Press Release

Him Urja Private Limited
March 05, 2024

Ratings

Instrument / Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	97.99	IVR BBB/Negative (IVR Triple B with Negative Outlook)	Reaffirmed and Outlook revised	Simple
Total	**97.99 (Rupees Ninety-seven crore ninety-nine lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the rating assigned to the bank facilities of Him Urja Private Limited (HUPL) and revised the outlook from Stable to Negative. The negative outlook reflects large, planned capacity addition in Melkhet Power Pvt. Ltd. (MPPL), entailing significant financial support to be extended by HUPL, so also the aspect of project implementation risk of MPPL, which may have a pulling down effect on the liquidity and credit profile of HUPL. Also, any further investments in any new projects leading to additional debt will lead to deterioration in the credit profile of the company. The rating is also constrained by susceptibility of revenues to the inherent risks involved in hydro power generation. However, the rating continues to factor in the experience of promoters and management, long term Power Purchase Agreements (PPAs) ensuring revenue visibility and healthy operating margins.

Key Rating Sensitivities:

Upward Factors

- Higher power generation leading to increase in revenues & profitability on a sustained basis improving liquidity and debt protection metrics of the company.
- Timely completion of the ongoing projects within estimated costs and timelines without any further debt being taken to fund equity commitments.

Downward Factors

- Sustained lower generation impacting cash flows and liquidity of the company.

- Sustained increase in receivables or deterioration in the credit profile of offtaker leading to cash flow mismatches.
- Time and cost overrun in implementation of existing projects leading to additional cash outflows or debt thus impacting cash flows and liquidity of the company.
- Any large debt funded capex leading to deterioration in the debt protection metrics.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters and management

Mr. Arun Gupta, a civil engineer and a postgraduate in finance management is the Managing Director of HUPL. He founded the MG Group and its flagship company Him Urja Private Limited. Mr Gupta served the Government of India for 22 years in the Indian Revenue Services before starting this group. He is experienced in the financial, technical, time and cost aspects involved in implementation of projects. He is well supported by a team of qualified and professional team of management.

Long term PPAs ensures revenue visibility

HUPL has offtake arrangements with Uttarakhand Power Corporation Ltd. (UPCL) for both Rajwakti Hydro Power Project and Vanala Hydro Power Project for a period of 30 and 35 years respectively. HUPL usually receives payments within 20-25 days from UPCL and offers a 1% rebate as per the terms and conditions of the PPA if received within 30 days. Under the PPA, 1.25% per month interest will be charged for payment after 60 days, incentivising UPCL to release payments within a maximum period of 60 days. The tariff was increased from Rs 4.74/kwh to Rs 4.99/kwh in FY20 and further to Rs 5.08/kwh in FY21 for Vanala Hydro Power Project. HUPL has received arrears due to increased tariff in FY22. In FY23, there was no increase in tariffs. The long term PPAs reflects revenue visibility for the company over near to medium term.

Healthy operating margins

HUPL's EBITDA margin though moderated to 63.00% in FY23 as against 66.84% in FY22, continue to be healthy. Absolute EBITDA has declined to Rs. 22.22 crores in FY23 from Rs. 26.87 crores in FY22 due to decline in total operating income to Rs. 35.27 crores in FY23 from

Rs. 40.20 crores in FY22 on account of lower generation, and increased repair and maintenance costs. The EBITDA margin stood at 72.77% for H1FY24 (Unaudited). Infomerics believes that the operating margins will remain healthy backed by fixed tariffs and no major repair and maintenance planned in the medium term.

B. Key Rating Weaknesses

Planned debt funded capacity addition entailing significant investments by HUPL

HUPL is developing two projects - Melkhet Small Hydro Electric Project (SHEP) and Dewali SHEP in Uttarakhand. Melkhet SHEP a 24MW ROR project on Pinder River is being executed by Melkhet Power Pvt. Ltd. The cost of the project is Rs. 328.00 crore which is funded by term loan of Rs. 229.60 crore (70%) sanctioned by Indian Renewable Energy Development Agency Ltd. and remaining Rs. 98.40 crore (30%) by promoter contribution. Melkhet SHEP has obtained all the clearances; however, the construction activities are yet to begin. HUPL has also availed Rs. 50.00 crore of securitisation loan, which will be used for funding promoter contribution in MPPL. Out of the loan of Rs. 50.00 crore, Rs. 20.00 crore is yet to be disbursed. The balance will be through internal accruals of HUPL. HUPL has already invested Rs. 35.09 crore till December 2023 in MPPL. The expected date of commissioning of Melkhet SHEP project is March 2027.

Further, the company has incurred capex of around Rs. 7.20 crore till FY23 on the 13MW Dewali SHEP, however, the project will be executed under a separate special purpose vehicle post the completion of Melkhet SHEP. All the major clearances have been obtained for construction of Dewali SHEP and HUPL has also applied for the extension of the implementation period of the project under the one-time Amnesty Scheme of the Government of Uttarakhand. HUPL has also given Rs.12 crore as loans and advances to a sister concern for development of a solar project.

As on March 31, 2023, HUPL’s adjusted overall gearing stood at 2.88x (PY: 2.30x) and TOL/ATNW at 3.00x (PY:2.39x). Further, HUPL has provided a corporate guarantee for the term debt of MPPL. The debt protection metrics of the company remained adequate with interest coverage ratio at 2.97x in FY23 (PY:2.99x). Any additional significant cash outflow towards the development of any new projects or any further debt taken by the management due to time and cost overruns in the implementation of the ongoing projects would be key monitorable.

Revenues susceptible to inherent risks involved in hydro power generation

The PLF was lower at 59.13% for Rajawakti SHEP (FY22: 65.83%) and at 36.08% for Vanala SHEP (FY22: 46.55%). Accordingly, HUPL's revenue from sale of energy declined to Rs. 35.27 crores in FY23 as against Rs. 40.20 crores in FY22.Vanala SHEP's turbine was facing technical issues due to which the project was not running at its full capacity during the peak season since FY18. The turbine issue was ongoing, however, in February 2023, the management has replaced the turbine of Vanala SHEP, and upgraded plant and machinery of Vanala SHEP and Rajwakti SHEP. Post repairs the company has achieved revenues of Rs. 38.21 crores for 9MFY24 (Unaudited) backed by improved net generation of 71.87 MUs in 9MFY24 vis a vis 67.89 MUs in FY23. Further, being in hydro power generation, the company is exposed to generation losses due to the natural calamities and water availability, which can impact the revenues of the company. Thus, HUPL's revenues will continue to be susceptible and remain exposed to hydrological risk, which can impact the company's revenue to a great extent and will be a rating sensitivity factor.

Analytical Approach: Standalone

Applicable Criteria:

Policy on default recognition

Criteria of assigning Rating Outlook

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company is expected to generate gross cash accruals in the range of Rs. 14.00 crore to Rs. 23.00 crore in the projected period FY24-27, against debt repayment obligation of Rs. 10.83 in FY24, Rs. 13.44 crore in FY25, Rs. 13.56 crore in FY26 and Rs. 13.55 crore in FY27. It has cash and cash equivalents of Rs. 9.09 crore as on December 31, 2023. The company has also created DSRA equivalent to 2 quarters of debt servicing which is Rs 8.21 crore. Further, the company has provided a corporate guarantee for MPPL's debt of Rs. 229.60

crores, the repayment for the debt will commence after the completion of construction period of 42 months from the signing of the loan agreement and a grace period of 18 months from the commissioning of the plant. Also, the company is collecting its receivables from UPCL within 60 days. The current ratio stood at 2.34x as on March 31, 2023.

About the Company

Him Urja Private Limited, incorporated in 1995 is a flagship company of MG Group which has presence in real estate sector through development of integrated townships on the border of Delhi in the National Capital Region.

The company has commissioned two run-of-the-river small hydropower projects in the Chamoli district of Uttarakhand, at Rajwakti (4.4 MW) and Vanala (15 MW) on the river Nandakini, a tributary of the river Alaknanda. Him Urja sells electricity generated from its projects through long term PPAs with the Uttarakhand Power Corporation Limited.

Financials (Standalone): **(Rs. crore)**

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	40.20	35.27
EBITDA	26.87	22.22
PAT	11.78	7.17
Total Debt	83.43	79.28
Tangible Net worth	65.27	71.31
Ratios		
EBITDA Margin (%)	66.84	63.00
PAT Margin (%)	28.74	19.73
Overall Gearing Ratio (x)	1.28	1.11

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Acuite Ratings and Research have downgraded the rating and migrated it to the Issuer Not Cooperating category as per press release dated December 6, 2023, due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	44.26	IVR BBB/ Negative	**(January 13, 2023)** IVR BBB/ Stable	**(January 5, 2022)** IVR BBB / Credit watch with developing implications	-
2.	GECL	Long Term	3.94	IVR BBB/ Negative	**(January 13, 2023)** IVR BBB/ Stable	**(January 5, 2022)** IVR BBB / Credit watch with developing implications	-
3.	Term Loan	Long Term	49.79	IVR BBB/ Negative	**(January 13, 2023)** IVR BBB/ Stable	-	-

Name and Contact Details of the Rating Analyst:

Name: Neha Khan

Tel: (022) 62396023

Email: neha.khan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 31, 2030	44.26	IVR BBB / Negative
GECL	-	-	March 31, 2026	3.94	IVR BBB / Negative
Term Loan	-	-	March 31, 2037	49.79	IVR BBB / Negative

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: https://www.infomerics.com/admin/prfiles/Lender-HUPL-05-03-24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.