

Bharti Enterprises Limited

March 21, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Commercial Paper	3,000.00 (Enhanced from 2,500.00)	CARE A1+ (A One Plus)	Reaffirmed
Total Short-Term Instruments	3,000.00 (Rs. Three Thousand Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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

The rating strengths are however tempered by the low revenue generation of BEL, its dependence on parent i.e. BEHPL and group companies for financial and managerial support coupled with exposure to market related systemic risks.

Rating Sensitivities

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

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

Detailed description of the key rating drivers

Key Rating Strengths

Reputed 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 important holding companies 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 solution, real estate (primarily commercial) and processed food sector. CARE expects 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 derived from the significant market value of promoters' holding and integrated treasury function among holdcos of the group.

The financial flexibility of BEL is derived from the strong reputation of the promoter family, the high market value of BTL's investment in BAL and integrated finance function of the group with demonstrated ability of fund raising in the past. BTL is the single largest shareholder in BAL and holds 35.85% stake (as on December 31, 2021) in BAL. Similarly, the market value of BEHPL's investment in BTL is significant considering its stake in BTL. This ensures that the credit profile of BEL shall remain comfortable. The finance function of the group is integrated with a strong global treasury team and fund-raising capability of the team is demonstrated by BAL's strong access to capital market in the past.

Comfortable market value to debt cover and is expected to continue

The group has historically been conservative on leverage and has a track vis a vis the value of its investments. CARE expects that the group will continue to maintain its conservative orientation and hence will enjoy a high debt coverage vis a vis the value of its investments on a long-term basis. The cover of market value of BEHPL's investment in BAL stood at approximately 16 times of the combined debt of BTL, BEL and BEHPL as on March 08, 2021. This is expected to remain strong going forward which provides comfort.

Liquidity: Strong

The liquidity profile of BEL is aided by strong financial flexibility it enjoys as a part of Bharti group. Given its role as holding company, BEL shall be dependent on monetization of investments, refinancing or need-based support which underpins its liquidity profile. Continued financial flexibility for repayment of debt obligation going forward shall be a rating monitorable

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Weaknesses

Exposure to market risk

BEL's management and support services income is currently low and hence it depends on monetization of investment or dividend income from group companies. The market value of investments of the holdcos of the group is exposed to 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 fund raising in case required.

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

Applicable Criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Investment Holding Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Short Term Instruments](#)

[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 group i.e Bharti Enterprises (Holding) Pvt Ltd (BEHPL). BEHPL is held by the Mittal family. BEHPL most significant investment is in telecom sector (apart from investment in financial services) through 50.56% holding in Bharti Telecom Limited (BTL) as on December 31, 2021 and further BTL holds 35.85% in Bharti Airtel Limited (BAL) as on December 31, 2021, the most prominent operating company of the group.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (Prov.)	9MFY22 (Prov.)
Total operating income	28.80	27.80	9.60
PBILDT	13.65	9.41	-7.37
PAT	7.73	2.15	-101.06
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	7.62	2.87	NM

A: Audited; Prov: Provisional; NA: Not Available; NM: Not Meaningful

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

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

Complexity level of 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 (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)		-	-	Upto 365 days	3000.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Commercial Paper-Commercial Paper (Standalone)	ST	3000.00	CARE A1+	1)CARE A1+ (08-Dec-21) 2)CARE A1+ (09-Jul-21)	-	-	-

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

Annexure-4: Complexity level of 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

To view the lender wise details of bank facilities please [click here](#)

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

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