Bharti Enterprises Limited

September 20, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial paper	3,000.00	CARE A1+ (A One Plus)	Reaffirmed
Total short-term instruments	**3,000.00 (₹ Three thousand crore only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the rating assigned to the commercial paper (CP) programme of Bharti Enterprises Limited (BEL) takes into account the strong financial flexibility derived from the strong parentage and the well-established management track record of the Bharti group. BEL has investments in Airtel Payments Bank Limited (APBL), Bharti Realty Limited (BRL), Field Fresh Foods Private Limited (FFFPL), Bharti Overseas Private Limited and Bharti Life Ventures Private Limited (BLVPL). The rating favourably factors in the significant market value of the investments of the parent, viz, Bharti Enterprises (Holdings) Pvt Ltd's (BEHPL's) effective holding in the listed equity shares of Bharti Airtel Limited (BAL), the integrated nature of the treasury function among the holding companies (holdcos) of the group, viz, BEHPL, Bharti Telecom Ltd (BTL), and BEL. The rating draws comfort from the adequate market value to debt cover, which is expected to continue.

The rating also takes note of the scheme of arrangement approved by the board of Bharti General Ventures Private Limited (BGVPL) during FY22, wherein, BGVPL is proposed to be amalgamated with BEL, subject to applicable statutory and regulatory approvals. The said transaction will continue to be monitored by CARE Ratings Limited (CARE Ratings).

The above rating strengths, however, are tempered by the limited revenue sources of BEL and exposure to market-related systemic risks.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade

Not applicable

Negative factors – Factors that could lead to negative rating action/downgrade:

- Material deterioration in the credit profile of BEHPL.
- Significant decline in the market capitalisation of BAL leading to weakened market value to debt coverage on a sustained basis

Detailed description of the key rating drivers

Key rating strengths

Strong parentage: BEL is one of the holding companies of the Bharti group. The group is one of the leading conglomerates in India, with diversified interests in telecom, insurance and payment solutions, real estate, and agri-products.

Strategic role, thus impending need-based support from the group: BEL, BEHPL, and BTL are the three major holdcos of the Bharti group for the group's investments. The significance of these holdcos for the group is reflected by the underlying business held by them. BEL's major investments are into payment bank solutions, real estate (primarily commercial), life insurance, and the processed food sector. CARE Ratings believes that BEHPL will continue to exercise management control over BEL and will continue to provide operational and need-based financial support to BEL.

Strong financial flexibility: The financial flexibility of BEL is derived from the strong reputation and resourcefulness of the promoter family, the high market value of BEHPL's indirect stake in BAL, and the integrated finance function of the group with demonstrated ability of fundraising in the past. The market value of BEHPL's holding (50.56%) in BTL is significant, derived from BTL's stake in BAL. BTL is the single-largest shareholder in BAL and holds a 35.85% stake (as on June 30, 2022). CARE Ratings takes cognisance of the ongoing transaction in BAL, wherein, BTL is expected to purchase an additional 3.3% stake in BAL from the other promoter group of BAL. This ensures that the credit profile of BEL remains comfortable. The finance function of the group is integrated with a strong treasury team and the fundraising capability of the team is demonstrated by BAL's strong access to the capital market in the past.

Comfortable market value of investments to debt cover: The group has historically been conservative on leverage and has a track vis-à-vis the value of its investments. CARE Ratings expects the indebtedness among the holdcos, specifically at the BTL level, to increase in the near term as a consequence of the ongoing transaction by BTL towards the acquisition of an additional stake in BAL. However, strong cover is expected to continue to be maintained on a sustained basis going forward, which provides comfort. The market value to debt cover is also expected to be supported by the proposed amalgamation of BGVPL with BEL, which holds listed equity shares of ICICI Lombard General Insurance Company Limited (ILFICL).

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key rating weaknesses

Exposure to inherent market risk: BEL's management and support services income is currently low, and hence, it depends on the monetisation of investments or dividend income from group companies. The market value of investments of the holdcos of the group is exposed to the volatility associated with economic activity. Any increase in market-related risks, leading to a sharp fall in the share prices of its investments, will be a key monitorable. However, the group has regularly demonstrated easy access to capital markets and fundraising in case required.

Liquidity: Strong

The liquidity profile of BEL is aided by the strong financial flexibility rendered to the company being part of the Bharti group. Given its role as a holdco, BEL will be dependent on the monetisation of investments, refinancing, or need-based support, which underpins its liquidity profile. The continued financial flexibility for repayment of the debt obligation, going forward, will be a rating monitorable.

Analytical approach

Standalone. Given the importance of BEL for the group, CARE Ratings has evaluated the credit profile by considering its strong parentage, the significant market value of the promoters' direct and indirect holdings in comparison to the combined debt in the investment holdcos of the Bharti group (viz, BEL, BTL and BEHPL), the close operational linkages with the other holdcos, including the integrated treasury function of the group with adequate financial resources for mobilisation.

Applicable criteria

Policy on Default Recognition
Factoring linkages parent sub JV group
Financial ratios – Non-financial sector
Investment holding companies
Liquidity analysis of non-financial sector entities
Rating Outlook and Credit Watch
Short-term instruments
Policy on Withdrawal of Ratings
Consolidation

About the company

BEL was incorporated on November 21, 2005, as Bharti Ventures Ltd. It is 100% held by the ultimate holding company of the Bharti group, ie, BEHPL. BEHPL is held by the Mittal family. The company is one of the prominent holdcos of the Bharti group, with investments across diverse businesses, viz, payment solutions, real estate, insurance, and processed food.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
TOI	26.47	12.39	3.47
PBILDT	8.09	-10.07	-1.50
PAT	2.15	-138.26	-45.77
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	2.47	NM	NM

A: Audited; UA: Unaudited, NM: Not meaningful.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper-Commercial paper (standalone)	-	-	-	-	2050.00	CARE A1+
Commercial paper-Commercial paper (standalone)	INE396J14208	June 24, 2022	-	February 28, 2023	365.00	CARE A1+
Commercial paper-Commercial paper (standalone)	INE396J14182	May 17, 2022	-	March 17, 2023	270.00	CARE A1+
Commercial paper-Commercial paper (standalone)	INE396J14174	April 28, 2022	-	December 14, 2022	315.00	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1.	Commercial paper-Commercial paper (standalone)	ST*	3,000.00	CARE A1+	-	1)CARE A1+ (March 21, 2022) 2)CARE A1+ (December 08, 2021) 3)CARE A1+ (July 09, 2021)	-	-

*Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1.	Commercial paper-Commercial paper (standalone)	Simple

Annexure-5: Bank lender details for this company

Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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