



Press Release
Dakshin Haryana Bijli Vitran Nigam Limited
March 06, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3100.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	4250.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	150.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	7500.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **ACUITE A (read as ACUITE A)** on the Rs.4250 crore long term bank facilities and short term rating of **ACUITE A1 (read as ACUITE A one)** on Rs.150 crore bank facilities of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). Acuite has also assigned its long term rating of **ACUITE A (read as ACUITE A)** on the Rs.3100 crore bank facilities of DHBVNL. The outlook is 'Stable'.

Rationale for Reaffirmation and Rating assigned

The rating continues to factor the strategically important role of DHBVNL in the state of Haryana and the support received by DHBVNL in the form of grants and guarantees, defined collection structure/cashflow trapping which ensures timely payment of debt obligations and improved operating efficiency. These rating strengths are partly offset by its average financial risk profile and susceptibility of performance to change in regulatory framework.

DHBVNL has received aggregate subsidies to the tune of Rs. 3597.17 crore in FY23 as against Rs. 3463.82 crore in FY22. The company reported revenue from operations of Rs. 25281.49 Crore in FY23 as against Rs. 18399.10 crore during FY22 i.e., with increase in revenue to the tune of 37.41%. The majority of borrowings by DHBVNL are covered by a guarantee extended by the Government of Haryana. It has a diversified consumption mix, a moderate financial risk profile, and adequate liquidity. Acuite expects a mild moderation in the in profitability levels, primarily due to the increased power purchase cost as the increased demand was being met by short term PPAs.

About the Company

Dakshin Haryana Bijli Vitaran Nigam Limited (DHBVNL), incorporated in 1999, is a wholly owned entity of Government of Haryana (As on March 31, 2022, GoH held 96.85% stake in DHBVNL and the balance was held by Haryana Vidyut Prasaran Nigam Limited) and is engaged in distribution of power. DHBVNL purchases power primarily from Central Generating Stations (CGS) and from renewable sources. It is responsible for the distribution and retail supply of electricity in the South zone of Haryana comprising of Hisar, Bhiwani, Sirsa, Faridabad, Fatehabad Gurugram-1, Gurugram-2, Palwal, Rewari, Jind and Narnaul circles with approx. 39 lac consumers (FY22) across all categories.

Unsupported Rating

ACUITE BBB-/ Stable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of DHBVNL and has

also factored in support extended by Government of Haryana (GoH) in the form of an unconditional and irrevocable guarantee with securitization of cash flows through an escrow mechanism.

Key Rating Drivers

Strengths

Strategically important role of DHBVNL in the state of Haryana

Dakshin Haryana Bijli Vitaran Nigam Limited (DHBVNL), incorporated in 1999, is a wholly owned entity of Government of Haryana. As on March 31, 2023, GoH held 96.85% stake in DHBVNL and the balance was held by Haryana Vidyut Prasaran Nigam Limited) and is engaged in distribution of power. DHBVNL purchases power primarily from Central Generating Stations (CGS) and they are making efforts to source energy from renewable sources. It is responsible for the distribution and retail supply of electricity in the South zone of Haryana comprising of Hisar, Bhiwani, Sirsa, Faridabad, Fatehabad Gurugram-1, Gurugram-2, Palwal, Rewari, Jind and Narnaul circles with approx. 41.96 lac consumers (H1FY24). The company has been receiving support from Government of Haryana in the form of regular infusion of funds in the form of equity and guarantee extended by Government of Haryana. Government of Haryana has infused equity of Rs.61.59 crore during FY22. Hence, support from GOH is crucial for rating and hence any credit profile of state of Haryana is of key importance.

Securitization of cash-flows through an escrow mechanism

The facilities availed by DHBVNL is supported by a securitization of its operating cash-flows through an escrow mechanism. The stipulation made by the lender requires DHBVNL to route all collections/receipts/cash flows through the designated account at least to the extent of five times of the monthly debt servicing obligation, which includes both principal and interest. It also states that the entity shall make the repayment on a scheduled date of every month. Further, it stipulates that, in any instance of failing to adhere to aforesaid stipulations, the lender will exercise lien equivalent to monthly debt service obligations (Principal + Interest) on pooled cash flows commencing from the next day till the scheduled date of repayment (i.e. last day of every month).

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 operational efficiency.

The transmission and distribution losses (T&D losses) stood at 11.42% in FY2023 against 13.55% in FY2022. The AT&C losses declined and stood at 13.97% in FY2023 against 15.97% in FY2021. The collection efficiency though moderated remained healthy at over 97% in FY2023.

The entity, to limit the distribution and commercial losses, has concentrated its efforts to reduce power theft by digitalizing the payment systems, replacing old meters with digital meters and implement feeder franchise scheme in areas with high distribution losses and low collection efficiencies. DHBVNL also consistently invests in increasing substation capacity and strengthening the network to reduce the distribution losses under the Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS). It has been cumulatively incurring capex over the last three years to augment its network. Further, DHBVNL has implemented Mhara Gaon JagMag Gaon (MGJG) and Feeder Sanitisation Schemes along with anti theft squad in rural and urban areas to curb power theft and to improve quality of services to consumers as line losses of Rural Domestic Feeders (RDS) contributes a significant portion of distribution losses. Acuité believes that curtailment of AT&C losses and sustainability of collection performance will remain a key rating sensitivity factor.

Revenue from Operations and Profitability

The company reported Revenue from Operations of Rs. 25281.49 Crore in FY23 as against Rs. 18399.10 crore during FY22 i.e., with increase in revenue to the tune of 37.41%. The consumer profile of the company comprises of industrial, domestic, agriculture and commercial. The major portion of the revenue is derived from the Industrial and commercial segments. The

share of agriculture segment which is low.

The operating margin and net profit margin stood at 6.16 percent and 2.81 percent in FY2023 against 5.22 percent and 0.97 percent in FY2022. The improvement is due to other operating income and lower employee cost.

Weaknesses

Moderate Financial Risk Profile

The financial risk profile of the company is moderate in nature with Debt-to-equity ratio of 1.98 times as of March 31, 2023 against 1.19 times as of March 31, 2022. The borrowings by DHBVNL are covered by guarantee extended by Government of Haryana. The interest coverage ratio improved to 3.26 times during FY23 as against 2.31 times during FY22. The Net Cash Accruals to Total debt stood at 0.19 times in both FY2023 as against 0.20 times in FY2021 as well. The total outside liability to tangible net worth slightly improved to 4.51 times as of March 31, 2023 as against 3.14 times as on March 31, 2022. The same is due to increase in total debt to Rs. 6624.22 crore in FY23 over 3495.48 crore in FY22. The financial risk profile is expected to remain moderate over the medium term on account of planned capex of Rs. 1200 Cr. for better distribution infrastructure, load growth and reducing AT&C losses.

Susceptibility of performance to changes in the regulatory framework.

DHBVNL's revenues are influenced by the regulatory framework governing the power sector. Revenues of state distribution utilities like DHBVNL are determined by state electricity regulatory commissions. The Haryana Electricity Regulatory Commission (HERC) considers key parameters like the cost structure and expected to return on equity to arrive at distribution tariffs, wheeling & distribution, and retail supply under MYT Framework (Multi Year Tariff). Acuite believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Any Improvement or decline in operational efficiency of the utility.
- Any Improvement or decline in credit profile of Government of Haryana.
- Dynamics of the regulatory environment

Liquidity Position

Adequate

The liquidity profile of the company continues to remain at adequate level with company reporting net cash accruals of Rs. 1224.54 crore against debt obligation of Rs. 330.35 crore in FY2023. The company has unencumbered cash and bank balance of Rs. 301.47 crore as on March 31, 2023. The borrowings are supported by guarantee extended by Government of Haryana. Out of total debt of 9570.73 Cr. as on 31 Jan 2024 Rs. 6534.55 Cr. is secured by Government Guarantees. 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 stood at 1.11 times in FY2023. The liquidity profile is expected to remain adequate over the medium term. The liquidity is further supported by undrawn bank limit utilizations as average fund-based bank limit utilisation stood at 43.10% 13 months ending December 2023 and the non-fund based limit utilisation stood at 44.23% during the same period.

Outlook: Stable

Acuite believes that the outlook on DHBVNL will remain 'Stable' over the medium term due to its favourable position of being one of two distribution companies in Haryana with a wide and diverse consumer base. The company will continue to benefit from the support provided by the state government. The outlook may be revised to 'Positive' in case of sustained reduction in AT&C losses, crystallization of regulatory assets and improvement in the debt servicing

indicators. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected support from the GoH, significant rise in AT&C losses or if the company's revenue gap increases further or if there is any delay in timely collection of receivables.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	25281.49	18399.10
PAT	Rs. Cr.	711.12	178.97
PAT Margin	(%)	2.81	0.97
Total Debt/Tangible Net Worth	Times	1.98	1.19
PBDIT/Interest	Times	3.26	2.31

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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
31 Mar 2023	Term Loan	Long Term	500.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	456.87	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	143.13	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	300.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	425.72	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	177.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	200.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	150.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	300.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	336.12	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	338.91	ACUITE A Stable (Assigned)
	Term Loan	Long Term	222.25	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	150.00	ACUITE A1 (Assigned)
10 Oct 2022	Term Loan	Long Term	500.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	600.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A Stable (Assigned)
22 Jul 2022	Term Loan	Long Term	500.00	ACUITE A Stable (Reaffirmed)
28 Apr 2021	Term Loan	Long Term	500.00	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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE A Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	300.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	177.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A Stable Reaffirmed
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE A Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.00	ACUITE A1 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	338.91	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	442.60	ACUITE A Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	18 Aug 2022	Not avl. / Not appl.	18 Aug 2037	Simple	425.72	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	27 Aug 2020	Not avl. / Not appl.	27 Aug 2027	Simple	500.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	03 Feb 2021	Not avl. / Not appl.	03 Feb 2036	Simple	454.80	ACUITE A Stable Reaffirmed

Central Bank of India	Not avl. / Not appl.	Term Loan	05 Jun 2020	Not avl. / Not appl.	05 Feb 2033	Simple	338.19	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	21 Jan 2023	Not avl. / Not appl.	21 Jan 2033	Simple	365.38	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	21 Jan 2023	Not avl. / Not appl.	21 Jan 2033	Simple	134.62	ACUITE A Stable Assigned
Central Bank of India	Not avl. / Not appl.	Term Loan	05 Jun 2020	Not avl. / Not appl.	05 Feb 2033	Simple	96.11	ACUITE A Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	18 Aug 2022	Not avl. / Not appl.	18 Aug 2037	Simple	126.67	ACUITE A Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	05 Sep 2023	Not avl. / Not appl.	05 Sep 2030	Simple	800.00	ACUITE A Stable Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	15 Sep 2023	Not avl. / Not appl.	15 Sep 2033	Simple	800.00	ACUITE A Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	26 Dec 2023	Not avl. / Not appl.	26 Dec 2030	Simple	500.00	ACUITE A Stable Assigned
Canara Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.00	ACUITE A Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	300.00	ACUITE A Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Sushant Kumar Mishra Senior Manager-Rating Operations Tel: 022-49294065 sushant.mishra@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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