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Piramal Enterprises raises capital of Rs 5,400 Cr

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Rights Issue of Equity Shares of Rs 3,650 Crores

Piramal Enterprises Limited has announced that its Board, at its meeting held recently, has approved fresh capital raise of ~Rs 5,400 Crores ($ 770 Million) through a Rights Issue and preferential allotment of Compulsory Convertible Debentures (CCDs). The Rights Issue of ~Rs 3,650 Crores (~$ 520 Million) at Rs 1,300 per share, is intended to give an opportunity to all its existing shareholders to participate in the capital raise at an attractive price. The Promoters will participate in and are committed to the success of the Rights Issue.

In addition, the company plans to raise ~Rs 1,750 Crores ($ 250 Million) through the preferential allotment of CCDs (at a conversion price of Rs 1,510 per share) to Canadian institutional investor, Caisse de dépôt et placement du Québec (CDPQ). The preferential allotment will take place by end November 2019 and the Rights Issue is expected to be completed by end February 2020.

Ajay Piramal, Chairman, Piramal Enterprises Limited said, “This fresh equity infusion from CDPQ, an existing global, marquee, long-term investor in PEL, especially in the current market scenario is a validation of the robustness of the Company’s business model and long-term growth trajectory. We also want to offer our existing investors, to get an equal opportunity to participate in this capital raise and benefit from the attractive price of the Right Issue. As promoter family, we remain fully committed and would like to further increase our investment in the Company.

These funds will further strengthen our balance sheet, fortify & insulate us against any external shocks to the financial system in the future as well as enable us to tap organic and inorganic opportunities arising out of market consolidation across our Financial Services, Pharmaceuticals and Information Management businesses.”

“We are delighted to deepen our partnership with Piramal Enterprises, a company whose value creation approach aligns well with CDPQ’s long-term objectives and perspective as a global institutional investor,” said Anita M. George, Executive Vice-President and Head of Strategic Partnerships, Growth Markets at CDPQ. “This transaction further demonstrates CDPQ’s commitment to invest in India over the long run.”

CDPQ has a long-standing partnership with PEL. It had participated as the anchor investor during PEL’s previous capital issuance, investing $ 175 million out of the total issue size of $750 million. Additionally, CDPQ’s real estate subsidiary, Ivanhoé Cambridge, has committed $ 250 million towards a co-investment platform with PEL to provide long-term equity to blue-chip residential developers. This is a testimony to CDPQ’s long-term partnership approach and its confidence in the Company’s business model.

Since 1988, the Promoters have increased their stake in the Company. Current promoter holding of 46% in the Company represents highest effective promoter holding amongst major Financial Institutions in India. This reflects their confidence in the fundamentals of the business model, Company’s future plans and the value creation potential of the Company.

PEL is well-positioned to take advantage of the potential organic, as well as inorganic growth opportunities, arising from the present environment across both Financial Services and Pharma businesses.

Growth drivers for:

- **Financial Services:**

o Enter consumer lending, driven by technology at its core

o Further increase share of Housing Finance in overall loan book and achieve scale by targeting self-employed customers and tapping newer markets (Tier 2/3 cities)

o Selectively tap superior ‘risk-reward’ opportunities in wholesale lending, e.g. co-origination with banks and ‘last-mile’ funding to developers

o Opportunities arising from consolidation, particularly in retail financing and managing wholesale loan portfolios of distressed entities

- **Pharma:**

o Grow organically and inorganically in Global Pharma and in India Consumer Products

o Evaluate re-entry into domestic formulation and leverage its synergies with Consumer Products business

The consolidated equity (pro-forma as of Sep 30, 2019) of PEL post equity capital infusion will be at ~Rs 32,000 Crores, bringing our consolidated debt-equity ratio to under 1.7x. This puts the Company in a significantly advantageous position to leverage both organic and inorganic growth opportunities in future.

PEL has delivered a solid track record of long-term shareholder value creation. In has generated 42% annual shareholder returns for the last 5 years and 29% annual shareholder returns for the last 30 years (up to August 31, 2018).