

12th October, 2021

BSE Limited

P.J. Towers, Dalal Street, Fort,
Mumbai- 400 001
BSE scrip code: 500302

National Stock Exchange of India Limited

Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE symbol: PEL

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

Dear Sir / Madam,

Further to our letter dated 7th October, 2021 whereby we had given the intimation of Conference Call with Investors/Analysts, enclosed please find the transcript of the Conference Call held on 7th October, 2021 to discuss ‘Announcement of Demerger and Simplification of Corporate Structure’.

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

Kindly take the above on record.

Thanking you,

Yours truly,
For **Piramal Enterprises Limited**

Bipin Singh
Company Secretary

Encl.: a/a

Piramal Enterprises Limited

CIN : L24110MH1947PLC005719

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“Piramal Enterprises Limited's Conference Call –
Announcement of Demerger and Simplification of Corporate
Structure”

October 7, 2021



MANAGEMENT: MR. AJAY PIRAMAL – CHAIRMAN, PIRAMAL GROUP

**MS. NANDINI PIRAMAL – EXECUTIVE DIRECTOR,
PIRAMAL ENTERPRISES AND CHAIRPERSON, PIRAMAL
PHARMA LIMITED**

**MR. ANAND PIRAMAL – EXECUTIVE DIRECTOR,
PIRAMAL GROUP**

**MR. RAJESH LADDHA – EXECUTIVE DIRECTOR &
GROUP CFO, PIRAMAL ENTERPRISES LIMITED**

**MR. HITESH DHADDHA – CHIEF INVESTOR RELATIONS
OFFICER, PIRAMAL ENTERPRISES LIMITED**

Hitesh Dhaddha:

Hi, good evening everyone. Hope you are safe and in best of your health. I am pleased to welcome you all today to this conference call, to discuss the announcement that we made today on demerger and simplification of our corporate structure. Our demerger announcement materials have been uploaded on our website and you may like to download and refer during our discussion. As the Company is in the silent period prior to the quarterly earnings release, the Management will not be commenting on its earnings prospects or provide any new guidance or any other material, non-public information, pertaining to the Company's current financial performance.

On the call today, we have with us our Chairman – Mr. Ajay Piramal; Ms. Nandini Piramal – Executive Director, Piramal Enterprises and Chairperson, Piramal Pharma; Mr. Anand Piramal – Executive Director, Piramal Group; and Mr. Rajesh Laddha – Executive Director and Group CFO, Piramal Enterprises.

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

Ajay Piramal:

Welcome to our Analyst Call. Over the years, our company has grown multi-fold with diverse businesses under one holding structure. Over the last 33-years, we have delivered revenue CAGR of 22%, net profit CAGR of 26% and annualized return to shareholders of 26%.

In line with our stated strategy, we have announced the demerger of the Pharma business and simplification of a corporate structure, subject to shareholders, creditors, and other regulatory approvals.

This demerger will create two separate pure-play entities in the fast-growing verticals of financial services and pharmaceuticals – in line with our commitment to the shareholders and investors.

Key steps and post-demerger entity structures:**(a) Pharmaceuticals:**

The key steps in this are the pharmaceutical business will get vertically demerged from Piramal Enterprises Limited and consolidated under Piramal Pharma Limited.

Piramal Pharma Limited will become one of the large pharma companies listed on the NSE and BSE post the demerger.

Two wholly-owned operating subsidiaries, Hemmo Pharma Private Limited and Convergence Chemicals Private Limited will also get amalgamated with Piramal Pharma, to further simplify the Pharma corporate structure.

In consideration, PPL, i.e., Piramal Pharma Limited, shall issue four equity shares of PPL for every one equity share in Piramal Enterprises, in addition to the current holding in PEL.

Thus, to really simplify, every shareholder of PEL will now, at the time of the demerger, get one share in PEL and four shares in PPL and both of these companies will be separately listed on the NSE and BSE.

(b) Financial Services:

In the Financial Services space, we had two 100% wholly-owned subsidiaries – PCHFL which is Piramal Capital and Housing Finance Limited and Piramal Fininvest.

PCHFL has now merged into DHFL and that has now become a 100% subsidiary of PEL. Piramal Fininvest which was a 100% subsidiary is now being merged into the parent, Piramal Enterprises. It sounds complicated, but actually it is really to simplify the structure.

So in Financial Services, we will have one NBFC which is Piramal Enterprises Limited which will hold 100% of shareholding in the merged entity of Piramal Capital and DHFL, and the listed entity will be PEL, which is there today as well.

(c) Regulatory Approvals:

This Scheme of Arrangement is subject to the approval of all the regular approvals, shareholders and creditors, RBI, SEBI, stock exchanges, the Hon'ble National Company Law Tribunal, and other regulatory authorities, as applicable.

We expect that all the approvals, which I have talked about now, should get done in a 9-10 month period. Also, these we believe are fairly routine approvals.

And these are approvals which will not only benefit minority shareholders on one hand, but it will help the regulator have a simplified structure and better regulation.

Strategic Rationale:

Now, coming to the Strategic Rationale. As you all have been asking at every analyst meeting that “When will the demerger take place?” So, you know the rationale, but I will tell you from our point of view.

- The first one is, it **simplifies the corporate structure** with two separate pure-play entities in the Financial Services and Pharmaceuticals space.
- It **strengthens governance architecture** for the businesses, with separate dedicated Boards and Management teams.

- We are also **creating an optimal capital structure**. As you know, the capital structure for a Financial Services business compared to that of a Pharmaceutical business is quite distinct. And therefore, today we have an opportunity to create what is an optimal structure.
- There is also **clear deployment of respective business' cash flows**. Again, another requirement of many analysts and investors telling us that “They would like to understand cash flows from each business and whether there was intermingling of those.” So, here is now clarity in that.
- And it **gives both entities the ability to independently pursue growth plans** organically and inorganically. As you would see from the material that has been given to you, both the businesses are now adequately capitalized and there is a good runway for growth both organically and through acquisitions for the Financial Services business, as well as for Pharma.
- And we believe that this would also **enable better understanding of our two listed entities** by you the investors and the analyst community and would lead to better reporting of operating parameters for individual entities.

Implication for shareholders:

So, what is the implication for shareholders? Just to clarify once again, shareholders of PEL today will directly own shares in both the listed entities without any crossholding and minority stakes.

Also, there will be no change in the shareholding pattern of Piramal Enterprises.

Preparation undertaken ahead of the demerger announcement:

As you are aware, we have been talking about this merger for the last few years and I have been consistently saying that in the mid-term we will separate out these two companies into two businesses and into two independent companies, and over this period, we have been preparing for this.

Over the last two years, we have taken several measures to come to this stage.

- First of all, as you are all well aware, we strengthened our balance sheet by getting equity inflows of Rs.18,000 crores since March 2019 against our commitment to you of getting Rs.10,000 crores.
- Secondly, we have deleveraged the company. Today on a consolidated basis, PEL's net debt-to-equity is reduced to 0.9x in March '21 versus 2x in March '19.
- We have divested our non-core businesses with the sale of DRG.

- We brought all Pharmaceuticals businesses under one company last year, PPL and strengthened its balance sheet by raising \$490 million from the Carlyle Group for a 20% stake in the pharma business.
- We are growing our multi-product retail lending platform in line with our strategy of diversifying our book into both retail and wholesale.
- And this is further enhanced by the merger of DHFL, wherein our book in the near-term would be 50% retail and 50% wholesale. And now we have a much more robust and future-ready Financial Services business.
- We have further strengthened our Board and Management teams across Pharma and Financial Services space.

Concluding remarks:

In summary, the demerger and simplification of a corporate structure will create two independent listed entities in the Financial Services and pharmaceuticals sector and both the entities will have a leadership position across the business segments they operate in. All my family members and I will remain fully committed towards growth and stability of both the listed entities. The demerger also empowers both businesses to be future-ready by independently pursuing their growth strategy with sharper focus on the strategic priorities.

I am confident that both these entities will emerge as two strong companies which will have a good runway for growth. Going forward, in line with our philosophy of “Doing Well and Doing Good” both the listed entities will continue to work towards creating value for our shareholders.

With this, I am open to questions; me and my team are all here for you and thank you very much once again for participating.

Q&A Session:

- Moderator:** The first question is from the line of Aditya Jain from Citigroup. Please go ahead.
- Aditya Jain:** Thank you. Sir, a couple of clarifications. So, one, if you could talk about who will be the leadership team at both the listed entities? And secondly, PEL which will become a listed NBFC, so PCHFL is it only holdco and every other subsidiary which used to be doing pharma business or otherwise will be within Piramal Pharma Limited. Just wanted to confirm that.
- Ajay Piramal:** So, let me confirm that all the Pharma subsidiaries and all the Pharma business whatever was in PEL will be part of Piramal Pharma Limited. So, there will be no intermingling between them. Of your first question, the management remains unchanged. Piramal Pharma Limited is run by its CEO, Mr. Peter DeYoung and will continue do so. As far as PEL is concerned, it will continue to be run as before. In the retail business of DHFL, we have Mr. Jairam who is the Managing Director of that business will continue. The wholesale business, we have Mr. Khushru Jijina and

his team that will continue. And overall, Rajesh Laddha and his team will also continue. So it will remain unchanged in that sense.

Moderator: The next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: Congratulations on two updates, in terms of the DHFL integration as well as the demerger announcement. A couple of questions. Firstly, in terms of the net worth, so the excess net worth which was there, maybe last time we have clearly allocated the net-worth towards Pharma. So that's the only thing that is flowing into the Pharma entity which will be demerged and the entire excess net worth which was there, unallocated equity, that will stay with financial services or it depends upon the organic / inorganic opportunity for both the businesses?

Ajay Piramal: Of the total net worth, about Rs.6,800-7,000 crores will be in the Pharma space. And that will move into Piramal Pharma Limited. The balance will continue to be in Piramal Enterprises, out of which the 100% subsidiary, which is PCHFL after the merger of DHFL, will have an equity of about Rs.11,000 crores. And that will remain with PCHFL and will be used to grow the retail book. The balance equity remains in PEL.

So, if you look at it, there is enough equity both in the Pharma space, where the net debt-to-EBITDA is in the region of a little over 2x. So, there is enough scope to grow that. Similarly, if I look at PCHFL alone after even the merger of DHFL, the debt-to-equity will be 3.5x. So, we are adequately capitalized in both and there is still excess unallocated equity left in Piramal Enterprises.

Kunal Shah: Maybe in terms of Rs.35,000 crores of equity, what you are saying is Rs.11,000 crores will be in PCHFL, Rs.7,000-odd crores in Pharma and Rs.17,000 crores will be at PEL level into the NBFC, so that's the...

Ajay Piramal: Roughly, yes.

Kunal Shah: In terms of the cash also which is normally lying in the balance sheet of Rs.7,000-odd crores, so would that be more towards the Financial Services business or that's pertaining more to the pharma business?

Ajay Piramal: No, that is pertaining to the Financial Services business. That is all the regulatory requirement which RBI has, and a little more excess.

Kunal Shah: So, cash will also flow into the Financial Services business?

Ajay Piramal: Correct.

Kunal Shah: Secondly, in terms of the structure which we are looking of amalgamating PHL Fininvest into PEL and then having 100% subsidiary, any regulatory challenges that we see in terms of the approval over there?

Ajay Piramal: It is subject to RBI approval. We believe that RBI would be happy with this, but we will wait and see because in that case, today there was some lending which was in PHL Fininvest, something in PCHFL, little bit in PEL and RBI was not very happy with that. Here, now we are consolidating the lending into one NBFC and one HFC. So, I presume they will be happy but we will wait and see for their reaction.

Kunal Shah: And in terms of the funding cost benefit, so that will still flow through because retail will still sit at PCHFL, so the funding cost benefit will ideally flow to PCHFL and not at Piramal Enterprises, I think that funding cost will still continue to be there because wholesale book is still lying and people will view it as somewhat similar what is existing today.

Ajay Piramal: We think overall weighted average cost will come down across the board in Financial Services.

Kunal Shah: Any tax implication on this demerger?

Ajay Piramal: There is no tax implication as far as this demerger is concerned.

Kunal Shah: So, there will be no liability, nothing which will get created goodwill, there is nothing which is out there?

Ajay Piramal: No.

Moderator: The next question is from the line of Prakash from Axis Capital. Please go ahead.

Prakash: I missed the comment if already discussed on the cash. So, what is lying in the Pharma books today? We have in the past said that we would need some funds for the CAPEX as well as some inorganic opportunities, where we see some gaps in terms of service offerings to scale up further and also scale up the OTC business, so we have a strong growth plan on the pharma side. Just wanted to understand: a) the cash position today and b) which are the first few initiatives that we can see in these businesses?

Ajay Piramal: As far as Pharma is concerned, if you look at the debt-to-EBITDA, there is enough scope for growth. Today, the debt-to-EBITDA is a little over twice after doing a Rs.750-crore acquisition in June of this year. So, there is enough runway for growth both for acquisitions as well as for organic growth. Just for your information, in the last 12-months, Pharma has seen three acquisitions that we have done; Hemmo, which I spoke about, which was done in June this year. And last year we did two of them; we acquired a plant in Sellersville, Pennsylvania, the US, and we also acquired 50% of the balance shareholding of our joint venture with Navin. In spite of that, our debt-to-equity today is still conservative and there is scope to grow.

- Prakash:** Absolute number of the Pharma debt level?
- Rajesh Laddha:** Roughly about Rs.3,200 crores.
- Prakash:** Equity base?
- Rajesh Laddha:** Equity base is Rs.6,800 crores.
- Moderator:** The next question is from the line of Satwik Jain from Perennial Fund. Please go ahead.
- Satwik Jain:** So, it had already been discussed regarding the debt level. Just wanted to clarify like going ahead are there any plans to become debt-free in the Pharma business specially? And the second thing, are we planning any re-entry into the domestic formulations business?
- Ajay Piramal:** In Pharma, we don't have a plan to reduce debt too much. I think this is a conservative level. We would rather put funds into growth. I think that will give a better return to shareholders and that's what we want to do in the Pharma space. There is enough of a headway to grow. There are opportunities for growth and we will invest in growth. There will be cash flows coming in, but I think we want to reinvest in the business sometime.
- To your second question, we have been evaluating it. If it makes economic sense, we will do it because valuations are pretty stiff. And I keep saying that we as a business, we are not like a private equity who will enter in something, the exit multiple goes up, they exit in three, four, five years depending on the multiple. We want to grow a solid business which will continue in the long-term as we have done in the past. We believe that's a good space to enter in if the value is right. So, we will evaluate it, in terms of valuation.
- Moderator:** The next question is from the line of Utsav Mehta from Edelweiss Asset Management. Please go ahead.
- Utsav Mehta:** My first one is we have seen like very strong consolidation of both businesses over the last two to three years. Could you just talk a little bit about, from now to let's say three years out, how do you see ROEs moving in each of the businesses? And when do you believe you will be able to sort of hit and break the double-digit barrier in both?
- Ajay Piramal:** I think we will share numbers much more later, but we are focused on that. If you look at it, it's just part of a long-term strategy that we were doing and I think we are in that line. We have now strengthened both the businesses in terms of equity. We believe that there are many opportunities for stronger companies to grow into the future. Opportunities are there both in the organic space as well as through acquisitions. If you look at financial services as well, I see a consolidation taking place on a daily basis. Those companies which have strong equity and have good access to debt levels, I think there is going to be many more opportunities to come. So, we are just waiting for that. If you look at it, we have been able to easily absorb this acquisition of DHFL

which is a large acquisition; it is a Rs. 34,000-crore acquisition and we have been able to digest it, in financial terms, quite easily. So, I think let's be patient. You will see the improvement coming through. There is fire power there and we will continue to grow now.

Utsav Mehta: My second question is on the question asked earlier on the domestic formulations and potential entry into it. I understand the valuations, but could you just help us understand what are the kinds of payback period which you are looking for?

Ajay Piramal: I can't give you too much details now. Let me say that till now we have had a successful record of doing acquisitions, integrating them and creating value. That's what we will do. The payback period really varies, depending on where we think the future will be. So, let's leave it at that.

Moderator: The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Thanks for taking my question and congrats on the successful execution of all your plans over the past 2 years. I had a follow up question on one of the things that was said. You mentioned that the debt-to-equity ratio in PCHFL will be 3.5x on an equity of Rs. 11,000 crores. But if I look as of FY'21 PCHFL anyway has Rs.30,000 crores of debt and now from Dewan we are taking over and another Rs. 20,000 crores, so at Rs. 50,000 crores it comes to almost 5x, so what exactly am I missing here?

Rajesh Laddha: These numbers what Mr. Piramal has just given are pro-forma numbers. Between March '21, now and say another two, three months the debt levels of PCHFL on standalone basis is coming down because of the fact that some of the down-selling, etc., which is happening from PCHFL. So, as we speak, it will be in the range of about Rs.25,000-odd crores, Rs.19,500 crores is coming from Dewan, and by next three, four, five months' time by March '22 it will be down by another Rs.5,000 crores is what our expectation is. So, on a pro forma basis like-to-like both DHFL in next three, four months' time, we expect this to be around Rs.40,000 - 42,000 crores.

Piran Engineer: In the future, would you be also looking to merge the HFC with Piramal Enterprises, or it would always be a standalone HFC as a subsidiary and NBFC as a holdco?

Ajay Piramal: That just gives us flexibility. We will see how it comes and how the future plays out to be. So, it just gives an option; if you want to merge, you can merge or if you don't want to. So whatever as we have done in the past, we will do whatever is in the best interest of all shareholders and the business.

Hitesh Dhaddha: Our HFC is well-positioned in the affordable housing finance market now, apart from the specialized wholesale play that we have. I think these are two really good areas where we will continue to focus on to grow our HFC, apart from the multi-product strategy that we will have at the overall financial services level.

- Moderator:** The next question is from the line of Abhijit Tibrewal from Motilal Oswal Asset Management. Please go ahead.
- Abhijit Tibrewal:** Sir, two questions here. Firstly, will it now be fair to assume that we will be doing on the housing and the allied products through our HFC subsidiary which is PCHFL? And on the other retail products that we talk about and the non-real estate wholesale lending, on the retail side we talk about doing SME loans, used car loans, education loans, the unsecured personal loans, will all be housed on the holding Piramal Enterprises balance sheet now?
- Ajay Piramal:** By and large yes, but I want you to look at it on a consolidated basis between Piramal Enterprises and PCHFL, that is a fairer and better way of doing it. But the direction what you are saying is right, but it's not going to always be like that. I don't want to put a black line that this is what will be on this side and the other. So, there will be some flexibility. So, look at it on a consolidated basis.
- Abhijit Tibrewal:** The other question was in June quarter when we reported our results, there was an unallocated equity and including investments in the Shriram Group of about Rs.11,300 crores. Sometime back you said that we will be having Rs.11,000 crores of equity in PCHFL, another Rs.17,000 crores in PEL. So, is it fair to say there is no more unallocated equity that remains now and a large part of this this unallocated equity which was there have been unallocated to PEL now?
- Ajay Piramal:** PEL is really unallocated only, because there is hardly any debt at the end of the year, we will not have significant debt, so we will see what to do.
- Abhijit Tibrewal:** Are we now in a position to kind of disclose what is the quantum of wholesale and retail loans separately which will kind of come on our balance sheet now after the consummation of this transaction? What are your thoughts around this life insurance business that's coming along with DHFL?
- Ajay Piramal:** We will be in a position to answer the difference between wholesale and retail when we give our six-monthly results, because the auditors and us will discuss that and finalize that. Let's say as far as DHFL is concerned, most of it will be only retail because we have bought the wholesale at a much lower valuation and will continue to reflect that. But the numbers, you will see later.
- On life insurance question, we are still debating what to do. All the options are open with us today. And that was not an area of focus till now. We had valued DHFL on the basis of the existing book. Now, we are looking at it. We are also in talks with Pramerica, which is a partner, and then we will decide what to do.
- Abhijit Tibrewal:** This Rs. 65,000 crores of loans that we have disclosed in our presentation, I am assuming this is at the Piramal Financial Services level, right and not just PCHFL?
- Ajay Piramal:** Yes, it's a consolidated number.

- Abhijit Tibrewal:** Which is to suggest that from the Rs. 43,000 crores number that we reported as on June... and again this Rs.65,000 crores number is also pro forma as on June...
- Ajay Piramal:** Yes, Rs.65,000 crores is approximate, because as I said the real numbers you will come to know at the end of this quarter when the quarter results are there.
- Moderator:** The next question is from the line of Alpesh from IIFL Capital. Please go ahead.
- Alpesh:** If I am not wrong, in the earlier mergers at the financial services level, we had around Rs.10,000 crores kind of goodwill at the PCHFL level. So that still remains, or it would be knocked-off during this entire merger process?
- Rajesh Laddha:** That will continue in the balance sheet as goodwill. And corresponding to that, we have the net worth as well, capital reserve. That's not available for CRAR purposes, so we don't count that, number when we are disclosing the net net-worth number to you.
- Alpesh:** At the PEL level, we are still planning to go ahead with around Rs. 20,000 crores kind of net worth allocation to that business, whereas the Piramal Fininvest, I think the loan book is less than around Rs. 10,000-12,000 crores, if I am not wrong. Any rationale of keeping such a high capital at that level rather than allocating it to the housing finance subsidiary more, which is going to be...?
- Ajay Piramal:** How does it matter? It makes no difference. It's a consolidated balance sheet. We want the housing finance company to really run on its own. Otherwise they get spoilt with too much capital. So that's an internal discipline we want to keep. As far as you are concerned, you could do even consolidated.
- Moderator:** The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Just to understand now with this DHFL in our fold, whether PCHFL will be a reverse merger as we were discussing or if you can spare any thought on that?
- Ajay Piramal:** Yes, it is a reverse merger, it happened now; PCHFL has merged into DHFL and now we have asked for a change of name of DHFL.
- Bharat Sheth:** And what will be the benefit of this – unabsorbed tax loss which was sitting on DHFL's book?
- Ajay Piramal:** We will get the benefit.
- Moderator:** The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Sir, while you alluded to your plan to reenter into domestic formulations, just I would like to understand while you are present across the value chain of synthesis based CDMO opportunities, are there any plans to at least go into inorganic way for the biologics space CDMO, given that that is one of the key levers of growth to be seen over next four to five years at the industry level?

Ajay Piramal: We believe that even in the chemical business there are enough growth opportunities at first. So it's not only biologics which makes the growth. In these areas as well, there's a lot of growth happening. So that's one. Second, biologics, let us see if we get a reasonable acquisition, we will look at it. We do look at it but frankly the valuations of biologics are very high today. So, if it makes sense, we will do it. I just want to tell you again and again the same thing that as far as acquisitions is concerned, we have a lot of discipline in our mind. Maybe you may think we are conservative, but I think that has held us in good stead for so many years. So, we want to continue being conservative and creating value from all our acquisitions. That's the overall approach. Till now you have seen, it has paid results.

Just to go back in history, we sold our domestic formulations business in 2011 if you remember for USD 3.8 billion. Now in 10 years, we have been able to build a similar sized business through both organic as well as inorganic means. We will continue on that path.

Moderator: The next question is from the line of Kunal Dhamesha from Emkay Global. Please go ahead.

Kunal Dhamesha: If you could share the gross block in the pharma business and the PAT for FY'21?

Rajesh Laddha: Net block is about Rs.6,000 crores, may be as of 30th September. If you want, we can separately share gross block and depreciation number.

Kunal Dhamesha: Second question is more on the pharma business outlook in terms of the acquisition. So we have done three acquisitions in last 12-months. So, in terms of capabilities or in terms of the growth drivers, are we there in terms of where we want to be, or we can see some more capability building acquisitions going forward?

Ajay Piramal: We will continue. In the CDMO space particularly, there are very niche areas that you can get capability and sometimes we make those acquisitions for the capability that we'll have, as well as the customers we'll have. So that we continuously look forward. There will be opportunities all the time.

Moderator: The next question is from the line of Devanshi Ashar from Sheela PMS. Please go ahead.

Devanshi Ashar: Last time when we sold 20% of the stake to Carlyle that was at what valuation? And now at present after this structure, what will be the value for the pharma business?

- Ajay Piramal:** I can tell you the first part of your question, it was at USD 2.8 billion valuation. The second part is for you all to tell me or the markets to decide. We don't know what the valuation will be. We will wait and see.
- Moderator:** The next question is from the line of Share Surya from PMS Vantage Impex Private Limited. Please go ahead.
- Share Surya:** Now, is there any plan to acquire any private sector bank?
- Ajay Piramal:** We will keep an eye and let's see. My answer is the same, first of all, if it makes sense in value, then we will do it. But I just want to remind you that we also have to now do the real integration, where the work comes for the DHFL. So that is the job we are doing. This is only the structuring job that we have done. But actual integration is still to be done.
- Share Surya:** Actually, it may be more of beneficial to the organization Sir, and very much cheaper in the marketplace for the private sector bank?
- Ajay Piramal:** Yes, we will look at it.
- Moderator:** The next question is from the line of Hatim Broachwala from Union Mutual Fund. Please go ahead.
- Hatim Broachwala:** Sir, my question is on DHFL. So, it seems from the presentation that we are getting a book of roughly Rs.20,000 crores from DHFL and for this transaction we are paying net Rs.23,000 crores ex of cash, which is already there in the DHFL balance sheet. So, there will be a gap of roughly Rs.3,000 crores. So, this Rs.3,000 crores will be reduced from the net worth, is that the right understanding?
- Rajesh Laddha:** There is no reduction on the net worth. What has been done is whatever cash was lying on the balance sheet of DHFL as at 30th September, that cash has been used up and the balance funding has been done by PCHFL, which was approximately Rs.2,000-odd crores as at 30th September. So, there is no impact on the balance sheet.
- Hatim Broachwala:** But we will be paying Rs.23,000 crores, right to DHFL lenders?
- Rajesh Laddha:** No, Rs. 34,500 crores was the total consideration, of which we have issued debentures to the extent of about Rs.19,500 crores. The balance is about Rs.14,700-odd crores of cash which we had to settle. I am saying we have got cash of about Rs.12,500 crores on the balance sheet of DHFL. So, the balance cash which got discharged was about Rs.2,000-odd crores as at 30th September.
- Hatim Broachwala:** So the total NCDs plus cash out of our balance sheet is Rs.22,000 crores which we have paid?

- Rajesh Laddha:** Roughly, yes.
- Hatim Broachwala:** Because we are getting a book of Rs.20,000 crores, so there will be still a gap of Rs. 2,000 crores?
- Rajesh Laddha:** No, we have not said Rs. 20,000 crores. That purchase price allocation is yet to be done as chairman mentioned earlier. We haven't closed the accounting part of it. I am just giving you a reconciliation of how consideration got discharged. When I do a total accounting of Rs. 34,500 crores, which is the consideration amount and allocated to various assets including retail book, wholesale book, insurance book and cash itself which was there on DHFL's books.
- Ajay Piramal:** I think you just wait till when the accounts are published.
- Moderator:** The next question is from the line of N Jayakumar from Prime Securities. Please go ahead.
- N Jayakumar:** Congratulations, to the entire team and Mr. Piramal for an outstanding acquisition. From a stock market valuation perspective just wanted to understand, this Rs.35,000 crores that we have the total net worth, Rs.6,000 crores as you indicated has gone to the Pharma business and that will be valued separately. Is it fair to say therefore that it's not really relevant where this Rs.29,000 crores balance resides, because it needs to be seen as a financial services business with the total book value of Rs.29,000 crores and a price-to-book multiple of that, being the effective valuation that we will need to arrive at?
- Ajay Piramal:** I guess that's how you can look at it, yes. Rs.7,000 crores in Pharma, balance is in this, Yes.
- N Jayakumar:** That would be the simpler way because along with the simplification, the business is also a simplification of the valuation because when it was combined, I think people weren't clear how to value the composite. This Rs.28,000 - 29,000 crores will be used interchangeably in a sense between the two, but maybe for tax purposes, the subsidiary will remain....
- Ajay Piramal:** This is between the two Financial Services businesses, Piramal Enterprises and PCHFL.
- N Jayakumar:** But the subsidiary may remain as DHFL or PCHFL, depending on the name change, so that the tax advantages remain there?
- Ajay Piramal:** Yes.
- Moderator:** The next question is from the line of Anurag Jain from Green Lantern Capital. Please go ahead.
- Anurag Jain:** Two questions. PEL has transferred around Rs.565-odd crores of Pharma business into PPL. Was this already part of the Carlyle transaction earlier?

- Rajesh Laddha:** The way the demerger has been planned, when we subsidiarized the business last year and got Carlyle into PPL as a 20% stakeholder, we had retained some part of the business; one plant and some OTC distribution business in PEL. Now since we want to transfer all the businesses and its subsidiaries to a separately listed entity, we are transferring lock, stock, and barrel. So, Mahad plant, OTC business, investment into PPL, all subsidiaries under PPL are now getting merged into PPL and then PPL is getting a separately listed entity.
- Anurag Jain:** Why I was asking this question was because Carlyle stake still remains 20% overall of the merged entity. So, was it valued earlier in this business that we have done?
- Rajesh Laddha:** Carlyle stake will slightly go up and there will be about 0.1 - 0.15% difference which will come.
- Anurag Jain:** In terms of timeline, what is your sense now from hereon in terms of listing of both the entities?
- Ajay Piramal:** We expect all these regulatory approvals will take about nine months.
- Anurag Jain:** So not this financial year?
- Ajay Piramal:** No.
- Moderator:** The next question is from the line of Jainis Chheda from Spark Capital. Please go ahead.
- Jainis Chheda:** Couple of questions on the Financial Services front. What will be the merged entity, like DHFL plus financial services of Piramal, the NPA numbers, estimated?
- Ajay Piramal:** We are still in the process of finalizing the numbers with the auditor. So just please wait for the six-monthly results and all these we will be able to tell you then.
- Jainis Chheda:** What will be the debt breakup on the Financial Services and on the Pharma business?
- Rajesh Laddha:** Pharma net debt would be about Rs.3,200-3,300-odd crores. Financial Services overall debt between PEL and PCHFL would be around Rs.42,000-45,000 crores.
- Moderator:** Ladies and gentlemen, due to time constraints, we take one last question from the line of Kunal Shah from ICICI Securities. Please go ahead.
- Kunal Shah:** Our narrative last time has been, in terms of this unallocated equity, we will keep it unallocated and maybe we will utilize it for new businesses or inorganic opportunity or return to shareholders. But now with this, is it like it's fairly allocated between PEL and PCHFL? I am not sure if Rs.17,000-odd crores in PEL is towards the wholesale book and again Rs.11,000-odd crores is in terms of the retail plus some proportion of wholesale over there and this unallocated equity is now getting utilized compared to that of a narrative that it will not be used for DHFL transactions or into the financing business?

Ajay Piramal: No, it's not allocated. Even after merger of Fininvest into PEL, the total AUM will be Rs.10,000 crores and less.

Kunal Shah: Okay, in PEL, it will be Rs.10,000 crores or less. So, there will be unallocated equity sitting at PEL level?

Ajay Piramal: Yes.

Moderator: I now hand the conference over to Mr. Hitesh Dhadha for closing comments. Over to you, Sir.

Hitesh Dhadha: Thank you, everyone. If you have more questions, we will be happy to take it up. For financial questions and other questions related to results, we will take it up during results announcement.

Moderator: Ladies and gentlemen, on behalf of Piramal Enterprises Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.