

Research Report

Piramal Enterprises Limited



Prepared By-

SAHIL SHARMA

EQUITY RESEARCH ANALYST

About

(PEL) is a leading diversified Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI), with presence across retail lending, wholesale lending, and fund-based platforms. Piramal Group is a global business conglomerate with diverse interests in pharma, financial services and real estate. The Group has offices in over 30 countries and a global brand presence in more than 100 markets, and operates with over 10,000 people worldwide from 21 diverse nationalities. Piramal Enterprises Limited (PEL) is one of India's leading diversified non-banking financial companies (NBFC) with assets worth ~\$10 billion, with a network of over 400 branches across 26 states/Union Territories, offering a wide range of financial products and solutions across retail and wholesale lending, fund-based platforms and investments.

Key Business

- Piramal Enterprises Ltd.
- Piramal Realty
- Piramal Pharma Ltd.

Synopsis of Financials

- Growth business grew by 55% year-on-year to INR 54,273 crores.
- Retail AUM grew by 49% year-on-year to INR 47,927 crores.
- Mortgage AUM stands at INR 32,612 crores, up 38% year-on-year.
- Wholesale 2.0 AUM has grown to INR 6,347 crores.
- Legacy AUM reduced from INR 18,693 crores to INR 14,572 crores during the quarter.

Source: Company Annual Report

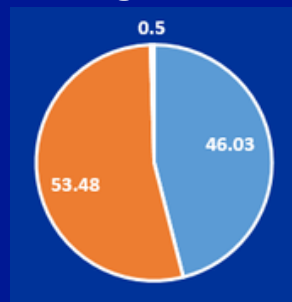
Stock data (as 19th July 2024)

Nifty Price	: 24,479.05
52 week High (in Rs.)	: 1,140
52 week Low (in Rs.)	: 737
Market Cap. (in Crore)	: 21,064
NSE Code	: <u>PEL</u>

Stock data



Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP
-Employee Trust

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	10,110	8,981	7,726
Sales Growth %	12.57%	16.26%	-39.69%
Expenses	6,351	7,434	1,984
Operating Profit	3,759	1,547	5,741
OPM %	37%	17%	74%
Net Profit	-1,684	9,969	1,999
EPS in Rs	-74.94	417.62	80.57

Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	1,894	2,811	2,132	2,878	2,193	2,476	2,473
Expenses	3,783	1,818	1,318	1,165	1,075	1,270	2,851
Operating Profit	-1,889	994	813	1,713	1,118	1,205	-377
OPM %	-100%	35%	38%	60%	51%	49%	-15%
Other Income	687	110	24	42	18	-3,396	1,572
Interest	1,000	959	991	1,035	1,039	1,103	1,167
Depreciation	27	30	41	37	38	41	712
Profit before tax	-2,230	113	-194	682	59	-3,335	-684
Tax %	-31%	-3024%	1%	25%	18%	-29%	-120%
Net Profit	-1,536	3,545	-196	509	48	-2,378	137

Source: Screener

Key Ratios

Ratios	FY23	FY22
Yield (% of AUM)	12.0%	12.9%
Cost of Borrowing (%)	8.6%	9.6%
NIM (% of AUM)	5.8%	5.3%
Cost to Assets (% of AUM)	3.1%	1.9%
Gross Debt to Equity (x)	1.6	1.6
Net Debt to Equity (x)	1.3	1.3

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	45	48	48
Reserves	26,512	31,011	35,441
Borrowings	53,611	49,583	55,539
Other Liabilities	2,437	3,110	8,652
Total Liabilities	82,605	83,752	99,681
Fixed Assets	3,389	3,263	9,133
CWIP	20	6	1,188
Investments	12,513	22,332	24,857
Other Assets	66,683	58,151	64,503
Total Assets	82,605	83,752	99,681

Synopsis Quater Results

Con-Call Q1 FY'24: Key Highlights

Corporate Reorganization:

- The Board has approved a composite scheme of arrangement for a merger of Piramal Enterprises Limited (PEL) with its 100% subsidiary, Piramal Capital and Housing Finance Limited (PCHFL).

Future Growth Expectations:

- Expecting a 15% AUM growth to INR 80,000 crores in FY'25.
- Retail wholesale mix will be closer to 75-25.
- OpEx to AUM in growth business expected to keep moderating by 4.6% by the fourth quarter FY'25.

Retail Lending Business:

- AUM of the retail business grew 49% year-on-year to INR 48,927 crores.
- Disbursements during the year stood at INR 28,555 crores, a growth of 55% year-on-year.
- Mortgage business continues to experience strong asset quality.
- Unsecured retail book of INR 11,195 crores across 4 product categories.

Wholesale Lending Business:

- Wholesale 2.0 AUM grew 14% quarter-on-quarter to INR 6,347 crores.
- Received prepayments worth INR 2,314 crores in the new real estate book.
- Wholesale 1.0 legacy business was down 50% year-on-year.

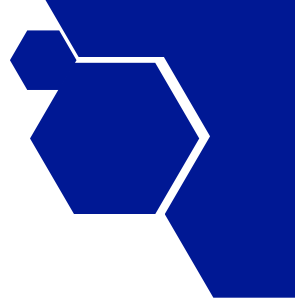
Challenges and Provisions:

- Significant provisions taken on the legacy book to accelerate the rundown.
- Management overlay provisions of INR 700 crores added to the Stage 1 part of the legacy book.
- Provisions expected to continue as the legacy book is further run down.

Net Worth Impact:

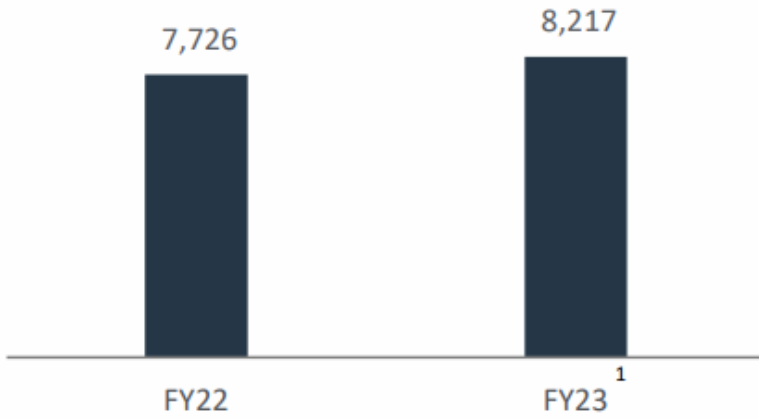
- Net impact on net worth, after netting off, is not likely to be more than INR 1,000 or INR 2,000 crores.
- With INR 26,500 crores of capital, the size has become small enough that net worth movements are expected to be minimal.
- Deltas are not significant, especially when netted off against all the gains in the balance sheet.

Revenue Highlights



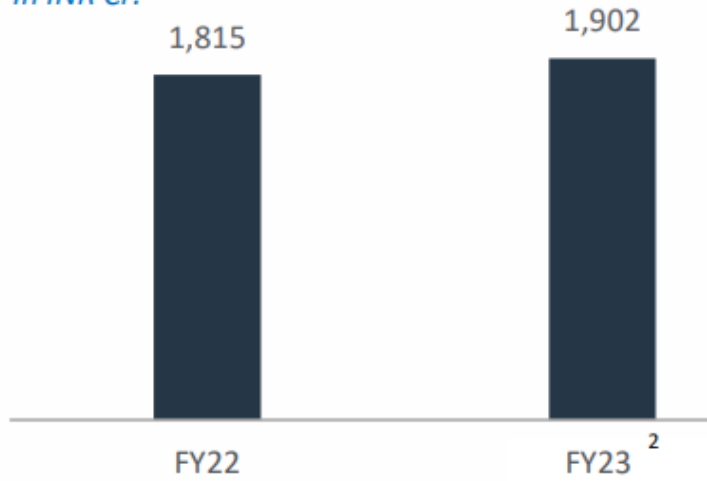
Operating Income¹ grew by 6% YoY

In INR Cr.



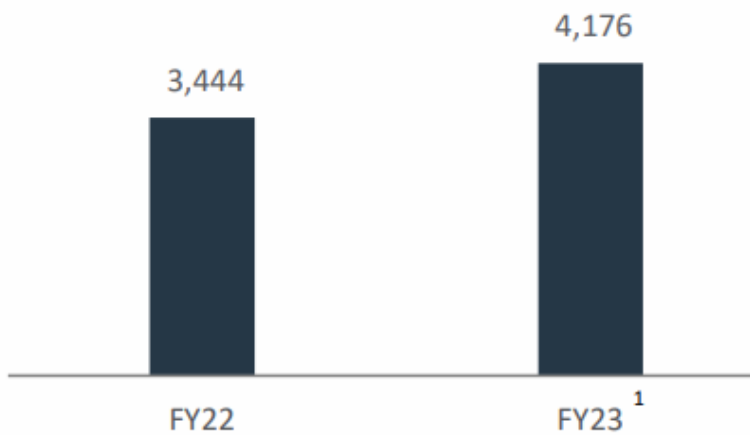
Profit After Tax² grew by 5% YoY

In INR Cr.



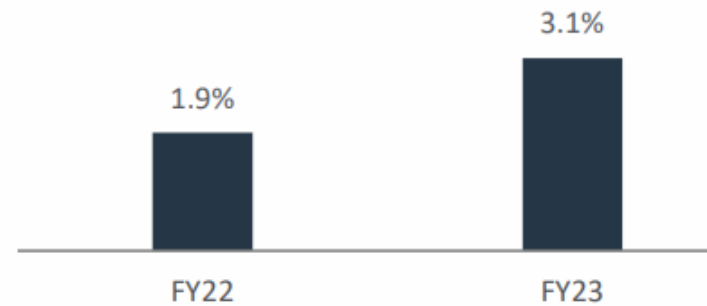
Net Interest Income¹ grew by 21% YoY

In INR Cr.



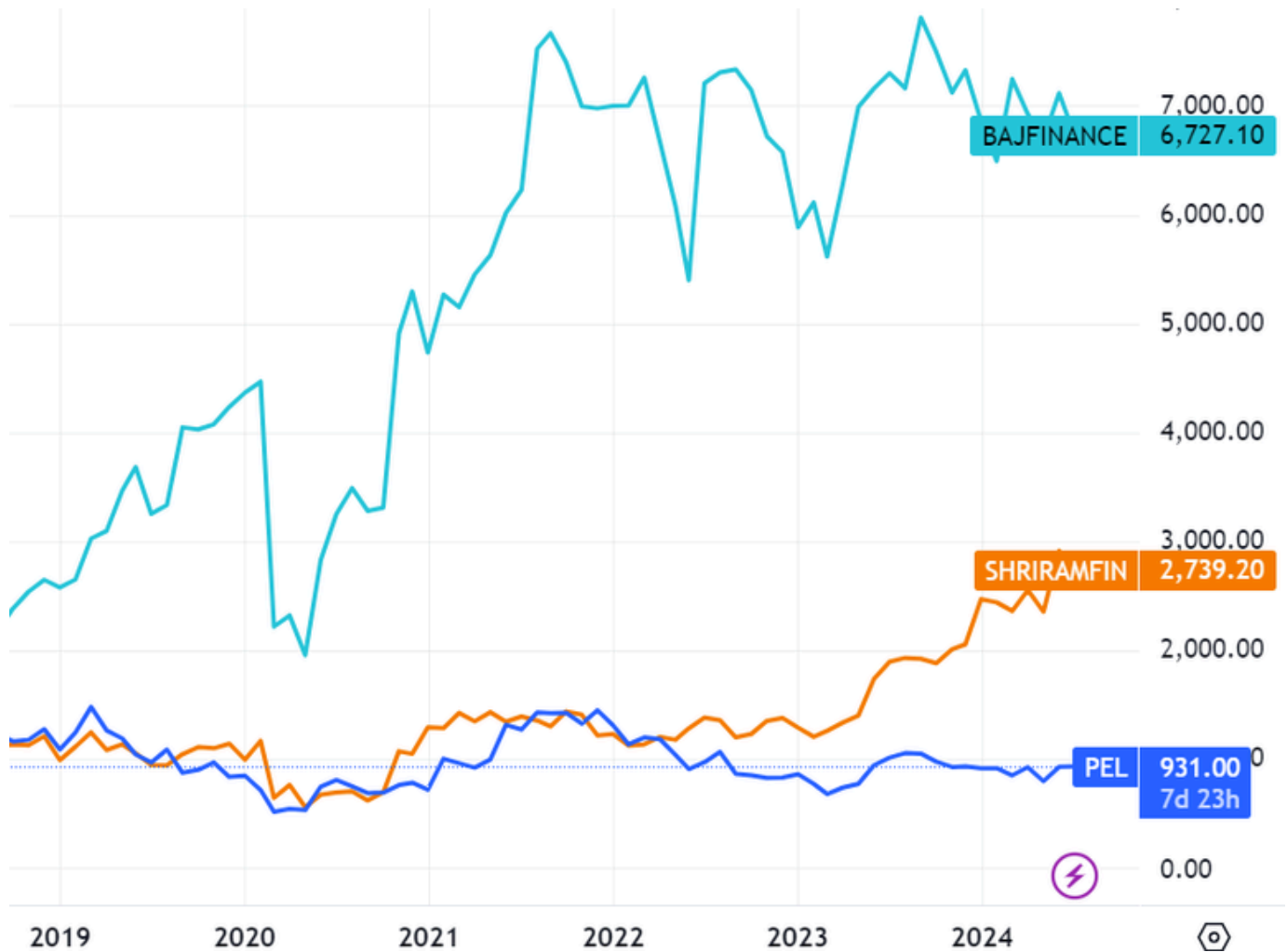
Annualised Cost-to-AUM Ratio

As % of Lending AUM



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Bajaj Finance	6727.10	28.75	416405.03	0.52	3824.53	21.11	14926.21	31.35	11.93
2.	Bajaj Finserv	1617.80	31.59	258308.04	0.06	4084.93	19.76	32040.84	35.62	11.72
3.	Jio Financial	334.90	134.22	212771.51	0.00	312.63	-5.81	417.82	0.89	1.55
4.	Cholaman.Inv.&Fn	1406.15	34.63	118150.58	0.14	1065.23	24.56	5427.56	45.08	10.41
5.	Bajaj Holdings	9725.55	14.91	108235.64	1.33	2716.17	100.79	1211.84	1297.90	13.07
6.	Shriram Finance	2739.85	14.07	102994.11	1.69	2021.28	56.30	9904.30	24.33	11.27
7.	HDFC AMC	3948.15	40.72	84324.01	1.70	603.98	26.49	775.24	34.93	37.72
8.	Piramal Enterp.	934.20	58.53	21064.11	1.08	137.09	-604.78	2473.29	16.02	3.91

Source: Screener

Final Outlook

PEL: HOLD | LTP: 934

Piramal Enterprises reported a net loss of ₹1,683 crore for the fiscal year 2023-24, compared to a profit of ₹9,969 crore the previous year. This significant downturn was accompanied by a 20% decrease in net interest income, which fell to ₹3,022 crore from ₹3,757 crore in FY23. The company's Q4 results showed a 6% decline in stock price following the announcement. Despite steady interest income of ₹1,944 crore for the quarter, net interest income dropped by 18% year-on-year to ₹755 crore. Operating expenses also increased, contributing to the overall financial strain. Piramal Enterprises Limited (PEL) has been experiencing mixed performance, reflecting a complex financial landscape. As of June 2024, the stock price was around ₹882.5.

Debt

Low probability of default in next 12 months

Dividend

Company doesn't offer attractive dividend returns

PB ratio

Stock is trading at a book value higher than the sector

Holdings

FII's have decreased holding in the recent quarter.

Piramal Enterprises is in a period of transformation, marked by strategic mergers and a shift in business focus. While the company has reported significant losses and faces operational challenges, these moves may position it for improved performance in the future. Investors should consider the high P/E ratio, low ROE, and ongoing strategic changes when evaluating this stock.