

August 30, 2022

Birla Group Holdings Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	4,000.00	4,000.00	[ICRA]A1+; reaffirmed
Total	4,000.00	4,000.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating for Birla Group Holdings Private Limited's (BGHPL) commercial paper programme. BGHPL is one of the main holding companies of Aditya Birla Group. The rating factors in the equity ownership of the listed Group entities, including Grasim Industries Limited (rated [ICRA]AAA (Stable)/A1+), Aditya Birla Capital Limited (rated [ICRA]AAA (Stable)/A1+), Aditya Birla Fashion and Retail Limited (rated [ICRA]AA (Stable)/A1+) and Hindalco Industries Limited. The rating also factors in the company's adequate liquidity position, backed by the market value of its holdings in the listed Group entities, and the strategic holdings in non-listed Group companies (including other Group holding companies). ICRA expects the group to extend support to BGHPL, as and when required.

The rating is constrained by BGHPL's standalone financials, and continue making losses due to higher financing costs, and the negative net worth on its balance sheet.

Key rating drivers and their description

Credit strengths

Strong parentage; strategic importance by virtue of being key holding company of Aditya Birla Group – BGHPL is the key holding company of Aditya Birla Group. It holds equity in a number of Group companies including Grasim Industries Limited, Aditya Birla Capital Limited, Aditya Birla Fashion and Retail Limited and Hindalco Industries Limited. The company also has a stake in a number of unlisted companies of the Group. ICRA notes BGHPL's strategic significance to the Group and the market value of its listed holdings, which provide comfort despite the lower revenue generation on a standalone basis.

High market value of holdings in various Aditya Birla Group companies – As on March 31, 2022, the company held equity stakes in various listed and/or unlisted Group companies. Apart from equity investments, BGHPL extends loans to Group companies. The market value of the quoted investments (Rs. 37,457 crore), as on August 18, 2022, was 12.42 times of the book value and 6.96 times of the total external debt outstanding (as on August 18, 2022).

Credit challenges

Negative net worth on balance sheet – BGHPL had a negative net worth of Rs. 1,683 crore as on March 31, 2022 and it posted a loss of Rs. 164 crore in FY2022. ICRA take note of the regulatory guidelines applicable to BGHPL (applicable when it receives a non-banking financial company-core investment company (NBFC-CIC) licence¹), whereby its adjusted net worth shall not be less than 30% of its aggregate risk-weighted assets and it is not permitted to have a gearing of more than 2.5 times of its

¹ BGHPL functions as a systemically important CIC as per the provisions of Core Investment Companies (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India vide notification dated August 25, 2016

adjusted net worth². Given the high market value of its quoted investments in Group companies (12.42 times of the book value as on August 18, 2022), the company's capital adequacy and gearing on the adjusted net worth remain adequate at 233.63% and 0.40 times respectively, as on March 31, 2022.

Standalone revenue dependent on stake sale and dividends declared by investee companies – The company's revenues for FY2022 are dominated by divided income, which contributed 63% to the revenue earned on its investments in Aditya Birla Group companies. Despite the decrease in finance costs (-21% YoY to Rs. 453.22 crore due to low-cost commercial paper (CP) borrowings), BGHPL's income is unable to cover the entire finance cost.

Liquidity dependent on reduction in promoter stake in Group holdings – The primary mode for the repayment of debt, apart from refinance, would be through a reduction in the promoter stake in the listed entities and capital infusion/support from promoters.

Refinancing risk and impact of regulatory changes – BGHPL's total external debt was Rs. 5,480 crore as of March 2022 compared to Rs. 4,875 crore in FY2021. ICRA also notes that the total borrowings increased to Rs. 6,933 crore as of March 2022 (Rs. 6,503 crore in March 2022). In the past, the company had been highly reliant on refinancing its debt to service principal and interest repayments. However, the market value of its holdings in listed Group entities (providing 6.96 times cover of the external debt as of August 18, 2022) and the strategic holdings in non-listed Group companies act as mitigants against the refinancing risk. ICRA also notes the proposed changes in regulations for NBFC-CICs, which would be a key rating monitorable.

Liquidity position: Adequate

BGHPL has adequate liquidity considering its stake in Grasim Industries Limited and Hindalco Industries Limited, which also qualify as high-quality liquid assets (HQLA). The total market value of these two investments was Rs. 30,696 crore as on August 18, 2022, while the debt repayment for the next three months is Rs. 3,910 crore.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded if the market value of the unencumbered equity shares in the listed companies goes below 4 times its outstanding debt (excluding debt from Group companies, the debt cover was 6.96 times as of August 18, 2022) on a sustained basis or if there is a change in BGHPL's status as a key holding company for the Group. The rating could also come under pressure in case of a deterioration in the credit ratings of any of the large Group investee companies.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Non-banking Finance Companies Holding Companies
Parent/Group support	As BGHPL is the key holding company of Aditya Birla Group, ICRA expects financial support from the promoter as and when required
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

² Adjusted net worth means the aggregate of the net worth appearing in the balance sheet increased by 50% of the unrealised appreciation in the book value of quoted investments (such appreciation is calculated as the excess of the aggregate market value of such investments over their book value)

About the company

Birla Group Holdings Private Limited is the key holding company of Aditya Birla Group. It holds equity in many Group companies including Grasim Industries Limited, Aditya Birla Capital Limited, Aditya Birla Fashion and Retail Limited and Hindalco Industries Limited. It also has a stake in a number of unlisted companies of the Group. By virtue of its strategic significance to the Group and the market value of its listed holdings, BGHPL enjoys financial flexibility. ICRA expects capital support (equity capital and inter-corporate deposits) from the Group to be forthcoming to BGHPL, as and when required.

In FY2022, BGHPL reported a loss of Rs. 164.39 crore on total assets of Rs. 5,264 crore compared to a loss of Rs. 525.12 crore on total assets of Rs. 5,009 crore in FY2021.

Key financial indicators (audited)

Birla Group Holdings Private Limited	FY2020	FY2021	FY2022
Dividend income	119	76	187
Interest income	25	1	9.6
Net profit on sale of investments	1	0.74	98
Total income	158	97	295
Interest expense	473	574	453
Profit after tax	(768)	(525)	(164)
Net worth	(991)	(1,519)	(1,683)
Adjusted net worth	3,327	12,663	17,396
Total debt	5,710	6,503	6,933
Investments	4,658	4,985	5,195
Market value of quoted investments	11,551	31,275	41,173
Book value of quoted investments	2,913	2,914	3,015
Total assets	4,768	5,009	5,264
Leverage ratio (times)	1.72	0.51	0.4

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Amount outstanding as of Aug xx, 2022 (Rs. crore)	Date & rating in FY2023	Date & Rating in FY2022				Date & Rating in FY2021		Date & Rating in FY2020
					Aug 30, 2022	Aug 31, 2021	Aug 24, 2021	May 27, 2021	Aug 28, 2020	Apr 14, 2020	
1 Commercial paper programme	Short term	4,000.00	3,950.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Non-convertible Debenture Programme	Long Term	1,000.00	-	-	[ICRA]AA-(Stable); withdrawn	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper programme	Very 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: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE09OL14AR5	Commercial Paper Programme	30-May-22	-	29-Aug-22	200	[ICRA]A1+
INE09OL14AR5	Commercial Paper Programme	30-May-22	-	29-Aug-22	150	[ICRA]A1+
INE09OL14AS3	Commercial Paper Programme	30-May-22	-	25-Nov-22	25	[ICRA]A1+
INE09OL14AT1	Commercial Paper Programme	6-Jun-22	-	30-Aug-22	125	[ICRA]A1+
INE09OL14AT1	Commercial Paper Programme	13-Jun-22	-	30-Aug-22	275	[ICRA]A1+
INE09OL14AU9	Commercial Paper Programme	13-Jun-22	-	12-Sep-22	75	[ICRA]A1+
INE09OL14AV7	Commercial Paper Programme	16-Jun-22	-	15-Sep-22	250	[ICRA]A1+
INE09OL14AV7	Commercial Paper Programme	16-Jun-22	-	15-Sep-22	250	[ICRA]A1+
INE09OL14AX3	Commercial Paper Programme	20-Jun-22	-	19-Sep-22	150	[ICRA]A1+
INE09OL14AX3	Commercial Paper Programme	20-Jun-22	-	19-Sep-22	50	[ICRA]A1+
INE09OL14AX3	Commercial Paper Programme	20-Jun-22	-	19-Sep-22	225	[ICRA]A1+
INE09OL14AX3	Commercial Paper Programme	20-Jun-22	-	19-Sep-22	50	[ICRA]A1+
INE09OL14AX3	Commercial Paper Programme	20-Jun-22	-	19-Sep-22	25	[ICRA]A1+
INE09OL14AW5	Commercial Paper Programme	24-Jun-22	-	23-Sep-22	75	[ICRA]A1+
INE09OL14AW5	Commercial Paper Programme	24-Jun-22	-	23-Sep-22	75	[ICRA]A1+
INE09OL14AY1	Commercial Paper Programme	8-Jul-22	-	3-Oct-22	100	[ICRA]A1+
INE09OL14AZ8	Commercial Paper Programme	28-Jul-22	-	21-Oct-22	100	[ICRA]A1+
INE09OL14BA9	Commercial Paper Programme	29-Jul-22	-	28-Sep-22	50	[ICRA]A1+
INE09OL14BA9	Commercial Paper Programme	29-Jul-22	-	28-Sep-22	50	[ICRA]A1+
INE09OL14BA9	Commercial Paper Programme	29-Jul-22	-	28-Sep-22	50	[ICRA]A1+
INE09OL14BB7	Commercial Paper Programme	29-Jul-22	-	28-Oct-22	150	[ICRA]A1+
INE09OL14BB7	Commercial Paper Programme	29-Jul-22	-	28-Oct-22	150	[ICRA]A1+
INE09OL14BB7	Commercial Paper Programme	29-Jul-22	-	28-Oct-22	50	[ICRA]A1+
INE09OL14BC5	Commercial Paper Programme	10-Aug-22	-	9-Nov-22	200	[ICRA]A1+
INE09OL14BC5	Commercial Paper Programme	10-Aug-22	-	9-Nov-22	75	[ICRA]A1+
INE09OL14BC5	Commercial Paper Programme	10-Aug-22	-	9-Nov-22	50	[ICRA]A1+
INE09OL14BC5	Commercial Paper Programme	10-Aug-22	-	9-Nov-22	175	[ICRA]A1+
INE09OL14BD3	Commercial Paper Programme	17-Aug-22	-	16-Nov-22	250	[ICRA]A1+
INE09OL14BD3	Commercial Paper Programme	17-Aug-22	-	16-Nov-22	250	[ICRA]A1+
INE09OL14BE1	Commercial Paper Programme	18-Aug-22	-	17-Nov-22	150	[ICRA]A1+
INE09OL14BF8	Commercial Paper Programme	22-Aug-22	-	21-Nov-22	100	[ICRA]A1+
Yet to be placed	Commercial Paper Programme	NA	NA	NA	50	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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