

## Pilani Investment and Industries Corporation Limited

August 24, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Commercial paper	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the rating assigned to the commercial paper (CP) issue of Pilani Investment and Industries Corporation Limited (PIICL) continues to factor in the status of PIICL as one of the investment holding company of the Birla group and robust financial flexibility emanating from the equity ownership in the Birla group entities, including Grasim Industries Limited (rated 'CARE AAA; Stable/CARE A1+'), Hindalco Industries Limited (rated 'CARE AA+; Stable/CARE A1+'), Ultratech Cement Limited (rated 'CARE AAA; Stable/CARE A1+'), Century Textiles and Industries Limited (rated 'CARE A1+'), Aditya Birla Capital Limited, and Aditya Birla Fashion and Retail Limited among others.

The rating derives strength from the strong reputation of the Birla group with long track record and healthy credit risk profile of the operating entities with diversified presence across sectors as well as exhibited track record of dividend payment. Furthermore, the rating factors in the comfortable financial risk profile backed by the market value of its holdings in the Birla group entities which provides a healthy debt cover against the existing debt borrowings and any proposed borrowing. CARE Ratings Limited (CARE Ratings) notes that the management intends to limit the consolidated external borrowings to ₹1,500 crore in the near to medium term.

The above rating strengths are, however, offset by the exposure of investments to market-related volatility as well as dependence on the group entities for interest and dividend.

### Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:** Not applicable

#### Negative factors:

- Fall in cover of market value of investments in the Birla group entities over the external outstanding debt exposure of PIICL including those of its subsidiaries below 4.00x owing to decline in the share price of investee companies, or rise in the debt levels of PIICL
- Deterioration in the credit profile of group entities of the Birla group in which PIICL has equity holdings, thereby impacting its credit profile.
- Change in stance of support by the Birla group.

**Analytical approach:** Standalone. CARE Ratings has assessed PIICL based on the investment holding company criteria basis of its investment holdings in "Birla group" entities. Furthermore, for the purpose of analysis, CARE Ratings has included the consolidated debt of PIICL, and its standalone contingent liability limited to guarantees, if any, extended to subsidiaries and third parties.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Outlook:** Not applicable

## **Detailed description of the key rating drivers**

### **Key strengths**

#### **Diversified business investments with strong parentage**

The Birla group has demonstrated a well-established management track record. With a simplified holding structure, PIICL has greater diversity in terms of investments in group companies. It holds equity shares in several flagship group companies, including Hindalco Industries Limited, Grasim Industries Limited, Ultratech Cement Limited, Century Textiles and Industries Limited, Aditya Birla Capital Limited (ABCL), and Aditya Birla Fashion Retail Limited (ABFRL) among others. Apart from the above, the company also holds shares in some unlisted companies of the group. CARE Ratings notes that the strong credit risk profile of the Birla group companies will ensure steady dividend inflows for PIICL, which will remain a key rating monitorable.

#### **Strong financial flexibility with healthy capital structure driven by the investments in the Birla group companies**

PIICL derives strong flexibility from its stake in various listed as well as unlisted group companies of the Birla group. The investment in listed companies translates into market value of ₹14,062 crore (as on August 04, 2023). Being an investment holding company, PIICL extends support to its group companies via equity investments, loans, and advances. Adequate debt cover of 16x as on August 04, 2023, maintained by PIICL provides it with strong flexibility to refinance existing debt exposure. CARE Ratings will continue to monitor any significant rise in the debt levels or substantial decline in the market capitalisation in the investments and its impact on PIICL.

#### **Expected sustenance of comfortable cover and likely support from the Birla group**

PIICL has stated to maintain the overall consolidated external debt level capped at ₹1,500 crore which provides adequate cover based on market value of investments as on August 04, 2023. The cover is supported by the strong financial flexibility in the form of equity investments in listed companies of the Birla group.

#### **Comfortable financial risk profile**

The financial risk profile of PIICL is marked by steady dividend income and comfortable capital structure marked by overall gearing of 0.07x as on March 31, 2023 (PY: 0.10x). The holding company derives income through dividend, interest income or sale of investments given the predominance of investments (equity and mutual funds) in its asset base.

### **Key weaknesses**

#### **Exposure to fluctuation in market value of investments**

PIICL's investment value in the Birla group companies remains susceptible to the economic downturn as well as deterioration in the performance of key operating entities of the group. The financial flexibility in terms of cover available would depend to a large extent on the market sentiments and share price of listed entities. Any increase in the market-related risks leading to a sharp fall in the share prices of its investments will be a key rating sensitivity factor. In case of substantial diminution in the value of investments, financial flexibility of PIICL will also be impacted.

#### **Dependence on the group companies for growth**

PIICL's major income source includes dividend and interest income. The company received dividend and interest income of ₹64.99 crore and ₹225.11 crore, respectively, in FY23 (₹48.16 crore and ₹206.58 crore, respectively, in FY22). With dividend and interest income being the major source of income for PIICL, its projected performance is directly linked to the performance of its group companies. Given the regulatory exposure of the various sectors in which the group is operating, any decline in the performance of the industry or adverse regulatory stance might affect the revenue stream of PIICL.

As on August 04, 2023, the company's borrowing is in the form of term loan from financial institutions and outstanding commercial paper. CARE Ratings notes that for its repayment obligations, PIICL may have to rely on refinancing, in addition to dividend and interest income. As the major income source is not sufficient to cover the principal repayments, the company is highly exposed to the refinancing risk. However, the high market value of its holdings in the listed group entities vis-à-vis the outstanding debt provides a mitigant against refinancing risk.

### Liquidity: Strong

PIICL enjoys strong financial flexibility emanating from investments in various Birla group companies (₹14,062 crore investment value as on August 04, 2023). PIICL's management intends to maintain debt at around ₹1,500 crore over the medium-term which at current value of the shareholdings shall help in maintaining adequate cover and the same is expected to sustain over the medium term.

The cover gives sufficient financial flexibility to refinance the maturing repayment obligation. Also, in case of adverse market movements, adequate financial flexibility through the Birla group companies shall be available to improve the cover.

**Assumptions/covenants:** Not applicable

### Environment, social, and governance (ESG) risks:

<b>Environmental</b>	As the Company is engaged in the investment and financing activities, it does not have adverse impact to the environment; however, it commits to ensure reducing wastage of electricity, office stationeries, water, etc. The Company encourages the use of electronic methods of communication. The Company promotes virtual meetings to reduce travel, eventually leading to reduction in its carbon footprint.
<b>Social</b>	Promoting healthcare including preventive healthcare Promoting education
<b>Governance</b>	The Board of Directors comprises seven members consisting of Non-Executive/Independent Directors who account for 100% of the Board strength. The Non-Executive/Independent Directors are eminent professionals/experts drawn from amongst persons with experience in business and industry, finance and law.

### Applicable criteria

[Policy on default recognition](#)  
[Financial Ratios - Financial Sector](#)  
[Investment Holding Companies](#)  
[Rating Outlook and Credit Watch](#)  
[Short Term Instruments](#)  
[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Investment Company

Incorporated in August 1948, PIICL is an investment holding company of the Birla group with investments in group companies, including Hindalco Industries Limited (rated 'CARE AA+; Stable/ CARE A1+'), Grasim Industries Limited (rated 'CARE AAA; Stable/ CARE A1+'), UltraTech Cement Limited (rated 'CARE AAA; Stable/CARE A1+'), Century Textiles and Industries Limited (rated 'CARE A1+'), Aditya Birla Capital Limited, and Aditya Birla Fashion and Retail Limited. The company is registered with the Reserve Bank of India (RBI) as a non-deposit-taking, non-banking financial company (NBFC). The company functions as a Core Investment

Company (CIC) with investments in shares and securities of the Birla group companies apart from providing finance to them. The Company is in the process of getting registration as a CIC.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	254.75	290.10	54.15
PAT	149.25	169.78	27.19
Interest coverage (times)	4.20	4.40	3.21
Total assets	11,845.81	11,503.47	-
Net NPA (%)	-	-	-
ROTA (%)	1.35	1.45	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**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:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper- Commercial Paper (Standalone)	INE417C14488	30-Dec-2022	NA	21-Dec-2023	125.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)	INE417C14496	14-Feb-2023	NA	08-Nov-2023	65.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)	INE417C14504	23-Feb-2023	NA	23-Feb-2024	100.00	CARE A1+
Commercial Paper- Commercial Paper (Standalone)	INE417C14512	21-Mar-2023	NA	20-Mar-2024	50.00	CARE A1+

Commercial Paper-Commercial Paper (Standalone)	INE417C14520	23-Mar-2023	NA	22-Mar-2024	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE417C14546	16-Jun-2023	NA	15-Sept-2023	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	INE417C14553	14-Jul-2023	NA	28-Sept-2023	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	Proposed	-	-	7 days – One year	360.00	CARE A1+

\*as on August 04, 2023; NA: Not Available

#### 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 2023-2024	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
1	Commercial Paper-Commercial Paper (Standalone)	ST	1000.00	CARE A1+	-	1)CARE A1+ (25-Aug-22)	1)CARE A1+ (26-Aug-21) 2)CARE A1+ (03-May-21)	1)CARE A1+ (04-May-20)

\*Long term/Short term.

#### Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

#### Annexure-5: Lender details: Not applicable

**Note on 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.

### Disclaimer:

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