BP Equities Research

Building strong product portfolio in consumer business

The Company's OTC business is an India-centric consumer healthcare business. Post dissolution of JV with Boots, PEL independently started its Consumer Product division in 2007. Acquisition of some of the top brands like i-pill from Cipla in the year FY2010 and Caladryl from Inova Pharmaceuticals in FY2014, gave a boost to revenue and business positioning in the industry. At present, PEL has a good portfolio of high-ranked brands – Saridon (analgesic), Lacto Calamine (skincare), i-pill (oral contraceptive), Polycrol (antacid), Tetmosol (dermatology) and Jungle Magic. .The business has a significant distribution footprint covering over 2000 towns(vs 481 in FY12)with a field force of 2,100 (vs 800 in FY12) across the country. This gives an access to over 420,000 retail outlets (including 220,000 chemist stores) across India. Allergan India, the Company's JV with Allergan, continues to remain India's leader in Ophthalmology.

PEL's consumer product business is the top 10 largest among all OTC companies in India

Consumer products – Poise to deliver 15% CAGR over FY18-21E



Source: Company, BP Equities Research

Further strengthening of gastro-intestinal (GI) portfolio through Digeplex acquisition

After Acquiring five brands from Organon India Private Limited and MSD BV in Dec 15 catering to gastrointestinal (GI) segment. PEL acquired Digeplex and its associated brands in same category during FY18. GI market size is around Rs 13,000cr in India. Products sold under Digeplex brand names are digestive enzymes used as remedies for digestive disorders, accumulation of gas in stomach, gastric problems and supplement treatment of pancreatic diseases. Digeplexis a good fit for the existing product portfolio of PEL in the GI segment to further consolidate the Company's position in the OTC market and boost business.

PEL continues to develop new brands and products, along with evaluating inorganic opportunities. We expect margins in this business to expand by (1) reinvesting profits into scaling the business, (2) lower manufacturing costs by using third-party vendors, (3) leveraging India-wide sales distribution network and (4) continuing to develop and acquire new brands and products. We expect with the above factors to help Consumer Products business revenue to deliver 15% CAGR over FY18-21E along with EBITDA margin expansion.

Consumer Products Portfolio – Eight brands among India's top 100 OTC brands

Source: Company

Wide Distribution Network

	FY2008	FY2012	Now
No. of towns present	16	481	2000
Total Outlet presence	24,000	200,000	420,000
Chemist Outlet presence	16,000	100,000	220,000
Field Force	80	800	2,100

Source: Company

PEL's biggest strength lies in its strong distribution reach to ~2,000 towns, with 420k retail outlets, of which 220k are chemist outlets.

Healthcare insight and analytics business

The Decision Resources Group's (DRGs) business acquired by PEL served a USD 2 billion market, providing syndicated content to Life Sciences customers. After PEL's acquisition of DRG, the latter added six companies, thereby expanding the addressable market by ~2.7x (to USD16bn from USD6bn in FY14). The global healthcare expenditures are growing at a rapid rate driven by aging populations in G7 countries, new regulations and the availability of new treatments. The management expects that these factors will contribute to increasing demand for products and services among its customers.

Long term revenue visibility on the back of steady client relationship

The Company' s comprehensive product suite and breadth of coverage have established strong relationships with its customers, embedding its services within their products and workflows. Its differentiated and indispensable offerings have contributed to 10+ year relationships with the top ten customers. The Company's growth has led to a well-diversified customer base (900 total clients including the vast majority of top pharmaceutical and medical technology companies) with no single client representing more than 5% of revenue. Data & Analytics and Research Products comprise over 75% of total revenues. With 100% retention among top 50 customers contributing to ~80% of revenues, the Company has high revenue visibility. Total revenue retention by value is ~96% across the entire customer base. Over FY13-18, DRG's revenue grew at a CAGR of 13.2% with15-22% EBITDA margin. The company has capabilities across the customers' product life cycle, and employs 1,200 people, globally (386 employees in India).

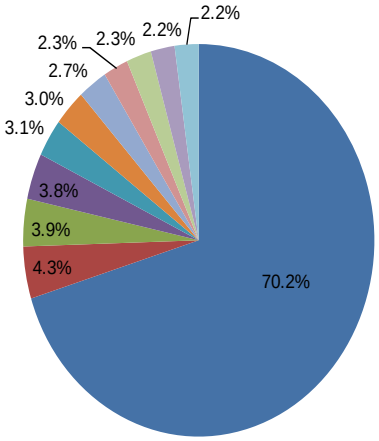
Product innovation and acquisition to be a key growth driver

Under PEL's ownership, the business have made the following successful acquisitions. Each of these transactions was executed because of the strategic fit within the new business strategy and are meaningfully contributing to the business capabilities platform while facilitating addressable market expansion . This strategy fortifies existing offerings, fosters product innovation, adds capabilities and expands reach to new markets. In CY2015 and early 2016, DRG made various acquisitions, which helped bolster its analytics capabilities and created an entry into the healthcare provider and payer customer market.

>10yr Relationships With Our Top Ten Customers

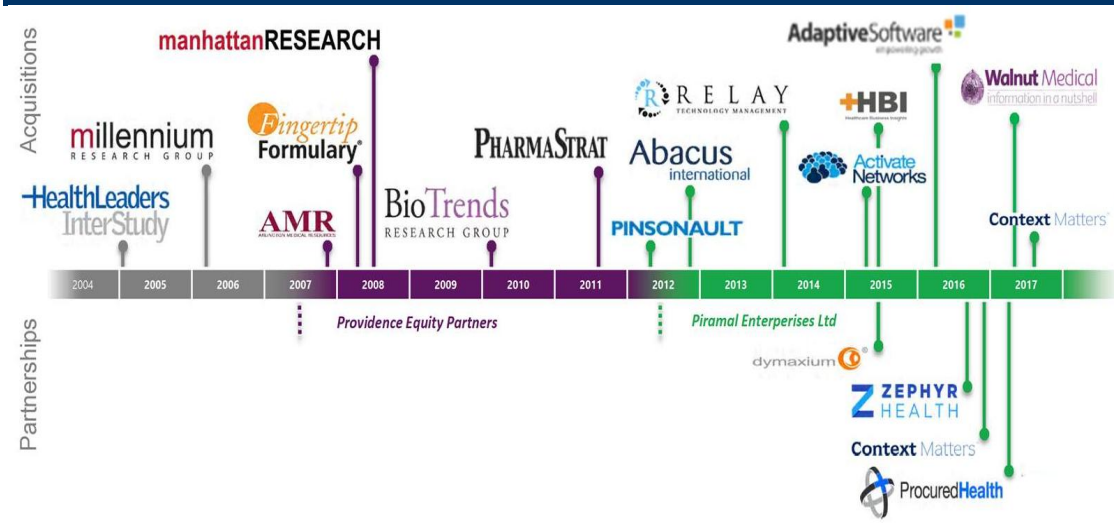
Customer	# of Years
AstraZeneca	>10 yrs
Bayer	>10 yrs
Boehringer Ingelheim	>10 yrs
Johnson & Johnson	>10 yrs
Merck & Co	>10 yrs
Novartis	>10 yrs
Novo Nordisk	>10 yrs
Pfizer	>10 yrs
Roche	>10 yrs
Takeda	>10 yrs

Top 10 clients contributes <30% of the revenue



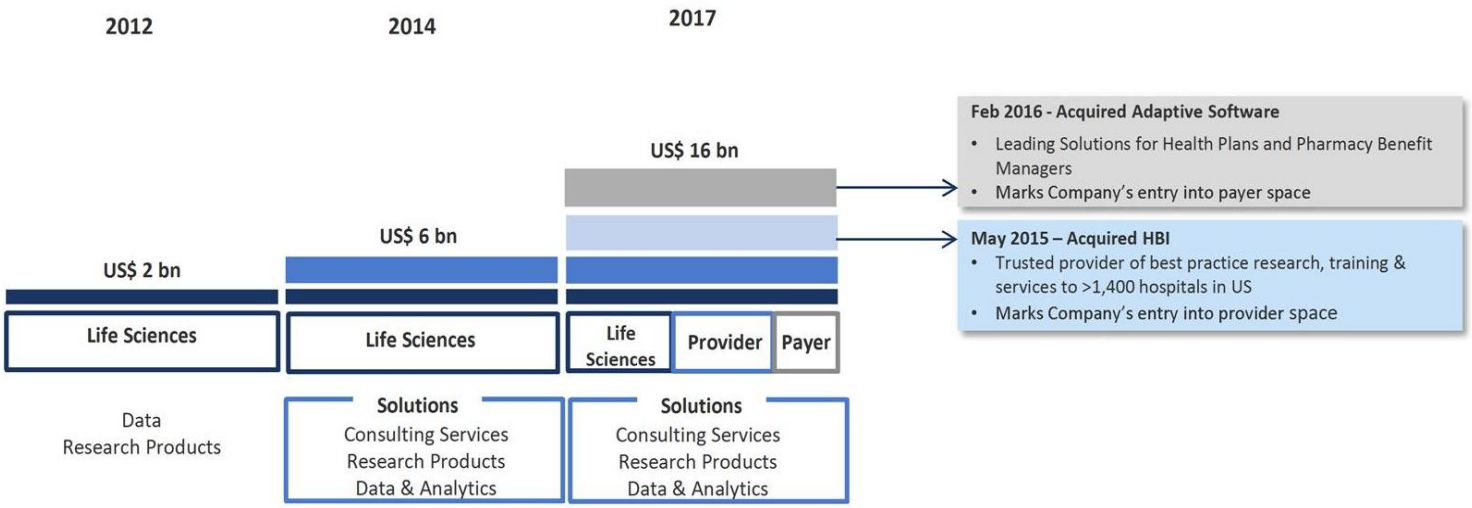
Source: Company

Capabilities across customer's product life cycle



Source: Company

Expanding into New Markets



Source: Company

PEL's strategy is based on the dual intent of revenue growth and profitability improvement. It has been increasing its addressable market size through acquisition and product innovation. The focus on profitability improvement is visible through its efforts to augment presence in India, and realize operational synergies. DRG's revenues grew at 13.2% during FY13-18.Going forward, we expect revenue growth at 12% ,on the back of existing client mining and new client addition.

Acquisitions have been a key part of PEL's growth strategy. After its acquisition by PEL, DRG has added six companies, expanding the addressable market by 2.7x from USD6bn to USD16bn.

Source: Company, BP Equities Research

Key Milestones	
1988	Entered Healthcare business by acquiring Nicholas Laboratories
1993	Acquired Roche India operations and entered JV with Allergan — Ophthalmic product
2002	Acquisition of pharma business of ICI India Limited for setting up Pharma-critical care
2010	Acquired i-pill and become the 3rd largest player in the Industry with market share of 4.4% with a turnover of INR 2,000 Cr
2011	Sold Domestic Formulations business to Abbott for $3.8 bn and sold Piramal Diagnostic Services Private Limited (PDSL) to Super Religare Labs (SRL) for INR 6 Billion and picked up 11% stake in Vodafone for INR 5,864 crores (US$ 1.2 billion)
2012	Acquisition of Decision Resources Group (DRG) for US$ 635 million (INR 3,400 crores), started special situation in infra
2013	Acquisition of Bayer's Molecular Imaging business, acquired Caladryl from Valeant Pharmaceuticals,~10% stake in Shriram Transport Finance Company Limited for INR 1,636 crores
2014	Sold 11% stake in Vodafone India for INR 8,900 crores, acquired 10% and 20% stake in Shririam city union finance and Shriram capital
2015	Acquisition of Coldstream Laboratories, a US based CDMO, Baby-Care brand – Little's and Organon India Pvt. Ltd and MSD BV.
2016	Acquisition of four brands of Pfizer Ltd
2017	Applied to National Housing Bank for incorporating a Housing Finance Company (HFC)
2018	Fundraise through QIP-INR 5,000 Cr and Fundraise through Rights issue of INR 1,978 Cr
2018	Fundraise through QIP of INR 4,996 Cr and Fundraise through Rights issue of INR 1,978 Cr and launch of housing finance vertical

Source: Company, BP Equities Research

Piramal Enterprises Ltd - Management Details

Name	Age	Designation	Qualifications
Ajay Piramal	63	Promoter group-Chairman	MBA
Dr. (Mrs.) Swati A. Piramal	62	Promoter group-Vice Chairperson	M.B.B.S
Khushru Jijina	53	Piramal Capital & Housing Finance-Managing Director	CA
Peter DeYoung	39	Piramal Critical Care-CEO	M.B.A
Vivek Sharma	NA	Piramal Pharma Solutions-CEO	CA, CPA, MBA
Jon Sandler	NA	DRG-CEO	BA, MBA - HBS
Vivek Valsaraj	NA	Piramal Enterprises Limited-CFO	CMA
Kedar Rajadnye	NA	India Consumer Products-COO	M.B.A
Shantanu Nalavadi	47	Distressed Asset Fund-Managing Director	CA

Source: Company, BP Equities Research

Key Risks and concerns:

⇒ ***Client and product concentration risk in non-financial services businesses:*** PEL's core Pharma businesses is based on contracts with customers with large client concentration in some contracts. Any set back at the customer's end may adversely affect the Company's financials. Certain products also contribute a significant portion to the company's overall revenue, hence any drop in demand for these products could adversely affect profit margins.

⇒ ***Product and quality risk:*** Any deviation from set global quality standards and benchmarks could affect the consumption of the products impacting consumers adversely impacting the overall company performance.

⇒ ***Default and concentration risk in Financial Services business:*** credit default risk can affect asset quality and profitability .A high degree of exposure in certain geographies and sectors could also pose an impact on the company's performance.

⇒ ***Fluctuation in foreign exchange:*** PEL has a significant proportion of revenues denominated in foreign currencies, hence posing susceptibilities to fluctuations in exchange rates .

⇒ ***Interest rate risk:*** Volatility in interest rates can affect the performance of the treasury as well as the financial services business.

⇒ ***ALM mismatch:*** The company also faces a situation of ALM mismatch in event of early redemption or delay in coupons or principal payments in the Financial services reports.

⇒ ***Regulatory risks:*** PEL's businesses are completely reliant upon statutory and regulatory authorities in various jurisdictions. Any changes in the laws and failure to obtain or comply with these regulations could potentially derail the long term objectives and pose monetary implications on the performance of the business.

⇒ ***Fluctuations in Real estate prices and sector specific risk:*** Adverse fluctuations in real estate prices can impact the sale of inventories by developers and any slowdown in the sector can affect the company on account of the heavy exposure to this sector.

Valuation Summary-SOTP			
Piramal Enterprises Ltd	**INR Value per share**	**% To total**	**Rationale**
Financial services Business	1,675	60	2.8x FY20 P/B
Shriram Investments	442	16	Implied 2.x invested capital
Pharma, IT & other	667	24	Pharma-12x EV/EBITDA;IT-3.5x EV/Sales
Total	**2,784**	**100**	

Source: Company, BP Equities Research

We have valued PEL using SOTP methodology. The Financial services business is valued at 2.8x FY20 P/B and forms 60% of our total target price. The Pharma and IT businesses comprise 24% of the total with the remainder being contributed by investments in the Shriram group. This imputes a target price of INR 2,784 (27% upside from CMP)

Valuation & Outlook

Summary of Financial services vertical

PEL's long drawn expertise in the real estate sector has helped it transform into an integrated end to end real estate developer financer with a presence across the entire cycle. This has been achieved through focusing on quality developers, facilitated through selective underwriting creating a formidable position for itself in this space. Along with real estate, the company has been able to create a high growth and scalable financial lending platform with the addition of CFG and ECL segments. These segments not only help in diversifying away from Real estate(50% of the portfolio in the medium term) but also in lowering risks and balancing portfolio yields.

The company's acquisition of a stake in the Shriram group entities with an objective of enhancing presence in the retail lending space, along with the foray into retail housing finance has evolved PEL into a full fledged lender with a presence across both wholesale as well as retail segments.

PELs approach of constantly expanding the financial services platform-to drive AUM growth along with constant innovation, is helping in creating differentiation and translating into an improving ROE profile, wherein the management has indicated of achieving a top quartile position of ~20%.(19.6% in H1FY19)

In the wake of rising liquidity concerns for NBFCs and HFCs, entities like PEL which have strong promoter backing ,a well entrenched top management team bolstered by a long standing track record and proven execution, underscores a fair degree of confidence .We feel that this opportunity will be beneficial for the company due to the cautious stance adopted by lenders in a relatively tight liquidity situation ,albeit at a slightly higher borrowing cost. The company is also amongst the lowest leveraged finance company(4.4x exl shriram-Q2FY19),providing further confidence. Given the focus of the management on steadily growing the AUM along with a tight lid on achieving ~20% ROE, underpinned by a prudent risk management framework translating into robust asset quality (GNPA of 0.5% with a healthy provision of 1.74% as of Q2FY19).We have used the SOTP methodology to value PEL and value the financial services vertical at 2.8X FY20 P/B, after considering the above factors.

Valuation summery of Healthcare and Information management business

Total capital employed in Pharma and IT businesses stands at R274bn+ as of FY18. The Healthcare business grew at 16% CAGR over FY11-18 on the back of multiple acquisitions and steady growth across the portfolio. We expect the healthcare business to continue to deliver double digit growth supported by increasing market share in existing products and addition of niche products to the kitty. EBITDA growth in this business is expected to be ~12% over FY18-21E.Our valuation of the healthcare business based on EV/EBITDA and that of the information management business is based on EV/Sales. On a blended basis, we have valued the healthcare business at EV/EBITDA of 12x. Revenue in the information management business is expected to grow at a CAGR of 12% over FY18-21 and EBITDA is expected to be ~15% over the same period. We value this business at EV/sales multiple of 3.5x.

Consolidated Profit & Loss Statement

Rs in mn	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue	**50,095**	**63,822**	**85,461**	**106,397**	**131,279**	**162,562**	**193,813**
Healthcare	30,080	34,670	38,920	43,220	47,715	53,341	59,880
Financial services	9,371	17,398	33,516	49,817	68,626	92,518	115,257
Info management	10,196	11,563	12,224	12,092	13,543	15,168	16,989
others	448	191	802	1,268	1,395	1,534	1,688
EBITDA	**8,698**	**13,727**	**20,908**	**29,611**	**35,809**	**44,482**	**51,051**
Healthcare	299	3,266	5,928	8,001	8,589	10,135	11,377
Financial services	6,575	8,185	12,837	19,933	25,189	32,072	37,126
Info management	1,824	2,276	2,143	1,677	2,031	2,275	2,548
EBITDA Margin %							
Healthcare	1.0%	9.4%	15.2%	18.5%	18.0%	19.0%	19.0%
Info management	17.9%	19.7%	17.5%	13.9%	15.0%	15.0%	15.0%
Depraciation	**2,899**	**3,274**	**3,817**	**4,762**	**4,952**	**5,334**	**5,695**
Healthcare	1,927	2,064	2,904	3,757	3,955	4,264	4,543
Financial services	17	26	24	25	-	-	-
Info management	954	1,185	889	980	997	1,071	1,151
EBIT	**5,799**	**11,172**	**17,191**	**24,837**	**30,857**	**39,147**	**45,356**
Healthcare	(1,628)	1,151	3,124	4,191	4,634	5,871	6,834
Financial services	6,557	8,159	12,813	19,908	25,189	32,072	37,126
Info management	870	1,862	1,254	738	1,034	1,204	1,397
Unallocated Inc /(Exp)	(2,407)	(4,028)	(3,988)	(5,200)	(6,408)	(6,728)	(7,064)
Core PBT	3,392	7,144	13,203	19,637	24,449	32,419	38,292
Exceptional Item	26,962	457	(100)	-	-	-	-
Reported PBT	**30,354**	**7,601**	**13,103**	**19,637**	**24,449**	**32,419**	**38,292**
Taxes	3,450	495	2,281	6,928	8,557	11,347	13,402
Tax rate in %	11%	7%	17%	35%	35%	35%	35%
PAT	**26,904**	**7,106**	**10,822**	**12,710**	**15,892**	**21,073**	**24,890**
Minority Interest	(3)	-	(3)	-	-	-	-
Share from Asso co	1,593	1,942	1,699	2,801	3,198	3,652	4,171
PAT(Post MI)	**28,500**	**9,047**	**12,523**	**15,511**	**19,090**	**24,724**	**29,061**

Source: Company, BP Equities Research

Consolidated Balance sheet

Rs in mn	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity Share Capital	345	345	345	361	361	361	361
Reserves and Surplus	117,014	129,138	148,481	264,093	277,838	295,145	314,035
Networth	**117,359**	**129,484**	**148,826**	**264,454**	**278,199**	**295,506**	**314,395**
Borrowings	66,168	143,029	265,752	388,865	527,022	663,545	834,084
Other liabilities	69,234	79,990	111,763	89,597	112,405	118,454	133,428
Total Liabilities	**252,761**	**352,503**	**526,340**	**742,915**	**917,626**	**1,077,505**	**1,281,907**
Loans+Investments	122,907	226,193	325,824	503,211	656,365	797,285	969,410
Fixed Assets	70,652	75,253	99,727	107,255	120,126	126,132	132,439
Capital WIP	2,395	2,869	7,324	2,941	2,941	2,941	2,941
Other assets	56,807	48,188	93,466	129,508	138,193	151,147	177,117
Total assets	**252,761**	**352,503**	**526,340**	**742,915**	**917,626**	**1,077,505**	**1,281,907**

Source: Company, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

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