

Press Release

Uttar Haryana Bijli Vitran Nigam Limited

February 20, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1500.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1500.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) to the bank facility of Rs.1,500.00 crore of Uttar Haryana Bijli Vitran Nigam Limited. The outlook is '**Stable**'.

Rating Rationale:

Acuite has considered the fact that Uttar Haryana Bijli Vitran Nigam Limited is a wholly owned entity of Government of Haryana (GOH). UHBVNL caters to the power requirements of entire North Haryana, thereby covering 10 districts and consumer base of 3.3 million consumer base. Government of Haryana has acquired stake of 96.52%, which provides adequate financial flexibility. The support extended by Government of Haryana in the form of regular infusion of equity and guarantees extended and payment of agricultural subsidies. The company has received aggregate subsidy to the tune of Rs. 3275.84 crore in FY22 as against Rs. 2782.67 crore in FY21. The company reported Revenue from Operations of Rs. 13738.28 Crore in FY22 as against Rs. 12,564.67 crore during FY21 i.e., with increase in revenue to the tune of 9%. The borrowings by UHBVNL is covered by guarantee extended by Government of Haryana. The interest coverage ratio improved to 4.28 times during FY22 as against 2.85 times during FY21, backed by improved operating profit and lower interest cost.

About the Company

Uttar Haryana Bijli Vitaran Nigam Limited (UHBVNL), incorporated in 1999, is a wholly owned entity of Government of Haryana (As on 31st March, 2019, GoH held 96% stake in UHBVNL and the balance was held by Uttar Haryana Vidyut Prasaran Nigam Limited) and is engaged in distribution of power. It is responsible for the distribution and retail supply of electricity in the North zone of Haryana comprising of Panchkula, Ambala, Yamunanagar, Kurukshetra, Kaithal, Karnal, Panipat, Sonapat, Rohtak and Jhajjar.

Standalone (Unsupported) Rating

ACUITE BBB- / 'STABLE'

Analytical Approach

Acuite has adopted the standalone approach while assessing the business and financial risk profile of UHBVNL and has notched up the rating on the back of benefits emanating from the ownership by Government of Haryana (GoH). GoH holds ~96.52 per cent equity ownership in UHBVNL besides regular managerial and financial support to UHBVNL; the government has supported its bank borrowings by way of Guarantee.

Key Rating Drivers

Strengths

Strategically important role of UHBVNL for state and support extended by Government of Haryana

UHBVNL caters to the power requirements of entire North Haryana, thereby covering 10 districts and consumer base of 3.3 million. Besides that, the company maintains a monopoly in the entire region of North Haryana being the only licensed distributor and retail supplier of electricity in the said region. Government of Haryana has acquired stake of 96.52%, which provides adequate financial flexibility. UHBVNL's credit profile is also supported by its access to funds at lower cost and its ability to mobilise financial resources. The support also extended by Government of Haryana in the form of regular infusion of equity, grants, guarantees extended for bank facilities and payment of agricultural subsidies. The company has received aggregate subsidy to the tune of Rs. 3275.84 crore in FY 22 as against Rs. 2782.67 crore in FY21.

Securitisation of cash flows through an escrow mechanism

The facilities availed by UHBVNL is supported by a securitisation of its operating cash flows through an escrow account. Escrowing of cash flows through designated accounts maintained with SBI, with the stipulation that the company to route collections/ receipts/ cash flows through the designated account at least to the extent of 1.5 Times of the monthly debt service obligations (Principal and Interest). Acuité takes comfort from the aforesaid escrow mechanism apart from the unconditional and irrevocable guarantee provided by GoH and believes that adherence to the stipulated structure will remain a key rating sensitivity factor.

Improved yet high AT & C Losses

There has been improvement in the AT&C Losses i.e., 12.70% in FY 22 as against 16.55% in FY 21 which has resulted in increase in collection efficiency from 100.79% in FY 21 to 101.46% in FY 22. However, the AT&C Losses are high in the first half year (Summer Season) and lower in the second half (Winter Season) of the year.

Weaknesses

Moderate albeit improving financial risk profile

The financial risk profile of the company is leveraged with debt-equity ratio above unity. The D-E ratio remained at 2.57 times as on March 31, 2022, vis-à-vis 2.28 times as on March 31, 2021. However, the borrowings by UHBVNL is covered by guarantee extended by Government of Haryana. The interest coverage ratio improved to 4.28 times during FY22 as against 2.85 times during FY21, backed by improved operating profit and lower interest cost. The Net Cash Accruals to Total debt amounts to 0.23 times in FY22 as against 0.25 times in FY 21. The total outstanding liability to tangible net worth also improved minorly to 5.37 times as against 5.80 times as on March 31, 2021. The same is due to increase in tangible net worth to Rs. 1881.61 crore in FY22 over 1471.99 crore in FY21.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- >Weakening of credit profile of state of Haryana
- >Increase in power utilisation along with increase in tariff rates

Material covenants

None

Liquidity Position

Adequate

The liquidity profile of the company continues to remain at adequate level with company

reporting net cash accruals of Rs. 1103.41 crore against debt obligation of Rs. 575.77 crore in FY22 viz-a-viz. net cash accruals of Rs.789.18 crore against debt obligation of Rs.535.08 crore in FY21. The company has unencumbered cash and bank balance of Rs.1554.62 crore as on March 31, 2022. The borrowings are supported by guarantee extended by Government of Haryana. The facilities are further supported by securitisation of its operating cash flows through an escrow account. Hence, all the collection receipts are routed through escrow account. The current ratio of the company, however, continues to remain below unity i.e., 0.52 times in FY22.

Outlook: Stable

Acuité believes that UHBVNL will benefit from its natural monopoly in the power distribution business in Haryana and strong support from Government of Haryana. The outlook may be revised to 'Positive' in case of healthy growth in scale and profitability of the UHBVNL along with improvement in credit profile of GoH. The outlook may be revised to 'Negative' in case of significant buildup in receivables beyond existing levels or sharp deterioration in GoH's credit profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	14153.60	12564.67
PAT	Rs. Cr.	670.04	397.07
PAT Margin	(%)	4.73	3.16
Total Debt/Tangible Net Worth	Times	2.57	2.28
PBDIT/Interest	Times	4.28	2.85

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

None

Any other information

NOTE: In FY 2022, Comprehensive Income is a provision created for the pension benefits of the employees.

PAT: Includes comprehensive Income of Rs 592.26 Crore.

Adjusted PAT	
PARTICULARS	FY 2022
PAT	670.04
Add : Other Comprehensive Income (Employee Benefits arising out of terminal benefits)	- 592.26
ADJUSTED PAT	77.78

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Nov 2021	Term Loan	Long Term	1500.00	ACUITE A Stable (Reaffirmed)
24 Aug 2020	Term Loan	Long Term	1500.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	01 May 2020	7.70	30 Apr 2027	Simple	1500.00	ACUITE A Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Satyam . Analyst-Rating Operations Tel: 022-49294065 satyam.saxena@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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