

Press Release
Hinduja Energy (India) Limited

August 07, 2020

Rating Reaffirmed



| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 230.00 Cr. |
| Long Term Rating | ACUITE AA- (CE) / Outlook: Stable (Reaffirmed) |

* Refer Annexure for details

Corrigendum: In the original PR dated 24 July 2020, there was a factual error in the Strength section, which has now been updated in this version.

Rating Rationale

Acuité has reaffirmed its long term rating of '**ACUITE AA- (CE)**' (**read as ACUITE double A minus Credit Enhancement**) 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 (HNpcl) along with Hinduja Energy Ltd, Mauritius, which holds 40.28 per cent as on 31 March 2020. HNpcl has a 1040 MW (2x520 MW) operating coal-based thermal power plant at Devada village, Dist. Visakhapatnam, Andhra Pradesh.

Standalone (Unsupported) Rating

ACUITE BB/ Stable

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 in the form of Letter of Comfort (LOC) 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, established in 1918, has global presence across 30 countries. It is one of the largest diversified groups having presence in Automotive, Oil & Gas, Banking & Finance, IT & BPO, Power, Media, Real Estate and Healthcare amongst others.

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

Acuité believes that HEIL's credit profile will continue to be supported by strong financial flexibility of Hinduja Group of companies.

• Continued support from Hinduja Group Limited (HGL)

HGL is the holding company with significant shares in NXT Digital Limited (NXT), Hinduja Global Solutions Limited (HGSL) and Ashok Leyland Limited (ALL). HGL is directly held by Mr. and Mrs. Ashok Hinduja.

HGL has consistently provided support to the operations of HEIL and HNpcl 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) of Rs.230.00 crore to the lenders of HEIL, which is ratified by its 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.

Acuité believes that continued of support from HGL and its credit quality will remain a key rating sensitivity.

Weaknesses

- **Reliance on group entities for debt servicing**

HEIL, being a holding company, does not have major operations. It generates income mainly from interest on loans and ICDs extended to its group entities. These inflows are not consistent and are not sufficient to service the external debt obligation, thereby increasing its dependence on the other group entities of Hinduja Group to support its debt commitments.

- **Issues in the operating performance of HNPCL**

HNPCL is currently witnessing issues wrt. finalisation of its tariff rates by Andhra Pradesh Electricity Regulatory Commission (APERC) which has impacted the power generation from the unit. The company is also exposed to counterparty risk, as there are frequent delays in receivables from AP DISCOMs, due to which HNPCL is more reliant on its promoter entities for the additional working capital requirement and debt servicing.

HNPCL is in the process of finalization the tariff rates with AP DISCOMs. Acuité believes that timely stabilization of the operations of the plant thereby reducing its dependence on promoter entities will be key rating sensitivity.

Liquidity position: Adequate

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.

Rating Sensitivities

- Improvement in the operational performance of HNPCL thereby reducing its dependence on HEIL
- Continued support and credit quality of HGL

Material Covenants

None

Assessment of Adequacy of Credit Enhancement

Acuité has conducted sensitivity on the operating performance of HGL and has found that, even in the stress scenarios the credit enhancement is likely remain adequate.

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 | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 12.02 | 70.44 |
| PAT | Rs. Cr. | (7.30) | 0.36 |
| PAT Margin | (%) | (60.73) | 0.51 |
| Total Debt/Tangible Net Worth | Times | 0.69 | 0.91 |
| PBDIT/Interest | Times | 0.96 | 1.01 |

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-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Explicit Credit Enhancements - <https://www.acuite.in/view-rating-criteria-49.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-----------|---------------------------------|-----------|-----------------|--------------------------------|
| 19-Jun-19 | Cash Credit | Long term | 230.00 | ACUITE AA-/Stable (Reaffirmed) |
| 03-Apr-18 | Cash Credit | 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 | March 2018 | Not Applicable | March 2021 | 230.00 | ACUITE AA- (CE) / Stable (Reaffirmed) |

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About Acuité Ratings & Research:

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