

Press Release

Hinduja Group Limited

January 03, 2023

Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings | 175.00 | ACUITE A+ Stable Assigned | - |
| Total Outstanding Quantum (Rs. Cr) | 175.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ A+**' (read as **ACUITE A 'Plus'**) on the Rs. 175.00 Cr bank facilities of Hinduja Group Limited (HGL). The outlook is '**Stable**'.

Rating Rationale:

The rating assigned reflects HGL's nature of operations which are primarily in the manner of treasury management for the group companies. Further, the Company holds investments in various group companies, with substantial investment being in Hinduja Global Solutions Limited (HGSL) and NXTDigital Limited (Merged with HGSL). The Company receives income in the form of consultation income, dividend income and interest income from loans advanced. However, the rating is constrained due to the uncertainty of quantum / receipt of dividend income that may be reduced from the companies in which HGL has invested.

About the Company

HGL based in Mumbai is the holding Company of Hinduja Group Incorporated in 1995. The group entities include several corporates, viz. Hinduja Realty Ventures Limited, Hinduja Global Solutions Limited, Hinduja Ventures Limited etc. Hinduja Group Limited is a holding company and its income is in the form of consultancy income, dividends, interest income and share of profits from its subsidiaries. Hinduja Group Limited borrows money and lends to its group companies.

About the Group

Hinduja Group is a diversified conglomerate established in 1914 by Late Mr. Parmanand Deepchand Hinduja and is currently headquartered in London, UK. It currently has footprint in 37 countries. In India, the Group has presence in various sectors viz. Automotive, Oil & Lubricants, Power, Banking & Finance, Information Technology & Business Process Outsourcing, Media, Foundry, Real Estate, Hospitals & Healthcare etc.

Analytical Approach

Acuite has taken a standalone view of the business and financial flexibility of HGL to arrive at the rating.

Key Rating Drivers

Strengths

Company is the Holding Company to the larger Hinduja Group

Hinduja Group Limited (HGL) is the holding company in the Hinduja group of companies, wherein, the company performs the functions of treasury management for the group companies. Its primary sources of income include consultation, dividend and interest income, whereas, the financial expenses include interest expense majorly. HGL issues Inter-Corporate Deposits (ICD's) to its group companies (Companies with Deficit) for temporary cashflow requirements. As also, the Company avails loans from group companies (Companies with Surplus) which are repayable on demand. As on March 31, 2022, the Company has advanced Rs. 507 Cr to Related Parties and Rs. 384 Cr to Other Entities. Whilst, the Company has borrowed Rs. 504 Cr from Related Parties and Rs. 436 Cr from Other Entities. The Company has its major investments in NXT Digital Limited and Hinduja Global Solutions Limited (HGSL).

Financial Flexibility

The Company maintains a healthy financial risk profile marked by networth of Rs. 964.74 Cr as on March 31, 2022 as compared to Rs. 827.82 Cr as on March 31, 2021. The adjusted gearing stands at 0.19 as on March 31, 2022 and 0.37 as on March 31, 2021. The group has generated net cash accruals of Rs. 168.18 Cr in FY 2022 and Rs. 17.17 Cr in FY 2021. The accruals have been adequate to cover the increased fund requirement.

Weaknesses

Substantial Exposure to Real Estate

HGL provides advances to its subsidiary Hinduja Realty Ventures Limited real estate projects. The funding for such projects are raised through HGL (Term Loan from Yes Bank). In the event of the real estate project being delayed or being stalled due to any contingent reason, the impact on cashflows from such entities to whom loans are advanced could in-turn impact the cashflows of HGL.

Inflow of Dividend Income

HGL records substantial amount of its dividend income from Hinduja Global Solutions Limited (HGSL) which makes HGSL a key subsidiary. Thus, on occasion that HGSL distributes reduced dividend quantum as compared to earlier periods, HGL's cash inflows will be impacted to a certain extent.

Rating Sensitivities

- Dividend Income from subsidiaries
- Increased exposure to real estate projects

Material covenants

None

Liquidity Position

Strong

The Company maintains a healthy financial flexibility marked by networth of Rs. 964.74 Cr as on March 31, 2022 as compared to Rs. 827.82 Cr as on March 31, 2021. The adjusted gearing stands at 0.19 times as on March 31, 2022 and 0.37 times as on March 31, 2021. The Company has generated net cash accruals of Rs. 168.18 Cr in FY 2022 as against Rs. 17.17 Cr in FY 2021. The accruals have been adequate to cover the increased fund requirement. HGL also benefits from consistent dividend distribution by HGSL. HGSL's dividend distribution is a strong source of income / liquidity for HGL. HGL holds unencumbered cash and bank balances of Rs. 0.26 crore as on September 30, 2022. The team expects HGL's liquidity profile to remain strong on account of consistent dividend distribution from HGSL's dividend distribution and other dividend that the company receives.

Outlook: Stable

Acuité believes the outlook on HGL will remain 'Stable' over the medium term backed by its long track record of operations. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operation along with improvement in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in profitability, financial flexibility of the company

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|------------|-------------------|-------------------|
| Operating Income | Rs. Cr. | 378.24 | 173.88 |
| PAT | Rs. Cr. | 160.78 | 9.27 |
| PAT Margin | (%) | 42.51 | 5.33 |
| Total Debt/Tangible Net Worth | Times | 1.16 | 0.77 |
| PBDIT/Interest | Times | 2.91 | 1.16 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Disclaimer:

Acuite Ratings and Research Limited avails of payroll processing from Hinduja Global Solutions Limited.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

Not Applicable

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------|----------------|-------------|------------------|----------------|----------------|------------------|-------------------|-------------------------------|
| Bank of Baroda | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 100.00 | ACUITE A+ Stable Assigned |
| Yes Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 75.00 | ACUITE A+ Stable Assigned |

Contacts

| Analytical | Rating Desk |
|--|--|
| Vinit Vikamsey Analyst-Rating Operations Tel: 022-49294065 vinit.vikamsey@acuite.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in |

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.