



March 20, 2015

Instrument	Amount	Rating
Unsecured, Taxable, Non-Convertible Debenture (NCD) Issue	Rs.500 crore (Rs.400 crore with a greenshoe option of Rs.100 crore)	SMERA A+(SO)* /Stable (Reaffirmed)

**Credit enhancement on account of an unconditional and irrevocable guarantee from the Government of Haryana (GoH)*

SMERA has reaffirmed the rating of '**SMERA A+(SO)**' (read as **SMERA A plus structured obligation**) assigned to the Rs.500.00 crore non-convertible, unsecured, taxable debenture issue of Haryana Vidyut Prasaran Nigam Limited (HVPNL). The outlook is '**Stable**'. The rating draws core support from the Government of Haryana's unconditional and irrevocable guarantee extended towards timely payment of principal and interest on the non-convertible debentures (No. 07/4/2012-2-POWER, dated April 30, 2012, having concurrence of the Finance Department vide No. 39/4/2012-1FICW/1035 (2012) dated April 27, 2012). The rating accordingly factors in the guarantor's credit risk profile. The rating also centrally factors in adherence to a specific, legal payment mechanism administered by the trustee of the non-convertible debentures.

The proceeds of the debenture issue have been utilised towards on-lending to HVPNL's associate entities viz. Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). HVPNL has also received an approval from its board and other stakeholders for the issue and subsequent use of the proceeds of such debentures.

Haryana's financial position is characterized by improving deficit parameters, low overall indebtedness, and satisfactory interest and debt coverage indicators. The state's fiscal deficit deteriorated sharply to 2.93 per cent of gross state domestic product (GSDP) in 2012-13 (accounts) from 2.31 per cent a year ago. Haryana's revenue deficit increased to 1.26 per cent in 2012-13 from 0.47 per cent in the previous year.

Haryana's overall indebtedness (consolidated debt + guarantees to gross state domestic product) stood at 24.32 per cent in 2012-13. The state's credit profile benefits from healthy economic and financial infrastructure. Rising contribution of the tertiary sector adds buoyancy to the state's tax revenues. Moreover, Haryana has one of the highest per capita incomes in the country.

Haryana's credit profile is adversely affected by a high proportion of committed expenditure to total expenditure, which limits room for further capital expenditure and requisite expenditure management. Similarly, labour unrest and deteriorating law and order situation may hamper the business sentiments in the state, thereby affecting tax revenues and fiscal parameters.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



Outlook: Stable

SMERA opines that Haryana's credit profile is underscored by healthy economic and fiscal parameters. SMERA believes Haryana will continue to benefit from its healthy economic and fiscal profile. However, sustained improvement or deterioration in the fiscal and economic ratios of the state may lead to a revision of the outlook to either 'Positive' or 'Negative'.

About the company

HVPNL (100 per cent Government of Haryana undertaking) is a transmission company that has monopoly in intra-state power distribution. The erstwhile Haryana State Electricity Board was unbundled in 1997 into two corporate bodies viz. Haryana Power Generation Company Limited (power generation entity and Haryana Vidyut Prasaran Nigam Limited (transmission and distribution entity). In 1999, HVPNL was carved out into two entities viz. Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). HVPNL has 41 per cent stake in UHBVNL and 37 per cent stake in DHBVNL.

HVPNL mainly purchases power from Haryana Power Generation Company Limited. HVPNL transmits power through its transmission network (comprising high tension lines and sub-stations) to distribution companies (discoms) viz. UHBVNL and DHBVNL.

HVPNL has ownership interest in Bhakra Beas Management Board and IP Station of Indraprastha Power Generation Company Limited. The company is well-positioned to distribute power in northern and southern zones of Haryana.

For FY2013-14, HVPNL reported net loss of Rs.175.14 crore on total income of Rs.1,066.23 crore, as compared with net loss of Rs.37.68 crore on total income of Rs.929.45 crore in FY2012-13.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.