January 31, 2025

Aditya Birla Capital Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture	200.00	200.00	[ICRA]AAA (Stable); reaffirmed
Commercial paper programme	900.00	900.00	[ICRA]A1+; reaffirmed
Total	**1,100.00**	**1,100.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has considered the consolidated business and financial profile of Aditya Birla Capital Limited (ABCL) and its Group entities (collectively referred to as the ABCL Group and enlisted in Annexure II)[1] as the basis for the ratings.

The ratings factor in the ABCL Group's presence in various segments such as lending, life insurance, health insurance, asset management, asset reconstruction and securities broking among others, leading to a diverse revenue profile. The ratings also consider the management's vast experience in the financial services domain.

The ratings factor in the strong parentage of Grasim Industries Limited (Grasim; rated [ICRA]AAA (Stable)/[ICRA]A1+), which, along with other promoter group entities of the Aditya Birla Group, holds a 68.86% stake in the ABCL Group. Further, the ratings consider the strategic fit and importance of the ABCL Group, which houses all the financial services entities (lending, asset management and insurance among others), to the Aditya Birla Group. The promoter group's commitment is demonstrated through the strong capital and managerial support. ICRA expects that Grasim (along with other promoter group entities) will endeavour to ensure that ABCL and its subsidiaries maintain adequate capital cushions, solvency and liquidity, commensurate with the ratings.

The ABCL Group's adequate capitalisation level is supported by internal capital generation and the track record of capital infusions from the parent. The last capital raise of Rs. 3,000 crore was in June 2023, of which the promoters infused Rs. 1,250 crore. Further, the ratings factor in ABCL's diversified borrowing profile. ICRA notes that ABCL's consolidated gearing is expected to increase, given the high growth of the lending business. Comfort is drawn from the high internal accruals and the demonstrated ability to raise capital. The ABCL Group's profitability (excluding the insurance business) remains healthy, supported by the lending and asset management businesses.

ABCL's consolidated gross stage 3 stood at 2.3% of total advances as on September 30, 2024 (2.4% as on March 31, 2024), supported by write-offs and the high growth in the loan book. The company's ability to maintain the asset quality as the portfolio seasons, given the sharp growth, will remain a monitorable.

The Stable outlook reflects ICRA's expectation that the ABCL Group will remain strategically important to the parent. It also reflects ICRA's expectation that the company will continue to maintain adequate capitalisation.

[1] *For rating Aditya Birla Finance Limited and Aditya Birla Housing Finance Limited (ABHFL), a consolidated view with the parent, ABCL, has been considered*

Key rating drivers and their description

Credit strengths

Strong parentage; key management personnel with vast experience in financial services domain – ABCL is a subsidiary of Grasim, which held 52.55% as on December 31, 2024, while the other companies in the Aditya Birla Group had a 16.31% stake. ABCL is the holding company of all the financial services entities of the Group and is a prominent growth driver for the Group. Its strategic significance to the Aditya Birla Group is reflected in the capital support from the parent (last infusion of Rs. 1,250 crore in Q1 FY2024), as and when required. The ABCL Group enjoys strong financial flexibility as it is a part of the Aditya Birla Group. ICRA expects Grasim (along with other promoter group companies) to maintain a stake of more than 51% in the company. ICRA expects that Grasim (along with other promoter group entities) will endeavour to ensure that ABCL and its subsidiaries maintain adequate capital cushions, solvency and liquidity, commensurate with the ratings. ICRA also takes into consideration the vast experience of ABCL's key management personnel in the financial services domain.

Diversified financial services group – The ABCL Group is a diversified financial services group with a presence in various segments such as lending, life insurance, health insurance, asset management, asset reconstruction and securities broking among others. ABCL's lending business is through two entities – Aditya Birla Finance Limited (ABFL; with a non-banking financial company (NBFC) licence) and Aditya Birla Housing Finance Limited (ABHFL; with a housing finance company (HFC) licence). The consolidated lending book increased at a high pace to Rs. 1,37,946 crore (27% YoY) as on September 30, 2024, with secured business loans contributing 38%, followed by large & mid corporate (28%), HFC (15%, excluding construction finance), personal & consumer (11%), and unsecured business loans (8%). To comply with the regulatory requirement for upper layer NBFCs, ABFL, which is an upper layer NBFC, will merge into ABCL. Following the merger, ABCL will become an NBFC-investment and credit company (NBFC-ICC), encompassing the lending operations as well as the investments in various subsidiaries/associates/joint ventures. This is, however, credit neutral for the ABCL Group.

Apart from lending, the ABCL Group has a prominent presence in the asset management business through Aditya Birla Sun Life Asset Management Company Ltd. (ABSL AMC), which is the sixth largest asset management company (AMC) in terms of the average assets under management (AUM). The ABCL Group has a presence in life insurance (through Aditya Birla Sun Life Insurance Company Limited) as well as health insurance (through Aditya Birla Health Insurance Company Limited). While the health insurance entity is in the initial years (growing at a fast pace), the life insurance company had a market share of 2.4%, in terms of individual new business premium, in FY2024.

Good financial flexibility and diversified funding profile – As a part of the Aditya Birla Group, ABCL has good financial flexibility in raising funds at competitive rates. Its (lending business) borrowing profile remains diversified with bank term loans, debentures, commercial paper (CP), National Housing Bank (NHB) and external commercial borrowings forming 49%, 27%, 9%, 3% and 3%, respectively, of the total borrowings as on September 30, 2024. The ABCL Group also maintains adequate unutilised bank lines.

Adequate capitalisation; demonstrated ability to raise equity – ABCL's capitalisation remains adequate with a consolidated adjusted gearing (borrowings/adjusted net worth) of 4.5 times as on September 30, 2024 (4.3 times as on September 30, 2023). While the lending business has grown substantially, the capitalisation has been supported by the equity raise of Rs. 3,000 crore by ABCL in Q1 FY2024. It has been further supported by the stake sale in Aditya Birla Insurance Brokers Ltd. (ABIBL) and ABSL AMC, leading to additional inflow of Rs. 216 crore and Rs. 588 crore, respectively. Considering the growth plans of the lending business, the consolidated gearing is likely to increase. Given the strong parentage and its demonstrated ability to raise capital, ABCL's capitalisation profile is likely to remain adequate. ICRA expects that Grasim (along with other promoter group entities) will endeavour to ensure that ABCL and its subsidiaries maintain adequate capital cushion.

Improving profitability – The Group's profitability is largely supported by its lending and asset management businesses but is partially offset by the losses in the health insurance entity (Aditya Birla Health Insurance Company Limited). Excluding the insurance business (life and health insurance), ABCL's profitability remained healthy with an annualised return on equity of 13.9% in H1 FY2025 (15.3% in FY2024, 10.2% in FY2021). Further, ICRA notes the diversity in revenues with income from the lending operations and the asset management business.

Credit challenges

Asset quality remains monitorable – The Group had seen a significant ramp-up in the relatively riskier unsecured retail loan book, though its share has declined over the last few quarters. Further, growth has been high for long-term loan assets, like retail mortgage loans, which are yet to season. The Group's ability to maintain its asset quality indicators over economic cycles would be a key monitorable, especially in the backdrop of concerns related to overleveraging in the retail borrower segment.

ABCL's consolidated gross and net stage 3 assets for the lending business stood at 2.3% and 1.3%, respectively, as on September 30, 2024, compared to 2.4% and 1.3%, respectively, as on March 31, 2024 (2.6% and 1.4%, respectively, as on September 30, 2023). The reported asset quality was partly supported by the high growth in the AUM. Including write-offs, the gross stage 3 was higher at 3.8% as on March 31, 2024.

The concentration of the top 20 groups remained at 48% of ABCL's consolidated adjusted net worth[2] (11% of the total exposure of ABFL) as on September 30, 2024 (44% and 11%, respectively, as on September 30, 2023). While a large part of the portfolio is secured (more than 75% of ABFL's portfolio and 100% of ABHFL's portfolio), helping reduce losses in the event of default, ICRA notes ABCL's presence in the unsecured retail/business segments, which are exposed to asset quality pressure. ICRA, however, notes the granularisation of the portfolio with the increased share of small and medium enterprise (SME) and retail loans.

Environmental and social risks

Given the service-oriented business of ABCL, its direct exposure to environmental risks/physical climate risks is not material. Further, the Group's operations remain diversified. While lending institutions can be exposed to environmental risks indirectly through their portfolio of assets, ABCL's exposure to environmentally sensitive segments remains low. Hence, indirect transition risks arising from changes in regulations or policies concerning the underlying assets are not material.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and could invite regulatory censure. ABCL has not faced such lapses over the years and its disclosures outline the key policies, processes, and investments made by it to mitigate the occurrence of such instances. ABCL also promotes financial inclusion by lending to the affordable housing segments.

Liquidity position: Strong

The ABCL Group had cash and liquid investments of Rs. 5,725 crore and unutilised bank lines of Rs. 7,487 crore as on December 31, 2024, against debt repayments of Rs. 21,295 crore due in the next six months. Further, the liquidity will be supported by collections from the loan book.

At the standalone level, ABCL had cash and liquid investments worth Rs. 793 crore with no borrowings as on December 31, 2024.

Rating sensitivities

Positive factors – Not applicable

Negative factors – A material change in the expected level of support or a significant deterioration in the credit risk profile of ABCL's parent (i.e. Grasim) could warrant a rating downgrade. Pressure on the ratings could also arise if there is a deterioration in ABCL's consolidated capitalisation profile (adjusted gearing) on a sustained basis and/or weakening of the ABCL Group's solvency levels (net stage 3 assets/adjusted net worth) to more than 20% on a sustained basis.

[2] *Adjusted net worth excludes the insurance business' net worth*

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies (NBFCs) Policy on Withdrawal of Credit Ratings
Parent/Group support	Parent: Aditya Birla Group (including Grasim; rated [ICRA]AAA (Stable)/[ICRA]A1+) ICRA factors in the strategic importance of ABCL for the parent, which is demonstrated in the availability of strong financial, operational and managerial support.
Consolidation/Standalone	While arriving at the ratings for ABCL, ICRA has considered the consolidated business and financial profile of ABCL. The names of the entities considered for consolidated analysis are mentioned in Annexure II.

About the company

Aditya Birla Capital Limited (ABCL) is a non-deposit taking systemically important core investment company (CIC-ND-SI) registered with the Reserve Bank of India (RBI). It is the holding company of the financial services businesses of the Aditya Birla Group. Pursuant to the merger of Aditya Birla Nuvo Limited (ABNL) and Grasim Industries Limited, ABCL got listed on the Bombay Stock Exchange and the National Stock Exchange in September 2017. As on December 31, 2024, the promoter group held a stake of 68.86% (of which Grasim holds 52.55%) in ABCL. Following the merger, ABCL will become an NBFC- investment and credit company (NBFC-ICC), encompassing the lending operations as well as the investments in various subsidiaries/associates/joint ventures.

Grasim Industries Limited

Incorporated in 1947, Grasim Industries Limited (Grasim), the flagship company of the Aditya Birla Group, is a $19.3-billion conglomerate. On a standalone basis, its core businesses include viscose, chemical, paints, textile manufacturing and insulators. It is a leading global player in VSF (with an installed capacity of ~842 KTPA as on December 31, 2023) and is the largest chlor-alkali producer in India (1,359 KTPA). The viscose and chemicals segments together contributed ~90% to its standalone revenues in FY2023. In January 2021, Grasim announced a foray into the decorative paints business, with a planned capex of Rs. 10,000 crore to be spent over FY2023-FY2025. In July 2022, it announced its foray into the B2B e-commerce platform for the building materials segment, with an investment outlay of Rs. 2,000 crore over the next five years.

On a consolidated basis, Grasim also has a strong presence in the cement, financial services, fashion retail, telecommunications and solar power generation industries. Its 57.27% subsidiary – Ultratech Cements – is the largest cement producer in India. Grasim has a presence in financial services through its 52.55% subsidiary – Aditya Birla Capital Limited.

Key financial indicators (audited)

Aditya Birla Capital Limited (consolidated)	FY2023	FY2024	H1 FY2025#
Total income	30,201	33,994	19,081
PAT	2,085^	3,439	1,800
PAT (excluding insurance business)	2,140^	3,382	1,817
Total managed assets	1,80,754	2,32,102	2,53,301
Return on managed assets*	2.4%^	2.8%	2.5%
Adjusted gearing (times)	4.5	4.4	4.5
Gross stage 3	3.1%	2.4%	2.3%
CRAR	NA	NA	NA

*Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; # Unaudited figures; *Excluding insurance business; ^Excluding fair value (FV) gain on Aditya Birla Health Insurance (ABHI)*

Aditya Birla Capital Limited (standalone)	FY2023	FY2024	H1 FY2025#
Total income	223	861	585
PAT	141	714	441
Total managed assets	10,282	14,122	14,676

Aditya Birla Capital Limited (standalone)	FY2023	FY2024	H1 FY2025#
Return on managed assets	1.4%	5.9%	6.3%
Reported gearing (times)	-	-	-
Gross stage 3	-	-	-
CRAR	99.8%	111.0%	110.9%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; # Unaudited figures

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Jan 31, 2025	Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture	Long term	200.00	[ICRA]AAA (Stable)	Feb-2-24	[ICRA]AAA (Stable)	Feb-3-23	[ICRA]AAA (Stable)	Feb-7-22	[ICRA]AAA (Stable)
						Mar-16-23	[ICRA]AAA (Stable)		
Commercial paper programme	Short term	900.00	[ICRA]A1+	Feb-2-24	[ICRA]A1+	Feb-3-23	[ICRA]A1+	Feb-7-22	[ICRA]A1+
						Mar-16-23	[ICRA]A1+		

Source: Company, ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture	Very Simple
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 / Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Commercial paper^	-	-	7-365 days	900.00	[ICRA]A1+
NA	Non-convertible debenture programme*	-	-	-	200.00	[ICRA]AAA (Stable)

*Source: Company; *Yet to be placed; ^Unutilised*

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Aditya Birla Finance Limited	100.00%	Full consolidation
Aditya Birla Housing Finance Limited	100.00%	Full consolidation
Aditya Birla Sun Life Insurance Company Limited	51.00%	Full consolidation
Aditya Birla Sun Life AMC Company Limited	44.97%	Equity method
Aditya Birla Health Insurance Company Limited	45.89%	Equity method
Aditya Birla Money Limited	73.53%	Full consolidation
Aditya Birla Capital Digital Limited	100.00%	Full consolidation
Aditya Birla ARC Limited	100.00%	Full consolidation
Aditya Birla PE Advisors Private Limited	100.00%	Full consolidation
Aditya Birla Trustee Company Private Limited	100.00%	Full consolidation
Aditya Birla Financial Shared Services Limited	100.00%	Full consolidation
Aditya Birla Sun Life Pension Fund Management Limited	51.00%	Full consolidation
Aditya Birla Stressed Asset AMC Private Limited	100.00%	Full consolidation
Aditya Birla Special Situation Fund 01	100.00%	Full consolidation
ABARC-AST-008-Trust	100.00%	Full consolidation
ABARC-AST-010-Trust	100.00%	Full consolidation
Aditya Birla Sun Life Trustee Private Limited	50.85%	Equity method
Aditya Birla Wellness Private Limited	51.00%	Equity method
Aditya Birla Sun Life AMC (Mauritius) Ltd.	44.97%	Equity method
Aditya Birla Sun Life Asset Management Company Ltd., Dubai	44.97%	Equity method
Aditya Birla Sun Life Asset Management Company Pte. Ltd., Singapore	44.97%	Equity method

Source: Company; Details as on September 30, 2024

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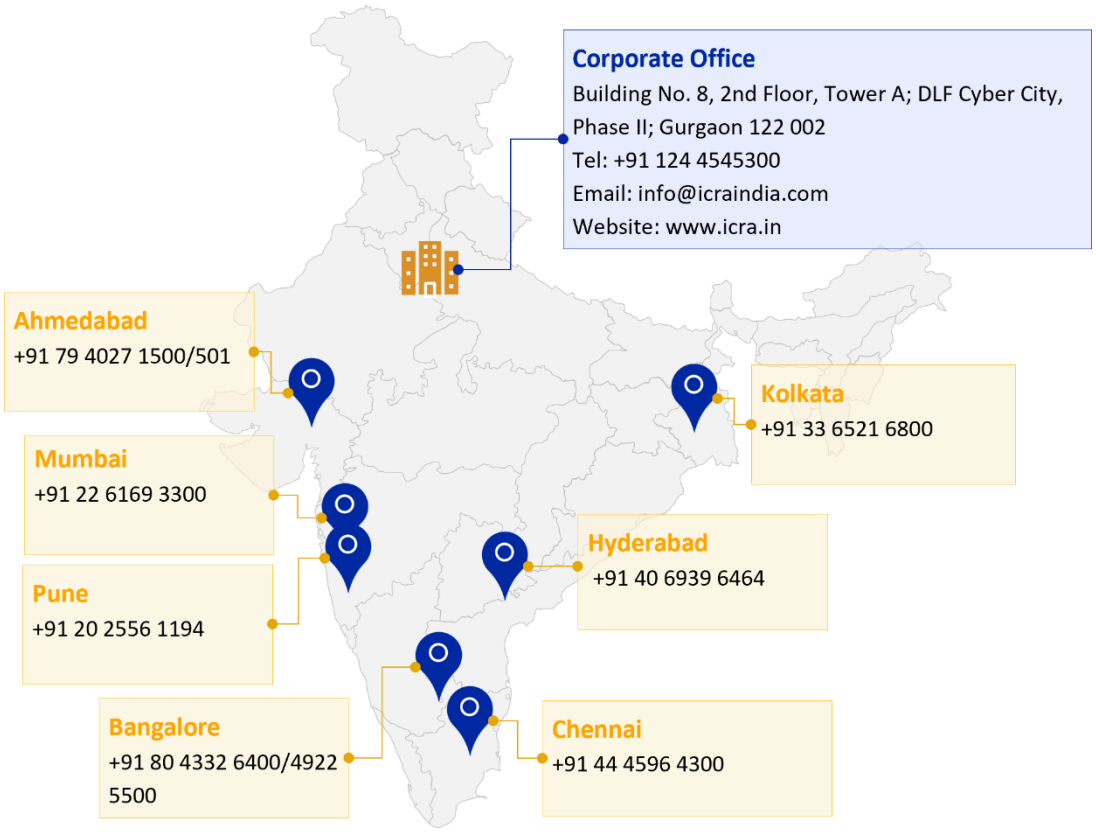

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