

January 18, 2023

Birla Group Holdings Private Limited: Rating reaffirmed; rated amount enhanced for commercial paper programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	4,000.00	5,000.00	[ICRA]A1+; assigned/reaffirmed
Total	4,000.00	5,000.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in the position of Birla Group Holdings Private Limited (BGHPL) as one of the main holding companies of the Aditya Birla Group. The rating takes into account 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, driven by the market value of its holdings in the listed Group entities. It also has holdings in unlisted investments in other Group companies (including other Group holding companies). BGHPL continues to report losses due to higher financing costs, thereby resulting in a negative net worth. ICRA expects the Aditya Birla Group entities to extend support to BGHPL, as and when required.

Key rating drivers and their description

Credit strengths

Strategic importance by virtue of being key holding company of Aditya Birla Group – BGHPL is the key holding company of the 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 holds stakes 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 considerable financial flexibility. ICRA expects capital support from the Group to be forthcoming to BGHPL, as and when required.

Healthy market value of listed Group entities –The market value of the quoted investments held by BGHPL stood at Rs. 39,134 crore as on January 6, 2023, which translates into a cover of 6.82 times of the total external¹ debt outstanding (Rs. 5,735 crore as on December 31, 2022).

Credit challenges

Refinancing risk and negative reported net worth - Due to limited revenues in relation to the interest expense, BGHPL has been reporting losses, with the same likely to continue in the near term. Its total external debt increased to Rs. 5,735 crore as on December 31, 2022 from Rs. 5,480 crore as on March 31, 2022 and is expected to be ~Rs. 6,000- 6,500 crore in the near to medium term. The company has been relying on refinancing its debt to service its principal and interest repayments.. At the proposed level of external debt, the market value of its holdings in listed Group entities will provide a cover of 6.0 – 6.5 times based on the market value as of January 6, 2023. ICRA notes that the company has been able to refinance its commercial paper

¹ External debt excludes debt from Group entities

borrowings in a timely manner. Further, ICRA expects the Aditya Birla Group to extend support to BGHPL, as and when required.

BGHPL had a negative net worth of Rs. 1,705 crore as on September 30, 2022 due to by continued losses. While it is registered as a non-banking financial company (NBFC) with the Reserve Bank of India (RBI) and its investment in its Group entities exceeds the regulatory guidelines for NBFCs, BGHPL has applied for a core investment company (CIC) licence from the RBI. As per CIC regulations, the adjusted net worth of the company 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 adjusted net worth. Given the high market value of its quoted investments in Group companies, the company's capital adequacy and gearing on the adjusted net worth² remained adequate at 201.16% and 0.45 times, respectively, as on September 30, 2022.

Liquidity position: Adequate

BGHPL has adequate liquidity considering its stakes 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. 31,539 crore as on January 6, 2023, while the external debt repayment for the next six months is Rs. 4,798 crore (including interest payment). ICRA notes that the primary mode of debt repayment, apart from refinance, would be through a reduction in the promoter stake in the listed entities and capital infusion/support from the promoter.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The rating could be downgraded in case of a sustained decline in the market value of its unencumbered equity shares of listed companies to below 4 times of its external debt. Negative pressure on rating could arise if there is any change in the status of the company being a key holding company for the Group or 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

About the company

Birla Group Holdings Private Limited is a key holding company of the Aditya Birla Group. It holds equity in many Group companies 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 company also holds stakes in a number of unlisted companies of the Group.

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

In FY2022, BGHPL reported a loss of Rs. 164.39 crore on total assets of Rs. 5263.95 crore compared to a loss of Rs. 525.12 crore on total assets of Rs. 5,009.42 crore in FY2021. For H1 FY2023, the company reported a net loss of Rs. 21.83 crore on total assets of Rs. 5,354.63 crore.

Key financial indicators (audited)

Birla Group Holdings Private Limited	FY2021	FY2022	H1 FY2023 [^]
Dividend income	76	187	220
Interest income	1	9.6	5.3
Net profit on sale of investments	0.74	98	0.34
Total income	97	295	226
Interest expense	574	453	238
Profit after tax	(525)	(164)	(22)
Net worth	(1,519)	(1,683)	(1,705)
Adjusted net worth	12,663	17,396	15,826
Total debt	6,503	6,933	6,999
Investments	4,985	5,195	5,243
Market value of quoted investments	31,275	41,173	38,077
Book value of quoted investments	2,914	3,015	3,015
Total assets	5,009	5,264	5,355
Leverage ratio (times)	0.5	0.4	0.5

Amount in Rs. crore; [^]H1 FY2023 financials are unaudited

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 30, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022			Date & rating in FY2021		Date & rating in FY2020	
				Jan 18, 2023	Aug 30, 2022	Aug 31, 2021	Aug 24, 2021	May 27, 2021	Aug 28, 2020	Apr 14, 2020	Jul 24, 2019	
1	Commercial paper programme	Short term	5,000.00	1,000.00	[ICRA] A1+	[ICRA] A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Non-convertible debenture programme	Long term	1,000.0	-	-	-	[ICRA]AA-(Stable); reaffirmed and withdrawn	[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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE09OL14BM4	Commercial paper programme	Oct 28, 2022	-	Jan 25, 2023	25	[ICRA]A1+
INE09OL14BM4	Commercial paper programme	Oct 28, 2022	-	Jan 25, 2023	25	[ICRA]A1+
INE09OL14BO0	Commercial paper programme	Nov 03, 2022	-	Jan 31, 2023	150	[ICRA]A1+
INE09OL14BP7	Commercial paper programme	Nov 09, 2022	-	Feb 08, 2023	250	[ICRA]A1+
INE09OL14BP7	Commercial paper programme	Nov 09, 2022	-	Feb 08, 2023	250	[ICRA]A1+
INE09OL14BQ5	Commercial paper programme	Nov 16, 2022	-	Feb 15, 2023	350	[ICRA]A1+
INE09OL14BQ5	Commercial paper programme	Nov 16, 2022	-	Feb 15, 2023	150	[ICRA]A1+
INE09OL14BR3	Commercial paper programme	Nov 17, 2022	-	Feb 16, 2023	150	[ICRA]A1+
INE09OL14BS1	Commercial paper programme	Nov 21, 2022	-	Feb 20, 2023	100	[ICRA]A1+
INE09OL14BT9	Commercial paper programme	Nov 25, 2022	-	Feb 24, 2023	375	[ICRA]A1+
INE09OL14BU7	Commercial paper programme	Nov 29, 2022	-	Feb 28, 2023	150	[ICRA]A1+
INE09OL14BU7	Commercial paper programme	Nov 29, 2022	-	Feb 28, 2023	50	[ICRA]A1+
INE09OL14BV5	Commercial paper programme	Nov 29, 2022	-	Feb 28, 2023	25	[ICRA]A1+
INE09OL14BV5	Commercial paper programme	Nov 29, 2022	-	Jan 27, 2023	125	[ICRA]A1+
INE09OL14BV5	Commercial paper programme	Nov 29, 2022	-	Jan 27, 2023	50	[ICRA]A1+
INE09OL14BW3	Commercial paper programme	Nov 30, 2022	-	Jan 30, 2023	50	[ICRA]A1+
INE09OL14BS1	Commercial paper programme	Dec 12, 2022	-	Feb 20, 2023	75	[ICRA]A1+
INE09OL14BX1	Commercial paper programme	Dec 15, 2022	-	Feb 27, 2023	350	[ICRA]A1+
INE09OL14BS1	Commercial paper programme	Dec 15, 2022	-	Feb 20, 2023	125	[ICRA]A1+
INE09OL14BY9	Commercial paper programme	Dec 15, 2022	-	Mar 15, 2023	200	[ICRA]A1+
INE09OL14BY9	Commercial paper programme	Dec 15, 2022	-	Mar 15, 2023	50	[ICRA]A1+
INE09OL14BZ6	Commercial paper programme	Dec 15, 2022	-	Mar 06, 2023	25	[ICRA]A1+
INE09OL14CA7	Commercial paper programme	Dec 19, 2022	-	Mar 20, 2023	250	[ICRA]A1+
INE09OL14CA7	Commercial paper programme	Dec 19, 2022	-	Mar 20, 2023	150	[ICRA]A1+
INE09OL14CA7	Commercial paper programme	Dec 19, 2022	-	Mar 20, 2023	75	[ICRA]A1+
INE09OL14CA7	Commercial paper programme	Dec 19, 2022	-	Mar 20, 2023	25	[ICRA]A1+
INE09OL14CA7	Commercial paper programme	Dec 19, 2022	-	Mar 20, 2023	25	[ICRA]A1+
INE09OL14CA7	Commercial paper programme	Dec 19, 2022	-	Mar 20, 2023	25	[ICRA]A1+
INE09OL14BS1	Commercial paper programme	Dec 19, 2022	-	Feb 20, 2023	50	[ICRA]A1+
INE09OL14CB5	Commercial paper programme	Dec 20, 2022	-	Mar 14, 2023	150	[ICRA]A1+
INE09OL14CC3	Commercial paper programme	Dec 23, 2022	-	Mar 24, 2023	150	[ICRA]A1+
Yet to be placed	Commercial paper programme	NA	NA	NA	1,000	[ICRA]A1+

Source: Company; data as on December 31, 2022

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

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