

May 27, 2021

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 (CP) Programme	3,500	4,000	[[ICRA]A1+; assigned / reaffirmed
Non-convertible debentures programme	500	0	[[ICRA]AA- (stable); reaffirmed and withdrawn
Non-convertible debentures programme	1,000	1,000	[[ICRA]AA- (stable); reaffirmed
Total	5,000	5,000	

*Instrument details are provided in Annexure-1

Rationale

The ratings factor in the position of Birla Group Holdings Private Limited (BGHPL) as one of the main holding companies of the Aditya Birla Group. The ratings factor in the company's equity ownership of 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 ratings also factor in the company's adequate liquidity position backed by the market value of its holdings in listed Group entities and its strategic holdings in non-listed Group companies (including other Group holding companies). Further, ICRA expects the Group to extend capital support to BGHPL, as and when required. The ratings are constrained by the standalone financials of the company and the negative net worth on its balance sheet. The outlook is Stable for the company.

ICRA has reaffirmed and withdrawn the rating outstanding on non-convertible debenture programmes of BGHPL aggregating Rs. 500 crore in line with request received from the company. There are no dues outstanding against the same in accordance with ICRA's policy on withdrawal and suspension ([click here for policy](#)).

Key rating drivers and their description

Credit strengths

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

Large market value of holdings in various Aditya Birla group companies – As on March 31, 2021, the company held equity stakes in various listed and unlisted Group companies. Apart from equity investments, BGHPL extends loans to Group companies. The market value of the quoted investments (Rs. 31,276 crore) as on March 31, 2021 was 10.74 times the book value and 6.42 times the total external debt outstanding.

Credit challenges

Negative net worth on balance sheet – BGHPL's unaudited provisional balance sheet had a negative net worth of Rs. 1,484 crore as on March 31, 2021 and has posted a loss of Rs. 491 crore in FY2021 on account of high interest expenses. ICRA does take note of the proposed regulatory guidelines applicable to BGHPL (applicable when it receives an NBFC-CIC licence) wherein its adjusted net worth shall not be less than 30% of its aggregate risk-weighted assets and the gearing will not be more than 2.5 times of its adjusted net worth. Given the high market value of its quoted investments in Group companies (10.74 times the book value as on March 31, 2021), the company's capital adequacy and gearing on the adjusted net worth remain adequate at 253% and 0.51 times, respectively, as on March 31, 2021.

Standalone revenue dependent on stake sale and dividends declared by investee companies – The company's revenues for FY2021 were dominated by dividend income, which contributed 78% to revenues followed by interest income (3%) earned on its investments in the Aditya Birla Group companies. BGHPL's finance costs, which account for a major part of its expenses, increased by 21% in FY2021 owing to the higher average debt levels. Its total income of Rs. 97 crore could cover only 17% of the finance cost in FY2021 (33% in FY2020).

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

Refinancing risk and regulatory changes effect – BGHPL increased its commercial borrowing to Rs. 3,200 crore in March 2021 from Rs. 1,640 crore in March 2020. Its total external debt (including commercial paper; CP) as of March 2021 was Rs. 4,806 crore (Rs. 3,275 crore in March 2020). BGHPL's total debt was Rs. 6,504 crore in March 2021 and it is expected to remain in the range of Rs. 6,000 -7,000 crore in next 12 months. Historically, the company has been highly reliant on debt refinancing to service the principal and interest repayments. However, the market value of its holdings in listed Group entities (providing 4.81 times cover of the total debt and 6.42 times its external debt as of March 31, 2021) and the strategic holdings in non-listed Group companies provide a mitigant against the refinancing risk. In addition, ICRA takes note of the proposed changes in the regulations for an NBFC-CIC, which would also 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 investments in BGHPL was Rs. 31,976 crore (as of May 15, 2021) while the debt repayment for the period of May 2021 to March 2022 is Rs. 4,379 crore (including interest payments).

Rating sensitivities

Positive factors –

- » Sustained improvement in the standalone operating income and net profit

AND

- » Material reduction in total debt level

Negative factors –

- » Market value of its unencumbered equity shares of listed companies goes below 4 times its outstanding debt (excluding debt from group companies, the debt cover as of March 31, 2021 was 6.42 times) on sustained basis

OR

- » Material increase in total debt level

OR

- » Any change in the status of 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	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Rating Methodology for Holding Companies ICRA's Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	As BGHPL is the key holding company of the Aditya Birla Group, ICRA expects financial support from the promoter as and when required
Consolidation/Standalone	The ratings are 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 several Group companies including Grasim Industries Limited, Aditya Birla Capital Limited, Aditya Birla Fashion and Retail Limited and Hindalco Industries Limited. It also holds stakes in a number of unlisted companies of the Group. Given its strategic significance to the Group and the market value of its listed holdings, the company enjoys considerable financial flexibility. ICRA expects capital support from the Group to be forthcoming to BGHPL, as and when required.

The Aditya Birla Group completed a scheme of amalgamation wherein its investment/holding companies (namely TGS Investment & Trade Private Limited, Trapti Trading & Investments Private Limited, Turquoise Investments and Finance Private Limited, Gwalior Properties and Estates Private Limited, Seshasayee Properties Private Limited and BGH Exim Private Limited) were merged with BGHPL. The said scheme came into effect from July 8, 2019.

In FY2021, as per unaudited provisional financials, BGHPL reported a loss of Rs. 491 crore on total assets of Rs. 5,043 crore compared to a loss of Rs. 768 crore on total assets of Rs. 4,768 crore in FY2020.

Key financial indicators (audited)

Birla Group Holdings Private Limited	FY2019	FY2020	FY2021*
Net Worth	-226	-993	-1,484
Adjusted Net Worth	8,843	3,325	12,697
Total Debt**	5,148	5,710	6,504
Investments	4,419	4,659	5,002
Market Value of Quoted Investments	21,050	11,551	31,276
Book Value of Quoted Investments	2,913	2,913	2,913
Total Assets	4,933	4,768	5,043
Dividend Income	110	119	76
Interest Income	69	25	1
Net Profit on Sale of Investments	327	1	0
Total Income	511	158	97
Interest Expense	442	473	573
Profit after Tax	-27	-768	-491

Source: Company, ICRA Research; All ratios as per ICRA calculations * Unaudited Provisional numbers, **CPs taken at face value in total debt

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
						May 27, 2021	Aug 28, 2020		
1	Commercial paper programme	Short-term	4,000	3,200	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	-
2	Non-convertible debentures programme	Long-term	1,000	Not placed	[ICRA]AA-(stable)	[ICRA]AA-(stable)	[ICRA]AA-(stable)	[ICRA]AA-(stable)	-

Source: Company, ICRA Research; * Provisional numbers. All ratios as per ICRA calculations

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial Paper Programme	Very Simple
Non-convertible debentures 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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE09OL14417	Commercial Paper Programme	14-Aug-20	NA	13-Aug-21	250	[ICRA]A1+
INE09OL14425	Commercial Paper Programme	20-Aug-20	NA	19-Aug-21	150	[ICRA]A1+
INE09OL14433	Commercial Paper Programme	26-Aug-20	NA	25-Aug-21	100	[ICRA]A1+
INE09OL14565	Commercial Paper Programme	17-Feb-21	NA	17-May-21	600	[ICRA]A1+
INE09OL14573	Commercial Paper Programme	23-Feb-21	NA	21-May-21	350	[ICRA]A1+
INE09OL14581	Commercial Paper Programme	05-Mar-21	NA	03-Jun-21	200	[ICRA]A1+
INE09OL14599	Commercial Paper Programme	15-Mar-21	NA	14-Jun-21	450	[ICRA]A1+
INE09OL14607	Commercial Paper Programme	24-Mar-21	NA	23-Jun-21	300	[ICRA]A1+
INE09OL14615	Commercial Paper Programme	23-Mar-21	NA	22-Jun-21	450	[ICRA]A1+
INE09OL14623	Commercial Paper Programme	26-Mar-21	NA	25-Jun-21	350	[ICRA]A1+
INE09OL14631	Commercial Paper Programme	26-Apr-21	NA	26-Jul-21	175	[ICRA]A1+
NA	Commercial Paper Programme*	NA	NA	NA	625	[ICRA]A1+
NA	Non-convertible Debenture Programme*	NA	NA	NA	500	[ICRA]AA- (stable) (Withdrawn)
NA	Non-convertible Debenture Programme*	NA	NA	NA	1,000	[ICRA]AA- (stable)

Source: Company, *unutilised

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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