

Press Release

HINDUJA ENERGY (INDIA) LIMITED

April 03, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 230.00 Cr.
Long Term Rating	SMERA AA-/ Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the long term rating of '**SMERA AA-' (read as SMERA double AA- minus)** on the Rs. 230.00 Cr. bank facilities of Hinduja Energy (India) Limited. The outlook is '**Stable**'.

Hinduja Energy (India) Limited (HEIL), incorporated in 2008, is a part of the Hinduja Group, a leading industrial group with significant global presence in media, real estate, automobiles, power and financial services. Mr. R. Seshasayee is Non-Executive Chairman of HEIL.

HEIL is the holding company for thermal power ventures of Hinduja group in India with 51.05 per cent stake in Hinduja National Power Corporation Limited (HNPCL) along with Hinduja Energy Ltd, Mauritius which holds 40.28 per cent as on 31 March 2017. HNPCL has a 1040 MW (2x520 MW) operating coal-based thermal power plant at Devada village, Dist. Visakhapatnam, Andhra Pradesh.

Key rating drivers

Strengths

Strong financial flexibility of the Hinduja Group companies

HEIL is a part of Hinduja family and is the holding company for the energy vertical of the group. The Hinduja family has global presence across 30 countries. It is one of the largest diversified groups having presence in Automotive, Oil and Gas, Banking and Finance, IT and BPO, Power, Media, Real Estate and Healthcare.

The companies of the Hinduja group have also demonstrated an ability to mobilize funds and refinance their existing debt from various banks and large non-banking finance companies at competitive rates.

High level of support from Hinduja Group Limited (HGL)

HGL, promoted by Mr. Ashok P Hinduja is the holding company with significant shares in Hinduja group of companies such as Hinduja Ventures Limited (HVL), Hinduja Global Solutions Limited (HGSL), Ashok Leyland Limited (ALL) and IndusInd Bank Limited (IBL). The market value of the listed investments held by HGL, as on 31 March, 2018, was more than Rs. 900Cr. In addition, HGL holds strategic assets in form of Param Plaza, Hinduja House & Param Jamuna (valued at more than Rs.700 Cr.), and a land bank in Bangalore, Hyderabad through its subsidiaries.

HGL has consistently provided support to the operations of HEIL and HNPCL in turn through the availability of unsecured loans, as and when necessary. SMERA, however, expects that the extent of support required for HNPCL would be limited going forward, given that the latter's power project is fully operational and it has successfully refinanced its project loans.

HGL has provided a line of credit of Rs. 300.00 Cr. and a letter of comfort to the bankers of HEIL which is ratified by the board of directors. This demonstrates a strong level of commitment from HGL to support the obligations of HEIL.

Weaknesses

Profitability linked to treasury activity

The treasury division of HGL along with its share of profits in partnership firms contributed to a majority of the standalone revenues. HGL's investment portfolio mostly comprises shares of IndusInd Bank Limited, Ashok Leyland Limited, Hinduja Ventures Limited, and Hinduja Global Solutions Limited. HGL has borrowed from various NBFCs against the pledge of these shares to support the treasury division operations. Against this background, the profitability of the company will continue to be closely linked to the movement in stock markets.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of HEIL along with the support provided by Hinduja Group Limited (HGL) to arrive at the rating.

Outlook – Stable

SMERA believes HEIL will maintain a stable credit profile over the medium term on back of its association with the Hinduja family. HEIL will continue to benefit from the high level of support extended by HGL. The outlook may be revised to 'Positive' in case its operating company, HNPCL strengthens its performance and provides strong and sustainable returns to HEIL. Conversely, the outlook may be revised to 'Negative' in case of a significant deterioration in the operating performance of HNPCL or in the credit quality of HGL.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1.33	2.00	2.00
EBITDA	Rs. Cr.	(1.14)	0.36	0.17
PAT	Rs. Cr.	(0.25)	0.21	0.00
EBITDA Margin	(%)	(85.71)	18.00	8.44
PAT Margin	(%)	(18.80)	10.50	0.12
ROCE	(%)	2.05	0.34	0.07
Total Debt/Tangible Net Worth	Times	0.21	0.19	0.00
PBDIT/Interest	Times	0.99	1.17	1.28
Total Debt/PBDIT	Times	10.04	52.88	5.01
Gross Current Assets (Days)	Days	145160	25860	33

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	230.00	SMERA AA-/Stable

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Avadhoot Mane, Analyst - Rating Operations Tel: +91-22-6714 1138 avadhoot.mane@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.