Equity Research

August 7, 2021

BSE Sensex: 54278

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Q1FY22 result review, reco change and TP revision

Target price: Rs2,797

Earnings revision

(%)	FY22E	FY23E
PAT	-	↑ 1

Target price revision

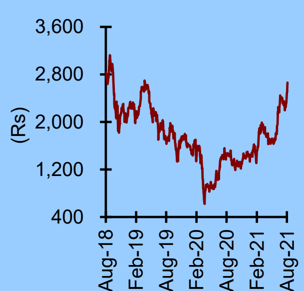
Rs2,797 from Rs2,230

Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	46.1	46.1	43.5
Institutional investors	39.4	39.6	43.1
MFs and others	1.3	1.4	1.5
FIs/Banks	0.0	0.0	0.0
Insurance	8.8	8.8	8.3
FIIs	29.3	29.4	33.3
Others	14.5	14.3	13.4

Source: BSE

Price chart



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INDIA

ICICI Securities

Piramal Enterprises

HOLD

Downgrade from BUY

Near term notable triggers priced in; optional value co-exists with risks

Rs2,666

Piramal Enterprises' (PEL) Q1FY22 performance surprised positively on stable stress pool (stage-2/3 and restructuring pool) despite challenging environment. No further credit provisioning was required (for fifth consecutive quarter) after creating buffer in Q4FY20. The strategy of rationalising wholesale exposure (down 4% QoQ) and ramping up secured mass retail lending continued. This aided in-line consolidated net profit of Rs5.38bn in Q1FY22 (up 8% YoY) and stable revenue of Rs29bn. Performance in pharma segment was strong with 31.2% YoY revenue growth (albeit on a weak base).

Stock has doubled in past six months with several notable triggers: 1) Robust performance of pharma business, 2) successful consolidation of wholesale mortgage book reducing concentration risk; 3) stress exposures being addressed appropriately containing stage-3 pool and credit cost at better than expected levels; 3) transitioning into diversified NBFCs with build-up of organic retail portfolio; and 4) successful bidding for DHFL with regulatory approvals in place.

Improving visibility towards building a diversified book (through DHFL acquisitions), coupled with stable stress in wholesale segment, has triggered re-rating of financial services business. We expect this business to now command 1.5x FY23 book. We expect pharma segment to register earnings CAGR of 16.6% over FY21-FY23E. Pharma business will command 16x EV/EBIDTA and 4.5 EV/sales. This along with value of its stake in Shriram group and unallocated equity value gives us SoTP based fair value of Rs2,797 (earlier: Rs2,230). We downgrade the stock to HOLD from *Buy*. Hereon, what can drive up valuation further: i) Optional value of utilisation of unallocated equity into new business, inorganic opportunities or return to shareholders, ii) demerger of financial services and pharma business, and iii) business transformation opening up new possibilities. However, at the same time, risks persist with respect to: i) Deferment in integration of DHFL, ii) integration uncertainties and challenges including higher mark-downs etc and iii) effectively leveraging acquired network to cross-sell existing retail products.

- **Strong performance across the board:** PEL reported 31.2% revenue growth in Q1FY22 driven by 42.6% YoY growth in CHG segment, which was led by healthy demand for sevoflurane in the US. We expect the growth trajectory to sustain with falling covid cases in developed markets raising demand in elective surgeries. Growth of 17.1% in CDMO was driven by strong orderbook and rising demand. OTC reported a sharp jump of 74.0% YoY with improving consumer sentiment, new product launches and high demand for its covid products (sanitisers, masks, etc.). We remain positive on the growth potential and expect pharma segment's revenue CAGR to be 16.6% over FY21-FY23E.

Market Cap	Rs632bn/US$8.5bn
Reuters/Bloomberg	PIRA.BO/PIEL IN
Shares Outstanding (mn)	237.1
52-week Range (Rs)	2666/1194
Free Float (%)	56.5
FII (%)	33.3
Daily Volume (US$'000)	35,716
Absolute Return 3m (%)	59.0
Absolute Return 12m (%)	84.7
Sensex Return 3m (%)	11.6
Sensex Return 12m (%)	44.3

Year to Mar	FY20	FY21	FY22E	FY23E
Revenues (Rs mn)	1,30,683	1,29,416	1,36,524	1,52,630
Net Income (Rs mn)	-5,530	14,128	27,497	32,670
EPS (Rs)	-24.5	62.6	108.4	123.2
% Chg YoY	NA	NA	73	14
P/E (x)	NA	42.6	24.6	21.6
P/BV (x)	2.0	1.7	1.8	1.7
GNPA (%)	2.4	4.5	5.5	5.0
Dividend Yield (%)	0.5	0.5	0.8	0.8
RoA (%)	NA	2.0	3.8	4.1
RoE (%)	NA	4.3	7.5	8.3

- **Collections not disrupted much for its set of developers:** Performance of PEL's developer clients was not disrupted much with respect to collections in Q1FY22: 1) Developer sales were down, in-line with industry trends; however, it bounced back in Jun'21; 2) developers now have healthy sales pipeline and competencies to digitally market / sell products; 3) construction activity at ~90% of levels witnessed prior to covid 2nd wave; 4) no major impact on developer collections due to strong sales witnessed in H2FY21 as well as aided by slab-wise collections on improving the stage of construction. Though there isn't much risk to collections, sales momentum gaining traction will be critical.

- **Stage-3 assets steady at 4.3%; no further provisioning requirement:** Stage-3 (% of AUM) broadly remained stable at 4.3% (4.1% in FY21) even in this challenging quarter with no major fresh slippages or write-offs during the quarter. It optically looks higher QoQ due to decline in wholesale book. Gross slippages non-annalised were around 0.3% and on a net basis, mere 0.1%. Couple of hotel assets with payment deferment got into stage-2 assets but they too are fully collateralised. In Q3FY21, PEL invoked OTR for loans worth Rs17bn (3.8% of loan book), post that no additional accounts were restructured in Q4FY21/Q1FY22. The company continues to maintain provisions at 5.8% of the loan book (Rs27.5bn; down Rs470mn in Q1FY22) to manage any contingencies arising from covid second wave. PEL is confident provisions of 6.3% on wholesale portfolio is adequate, and there was no creation of any further buffer (fifth successive quarter of no provisioning post the one created in Q4FY20). The company carries provisions of Rs17.6bn against standard assets (stage 1 & 2 loans) – at 3.8%. We are building in credit cost of 1%/0.8% for FY22E and FY23E.

- **Rationalising wholesale exposure continues:** PEL is continuing to rationalise the wholesale loan book - compared to one account earlier, now there are no exposures >15% of net worth of financial services business. In fact, the wholesale book was down 4% QoQ to Rs376bn and similarly, top 10 exposures were down to Rs128bn (from Rs133bn in FY21). Top 10 exposures were reduced by Rs55bn since FY19. We expect organic growth to be led by retail scale-up and wholesale book to remain in consolidation mode.

- **Retail transformation underway:** The group's core objective is to transform into a well-diversified lending entity with share of retail rising to 50%. This will primarily be driven by organic build-up of retail lending, completion of DHFL acquisition, rationalising wholesale lending and making it more granular. It continued with organic build-up of retail increased product suite from two to seven products in FY21 (will add four more in FY22), expanding to 40 locations and increasing headcount to 1,000.

  The company is partnering with fintechs and consumer tech firms to build scalable cloud infrastructure and create big data and proprietary information assets. Digital infrastructure and manpower excellence will be based out of Bengaluru. Retail lending monthly disbursements were impacted by covid disruption in June and were back to Rs990mn. Average yield on fresh disbursement is 11.9%. Collection efficiency in retail portfolio improved to 96% in Jun'21 after witnessing some decline in Apr/May-2021. In Jul'21, collection efficiency has further bounced back to 98% and bounce rates have normalised as well.

- **Benefit on cost of borrowing supports NIMs:** Despite run-down in high yielding wholesale book, yields remained steady at 13.4 (% of loan book). Funding cost, however, was off 80bps QoQ to 10.1% and is expected to decline further to ~9.5% post the DHFL transaction. NIMs consequently rose to 4.5% in Q1FY22 (3.7% in Q4FY21).

- **Implementing resolution plan post approvals for DHFL acquisition:** The deal consideration is Rs342bn – comprising an upfront cash component of Rs147bn (including cash on DHFL's balance sheet) and a deferred component (NCDs of 10 years to existing DHLF lenders) of Rs195.5bn. Post NCLT's approval on resolution plan, monitoring committee including the CoC and the management were appointed by NCLT.

  The management aims at growth and diversification of financial services business through DHFL transaction. Net accretion to Piramal's asset base through DHFL acquisition is estimated at Rs300bn. Piramal would be restating the assets of DHFL post fair valuation and marking it down. Retail AUM is expected to grow ~5x and share of retail loans will increase to ~50% in the near term and to two-thirds in medium-to-long term.

- **Structure of the transaction:** PCHFL will be merging into DHFL. Subsequently, DHFL will become a 100% subsidiary of PEL and shares of DHFL will get delisted. PCHFL will later on issue Rs195bn worth of NCDs to existing creditors of DHFL. Also, name of DHFL will then be changed to Piramal Group Entity.

- **Leverage distribution network to cross-sell other retail products:** PEL will get access to 0.4mn active customers in Bharat market with DHFL acquisition. It will also leverage branch network of 300 branches/micro branches post the acquisition to cross-sell other retail products. The intention is to be present across 1,000 locations in 3-4 years with focus on tier-2/3/4 cities.

- **Financial services and pharma business well capitalised; no need of capital allocation in medium term:** Consolidated net worth (adjusting for non-controlling stake) stands at 350bn. 53% of equity is earmarked to financial services at Rs184bn, Rs52.7bn towards pharma (from Rs60bn in FY21) and unallocated equity is Rs113bn. Net debt to equity ratio stands at 0.8x. Currently, both the operating businesses, be it financial services or pharma, are sufficiently capitalised and will not need capital for medium-term growth. However, there are several avenues for deployment of this unallocated equity, e.g. new business, inorganic opportunities or return to shareholders.

Table 1: PEL's SoTP valuation (not assigning optional value to unallocated equity for retail scale-up)

	Networth (Rs bn)	Multiple	Value (Rs bn)	Price (Rs/share)	Rationale
Financial Services	214	1.5	320	1,420	We value this business at 1.5x Mar'23 P/BV; Loanbook CAGR of ~10-15% over FY21E-FY23E; RoA of >3% over FY22/FY23. RoE while subdued will improve with leverage.
Shriram Investments	28		52	228	~10% stake in Shriram City and ~20% stake in Shriram Capital.
Excess networth	61	0.5	31	136	Excess networth valued at 0.5x currently
Pharma	73		228	1,012	We value the Global Pharma business at 16xMar'23 EV/EBITDA and the India consumer products business at 4.5xMar'23 EV/Sales
Fair value			**631**	**2,797**	

Source: I-Sec research

Table 2: Stress pool stable, no further provisioning required

PEL Financial Services - Stage wise performance (Rs bn)	Jun-20	Mar-21	Jun-21
Gross Stage 1 & 2 Loans 2 Loans	504	469	452
Provision - Stage 1 & 2 loans	25	18	17
Provision Coverage Ratio - Stage 1 & 2	**5.0%**	**3.8%**	**3.8%**
Gross Stage 3 Loans (GNPAs)	13	20	20
GNPA Ratio (% of loans in Stage 3)	**2.5%**	**4.1%**	**4.3%**
Provision - Stage 3 loans	5	10	10
Provision Coverage Ratio - Stage 3	**39%**	**51%**	**51%**
Net NPA Ratio	1.6%	2.1%	2.2%
Total Provisions	30	28	27
Total Loans	517	489	472
Total Provision / Total Loans	**5.8%**	**5.7%**	**5.8%**
Total Provision / GNPAs	**236%**	**139%**	**135%**

Source: Company, I-Sec research

Table 3: RoA at >2.5%, despite a tough quarter

PEL Financial Services – KPIs	Q1FY22
Total AUM	Rs 471.81bn
Total Loan Book size	Rs 427.54bn
Average yield on loans	13.4%
Average cost of borrowings	10.1%
Net Interest Margin	4.5%
Cost to Income Ratio (CIR)	33%
Provisioning as a % of total AUM	5.8%
Gross NPA ratio (based on 30 dpd)	4.3%
Net NPA ratio	2.2%
RoA	2.6%
RoE	6.7%

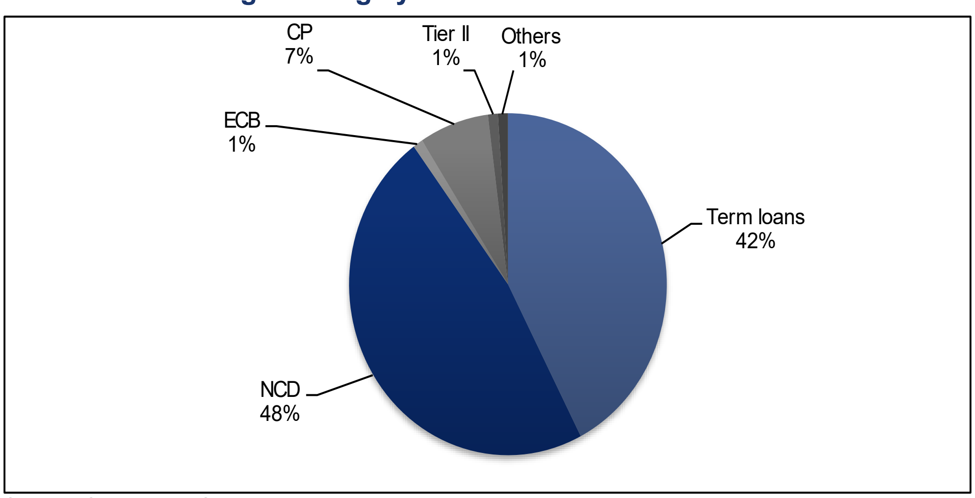
Source: Company, I-Sec research

Table 4: Net debt to equity has almost halved over the past two years

PEL Financial Services	Net Debt to Equity (x)	CAR (%)
Q4FY19	3.9x	22%
Q2FY20	2.8x	27%
Q4FY20	2.3x	31%
Q2FY21	2.1x	34%
Q4FY21	1.8x	37%
Q1FY22	1.6x	39%

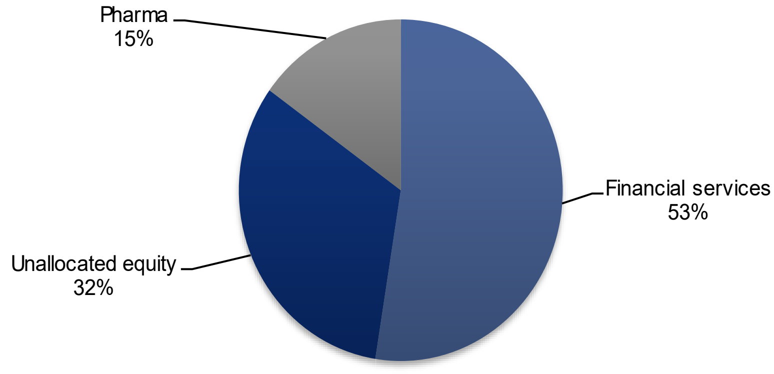
Source: Company, I-Sec research

Chart 1: Borrowing mix largely includes TL & bonds



Source: Company, I-Sec research

Chart 2: Financial Services comprise >50% of the net worth



Source: Company, I-Sec research

Q1FY22 earnings call takeaways

Opening commentary

- ***Financial services - 3 phases:***
  - ***Phase I – Consolidation (March 2019 to June 2021).*** Under this phase, no . of accounts with >15% of NW reduced to zero from 3, CRAR at 39% from 22%, Prov. as a % of AUM at 5.8^ from 1.9%, exposure to CP reduce to Rs 26bn from Rs 180bn and equity increased to Rs 183bn from Rs 114bn
  - ***Phase II – Transition + Quantum Growth***
  - ***Phase III – Sustainable growth and Profitability***
- Aim is to deliver measured growth and PAT over the long-term while maintaining focus on risk management, asset quality, capital adequacy, technology infrastructure and customers experience
- Confident that both businesses will emerge as strong growth companies over the medium-term
- Making loan book more granular and diversified while reducing exposure to wholesale
- 50% reduction in Net Debt since March 2019, leading to a Net D/E of 0.8x
- Average cost of borrowings declined from 10.9% in Q4FY21 to 10.1% in Q1FY22, which is expected to further decline to ~9.5% post the DHFL transaction.

DHFL acquisition

- ***With DHFL acquisition, retail AUM to grow 5x and expect to become one of the top 5 HFCs in the country***
- ***Total consideration – Rs 342bn of which Rs 147bn is cash and Rs 195bn is NCD. However, DHFL has already cash of Rs 100-105bn on its books and hence effective cash would be Rs 40bn***

- ***Post DHFL acquisition, leverage in financial service business to increase from 1.6x to 2.5x***
- ***Company would be adding Rs 195bn debt due to DHFL acquisition which would be NCD to be issued to the lenders of DHFL***
- DHFL would become 100% subsidiary of PEL. Equity shares of DHFL would get delisted. Change name of DHFL to Piramal Capital
- ***Portfolio of DHFL will be revalued based on fair valuation. It will do purchase price allocation. Some amount of provisioning will be there. Tax benefit on losses on marked down would be available.***
- Net accretion to the overall total assets would be Rs ~300-320bn, but the allocation is yet pending
- As of today, deposit taking license continues with DHFL but it has been restricted by RBI to take new deposits
- Company would announce new structure once it completes merger with DHFL
- Post DHFL integration, branch network would reach ~300. Intention is to be present in 1000 centres in the country, but it might not need 1,000 branches and these would be concentrated in Tier 2/3/4 cities.
- The management highlighted that they would want to ensure that collections and branch efficiency at DHFL network remain strong.

Asset quality

- ***GNPA remained stable QoQ with no major slippages despite second covid wave***
- No material slippages or write-offs during Q1 despite challenging business environment. Key factors – real estate sector saw a revival of demand in H2FY21. However, in Q1FY22, real estate has been impacted by covid second wave.
- 2 hotel deals moved to stage-2 – value of asset remains intact but moved it to stage-2 as payments would have got deferred.
- Performance of developer clients of PEL saw a decline in sales QoQ. However, trends have improved in June & July.
- ***Developers collections not impacted severely despite lockdowns***
- ***Developer book - Collections were at 85-90% of average past 2 quarters and now collections are at pre-covid levels.***
- ***Retail loans – CE saw an impact but it has bounced back to 96%, which is close to December 2020 levels and in July at 98% while bounce rates also have normalised***
- Coming to retail loans, saw some impact in April & May and has seen healthy pick-up in June as well
- ***No additional restructuring in pipeline***
- ***2 accounts (Rs 1.58bn and Rs 10.62bn) had gone into restructuring in FY21, but now both are standard. The exposure of Rs1.58bn is towards real estate – construction started once again and should complete the projects. Mythra energy of Rs10.6bn - getting ready to put asset and company up for sale - this gives good scale for potential buyer. Should receive non-binding bid.***

Retail lending

- Granularity has been increasing substantially since it has started serving Gen-X business. Average home loan ticket size is down to Rs2mn (from Rs7.5 earlier). It is reducing unsecured lending (average ticket size is Rs70k).
- Building a technology led digital platform which is digital and phygital for customers
- Building own platform as well as getting into fintech partnership – engineers team based out of Bangalore
- In parternership model- own scorecard overlaid on fintech analytics model – FLGD cover on the loan available.
- Launched multi product retail lending platform in November 2020
- Building its own platform wherein company has set up a strong team based out of Bangalore
- ***Went live with customer service app for existing PEL customers during Q1***
- Used car category was the most recently launched product
- Evaluating 2W financing and education loans wherein company would do few pilots and then decide

Rationalising wholesale book

- Wholesale was further down 4% QoQ to Rs376bn and similar top 10 exposure were down to Rs128bn (from Rs133bn in FY21). Top 10 exposures were reduced by Rs55bn since FY19.
- Run-down in wholesale assets excludes PEL's share 50% equivalent to Rs44bn assets that were transferred to AIF.

Financial services business – other takeaways

- ***Margins are likely to sustain in FY22 as well***
- Company would be looking for rating upgrade once wholesale:retail loan mix is 50:50
- ***Rating upgrade would result in ~50bp decline in cost of funds***

Pharma business

- Pharma business delivered a robust performance during Q1
- Pharma business contributed 37% of top-line during Q1
- Company saw some seasonality in EBITDA margins during Q1
- Hospital generics business largely recovered from covid impact
- Navigated pandemic with agility and reinvested profit for future business growth
- Launched 20 new products since March 2020 and is continuously investing in brand building to market their products
- ***Expect to grow 22% for FY22 and expect 22% EBITDA margin for FY22 (similar to FY21)***
- ***Plan to do few more acquisitions in the next 2-3 years***
- ***Existing shareholders of PEL would receive shares of Piramal Pharma***

Q4FY21 earnings call takeaways

Chairman's commentary

- Country is better prepared this time than year back. Government imposing measured lockdown to minimise disruptions
- However, goes without saying that it is equally well important for everyone to be prepared for economic slowdown in case it is prolonged
- Macro financial conditions in Q1FY22 are similar to Q2FY20 last year.

Balance sheet strength

- Balance sheet side - raised Rs180bn of equity and Rs335bn of long term debt.
- Net debt to equity has reduced from 2x to 0.9x.
- CAR has gone up to 37%.
- Much stronger ALM profile with significant lower CP outstanding.
- DTA was created at consolidated on unamortized part of goodwill which is now reversed and cleaned up entirely.

On asset quality

- ***GNPA increased QoQ to 4.5% from 3.7% as of Dec-20 optically looks higher due to decline in wholesale book.***
- ***In absolute term, there was an increase of Rs3.1bn to Rs20.2bn as couple of accounts slipped from stage-2 to stage-3.*** Two of them will be resolved in Q1FY22 itself – Sadbhav has been repaid in April itself.
- In Q3 FY21, invoked OTR for loans worth Rs17bn; no additional accounts were restructured in Q4FY21.
- ***Despite reduction in wholesale loan book, it continues to maintain provisions at 6.3% of loan book (Rs28bn – down Rs1.4bn in Q4FY21)*** to manage any contingencies arising from the second wave of COVID-19. Provisions against the wholesale book is much higher at 6.8%. It carries provisions of Rs20.3bn against standard assets (Stage 1 & 2 loans) – at 4.5%

Specific exposures

- **Lodha exposure:** March 20 has Rs31bn at holdco and now it is Rs26.4bn – out of this Rs15.9bn is in SPV which is against ready inventory and in listed entity it was Rs10bn.
- **Omkar exposure** – Rs13bn exposure now with PEL – it had envisaged that land is valuable and since it equivalent to FSI development rights, it was sitting on a rich collateral. PCHFL cannot transfer rights on its own and it was paid back by PEL. Now PEL will monetize it FY22 onwards. It is confident of getting the principal out and hopefully will get over and above that as well. 67 lakhs square feet land on highway and collateral is far more than the exposure. Now they are master developers and will do join development or sell development rights

On provisioning

- Made incremental provisioning of Rs19bn and total provisioning now stands at Rs28bn – this is equivalent to 6.8% of wholesale loan book
- It has utilised Rs1.66bn out of this.
- Sufficient to meet any future contingencies that might arise due to second wave.

On NIMs

- As the wholesale book is coming down, it has led to margin decline.
- ***Interest on interest reversal is Rs730mn.***
- Also there was an impact on account Omkar deal where there were transfer rights

Rationalising wholesale book

- Performance of PEL's developer clients: 1) their developer's project sales are up 115% YoY, 2) their collections from homebuyers are 74% higher YoY, 3) construction has commenced at nearly 100% of sites, etc.
- It is continuing with its progress on rationalizing the wholesale loan book – compared to one, now there are no exposures >15% of net worth of financial services business. Infact wholesale book decline QoQ from Rs410bn to Rs394bn (down 4% QoQ and down 23% since FY19). Top 10 exposures were down Rs1bn to Rs133bn.

Early trends in Q1FY22 with respect to developers

- Q4FY21 sales – MMR 2.5x of pre-covid and in other regions, it clocked 1.4-1.5x pre-Covid. Doing better than pre-covid itself is a good sign.
- With learnings from COVID 1st wave, developers now have healthy sales pipeline and competencies to digitally market / sell products
- With 100% escrow control, it is verifying clients' vendor payments ensuring construction progress across projects
- While construction is continuing on almost all the sites, it is seeing some labor shortage at a few locations – however post West Bengal elections, labours are now returning back.
- Collections were healthy due to stronger than expected sales in FY2021. This trend was visible in April 21 as well. Collections in April were Rs7.5bn – only 250mn from new sales but from earlier agreed
- Till 75% construction stage, doesn't see a risk to collections. Though not much risk to collections, sales can drop in May if constructions are impacted.

Equity at the group level

- ***51% of equity is earmarked to financial services at Rs180bn (compared to Rs 174bn in Q3FY21), Rs60bn towards pharma (from Rs57bn) and unallocated equity is down to Rs110bn (from Rs124bn).***
- On financial services, with NW of Rs180bn – net debt is equity is comfortable – will not add capital though it might grow the book.

- Unallocated will remain unallocated and both the operating businesses be it financial services or pharma are sufficiently capitalised and will not need capital in the medium term.
- There are several avenues for deployment of this unallocated equity - either new business, inorganic opportunities or return to shareholders.

Building retail portfolio

- Will be well diversified with share of retail to increase to 50% - organic build up of retail lending, completion of DHFL acquisition, rationalizing wholesale and making more granular
- Continued organic build-up of multiproduct retail lending platform, since its launch in Nov-2020
- Increased product suite from 2 to 7 products in FY21 and expanded to 40 locations and increased headcount to 1,000.
- Traction witnessed across product categories in terms of disbursements during Q4FY21 at Rs4.1bn
- 3 parts to credit underwriting – work with fintech partners upfront; grading criteria is pre-determined - partners past track record and history.
- Digital infrastructure and manpower excellence will be in Bangalore

DHFL acquisition status

- Proposed DHFL Acquisition: - PCHFL's resolution plan received approvals from the RBI in Feb-2021 and Competition Commission of India (CCI) in Apr-2021
- With respect to NCLT approval, hearing are underway and to be concluded in couple of months time.

Pharma business

- Company believes it will be able to achieve 15% organic growth over long term and will consider inorganic opportunities in the near term to build the existing business.
- Growth in the complex hospital generics was driven by recovery in elective surgeries as COVID-19 cases have been declining in the developed markets. While company was able to maintain its market share in the products in the last fiscal, new orders augurs well for growth over the coming years.
- Company is no longer eligible for the additional component from the Carlyle deal due to the underperformance of the complex hospital generics business in the last fiscal.
- Capex outlay for the pharma business is USD90-100mn over the next two years.

Other highlights

- Now getting ready to demerge group into two large entities – financial services and pharma. Not sure of the timeline as DHFL transaction is still evolving and there are lot many moving parts.
- Dividend of Rs33/share to the tune of Rs7.9bn.

Financial summary

Table 5: Profit and loss statement (Consolidated)

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22E	FY23E
Revenues	**1,31,816**	**1,30,683**	**1,29,416**	**1,36,524**	**1,52,630**
-Financial Services	70,634	76,494	70,330	67,925	73,932
-Pharma	47,860	54,189	57,860	68,599	78,698
-DRG	13,322	0	0	0	0
-Others	337	0	1,226	1,000	1,000
EBITDA (Pre Exceptional)	**36,582**	**17,889**	**37,177**	**39,611**	**46,619**
-Financial Services	24,507	3,553	24,347	23,505	27,805
-Pharma	9,809	14,336	12,830	16,106	18,814
-DRG	2,266	0	0	0	0
Depreciation	**5,202**	**5,200**	**5,668**	**6,190**	**6,717**
-Financial Services	76	91	110	132	158
-Pharma	3,929	5,109	5,559	6,059	6,559
-DRG	1,197	0	0	0	0
EBIT (Pre Exceptional)	**31,380**	**12,688**	**31,509**	**33,421**	**39,902**
-Financial Services	24,431	3,462	24,237	23,373	27,647
-Pharma	5,880	9,227	7,271	10,047	12,255
-DRG	1,069	0	0	0	0
Interest exp of Pharma and DRG	6,688	4,449	2,450	2,021	2,293
Unallocated Income/(expenses)	83	939	300	300	300
Core PBT (pre-exceptional)	**24,775**	**9,179**	**30,585**	**31,699**	**37,910**
Exceptional Items	-4,656	0	589	0	0
Reported PBT	**20,119**	**9,179**	**31,173**	**31,699**	**37,910**
Taxes	8,611	19,604	20,429	7,988	9,553
Profit after taxes (PAT)	**11,507**	**-10,426**	**10,744**	**23,711**	**28,356**
Share of associates and JV (including MI)	3,194	4,896	3,384	3,786	4,314
PAT after share of assoc and JV	**14,701**	**-5,530**	**14,128**	**27,497**	**32,670**
PAT from discontinued operations		**5,745**	**0**	**0**	**0**
Net profit for the period	**14,701**	**214**	**14,128**	**27,497**	**32,670**

Note: FY19 numbers have not been restated
Source: Company data, I-Sec research

Table 6: Balance sheet (Consolidated)

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22E	FY23E
Equity share capital	370	451	451	507	530
Reserves & Surplus (including OCI)	2,71,870	3,05,260	3,55,505	3,77,676	4,04,776
Shareholders' equity	**2,72,240**	**3,05,711**	**3,55,956**	**3,78,183**	**4,05,307**
Minority Interest	90	0	0	0	0
Total equity	**2,72,330**	**3,05,711**	**3,55,956**	**3,78,183**	**4,05,307**
Borrowings	5,60,400	4,20,550	3,15,542	3,40,785	3,92,706
Other liabilities	23,400	22,829	22,929	27,619	31,845
Total Liabilities	**8,56,130**	**7,49,090**	**6,94,427**	**7,46,587**	**8,29,857**
Cash and cash equivalents	9,190	47,710	40,000	35,000	30,000
Loans	**5,66,240**	**5,09,630**	**4,46,680**	**4,91,348**	**5,65,050**
Investments	94,440	63,400	69,440	69,440	69,440
Goodwill	59,396	11,390	11,390	11,390	11,390
Fixed Assets	57,510	57,940	60,837	65,704	72,274
Deferred tax assets	40,685	23,720	23,720	23,720	23,720
Other assets	28,670	35,300	42,360	49,985	57,982
Total Assets	**8,56,130**	**7,49,090**	**6,94,427**	**7,46,587**	**8,29,857**

Note: FY19 numbers have not been restated
Source: Company data, I-Sec research

Table 7: Key ratios (Consolidated)

(Year ending Mar 31)

	FY19	FY20	FY21	FY22E	FY23E
Growth ratios (%)					
Core PBT	26.2	-63.0	233.2	3.6	19.6
PAT	-76.2	-190.6	-203.1	120.7	19.6
EPS	-72.0	-130.9	-355.5	73.1	13.6
Debt-to-equity (x)	2.1	1.4	0.9	0.9	1.0
Profitability ratios (%)					
EBITDA Margin - Pharma	20.5	26.5	22.2	23.5	23.9
Return ratios & capital management					
RoAA (%)	1.9	0.0	2.0	3.8	4.1
RoAE (%)	5.5	0.1	4.3	7.5	8.3
Payout ratio (%)	38.0	-57.1	22.3	19.4	17.0
Valuation ratios					
DPS (Rs)	28.0	14.0	14.0	21.0	21.0
EPS (Rs)	79.5	-24.5	62.6	108.4	123.2
Price to Earnings	33.6	-108.7	42.6	24.6	21.6
BVPS (Rs)	1,472	1,355	1,578	1,491	1,528
Price to Book	1.8	2.0	1.7	1.8	1.7
Dividend yield (%)	1.1	0.5	0.5	0.8	0.8

Source: Company data, I-Sec research

Table 8: Profit and loss statement (Financial Services)

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22E	FY23E
Interest Income	69,331	76,925	67,420	64,724	70,250
Interest Expense	37,410	47,295	39,130	33,702	35,063
Net interest income	**31,921**	**29,629**	**28,290**	**31,022**	**35,188**
Non-interest and fee income	1,304	-431	2,910	3,201	3,681
Total Income (Net of interest expenses)	**33,225**	**29,199**	**31,200**	**34,224**	**38,869**
Operating expenses	5,550	6,990	6,864	6,160	6,996
PPoP	**27,675**	**22,209**	**24,336**	**28,063**	**31,873**
Provisions & contingencies	3,244	18,747	99	4,690	4,226
Profit before tax (PBT)	**24,431**	**3,462**	**24,237**	**23,373**	**27,647**
Tax expenses	8,551	872	18,690	5,890	6,967
Tax rate (%)	35.0%	25.2%	77.1%	25.2%	25.2%
Profit after tax (PAT)	**15,880**	**2,589**	**5,548**	**17,483**	**20,680**

Note: FY19 numbers have not been restated
Source: Company data, I-Sec research

Table 9: Balance sheet (Financial Services)

(Rs mn, year ending Mar 31)

	FY19	FY20	FY21	FY22E	FY23E
Shareholders' equity	1,14,420	1,55,990	1,80,730	1,92,887	2,13,567
Borrowings	4,46,238	3,98,320	3,26,301	3,47,730	3,90,434
Other liabilities	27,205	29,889	61,449	44,221	33,903
Total Liabilities	**5,87,863**	**5,84,199**	**5,68,480**	**5,84,838**	**6,37,904**
Loanbook	5,66,240	5,09,630	4,46,680	4,91,348	5,65,050
Other assets	21,623	74,569	1,21,800	93,490	72,853
Total Assets	**5,87,863**	**5,84,199**	**5,68,480**	**5,84,838**	**6,37,904**

Note: FY19 numbers have not been restated
Source: Company data, I-Sec research

Table 10: Key ratios (Financial Services)

(Year ending Mar 31)

	FY19	FY20	FY21	FY22E	FY23E
Loanbook (Rs mn)	5,66,240	5,09,630	4,46,680	4,91,348	5,65,050
Loanbook growth (%)	34	-10	-12	10	15
Growth (%)					
Net interest income	32.2	-7.2	-4.5	9.7	13.4
Operating expenses	59.9	26.0	-1.8	-10.3	13.6
PPoP	24.2	-19.8	9.6	15.3	13.6
Provisions	35.9	478.0	-99.5	4638.6	-9.9
PBT	22.8	-85.8	600.2	-3.6	18.3
PAT	22.8	-83.7	114.2	215.2	18.3
Yields, interest costs and spreads (%)					
Avg. yield on loans	14.0	14.3	14.1	13.8	13.3
Avg. cost of funds	9.3	11.2	10.8	10.0	9.5
Interest Spreads	4.8	3.1	3.3	3.8	3.8
NIM (on AUM)	6.5	5.5	5.9	6.6	6.7
Operating efficiencies					
Cost to income ratio (%)	16.7	23.9	22.0	18.0	18.0
Op.costs/avg AUM (%)	1.1	1.3	1.4	1.3	1.3
Capital Structure					
Debt-Equity ratio	3.9	2.6	1.8	1.8	1.8
Provisioning					
GNPA estimate (% of on-book AUM)	0.9	2.4	4.5	5.5	5.0
Coverage ratio [total provisions as % AUM]	1.9	5.8	6.3	7.2	8.0
Credit costs as % of average AUM	0.7	3.5	0.0	1.0	0.8
Return ratios & capital management					
RoAA (%)	3.1	0.4	1.0	3.0	3.4
RoAE (%)	15.0	1.9	3.3	9.4	10.2

Source: Company data, I-Sec research

Table 11: DuPont Analysis (Financial Services)

(%)	FY19	FY20	FY21	FY22E	FY23E
Interest earned	13.3	13.1	11.7	11.2	11.5
Interest expended	7.2	8.1	6.8	5.8	5.7
Net Interest Income	**6.1**	**5.1**	**4.9**	**5.4**	**5.8**
Non-Interest Income	0.3	(0.1)	0.5	0.6	0.6
Total Income	**6.4**	**5.0**	**5.4**	**5.9**	**6.4**
Total operating expenses	1.1	1.2	1.2	1.1	1.1
PPoP	**5.3**	**3.8**	**4.2**	**4.9**	**5.2**
Credit cost	0.6	3.2	0.0	0.8	0.7
Profit before tax	**4.7**	**0.6**	**4.2**	**4.1**	**4.5**
Tax	1.6	0.1	3.2	1.0	1.1
RoA	**3.1**	**0.4**	**1.0**	**3.0**	**3.4**
Effective leverage (AA/ AE)	*4.9*	*4.3*	*3.4*	*3.1*	*3.0*
RoE	**15.0**	**1.9**	**3.3**	**9.4**	**10.2**

Source: Company data, I-Sec research

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