

January 24, 2024

## 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	5,000.00	6,500.00	[ICRA]A1+; assigned/reaffirmed
<b>Total</b>	<b>5,000.00</b>	<b>6,500.00</b>	

\*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 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 with financing costs exceeding dividend income, resulting in a negative reported net worth. However, considering the market value of the listed investments in the Group entities, the adjusted net worth is substantially higher. ICRA notes that the company has demonstrated the ability to raise resources within and outside the Aditya Birla Group, which coupled with the sizeable market value of its listed investments adds to its financial flexibility.

BGHPL had filed a scheme of amalgamation on February 27, 2023 with the National Company Law Tribunal (NCLT) bench in Mumbai and Kolkata pertaining to the amalgamation of some of its Group companies with itself. These entities include Birla Family Investment Private Limited, Birla TMT Holdings Private Limited, Umang Commercial Company Private Limited (Umang), Aditya Birla Online Fashion Private Limited, Infocyper India Private Limited and Sunbeam Trading & Investment Private Limited (transferor companies), which will be amalgamating into BGHPL (transferee company). The merger is expected to be completed during H1FY2025. Of the entities to be merged, apart from BGHPL, Umang has external borrowings and investments in the listed Aditya Birla Group companies. On a pro forma basis, BGHPL's external debt is expected to increase to Rs. 6,878 crore from Rs. 6,050 crore as on December 31, 2023. Similarly, on a pro forma basis, the market value<sup>1</sup> of the quoted investments held by BGHPL is expected to increase to Rs. 59,538 crore from ~Rs. 47,802 crore. This translates into a cover (market value of listed investments/total external debt) of 8.7 times (which will be within ICRA's negative trigger of 4 times). Considering the healthy cover in relation to the external debt, ICRA does not expect the event on the credit profile of BGHPL.

### Key rating drivers and their description

#### Credit strengths

**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 the market value of its listed holdings and the demonstrated ability to raise resources within and outside the Aditya Birla Group, BGHPL enjoys considerable financial flexibility.

<sup>1</sup> As on January 02, 2024

**Healthy market value of listed Group entities** – The market value of the quoted investments held by BGHPL stood at Rs. 47,802 crore as on January 2, 2024, which translates into a cover of 7.9 times of the total external<sup>2</sup> debt outstanding (Rs. 6,050 crore as on December 31, 2023).

### Credit challenges

**Refinancing risk and negative reported net worth** – Due to limited revenues in relation to interest expense, BGHPL has been reporting losses, with the same likely to continue in the near term. Its total external debt stood at Rs. 6,050 crore as on December 31, 2023 (Rs. 6,348 crore as on March 31, 2023) and is expected to be ~Rs. 6,500-7,000 crore in the near to medium term (without considering the additional debt because of the proposed amalgamation with Group companies). 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 6.8-7.4 times, based on the market value as of January 02, 2024. ICRA notes that BGHPL has been able to refinance its commercial paper 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. 1,968 crore as on September 30, 2023 due to 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, BGHPL's capital adequacy and gearing on the adjusted net worth<sup>3</sup> remained adequate at 212% and 0.44 times, respectively, as on September 30, 2023.

### 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. 40,332 crore as on January 2, 2024, while the external debt repayment for the six-month period ending June 2024 is Rs. 4,967 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 Group entities.

### 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	<a href="#">Investment Companies</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

<sup>2</sup> External debt excludes debt from Group entities

<sup>3</sup> 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)

## 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.

BGHPL reported a loss of Rs. 175 crore in FY2023 on total assets of Rs. 5,906 crore compared to a loss of Rs. 164 crore on total assets of Rs. 5,264 crore in FY2022. The company reported a net loss of Rs. 274 crore in 9M FY2024.

### Key financial indicators (audited)

Birla Group Holdings Private Limited	FY2022	FY2023	9M FY2024^
Total income	295	370	248
Profit after tax	(164)	(175)	(274)
Total assets	5,264	5,906	NA
Reported net worth	(1,683)	(1,858)	(2,132)
Adjusted net worth	17,396	14,784	20,254
Total debt	6,933	7,822	8,358
Market value of quoted investments	41,173	36,299	47,801*
Gearing (times)	0.4	0.5	0.4

Amount in Rs. crore; ^9M FY2024 financials are unaudited; \*As on January 02, 2024  
Gearing = Total debt/ Adjusted net worth

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

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years									
		Amount rated (Rs. crore)	Amount outstanding as of Jan 02, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022			Date & rating in FY2021		
				Jan 24, 2024	Mar 09, 2023	Jan 18, 2023	Aug 30, 2022	Aug 31, 2021	Aug 24, 2021	May 27, 2021	Aug 28, 2020	Apr 14, 2020	
1	Commercial paper programme	6,500.00	5,000.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Non-convertible debenture programme	-	-	-	-	-	-	[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
INE09OL14CN0	Commercial paper programme	Feb 23, 2023	-	Feb 22, 2024	200	[ICRA]A1+
INE09OL14CN0	Commercial paper programme	Feb 23, 2023	-	Feb 22, 2024	75	[ICRA]A1+
INE09OL14CO8	Commercial paper programme	Feb 24, 2023	-	Feb 23, 2024	150	[ICRA]A1+
INE09OL14CO8	Commercial paper programme	Feb 24, 2023	-	Feb 23, 2024	100	[ICRA]A1+
INE09OL14CR1	Commercial paper programme	Mar 14, 2023	-	Mar 13, 2024	50	[ICRA]A1+
INE09OL14CR1	Commercial paper programme	Mar 14, 2023	-	Mar 13, 2024	50	[ICRA]A1+
INE09OL14CR1	Commercial paper programme	Mar 14, 2023	-	Mar 13, 2024	50	[ICRA]A1+
INE09OL14CS9	Commercial paper programme	Mar 15, 2023	-	Mar 14, 2024	75	[ICRA]A1+
INE09OL14DB3	Commercial paper programme	Apr 28, 2023	-	Apr 26, 2024	25	[ICRA]A1+
INE09OL14DB3	Commercial paper programme	Apr 28, 2023	-	Apr 26, 2024	200	[ICRA]A1+
INE09OL14DC1	Commercial paper programme	May 02, 2023	-	Apr 30, 2024	50	[ICRA]A1+
INE09OL14DD9	Commercial paper programme	May 04, 2023	-	May 03, 2024	75	[ICRA]A1+
INE09OL14DD9	Commercial paper programme	May 04, 2023	-	May 03, 2024	25	[ICRA]A1+
INE09OL14DE7	Commercial paper programme	May 09, 2023	-	May 08, 2024	100	[ICRA]A1+
INE09OL14DE7	Commercial paper programme	May 09, 2023	-	May 08, 2024	100	[ICRA]A1+
INE09OL14DE7	Commercial paper programme	May 09, 2023	-	May 08, 2024	75	[ICRA]A1+
INE09OL14EB1	Commercial paper programme	Oct 20, 2023	-	Jan 19, 2024	225	[ICRA]A1+
INE09OL14EC9	Commercial paper programme	Nov 07, 2023	-	Feb 06, 2024	150	[ICRA]A1+
INE09OL14EC9	Commercial paper programme	Nov 07, 2023	-	Feb 06, 2024	150	[ICRA]A1+
INE09OL14EC9	Commercial paper programme	Nov 07, 2023	-	Feb 06, 2024	25	[ICRA]A1+
INE09OL14EC9	Commercial paper programme	Nov 07, 2023	-	Feb 06, 2024	50	[ICRA]A1+
INE09OL14ED7	Commercial paper programme	Nov 10, 2023	-	Feb 09, 2024	50	[ICRA]A1+
INE09OL14ED7	Commercial paper programme	Nov 10, 2023	-	Feb 09, 2024	100	[ICRA]A1+
INE09OL14ED7	Commercial paper programme	Nov 10, 2023	-	Feb 09, 2024	50	[ICRA]A1+
INE09OL14ED7	Commercial paper programme	Nov 10, 2023	-	Feb 09, 2024	100	[ICRA]A1+
INE09OL14ED7	Commercial paper programme	Nov 10, 2023	-	Feb 09, 2024	150	[ICRA]A1+
INE09OL14ED7	Commercial paper programme	Nov 10, 2023	-	Feb 09, 2024	50	[ICRA]A1+
INE09OL14EE5	Commercial paper programme	Nov 20, 2023	-	Feb 19, 2024	350	[ICRA]A1+
INE09OL14CO8	Commercial paper programme	Nov 24, 2023	-	Feb 23, 2024	50	[ICRA]A1+
INE09OL14CO8	Commercial paper programme	Nov 24, 2023	-	Feb 23, 2024	300	[ICRA]A1+
INE09OL14EF2	Commercial paper programme	Nov 28, 2023	-	Feb 27, 2024	275	[ICRA]A1+
INE09OL14EF2	Commercial paper programme	Nov 28, 2023	-	Feb 27, 2024	200	[ICRA]A1+
INE09OL14CR1	Commercial paper programme	Dec 13, 2023	-	Mar 13, 2024	150	[ICRA]A1+
INE09OL14EG0	Commercial paper programme	Dec 18, 2023	-	Mar 15, 2024	600	[ICRA]A1+
INE09OL14EH8	Commercial paper programme	Dec 20, 2023	-	Mar 20, 2024	475	[ICRA]A1+
INE09OL14EI6	Commercial paper programme	Dec 27, 2023	-	Dec 26, 2024	100	[ICRA]A1+
Yet to be placed	Commercial paper programme	NA	NA	NA	1,500	[ICRA]A1+

Source: Company; Data as on January 02, 2024

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

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