

Press Release

Hinduja Energy (India) Limited

August 03, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.230.00 crore
Long Term Rating	ACUITE AA- (CE) (Withdrawn)

*Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE AA- (CE)**' [read as **ACUITE double A minus (Credit Enhancement)**] to the Rs.230.00 crore bank facilities of Hinduja Energy (India) Limited (HEIL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from the banker.

About the rated entity

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 March 31, 2021. 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ACUITE BB/Stable (Withdrawn)

Analytical Approach

To arrive at rating, Acuite has considered the standalone business and financial risk profile of HEIL.

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.

Acuite 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. In FY2021 as well, the promoters group has infused about Rs.2,000 crore of ICD's in the company. This demonstrates a strong level of commitment from HGL to

support the obligations of HEIL. Further being part of Hinduja Group, HEIL enjoys significant level of financial flexibility and access to raise funds at competitive pricing notwithstanding its average standalone financials. Acuite believes that continuity 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 w.r.t. 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. Acuite believes that timely stabilization of the operations of the plant thereby reducing its dependence on promoter entities will be key rating sensitivity.

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

Acuite 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.

Liquidity Position: Adequate

HEIL is having adequate liquidity on account of its association with Hinduja group. The long term loan of HEIL which was supported by Letter of Comfort (LOC) from HGL has been repaid fully. The other borrowings include short term loan from bank. Acuite believes that continued ownership of the company by the Hinduja group and their timely support will be critical.

Outlook: NA

About the Rated Entity - Key Financials

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	-	12.02
PAT	Rs. Cr.	0.87	-6.72
PAT Margin	(%)	-	-55.91
Total Debt/Tangible Net Worth	Times	1.37	0.74
PBDIT/Interest	Times	1.01	0.96

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

None

Any other information

Mr. Arun Tiwari, a director on the board of HEIL, is also a director with Acuite Ratings & Research Limited. Mr. Arun Tiwari was neither involved in the rating process nor participated in the rating committee meeting.

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
07-Sep-2020	Term Loan	Long Term	230.00	ACUITE AA- (CE)/Stable (Reaffirmed)
07-Aug-2020	Term Loan	Long Term	230.00	ACUITE AA- (CE)/Stable (Reaffirmed)
24-Jul-2020	Term Loan	Long Term	230.00	ACUITE AA- (CE)/Stable (Reaffirmed)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Yes Bank Ltd	Term Loan	March 2018	Not Available	March 2021	230.00	ACUITE AA- (CE) (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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