



Press Release
Haryana Vidyut Prasaran Nigam Limited
May 28, 2024

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	117.50	ACUITE AA- Stable Assigned	-
Bank Loan Ratings	880.00	ACUITE AA- Stable Upgraded	-
Bank Loan Ratings	50.00	-	ACUITE A1+ Upgraded
Total Outstanding Quantum (Rs. Cr)	1047.50	-	-

Rating Rationale

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

Further Acuite has assigned its long-term rating of '**ACUITE AA-**' (read as **ACUITE double A minus**) to Rs. 117.50 crore bank facilities of Haryana Vidyut Prasaran Nigam Limited (HVPNL). The outlook is '**Stable**'.

Rationale for Upgrade

Rating has been upgraded on account of constant improvement in operating performance in line with revision of charges by HERC, improved financial risk profile with healthy tangible net worth and strong 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.

Unsupported Rating

Not Applicable

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

Support from State Government of Haryana

Haryana Vidyut Prasaran Nigam Limited (HVPNL) is a state Government undertaking with Government of Haryana having 99% stake in the company. The company is a strategically important entity and forms the backbone of the power sector infrastructure of state. The company is a sole bulk power transmission company in Haryana. The company is a licensed entity for transmission and bulk supply of power in Haryana and primarily provides transmission services to the state utilities such as Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). Apart from this, the company also transmits power to other entities such as NTPC, Indian Railways and Tata Power Trading Company Limited (TPTCL). Further, state Government of Haryana has also extended guarantee for the bank facilities of the company.

Comfortable financial risk profile

The tangible net worth of the company remained healthy at Rs. 5035.37 crore as on March 31, 2023 as against Rs. 4,637.31 crore as on March 31, 2022 and Rs. 4672.36 crore in FY21. The marginal decline in FY22 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. However the increase in networth in FY23 is on account of accretion of profit to reserve. The debt equity ratio of the company improved to 0.79 times as on March 31, 2023 as against 0.82 times as on March 31, 2022. 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 higher improvement in net worth while minuscule increase in debt. The interest coverage of the company improved to 4.84 times in FY 2023 as against 3.74 times in FY 2022. DSCR has improved to 2.55 times in FY 2023 from 1.97 times in FY 2022. Debt-EBITDA has improved from 5.41 times in FY 2021 to 2.79 times in FY 2023. Acuite believes that the financial risk profile of the company is continuing to be moderate in the medium term.

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. 2426.08 Cr. in FY 2023 as against Rs. 2042.94 Cr. in FY 2022 witnessing growth of 18.75% over FY 2022. The major portion of the revenue is derived from transmission segment (87.62% in FY2023, 86% in FY 2022 & 78% in FY 2021).

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.
- Improvement in working capital operations
- Timely fund tie up and capex

Liquidity Position

Strong

The net cash accruals of the company remained at Rs. 1159.17 Cr. against maturing debt obligation of Rs. 275.57 Cr. in FY 2023 giving sufficient liquidity buffer. Going forward company is expected to generate net cash accruals of ~ Rs. 1000 Cr during FY24 & FY25 respectively against maturing debt obligation of Rs. 341.27 Cr. in each year. Further company maintained unencumbered cash and bank position of Rs. 256.19 Cr. in FY 2023. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2426.08	2042.94
PAT	Rs. Cr.	650.68	343.34
PAT Margin	(%)	26.82	16.81
Total Debt/Tangible Net Worth	Times	0.79	0.82
PBDIT/Interest	Times	4.84	3.74

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>
- 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, Acuite 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
28 Feb 2023	Cash Credit	Long Term	80.00	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	200.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	200.00	ACUITE A+ Stable (Reaffirmed)
30 Nov 2021	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	200.00	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)

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	80.00	ACUITE AA- Stable Upgraded (from ACUITE A+)
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE AA- Stable Upgraded (from ACUITE A+)
Union 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 AA- Stable Upgraded (from ACUITE A+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE AA- Stable Upgraded (from ACUITE A+)
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A1+ Upgraded (from ACUITE A1)
Punjab National Bank	Not avl. / Not appl.	Term Loan	31 Dec 2022	Not avl. / Not appl.	31 Dec 2037	Simple	400.00	ACUITE AA- Stable Upgraded (from ACUITE A+)
Punjab National Bank	Not avl. / Not appl.	Term Loan	31 Dec 2022	Not avl. / Not appl.	31 Dec 2037	Simple	117.50	ACUITE AA- Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

1. Government of Haryana

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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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