2nd June, 2022

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 ('Listing Regulations') - Transcript of Conference Call with Investors/Analysts

Dear Sir / Madam,

In continuation of our letter dated 24th May, 2022 and pursuant to Regulation 30(6) of the Listing Regulations, please find enclosed the transcript of the Conference Call held on 26th May, 2022 to discuss the Q4 & Full Year FY2022 Results of the Company.

The transcript of the said conference call is also hosted on the website of the Company at https://www.piramal.com/investor/financial-reports/investor-calls/

Kindly take the above on record.

Thanking you,

Yours truly,
For **Piramal Enterprises Limited**

BIPIN SINGH
Digitally signed by BIPIN SINGH
Date: 2022.06.02 20:36:24 +05'30'

Bipin Singh
Company Secretary

Encl.: a/a

“Piramal Enterprises Limited
Q4 and FY 2022 Earnings Conference Call”

May 26, 2022

MANAGEMENT: **MR. AJAY PIRAMAL – CHAIRMAN, PIRAMAL ENTERPRISES LIMITED**

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

MR. KHUSHRU JIJINA – EXECUTIVE DIRECTOR, FINANCIAL SERVICES, PIRAMAL ENTERPRISES LIMITED

MR. JAIRAM SRIDHARAN – MANAGING DIRECTOR, PIRAMAL CAPITAL & HOUSING FINANCE LIMITED

MR. VIVEK VALSARAJ – CFO, PIRAMAL ENTERPRISES LIMITED

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

Hitesh Dhaddha: Thank you. Good evening everyone. Hope you are safe and in best of your health. I'm pleased to welcome you all to this conference call to discuss Q4 and full year FY22 results. Our results materials have been uploaded on our website and you may like to download and refer them during our discussion. The discussion today may include some forward-looking statements, and these must be viewed in conjunction with the risks that our businesses face.

On the call today we have with us, our Chairman – Mr. Ajay Piramal; Ms. Nandini Piramal - Executive Director Piramal Enterprises & Chairperson Piramal Pharma; Mr. Khushru Jijina - Executive Director – Financial Services, Piramal Enterprises; Mr. Jairam Sridharan - Managing Director, Piramal Capital & Housing Finance, and Mr. Vivek Valsaraj - CFO of our Company.

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

Ajay Piramal: Good day. I have great pleasure in welcoming you to our Investor Call today. The year, FY22, was transformational for our Company, marked by the achievement of two major milestones.

Firstly, the acquisition and integration of DHFL, within our financial services business. This has been a value-accretive acquisition and has also enabled us to achieve significant growth. It has materially given a further impetus to our business ambitions and targets.

Second, in the year we made significant progress on the Pharma demerger and simplification of the corporate structure. Our demerger was approved by the Board in October 2021. We have now already received consent from RBI, SEBI, Stock Exchanges, and clearances from most of our creditors. NCLT has now allowed us to convene a shareholders' and creditors' meeting and seek their approval too. We are on-track and the demerger is expected to get completed by the third quarter FY23, of course subject to various required approvals.

Q4 & FY22 performance:

FY22 saw several headwinds that brought a degree of uncertainty to the world economy and inflation risks to our Indian economy. And despite such a volatile environment the Company has delivered a resilient performance during the year.

During the year we had revenues of INR 13,993 crores and a net profit of INR 19,099 crores. For Q4 FY 22, our performance had a revenue growth of 22% year-on-year to reach INR 4,163 crore, driven by a strong growth in Financial Services, post the DHFL acquisition and a healthy growth in Pharma revenue.

Our reported net profit is INR 151 crores in this quarter, with a net loss of INR 321 crores for the Financial Services business. The reported net profit during the year was primarily impacted due to our decision to make additional provision against stage-2 assets worth INR 822 crores and an interest reversal of INR 215 crores, totaling INR 1,037 crores. We re-evaluated our wholesale portfolio during the quarter to detect any lasting impact on our clients of the pandemic or recent stresses in the economy.

Based on this assessment, we moved some of our non-real estate exposures to stage-2. These were high-yield, structured, mezzanine loans in the non-real estate portfolio, done under the HoldCo structure in FY2018-19. We have discontinued doing such kinds of deals.

Financial Services:

Over the last few years, we have made a significant progress in building a resilient business model that can tide over multi-year business cycles. You might recall that we had categorized our transformation journey in Financial Services in three phases.

Phase I – Consolidation:

Prior to the DHFL acquisition, we had completed phase one of our transformation where we made the business more resilient by: (i) improving capital adequacy, (ii) reducing the loan book concentration, (iii) creating provisions in response to COVID-19, (iv) reducing leverage, (v) eliminating short-term debt and (vi) strengthening our liability side.

Phase-II – Transition + Quantum Growth:

We have achieved a major portfolio transition as well as significant growth through the acquisition of DHFL that would have otherwise taken several years to accomplish through the organic route.

- Our AUM grew 33% year-on-year to Rs. 65,185 crores with a retail AUM growing by 4x year-on-year to Rs. 21,552 crores.
- This has also achieved diversification and the share of retail loans has increased to 36% from 12% as of March-21.
- We have significantly increased our presence with ~1 million life-to-date customers and 309 branches across 24 states and union territories.
- We have also increased granularity, creating one of the leading housing finance companies in India, focused on affordable housing with an average ticket size of 13 lakhs.
- Our off-balance sheet securitized pool of INR 18,747 crores generates a fee of ~1.5% per annum.

All this was achieved without any additional equity infusion into our business.

DHFL Integration:

The DHFL integration has made significant progress in the last six months. And we are continuing to focus on capability building. We retained 3000 employees of DHFL and rolled out

3,000+ job offers post DHFL acquisition and we have now reactivated nearly all erstwhile DHFL branches.

99% of our branches are 'login-active', 98% are 'sanction-active' and 97% are 'disbursement-active' as of March-22.

Phase III: Sustainable Growth & Profitability

With the DHFL acquisition and integration now complete, we are now embarking on Phase III of our transformation journey. And we've put in place the appropriate levers for superior performance in the future.

FY 2027 Aspirations (5 years) - Financial Services:

I would like to now share with you some of our aspirations for the next five years, up to the FY 2027.

- Over the next five years, we aspire to achieve a retail-wholesale mix of two-thirds retail and one-third wholesale.
- The AUM, we want to double the AUM of the Financial Services business from FY22.
- We will have significant retail growth with retail disbursements growing at 40-50% on a 5-year CAGR basis.
- In terms of leverage, we want to further optimize our capital utilization with our net debt-to-equity reaching to anywhere between 3.5 to 4.5 times.

Retail Lending:

(a) Disbursements:

In retail lending, in the last quarter of FY22 our disbursements grew 100% quarter-on-quarter to INR 1,480 crores, as a result of activation of multiple branches and customer acquisition. We are now on track to achieve disbursements of INR 2,500-3,500 crores in the third quarter of FY23, which is almost 5-7x of the pre-merger level.

(b) Yields:

Our disbursement yields continue to improve to be 12.5% in the last quarter versus 11.3% in the first quarter of FY22, driven by shift in product mix or disbursements.

(c) Distribution network:

During the quarter, we added 14 branches to our existing network, while simultaneously closed down 6 high-cost branches, thereby, increasing our branch network to 309.

We are now working towards converting all DHFL branches into multi product-branches. We are looking to expand our branch network further by adding 100 branches in FY2023.

Over the next five years, we target to have presence across 1,000 locations with over 500-600 branches.

(d) Technology Initiatives:

We have built an in-house software development capabilities, which are being utilized to build all our digital assets. We have set up a digital center of excellence in Bengaluru. We have hired 200 people in the technology & analytics. Also, we have launched a mobile app which has over 125,000 downloads so far.

As part of our technology strategy, we are building a world class tech and artificial intelligence-led lending business, which is cloud native and hence, scalable.

(e) Investing for future growth:

We are investing for future growth; we should be able to significantly grow our retail business, every year, for the next few years. As we continue to focus on capability building and investing for the future.

We've assembled a best-in-class leadership team. We've built a technology-led retail lending business, which will help us in improving cost efficiency, as well as manage better asset quality.

We are expanding our product suite by launching new differentiated high-yielding products. We are getting into partnerships and equity investments in leading FinTech players, such as a 10% equity stake in EarlySalary, which have the necessary building blocks to reach significant scale.

Wholesale Lending:

Now coming to wholesale lending, we see a pickup in the Real Estate sector. As you know the RE sector goes through up cycles and down cycles, which typically lasts for six to eight years. Residential real estate inventory levels are at an eight-year low and affordability has also improved. Moreover, there has been a significant consolidation in the real estate sector over the last few years.

Performance of our developer clients – we find that collections from homebuyers has increased significantly, amidst advancement in the project completion.

Over the last few years there is significant increase the granularity of the wholesale loan book. As of March-22, no account (net of provisioning) exceeds 10% of Financial Services net worth.

What is going to be a wholesale lending 2.0? There has been a significant consolidation across NBFC in wholesale lending. PEL is among the few that have continued to remain strong. Despite the prolonged crisis environment, we aim to cater to a large addressable market and have started executing new deals in our wholesale business. Our new approach will be more calibrated, smaller loans, granular book and cash flow-backed lending.

It will be based on our long-term relationship with borrowers, with superior risk management. We have created focused analytics-driven and underwriting vertical to work along with the originators and Group Risk**.** Also, they would be a proactive asset monitoring with early warning signals. High yield loans will only be done under firm structures.

Asset Quality:

Our overall GNPA ratio marginally increased by 10 bps quarter-on-quarter to 3.4% and our NNPA ratio fell by 20 bps quarter-on-quarter to 1.6% as of March-2022.

Total provisions post the additional provision that we made during the quarter, now stand at INR 3,735 crores, equivalent to 5.7% of our AUM. Provisions against wholesale AUM stood at 7.9%, due to the additional provision being created during Q4 FY22. The asset quality of the acquired DHFL book is in line with our expectations.

We continue to remain vigilant across our portfolio and maintain conservative provisioning to take care of contingencies arising in the future.

Alternatives:

Our fund management business has marquee institutions, such as CDPQ and Bain Capital Credit, as our long-standing partners. The platform had more than $900 million in committed capital across two funds as of March-2022. We aim to build a robust Alternatives platform by scaling up the existing funds and expanding the product line.

Life Insurance:

I want to talk about our life insurance business. Through the DHFL acquisition we have also acquired a 50% stake in Pramerica Life Insurance (JV with Prudential U.S.). The company has a customer base of 2.5 million and a network of +15,000 agents. Given the company has a robust balance sheet, with a Solvency Ratio of 404%, we aim to drive growth of the business in the coming years.

Liability side:

Our average borrowing cost for the fourth quarter of FY22 declined 170 bps year-on-year to 9.2%, while our incremental cost of funds was nearly 8.5% during the quarter. We expect the borrowing costs to decline further, as we diversify the loan book, tap additional funding sources and repay / refinance our high-cost debt. Moreover, we are well-positioned to navigate the current rising interest rate environment, as 79% of our borrowings are on a fixed rate basis.

Concluding remarks – Financial Services:

In closing, as far as Financial Services is concerned, I could say that we have outlined our FY2027 aspirations and remain committed to create a scalable financial services business across both retail and wholesale lending, by delivering sustainable growth and profitability for the long term.

With scalable, tech-driven retail and wholesale lending platforms, significant firepower for value accretive acquisitions, as well as organic growth, with a low debt-equity ratio of the financial services business at 2.7x and value unlocking potential that is investment in Shriram. We feel that we are well placed to become one of the largest, top-quality NBFCs, through both organic and inorganic growth in coming years.

Pharma:

I now would like to come to our Pharma business. Our Pharma business has delivered a 16% revenue growth, delivering revenues of INR 6,701 crores during this year FY22.

Our Consumer Healthcare and Complex Hospital Generics businesses delivered strong performance, with year-on-year growth of 48% in Consumer Healthcare and 20% growth in the Complex Hospital Generics during the year. Our CDMO business grew 10% year-on-year, as the performance was impacted due to some execution related challenges faced, related to logistics, availability of raw material, and manpower.

Our business delivered an 18% EBITDA margin during FY22 and 22% in the last quarter FY22. Despite these short-term challenges, our businesses are continuing to execute on their strategic priorities.

(a) CDMO:

The CDMO business, we have been focusing on expanding major sites through customer-led brownfield expansion across our facilities, such as in Aurora, Pithampur, Riverview, Grangemouth and Morpeth.

- In all, we have $157 million of growth-oriented capex investment committed across various multiple sites.

We are increasingly partnering with customers as the phase-3 projects transition to commercial.

- Our revenue from commercial products have increased three times since FY19 to $56 million.

We are also leveraging our end-to-end model to offer integrated services.

- We now have a track record of executing 170 integrated projects.
- This number has grown by 1.5 times since FY19 and contributes to 36% of our development order book.

In addition, over the last few quarters, we've also made more inorganic investments.

- We've invested in Hemmo Pharmaceuticals, adding peptide API development and manufacturing to our capabilities, and
- In Yapan Bio, broadening our services in the biologics space.

(b) Complex Hospital Generics:

Coming to Complex Hospital Generics, our business leverages a differentiated portfolio of 40 existing products and grew 20% year-on-year.

We continue to retain leadership position in key portfolio products across multiple geographies.

In addition, we have developed a strong pipeline of over 36 products in niche areas, including injectable anesthesia, pain management, intrathecal therapy, and a broad range of other indications.

(c) India Consumer Healthcare:

In the India Consumer Healthcare business, we continue to deliver robust performance with a revenue growth of 48% year-on-year and 55% in the last quarter of FY22.

In addition, the business has delivered to our clearly identified strategic priorities during the year.

- We are focusing on growth from power brands, which now contribute 57% of total sales.
- We continue to significantly invest in media and trade spends in FY22.
- We have engaged well-known brand ambassadors to help us improve brand recall for many of our products.
- In addition, we've launched 40 new products and 18 SKUs during FY22. New products launched since April-2020 contribute to 15% of our sales.
- We've also strengthened our presence in alternative channels of distribution, including our own website, modern trade stores, and e-commerce platforms.

Concluding Remarks – Pharma:

Post the Carlyle fund-raise for pharma, we have been investing organically and inorganically across all our pharma businesses.

All of our key businesses have a compelling plan for their growth and are executing on the strategic priorities.

In the medium-to-long term, we expect about 15% revenue growth across the businesses and expect the EBITDA margins to reach 25-28% in the three to five years' timeframe.

Closing remarks:

In summary, overall, I would say that we are now moving towards two separate listed entities. And we have significantly enhanced our disclosures, both in financial services and the pharma businesses.

We believe that both the emerging listed financial services and pharma companies, with their balance sheet strength and uniqueness of our business models, are well positioned to tap organic and inorganic growth opportunities and create long-term value for our stakeholders in the years to come.

Dividend (recommended):

The Board has recommended a dividend of INR 33 per share, subject to the shareholders approval at the AGM. The total dividend payout would be INR 788 crores. Thank you very much.

Q&A Session

Moderator: Thank you very much, Sir. We will now begin the question-and-answer session. First question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Thanks for the opportunity. Sir, on the Pharma side, typically fourth quarter is supposed to be high margin, and in terms of even sales, a higher quarter. But considering the execution and logistic problem, this quarter has been subdued. So, will this spillover in 1Q if we look at it from the trajectory perspective.

Vivek Valsaraj: So, some of our deliveries which were scheduled for quarter four could not get delivered because various execution issues, more specifically at our overseas sites. So, some of them will spill over to quarter one. However, there are also challenges with respect to non-availability of people and non-availability of materials for some of this, considering in some of the sites, we have constrained capacity, so not all of them would be potential upside for next year. But yes, to some extent, this will spill over to quarter one.

Tushar Manudhane: Your consumer product sales has shown a very phenomenal growth throughout the year, so would like to have further color in terms of what kind of growth rate can be expected for over next two to three years?

Vivek Valsaraj: So, as you are aware we had consciously decided to re-invest profits back into the Consumer Products business, and significantly increase our media spend. And with that intent, we are pushing up our brands through a lot of media related spend. In the midterm, we expect the Consumer Products to grow at about 20%, and we'll continue to focus on growing the power brands through a lot of media and trade spend.

Hitesh Dhaddha: We don't give business wise guidance in Pharma and on an overall basis, we expect the growth rate to be nearly 15%, in line with our track record of last couple of years.

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

Piran Engineer: Firstly, can you elaborate a bit more on some of these assets that we've put in stage-2, those mezzanine loans, which sector do they belong, how many loans are there, what is say the LTV outstanding, how much can we recover? And because it's been a while since COVID has happened, things have recovered, we did not recognize this and now eight quarters after COVID we are recognizing this. So, what really changed in the environment that we're recognizing this now?

Khushru Jijina: Let me answer that first and then you can ask the other questions. So, as Chairman said, first let me give a background that these are related to non-RE, basically the Holdco-level mezzanine debts, which are loans or bonds, which were given to renewable sector. Having said that, the number of accounts in the non-RE, if you have seen, before I go directly to answer your question, has been coming down we had a book of INR 9,000 crores and today it is below INR 5,000 crores. In fact, it is below INR 4,500 crores. So, we have been constantly bringing it down, because that type of business, which is non-RE, at Holdco level, we have stopped doing that business for a while.

Now, coming to your question. So basically, we looked at three of these accounts, two being from the renewable space and one was an auto ancillary, and one was a large account in the renewable space. As you know, we have been talking about it for the last one year. We among the other bond holders had put this company for sale. And we were expecting certain realizations, however, the realization which has now come through the bid processes is lower than what we expected. And that is why this extra provisioning has been made by us. Similarly, in the other assets, which is of course smaller, again renewable assets which was put to sale, the realization is lower than what we expected. And that is why the difference is the extra provision.

Coming to the third one, which is an auto ancillary, supplying parts to the two-wheelers. Here we have made an extra provision looking at the performance as on date. However, this I would say, is within abundant caution. There would be an opportunity to recover more than the provision.

But the other two assets, the first two assets, were basically put on the block, and we are in the final negotiation stages, some of them have come in the papers, as you would know. And that is the reason why this extra provision has been created.

Piran Engineer: Got it. So, I assume you're talking about Mytrah Energy. So that essentially means that Mytrah has moved out of your restructured book and into your stage-2 book, is that correct?

Khushru Jijina: So, Mytrah was always in the Stage-2 book, because as you know we are one of the bondholders at the Holdco level. And there are several, I think more than 25 lenders at the SPV level, and we had jointly done an OTR for Mytrah and put the asset or the company for sale, which was a year ago.

Piran Engineer: So, then which loan is this, that has now incrementally moved into Stage-2, if it's not Mytrah?

Khushru Jijina: No, this has not incrementally moved to Stage-2.

Jairam Sridharan: There are multiple assets that have moved stages, Piran. The particular asset you're talking about was already in Stage-2, as of December. There are some other assets that have moved to Stage-2 right now, and they also happen to be in the same sectors that Khushru mentioned a moment ago, which is renewables and auto ancillary.

Piran Engineer: Got it. And it's interesting that our Stage-2 book is up some INR 700-800 crores and we've made the same amount of incremental provision, INR 800 crore. So, that's essentially like a 100% loss given default?

Jairam Sridharan: No, that's just a coincidence. The numbers are just a coincidence, that is not the way the numbers have been arrived. As you would see, the overall provision coverage at Stage-2 level has been increased. So, multiple assets have been incrementally provided for. Some of those assets are near the sale proceeds stage, as was mentioned before, and so the provisions there have been trued-up to whatever the realizable values are, that we are seeing in the market right now. And for some others, the provision coverage has been increased. It's just a coincidence that the delta increase and the increase in provision happens to be roughly the same number.

Piran Engineer: Okay, got it. And if I may just ask on the wholesale lending business, what is the status of the Omkar land in Andheri that we took on our books about six quarters back, and I think it was some INR 1,200-1,300 crore exposure. Any status on that please?

Khushru Jijina: So first of all, let me just clarify that, and I have said it last time also, that please look at this as a real estate investment by the Group. It's not a loan into the asset, which is in Andheri East. So, let me tell you what is the status of that – the good news is that with COVID behind us, being an SRA project, as you will be aware SRA was not allowing any permissions, etc., because of humanitarian grounds during COVID. But that has now gone away.

As we speak, in fact, the first phase, as we call, where it is jointly held by us and also Yes Bank, we are in the final stage of resolution, where the entire project has been sold and only part of the buildings have to be completed. While we speak, there is a second parcel of land, where we call phase two, which is also vacated. We are also in dialogues with other developers for monetizing the land or doing a joint development. So, yes, the news in the last three months is that we have moved forward in terms of certain permissions, and in terms of negotiations also. But please look at this as a real estate project and not a loan.

Piran Engineer: Okay. So, how much cash flow did we received from our sale of the first phase?

Khushru Jijina: So, what is going to really happen let me explain to you. Please look at the phase one and phase two together, what we are planning to do, we are going to use the cash flows from the first phase to clear up certain portions of the second phase and also maybe partly the third phase, so look at it as an integrated project. Post the second phase, we will be having a surplus which will be quite substantial, which would take care of a substantial portion of our investment. And then, of course, we need to decide whether we want to do a one-time monetization or keep on monetizing it in phases. You must appreciate this is a very large project. So, the Group will take a call phase wise.

Piran Engineer: And who's the builder in the JDA?

Khushru Jijina: So, we being the owners of the land, in the first phase, we have already tied up with a developer to complete the project. For the second phase, we are already in the bid process with the other developers. So, each phase could have different developers, because certain portions of land would be commercial, certain would be residential. And this being such a large land parcel, look at us as the master developers and master planners, and we will be allocating the phases to different developers.

Moderator: Thank you. The next question is from the line of Abhishek Sharma from Jefferies. Please go ahead.

Abhishek Sharma: I just wanted to understand the Pharma guidance given in a bit more detail. So, if I understand correctly, what you gave in terms of revenue growth and EBITDA margin was a more of a medium-term guidance. I wanted to have more color on near-term. For FY23, what kind of growth can we expect? Because of spillover, would it be more than 15%, would it be lesser? Also, on the margins, this 25-28% trajectory, is it back ended, or do you expect to achieve it within FY23 itself, and if not, by when? Thanks.

Vivek Valsaraj: So, for FY23 specifically, we are targeting a growth in the high teens. In terms of margin, considering the current inflationary scenario and highly volatile environment, I don't think it would be prudent to make a guidance right now. So, we'll keep that for later. But on revenue, we are targeting a growth of high-teens.

Abhishek Sharma: So, then, is it safe to say that 25% to 28% margin guidance, this is more back-ended and do you have a timeframe, by when do you expect to achieve it?

Vivek Valsaraj: So, as we have stated in the past, it is over a three-to-five year period that we are targeting to achieve this margin range.

Moderator: Thank you. The next question is from the line of Vinod Jain from WF Advisors. Please go ahead.

Vinod Jain: So, this is more of a suggestion than a question. Whether you're going to have a Finance Day like you had a Pharma day some years back, to explain in detail the retail lending you are proposing to do in the affordable housing space.

Jairam Sridharan: Yes, it's very much on our mind. It is something that you should expect to see us go forward with. We just need to think through the timing, in the context of the demerger that is coming about. But it is a good suggestion, it is something that we are seriously thinking about.

Moderator: Thank you. The next question is from the line of Deepak Gupta from SBI Pension Funds. Please go ahead.

Deepak Gupta: I just wanted clarity on this non-real estate exposure of INR 4,500 crore roughly. This INR 2,300 crores, which has moved from stage-1 to stage-2, is a part of that INR 4,500 crore and this does not include Mytrah Energy. Is my understanding correct?

Hitesh Dhaddha: Yes. So, this is part of the INR 4,500 crore non-real estate book and Mytrah is part of that ~INR 2,200 crore.

Deepak Gupta: Okay. I thought Mytrah was already restructured. So you would already have a 10% provision on that?

Hitesh Dhaddha: Yes. So, as Mr. Jijina mentioned that, given that we are in the process of closure on some of these transactions, we felt that those transactions will need some more provisioning, and hence we've taken into that. This basically also indicates that the transactions are going closer towards closure.

Deepak Gupta: Understand. So, what is your current restructured book now?

Hitesh Dhaddha: It's same as we mentioned last quarter, it's almost 3% of our wholesale loan book.

Khushru Jijina: The restructured book we are only two assets, one from the real estate which was roughly around INR 170-180 crores and the other was Mytrah. So, with Mytrah going away, the OTR asset will be only one, which will be in the real estate space.

Deepak Gupta: Okay, great. The second thing on the retail segment, now I can see that disbursements have done quite well for the fourth quarter in the retail segment. But somehow the loan book has been flat on a quarter-on-quarter basis, if my understanding is correct. It's INR 21,552 crores and last quarter also outstanding loan book was INR 21,544 crores. So, does it mean that the Dewan book is replenishing at a very fast pace or you are having prepayments on the Dewan Housing book?

Jairam Sridharan: Your observation is accurate. The AUM of the retail book has been broadly flat. It has actually increased by like 0.5%, or something, on a quarter-on-quarter basis. We are seeing total customer induced attrition of just under INR 500 crores a month. And we saw, of course, roughly INR 1,500 crores of disbursement. So, that's why you're seeing roughly flat AUM.

However, this has to be seen in the context of how the Dewan book is bound to grow and develop from the entire set of Dewan branches. As more and more disbursements happen, the crossing of the line between disbursement and attrition will take place, which has already taken place in March. So, in January and February, the attrition amount was greater than our disbursement amount. In the month of March, our disbursement amount became significantly higher than attrition and has stayed that way since. And hence you should expect this trend of AUM growth now starting to happen, that will continue. In the first six months, we were seeing the full force of the attrition of the DHFL book, but only a very small part of the DHFL book was still originating disbursement and hence you saw the AUM pressure. We are now on the other side of that equation.

Deepak Gupta: Sure. My third question there on, is on the fixed and floating rate mix for the asset side, I believe you're giving a presentation 37% of the loans are fixed. So, they are fixed for what duration, what will be the duration of this loan book and I suppose this would be real estate loans, which are fixed. Basically, the wholesale loans which are fixed?

Jairam Sridharan: The asset side or the liability side, you are telling about the asset side?

Deepak Gupta: I am talking about the asset side, yes.

Jairam Sridharan: Yes. See the asset side you've got both wholesale and real estate in the fixed rate side. On the retail side apart from housing and LAP business, pretty much everything else is going to be fixed rate. And, you can imagine that all the fixed rate business that you are going to have is going to be roughly of the four year kind of average maturity.

Deepak Gupta: Understand. And the fourth question is, I believe you all have taken an enabling resolution to – raise INR 600 crores through NCD and currently your cost of funds is 9.2%. So, do you think you'll be able to raise money at a low coupon versus cost of funds at 9.2%?

Jairam Sridharan: It was mentioned a little bit earlier during the call that on an incremental basis, our coupon, at which we raised money in Q4 was roughly 8.5%. Now let's see, the environment keeps changing and some of these enabling resolutions one takes without having a very specific idea of when we want to go to the market to raise. When the market opportunity is right, we will go and raise. I will reiterate that our book today is extremely liquid, we have INR 8,000+ crores of cash that is sitting on the balance sheet. So, there is really no need for us to borrow anything significant in the short term. So, we are very, very, very liquid right now.

Khushru Jijina: Let me add Jairam. Some couple of points here to this. Number one, as Jairam said that already we are sitting on high liquidity. Number two, you asked the question on the mix between fixed and floating on assets. On the liability side, in fact, we are 80% fixed and 20% floating, we should take that also into account. The third is that in fact in the last few months, rather than raising money, we have been actually prepaying the high cost debt with the high liquidity which we have. And it continues with the wholesale also continuing to run down. So, you should look at it in that context.

Moderator: Thank you. The next question is from the line of Bhaskar Basu from Jefferies. Please go ahead.

Bhaskar Basu: I had a couple of questions. So, firstly, the retail NPA of about 1%. Could you clarify, does this pertain to the DHFL book or the new businesses which you have generated over the last six months?

Jairam Sridharan: No. It's all going to be the legacy book. Bhaskar the new book has not had enough time to get into NPA. So, it will get there, just not there yet. So, the book that you see there, this is for both the legacy book of DHFL, which over time as some part of the standard book will continue to flow and also the small legacy book that was there in PCHFL, a small part of it will continue to flow. In terms of slippage rates, these are very, very small slippage rates. So, it's not really moving in any significant way.

As far as the DHFL standard book is concerned, our models already predicted a certain level of new NPA formation from the standard book of DHFL, which is totally priced in into the transaction. And what we have seen so far, since September 30th, has been entirely in consonance with what our models had predicted.

Bhaskar Basu: And any updates on the recoveries from the off-balance sheet book in this context?

Jairam Sridharan: From the off-balance sheet book. Are you talking about NPA recovery, etc. or are you talking about off balance sheet?

Bhaskar Basu: No, off balance sheet NPAs of DHFL, from where you are expected to recovery something.

Jairam Sridharan: So, let me take this opportunity to explain the concept of POCI, which I hope some of you caught. We made a significant disclosure on this in the presentation. POCI, which is Purchased or Originated Credit Impaired, is a book that we have created and we have specifically disclosed. You can think of this, we have not used that phrase in our disclosure, but you can think of this broadly as a 'bad bank'. Essentially, this is where all the stressed part of the book actually goes and sits. So, from DHFL roughly INR 9,800-odd crores of face value of assets has been moved to, or INR 9,500 crores of assets, has been moved to this category called POCI. And it has been recognized on the book at a value of INR 3,500 crores. In other words, it has been marked down by 63%. So, what we are saying is, this "bad bank" is likely to have a loss given default of 63%.

Now this, in the accounting standard, this POCI book will continue to remain in that POCI category forever. These accounts are never going to become stage-1, or stage-2 or stage-3, they are never going to become NPA, they're just going to remain in that POCI book forever. All the recoveries that we make here, will go towards either reducing the value of POCI, or if our loss given default is lower than what was assumed in this 63% haircut, then it will come through our P&L. So, that's the way in which the DHFL stressed book has been accounted for in our balance sheet right now.

With that background, let me just come back to talking about the recoveries that have happened. In the six months since we have since we have taken over DHFL, we have on a cash basis recovered INR 715 crore worth of loans, from this POCI book. Of that INR 715 crores, roughly INR 425-odd crores have come in this last quarter, this Q4.

This INR 715 cores, of that some INR 430-odd crores has come from the NPA book, of which there was about INR 7,000 crores or thereabout and the rest has come from the non-NPA, but stressed book, all of which sits in that POCI context. So, as you can see, from that overall POCI book which is marked down by 63% we have already recovered INR 715 crores and that is reflected, in some part in the interest income side, and some part in the provisions line.

Bhaskar Basu: Okay, thanks that's very helpful. Just a second question, on the guidance of 5-7x increase and as we've seen basically the disbursals have been scaling up faster than the book growth. So, how should we think about housing disbursements as a part of this INR 2,500 crore run rate and how should we think about it from a perspective of book growth in housing?

Jairam Sridharan: So, overall, we should assume that housing is going to be around half of the new disbursements that we do. And from a book growth perspective, we don't have specific guidance for the short term, but it's fair to assume that the overall book growth will be well north of 20%.

Bhaskar Basu: And just one last data keeping question, if I may. What was the write off, whether there any write offs during the quarter?

Jairam Sridharan: No.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: So, on these affordable housing side, so can you give some color what is current size of the book and how do we really plan to expand and what will be the NIM that we are looking at, our aspiration of the NIM in those books?

Jairam Sridharan: Yes, thanks for your question Bharat. If you look at the overall book of INR 21,000 crores, as things stand right now, roughly 70% of that is in this category that you would call affordable housing. So, essentially, the housing book with less than INR 30 lakhs ticket size. The average ticket size of our housing portfolio is about INR 18 lakhs. So, pretty much the entire housing loan portfolio that we have is in the affordable category. The new business that we are originating in this segment, Bharat, we are originating at a yield of 11.25%. So from there you can back-calculate what the NIMs are, based on whatever leverage assumptions that you want to assume. So, 11.25% is the yield. As you can see it is meaningfully higher than what some of the prime customers in metro towns, etc. are able to get today for housing and that's because the customer segment that we are going after is a segment that is less served by banks and the properties are also less well-understood by banks and hence, we are able to extract this kind of yields.

Bharat Sheth: Okay. Out of this non-RE book of HoldCo level INR 4,500 Crores, INR 2,200 crore is SMA-2. So, how much further slippage are we expecting or stress that we are seeing as of now, say overflow in next one year?

Jairam Sridharan: Last we left there was a question about whether we expect any further slippages into stage-2 or whether we feel we are appropriately provisioned for the INR 4,500 crore book, which is the non-RE structured lending Holdco book that we spoke about before. Our belief is that we are well provided right now. As we mentioned before, we will keep looking at staging of assets and whether anything needs to change. For now, we feel very good about where we are with the increase that we did this time, or this quarter, on the provisioning side. We feel that we are fairly well provided.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Most of my questions have been answered. And maybe the next two questions that I'm going to ask are not going to be anything that's not being discussed on this call today. But, I just wanted to ask this for better clarity, or maybe to understand this more holistically.

The first question, around this INR 4,500 crores of non-real estate book structured finance at the Holdco level. So, I'm just trying to understand, like someone else also pointed out in the beginning of the call just when we were thinking that we are all through COVID and we have managed it really, really well, especially your wholesale loans. You have these three accounts, kind of tumble out of your closet, and you're having to take, I could say aggressive provisions on these loans.

Don't you think, five months down the line you're looking at a pharma demerger, wherein the expectation will be that, the disclosures would have to kind of match up to what other HFCs, NBFCs do. So, don't you think that over the next maybe two quarters, it will be prudent to kind of recognize anything that you think could be stressed and maybe provide against that. That's the first question.

The second question is, while our disclosures have meaningfully improved. And I must compliment your team for that, and especially in the Financial Services side. But we still find it kind of difficult to put the various pieces of the puzzle together. So, during the call we suggested that you are looking at something like a 40-50% kind of a disbursement CAGR over the next five years in retail disbursements. And at least somewhere, we also talked about loan book growth north of 20%. So, are we looking at the consolidated AUM growing at a 20% CAGR over the next five years? And how would wholesale deals, in the scheme of things, I understand guided for 1/3rd of the book being wholesale, be over the maybe longer term.

And then lastly, so let's say five months down the line, when we are required to report your financial services P&L and balance sheet – what is it that we have in mind right now? I understand it could be a difficult question, but what is it that we have in mind for the NIMs, what would be the cost ratios looking like, and eventually your financial services business including the newer product segments that you're doing – what kind of credit costs can be there, and what kind of eventual ROE that you could be looking for financial services business. Thank you.

Jairam Sridharan: That's a lot of questions. But thanks for all of those, Abhijit. I appreciate your interest. Let's take your questions one by one. Your first question was around the INR 4,500 crore and that's where we started. Let Khushru answer that and then we'll take the others.

Khushru Jijina: As I said, let me repeat this, that the major one, in fact we just spoke a few minutes ago, is Mytrah, where it was provided. So, I want to make that statement, because you mentioned about disclosure. So, it was not that we were aware and we are disclosing it now. Let me again go through this whole process, of the major exposure out of the three, the other two being small. The big one is Mytrah we have been always speaking about it, it was in Stage-2. This asset was put by all the bond holders, including us, and a host of public sector banks who were at the SPV level, for sale for the last one year. There was a bid process which was run by Barclays. And as we got the bids and finalized, we realized that we needed to provide more because the realizable value is less than what we had all expected and that is why we are providing this. In fact, a major portion, out of this one-time provision, is on account of Mytrah. So, it's not that we knew about it, it was provided before, it was in stage-2, because we had done an OTR along with all the banks. However, unfortunately, the value realization is lower than what all the lenders expected. So, I just wanted to make that point once again, on this provision.

Jairam Sridharan: Let me then make the sort of the broader point that you're asking, right Abhijit, which is basically, as we move towards a financial services entity over the next few months, how do we think about disclosures, how do we think about cleaning up the book from a provision standpoint, etc. and you made some really good points. And clearly, we think similarly. You saw our actions this quarter, so that should reflect what our mindset is. We want to make sure that by the time we have a separately listed financial services stock, a few things happen: (a) our disclosures are top-notch and that you're able to build a good feel for what the financial services business looks like; and (b) that a lot of the cleanup act, if any that needs to be done, has all been taken care of.

Please recollect, that two years ago, we had taken roughly INR 2,000 crores of incremental provision on our books, to take care of any contingencies that might arise out of COVID, etc. In this quarter, when we have gone ahead and actually made these incremental provisions, we did have the optionality to actually dip into that that big pool that was created a couple of years ago. We chose, for exactly the reasons that you articulate, not to do that. We chose to make incremental provisions and take them through P&L and keep retaining the old provisions that were made two years ago, because we wanted to make sure that the balance sheet is fully robust and strong by the time we list as a separate FS entity. So, it is very much on our minds, you will continue to see us to behave in ways that are reflective of that desire to have a conservative and robust book when we lend.

Your second point was on disclosures, I'm glad you noticed. In a lot of our conversations, one-on-one, etc. we have been asking you all to tell us what you would like to see, from a disclosure standpoint. What you see this quarter, for the first time you're seeing us disclose a lot of information on the FS-side specifically, showing separately what our P&L is, showing separately what the stage-wise classification is of assets, etc, All the details about our POCI book. There is a lot of disclosure that we have tried to put in this quarter which we believe will lay a good strong foundation for all of you, to be able to start building robust models from a more firm starting point.

I understand that you will probably need more overtime. And that's fine, we will continue to listen to you on what is most useful. But hopefully, you find this a useful first step as you started off by saying and hopefully, this will allow you to understand our FS business very deeply. Our intent and desire, let me be very clear, is by the time we are a separate listed company, our intent and desire is to be fully caught up in terms of whatever you think is the best and most appropriate, best-in-class disclosure that makes sense for our investors, and to have a balance sheet which is adequately bulletproof by that time.

Abhijit Tibrewal: Thanks, Jairam. And lastly, if you could just guide on how are you kind of looking at the DuPont of the financial services business?

Jairam Sridharan: Yes, the DuPont of the Financial Services. So, we have shown some balance sheet view, we have not shared a P&L view for the five years. Our thinking right now on this, we are thinking that when we do a Financial Services Day, that we were referring to a little bit earlier in this conversation, that might be when we actually talk to you all in a little bit more detail on that front.

As of now what we are saying is an overall FS AUM doubling over five years, so that gives you a little bit of a sense of what the CAGR is going to look like. Also, the mix shifting from where we are today which is 64:36 wholesale-retail to 35:65 wholesale-retail. That's broadly where we are going, so from there you can individually derive what the wholesale CAGR is going to look like and what the retail CAGR is going to look like. On top of that we have shared a little bit of what our expectation is on retail disbursement CAGR. So, this should start giving you a little bit of a sense, which hopefully is a good starting point. Let's discuss more in detail as we get into the into the FS Day about what else might be useful from a P&L standpoint.

Abhijit Tibrewal: Sure. Thank you so much for patiently answering the questions. We look forward to the FS Day and kind of wish you and your team the very best as you embark on phase three of the transformation.

Moderator: Thank you. The next question is from the line of Aditya Jain from Citi Group. Please go ahead.

Aditya Jain: One clarification the POCI book has nothing to do with fraudulent assets, which are sub-judice right, so this is separate from those completely?

Jairam Sridharan: No, this is completely different from that.

Moderator: Thank you. The next question is from the line of Saksham Kumar from SBI. Please go ahead.

Saksham Kumar: I just wanted to know after this carving out the pharma business, how do you project PEL in the next five years, just as a financial services business?

Jairam Sridharan: So, see, the intent as you know, is to carve out pharma by the last quarter of this calendar year. And because we have shared separate financials for the FS business right now, and you have the consolidated numbers as well. From there, you can derive what some of these pharma financial metrics are. The structure from a separation perspective is a pretty straightforward one. So, the FS business, as it exists, along with the equity that is allocated to FS, as well as what we have termed unallocated equity, all of that will stay in this entity of PEL – which will hopefully, with RBI blessings, turn into a regulated NBFC entity.

And that entity along with all our lending business, the insurance business, the alternatives business, and any potential inorganic transactions that we might do, in the FS space, in the future, to utilize some of the unallocated equity, will form the heart of the FS business. That's the balance sheet and P&L that you will see going live in the later part of this year.

Saksham Kumar: Okay. So, how much is the AUM we are targeting for the next five years?

Jairam Sridharan: The AUM as you mentioned before, currently we have a financial services AUM of ~INR 65,000 crores. And we have said that over a five-year timeframe, we are building a business that will double this. We are not offering specific guidance for the next six months, if that's what you're asking about. At the point of de-merger what will our AUM be, we're not offering specific guidance for that.

Saksham Kumar: Okay. And I would also like to take this opportunity to personally congratulate Piramal Sir, for being awarded the Commander of the Order of the British Empire by the UK Honorary Chair there and to the entire Piramal team. And I have one question for Piramal Sir, I was just going through an article, where Sir had mentioned, about 10 years back, that India as a country was not a suitable option for investment because of the bureaucratic, and all those reasons. So, has there been a change now, like has Sir's perspective changed, and does he look forward for investment in India for the pharma business, for expansion of the pharma business?

Ajay Piramal: I think so it is an investment [option] for pharma business. But let's take this off the line. I think it's a longer discussion. Thank you.

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

Piran Engineer: So, thanks for the follow up. Just a couple of clarifications, when we mentioned almost this 40-50% CAGR in retail disbursements. That's from the steady state INR 2,500-3,500 crore quarterly number, right?

Jairam Sridharan: See the way we had framed it here Piran, and we can talk more about it offline if you want, but the way we have framed it here is a 40-50% CAGR over FY22 numbers.

Piran Engineer: Over FY22 numbers, okay fair enough. And the second clarification is that, the INR 9,500 crore DHFL book, the POCI book is that part of the INR 18,000 crores we got from Dewan or is it over and above that, I'm a bit confused here?

Jairam Sridharan: No. So, basically think about it this way Piran that the transaction was for INR 34,000 crores. So, we paid INR 34,000 crores, of which INR 14,000 crores was cash on the balance sheet. So, remove that, that gets you INR 20,000 crores, that INR 20,000 crores was allocated roughly as INR 17,000 crores in retail and INR 2,000 crores in wholesale.

Now, you look at the book and then you say okay what is the face value of the retail book and the face value of the retail book including the NPA book there, etc. is let us say INR 25,000 crores and against the INR 25,000 crores if you're going to allocate something like 17,000 crores or thereabout that essentially indicates that there is a big sort of haircut. The question is how will that haircut be allocated, the POCI book is a part of that INR 25,000 crore original DHFL book, which had already turned into NPA before we purchased the portfolio, or was in deep enough stages of delinquency that our models suggested that they are going to become NPA anytime soon. So, we took all that book, which we are terming as originated as credit impaired and we actually got it on our books and we put it into this firewalled category, called POCI, and said this essentially has become a "bad bank" and I'm going to massively haircut this piece. And then anything extra that I get out of that will essentially be P&L accretive. Otherwise, the rest of the book is essentially my "good book". That's the way this has come about. So, it's all part of the DHFL transaction only and nothing different.

Piran Engineer: Got it. Sir, over and above those INR 18,000-19,000 crores of loans, you all took over on your balance sheet?

Jairam Sridharan: Yes. So, there is also in case that goes into confusion, there is an off-balance sheet item of another INR 18,000 odd crores…

Piran Engineer: No, that was not the confusion my only thing was that the book value of the loans that you all took over was INR 41,000- 42,000 crores. And it came into your balance sheet at INR 18,000-19,000 crores, excluding the cash just the loans. So, that means a haircut of INR 23,000-24,000 cores. I wanted to know this INR 9,500 cores was part of the INR 23,000-24,000 crores or part of the INR 18,000-19,000 cores, but I've got the answer.

Moderator: Ladies and gentlemen due to time constraint, that was the last question. I now hand the conference over to Mr. Hitesh Dhaddha for closing comments. Over to you sir.

Hitesh Dhaddha: Thanks, everyone. In case you have more questions, please feel free to reach out to the IR Team. Thank you.