

Pilani Investment and Industries Corporation Limited (Revised)

August 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	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 rating for the Commercial Paper (CP) issue of Pilani Investment and Industries Corporation Limited (PIICL) reflects its integral role as an investment holding company of the Birla group, bolstered by its equity stakes in prominent Birla group companies. The company has 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 ratings derive strength from the Birla group's esteemed legacy and the robust credit profiles of its diverse operating entities, which have consistently distributed dividends. Additionally, the rating is supported by PIICL's robust financial position, evidenced by the market valuation of its investments in group companies, providing a healthy debt cover for existing and any proposed borrowings. 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 4.00 times owing to decline in the share price of investee companies or rise in debt levels of PIICL.
- Deterioration in credit profile of group entities of the Birla group in which PIICL has equity holdings impacting PIICL's credit profile.
- Change in stance of support by the Birla group.

Analytical approach: Standalone.

PIICL has been assessed based on 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 associates or companies within the group

Outlook: Not applicable

Detailed description of key rating drivers:
Key strengths
Diversified business investments with strong parentage

Birla group has demonstrated and 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. The company also holds shares in some unlisted companies of the group. CARE Ratings notes that the strong credit risk profile of Birla group companies will ensure steady dividend inflows for PIICL, which will remain a key rating monitorable.

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

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

PIICL derives strong flexibility from stake in listed and unlisted group companies of the Birla group. The investment in listed companies translates into market value of ₹24,372 crore (as on July 29, 2024). Being an investment holding company, PIICL extends support to its group companies through equity investments, loans, and advances. Adequate debt cover of 25x as on July 29, 2024, maintained by PIICL provides it with strong flexibility to refinance existing debt exposure. Significant rise in debt levels or substantial decline in the market capitalisation in investments will remain a key rating monitorable.

Expected sustenance of comfortable cover and likely support from 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 July 29, 2024. The cover is supported by strong financial flexibility in the form of equity investments in listed companies of Birla group.

Comfortable financial risk profile

PIICL's financial risk profile is marked by steady dividend income and comfortable capital structure with overall gearing of 0.07x as on March 31, 2024 (PY: 0.07x). 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 Birla group companies remains susceptible to the economic downturn and deterioration in the performance of key operating entities of the group. Financial flexibility in terms of cover available would depend largely on market sentiments and share price of listed entities. Any increase in 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, PIICL's financial flexibility will also be impacted.

Dependence on group companies for growth

PIICL's major income source includes dividend and interest income. The company received dividend and interest income of ₹65.68 crore and ₹235.47 crore, respectively in FY24 (₹64.99 crore and ₹225.11 crore, respectively in FY23). With dividend and interest income being PIICL's major source of income, its projected performance is directly linked to the performance of its group companies. Given the regulatory exposure of the sectors in which the group is operating, decline in the industry's performance or adverse regulatory stance might affect PIICL's revenue stream.

As on July 29, 2024, the company's borrowing is in the form outstanding commercial paper. 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 principal repayments, the company is highly exposed to the refinancing risk. However, the high market value of its holdings in listed group entities against the outstanding debt provides a mitigant against refinancing risk.

Liquidity: Strong

PIICL enjoys strong financial flexibility emanating from investments in Birla group companies (₹24,372 crore investment value as on July 29, 2024). PIICL's management intends to maintain debt at ~₹1,500 crore over the medium-term which at current value of shareholdings shall help in maintaining adequate cover and this 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 Birla group companies shall be available to improve the cover.

Assumptions/Covenants: Not applicable**Environment, social, and governance (ESG) risks****Environmental Risk**

As the company is engaged in investment and financing activities, it does not have adverse impact to environment, but it commits to ensure reduction in wastage of electricity, office stationeries, and water among others. 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.

Social Risk

Promoting healthcare including preventive healthcare and promoting education.

Governance

The company's board of directors comprises seven members consisting of all non-executive/independent directors who account for hundred percent of the board strength. Non-executive/independent directors are eminent professionals/experts drawn from among persons with experience in business and industry, finance and law.

Applicable criteria

[Definition of Default](#)

[Investment Holding Companies](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Financial Sector](#)

[Short Term Instruments](#)

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 Birla group with investments in group companies including Hindalco Industries Limited (CARE AA+; Stable/ CARE A1+), Grasim Industries Limited (CARE AAA; Stable/ CARE A1+), UltraTech Cement Limited (CARE AAA; Stable/CARE A1+), Century Textiles and Industries Limited (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 Birla group companies apart from providing finance to them.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	290.10	301.15	61.11
PAT	169.78	167.07	29.84
Interest coverage (times)	4.40	3.94	3.00
Total Assets	11,503.47	15,492.78	-
Net NPA (%)	-	-	-
ROTA (%)	1.45	1.24	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of 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	INE417C14645	15-Jan-2024	-	14-Jan-2025	150.00	CARE A1+
Commercial Paper	INE417C14652	23-Jan-2024	-	21-Jan-2025	50.00	CARE A1+
Commercial Paper	INE417C14660	09-Feb-2024	-	07-Feb-2025	100.00	CARE A1+
Commercial Paper	INE417C14678	07-Feb-2024	-	06-Feb-2025	75.00	CARE A1+
Commercial Paper	INE417C14710	21-Mar-2024	-	21-Mar-2025	125.00	CARE A1+
Commercial Paper	INE417C14710	22-Apr-2024	-	21-Apr-2024	100.00	CARE A1+
Commercial Paper	INE417C14728	20-Apr-2024	-	20-Apr-2025	50.00	CARE A1+
Commercial Paper	INE417C14736	24-May-2024	-	23-Aug-2025	100.00	CARE A1+
Commercial Paper	INE417C14751	14-Jun-2024	-	13-Sep-2025	100.00	CARE A1+
Commercial Paper	INE417C14751	16-Jul-2024	-	13-Sep-2025	25.00	CARE A1+
Commercial Paper	INE417C14744	05-Jun-2024	-	04-Sep-2025	100.00	CARE A1+
Commercial Paper	Proposed	-	-	7-365 days	25.00	CARE A1+

Annexure-2: Rating history for 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 2024-2025	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
1	Commercial Paper-Commercial Paper (Standalone)	ST	1000.00	CARE A1+	-	1)CARE A1+ (24-Aug-23)	1)CARE A1+ (25-Aug-22)	1)CARE A1+ (26-Aug-21) 2)CARE A1+ (03-May-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of 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 rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Ranjan Sharma Senior Director CARE Ratings Limited Phone: +91-022-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Pulkit Agarwal Director CARE Ratings Limited Phone: +91-022-67543505 E-mail: pulkit.agarwal@careedge.in
	Sonal Bhageria Assistant Director CARE Ratings Limited Phone: +91-022-67543631 E-mail: Sonal.Bhageria@careedge.in

About us:

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