

August 24, 2021

Birla Group Holdings Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	4000.00	4000.00	[ICRA]A1+; reaffirmed
Non-convertible Debenture Programme	1000.00	1000.00	[ICRA]AA-(Stable); reaffirmed
Total	5000.00	5000.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings factor in the position of Birla Group Holdings Private Ltd (BGHPL) as one of the main holding companies of the Aditya Birla Group. The ratings consider 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 BHGPL's standalone financials, increasing losses due to higher financing costs, and the negative net worth on its balance sheet. The outlook is Stable for the company.

Key rating drivers and their description

Credit strengths

Strong parentage; 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 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. ICRA notes BGHPL's strategic significance to the Group and the market value of its listed holdings, which provides comfort despite lower revenue generation on a stand-alone 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/or unlisted group companies. Apart from equity investments, BGHPL also extends loans to group companies. The market value of quoted investments (Rs. 35,506 crore) as on Aug 4, 2021 was 12.18 times the book value and 6.80 times of the total external debt outstanding (as on July 30, 2021).

Credit challenges

Negative net worth on balance sheet – BGHPL had a negative net worth of Rs. 1,518 crore as on 31 March 21. It posted a loss of Rs. 525 crore in FY2021. ICRA takes note of the regulatory guidelines applicable to BGHPL (applicable when BGHPL receives

a non-banking financial company-core investment company (NBFC-CIC licence¹) wherein its adjusted net worth shall not be less than 30% of its aggregate risk-weighted assets it is not permitted to have a gearing of more than 2.5 times of its adjusted net worth². Given the high market value of its quoted investments in Group companies (12.18 times the book value as on August 4, 2021), the company's capital adequacy and gearing on adjusted net worth remain adequate at 189% and 0.46 times respectively as on Aug 5, 2021 (considering net worth and debt as on June 30, 2021).

Stand-alone revenue dependent on stake sale and dividends declared by investee companies – The company's revenues for FY2021 were dominated by divided income which contributed 78% to the revenue earned on its investments in Aditya Birla Group companies. BHGPL finance costs, which account for a major part of its expenses, increased by 21% to Rs. 573 crore in FY2021 owing to higher average debt level, compared to the total revenue of Rs. 97 crore in FY2021.

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

Refinancing risk and effect of regulatory changes –BGHPL's total external debt as on March 2021 was Rs. 4,875 crores (Rs. 5,151 crore as of June 2021) compared to Rs 3275 crore in FY 2020. BGHPL's total debt was Rs. 6,746 crore in June 2021(increased from Rs 5,710 crore in FY 2020) 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 6.80 times its external debt as of July 30, 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 stakes in Grasim Industries Limited and Hindalco Industries Limited which also qualify as high-quality liquid assets (HQLA). The total market value of BGHPL's investments was Rs. 35,506 crores as on Aug 4, 2021, while the debt repayment for the next six months is Rs. 4,545 crore (including interest payment).

Rating sensitivities

Positive factors- The rating could be upgraded on

- » Sustained improvement in BHGPL's standalone operating income and net profits
- AND**
- » Market value of its unencumbered equity shares of listed companies goes above 6 times its outstanding debt (excluding debt from group companies) on sustained basis

Negative factors – The rating can be downgraded if the

- » Market value of its unencumbered equity shares in listed companies goes below 4 times its outstanding debt (excluding debt from Group companies; the debt cover was 6.80 times as of August 4,2021) on a sustained basis.
- OR**
- any change in the status of Company's position as a key holding company for the Group.
- OR**
- » deterioration in the credit ratings of any of the large Group investee companies

¹ The company functions as a systemically important Core Investment Company (CIC) as per provisions of Core Investment Companies (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India vide notification dated 25.08.2016.

² Adjusted net worth means the aggregate of net worth as appearing in balance sheet increased by 50% of the unrealized 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)

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 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 Ltd is a key holding company of the 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. 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.

In FY2021, BGHPL reported a loss of Rs. 525 crore on total assets of Rs. 5,009 crores compared to loss of Rs. 768. crore on total assets of Rs. 4,768 crores in FY2020.

Key financial indicators (audited)

Birla Group Holdings Private Ltd	FY2019	FY2020	FY2021
Net Worth	(226)	(991)	(1,519)
Adjusted Net Worth	8,843	3,327	12,663
Total Debt*	5,139	5,710	6,503
Investments	4,419	4,658	4,985
Market Value of Quoted Investments	21,050	11,551	31,275
Book Value of Quoted Investments	2,913	2,913	2,914
Total Assets	4,933	4,768	5,009
Dividend Income	110	119	76
Interest Income	69	25	1
Net Profit on Sale of Investments	327	1	0.74
Total Income	511	158	97
Interest Expense	442	473	574
Profit after Tax	(27)	(768)	(525)

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

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 Aug 13, 2021 (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					Aug 24, 2021	May 27, 2021	Aug 28, 2020	Apr 14, 2020	Jul 24, 2019
1	Commercial Paper Programme	Short-Term	4,000.0	--	[ICRA]A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
2	Non-convertible Debentures Programme	Long-Term	1,000.0	--	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)

Complexity level of the rated instrument

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE09OL14417	Commercial Paper Programme	August 14, 2020	NA	August 13, 2021	250	[ICRA]A1+
INE09OL14425	Commercial Paper Programme	August 20, 2020	NA	August 19, 2021	150	[ICRA]A1+
INE09OL14433	Commercial Paper Programme	August 26, 2020	NA	August 25, 2021	100	[ICRA]A1+
INE09OL14649	Commercial Paper Programme	May 17, 2021	NA	August 11, 2021	300	[ICRA]A1+
INE09OL14417	Commercial Paper Programme	May 17, 2021	NA	August 13, 2021	300	[ICRA]A1+
INE09OL14656	Commercial Paper Programme	May 21, 2021	NA	August 20, 2021	250	[ICRA]A1+
INE09OL14656	Commercial Paper Programme	May 21, 2021	NA	August 20, 2021	150	[ICRA]A1+
INE09OL14664	Commercial Paper Programme	March 6, 2021	NA	September 2, 2021	100	[ICRA]A1+
INE09OL14664	Commercial Paper Programme	March 6, 2021	NA	September 2, 2021	150	[ICRA]A1+
INE09OL14672	Commercial Paper Programme	July 6, 2021	NA	September 6, 2021	100	[ICRA]A1+
INE09OL14680	Commercial Paper Programme	June 14, 2021	NA	September 13, 2021	200	[ICRA]A1+
INE09OL14680	Commercial Paper Programme	June 14, 2021	NA	September 13, 2021	100	[ICRA]A1+
INE09OL14680	Commercial Paper Programme	June 14, 2021	NA	September 13, 2021	25	[ICRA]A1+
INE09OL14680	Commercial Paper Programme	June 14, 2021	NA	September 13, 2021	25	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 22, 2021	NA	September 21, 2021	150	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 22, 2021	NA	September 21, 2021	150	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 22, 2021	NA	September 21, 2021	25	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 22, 2021	NA	September 21, 2021	25	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 22, 2021	NA	September 21, 2021	150	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 23, 2021	NA	September 21, 2021	100	[ICRA]A1+
INE09OL14698	Commercial Paper Programme	June 23, 2021	NA	September 21, 2021	200	[ICRA]A1+
INE09OL14706	Commercial Paper Programme	June 25, 2021	NA	September 24, 2021	75	[ICRA]A1+
INE09OL14706	Commercial Paper Programme	June 25, 2021	NA	September 24, 2021	50	[ICRA]A1+
INE09OL14706	Commercial Paper Programme	June 25, 2021	NA	September 24, 2021	25	[ICRA]A1+
INE09OL14706	Commercial Paper Programme	June 25, 2021	NA	September 24, 2021	200	[ICRA]A1+
INE09OL14714	Commercial Paper Programme	June 29, 2021	NA	September 28, 2021	50	[ICRA]A1+
INE09OL14714	Commercial Paper Programme	June 29, 2021	NA	September 28, 2021	25	[ICRA]A1+
INE09OL14722	Commercial Paper Programme	July 16, 2021	NA	October 14, 2021	100	[ICRA]A1+
INE09OL14722	Commercial Paper Programme	July 19, 2021	NA	October 14, 2021	50	[ICRA]A1+
INE09OL14722	Commercial Paper Programme	July 19, 2021	NA	October 14, 2021	50	[ICRA]A1+
INE09OL14730	Commercial Paper Programme	July 28, 2021	NA	October 27, 2021	50	[ICRA]A1+
INE09OL14730	Commercial Paper Programme	July 28, 2021	NA	October 27, 2021	50	[ICRA]A1+
INE09OL14748	Commercial Paper Programme	July 29, 2021	NA	October 28, 2021	200	[ICRA]A1+
NA	Commercial Paper Programme*	NA	NA	NA	75	[ICRA]A1+
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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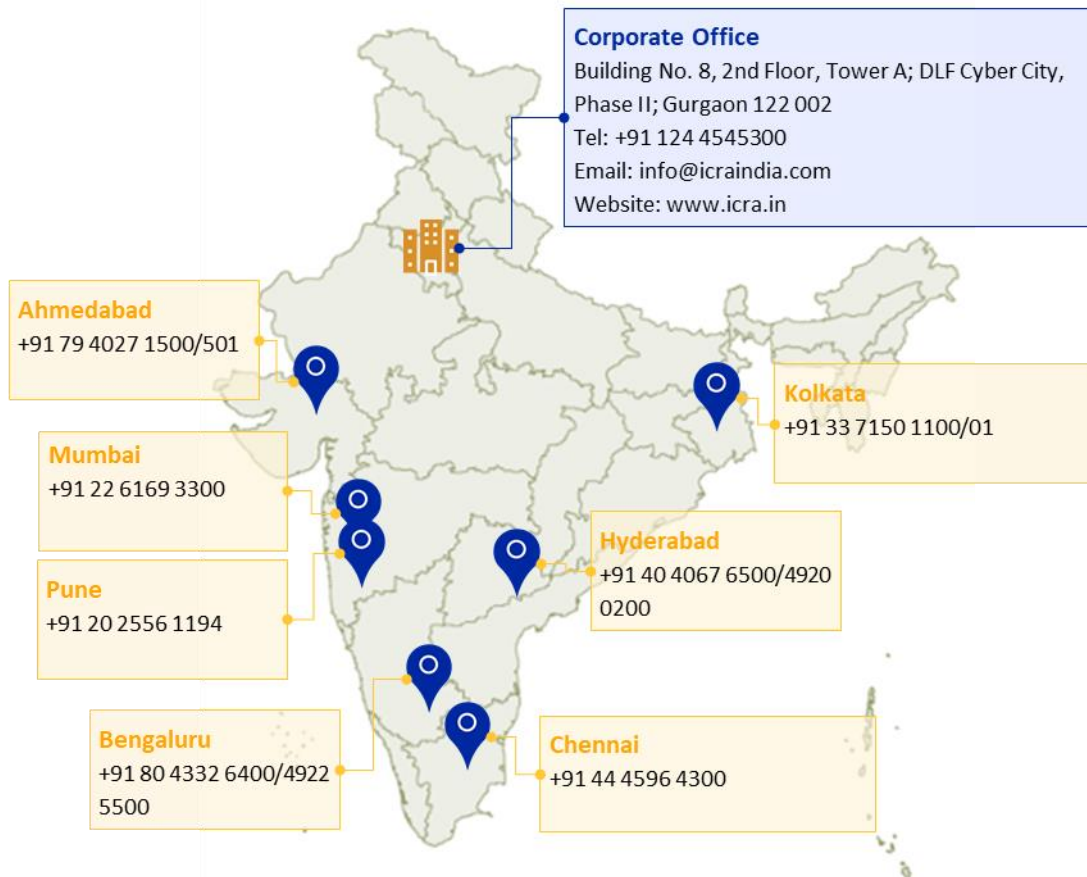
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