

October 14, 2021

## Piramal Enterprises Limited: Update on Material Event

### Summary of rating action

| Instrument*                         | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Outstanding                                                    |
|-------------------------------------|--------------------------------------|-------------------------------------|-----------------------------------------------------------------------|
| Long-term - NCD Instruments         | 1,050.0                              | 1,050.0                             | [ICRA]AA&; on rating watch with developing implications               |
| Long-term / Short-term, Unallocated | 500.0                                | 500.0                               | [ICRA]AA&; on rating watch with developing implications;<br>[ICRA]A1+ |
| <b>Total</b>                        | <b>1,550.00</b>                      | <b>1,550.00</b>                     |                                                                       |

\*Instrument details are provided in Annexure-1

&- on watch with developing implications

### Rationale

### Material Event

On October 07, 2021, Piramal Enterprises Limited (PEL), intimated the stock exchanges that its board of directors have approved the scheme for demerger of the pharmaceutical business and simplification of the Group's corporate structure into two separate sector-focused listed entities in financial services and pharmaceuticals. As per the proposed scheme, the pharmaceutical business would be demerged from PEL and consolidated under Piramal Pharma Limited (PPL). In addition, PHL Fininvest Private Limited (PFPL, 100% subsidiary of PEL), a non-banking financial services company (NBFC) and a subsidiary of PEL, will be amalgamated with PEL while Piramal Capital & Housing Finance Limited (PCHFL, 100% subsidiary of PEL), a housing finance company, which has been merged into Dewan Housing Finance Limited (DHFL) with effect from September 30, 2021, will remain a wholly-owned subsidiary of PEL.

The scheme is subject to the approval of the shareholders and creditors of the companies, the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Ltd (BSE) Limited, Honorable National Company Law Tribunal (NCLT) and other regulatory authorities, as applicable.

### Impact of Material Event

The proposed demerger and corporate restructuring exercise, once completed, would result in complete segregation of pharmaceutical and financial services business which have hitherto been consolidated under one entity, namely PEL. The pharmaceutical business would be consolidated under PPL, which is proposed to be subsequently listed on the stock exchanges.

ICRA notes that the above restructuring of the conglomerate is expected to simplify the corporate structure by creating two specialised entities, while strengthening the governance structure as each company will have a dedicated management board. It will also facilitate each business to grow independently and optimise capital allocation for each business. The rating continues to be under watch with developing implications in light of PCHFL's acquisition and merger with DHFL, in addition to further clarity on the details of the restructuring and its impact on the credit profile of the company.

ICRA will continue to monitor the developments with respect to completion of the scheme of arrangement to assess the operating and financial position of the restructured entity.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities and Key Financial Indicators: [Click here](#)

## Analytical approach

| Analytical Approach             | Comments                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable Rating Methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Rating Methodology for Entities in the Pharmaceutical Industry</a><br><a href="#">Consolidation and Rating Approach</a>                                                                                                                                                                                                                                    |
| Parent/Group Support            | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                |
| Consolidation/Standalone        | For arriving at the ratings, ICRA has analysed the standalone credit profile of PEL, including the pharma business as well as Shriram Group investments. Further, ICRA has factored in the ordinary and extraordinary funding support required for the financial services business.<br>ICRA may change its analytical approach for evaluating PEL depending upon the outcome of proposed reorganisation and demerger process. |

## About the company

PEL is diversified across pharmaceuticals and financial services business. In FY2020, the company divested its stake in its healthcare insights and analytics (HIA) business to Clarivate Analytics PLC for \$950 million.

Piramal Pharma Limited (PPL), a 80% subsidiary of PEL, offers a portfolio of differentiated products and services through end-to-end manufacturing capabilities across 14 global facilities and a global distribution network in over 100 countries. PPL includes an integrated custom development and manufacturing operations (CDMO) business offering APIs<sup>1</sup>, HPAPIs<sup>2</sup> and formulations, a complex hospital generics business that includes inhalation and injectable anesthesia, pain management drugs and intrathecal spasticity management opioids (top global provider of inhalation anesthetics) and a consumer products business, which sells over-the-counter products in India. In addition, PPL has a joint venture with Allergan, a leader in ophthalmology in the Indian formulations market. In October 2020, PEL divested 20% stake in PPL to the Carlyle Group for a consideration of Rs. 3,523.4 crore.

Piramal Capital and Housing Finance Limited (PCHFL, rated [ICRA]AA/A1+; ratings on watch with developing implications), a 100% subsidiary of PEL, is registered as a housing finance company with the National Housing Bank (NHB) and is involved in various financial services businesses. It provides real estate lending, housing finance, corporate finance lending and small and emerging corporate lending. PEL is planning to foray into the consumer financing business, which is expected to consist of secured products like small commercial vehicles and multi-collateral secured loans.

The company also has investment alliances (alternate investments) with top global funds such as APG Asset Management, Bain Capital Credit, CDPQ and Ivanhoé Cambridge. PEL has long-term equity investments in the Shriram Group, a leading financial conglomerate in India.

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

<sup>1</sup> Active pharmaceutical ingredients

<sup>2</sup> High potency active pharmaceutical ingredients

## Rating history for past three years

|   | Instrument                                   | Current Rating (FY2022) |                          |                                 |                      |                                 | Chronology of Rating History for the past 3 years |                                        |                                 |                                 |                                 |                              |                              |                              |                              |                              |
|---|----------------------------------------------|-------------------------|--------------------------|---------------------------------|----------------------|---------------------------------|---------------------------------------------------|----------------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   |                                              | Type                    | Amount Rated (Rs. crore) | Amount Outstanding* (Rs. crore) | Date & Rating in     |                                 | Date & Rating in FY2021                           |                                        |                                 | Date & Rating in FY2020         |                                 | Date & Rating in FY2019      |                              |                              |                              |                              |
|   |                                              |                         |                          |                                 | October 14, 2021     | August 13, 2021                 | Feb 03, 2021                                      | Jul 27, 2020                           | May 28, 2020                    | Jun 25, 2019                    | Apr 22, 2019                    | Feb 15, 2019                 | Dec 31, 2018                 | Dec 21, 2018                 | Nov 26, 2018                 | Apr 05, 2018                 |
| 1 | Fund-based Limits                            | Long-term/ Short-term   | -                        | -                               | -                    | [ICRA]AA&/ [ICRA]A1+; Withdrawn | [ICRA]AA (Negative) / [ICRA] A1+                  | [ICRA]AA (Negative) / [ICRA]A1+        | [ICRA]AA (Negative) / [ICRA]A1+ | [ICRA]AA (Negative) / [ICRA]A1+ | [ICRA]AA (Negative) / [ICRA]A1+ | [ICRA]AA (stable)/ [ICRA]A1+ | [ICRA]AA (stable)/ [ICRA]A1+ | [ICRA]AA (stable)/ [ICRA]A1+ | [ICRA]AA (stable)/ [ICRA]A1+ | [ICRA]AA (stable)/ [ICRA]A1+ |
| 2 | Term Loans                                   | Long-term               | -                        | -                               | -                    | [ICRA]AA&; Withdrawn            | [ICRA]AA (Negative)                               | [ICRA]AA (Negative)                    | [ICRA]AA (Negative)             | [ICRA]AA (Negative)             | [ICRA]AA (Negative)             | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            |
| 3 | Non-fund Based Limits                        | Short-term              | -                        | -                               | -                    | [ICRA]A1+; Withdrawn            | [ICRA]A1+                                         | [ICRA]A1+                              | [ICRA]A1+                       | [ICRA]A1+                       | [ICRA]A1+                       | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    |
| 4 | Fund-based Limits                            | Short-term              | -                        | -                               | -                    | [ICRA]A1+; Withdrawn            | [ICRA]A1+                                         | [ICRA]A1+                              | [ICRA]A1+                       | [ICRA]A1+                       | [ICRA]A1+                       | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    |
| 5 | NCD Instruments                              | Long-term               | -                        | -                               | -                    | [ICRA]AA&; Withdrawn            | [ICRA]AA (Negative)                               | [ICRA]AA (Negative)                    | [ICRA]AA (Negative)             | [ICRA]AA (Negative)             | [ICRA]AA (Negative)             | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            |
| 6 | NCD Instruments                              | Long-term               | 1,050                    | 40.0                            | [ICRA]AA&            | [ICRA]AA&                       | [ICRA]AA (Negative)                               | [ICRA]AA (Negative)                    | [ICRA]AA (Negative)             | [ICRA]AA (Negative)             | [ICRA]AA (Negative)             | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            | [ICRA]AA (stable)            |
| 7 | Unallocated                                  | Long-term/ Short-term   | 500.0                    | -                               | [ICRA]AA&/ [ICRA]A1+ | [ICRA]AA&/ [ICRA]A1+            | -                                                 | -                                      | -                               | -                               | -                               | -                            | -                            | -                            | -                            | -                            |
| 8 | Commercial paper                             | Short-term              | -                        | -                               | -                    | -                               | -                                                 | [ICRA]A1+; withdrawn                   | [ICRA]A1+                       | [ICRA]A1+                       | [ICRA]A1+                       | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    | [ICRA]A1+                    |
| 9 | Principal Protected Market Linked Debentures | Long-term               | -                        | -                               | -                    | -                               | -                                                 | PP-MLD [ICRA]AA (Negative) ; withdrawn | PP-MLD [ICRA]AA (Negative)      | PP-MLD [ICRA]AA (Negative)      | PP-MLD [ICRA]AA (Negative)      | PP-MLD [ICRA]AA (stable)     | PP-MLD [ICRA]AA (stable)     | -                            | -                            | -                            |

|    |                                                                      |           |   |   |   |   |   |                                                                   |                                                 |                                                 |                                                 |                                               |                                               |   |   |   |
|----|----------------------------------------------------------------------|-----------|---|---|---|---|---|-------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------|-----------------------------------------------|---|---|---|
| 10 | Provisional<br>Principal<br>Protected Market<br>Linked<br>Debentures | Long-term | - | - | - | - | - | Provisional<br>PP-MLD<br>[ICRA]AA<br>(Negative)<br>;<br>withdrawn | Provisional<br>PP-MLD<br>[ICRA]AA<br>(Negative) | Provisional<br>PP-MLD<br>[ICRA]AA<br>(Negative) | Provisional<br>PP-MLD<br>[ICRA]AA<br>(Negative) | Provisional<br>PP-MLD<br>[ICRA]AA<br>(stable) | Provisional<br>PP-MLD<br>[ICRA]AA<br>(stable) | - | - | - |
|----|----------------------------------------------------------------------|-----------|---|---|---|---|---|-------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------|-----------------------------------------------|---|---|---|

\* as August 01, 2021

&= On watch with developing implications

### Complexity level of the rated instrument

| Instrument                          | Complexity Indicator |
|-------------------------------------|----------------------|
| Long-term- NCD Instruments          | Very Simple          |
| Long-term / Short-term, Unallocated | Not applicable       |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

| ISIN No/ Banker | Instrument Name | Date of Issuance | Coupon Rate | Maturity   | Amount Rated (Rs. crore) | Current Rating and Outlook |
|-----------------|-----------------|------------------|-------------|------------|--------------------------|----------------------------|
| NA              | Unallocated     | NA               | NA          | NA         | 500                      | [ICRA]AA&/[ICRA]A1+        |
| INE140A07179    | NCD             | 14-Jul-16        | 9.75%       | 14-Jul-26  | 35                       | [ICRA]AA&                  |
| INE140A07203    | NCD             | 19-Jul-16        | 9.57%       | 19-Jul-21  | 10                       | [ICRA]AA&                  |
| INE140A07211    | NCD             | 19-Jul-16        | 9.75%       | 17-Jul-26  | 5                        | [ICRA]AA&                  |
| Not Issued      | NCD (proposed)  | Not issued       | Not issued  | Not issued | 1000                     | [ICRA]AA&                  |

Source: Company

### Annexure-2: List of entities considered for consolidated analysis

| Company Name                                                                                                               | PEL Ownership | Consolidation Approach |
|----------------------------------------------------------------------------------------------------------------------------|---------------|------------------------|
| <b>Subsidiaries</b>                                                                                                        |               |                        |
| PHL Fininvest Private Limited                                                                                              | 100%          | Limited Consolidation  |
| Piramal International                                                                                                      | 100%          | Full Consolidation     |
| Piramal Holdings (Suisse) SA                                                                                               | 80%           | Full Consolidation     |
| Piramal Critical Care Italia, S.P.A                                                                                        | 80%           | Full Consolidation     |
| Piramal Critical Care Deutschland GmbH                                                                                     | 80%           | Full Consolidation     |
| Piramal Critical Care Limited                                                                                              | 80%           | Full Consolidation     |
| Piramal Healthcare (Canada) Limited                                                                                        | 80%           | Full Consolidation     |
| Piramal Critical Care B.V                                                                                                  | 80%           | Full Consolidation     |
| Piramal Pharma Solutions B.V.                                                                                              | 80%           | Full Consolidation     |
| Piramal Critical Care Pty. Ltd.                                                                                            | 80%           | Full Consolidation     |
| Piramal Healthcare UK Limited                                                                                              | 80%           | Full Consolidation     |
| Piramal Healthcare Pension Trustees Limited                                                                                | 80%           | Full Consolidation     |
| Piramal Critical Care South Africa (Pty.) Ltd.                                                                             | 80%           | Full Consolidation     |
| Piramal Dutch Holdings N.V.                                                                                                | 80%           | Full Consolidation     |
| Piramal Healthcare Inc.                                                                                                    | 80%           | Full Consolidation     |
| Piramal Critical Care, Inc.                                                                                                | 80%           | Full Consolidation     |
| Piramal Pharma Inc.                                                                                                        | 80%           | Full Consolidation     |
| Piramal Pharma Solutions Inc.                                                                                              | 80%           | Full Consolidation     |
| PEL Pharma Inc.                                                                                                            | 80%           | Full Consolidation     |
| Ash Stevens LLC                                                                                                            | 80%           | Full Consolidation     |
| Piramal Dutch IM Holdco B.V.                                                                                               | 100%          | Full Consolidation     |
| PEL-DRG Dutch Holdco B.V.                                                                                                  | 100%          | Full Consolidation     |
| Piramal Capital and Housing Finance Limited                                                                                | 100%          | Limited Consolidation  |
| Piramal Fund Management Private Limited                                                                                    | 100%          | Full Consolidation     |
| Piramal Asset Management Private Limited                                                                                   | 100%          | Full Consolidation     |
| Piramal Investment Advisory Services Private Limited                                                                       | 100%          | Full Consolidation     |
| Piramal Investment Opportunities Fund                                                                                      | 100%          | Full Consolidation     |
| INDIAREIT Investment Management Co.                                                                                        | 100%          | Full Consolidation     |
| Piramal Asset Management Private Limited (Singapore)                                                                       | 100%          | Full Consolidation     |
| Piramal Capital International Limited                                                                                      | 100%          | Full Consolidation     |
| Piramal Securities Limited                                                                                                 | 100%          | Full Consolidation     |
| Piramal Systems & Technologies Private limited                                                                             | 100%          | Full Consolidation     |
| Piramal Technologies SA                                                                                                    | 100%          | Full Consolidation     |
| PEL Finhold Private Limited                                                                                                | 100%          | Limited Consolidation  |
| Piramal Consumer Products Private Limited                                                                                  | 100%          | Full Consolidation     |
| Piramal Pharma Limited                                                                                                     | 80%           | Full Consolidation     |
| PEL Healthcare LLC (w.e.f. June 26, 2020)                                                                                  | 80%           | Full Consolidation     |
| Piramal Finance Sales & Services Private Limited (w.e.f. September 9, 2020)                                                | 100%          | Full Consolidation     |
| Virdis Power Investment Managers Private Limited (w.e.f. October 17, 2020)                                                 | 100%          | Full Consolidation     |
| Virdis Infrastructure Investment Managers Private Ltd. (w.e.f. October 22, 2020)                                           | 100%          | Full Consolidation     |
| Convergence Chemicals Private Limited (subsidiary w.e.f. from February 24, 2021 and joint venture up to February 23, 2021) | 80%           | Full Consolidation     |
| Hemmo Pharmaceuticals Private Limited (w.e.f. 24 June 2021)                                                                | 80%           | Full Consolidation     |
| <b>List of Joint Ventures</b>                                                                                              |               |                        |
| Asset Resurgence Mauritius Manager                                                                                         | 50%           | Equity Method          |

| Company Name                                               | PEL Ownership | Consolidation Approach |
|------------------------------------------------------------|---------------|------------------------|
| Piramal Ivanhoe Residential Equity Fund 1                  | 50%           | Equity Method          |
| India Resurgence Fund - Scheme 2                           | 50%           | Equity Method          |
| India Resurgence ARC trust I                               | 50%           | Equity Method          |
| Piramal Structured Credit Opportunities Fund               | 25%           | Equity Method          |
| Shrilekha Business Consultancy Private Limited             | 74.95%        | Equity Method          |
| India Resurgence ARC Private Limited                       | 50%           | Equity Method          |
| India Resurgence Asset Management Business Private Limited | 50%           | Equity Method          |
|                                                            |               |                        |
| <b>List of Associates</b>                                  |               |                        |
| Allergan India Private Limited                             | 49%           | Equity Method          |
| Shriram Capital Limited                                    | 20%           | Equity Method          |

**Source:** PEL FY2021 Annual Report

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### Branches



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