

May 16, 2024

## Piramal Enterprises Limited: Update on Material Event; matured instruments withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
<b>Non-convertible debentures (NCDs)</b>	5,540	5,540	[ICRA]AA (Stable); outstanding
<b>Retail NCD</b>	3,000	3,000	[ICRA]AA (Stable); outstanding
<b>Long-term/short-term – Fund-based/non-fund based bank lines</b>	2,000	2,000	[ICRA]AA (Stable)/[ICRA]A1+; outstanding
<b>Short-term debt</b>	800	800	[ICRA]A1+; outstanding
<b>Short-term debt</b>	1,000	0	[ICRA]A1+; withdrawn
<b>Total</b>	<b>12,340</b>	<b>11,340</b>	

\*Instrument details are provided in Annexure I

### Rationale

#### Material event

On May 8, 2024, Piramal Enterprises Limited (PEL) announced that its board of directors (BoD) has approved a composite scheme of arrangement, whereby PEL would be reverse merged with its wholly-owned subsidiary – Piramal Capital & Housing Finance Limited (PCHFL). The merged entity would be renamed Piramal Finance Limited (PFL). Further, PCHFL's BoD approved the conversion of the entity to a non-banking financial company – investment and credit company (NBFC-ICC) from a housing finance company (HFC) because it does not meet the requisite principle business criteria (PBC) applicable to HFCs as per the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021. Accordingly, PCHFL will submit an application to the Reserve Bank of India (RBI) for an NBFC-ICC licence and continue to operate as an HFC in the interim. The reverse merger would take place after PCHFL receives the NBFC-ICC licence.

Further, as per the RBI's (NBFC – Scale Based Regulation) Master Directions, 2023 (Scale Based Regulations), all NBFCs identified as upper layer NBFCs are mandatorily required to be listed within three years of being identified as such. PCHFL has been identified as an upper layer NBFC and is accordingly required to be listed prior to September 30, 2025. As a part of the proposed scheme, PFL would be listed on the stock exchanges. The transaction is subject to the receipt of approvals from regulatory authorities, stock exchanges, shareholders, creditors, etc. The management estimates a timeline of 9-12 months for completing the transaction.

#### Impact of material event

ICRA takes a consolidated view of the credit profiles of PEL and PCHFL to arrive at the ratings for both entities as they have operational and business synergies in addition to a shared name and management oversight. The proposed scheme of arrangement is credit neutral from an analytical approach perspective. Moreover, it is unlikely to materially alter the business operations. In this regard, the management has asserted that the merger would result in the simplification of the group structure and the optimisation of resources. Further, as of March 31, 2024, PCHFL did not avail any low-cost borrowings from National Housing Bank (NHB), which could get impacted due to its conversion to an NBFC-ICC from an HFC.

ICRA has taken note of PEL's consolidated financial performance in FY2024, characterised by pressure on profitability owing to the elevated credit costs incurred to expedite the rundown of the legacy (wholesale 1.0) assets under management (AUM) and management overlay to address potential losses while running down the residual legacy book. Moreover, the pre-provisioning operating profit remained subdued due to high operating expenses amid the ongoing retailisation and low yields on legacy wholesale assets. Nonetheless, multiple one-off gains, pertaining to the sale of the stake in Shriram Investment Holdings Pvt. Ltd., the potential reversal of provisions related to alternative investment funds created in FY2024 and the recognition of deferred tax assets, partially offset the higher credit costs, curtailing the impact on the net worth.

PEL's consolidated capitalisation remains comfortable with a gearing of ~2 times as of March 2024. The performance of the growth business (comprising retail and wholesale 2.0 AUM) remains adequate, although the book is yet to season. The initial cost to scale up new businesses, along with credit losses while running down the legacy book has, however, resulted in weak profitability. An improvement in the same remains monitorable for the credit profile, going forward.

The ratings continue to draw support from PEL's capitalisation, its experienced management team, and the increase in the share of retail loans, accounting for 70% of the AUM as of March 2024 compared to 50% as of March 2023. The company has aggressively diversified its retail product offerings, in line with its growth ambitions for the medium term. ICRA also notes the sustained rundown in the legacy wholesale AUM (Rs. 14,572 crore as of March 2024 from Rs. 43,633 crore as of March 2022) accelerated by sales, impairments and write-offs, besides scheduled collections. ICRA notes that the legacy AUM is estimated to comprise less than 10% of the AUM by March 2025. The company had overall provisions of Rs. 3,429 crore as of March 2024 (provision coverage ratio (PCR) of 5.1%) compared to Rs. 3,964 crore as of March 2023 (PCR of 6.2%). It had provisions of Rs. 2,629 crore, as of March 2024, for the wholesale book (PCR of 12.6%) compared to Rs. 3,332 crore as of March 2023 (PCR of 10.5%). However, the ability to curtail losses while running down the residual legacy book remains monitorable.

ICRA has withdrawn the [ICRA]A1+ rating assigned to PEL's Rs. 1,000-crore short-term non-convertible debenture (NCD) programme as no amount is outstanding against the same. This is in accordance with ICRA's policy on the withdrawal of credit ratings. The previous detailed rating rationale, which captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators, is available at the following link: [Click here](#).

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Non-banking Finance Companies</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation; To arrive at the ratings, ICRA has taken a consolidated view of the credit profiles of PEL and its wholly-owned subsidiary, i.e. PCHFL, together referred to as PEL or the company, as they have operational and business synergies in addition to a shared name and management oversight.

## About the company

Piramal Enterprises Limited (PEL) is a non-banking financial company (NBFC), which was registered with the Reserve Bank of India (RBI) w.e.f. July 22, 2022. It has a presence in retail lending, wholesale lending, and fund-based platforms, primarily through standalone operations and its wholly-owned subsidiary, i.e. Piramal Capital & Housing Finance Limited (PCHFL). The company's consolidated operations are backed by a network of about 487 conventional branches and 194 microfinance branches across 26 states and Union Territories as of March 2024.

PEL received its NBFC licence as a part of a planned corporate restructuring exercise, whereby the pharma business was demerged from PEL [and housed under a separate listed entity – Piramal Pharma Limited (PPL)]. Further, PHL Fininvest Private Limited (PFPL), a wholly-owned subsidiary of PEL and the NBFC arm of the Group, was merged into PEL w.e.f. August 12, 2022.

PEL forayed into the financial services sector with PCHFL, a housing finance company (HFC) that provides both wholesale and retail finance across segments. PCHFL was chosen as the successful resolution applicant by Dewan Housing Finance Corporation Ltd's (DHFL) Committee of Creditors for the resolution of DHFL, an HFC catering to the low-and-middle-income borrower segment. As per the resolution plan approved by the National Company Law Tribunal (NCLT), DHFL's existing liabilities were discharged by the erstwhile PCHFL and a consideration of Rs. 34,250 crore (comprising upfront cash of Rs. 14,700 crore and issuance of debt instruments of Rs. 19,550 crore) was paid to DHFL's creditors. The erstwhile PCHFL was reverse merged with DHFL, with effect from September 30, 2021, and the amalgamated entity (DHFL) was rechristened Piramal Capital & Housing Finance Limited.

Within retail lending, through its multi-product platform, PEL offers home loans to customers in the affordable housing and budget segments, secured and unsecured lending to small businesses, pre-owned car loans, loan against securities, and unsecured finance constituting microfinance, digital purchase finance, salaried personal loans, etc. Within wholesale lending, the business provides financing to real estate developers as well as corporate clients in select sectors.

PEL has also formed strategic partnerships with financial institutions such as the Canada Pension Plan Investment Board, APG Asset Management and Ivanhoe Cambridge (subsidiary of Caisse de dépôt et placement du Québec; CDPQ) across investment platforms. Piramal Alternatives, the fund management business, provides customised financing solutions to select corporates through Piramal Credit Fund, a performing, sector-agnostic credit fund with capital commitment from CDPQ, and IndiaRF, a distressed asset investing platform with Bain Capital Credit, which invests in equity and/or debt across non-real estate sectors. PEL also has a 50% stake in Pramerica Life Insurance (a joint venture with Prudential International Insurance Holdings) and equity investments in Shriram Group.

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

**Any other information: None**

### Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years									
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating in FY2025	Date & Rating in FY2024					Date & Rating in FY2023		Date & Rating in FY2022		
					May 16, 2024	Dec 29, 2023	Nov 24, 2023	Oct 31, 2023	Jul 05, 2023	Apr 28, 2023	Oct 12, 2022	Apr 29, 2022	Oct 14, 2021	Aug 13, 2021	
1	NCD	LT	1,040	40	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA&	[ICRA]AA&
2	NCD	LT	4,000	Nil	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-	-
3	Retail NCD	LT	3,000	533	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-	-
4	NCD	LT	500	Nil	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-
5	Short-term debt	ST	1,000	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-
6	Short-term debt	ST	-	-	-	-	-	[ICRA]A1+; withdrawn	-	-	-	-	-	-	-
7	Short-term debt	ST	800	800	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-	-	-	-	-	-
8	NCD	LT	-	-	-	-	-	-	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA&	[ICRA]AA&	
9	Long-term/short-term fund-based/non-fund based bank lines	LT/ST	1,000	1,000	[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+	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	-	-	-
10	Long-term/short-term fund-based/non-fund based bank lines	LT/ST	1,000	100	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA (Stable) / [ICRA]A1+	-	-	-	-	-	-	-	-	-
11	Unallocated	LT/ST	-	-	-	-	-	-	-	-	-	[ICRA]AA (Stable) / [ICRA]A1+	[ICRA]AA& / [ICRA]A1+	[ICRA]AA& / [ICRA]A1+	
12	Fund-based limits	LT/ST	-	-	-	-	-	-	-	-	-	-	-	[ICRA]AA& / [ICRA]A1+; Withdrawn	
13	Term loans	LT	-	-	-	-	-	-	-	-	-	-	-	[ICRA]AA&; Withdrawn	
14	Non-fund based limits	ST	-	-	-	-	-	-	-	-	-	-	-	[ICRA]A1+; Withdrawn	
15	Fund-based limits	ST	-	-	-	-	-	-	-	-	-	-	-	[ICRA]A1+; Withdrawn	
16	NCD instruments	LT	-	-	-	-	-	-	-	-	-	-	-	[ICRA]AA&; Withdrawn	

& Rating on Watch with Developing Implications; LT – Long term; ST – Short term; \*As on December 28, 2023

## Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Simple
Retail NCD	Simple
Long term/short term – Fund-based/non-fund based bank lines	Simple
Short-term debt	Simple

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 analysing 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 are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE140A07179	NCD	Jul 14, 2016	9.75%	Jul 14, 2026	35	[ICRA]AA (Stable)
INE140A07211	NCD	Jul 19, 2016	9.75%	Jul 17, 2026	5	[ICRA]AA (Stable)
NA	NCD – Proposed	NA	NA	NA	5,500	[ICRA]AA (Stable)
INE140A07716	Short-term debt	Nov 07, 2022	Linked to 3M MIBOR	Nov 06, 2023	1,000	[ICRA]A1+; withdrawn
INE140A07781	Short-term debt	Oct 30, 2023	Linked to 3M MIBOR	Oct 28, 2024	800	[ICRA]A1+
INE140A07740	Retail NCD	Nov 03, 2023	9.05%	Nov 03, 2026	131.35	[ICRA]AA (Stable)
INE140A07757	Retail NCD	Nov 03, 2023	9.00%	Nov 03, 2025	272.91	[ICRA]AA (Stable)
INE140A07765	Retail NCD	Nov 03, 2023	9.20%	Nov 03, 2028	72.75	[ICRA]AA (Stable)
INE140A07773	Retail NCD	Nov 03, 2023	9.35%	Nov 03, 2033	55.89	[ICRA]AA (Stable)
NA	Retail NCD – Proposed	NA	NA	NA	2,467.10	[ICRA]AA (Stable)
NA	Long-term/short-term fund-based/non-fund based bank lines	NA	NA	NA	2,000	[ICRA]AA (Stable) / [ICRA]A1+

Source: PEL; ISIN details as on March 31, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name		Consolidation Approach
Piramal Enterprises Limited	Holding Company	-
Piramal Capital & Housing Finance Limited	100%	Full Consolidation
DHFL Advisory and Investment Private Limited	100%	Full Consolidation
DHFL Holdings Limited	100%	Full Consolidation
DHFL Investments Limited	100%	Full Consolidation
INDIAREIT Investment Management Co.	100%	Full Consolidation
PEL Finhold Private Limited	100%	Full Consolidation
Piramal Alternatives Private Limited	100%	Full Consolidation
Piramal Alternatives Trust	100%	Full Consolidation
Piramal Alternatives India Access Fund (w.e.f. September 11, 2023)	100%	Full Consolidation
Piramal Asset Management Private Limited (until June 5, 2023)	100%	Full Consolidation
Piramal Corporate Tower Private Limited (formerly Piramal Consumer Products Private Limited)	100%	Full Consolidation
Piramal Dutch IM Holdco B.V (until September 8, 2023)	100%	Full Consolidation
Piramal Finance Sales & Services Private Limited	100%	Full Consolidation
Piramal Fund Management Private Limited	100%	Full Consolidation
Piramal International (until September 29, 2023)	100%	Full Consolidation
Piramal Investment Advisory Services Private Limited	100%	Full Consolidation
Piramal Investment Opportunities Fund	100%	Full Consolidation
Piramal Payment Services Limited	100%	Full Consolidation
Piramal Securities Limited	100%	Full Consolidation
Piramal Systems & Technologies Private Limited	100%	Full Consolidation
Piramal Technologies SA	100%	Full Consolidation

Company Name		Consolidation Approach
<b>PRL Agastya Offices Private Limited (formerly PRL Agastya Private Limited)</b>	100%	Full Consolidation
<b>Viridis Infrastructure Investment Managers Private Limited</b>	100%	Full Consolidation
<b>Asset Resurgence Mauritius Manager</b>	50%	Equity Method
<b>India Resurgence ARC Private Limited</b>	50%	Equity Method
<b>India Resurgence Asset Management Business Private Limited</b>	50%	Equity Method
<b>India Resurgence Fund - Scheme 2</b>	50%	Equity Method
<b>India Resurgence Fund - Scheme 4 (w.e.f. December 29, 2023)</b>	50%	Equity Method
<b>Pramerica Life Insurance Limited</b>	50%	Equity Method
<b>Piramal Structured Opportunities Fund</b>	50%	Equity Method
<b>DHFL Ventures Trustee Company Private Limited</b>	40%	Equity Method

Source: Company; As of March 31, 2024

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