

Pilani Investment and Industries Corporation Limited

August 25, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Commercial Paper	1,000.00	CARE A1+ (A One Plus)	Reaffirmed
Total Short-term instruments	1,000.00 (₹ One 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 issue of Pilani Investment and Industries Corporation Limited (PIICL) continues to factor in the status of PIICL as one of the investment holding companies 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, Century Textiles and Industries Limited (rated CARE A1+) 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 enhanced 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 (including contingent liabilities limited to guarantees extended to subsidiaries and third parties) to ₹1,500 crore in the near 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 the interest and dividend.

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:

- 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** 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

Detailed description of the key rating drivers

Key rating strengths

Diversified business investments with strong parentage:

The 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. PIICL 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), Aditya Birla Fashion Retail Limited (ABFRL) among others. Apart from the above, the company also holds shares in some unlisted companies of the group. Strong credit risk profile of the Birla group companies will ensure steady dividend inflows for PIICL and remains 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 stake in various listed as well as unlisted group companies of the Birla group. The investment in listed companies translates into market value of ₹10,985 crore (as on July 22, 2022). Being an investment holding company, PIICL extends support to its group companies via equity investments, loans, and advances. Adequate debt cover of 10.46x as on July 22, 2022 maintained by PIICL provides it with strong flexibility to refinance existing debt exposure. Any significant rise in the debt levels or substantial decline in the market capitalisation in the investments will remain a key rating monitorable.

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 July 22, 2022. The cover is supported by the strong financial flexibility in the form of equity investments in listed companies of the Birla group.

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

Comfortable financial risk profile:

The financial risk profile of the PIICL is marked by steady dividend income and comfortable capital structure marked by overall gearing of 0.10x as on March 31, 2022 (PY: 0.09x). 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 rating weakness

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 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 ₹48.16 crore and ₹206.58 crore respectively in FY22 (₹29.14 crore and ₹177.25 crore respectively in FY21). 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 revenue stream of PIICL.

As on July 22, 2022, the company's borrowing is in the form of term loan from financial institutions and 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 the principal repayments, the company is highly exposed to the refinancing risk. However, the high market value of its holdings in 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 (₹10,985 crore investment value as on July 22, 2022). 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.

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 subsidiaries and third parties. For calculation of the debt-cover over outstanding as well as any proposed borrowings, PIICL's stake in various group companies of the Birla group entities have been considered.

Applicable Criteria

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

About the Company

Incorporated in August 1948, PIICL is an investment holding company of the 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, Century Textiles and Industries Limited (CARE A1+), Aditya Birla Capital Limited, 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.

Financial performance

Brief Financials (₹ crore)	FY21 (A)	FY22 (Abr)	Q1FY23(UA)
Total operating income	206.45	254.75	59.67
PAT	117.40	149.25	30.15
Interest coverage (Times)	3.82	4.20	3.33
Total assets	10,269.73	11,845.81	-
Net NPA (%)	0.00	0.00	-
ROTA (%)	1.55	1.35	-

A: Audited; Abr: Abridged; UA: Un-Audited

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)*	INE417C14306	May 05, 2022	-	Nov 03, 2022	80	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE417C14322	June 20, 2022	-	Sept 19, 2022	100	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE417C14330	June 22, 2022	-	Sept 21, 2022	100	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE417C14348	July 25, 2022	-	Oct 21, 2022	150	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE417C14355	July 25, 2022	-	Sept 23, 2022	100	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE417C14371	August 08, 2022	-	Nov 07, 2022	150	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE417C14363	August 10, 2022	-	Nov 09, 2022	100	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	Proposed	-	-	7-364 days	220	CARE A1+

*as on August 17, 2022

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	1,000.00	CARE A1+	-	1)CARE A1+ (Aug 26,2021) 2)CARE A1+ (May 3, 2021)	1)CARE A1+ (May 4,2020)	-

*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 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 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:

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