# Murugappa Holdings Limited

| Instrument | Amount | Rating Action |
|---|---|---|
| | In Rs Crore | September 2015 |
| Short-term, Commercial Paper Programme | 30.00 (revised from 50.00) | [ICRA]A1+ Re-affirmed |

ICRA has re-affirmed the short-term rating at [ICRA]A1+ (pronounced ICRA A one plus) for the Rs. 30.00 crore[^] (revised from Rs. 50.00 crore) commercial paper programme of Murugappa Holdings Limited ("MHL" / "the company")[†].

The rating reaffirmation considers the strong financial flexibility enjoyed by MHL as a key holding company of the reputed Murugappa Group, with the largest shareholding in three group companies – EID Parry (India) Limited (EPIL), Tube Investments of India Limited (TIIL), and Carborundum Universal Limited (CUMI) – which have a presence across diverse sectors such as sugar, chemicals and fertilizers, auto components, cycles and engineering products, and abrasives – and are listed entities with substantial market value and healthy credit profiles. The market value of MHL's investments stood at ~Rs. 4,130 crore (September 07, 2015) and remained considerably higher than its book value. However, ICRA takes note of the susceptibility of the value of MHL's investments to market risk, with any large decline in share prices being a key risk factor.

MHL functions purely as a holding company with no independent operations, and derives its revenue majorly from the dividend income from its investee companies, in addition to minor interest income from other investments. MHL's dividend income increased to Rs. 31.5 crore in FY 2014–15 as against Rs. 21.1 crore in the preceding fiscal, on the back of EPIL declaring dividend during the year (compared to nil dividend in preceding fiscal) amidst largely stable dividend from TIIL and CUMI . ICRA, however, takes note of the susceptibility of MHL's dividend income to cyclicality in the underlying industries of its investee companies, although MHL's prudent liquidity management policy with flexible dividend pay-out in accordance with dividend inflows helps tide over any short-term financing shortfalls and remains a positive. The ratings also factor MHL's dependence on refinancing for meeting principle repayment obligations; however, this risk is mitigated by the financial flexibility enjoyed by MHL. ICRA also notes that any material funding support extended to other Group companies by MHL may have a negative impact on its credit profile.

The adherence to covenants – (a) restricting overall debt to borrowing cap of the lower of Rs. 400.0 crore or 25% of market value of investments in the three investee companies during the tenor of rated debt; (b) maintenance of shareholding in listed entities, except for the purpose of retiring the debt (current and proposed) upto the borrowing limit, and (c) restriction on pledging the shares in investee companies, except for raising debt up to the borrowing limits, will be a key monitorable.

**Company Profile**

Murugappa Holdings Limited (formerly Parry Agro Industries Limited) is a key holding company of the Murugappa Group, and is the largest share holder in the three listed group companies – EID Parry (India) Limited (share holding of 33.41%), Tube Investments of India Limited (share holding of 34.23%), and Carborundum Universal Limited (share holding of 29.46%) – which have a presence across diverse sectors such as sugar, chemicals and fertilizers, auto components, cycles and engineering products, and abrasives.

[^] 1 crore = 100 lakh = 10 million

[†] For a complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.

MHL was engaged in the tea-plantation business (as Parry Agro Industries Limited) till FY 2010–11; however, subsequent to a restructuring exercise in FY 2011–12, it has operated purely as a holding company with no independent operations. MHL obtained its Systemically Important Core Investment Company (CIC-ND-SI) license from RBI in 2014. Majority of the shares in MHL is currently held by the Murugappa family's investment vehicle—Ambadi Investments Pvt. Ltd. (AIPL, share holding of 77.82%), while the remaining shares are mainly held by promoters in their individual capacity.

For FY 2014–15, MHL reported a PAT of Rs. 16.92 crore on a net income of Rs. 32.11 crore as against a PAT of Rs. 7.11 crore on a net income of Rs. 22.17 crore in FY 2013–14.

**The Murugappa Group**

The Group traces its origins to the money-lending and banking business founded by Dewan Bahadur A. M. Murugappa Chettiar in the 1900s in Burma (now Myanmar). After moving its assets back to India in the 1930s, the Group recommenced operations and expanded into several sectors; and currently has footprints in diverse sectors such as engineering and metal-forming, bicycles, finance, general insurance, abrasives, fertilizers and farm inputs, sugar, bio-products, nutraceuticals, property development and plantations. The Group has ~28 businesses under its wing, including 11 listed companies. The major companies of the Group include Carborundum Universal Ltd., EID Parry (India) Ltd., Tube Investments of India Ltd., Cholamandalam Investment and Finance Company Ltd. [*rated [ICRA]AA (Stable)*], Cholamandalam MS General Insurance Company Ltd, Coromandel International Ltd., Coromandel Engineering Company Ltd., Parry Agro Industries Ltd., Sabero Organics Ltd., Shanthi Gears Ltd. [*rated [ICRA] AA (Stable) / A1+*], and Wendt (India) Ltd. [*rated [ICRA]AA- (Stable)/ A1+*].

For FY 2014–15, the Group reported a Profit before Tax and Extra Ordinary Items (PBT excl EOI) of Rs. 1,780 crore on a turnover of Rs. 26,926 crore as against a PBT excl EOI of Rs. 1,415 crore on a turnover of Rs. 24,350 crore in FY 2013–14.

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