



Press Release

Haryana Vidyut Prasaran Nigam Limited (HVPNL)

October 12, 2018

Rating Reaffirmed

Total Facilities Rated*	Rs. 500.00 Cr.
Long Term Rating	ACUITE A+ (SO**)/Stable (Reaffirmed)

* Refer Annexure for details

**Credit Enhancement in the form of Unconditional & Irrecoverable Guarantee from Government of Haryana (GoH).

Rating Rationale

Acuite has reaffirmed the rating of '**ACUITE A+ (SO)**' (**read as ACUITE A plus (Structured Obligation)**) to the Rs. 500.00 Cr. Unsecured Redeemable Non-Convertible Debenture Issue of HARYANA VIDYUT PRASARAN NIGAM LIMITED. The outlook is '**Stable**'.

HVPNL was incorporated in 1997 by the Government of Haryana (GoH) to develop, maintain and run the power transmission infrastructure in Haryana. The erstwhile Haryana State Electricity Board (HSEB) was divided into two entities – Haryana Power Generation Corporation Limited and HVPNL in 1997 for undertaking generation of power and transmission and distribution of power respectively. In 1999, two entities – Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) – were established to undertake the distribution of power in the state of Haryana. Currently, HVPNL holds 8.95 per cent of the shares of UHBVNL and 16.17 per cent of the shares of DHBVNL.

The rating continues to draw support from the unconditional and irrevocable guarantee extended by the GoH towards the timely servicing of the interest and principal obligations for the NCD issue. The issuer has put in place a structured payment mechanism for ensuring timely servicing of its debt commitments throughout the currency of the NCD issue.

Analytical approach:

ACUITE has considered the standalone business and financial risk profiles of Haryana Vidyut Prasaran Nigam Limited and has factored support from GoH while arriving at this rating. Acuité has considered the existence of a structure with timelines for ensuring timely servicing of the rated debentures.

Key Rating Drivers

Strengths

- **Presence of structured payment mechanism:**

The rating centrally assumes adherence to the proposed Structured Payment Mechanism (SPM) by HVPNL. The NCD issue is secured by an Unconditional and Irrevocable Guarantee issued by the GoH. In case sufficient funds are not made available by HVPNL in the designated escrow account by T -4 days (T being the due date), the debenture trustee shall be required to invoke the state government guarantee. On invocation of the guarantee, GoH is required to fund the designated escrow account atleast three days prior to the due date, T (T – 3 days).

Acuité has based its rating on the premise that there will be a continued adherence to the aforementioned SPM by HVPNL and the Debenture Trustee.

- **Ongoing support from the Government of Haryana (GoH):**

HVPNL, a wholly-owned undertaking of GoH, is a State Transmission Utility (STU) under the Electricity Act, 2003. It is a strategically important entity and forms the backbone of the power sector infrastructure for the state. It is the sole bulk power transmission company in Haryana.

ACUITE believes that HVPNL shall continue to benefit from the financial, operational and managerial support received from GoH from time to time.

HVPNL's credit risk profile shall be supported by its access to funds at low cost and its ability to mobilise financial resources from the capital markets, financial institutions and multilateral development institutions.

Weaknesses

- **Susceptibility of operating performance to offtake by discoms, timely realisation of receivables and Support from GoH:**

Major customers of HVPNL include power distribution companies (Discoms) in Haryana such as UHBVNL and DHBVNL. Since the credit profiles of these discoms are subdued, the timely realisation of receivables continues to be a key credit monitorable.

Certain recent policy initiatives like Ujwal Discom Assurance Yojna (UDAY) scheme have supported the discoms by reducing their debt burden. However, the long term credit profiles of these discoms will be dependent on their ability to improve their key operating parameters by various measures like reduction of Transmission & Distribution (T&D) losses.

HVPNL being an STU is required to undertake substantial capital expenditure in order to maintain, upgrade and expand the power infrastructure in the state of Haryana. The company's Gross block (including Capital Work in Progress) increased by Rs. 321.00 crore in FY2017-18 (Provisional). A significant portion of this capital expenditure is funded by equity infusion/grants from GoH, government guaranteed debt instruments and borrowings from public financial institutions.

While the support from GoH is expected to continue over the medium term, any delays in equity infusion/grants will require HVPNL to take on additional debt to support the capital expenditure program. HVPNL is geared at 1.53 times as on 31 March, 2018 (Provisional) (as compared to 1.86 times as on 31 March, 2017) on account of total long term debt of Rs. 3216.81 cr on 31 March, 2018 (Provisional) (against Rs 3349.14 cr on 31 March, 2017). In terms of debt servicing capability, HVPNL reported a comfortable Debt Servicing Coverage Ratio (DSCR) of 1.44 times in FY2018 (Provisional) vis-à-vis 1.43 times in FY2017. However, HVPNL continued to remain highly leveraged with a Debt to EBITDA of 3.97 times in FY2018 (Provisional) as against 4.64 times in FY2017. Further increase in gross current assets or any decline in operating cash flows may require further refinancing efforts by HVPNL.

Any sharp increase in debt could cause downward pressure in the credit metrics and further pressure on the cashflows of HVPNL.

Acuité believes that HVPNL's credit profile and its liquidity profile will be influenced by its ability to manage its receivables effectively and the magnitude & timing of support from GoH.

- Susceptibility of the performance to changes in the regulatory framework**

HVPNL's revenues are influenced by the regulatory framework governing the power sector. Revenues of transmission players like HVPNL are determined by state electricity regulatory commissions. The Haryana Electricity Regulatory Commission (HERC) takes into account key parameters like the cost structure and expected return on capital employed to arrive at transmission tariffs, wheeling and SLDC (State Load Dispatch Centre) charges.

Acuité believes that significant changes in the regulatory environment will impinge on the credit profile of the company.

Outlook: Stable

Acuité believes that HVPNL will benefit from its natural monopoly in the bulk power transmission business in Haryana and continuing financial and operational support from GoH. The outlook may be revised to 'Positive' in case of improvement in the credit risk profile of HVPNL reflected in the improvement in gearing and debt servicing indicators. 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.

About the Rated Entity - Key Financials

	Unit	FY18	FY17	FY16
Operating Income	Rs. Cr.	2025.89	1721.77	1719.01
EBITDA	Rs. Cr.	1099.61	1037.15	1002.68
PAT	Rs. Cr.	418.92	299.87	248.41
EBITDA Margin	(%)	54.28	60.24	58.33
PAT Margin	(%)	20.68	17.42	14.45
ROCE	(%)	10.95	9.71	9.55
Total Debt/Tangible Net Worth	Times	1.53	1.86	2.27
PBDIT/Interest	Times	3.02	2.50	2.18
Total Debt/PBDIT	Times	3.97	4.64	5.25
Gross Current Assets (Days)	Days	112	79	96

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

None

Any other information

None

Applicable Criteria

- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities -<https://acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- State Government Support - <http://www.acuite.in/view-rating-criteria-26.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-Jul-2017	Non-convertible Debentures	Long term	410.90	ACUITE A+ (SO)/Stable (Reaffirmed)
	Proposed Non-convertible Debentures	Long term	89.10	ACUITE A+ (SO)/Stable (Reaffirmed)
26-Apr-2016	Non-convertible Debentures	Long term	410.90	ACUITE A+ (SO)/Stable (Reaffirmed)
	Proposed Non-convertible Debentures	Long term	89.10	ACUITE A+ (SO)/Stable (Reaffirmed)
20-Mar-2015	Non-convertible Debentures	Long term	410.90	ACUITE A+ (SO)/Stable (Reaffirmed)
	Proposed Non-convertible Debentures	Long term	89.10	ACUITE A+ (SO)/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

ISIN	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
NA	Proposed Unsecured Redeemable Non-convertible Debentures	NA	NA	NA	89.10	ACUITE A+ (SO)/Stable (Reaffirmed)
INE535N 08015	Unsecured Redeemable Non-Convertible Debentures	29/05/2012	9.79%	29/04/2023	410.90	ACUITE A+ (SO)/Stable (Reaffirmed)

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