



Press Release

West Bengal State Electricity Distribution Company Limited

Revised Press Release

August 23, 2023

This is with reference to the Press Release dated June 8, 2022. The revised PR stands as follows:

The revised press release added the detailed explanation of covenants of the rated instrument/facilities as per the regulator guidelines.

Link to the press release dated June 8, 2022 published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/PR-WBSEDCL-08-06-22.pdf>

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Secured Redeemable Bond Issue – Series I Tranche I	250.00	IVR BBB- / Stable (IVR Triple B minus with Stable outlook)	Reaffirmed	Simple
Secured Redeemable Bond Issue – Series I Tranche II	250.00	IVR BBB- / Stable (IVR Triple B minus with Stable outlook)	Reaffirmed	Simple
Secured Redeemable Bond Issue – Series II	500.00	IVR BBB- / Stable (IVR Triple B minus with Stable outlook)	Reaffirmed	Simple
Total	1000.00 (One thousand crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the Non-Convertible Redeemable Bonds of West Bengal State Electricity Distribution Company Ltd (WBSEDCL) continue to derive strength from being a wholly-owned entity of Government of West Bengal (GoWB), which provides strong financial flexibility. Further, the ratings also positively notes WBSEDCL's regulated nature of operations wherein tariffs are based on cost-plus principles, presence of monthly



Press Release

variable cost adjustment (MVCA) for pass-on of higher power purchase cost, close to 100% collection efficiency, high metering of supply and reduction in distribution loss in FY22. The ratings also take into account WBSEDCL's strong foothold in power distribution in West Bengal coupled with its favourable consumer mix. However, these rating strengths remain constrained due to its large accumulated regulatory assets. Going forward, Infomerics believes that timely release of regulatory assets and adequate tariff revision by the regulator would be critical and are key rating monitorable.

Infomerics has noted that the principal repayment of 8.50% Pension Trust Bond 2016 has been discontinued by WBSEDCL since June 2018. These bonds were issued by WBSEDCL to WBSEDCL Employees Pension Fund amounting to Rs. 1530 crore during FY2007-08 with a 10 year moratorium from the date of issue. WBSEDCL has made principal repayment of these bond to the tune of Rs. 357 Crore till May 2018 and continues with timely servicing of interest @8.50%. The decision to suspend further redemption had been taken in view of delay in tariff revision and lack of timely financial assistance from the GoWB, the parent and the guarantor of these bonds. Moreover, the decision to defer the principal obligations on these bonds had been duly informed to the relevant stakeholders i.e. appropriate authorities of GoWB as well as the trustees of the Pension Fund. Infomerics believes principal repayment delay of these bonds is a conscious decision with implicit consent of all the stakeholders.

Key Rating Sensitivities:

Upward Factors:

- Significant improvement in operating income and profitability leading to sufficient cash accruals to meet its debt repayment obligations on a sustained basis
- Improvement in liquidity profile by way of liquidation of regulatory assets

Downward Factors:

- Delay in approval of tariff and truing up of orders by the regulator leading to deterioration in debt protection metrics
- Deterioration in liquidity profile

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

- **Wholly-owned entity of Government of West Bengal**

WBSEDCL is wholly owned by the GoWB. The GoWB provides fund support to the entity (interest free short-term loan) and also helps in raising debt through extending guarantee. Besides, WBSEDCL enjoys healthy financial flexibility with banks through regular availability of credit. Its cash credit limit has also increased from Rs. 7200 crore in FY21 to Rs. 7800 crore in November 2021.

- **Strong foothold in power distribution in West Bengal**

The company has strong foothold in power distribution in the state of West Bengal with consumer strength of over two crore as on March 31, 2021. The licensed area of the company covers almost the entire State of West Bengal, barring the licensed area catered by other licensees (CESC Limited, DVC etc).

- **Pass-on mechanism for higher power cost**

The presence of monthly variable cost adjustment (MVCA) mechanism allows the company to pass on the increase in power-purchase costs to the consumer on a monthly basis. The power purchase cost is a major cost component for a power distribution company, accounting for 75-80% of the total cost. Thus, an existence of MVCA mechanism augers well for WBSEDCL.

- **High Collection efficiency and metering of supply**

WBSEDCL has nearly 100% metered supply for domestic, industrial customer segments and for agricultural segments. The company's billing procedure is fully computerized thereby leading to efficient collection mechanism. The collection efficiency remained satisfactory at 99.54% in FY21.

- **Regulated operations under cost-plus tariff scheme**

Under the WBERC Tariff Regulations, 2011, WBSEDCL files with WBERC an application indicating the Annual Revenue Requirement (ARR) depending on the expected cost of distribution and return on equity (16.5%). In case of higher fuel & power purchase cost incurred (than allowed in tariff determination), the company submits petition for Fuel and Power Purchase Cost Adjustment (FPPCA) to be allowed in the future tariff. Moreover, increase in other uncontrollable expenses is also allowed in future tariff.



Press Release

- **Favourable consumer mix**

WBSEDCL's consumer mix (as per units sold) remains favourable with a large presence of domestic consumers (~44%), industrial (~31%) and commercial consumers (~13%), Others account for only 12%, including irrigation (~4.5%).

- **Reduction in distribution loss**

WBSEDCL has managed to bring down its distribution loss to 15.11% in FY22 from 20.89% in FY21. This is mainly on account of increased focus towards improvement in distribution infrastructure.

Key Rating Weakness:

- **High level of regulatory assets**

WBSEDCL has large accumulated regulatory assets owing to delay in release of tariff and true-up orders. WBSEDCL has already submitted APR application for 2018-19 and 2019-20 before WBERC, however trueing up orders for the same are awaited. Moreover, WBSEDCL has submitted Multi Year Tariff (MYT) application for the financial year 2020-21, 2021-22 and 2022-23 before WBERC on 28th August 2020 and WBERC issued tariff order for 2020-21 and 2021-22 on March 28, 2022. Inadequate tariffs in relation to costs are leading to huge pile-up of regulatory assets. Regulatory assets stood high at Rs.18330.17 crore as on March 31, 2022, though improved from Rs. 19580.57 crore as on March 31, 2021.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

Liquidity – Stretched



Press Release

WBSEDCL's liquidity position is expected to remain constrained as its gross cash accruals are likely to be inadequate against the debt repayment obligations in the near term. However, deficit can be funded by undrawn working capital bank lines, consumer security deposits, stretching payments to creditors and state government funding support.

About the Company

Incorporated in 2007, West Bengal State Electricity Distribution Company Limited (WBSEDCL), wholly owned by the Government of West Bengal, is primarily engaged in the power distribution business in the State of West Bengal. The company has been formed as a part of the unbundling of West Bengal State Electricity Board (WBSEB) which had its operations spanning across complete value chain of generation, transmission and distribution of power. WBSEDCL has the power distribution licensee for nearly the entire state of West Bengal (with consumer strength of around two crore) except for certain areas which are catered by the private distribution licensees.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	26681.10	27426.49
EBITDA	2202.13	2410.21
Profit/Loss after net movements in Regulatory deferral accounts balance & before tax	-190.20	-205.37
Total comprehensive income for the period (Comprising Profit (Loss) and other Comprehensive Income for the period)	48.05	68.37
Total Debt	15262.04	16452.12
Adjusted Tangible Net worth	21482.50	22767.08
EBITDA Margin (%)	8.25	8.79
PAT Margin (%)	-0.71	-0.74
Overall Gearing Ratio (x)	0.71	0.72

*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	9.34% Secured Non Convertible Redeemable Bond	Long Term	250.00	IVR BBB-/ Stable	IVR BBB-/ Stable (June 11, 2021)	-	-
2.	9.34% Secured Non Convertible Redeemable Bond	Long Term	250.00	IVR BBB-/ Stable	IVR BBB-/ Stable (June 11, 2021)	-	-
3.	10.85% Secured Non Convertible Redeemable Bond	Long Term	500.00	IVR BBB-/ Stable	IVR BBB-/ Stable (June 11, 2021)	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com



Press Release

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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
9.34% Secured Non-Convertible Redeemable Bond	Aug 17, 2010	9.34%	Aug 16, 2025	250.00	IVR BBB-/ Stable
9.34% Secured Non-Convertible Redeemable Bond	Oct 26, 2010	9.34%	Oct 25, 2025	250.00	IVR BBB-/ Stable
10.85% Secured Non-Convertible Redeemable Bond	Aug 5, 2011	10.85%	Aug 4, 2026	500.00	IVR BBB-/ Stable

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

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument		Detailed Explanation
Non-Convertible Redeemable Bond	Financial Covenant	i) The Company shall, during the currency of the Bonds, maintain minimum security cover of 1.00x or such other cover as may be agreed to by the Company and the Trustees and the Investment Institutions participating in the Bond Issue (so long as they continue to hold the Bonds). ii) Not declare or pay any dividend to the Shareholders during any Financial Year unless it has paid the interest, principal amount and any other amounts that may be due in respect of the Bonds then due and payable on the Bonds in such Financial Year
	Non-Financial Covenant	Promptly inform the Bond Trustee in writing of any change in the composition of the Board of Directors.



Press Release

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.

