

9th January, 2017

BSE Limited

1st Floor, New Trading Wing,
Rotunda Bldg, P.J. Towers,
Dalal Street, Fort,
Mumbai- 400 001

National Stock Exchange of India Ltd.,

Exchange Plaza, 5th Floor,
Plot No. C/1, G. Block,
Bandra-Kurla Complex,
Mumbai – 400 051.

Dear Sir / Madam,

**Ref: BSE SCRIP CODE - 500302
NSE SYMBOL - PEL**

**Sub: SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-
Presentation made to the Analyst/ Institutional Investor**

Further to our letter dated 6th January, 2017 whereby we had given the advance intimation of Group Meeting of Domestic Investors, enclosed please find the presentation made at the meeting.

Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the presentation is also hosted on the website of the Company.

Kindly take the above on record.

Thanking you,

Yours truly,
For Piramal Enterprises Limited



Chanda Makhija Thadani
Assistant Company Secretary

Piramal Enterprises Limited

CIN : L24110MH1947PLC005719

Registered Office: Piramal Tower Ganpatrao Kadam Marg Lower Parel Mumbai 400 013.
Secretarial Dept. : Piramal Tower Annexe 1st Floor Ganpatrao Kadam Marg Lower Parel Mumbai 400 013.

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Piramal Enterprises Limited

Financial Services

CIO Meet – 9th Jan 2017

Diversified exposure across both wholesale and retail financing

Financial Services

Wholesale business

Retail business

Lending

Loan Book –
Rs. 19,170 Cr

Alternative AUM

AUM –
Rs. 7,315 Cr

Lending

Announced entry in
housing finance in Jan'17

Investments in Shriram

Total investments –
Rs. 4,583 Cr

Real Estate

Loans -
Rs.17,010 Cr

Sp. Situations

Loans –
Rs.2,160 Cr

Real Estate

AUM –
Rs.6,490 Cr

Sp. Situations

AUM –
Rs. 825 Cr

HFC

Applying for
license

SCL

20% stake

STFC

10% stake

SCUF

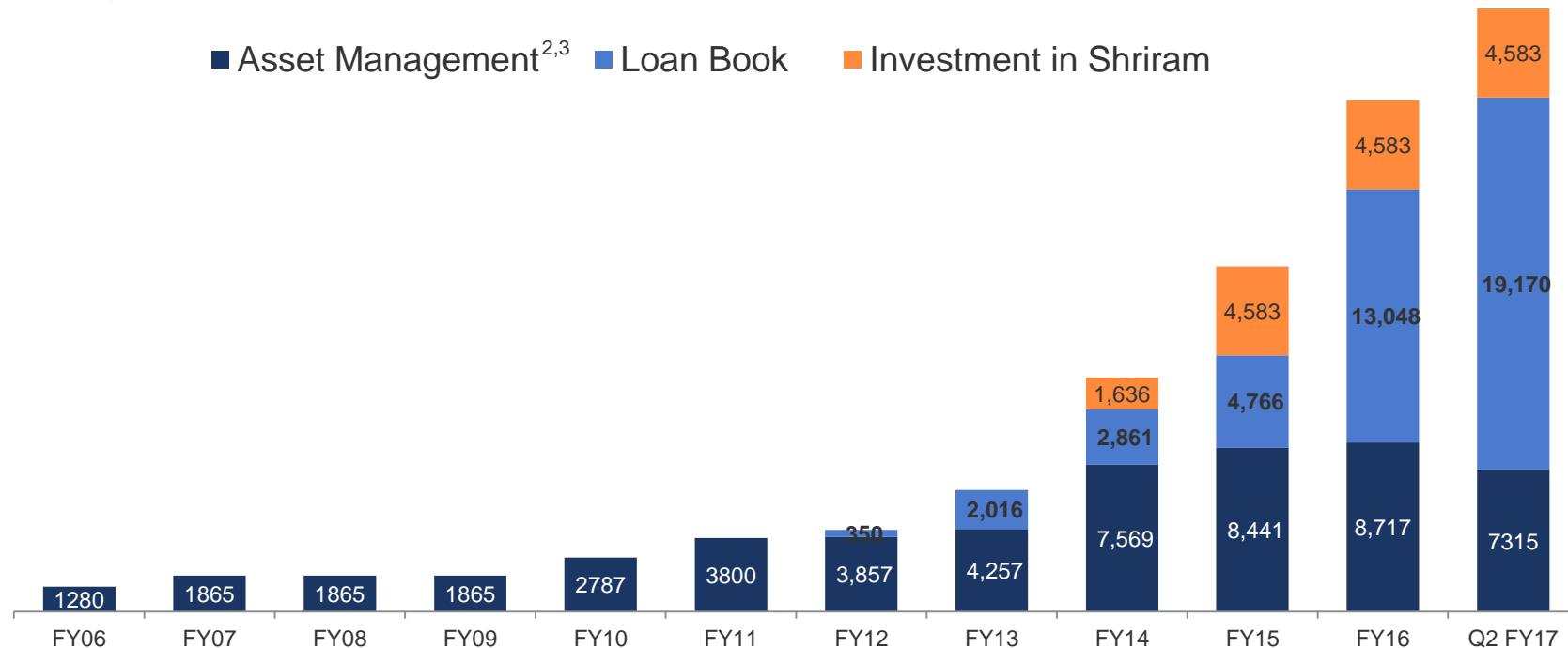
10% Stake

Strong portfolio with a total investments, loans and assets under management of Rs.31,068 Crores

Built a robust and scalable financial services platform

Rapidly growing financial services portfolio¹

(in Rs. Crores)

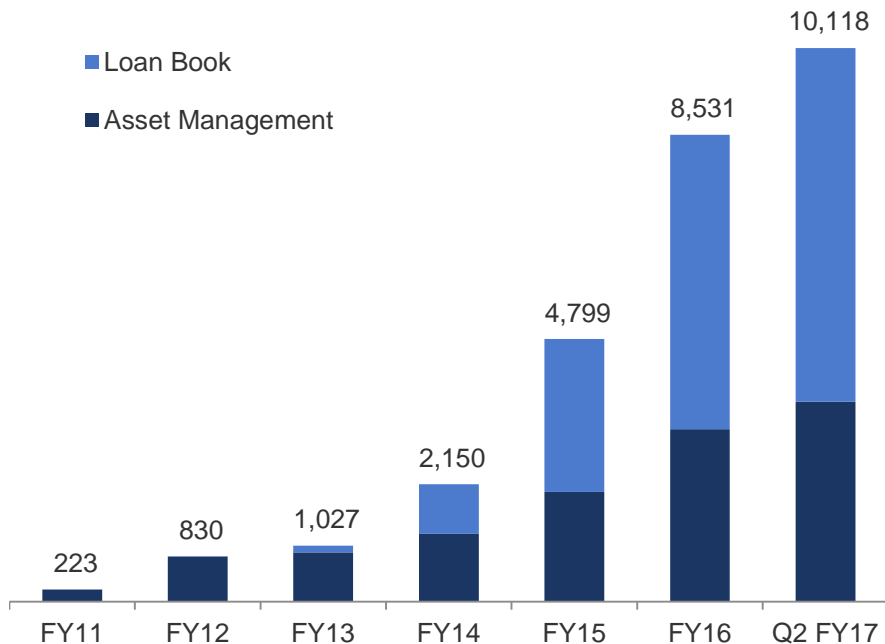


Notes:

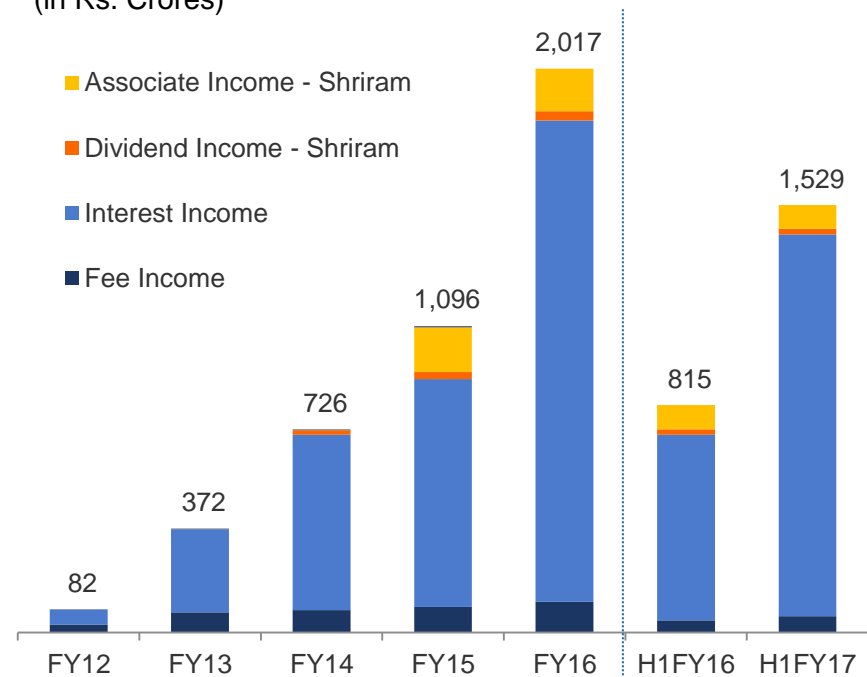
1. Excludes our investment in Vodafone India, which was exited during FY2015
2. Exits from Asset Management business have been included on calendar year basis
3. AUM from FY2006 to FY2011 represents INDIAREIT numbers

Built a robust and scalable financial services platform

Strong trend of cumulative exits / repayments^{1, 2}
(in Rs. Crores)



Rapidly growing income from Financial Services business
(in Rs. Crores)



Notes:

1. Excludes our investment in Vodafone India, which was exited during FY2015
2. Exits from Asset Management business have been included on calendar year basis

Consistently expanding product portfolio to boost growth

Products	2006	2011	2012	2013	2014	2015	2016	2017
Real Estate								
Residential projects								
Pure / Preferred / Mezzanine Equity	✓	✓	✓	✓	✓	✓	✓	✓
Senior Secured / Structured Debt		✓	✓	✓	✓	✓	✓	✓
Construction Finance						✓	✓	✓
Retail Housing Finance New								✓
Commercial projects								
Construction Finance New							✓	✓
Lease rent discounting New							✓	✓
Special Situations (Renewables, Cement, Transportation, etc.)								
Mezzanine Lending				✓	✓	✓	✓	✓
Loan against shares						✓	✓	✓
Senior lending							✓	✓
Stressed Asset Funding New							✓	✓
Total Assets under management (including loans) ¹ – (Rs. Crores)	-	3,800	4,207	6,273	10,430	13,207	21,765	

Note : 1. Financial year end numbers of loan book + AUM

Real Estate end-to-end financing model

Particulars	Private Equity	Mezzanine Lending	Construction Finance	Lease Rent Discounting	Housing Finance
Stages of lending for a project	Primarily for land purchase	Post land purchase till commencement of construction (Phase of obtaining approvals)	For construction of projects	Lease rental discounting for commercial projects	Announced our plan to enter in Jan 2017. Applying for HFC license.
Current Size	Off Balance Sheet (Third Party Funds with PEL sponsor commitment upto 7.5%)	On Balance Sheet	On Balance Sheet	On Balance Sheet	
Year of commencement	Started in 2006; acquired by PEL in 2011	2011	2015	2016	
Current Size	Rs.6,490 Crores	Rs.8,240 Crores	Rs.8,770 Crores	Target to scale up to a book size of Rs.10,000 Crores by FY2018.	
Average Yield / IRR	20-24%	17-19%	14-16%	11-12%*	
Tenor	4-6 years	3-5 years	4-6 years	9-12 years	

* To down-sell a portion of the portfolio to maintain RoE

Diversification into Housing Finance

India Advantage

- Huge untapped potential - Market size of Rs.24 trillion growing at a healthy CAGR of 20%
- Strong India demographics and Increased affordability
- Government initiatives like Housing for all by 2020, Pradhan Mantri Awas Yojana, Development of 100 smart cities etc.
- Govt. focus on increase employment avenues – Real Estate among the highest employment generating sector

Leveraging our strengths

- Strong reach – Funding 259+ projects of 79+ developers in top 6 cities
- Understanding of 91+ micro markets through proprietary data generated over last 10 years
- Deep understanding of Real Estate space over more than a decade
- Deep understanding of the ever changing external market environment
- Extensive use of technology, analytics and world class processes to give us competitive advantage

What we plan to do ?

- Current outlay of Rs.1,000 Crores
- Will provide customized solutions
- Expect to grow rapidly leveraging our strengths
- Striving for return in a range from mid to high teens
- Intend to provide turn-key solution to our customers by providing additional services such as home search, tie-up with interior decorator, real estate advisory etc.

Structured Finance (Special Situation Investments)

Type of product	<ul style="list-style-type: none"> Structured financing solutions for situations like last mile funding, promoter financing, cashflow mismatches, acquisition financing, etc.
Nature of security	<ul style="list-style-type: none"> Mostly first charge & escrow on existing / future revenues, fixed / movable assets, pledge of shares, corporate guarantee, etc.
Tenure	<ul style="list-style-type: none"> Fixed tenure of around 5-6 years with lock in period for 1-2 years
Security cover	<ul style="list-style-type: none"> 1.5-2x times

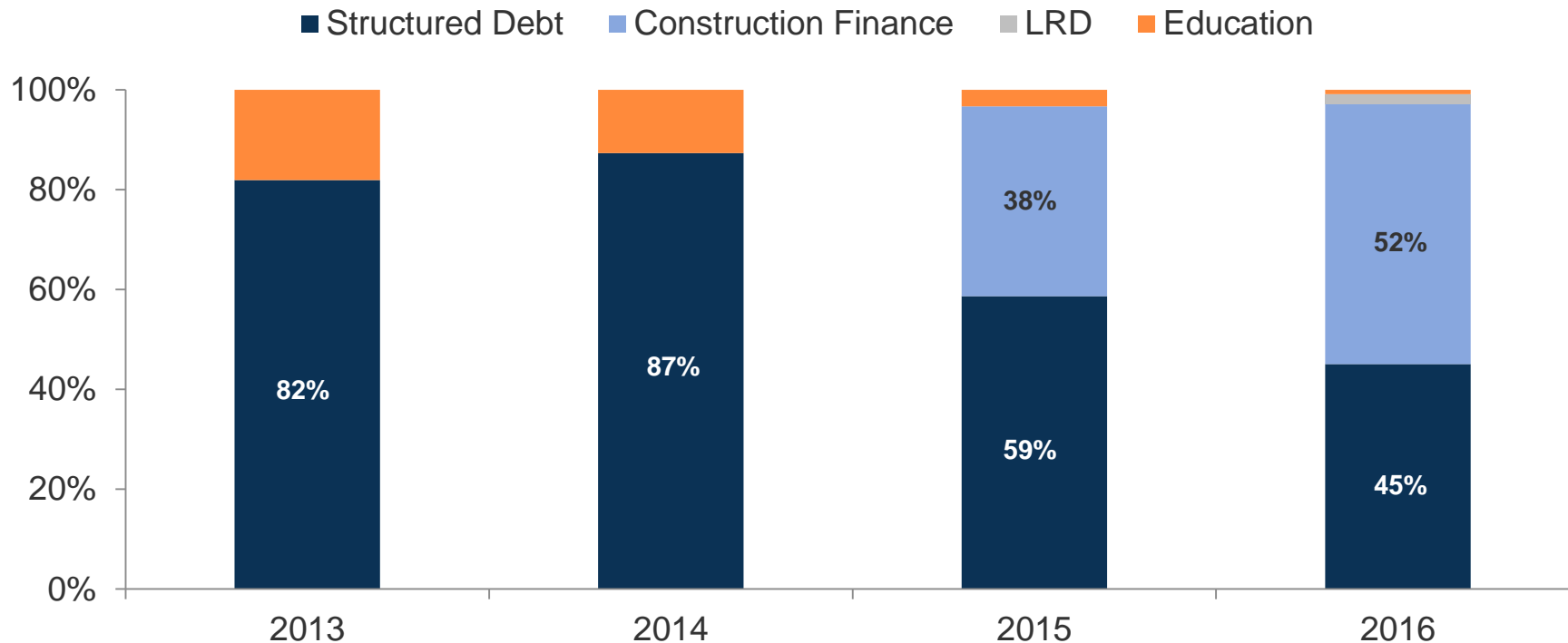
Sector Agnostic special situation transactions	Renewables	Infra	Cement	E'tainment	Services	Telecom	Others
Senior lending			✓	✓			
Promoter funding	✓	✓					✓
Loan against shares		✓				✓	
Mezzanine lending	✓				✓		
Stressed asset funding	Launched an India focused distress fund with Bain Capital Credit for investing debt / equity in distress companies in sectors other than real estate						

Why SFG can be a big play for us?

What has changed ?	Earlier	Now and going forward
Loan book size	Rs. 1,050 Crores as on Sept 2015	Rs.2,160 Crores as on Sept 2016; Target to double by FY2017
Sectors covered	Infrastructure and allied sectors	Sector agnostic lending
Products offered	Mezzanine lending	Senior lending Mezzanine lending Loan against shares Promoter funding
Yield range	Narrow range from 17% to 20%	Wide range from 13% to 20%

Significantly diversifying the Real Estate lending portfolio; lowering overall risk profile

Changing product mix (in %)



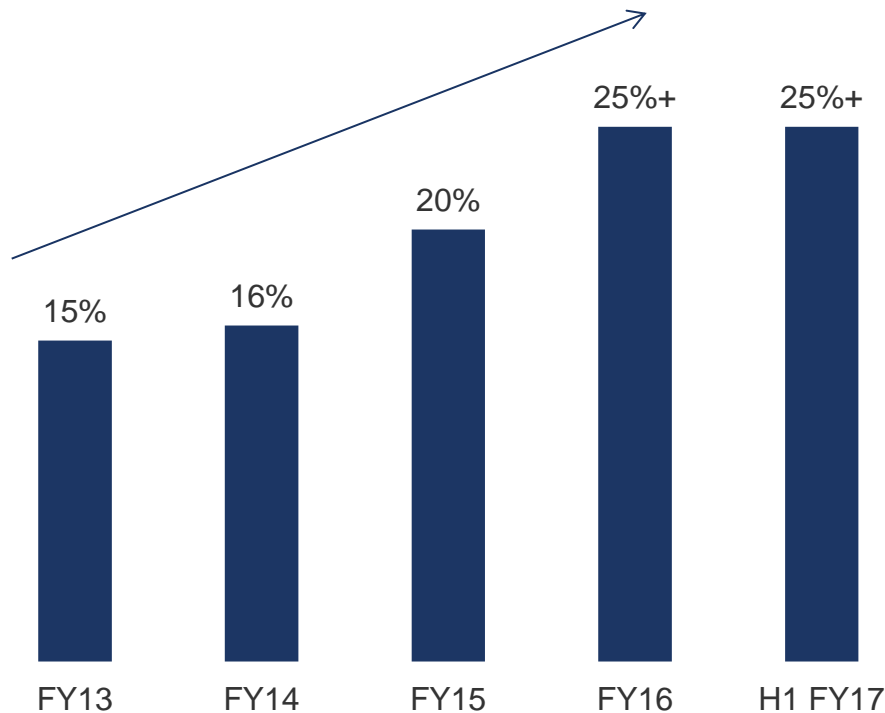
LRD and HFC to further improve this diversification and lower the risk profile

Loan book performance against key parameters

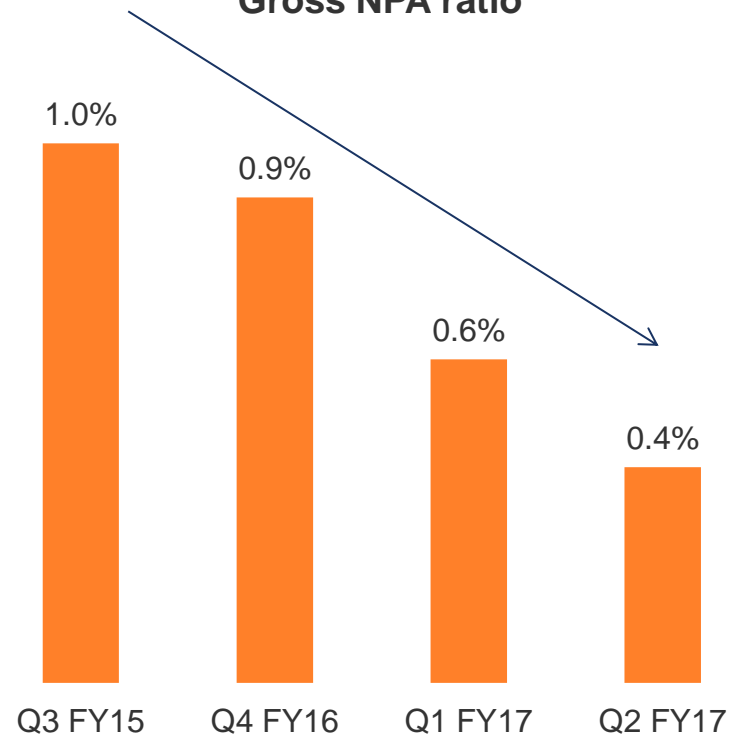
Particulars	H1 FY2017
Total Loan Book size	Rs.19,170 Crores
Average Yield on Loans	16%
Average Cost of Borrowings	9%
Cost to Income Ratio	~7.5%
Gross NPA ratio	0.4%
Provisioning	~2%
ROA	6%
ROE	25%+

Continue to deliver over 25% ROE with lowering NPA levels

ROE

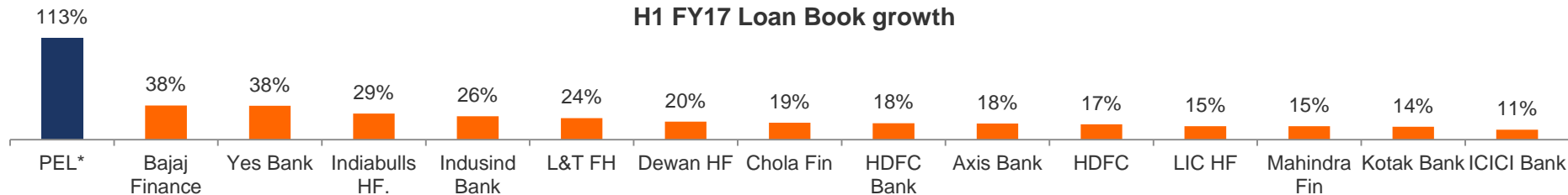


Gross NPA ratio

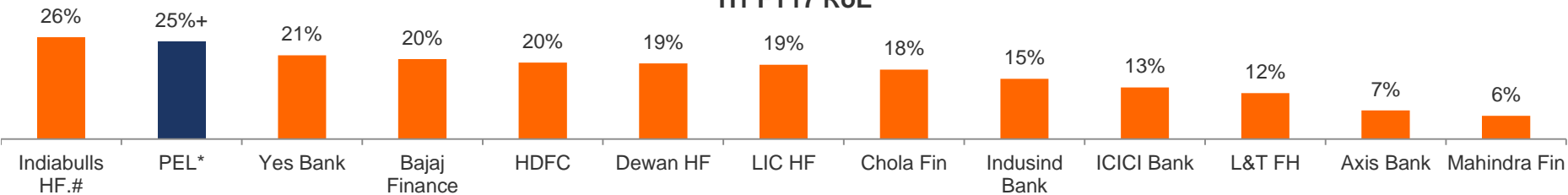


Our performance vs. peers

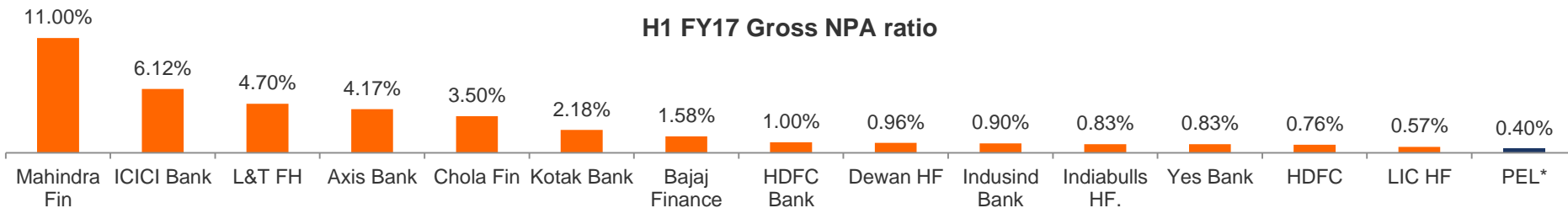
H1 FY17 Loan Book growth



H1 FY17 RoE



H1 FY17 Gross NPA ratio



* Loan book performance

Our performance Vs. top players over last few years

Loan book growth (%)	FY14	FY15	FY16	H1 FY17
HDFC	16%	16%	14%	17%
Bajaj Finance	37%	35%	36%	38%
PEL	42%	67%	174%	113%

RoE (%)	FY14	FY15	FY16	H1 FY17
HDFC	21%	21%	22%	20%
Bajaj Finance	20%	20%	21%	20%
PEL	16%	20%	25%+	25%+

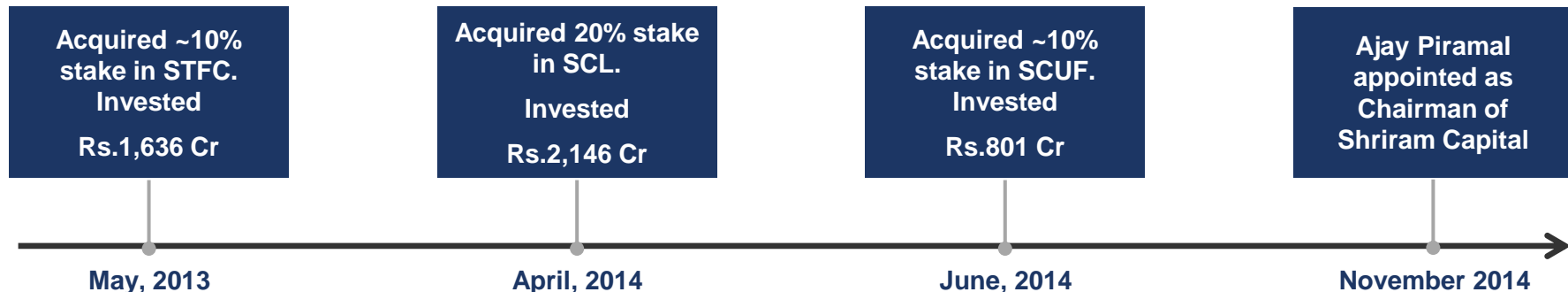
Gross NPA ratio (%)	FY14	FY15	FY16	H1 FY17
HDFC	0.69%	0.67%	0.70%	0.76%
Bajaj Finance	1.18%	1.51%	1.23%	1.58%
PEL	NR	NR	0.90%	0.40%

NR = Not reported



Partnership with Shriram – Strategic in nature

Partnership with Shriram – Strategic in nature



~Rs.1 tn Assets under management in financial services

~Rs.415 bn Market capitalization of listed entities¹

3,000+ Number of branches

77,000+ Manpower strength

10.5 mn Customers

#1 Industry rank in used CV and MSME financing

Mr. R. Thyagarajan, Founder of Shriram Group on Piramal's investment deal

Ajay Piramal is a good entrepreneur and we are organization builders. The equity investment by Piramal in Shriram creates a platform where both these skills get combined. So the entrepreneurial skills of Piramal Group will certainly help in introducing new ideas into the way we are doing business at Shriram Group.....and now with Piramal on board, we can look forward to better entrepreneurial thoughts that can enable the business to do things differently and at a different pace.

Source: Livemint, 17 April, 2014

Note:

1. Includes Shriram Transport Finance and Shriram City Union Finance



Measures to ensure healthy asset quality

How we ensure healthy asset quality?



Controls at pre-qualification stage



- Presence only in Tier 1 cities



- Focus on select micro-markets having intrinsic and end-user demand



- Grade 'A' developers having strong track record



- Presence in the real estate for a long time period



Controls at pre-approval stage



- **Sensitivity analysis** not just based on sales and cost but also based on velocity



- **Structures each transaction uniquely** to address any specific risks associated with the project

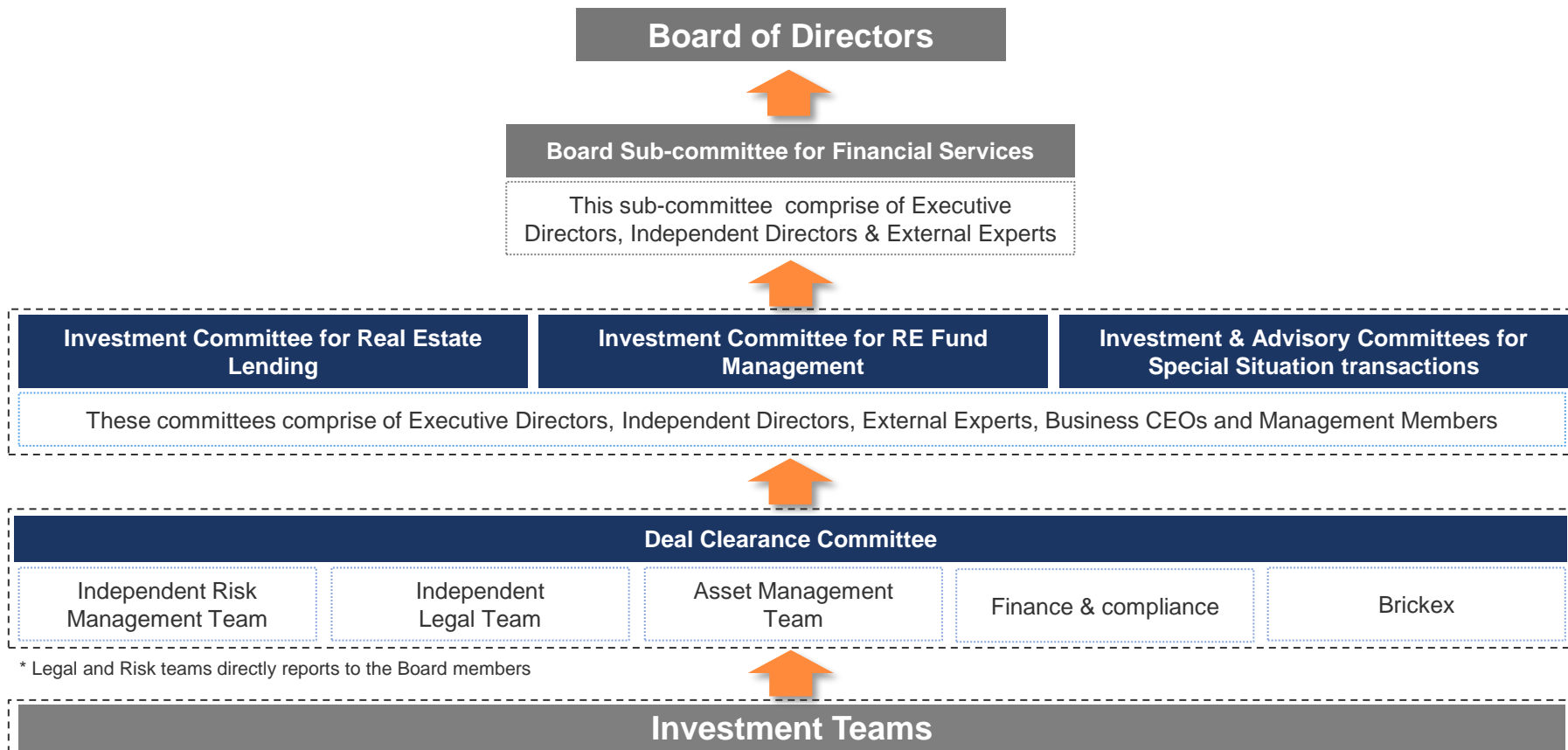


- **Proprietary risk scoring system** to avoid bias



- **Strategic alliances with global funds** serves as external validation of underwriting and re-assures the investment thesis

Review and governance mechanism



Focus areas of key functions

Asset Management Team

- Regular Site Visits
- Monitoring the project
- Providing real time feedback
- Micro-market analysis
- Performance review
- Ensuring adequate cash cover at all time

Risk Management Team

- Independent & unbiased assessment of risk
- Provide insights using portfolio analytics
- Analyse & benchmark deal based on proprietary risk ratings model
- Recommend changes to enhance the Risk-Reward pay-off

Legal Team

- Identifying legal risks
- Ensuring adequate mitigants
- Transaction structuring & compliance
- Legal Checks and Balances
- Due diligence and documentation
- Legal recourse in the event of default

Finance & Compliance Team

- Budgeting and forecasting
- Continuous tracking of ROEs
- Proactive monitoring of overdue accounts and exits
- Audits, compliances & internal controls
- Co-investment and down selling opportunities

Brickex

- Micro market research to assist price and velocity assumptions
- Support developer in achieving sales velocity
- Sourcing new deals through wide channel partner network
- To Support Retail Housing Finance

Technology Team

- End-to-end technology solutions
- Reduce turnaround time
- Centralised analytical capabilities
- Standardisation and efficiency in process
- Streamline processes

Investment Process up till Investment Committee

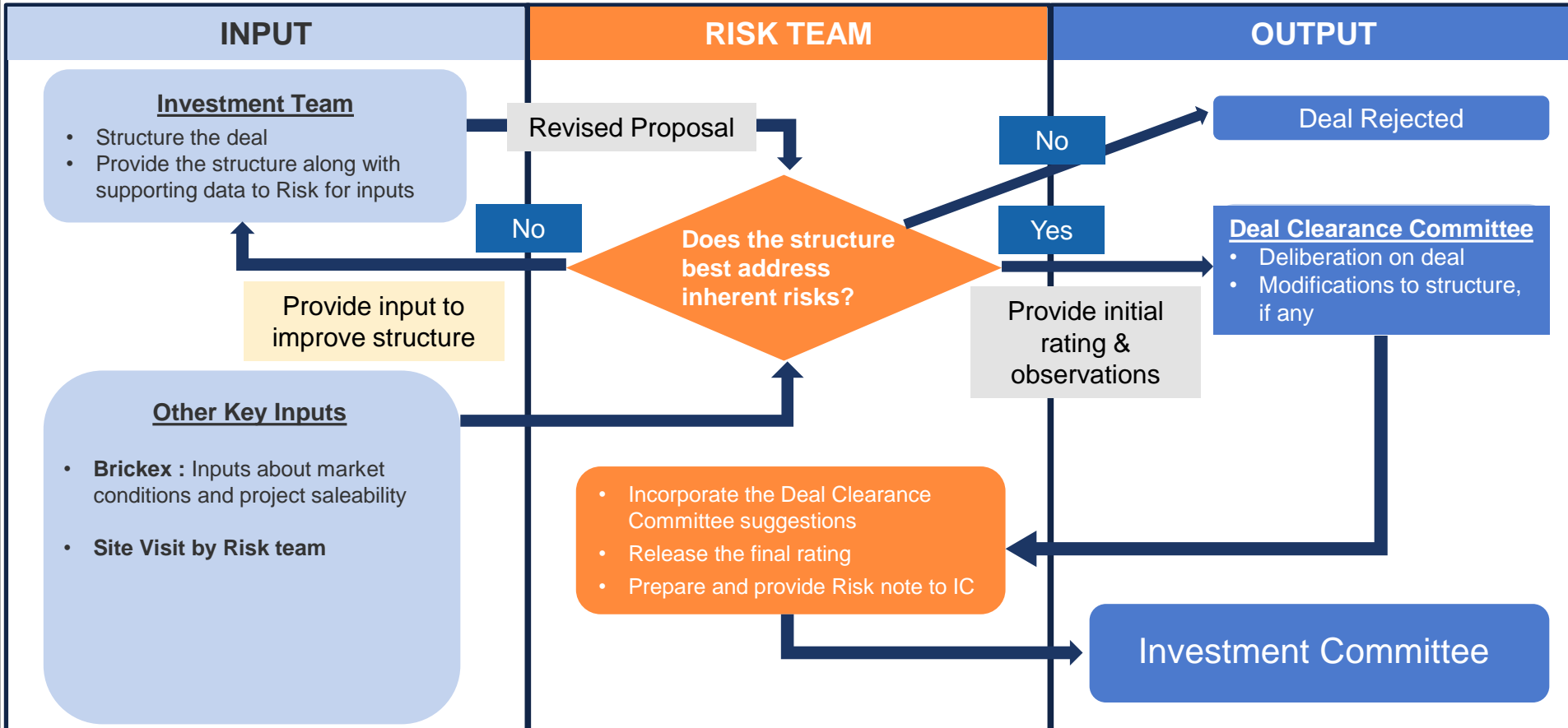


Illustration 1 : How we closed our largest deal?

	Developer Proposal	Our Deal
Facility Amount	Rs 1,500 Crores	Rs.2,320 Crores
Purpose	Towards Lender A exit	<ul style="list-style-type: none"> Rs.820 Cr – Towards takeover of existing loans on Project A and Project B (quality projects) Rs.1,500 Cr – Towards Lender A exit
Proposed Security	2 nd charge on Project C	<ul style="list-style-type: none"> 1st charge on Project A and Project B (Takeover of existing loans to have full control on escrow) 2nd charge on Project X & Project Y 2nd charge on Project W cashflows 1st charge on Plot A (10 Acres) 2nd charge on unutilised FSI of Project C
Disbursement	Full amount upfront	<ul style="list-style-type: none"> Linked to sales milestones of projects (ability to back test our sales assumptions)
Deal Type	General Corporate Purpose	<ul style="list-style-type: none"> Receivables discounting + Takeover of Construction Finance establishing full escrow control

Constant asset monitoring to ensure healthy asset quality



- **Local team** in every city where we operate to assess the performance right from investment to exit stage



- **Monthly / Quarterly site visits** to assess the project progress



- **Dedicated asset monitoring team** of financial and techno-commercial professionals that acts as check and balance



- **Monthly performance review** with regard to sales units, value & price, collections and various costs



- Both investment and asset management team spend significant time post disbursement to **detect and react to early warning signals**



- **Computation of monthly cash cover** to ensure adherence to stipulated cash cover

What does the asset monitoring team do?

Developers	79+	Transactions	145+	Projects pan India	259+
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'Ears to the ground' approach

- Periodic site visits (Monthly/quarterly)
- Monitoring construction status
- Real time feedback to the Investment Team

'Early Warning Signals' identified

- Actual V/s Investment Committee Business Plan (Sales Velocity, Selling Price, Collection, Costs)
- Cash Cover Ratio (Actual V/s Stipulated)
- Micro Market Analysis

Pro-active management of portfolio

- Project performance discussed
- Key issues highlighted
- Action items suggested
- Minutes circulated
- Market trends
- Regulatory developments

Site Visits / month	130+	Project escrow A/cs monitored per month	100%	PMC meetings done till date	79+
Developer sales MIS monitored per month	100%	Micro markets tracked	91+	Transactions covered per month	135+

Sample images of the construction sites - Proof of site visits with date and time



Sample of Site Visit Report

Tower Name	Expected completion date	Dec 07, 2016	Nov 23, 2016	Oct 20, 2016	Sep 20, 2016	Aug 16, 2016	Jul 18, 2016
No. of Labours on site		400 - 425	400 - 425	400-425	430-450	360-380	310-330
Tower 1 : 4B + G + 22 Flr.							
RCC	Mar, 2017	Work in progress on 18 th and 19 th floors	Work in progress on 18 th floor.	Work in progress on 14 th & 15 th floor.	Work in progress on 12 th & 13 th floors.	Work in progress on 9 th & 10 th floors.	Work in progress on 6 th & 7 th floors.
Block Work	Jun, 2017	12 th floor in progress.	9 th floor in progress.	6 th floor in progress.	4 th floor in progress.	3 rd floor in progress.	2 nd floor in progress.
Plastering / Gypsum	Sep, 2017	Gypsum started on 1 st and 2 nd floor.	-	-	-	-	-
Flooring	Dec, 2017	Awaiting for material to start with flooring in next week.	-	-	-	-	-
Finishes	Jun, 2018	-	-	-	-	-	-

Dashboard of site visits and stalled projects separately highlighted to the MD on a monthly basis

Sample of overall Portfolio Performance Review Sheet

O/s Summary (Rs crs)

Category	No. of Deals	Mumbai	Pune/Ahd	Bang/Hyd	NCR	Chennai	Total
Green – No Issue over next 6 months							
Yellow – No issue ; however, closely monitor for next 6 months							
Orange – Envisage stress over next 6 months							
Red – Default							
Total							

Note: Colour coding is done after factoring in the project performance vis-à-vis budget on the following parameters

1. Sales Velocity in terms of units, area and value
2. Pricing – per sq ft and ticket size
3. Collections
4. Approval timelines
5. Construction cost incurred
6. Cash cover
7. Ability to meet principal and interest obligations
8. Site visit findings

Process after getting early warning signals

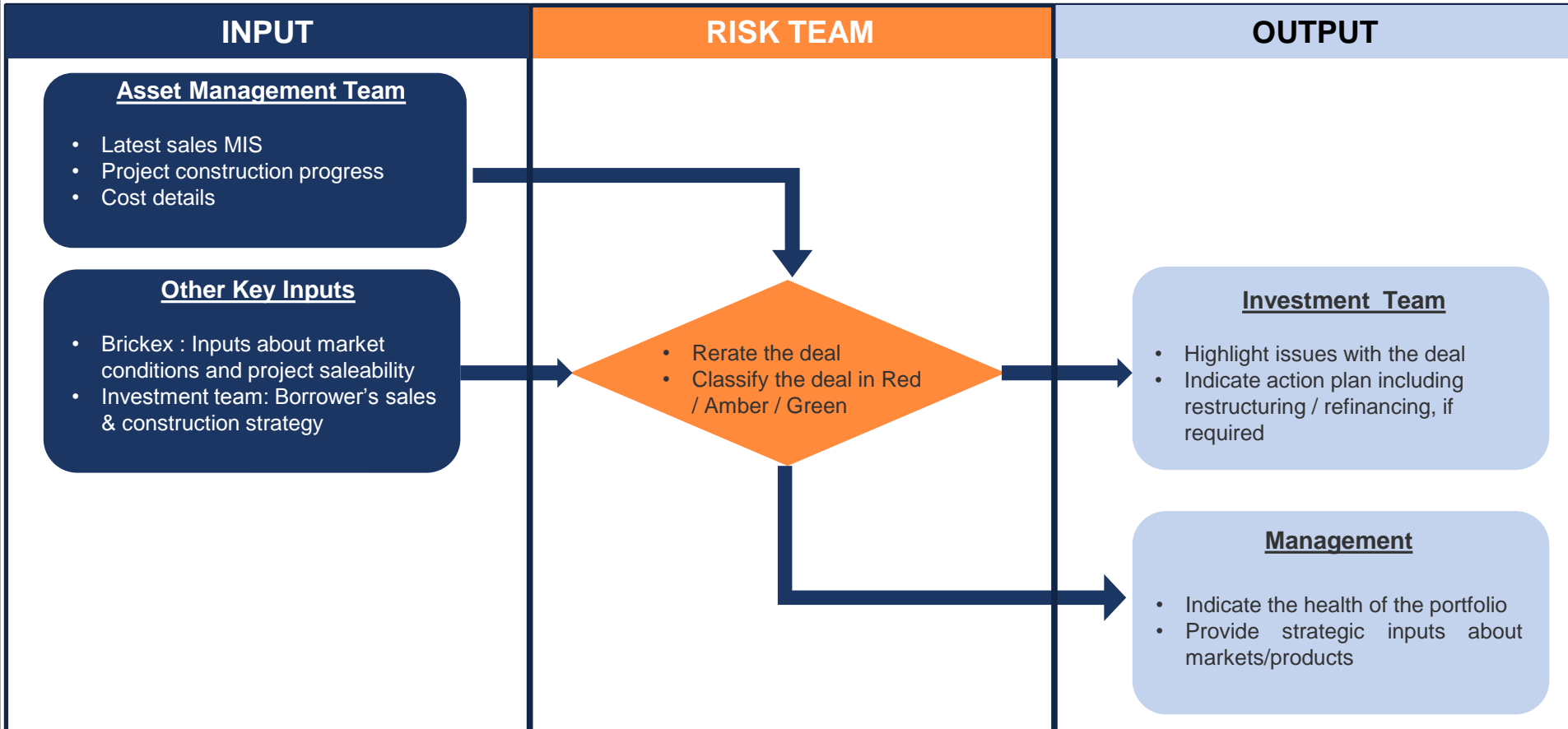


Illustration 2 : How we resolved an old NPA case?

Project X

- Rs.60 Crores facility disbursed in Sep 2012
- Security of multiple apartments consisting of 3BHKs & Duplex
- Account was classified as NPA in March 2014

Resolution

Legal

- Pressure building through legal proceedings including mortgage enforcement
- Filed criminal complaint with Economic Offence Wing (EOW) and Crime Branch

Brickex (our in-house real estate advisory arm)

- Sourcing and engaging with customer for sales of security units
- Continuous dialogue with developers
- Structuring transaction

Finance

- Bridging the gap of Customer and Developer expectation
- Multiple meetings with EOW and Crime Branch

Outcome

- Recovered entire Principal with interest of Rs.20 Crores, whereas other lenders are yet to recover even their principal.



Future Strategy

Financial Services Strategy : On track to create one of the largest well-diversified Financial Services businesses of India

Continue the growth momentum

- Sanctioned Rs.5,000 Crores in construction finance to commercial projects
- Sanctioned 50% of the pre-approved limits of Rs.15,000 Crores granted to the alpha developers in Tier I cities
- SFG loan book to double by the year end
- Added LRD product to the portfolio. Targeting Rs.10,000 Crores by FY18
- HFC – Expect to grow rapidly leveraging our strengths

- Effective measures taken to maintain robust asset quality
- ALM framework in place
- Automatization of systems and processes
- Strengthened teams to handle potential scale
- Consistently monitor & react to early-warning signals

Develop strong system & maintain robust asset quality

Enter more partnerships

- Partnerships like CPPIB, APG and Bain reflects robustness of business model
- Multiple partners in Real Estate AUM business
- Partnerships to generate more fee income
- Continue to look for global institutions to partner with us

- Mr. Piramal is the Chairman of Shriram Capital
- Focused on developing long term strategy
— External consultant assisting on the same

Contribute in taking Shriram to next level

**Growth
strategy**



Appendix

Wholesale Lending : Growing exponentially, robust asset quality

Total Loan Book grew by 113% to Rs.19,170 Crores as on 30 Sept 2016 from Rs.9,020 Crores as on 30 Sept 2015

Trend showing significant scaling up of loan book¹
(In Rs. Crores)

Real Estate Lending:

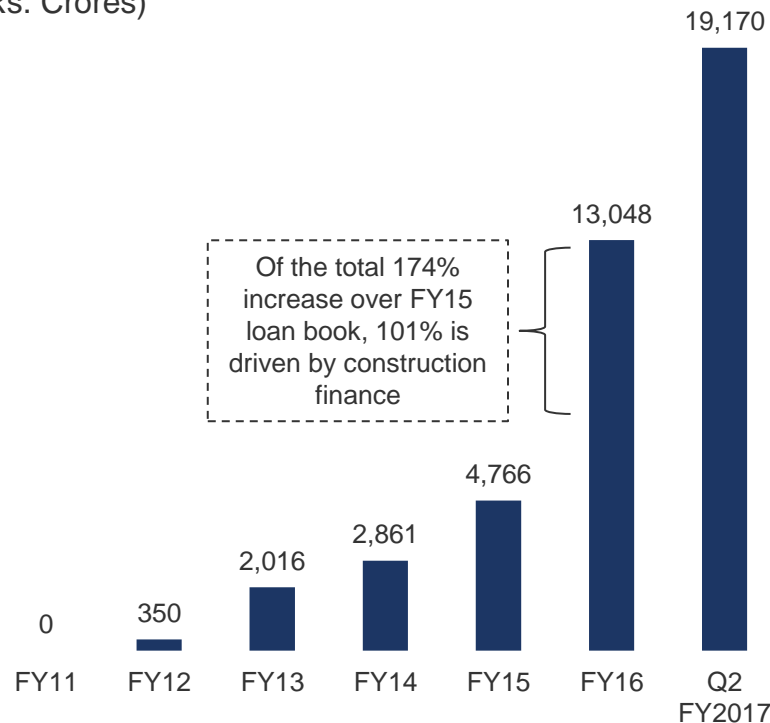
- Among leaders in residential developer financing in India
– Getting quality deals from top developers

— >70% portfolio with grade 'A' developers

- Construction Finance is now 52% of our Real Estate loan book

Structured Financing (SFG):

- Loan book doubled to Rs.2,160 Crores as 30 Sept 2016
- Seamless integration of SFG with PFM with a view to creating a unified standalone wholesale alternatives business



Note:

1. Excludes our investment in Vodafone India, which was exited during FY2015 and includes special situation investments



Market standing

- Netherlands' largest asset manager with over **€444 bn of AUM**

- Leading global credit specialist with **US\$ 30 bn of AUM**

- **Among top 10** global sovereign pension fund with **C\$ 301 bn of AUM**

Mandate

- Rupee denominated **mezzanine investments** in **Indian infrastructure**

- **Investing debt / equity in materially distress companies** across sectors, taking control where required and active participation in turnaround

- Rupee **debt financing to residential projects** across India's major urban centres

Capital pool

- Initial commitment of **US\$ 750 mn** with each party committing 50%.
- A target investment of US\$ 1 billion over the next 3 years.

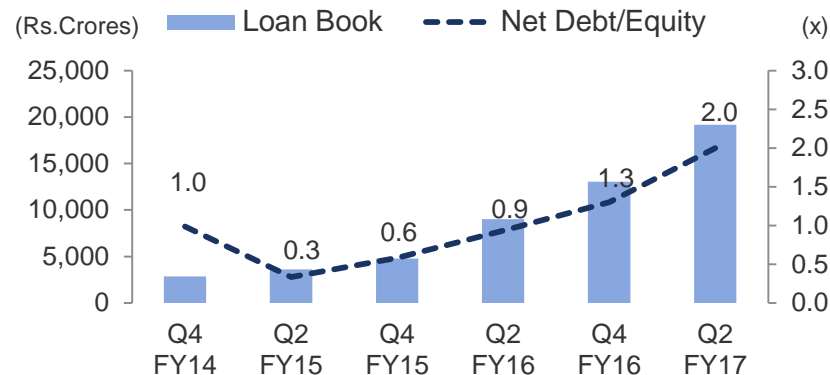
- Target fund size of over **US\$ 750 mn**, with a sponsor commitment of **US\$ 75-100 mn** each

- Initial commitment of **US\$ 500 mn** with each party committing 50%.

Strong balance sheet gives huge potential to grow our Financial Services segment

- Maintaining strong balance sheet in challenging market.
 - AA credit rating (ICRA)
 - Balance sheet headroom a key competitive advantage
- Still significant potential to grow the business by increasing leverage
 - Shareholders approved the borrowing limits of the Company up to Rs.44,000 Crores
- Expect to maintain strong ROEs even with the increase in the scale of business, optimum leverage levels and more trusted partnerships (to generate higher fee income).

PEL overall Net Debt / Equity trend

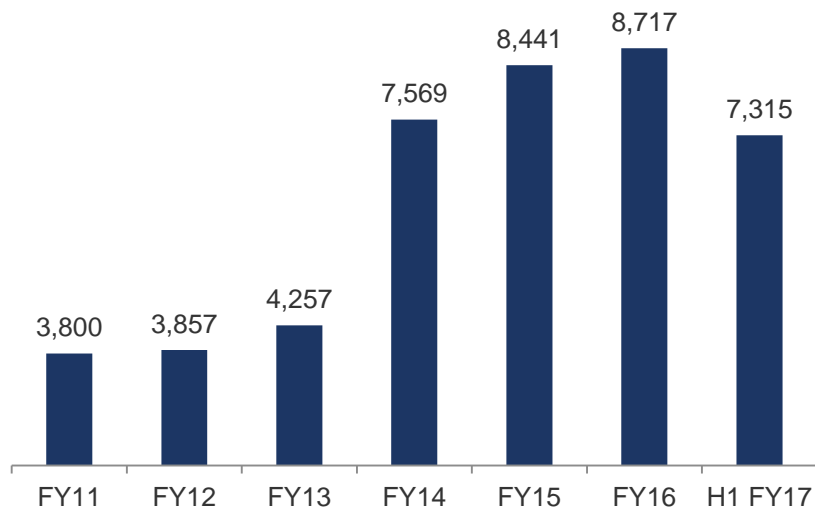


Why capital will not be a constraint in our growth?

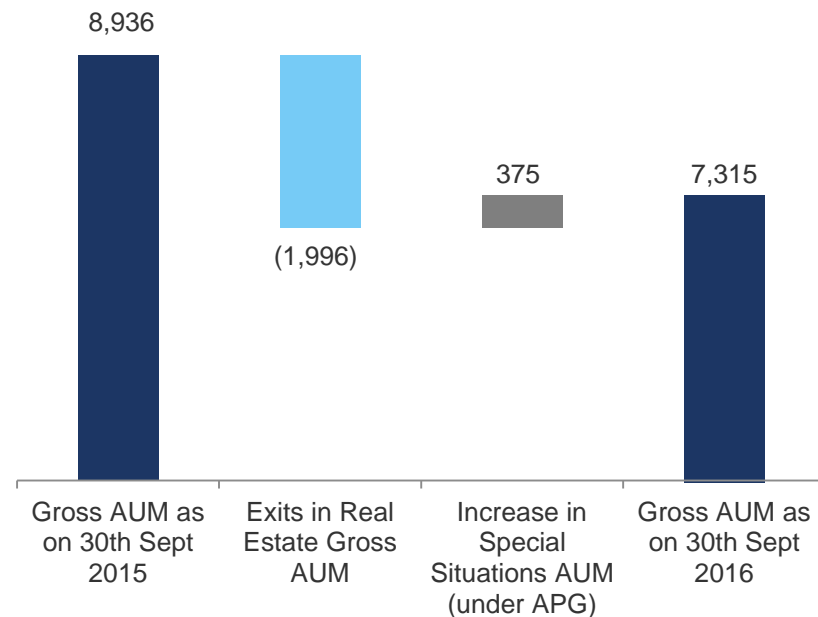
- Our robust business model attracts a number of global funds – perpetual source of patient capital
- Can raise more capital, when needed
- Down-selling opportunities will continue to boost our RoE

Alternative Asset Management : Exiting vintage funds

Growing Alternative Asset Management business (Rs. Crores)



Completely exited two of the vintage funds



Sponsor commitment of up to 7.5%

Alternative Asset Management : Launched Stressed Asset Fund with Bain Capital Credit

Market Opportunity

- Large market opportunity with few players
 - NPA of around US\$190 Bn (~18% against 11.5% per RBI norms)
- Regulatory changes shaping the stress asset market opportunity
 - Asset Quality Review initiated by RBI
 - SARFAESI / Debt Recovery Tribunal : coverage extended to NBFC
 - Bankruptcy Act expected to be operational by FY17-18
 - RBI released guidelines for stress asset sale through public auction, etc

About the fund

- PEL entered into a 50:50 partnership with Bain Capital Credit, to co-manage an Indian focused distress fund
 - USD 30 Bn AUM of Bain Capital Credit across North America, Europe, Asia and Australia
- Scope: investing debt / equity in materially distress companies in all sectors other than real estate, taking control where required and active participation in turnaround

Fund Strategy

- Focus largely on few selected sectors
- 20% sponsor contribution, equally between Piramal and Bain
- Target return: 16-18% IRR
- Investment period: 4 to 5 years
- Fund period: 8 to 10 years

Evolution of the Platform

Jan-Dec'14

Business

1. Structured debt constituted most of the RE loan book
2. Introduced Construction Finance
3. Launched Apartment Fund and transacted deals in Mumbai Redevelopment Fund

Processes

1. Prepared multiple white papers to bring about uniformity in the platform's approach
 - a. Early warning signals
 - b. Back testing of assumptions
 - c. Cash-out safeguards
 - d. Cash flow + security cover
 - e. Turnaround times (TATs)
 - f. Escrow monitoring
2. Standardised IC note templates
3. Compliance measures and standardised checklists throughout the investment cycle

Partner Functions

1. Revamped the entire organisation structure to take care of future growth
2. Operationalised Risk Rating framework

Jan-Dec'15

Business

1. Started offering construction finance to commercial projects
2. Selective penetration / first mover into Hyderabad and Ahmedabad markets
3. Corporate level deals with asset security

Processes

1. Monthly overdue accounts meeting with discussion on resolution / enforcement mechanisms
2. Relook at underwriting and modifying it to 10:10 with 1 year delay scenario
3. Standardisation of debt documentation
4. Appointed E&Y to peruse our processes
5. Vendor selection and on-boarding for the technology platform

Partner Functions

1. Set up the Asset Management vertical
2. Compliance Cell reporting to Finance and Legal
3. Setup of Brickex platform for facilitating sale of investee company units
4. Introduced ALM and Analytics by Risk

Jan-Dec'16

Business

1. Integration of RE and SFG businesses
2. Piramal Preferred Partner Program
 - a. Forecasted consolidation and started moving towards Tier 1 developers
3. Launched the first PMS product
4. Introduced Preferred Equity and Land Fund
5. Lease Rental Discounting (LRD) deals
6. Down-selling opportunities
7. Offering of OD facility for construction finance
8. SFG – Sector agnostic offering wider bouquet from senior lending to mezz financing

Processes

1. Deal Clearance Committee (DCC) formation
2. Brickex involvement in underwriting of pricing and sales velocity and resolution of NPA deals
3. Regulated frequency of Project Monitoring Committee meetings (PMC)
4. Piramal floating rate benchmark

Partner Functions

1. NPA Cell formation for Dispute Resolution
2. Risk portfolio revaluation exercise

Going Forward

Business

1. RERA Sustainable Package (RSP) launch
2. Bulk buying of apartments from Prop book
3. Partnership with global funds (Private equity)
4. Setting up a new team for financing emerging enterprises

Processes

1. Implement best practices and learnings from Real Estate in Structured Finance Group (SFG)
2. Implementation of Risk adjusted pricing and capital allocation
3. ROE at portfolio level – provisioning norms per deal – leverage per deal – thus leading to optimal capital allocation
4. Going live on the technology platform

Partner Functions

1. Relook at overall organisation structure (including SFG)
2. Rating upgrade for PFPL

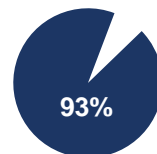
Key facts on Real Estate Financing



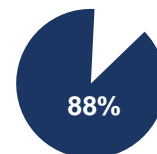
Deals with **underwriting assumptions** based on not just a price and cost sensitivity (10%-10%) but also a **delay in velocity (6 to 12 month time delay)**



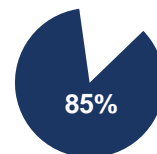
Deals have definitive documents have a **'Minimum Selling Price' clause** inserted to ensure collection of sales value into our designated escrow account



Deals have **fixed IRR structures** without any upside linked to market performance or sales realization



Portfolio qualifies as being **'end user affordable'** i.e. only 12% of our portfolio is the luxury segment



Projects already been **approved**, above the ground, significant portion has been sold out and **financial closure is achieved**

Composition and role of Risk Steering Committee

Members: PEL Executive Director, PFM Managing Director, Risk, Treasury and Finance Team with Product / Geography Heads as invitees

Charter for the Committee:

- Discuss Business strategy of Financial Services business units along with Risk team's inputs
- All new products across all platforms are approved by the Committee
- All new risk approaches are presented and approved by the Committee
- Quarterly update by Asset Monitoring team
- Committee presents an update on business and risks to the Chairman once every quarter

Progress so far:

- 5 Risk Steering Committee meetings held
- Risk team has presented approach notes on concentration risk, risk based pricing, provision for standard assets, portfolio revaluation, commercial risk model, existing residential model calibration, Securitization and Bank Guarantee (BG) product approval
- Risk Steering Committee proposed changes to composition of the Asset Liability Committee (ALCO).

An external economist would be invited to present macro-economic update once every quarter

Risk Rating Model's parameters

Rating is calculated based on risks associated with primarily **four parameters (Cashflow Risk, Security, Promoter and Exit)** and different **risk weights** assigned to them.

Parameter	Description	(Weight)
Cashflow at Risk (CFaR)	<ul style="list-style-type: none">• Reflects the cashflow deficit in stress scenario• CFaR is measured by reducing Interest rate such that cumulative deficit comes to 0	30%
Security	<ul style="list-style-type: none">• Calculates security after incorporating deficit funding• Calculates enforceable security value after factoring in stress scenario and legal enforceability / time to recovery, etc.	30%
Promoter	<ul style="list-style-type: none">• Measures strength of promoter based on Financials, Business risk and Management risk	30%
Exit Option	<ul style="list-style-type: none">• Ability to refinance based on project / promoter	10%

Members : Management, Business, Risk & Treasury Teams

- Balance Sheet details of financial services business

- ALM profile and placement of various reports filed with RBI

- Interest rate curve and spreads movements

- Funding and Investors composition

- Macro markets update

- Monthly new initiatives undertaken and details of new investors added

Internal and Concurrent Audit by an external firm

- **Pre-disbursement audit** - Conducted before disbursement of first tranche of each loan account
- **Post-disbursement audit** - Conducted within 90 days of all disbursements
- **Monthly audit of Lending Operations** - Verification of various loan documents
- **Regulatory and Statutory compliances**
 - **RBI** Compliances, **SEBI** Compliances, **TDS and Service Tax** –Workings, Payments & Returns Filing, **Profession Tax, Provident Fund** Payments, **Advance Tax** Payments, Other applicable tax and regulatory compliances etc.
- **Special Assignments**
 - **RBI compliance audit** – conducted by KPMG to ensure thorough compliance of all RBI regulations by NBFC
 - **Framework for Internal Financial Controls** – Completed by Deloitte, comprehensive risk control matrix prepared
- **System Audit - Conducted once in 2 years** (as per RBI requirements)
- **Audit of :**
 - Accounting Operations and Related Activities
 - HR and Payroll Activities
 - Secretarial Compliances
 - Fund Launch, Investments & Divestments
 - Investment Relation Activities
 - Fund Accounting & Collection

Special Assignment by KPMG on NBFC Compliances

KPMG's Recommendation	Status
<p>Early recognition of Financial Distress and Framework for revitalizing Distress Assets Policy</p> <ul style="list-style-type: none">Detailed coverage on Early Warning Signals, Corrective Action Plan by Joint Lenders' Forum, Sale / Purchase of NPA	Complied
<p>Investment Policy</p> <p>Based on benchmarking, following were recommended to be included in the Policy -</p> <ul style="list-style-type: none">Guidelines for change in classification of assetsInvestment limits to be defined for various investmentsReference to Board Resolution to be added in the Policy for authority matrix	Complied

Illustrative examples of measures taken to improve internal controls

- **Surprise compliance audit** of loan documents – random selection
- **Use of Technology** to automate tracking of deal covenants
 - Implementation of Compliance tool – automated alerts for due dates
 - Automate tracking of deal covenants
 - Subscription for various compliance screenings
- Developing interactive **e-training module** on Anti Money Laundering
- **Launched awareness campaign** emphasising on “Together we Comply”
- **Review of deviation notes** before management approval
- **Centralised monitoring** of disbursement audits and open points

- Enhance committed lines of credit and long term loans from banks
- Diversification of Investor base
- Creation of a robust technology platform for efficient Treasury Management
- Working with Rating Agency (ICRA – MOODY's) for a Road Map towards Rating Upgrade – current rating 'AA'

Current priorities on technology

- Implement end-to-end technology platform solution for real estate financing
- Extend technology solution to SFG and Risk
- Data migration for Real Estate Financing
- Centralized analytics capability
- Treasury module implementation
- Implement SAP for accounting
- Reduce Turnaround Time in real estate financing through setting up of regional operation teams across Investments, Asset Management and Finance
- Streamline processes @ SFG including incorporating learnings from Real Estate financing
- Introduce process metrics to measure efficiency

<p>➤ Security Cover- Covers Loan Outstanding</p>	<ul style="list-style-type: none"> • Adhere to prescribed minimum security cover • Mortgage – First & Exclusive • Share Pledge – in Dematerialised form
<p>➤ Escrow on Cash flows - Secures Debt Servicing</p>	<ul style="list-style-type: none"> • Hypothecation of Receivables / Charge on Project Escrow Account • End use certificates from auditors • Monthly monitoring and tally with MIS
<p>➤ CG / PG / PDC / DPN - Additional Mitigation Mechanisms</p>	<ul style="list-style-type: none"> • Corporate Guarantee – Holding Company • Personal Guarantee – All Individual Promoters (including of Father, Wife etc.) • PDCs/DPN – To be collected post disbursement
<p>➤ Regular Monitoring via Contractual Rights Identification of Early Red Flags</p>	<ul style="list-style-type: none"> • Affirmative rights on major decisions • Participation in Project Monitoring Committee • Active role in key commercial decision: pricing, velocity, construction scheduling • EOD Consequences: Right to appoint Directors, Management Step-in & Project Step-in Rights

Case Study - ABC Education Society

Facts

- Loan facility of Rs. 50 Crore to ABC Education Society in September 2012
- The Loan was secured by charge on education institution and receivables (without escrow)
- Loan was classified as NPA in March, 2015

Legal Recourse

- Litigation – Civil Courts
- Suit filed in the Bombay High Court for recovery of dues & mortgage enforcement
- Notice of Motion for interim and ad-interim reliefs & contempt proceedings

Criminal Actions under the IPC

- Section 138 proceeding in Metropolitan Magistrate Court
- Criminal action for misappropriation of funds/cheating/fraud

Alternative Forums

- Charity Commissioner, Maharashtra/RTI Act

Informal process

- Engaged local agency for information gathering and providing inputs for a speedy recovery

Conclusion

- Due to continuous pressure from legal & criminal proceedings & informal process the account is being settled through a court decree

Illustrative example: Apartment Fund

- **First to market** – Institutionalising Apartment Bulk buying
- **Milestone linked payments** – for upfront payment, acquisition at further discounted price
- **Elimination of transaction cost** – No registration of the underlying apartments but mortgaged on to the identified units
- **Leveraging** - Most of the deals are with minimum guaranteed returns which facilitates leveraging to enhance portfolio returns
- **Security of additional units** to provide cushion against fall in price
- **Flexibility in selling**



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