

GROWTH STRATEGY

Piramal Enterprises lists potential investment areas

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MUMBAI

Ajay Piramal-led pharmaceutical services group Piramal Enterprises Ltd, which formed a core strategy team to identify potential investment opportunities after completing the sale of its drug formulation unit in 2012 to Abbott Laboratories for ₹17,000 crore, is ready with a list of businesses it wants to enter.

After altering the memorandum of association and changing its name from Piramal Healthcare Ltd a year ago, the group had proposed new business plans in banking, insurance, information technology and security solutions, among other areas, to grow bigger.

But it has dropped them from the final list, opting to fall back on its known strengths: real estate, financial services and pharmaceuticals.

The group's new focus areas of investment now include realty, funding and lending and structured equity investments in infrastructure and education on the financial services and realty side; and drug discovery research, hospital based products and consumer health and information management on the pharma side.

"Our immediate goal is to consolidate the efforts on the business plans in each of the shortlisted areas and to grow them vertically to help transform the group into a diversified con-

HOW PIRAMAL HAS DEPLOYED FUNDS SO FAR

May 2010	Agrees to sell India formulation business to Abbott Laboratories for \$37.2 billion.	Aug 2011	Merges discovery company Piramal Life Sciences into Piramal Enterprises.	May 2012	Acquires US data analytics firm Decision Resources Group for \$635 million.	Apr 2013	Invests \$2,550 crore in Mahavir Road Projects.	May 2013	Invests \$200 crore in Green Infra Ltd.
Jul 2010	Sells diagnostics unit to SPL Ltd for \$600 crore.	Sep 2010	Receives \$16 billion as initial tranche of payment from Abbott.	Dec 2010	Announces 20% share buyback worth ₹2,508 crore from public shareholders at ₹600 per share.	Feb 2012	Raises its stake in Vodafone India to 11% with additional investment of ₹300 crore.	Apr 2012	Piramal Healthcare renamed as Piramal Enterprises Ltd. Acquires worldwide rights to the molecular imaging research and development portfolio of Bayer Pharma AG for undisclosed amount.
Feb 2014	Enters business of structured debt finance to realty sector jointly with CPPIB Credit Investments Inc with a \$500 million fund.								



Source: Mint research

GRAPHICS BY HARSH KUMAR SANGHVI/PHOTOGRAPH BY HARSH KUMAR SANGHVI

glomerate that should ideally have a turnover of at least ₹20,000 crore in the next six years," says chairman Ajay Piramal.

To be sure, it is not going to be an easy journey for the group, which has a consolidated revenue of \$650 million (about ₹4,100 crore) as of December 2013.

The deal with Abbott Laboratories was completed in 2012 after it received the full payment, spread over five tranches. The cash-rich group has been seeking to deploy the money in new strategic businesses along with expanding the existing ones.

The company altered its memorandum of association to include more business interests

in its fold along with a change in name.

It also formed an internal strategy group with sector experts and senior management executives to identify new investment opportunities. In the interim, it also looked at some portfolio investments, including the purchase of a 11% stake in telecom company Vodafone India Ltd with a two-year exit option.

"The negative list is ready now and we have more clarity on what are the areas that the company shouldn't get into in its new scheme of growth," says Rajesh Laddha, group chief financial officer.

Piramal Enterprises has four business entities—Piramal Life

erating a banking and a non-banking financial services business in tandem.

"Piramal would always prefer a non-banking finance company (NBFC) to a bank," said a corporate advisor with a foreign consultancy group.

According to him, there are compelling factors that will make the group prefer an NBFC. Firstly, it's the business that will provide the group the best synergy with its long associated business history of realty development and funding. Secondly, a structured equity investment and debt finance model in the realty space will provide a niche to the group in the present market scenario.

Historically, the Piramal group has been closely associated with the real estate business through Piramal Realty and Indarbit Advisory Services Ltd and Decision Resources Group—that broadly deal with the businesses that it wants to invest in.

It also continues to operate other businesses in healthcare—consumer health and critical care. Banking was one of the businesses that analysts had thought Piramal would be keen on so as to expand the financial services business. But people in the group say this seems quite unlikely now as the group does not want to sacrifice the existing line of businesses under this vertical.

Reserve Bank of India's new banking licence guideline prevents a corporate entity from op-

jointly announced a structured debt finance business in the Indian realty industry with Canadian Pension Plan Investment Board with an initial investment of some \$500 million, is taking its real estate private equity business to the next phase of growth. Managing this debt finance, Indarbit, which has already invested at least \$1 billion in the Indian realty sector through equity deals, will also enter structured debt finance.

"Really funding, both equity and debt, is in demand now as many banks have stopped lending to developers and IPOs (initial public offers) to raise money from the market have virtually dried in this sector," said Ajay Piramal.

Piramal bought a 9.9% stake in Shriram Transport Finance Co. Ltd for ₹1,652 crore from American private equity fund TFG Capital in May 2013, and is keen to invest in infrastructure and education through the financial services company Piramal Capital.

The company, which will make equity investments in the size of around ₹500 crore, has already invested in Navyuga Road Projects Pvt. Ltd, the road development arm of Navyuga Engineering Co. Ltd, and Green Infra Ltd, an infrastructure company.

Drug discovery is another major area of focus after the merger of its drug research firm Piramal Life Sciences.

With a couple of lead molecules targeting infective diseases and cancer already in the clinical research stage, the company claims to have a pipeline that has big potential, although this will remain a high-risk area till it reaches critical milestones.

Company