

Press Release

Haryana Vidyut Prasaran Nigam Limited

February 28, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	880.00	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	50.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	930.00	-	-

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**) to Rs.930.00 crore bank facilities of Haryana Vidyut Prasaran Nigam Limited (HVPNL). The outlook is '**Stable**'.

Rationale for reaffirmation

Rating has been reaffirmed on account of stable operating performance in line with revision of charges by HERC, moderate financial risk profile with healthy tangible net worth and adequate liquidity position of the entity. The company has maintained healthy unencumbered cash and bank balances and has enough leverage headroom to raise funds for debt funded capex going forward.

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.

Standalone (Unsupported) Rating ACUITE BBB- / 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.

Key Rating Drivers

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. Acuité 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. 4,637.51 crores as on March 31, 2022 as against Rs. 4,672.37 crores as on March 31, 2021. The marginal decline is mainly due to reduction in debenture redemption reserve to Rs. 49.84 Cr in FY 2022 from 137.34 Cr in FY 2021 and deficit in other comprehensive income. The debt equity ratio of the company improved to 0.82 times as on March 31, 2022 as against 0.92 times as on March 31, 2021. Further, the debt components of the company are covered by irrevocable and unconditional guarantee extended by Government of Haryana. The improvement in D-E ratio is on account of decline in total debt, led by redemption of bond during the year. The interest coverage of the company improved to 3.74 times in FY 2022 as against 2.62 times in FY 2021. DSCR has improved to 1.97 times in FY 2022 from 0.82 times in FY 2021. Debt-EBITDA has improved from 5.41 times in FY 2021 to 3.33 times in FY 2022. Acuité 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 improved to 132 days in FY 2022 from 217 days in FY 2021. The debtors profile of the company majorly comprises of UHBVNL and DHBVNL. Company's average bank limit utilization stood at 17.29% on a consolidated level for Rs. 500 Cr of working capital facilities for the 14 months' period between December 2021 to January 2023.

Weaknesses

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

HVPNL'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. 2042.94 Cr in FY 2022 as against Rs. 1473.88 Cr in FY 2021 witnessing growth of 38.6% over FY 2021. The major portion of the revenue is derived from transmission segment (85% in FY 2022 & 78% in FY 2021). The company witnessed improvement in revenue from increase in transmission charges from Rs. 1140.57 Cr in FY 2021 to Rs. 1725.54 Cr in FY 2022 marking improvement of 51.29%. The same is due to increase in monthly transmission charges, set by HERC during FY 2022 vis-a-vis FY 2021. Company's profitability improved in FY 2022 wherein EBITDA margin improved from 44.90% in FY 2021 to 50.15% in FY 2022. PAT margin improved from 1.83% in FY 2021 to 16.81% in FY 2022.

ESG Factors Relevant for Rating

The material factors from the environmental perspective are green supply chain and waste management. The governance factors that play an important role are ethical business practices, board oversight and management compensation. Further, risk management practices to minimise corruption associated with electricity and gas distribution plays a crucial role. Additionally, regulatory compliance, shareholder's rights and audit control are other

material issues in the power generation industry. On the social front, occupational and workforce health & safety management are of primary importance to this industry given the nature of operations. The policies on responsible procurement and product safety as well as quality are of utmost significance.

Rating Sensitivities

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

Material covenants

None.

Liquidity Position

Adequate

The net cash accruals of the company remained at Rs. 840.06 Cr against maturing debt obligation of Rs. 275.52 Cr in FY 2022. Going forward company is expected to generate net cash accruals of Rs. 961.77 Cr and Rs. 1041.12 Cr in FY 2023 and FY 2024 respectively against maturing debt obligation of Rs. 275.57 Cr and Rs. 274.53 Cr in each year respectively. Further company maintained unencumbered cash and bank position of Rs. 240.43 Cr in FY 2022.

Outlook: Stable

Acuité 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 build up in receivables beyond existing levels or sharp deterioration in GoH's credit profile.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2042.94	1473.88
PAT	Rs. Cr.	343.34	26.92
PAT Margin	(%)	16.81	1.83
Total Debt/Tangible Net Worth	Times	0.82	0.92
PBDIT/Interest	Times	3.74	2.62

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-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>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.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
30 Nov 2021	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	80.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Reaffirmed)
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)

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 Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	80.00	ACUITE A+ Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A+ Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A+ Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A+ Stable Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A+ Stable Reaffirmed

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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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