

Press Release

Haryana Vidyut Prasaran Nigam Limited

November 30, 2021

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 930.00 crore
Long Term Rating	ACUITE A+/ Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (Reaffirmed)

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE A+**' (read as **ACUITE A plus**) and short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) respectively to Rs.930.00 crore bank facilities of Haryana Vidyut Prasaran Nigam Limited (HVPNL). The outlook is '**Stable**'.

About the company

Haryana Vidyut Prasaran Nigam Limited (HVPNL) is a State Government of Haryana undertaking and was incorporated in 1997. The company is engaged in transmission company power and is licensed by Haryana Electricity Regulatory Commission (HERC) for transmission and bulk supply of power in Haryana.

HVPNL receives power from generation companies, predominantly from Haryana Power Generation Corporation Limited (HPGCL), which is further transmitted through its transmission network consisting of high-tension lines and sub-stations to the distribution companies (discoms) namely: UHBVNL and DHBVNL. The major portion of transmission is done to UHBVNL and DHBVNL; ~99% as on date. In addition to this, the company also supplies power to NTPC, CRPCL, Indian Railways etc.

Unsupported/Standalone Rating: ACUITE BB+/Stable

Analytical Approach

Acuite has adopted the standalone approach while assessing the business and financial risk profile of HVPNL and has notched up the rating on the back of benefits emanating from the ownership by Government of Haryana (GoH). GoH holds ~99% equity ownership in HVPNL besides regular managerial and financial support to HVPNL; the government has supported its bank borrowings by way of Guarantee.

Further, Acuite had also considered revision in approach in removal of 'CE' suffix from the rating. As there is no explicit clause of deposit of funds in designated accounts by HVPNL by T minus days in advance of due date of payment.

List of key rating drivers and their detailed description:

Strengths

>Continued support extended by Government of Haryana

The company receives significant support from Government of Haryana in term of infusion of equity, guarantees extended for bank facilities and flexibility in availing loans at lower interest rate.

Further, since the support from GoH is central to the rating, the credit profile of Haryana state is of key importance. Any significant changes in the credit profile of GoH will be key rating sensitivity. The outstanding debt of Haryana state as a percentage of GSDP remained at 22.3% for 2020-21 (RE). Any adverse movement in fiscal metrics of GoH is likely to have a bearing on the Haryana government's support to the entities like HVPNL, for whom it is obligated to extend support either on account of an explicit support arrangement or an implicit understanding with the lenders. Acuite believes that HVPNL will continue to benefit from continuous financial and managerial support received from GoH.

>Moderate financial risk profile of the company

The tangible net worth of the company remained healthy at Rs. 4,672.32 crores as on March 31, 2021 as against Rs. 4707.15 crore as on March 31, 2021. The marginal decline is mainly due to reduction in debenture redemption reserve to Rs137.34 crore from Rs345.92 crore. The debt equity ratio of the company improved to 0.92 times as on March 31, 2021 as against 1.06 times as on March 31, 2020. There has also been increase in equity share capital of the company to the tune of Rs.178.31 crore. The interest coverage of the company improved to 2.62 times in FY21 as against 2.29 times in FY20, despite moderation in operating profit. This is mainly due to decline in interest cost (on bonds). The Net Cash Accruals to total debt remained at similar level at 0.11-0.13 times during FY20-21. The Total outstanding liability to tangible net worth also improved to 1.28 times in FY21 vis-a-vis 1.37 times in FY20. The debt-EBITDA moderated to 5.41 times from 4.45 times in FY20. Acuite believes that timely support from GOH through equity infusion would be critical for sustaining the leverage indicators.

>Efficient working capital management

The Gross Current Asset (GCA) days of the company increased to 217 days in FY21 as against 178 days in FY20. However, the increase is attributed majorly to decline in total operating income as the outstanding current asset balance of the company remained at similar level at Rs.877.29 crore as on March 31, 2021 (Rs.810.66 crore as on March 31, 2020). Nevertheless, the inventory days remained at similar level at 32-35 days during FY20-21. The debtors profile of the company majorly comprises of UHBVNL and DHBVNL. The debtor days also remained at similar level at 46-47 days during FY20-21. The company has aggregate cash credit facilities from 6 lenders to the tune of Rs.880.0 crores. However, the average utilisation remained at lower level at ~20% for the past 9 months ending June 2021.

Weaknesses

>Susceptibility of operating performance to transmission charges set by Haryana Electricity Regulatory Commission (HERC).

HVPL's revenue is influenced by regulatory framework governing the power sector. The HERC considers 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.

The company reported total operating income of Rs. 1,473.88 crores during FY21 as against Rs. 1,662.50 crores in FY20, witnessing y-o-y decline of ~11.0%. This was due to lower revision of transmission charges. The company witnessed decline in revenue from transmission charges from Rs.1327.45 crore in FY20, which declined to Rs.1140.56 crore in FY21. In line with decline in operating revenue, operating profit of the company also declined from Rs.822.38 crore in FY20 to Rs.661.78 crore in FY21. Consequently, the PBILDT margin declined by 457 bps to 44.90% in FY21. Further, there had also been substantial decline in interest income by 56.63 %, from Rs.303.38 crore in FY20 to Rs.131.55 crore in FY21 on account of reduced interest income from investments, IT refunds, delayed payment surcharge etc. The decline in both operating income and interest income had cascading effect on net profit of the company, which declined to Rs.26.92 crore in FY21 vis-à-vis Rs.220.57 crore in FY20. The net profit margin also declined to 1.83% from 13.27%.

Liquidity Position: Adequate

The net cash accruals of the company remained at Rs.490.16 crore during FY21 against the debt repayment obligation of Rs.275.52 crore, thereby providing adequate cushion for debt servicing. Further, the company has cash and bank balance of Rs.21.15 crore as on March 31, 2021. Albeit the company has total sanctioned cash credit of Rs.880.0 crore as on date, the CC from State Bank of India, Union Bank of India and HDFC bank continues to remain unutilised as on date. In addition to this, there has also been infusion of equity by Government of Haryana to the tune of Rs.178.31

crores during the year. The bank facilities have also been covered under guarantee extended by Government of Haryana.

Rating Sensitivities

- Increase in scale of operations with improvement in profitability margins
- Any delay in funding tie-up of SPVs, thereby impacting revenue segment of the company

Outlook: Stable

Acuite believes that HVPNL will benefit from its natural monopoly in the power transmission 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 HVPNL 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.

About the Rated Entity Financials - UHBVNL

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	1,473.88	1,662.50
PAT	Rs. Cr.	26.92	220.57
PAT Margin	(%)	1.83	13.27
Total Debt/Tangible Net Worth	Times	0.92	1.06
PBDIT/Interest	Times	2.62	2.29

Status of non-cooperation with previous CRA: Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Applicable Criteria

Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

State Government Support: <https://www.acuite.in/view-rating-criteria-26.htm>

Rating History (Upto last three years)-

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Sep 2020	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Non-Convertible Debentures	Long Term	410.90	ACUITE A+ (CE) (Withdrawn)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)

	Cash Credit	Long Term	80.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (CE) (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Proposed Non-Convertible Debentures	Long Term	89.10	ACUITE A+ (CE) (Withdrawn)
26 Sep 2019	Non-Convertible Debentures	Long Term	410.90	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	80.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (CE) (Withdrawn)
	Proposed Non-Convertible Debentures	Long Term	89.10	ACUITE A+ (CE) Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ (CE) (Withdrawn)
	Non-Convertible Debentures	Long Term	410.90	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	80.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (CE) (Reaffirmed)
	Proposed Non-Convertible Debentures	Long Term	89.10	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ (CE) Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ (CE) Stable (Reaffirmed)
24 Oct 2018	Non-Convertible Debentures	Long Term	410.90	ACUITE A+ (SO) Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Assigned)
	Proposed Non-Convertible Debentures	Long Term	89.10	ACUITE A+ (SO) Stable (Reaffirmed)

	Cash Credit	Long Term	80.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Assigned)
	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Assigned)
12 Oct 2018	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**

Lender's Name	Name of Facilities	Date of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs.CR.)	Net Quantum (Rs.CR.)	Rating/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	80.00	80.00	ACUITE A+ Stable Reaffirmed
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	100.00	100.00	ACUITE A+ Stable Reaffirmed
Andhra Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	200.00	200.00	ACUITE A+ Stable Reaffirmed
UCO Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	200.00	200.00	ACUITE A+ Stable Reaffirmed
Corporation Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	200.00	200.00	ACUITE A+ Stable Reaffirmed
Canara Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	50.00	ACUITE A1 Reaffirmed (from A1+ CE)
HDFC Bank Ltd	Cash Credit	Not Applicable	Not Applicable	Not Applicable	-	100.00	ACUITE A+ Stable Reaffirmed

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About Acuite Ratings & Research:

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