

Fitch affirms HMEL's default rating, sees no support from GOI, ONGC

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Fitch Ratings on Friday affirmed HPCL-Mittal Energy's (HMEL)'s long-term Issuer Default Rating (IDR) at 'BB', stating it expects neither HMEL's parent, Oil and Natural Gas Corporation (ONGC) nor the Indian government to ultimately support HMEL.

"HMEL's IDR is capped at HPCL's standalone credit profile of 'BB' as we do not believe that HMEL's parent, Oil and Natural Gas Corporation Limited, or the Indian government (BBB-/Stable), would ultimately provide support to HMEL," Fitch said in its statement. The rating agency maintained a stable outlook on HMEL. The agency has also affirmed the rating on the company's \$375 million senior notes at 'BB'.

HMEL's standalone credit profile, Fitch said, is at 'BB-'. "It reflects its robust refining operations from its high-complexity refinery, strong profitability and high leverage, which we expect to continue increasing over the next few years due to large capex on its petrochemical expansion project," Fitch said in its statement. HMEL'S IDR has a rating of 'BB' due to the benefit of one-notch uplift for moderate linkages with its 48.99 per cent shareholder, Hindustan Petroleum Corporation (HPCL).

Fitch however added HMEL'S IDR could further gain from HPCL'S rating in case their assessment of HMEL deteriorated or HPCL'S rating improves. "HMEL's IDR could benefit from an additional one-notch uplift should Fitch'S standalone assessment of HMEL deteriorate, provided HPCL's standalone rating remains intact, or if our assessment of HPCL's standalone rating improves, provided HMEL's standalone rating remains intact," the rating agency said.