



Press Release

West Bengal State Electricity Distribution Company Limited

June 5, 2024

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 (Rupees One thousand crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation continues to factor in strategically important role of West Bengal State Electricity Distribution Company Ltd (WBSEDCL) for the state of West Bengal and its strong foothold in power distribution in the state coupled with healthy financial flexibility available to the company being a wholly-owned entity of Government of West Bengal (GoWB). Further, the rating also considers WBSEDCL's regulated nature of operations wherein tariffs are based on cost-plus principles, presence of monthly variable cost adjustment (MVCA) for pass-on of higher power purchase cost and high metering of supply and its favourable consumer mix. Further, the ratings also take cognizance of the reduction in Distribution and Aggregate Technical & Commercial (AT&C) losses and comfortable capital structure with improvement in overall gearing from 0.67x as on March 31, 2023 to 0.60x as on March 31, 2024 supported by decrease in total debt from Rs.16586.78 crore as on March 31, 2023 to Rs.15439.11 crore as on March 31, 2024. However, these rating strengths remain constrained due to its large accumulated regulatory assets with uncertainty regarding timing/period of recovery of 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.



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Infomerics has also noted that the principal repayment of 8.50% Pension Trust Bond 2016 has been started from July 2023 which was earlier discontinued by WBSEDCL since June 2018. During FY24, WBSEDCL has repaid ~Rs.393.66 crore towards the principal and these bonds outstanding amount stood at Rs. 779.34 crore as on March 31, 2024. These bonds were issued by WBSEDCL to WBSEDCL Employees Pension Fund.

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

Key Rating Strengths

- **Wholly-owned entity of Government of West Bengal (GoWB) and strategically important role of WBSEDCL for the state of West Bengal**

WBSEDCL came into existence post debundling of WBSEB as a wholly-owned entity of the GoWB. WBSEDCL is a strategically important entity and forms the backbone of the power sector infrastructure for West Bengal. WBSEDCL due to its strategic importance to GoWB has been able to access various funding sources in the past to tide over the short-term liquidity mismatch coupled with have received funding support in the form of grant or equity or interest free short-term loans at regular intervals. During FY24, Government of West Bengal infused equity amounting to Rs. 949.39 crore (previous year Rs. 669.89 crore).

- **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 2.31 crore as on March 31, 2024. The licensed area of the company



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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, though moderated, but remained satisfactory at 98.90% in FY24 as against 99.33% in FY23.

- **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.

- **Comfortable capital structure**

The capital structure of the company stood comfortable with its overall gearing and TOL/TNW at 0.60x and 1.52x respectively as on March 31, 2024 compared to 0.67x and 1.51x as on March 31, 2023. Improvement in overall gearing is supported by reduction in total debt level from Rs. 16586.78 crore as on March 31, 2023 to Rs. 15439.11 crore as on March 31, 2024.

- **Favourable consumer mix**

WBSEDCL's consumer mix remains favourable with a large presence of domestic consumers (~42%), industrial (~32%) and commercial consumers (~19%), Others account for only 7%, including irrigation (~2%) in 9MFY24.

Key Rating Weakness:

- **High level of regulatory assets**



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Inadequate tariffs in relation to costs have resulted into huge pile-up of regulatory assets. During FY24, WBERC issued Tariff order for 2024-25 on March 06, 2024. Regulatory assets continued to remain high at Rs.21337.22 crore as on March 31, 2024 as compared to 20014.06 crore as on March 31, 2023.

- **High distribution and AT&C loss albeit improvement in FY24**

WBSEDCL's distribution loss, though improved, continued to remain high at 16.18% in FY24 against 17.14% in FY23. Further, AT&C losses also remain high at 17.17% in FY24 against 17.27% in FY23. While collection efficiency moderated from 99.33% in FY23 to 98.90% in FY24, billing efficiency improved from 83.28% in FY23 to 83.75% in FY24.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Parent & Group support](#)

[Government Support](#)

Liquidity – Stretched

WBSEDCL's liquidity position is expected to remain constrained as its gross cash accruals are likely to be stretched 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. Infomerics believes the company will continue to receive funding support, being a GoWB entity, to meet cash flow mismatches if any.

About the Company



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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	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	31182.16	33826.41
EBITDA	2754.65	3550.83
Profit/Loss after net movements in Regulatory deferral accounts balance & before tax	28.15	124.12
Total comprehensive income for the period (Comprising Profit (Loss) and other Comprehensive Income for the period)	52.71	57.53
Total Debt	16586.78	15439.11
Tangible Net worth	24773.92	25722.89
EBITDA Margin (%)	8.83	10.50
PAT Margin (%)	0.07	0.32
Overall Gearing Ratio (x)	0.67	0.60

*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	9.34% Secured Non-Convertible Redeemable Bond	Long Term	250.00	IVR BBB-/ Stable	IVR BBB-/ Stable (June 6, 2023)	IVR BBB-/ Stable (June 8, 2022)	IVR BBB-/ Stable (June 11, 2021)



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
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2.	9.34% Secured Non-Convertible Redeemable Bond	Long Term	250.00	IVR BBB-/ Stable	IVR BBB-/ Stable (June 6, 2023)	IVR BBB-/ Stable (June 8, 2022)	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 6, 2023)	IVR BBB-/ Stable (June 8, 2022)	IVR BBB-/ Stable (June 11, 2021)

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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.

For more information visit www.infomerics.com



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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 (ISIN No. INE411L07015)	Aug 17, 2010	9.34%	Aug 16, 2025	250.00	IVR BBB-/ Stable
9.34% Secured Non-Convertible Redeemable Bond (ISIN No. INE411L07023)	Oct 26, 2010	9.34%	Oct 25, 2025	250.00	IVR BBB-/ Stable
10.85% Secured Non-Convertible Redeemable Bond (ISIN No. INE411L07031)	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	<p>Financial Covenant</p> <p>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).</p> <p>ii) Not declare or pay any dividend to the Shareholders during any Financial Year unless it has paid the interest,</p>



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		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.

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

