CHAIRMAN'S MESSAGE

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Dear Shareholders,

My warm greetings to you.

I look forward to this time of the year to re-connect with you on how we have fared both as an enterprise as well as an organisation engaged in creating social impact at scale.

Delivering Strong Performance

Our ability to think ahead of the curve, create innovative, differentiated and sustainable business models combined with seamless execution capabilities, has enabled us to create new businesses whilst bolstering existing ones. This is reflected in the robust performance recorded consistently, over the last 31 years, where we have delivered a revenue CAGR of 24%, net profit CAGR of 29% and annual shareholder return of 28%.

Over the recent years, the sectors that we operate in, have faced multiple challenges. The real estate sector in which, through our financial services business, we lend to tier-1 real estate developers, was impacted by the introduction of RERA, GST and demonetisation. Increasingly, the Pharma sector has also been witnessing significant pricing pressure and stringent regulatory scrutiny. More recently, the NBFC sector was impacted by a liquidity tightening situation, triggered by a default by a large financial services company.

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Financial Performance

We have recorded another year of robust performance despite liquidity tightening in the NBFC sector in the second half of FY2019. During the year, our revenues grew 24% y-o-y to ₹13,215 Crores and normalised net profit in FY2019 grew 25% to ₹1,936 Crores as compared to ₹1,551 Crores in FY2018. We have delivered a 4-year revenue CAGR of 27% and 4-year normalised net profits CAGR of 46%. We have been consistently delivering 20%+ growth in revenues and net profit, over past 15 quarters.

For FY2019, the Board has recommended, subject to your approval, a dividend of ₹28 per share at a dividend payout ratio of 29%.

Financial Services

The Liquidity Tightening Situation in the NBFC Sector

In September 2018, the default on payment obligations by a large financial services company on its debt instruments, resulted in a sector-wide liquidity tightening. As a result, banks and mutual funds that are amongst the largest providers of funds to the sector, resorted to a cautious approach towards financing NBFCs. Our strong reputation as a Group, our company's robust balance sheet, strong track-record of growth, asset quality & profitability, enabled us to receive adequate funds during the peak of the tightened liquidity environment. Even in the current environment, stronger NBFCs such as ours, continue to receive sufficient funding. This is a testament to our 'best-in-class' asset quality that is reflected in the gross NPA ratio of less than 1% for the past 12 quarters, and a debt-to-equity multiple of 3.9x, which makes us one of the least leveraged NBFCs in India.

Our Performance

Several NBFCs saw their loan book stagnate or shrink in the second half of FY2019, due to funding constraints. Despite a challenging business environment our loan book grew 34% y-o-y to ₹56,624 Crores. We disbursed ₹29,762 Crores during the full year, of which ₹11,241 Crores was disbursed, in the last 6 months. In addition, we received re-payments amounting to ₹16,658 Crores during the year, nearly half of which was repaid in the last 6 months.

Our Financial Services business delivered robust returns, generating an ROE of nearly 19% for FY2019, despite the continuous de-risking of the loan book and fund raise in the previous year.

Measures Taken to Further Strengthen the Balance Sheet

While we were well-positioned to navigate the headwinds in the NBFC sector, we continue to build resilience, by further strengthening our liability and asset side.

Liability Side:

Recognising the sector sentiment, we shifted our borrowing mix towards longer-term sources of funds and significantly reduced the dependence on Commercial Papers (CPs) from ~₹18,000 Crores as of September 2018 to ~₹8,900 Crores in March 2019. We raised ~₹16,500 Crores (i.e. nearly 30% of the loan book) via NCDs and bank loans between September 2018 and March 2019. Additionally, we have a well-matched ALM, with cumulative inflows higher than the cumulative outflows in almost every bucket.

Asset Side:

We continue to diversify our loan book and increase its granularity, as we aim to reduce the overall risk profile. Wholesale real estate exposure has decreased from 83% in March 2015 to 63% in March 2019, excluding Hospitality and Lease Rental Discounting. Housing Finance now constitutes 9% of our overall book vs. only 3% as of March 2018. We also conducted a sensitivity analysis on our residential real estate portfolio, testing it against hypothetical, worst-case scenarios such as a significant drop in sales velocity, decline in selling prices and delay in project completion. Subsequently, we

24%

31-Year CAGR of Revenue

29%

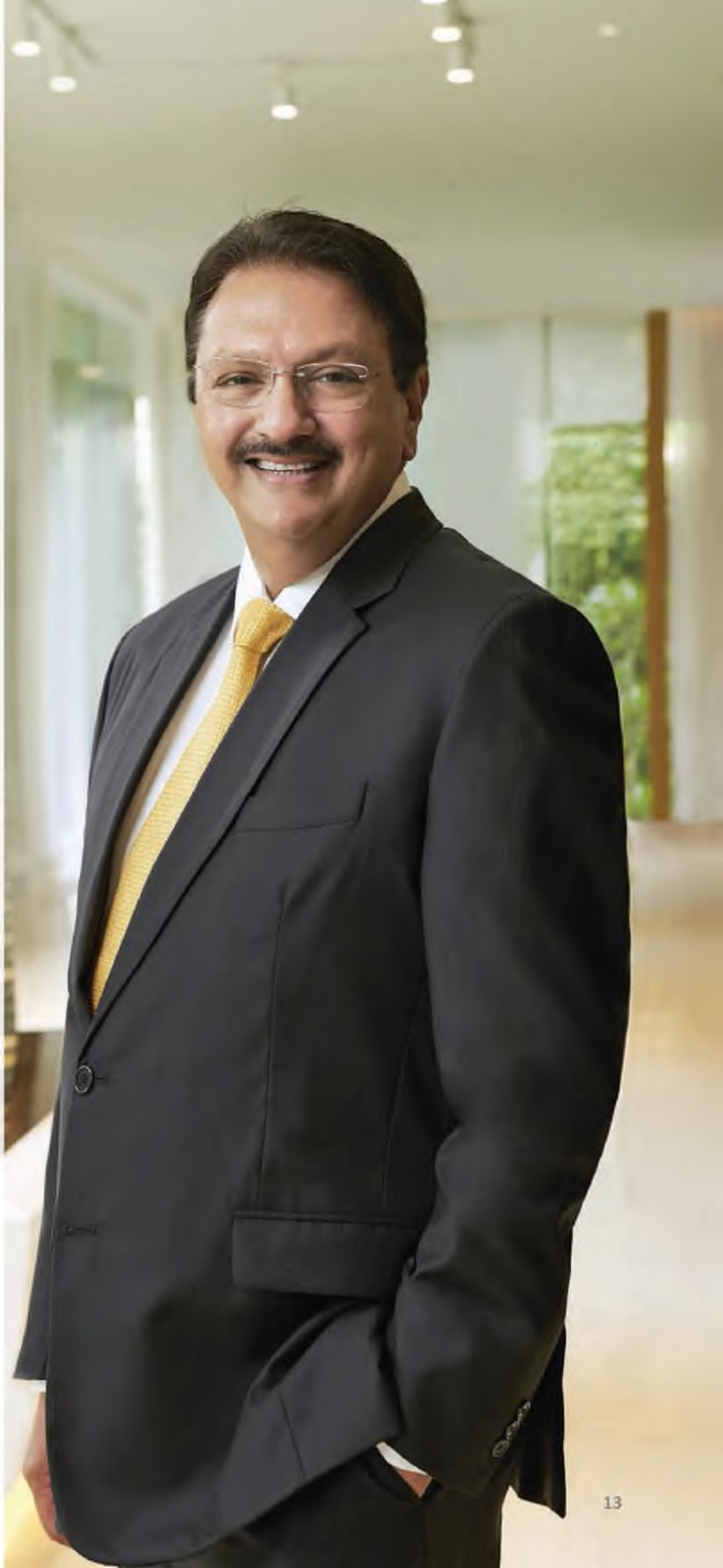
31-Year CAGR of Net Profit

28%

Annualised returns to shareholders over the last 31 years[1]

₹6,238 Crores

Returned to its shareholders in the form of dividends, special dividend and buyback since FY2011



Note: 1. Total shareholder returns are as on March 31, 2019. Assumes re-investment of dividend in the stock (Source : Bloomberg) initiated several proactive measures on a small number of deals, identified as part of the scenario analysis, to address any potential risks in the future.

Strategic Priorities

We continue to constantly improve and transform our business model with the following key strategic priorities: (i) Increase Loan Book Diversification; ii) Reduce Client Concentration; (iii) Improved Borrowing Mix; (iv) Maintain a Healthy Asset Quality; and (v) Deliver Robust Returns.

We expect these recent developments to lead to constructive consolidation in the NBFC sector where stronger NBFCs such as ours, with a healthy asset quality and access to funds, will emerge as winners and play a larger role in India's economic growth. We are gearing up to leverage such market opportunities.

Pharma

Business Performance

Our differentiated business model in Pharma has enabled sustained revenue growth despite pricing pressures and regulatory concerns that impacted the industry. During the year, our Pharma business grew 11% y-o-y to ₹4,786 Crores. The margin profile for this business has improved significantly, over the last few years.

Global Pharma

Our Global Pharma business EBITDA crossed ₹1,000 Crores in FY2019, with EBITDA margins at 23% in FY2019 as compared to 10% in FY2011. We successfully launched Sevoflurane Integrated Closure variant in select European markets. The integration of key products acquired from Janssen and Mallinckrodt, remains on track.

Focus on Quality

Quality remains an ongoing concern for many Indian and global pharma companies, with many facing scrutiny by regulatory authorities such as the US FDA. Similar to the risk monitoring and assessment framework that we have set up in the Financial Services business, we have implemented stringent controls in line with our high focus on compliance and quality in Pharma, too. Since 2011, we have successfully cleared all 33 US FDA inspections, 143 other regulatory inspections and 989 customer audits. Reflecting our commitment to quality and excellence is the exemplary framework that we have implemented across our manufacturing facilities. Similar to other functions such as Risk, Legal and Compliance, our Quality function too reports independently to the Board.

India Consumer Products

Our India Consumer Products business delivered a revenue performance of ₹334 Crores. In H2 FY2019 revenues were up 30% as compared to H1 FY2019. We added a few brands in the Vitamins, Minerals, and Nutrients category and established our e-commerce channel, during the year. Additionally, the business is increasingly leveraging technology and analytics to augment decision-making in sales and operations and forging partnerships with leading e-commerce players.

Imaging

In June 2018, we concluded the sale of the Imaging business to Alliance Medical Group (AMG). The sale of the business had resulted in a non-recurring and non-cash accounting charge of ₹452 Crores towards Imaging Assets.

Healthcare Insights & Analytics

The changing face of the healthcare and life sciences industry has resulted in a tidal wave of digital healthcare data, leading to increased demand for high-quality information and analytical decision-support tools and services. Recognising this shift, we have increased our investment in technology, data assets and analytical capabilities that enable us to provide user-centric solutions, to address high-value client needs.

The revenues in our Healthcare Insights & Analytics business grew by 10% to ₹1,332 Crores in FY2019, primarily driven by strong growth in its Life Sciences Data & Analytics and Consulting Services. To accelerate product development, bolster innovation and boost margins, we expanded our India operations with over 400 employees at our Bengaluru and Gurugram offices, representing 36% of total employees.

In FY2019, we undertook a broad cost-reduction initiative to streamline operating processes, flatten organisational structure, and prioritise resources and investments on increasing client engagement and improving client satisfaction.

Building Leaders of the Future

To deliver on PEL's growth blueprint, we continue to invest in our human capital that plays a valuable role in our growth and success. Our Top Talent Programs aim to provide high potential employees with personalised skill development and a differentiated career path that is aligned with their aspirations and our vision.

Our ASCEND and SUMMIT platforms offer employees at mid and senior management levels, the opportunity to accelerate their growth and development. Till date, over 180 high performers have undergone the ASCEND development journey, of which 105 have been identified as 'High Potentials' and are being groomed to take on larger roles. The SUMMIT Leadership Program focuses on developing and preparing the senior leadership for Top Management roles. Till date, 58 leaders have undergone the SUMMIT Program. The IGNITE Program that focuses on junior management, enables and develops identified emerging leaders for mid-management roles. So far, 67 'High Potential' young leaders have been offered an 18-month developmental journey.

Doing Well and Doing Good

Our corporate purpose of 'Doing Well and Doing Good' is embodied in our constant endeavour to make a positive difference by serving people and living our values. We are committed to transforming Primary Healthcare & Nutrition, Education, Safe Drinking Water, and Social Sector ecosystems through high impact solutions, thought leadership and partnerships. To achieve our goals, we have established a presence across multiple states in India, delivering innovative solutions through government institutions and are engaging– from the block level to central ministries - to improve the efficiency of government programs. Additionally, we collaborate with like-minded partners and foundations to nurture scalable sustainable high impact projects. We conduct our CSR initiatives through Piramal Foundation and its initiatives – Piramal Swasthya Management and Research Institute and Piramal Foundation for Education Leadership (PFEL).

Piramal Swasthya works in collaboration with the government's healthcare delivery system across multiple states, to improve healthcare access for underserved communities. Our solutions address challenges such as accessibility, availability and affordability of primary healthcare in remote areas. Piramal Swasthya is present across 14 states and has helped over 10.6 crore beneficiaries with health advice and facilities.

As part of its ASARA Tribal Health Programme, the Piramal Swasthya team travels to remote inaccessible areas of Araku valley in Andhra Pradesh while specialist doctor consultations are facilitated through telemedicine centres. Starting with 181 Habitations in 2011, the ASARA program currently works in 6 'Mandals' covering 720 Habitations, through its 6 Telemedicine Centres and Nutrition Hubs, and has Zero Maternal Mortality recorded in the last 2 years. In March 2019, it was awarded the Business Standard Socially Aware Corporate Award.

PFEL is focused on catalysing behaviour change at scale in partnership with District, State and Central Governments, by supporting government officials across the value chain, to develop mind-sets, leadership skills, and knowledge to improve the quality of learning imparted to children. Till date, 4.4 Crore students across 4.37 lakh schools in 10 states have benefited indirectly from the State Transformation Programme. As part of its School Development Leadership Programme, 684 Headmasters and 2062 teachers are working with over 57,000 students.

Our highly coveted Gandhi Fellowship Programme, an intensive two-year youth leadership development programme, provides youth from across the country, an opportunity to work with education officials as they discover their own journey in the social sector.

In Closing

Our agility, future-readiness and ability to transform will enable us to emerge stronger, as we continue to stay razor-focused on market leadership and increased profitability.

With utmost humility, we would like to express our gratitude for the trust placed in us by our valued stakeholders that include our shareholders, employees, customers, partners as well as the government. We remain resolute on our commitment to create sustained long-term value for all our stakeholders.

Best Regards,

AJAY G. PIRAMAL
Chairman, Piramal Enterprises Limited