



December 2, 2016

**SBICAP Trustee Company Limited**  
Apejay House, 6<sup>th</sup> Floor, West Wing,  
Dinshaw Wachha Road, Churchgate,  
Mumbai – 400 020

**Kind Attn: Mr. Ajit Joshi, Company Secretary**

**Sub: Upgradation of Credit Rating by M/s ICRA Limited in the month of November 2016 towards the secured, redeemable, non-convertible debentures of Series I & II ('NCD' or 'Debenture') aggregating to Rs. 851 crores listed on National Stock Exchange of India Ltd. ('NSE').**

**Ref: ISINs- (1) INE803N07019; (2) INE803N07027; (3) INE803N07035 & (4) INE803N07043**

Dear Sir,

We wish to inform that the credit rating assigned to the captioned Rs. 851 crore long term bond programme of HPCL-Mittal Pipelines Limited ('HMPL' or 'the Company') has been upgraded to [ICRA]AA (pronounced ICRA double A) from [ICRA]AA- (pronounced ICRA double A minus). The outlook on this long-term rating has been revised to Positive from Stable.

In this regard the publication of ICRA Limited for the month of November 2016 providing the information of the revised rating and the rationale and reasons behind such upgradation is enclosed herewith as Annexure for your reference, records and necessary dissemination please.

You are kindly requested to take the same on record and acknowledge the same.

Thanking you.

Yours' Truly

**For HPCL-Mittal Pipelines Ltd.**



**Ankesh Kumar**  
Company Secretary  
M. No.: F8631

**Encl: As above**

**HPCL-Mittal Pipelines Limited**

(A Wholly Owned Subsidiary Company of HPCL-Mittal Energy Limited)

Corporate Office: INOX Towers, Plot No. 17, Sector 16-A, NOIDA-201301 (U.P.) INDIA; Tel: +91 120 4634500; Fax: +91 120 4271940; Website: www.hmel.in  
Regd. Office: Village Phulokhari, Taluka Talwandi Saboo, Bathinda, Punjab- 151301; CIN: U60101PB2008PLC031563



## HPCL-Mittal Pipelines Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action
Long-term Bond Programme	851 (reduced from 1475)	Upgraded to [ICRA]AA (Positive) from [ICRA]AA- (Stable)
Commercial Paper Programme	300	[ICRA]A1+ rating withdrawn

The rating assigned to the Rs. 851<sup>1</sup> crore long-term bond programme (reduced from Rs. 1475 crore) of HPCL-Mittal Pipelines Limited (HMPL) has been upgraded to [ICRA]AA (pronounced ICRA double A) from [ICRA]AA- (pronounced ICRA double A minus).<sup>2</sup> The outlook on the long-term rating has been revised to Positive from Stable. The rated bond amount has been reduced due to buy-back of Rs. 624 crore bonds by the company in FY2016. The [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Rs. 300 crore commercial paper programme of HMPL has also been withdrawn at the request of the company as there is no amount outstanding against the rated instrument.

In arriving at the rating of HMPL, ICRA has taken a consolidated view of HPCL-Mittal Energy Limited [HMEL – rated [ICRA]AA (Positive)] and HMPL because of the synergies between them. HMPL has a Pipeline Usage agreement with HMEL, with pipeline charges ensuring adequate debt servicing for HMPL, even if there is no crude oil offtake by HMEL but the pipeline is made available by HMPL. Further, HMPL plays a strategic role for the parent as it is critical for the receipt and transportation of crude oil ensuring smooth operations of HMEL refinery, situated at Bhatinda, Punjab.

The revision in the long-term rating of HMPL follows the upgrade in the rating of HMEL. The revision reflects favourable outlook on gross refining margins (GRMs) and anticipated healthy cash accruals of HMEL over the medium-term. The revision also factors in stabilised refining operations with improvement in operational indicators for the last two years along with material improvement in profitability, capital structure, and debt protection metrics of the company on a consolidated basis in FY2016. Although due to high capital cost, HMEL requires to report relatively higher break-even GRMs for adequate debt servicing; the risk has moderated due to the company's efforts through refinancing/repayment of loans leading to lower repayment burden over the medium-term and longer tenure of repayments. The positive outlook reflects ICRA's expectations of further improvement in the company's key debt coverage metrics in the near to medium term on the back of anticipated increase in profits and cash accruals following completion of ongoing expansion project.

The rating continues to take into account high complexity level of the HMEL's refinery, long and established track record of Hindustan Petroleum Corporation Limited (HPCL) in the domestic refining and marketing business, smooth product off-take with HPCL in line with take or pay agreement, fiscal incentives from the Government of Punjab (GoP), and favourable location of the refinery, as it is situated in the petroleum products-deficit and the high growth northern region. However, the rating is constrained by the elevated capital structure due to erosion in the networth resulting from past losses and vulnerability of the company's profitability to the global refining margin cycle, import duty protection, and INR-USD parity levels. The rating also considers the sensitivity of profits to crude oil price volatility as inventory losses/gains are likely to be higher for landlocked refineries like HMEL in a scenario of sharp fall/rise in crude oil prices because of high inventory holdings. The rating also factors in the residual project implementation and integration risks related to the ongoing expansion project to increase refining capacity to 11.3 million metric tonnes per annum (MMTPA) from current 9 MMT. Sustenance of healthy cash generation over the medium term and its use for deleveraging the balance sheet would be a key rating sensitivity for upgrade of the rating. Conversely, significant debt-funded capital expenditure (capex) plans leading to deterioration in the capital structure and debt protection metrics could be sensitivity for revision in the rating outlook to Stable from Positive.

### Company Profile

HPCL-Mittal Pipelines Ltd (HMPL) is a wholly owned subsidiary of HPCL-Mittal Energy Limited (HMEL), a joint venture between Hindustan Petroleum Corporation Limited (HPCL) and Mittal Energy Investment Pte Limited (MEIL), Singapore - a L. N. Mittal group company to set up a refinery complex with 9 million metric tonnes per

1 100 lakh = 1 crore = 10 million

2 For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



annum (MMTPA) capacity at Bhatinda (Punjab). To meet the crude receipt & storage requirements as well as to transport the crude for HMEL refinery, HMPL has set up a Crude Oil Terminal (COT) and Single Buoy Mooring (SBM) at Mundra Port, Gujarat and a 1017 km cross-country pipeline for transportation of crude oil from Mundra to Bathinda.

**November 2016**

*For further details please contact:*

Analyst Contacts:

**Mr. K. Ravichandran**, (Tel. No. +91-44-45964301)  
ravichandran@icraindia.com

**Anoop Bhatia**, (Tel. No.+91 124 4545 315)  
anoopb@icraindia.com

**Prashant Vasisht**, (Tel. No.+91 124 4545 322)  
prashant.vasisht@icraindia.com

Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Registered Office**

**ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office**

**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91- 124-4050424

**Mumbai**

**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Chennai**

**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Ahmedabad**

**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Hyderabad**

**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500

**Kolkata**

**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Bangalore**

**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Pune**

**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231