

Press Release

Hinduja Energy (India) Limited

June 19, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE AA-**' (**read as ACUITE double A minus**) on the Rs.230.00 cr. bank facilities of Hinduja Energy India Limited (HEIL). 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. Ashok Hinduja 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 (HNPL) along with Hinduja Energy Ltd, Mauritius which holds 40.28 per cent as on 31 March 2019. HNPL has a 1040 MW (2x520 MW) operating coal-based thermal power plant at Devada village, Dist. Visakhapatnam, Andhra Pradesh.

Analytical Approach

To arrive at rating, Acuité has considered the standalone business and financial risk profile of HEIL and notched up the standalone rating by factoring in the support extended by Hinduja Group Limited (HGL).

Key Rating Drivers

Strengths

- **Strong financial flexibility of the Hinduja group companies**

HEIL is a Hinduja group entity and is the holding company for the energy vertical of the group. The Hinduja group 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) and Ashok Leyland Limited (ALL). The market value of the listed investments held by HGL, as on 31 March, 2019, 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 HNPL in turn through the availability of unsecured loans, as and when necessary. HGL has provided a line of credit of Rs.300.00 Cr. and a letter of comfort (LOC) 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. The support from promoters in the form of LOC from HGL has enabled HEIL to raise funds at competitive pricing notwithstanding its average standalone financials.

Weaknesses

• Issues in the operating performance of HNPCL

HNPCL is currently facing issues wrt. finalization of its tariff rates by Pradesh Electricity Regulatory Commission (APERC) which is having impact on the power generation. Plant operations were impacted in FY2018 as well in FY2019. The PLF for FY2018 stood at 38.76 percent on account of lower off-take from AP DISCOMs. The PLF was further deteriorated in FY2019 to 10.48 percent mainly on account of shortage of coal supply. These issues had an impact on the operating performance of the plant impacting its cash flows. However, the promoters have infused funds in timely manner to support the debt servicing of HNPCL. The promoters have infused around Rs.826 crore in FY2019 in the form of interest bearing ICDs to support debt servicing of the company.

HNPCL is in the process of revising the tariff rates with AP DISCOMs which is expected to be completed in short term. Acuité believes that timely stabilization of the operations of the plant thereby reducing its dependence on group's support will be key rating sensitivity.

• 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 (along with its subsidiary firms) 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.

Liquidity position

HEIL is having adequate liquidity on account of its association with Hinduja group. The borrowings of HEIL are supported by LOC from HGL thereby insuring timely debt repayments. Acuité believes that continued ownership of the company by the Hinduja group and their timely support will be critical.

Outlook: Stable

Acuité 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.48	1.33	2.00
EBITDA	Rs. Cr.	(0.95)	(1.14)	0.36
PAT	Rs. Cr.	0.14	(0.25)	0.21
EBITDA Margin	(%)	(4.42)	(85.71)	18.00
PAT Margin	(%)	0.65	(18.80)	10.50
ROCE	(%)	1.40	2.05	0.34
Total Debt/Tangible Net Worth	Times	0.22	0.21	0.19
PBDIT/Interest	Times	1.01	0.99	1.17
Total Debt/PBDIT	Times	14.38	10.04	52.88
Gross Current Assets (Days)	Days	13,835	1,45,160	25,860

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <http://acuite.in/view-rating-criteria-6.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Apr-18	Term Loan	Long term	230.00	ACUITE AA-/Stable (Assigned)

*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	ACUITE AA-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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