

Press Release

UTTAR HARYANA BIJLI VITRAN NIGAM LIMITED

May 17, 2024

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'.

Rationale for Rating:

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. 2900 crore in FY24 as against Rs. 2722 crore in FY23. The company reported Revenue from Operations of Rs. 18380.86 Crores in FY23 as against Rs. 14153.10 crore during FY22 i.e., with increase in revenue to the tune of 29.87%. The borrowings by UHBVNL is covered by guarantee extended by Government of Haryana.

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. The company managed by Mr. Saket Kumar, Mr. Karnesh Sharma, Mrs. Jyoti Saini, Mr. Mohammed Shayin, Mr. Phool Chand Meena, Mrs. Ashwani Kumar Raheja, Mr. Rakesh Agarwal, Mr. Amit Gupta, Mr. Amit Kumar Agrawal, Mr. Parvesh Sharma, Mr. Sunil Chawla and Mr. Pankaj.

Unsupported Rating

Not Applicable

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 the state and support extended by the Government of Haryana

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. 2900 crore in FY24 as against Rs. 2722 crore in FY23. Hence, support from GOH is crucial for rating and hence any credit profile of state of Haryana is of key importance.

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 AT & C Losses

There has been improvement in the AT&C Losses i.e., 10.32% in FY 23 as against 12.70% in FY 22 which has resulted in collection efficiency of 100% in FY23. 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 Financial Risk Profile

The financial risk profile of the company is leveraged with debt-equity ratio above unity. The D-E ratio remained at 2.53 times as on March 31, 2023, vis-à-vis 2.57 times as on March 31, 2022. The borrowings by UHBVNL is covered by guarantee extended by Government of Haryana. The interest coverage ratio declined to 2.72 times during FY23 as against 4.28 times during FY22 and 2.85 times during FY21, backed by dip in operating profit and higher interest cost. The Net Cash Accruals to Total debt amounts to 0.15 times in FY23 as against 0.23 times in FY 22. The total outside liability to tangible net worth also saw minuscule dip to 5.87 times as on March 31 2023 as against 5.37 times as on March 31, 2022. The same is due to increase in tangible net worth to Rs. 2083.71 crore in FY23 over Rs.1881.61 crore in FY22 and higher increase in debt from Rs. 4828.20 Cr. as on March 31, 2022 to 5262.09 Cr. as on March 31 2023. The total debt of the company comprises of long term debt of Rs. 3398.72 Cr., short term debt of Rs. 1490.71 Cr. and Rs. 372.67 Cr. of CPLTD.

Moderately intensive working capital management

The company has moderately intensive working capital management with Gross Current Asset (GCA) of 102 days in FY23 as against 75 days in FY22. The increase in GCA days is on account of increase in current liabilities i.e. receivables for FSA charges.

Rating Sensitivities

- Weakening of credit profile of state of Haryana
- Increase in power utilisation along with increase in tariff rates
- Improvement in tariff resulting into improved profitability and revenue
- Any deterioration in profits resulting stretch in liquidity profile of the company

Liquidity Position

Adequate

The liquidity profile of the company continues to remain at adequate level with company reporting net cash accruals of Rs. 724.79 crores against debt obligation of Rs. 575.77 crores in FY23. The company has unencumbered cash and bank balance of Rs.63.43 crore as on March 31, 2023. 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., 0.73 times in FY23.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	18380.86	14153.60
PAT	Rs. Cr.	263.75	670.04
PAT Margin	(%)	1.43	4.73
Total Debt/Tangible Net Worth	Times	2.53	2.57
PBDIT/Interest	Times	2.72	4.28

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

Not Applicable

Any other information

None

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-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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
20 Feb 2023	Term Loan	Long Term	1500.00	ACUITE A Stable (Reaffirmed)
22 Nov 2021	Term Loan	Long Term	1500.00	ACUITE A Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	500.00	ACUITE A Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.89	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	09 Dec 2021	Not avl. / Not appl.	30 Sep 2033	Simple	499.95	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	05 Sep 2022	Not avl. / Not appl.	28 Mar 2037	Simple	399.16	ACUITE A Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Government of Haryana

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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