

Press Release

WEST BENGAL STATE ELECTRICITY TRANSMISSION COMPANY LIMITED

March 30, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	480.29	ACUITE A+ Stable Assigned	-
Bank Loan Ratings	2147.10	ACUITE A+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	2627.39	-	-



Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE A+' (read as ACUITE A plus) on the Rs.2147.10 Cr. bank facilities of West Bengal State Electricity Transmission Company Limited (WBSETCL). The outlook remains 'Stable'.

Acuite has assigned the long-term rating of 'ACUITE A+' (read as ACUITE A plus) on the Rs.480.29 Cr. bank facilities of West Bengal State Electricity Transmission Company Limited (WBSETCL). The outlook is 'Stable'.

Rationale for the rating

The rating takes into consideration the stable business risk profile of WBSETCL, marked by steady revenues levels, steady profitability margins, and a healthy financial risk profile. The rating also factors in the support from the government of West Bengal to WBSETCL, as and when necessary. These strengths are partly offset by the inherently regulated nature of operations in the electricity transmission business and the counterparty exposure to the state distribution entity, WBSEDCL, which has a relatively weaker credit profile.

About the Company

West Bengal State Electricity Transmission Company Limited (WBSETCL) was incorporated in April 2007, post unbundling of the erstwhile West Bengal State Electricity Board (WBSEB), in line with the requirement under the Electricity Act 2003. The erstwhile WBSEB has been unbundled into West Bengal State Electricity Distribution Company Limited (WBSEDCL) (rated at ACUITE BBB/Stable/A3+) and West Bengal State Electricity Transmission Company Limited (WBSETCL) in accordance with a transfer scheme notified by the State Government of West Bengal dated January 2007. As a part of the transfer scheme, the business of power transmission and load dispatch activities have been transferred and vested in WBSETCL and the business of power distribution and activities related to hydropower undertakings have been transferred and vested in WBSEDCL. Currently, WBSETCL operates and maintains a transmission network of 16311 CKM of Extra High Voltage Transmission lines along with 139 sub-stations (ranges from 60 KV to 400 KV) and total transformation capacity of 38294 MVA, spread over the entire stretch of the state of West Bengal. Moreover, WBSETCL maintained a transmission system availability of more than 99 per cent and transmission losses less than 2.75 per cent in FY2023

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of WBSETCL to arrive at the rating. Acuite has also factored in benefits emanating from the ownership by Government of West Bengal. GoWB's financial support to WBSETCL is in the form of its 100 per

cent ownership and its guarantee for certain borrowings of WBSETCL.

Key Rating Drivers

Strengths

Support from the government of West Bengal

WBSETCL is a wholly owned undertaking of the GoWB and a strategically important entity for the power sector infrastructure in the state of West Bengal. The ownership structure provides adequate financial flexibility. It is also the nodal agency of the government for undertaking power transmission activity in the state. Being the transmission licensee, WBSETCL is mandated to ensure the development of an efficient, coordinated, and economical transmission network for smooth flow of power to the load centres. WBSETCL's credit quality is also supported by its access to funds at low cost and its ability to mobilise financial resources from several financial institutions and multilateral development institutions due to its status as a state-owned entity. Acuité believes that WBSETCL, being a 100 per cent undertaking of GoWB, shall continue to benefit from the financial, operational and management support from time to time. Any changes in the ownership pattern of WBSETCL or any event that impinges GoWB's overall credit profile shall remain a key rating sensitivity.

Inbuilt 'cost plus tariff' structure

The billing of transmission charges by WBSETCL is regulated and fall under the gamut of the Annual Revenue Requirement (ARR) of a 'cost-plus' based tariff mechanism. The regulator allows a post-tax return on equity of 15.5 per cent and other uncontrollable expenses are allowed to be passed through in tariff through the Annual Performance Review (APR) process. Acuité believes the 'cost-plus' based tariff mechanism will continue to sustain the stable business outlook for the company.

Steady business risk profile

WBSETCL achieved revenues of Rs.2242.63 Cr. in FY2023 as compared to revenues of Rs.1713.11 Cr. in FY2022 and Rs.1854.63 Cr. in FY2021. Further, the company has achieved revenue of Rs.1365.60 Cr. in 9MFY2024 compared to Rs.1638.13 Cr. in 9MFY2023. The ARR from transmission charges for FY2024 is 1733.20 Cr. The profitability margins of the company are healthy with operating margin of 76.69 per cent in FY2023 as compared to 67.40 per cent in FY2022. The PAT margins rose to 43.26 per cent in FY2023 as against 28.47 per cent as on FY2022. The steady profitability margins have translated into healthy ROCE levels for the company of about 14.01 per cent in FY2023 as against 9.18 per cent in FY2022.

Healthy financial risk profile

The company's healthy financial risk profile is marked by healthy networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs. 7019.13 Cr. as on March 31, 2023 from Rs. 6057.75 Cr. as on March 31, 2022 due to accretion of reserves. Gearing of the company stood comfortable at 0.49 times as on March 31, 2023 as against 0.56 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.73 times as on March 31, 2023 as against 0.92 times as on March 31, 2022. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 6.51 times as on March 31, 2023 and Debt Service Coverage Ratio at 2.79 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.39 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company will remain comfortable backed by steady accruals.

Weaknesses

Regulated nature of operations

WBSETCL continues to be exposed to regulatory uncertainty, given that revenues or transmission charges are influenced by the regulatory framework governing the power sector. The company operates through a cost-plus return on equity model laid down by WBERC. Any change or reduction in return on equity or a tightening of the WBERC norms could result in lower operating cash flows. Further, a lack of timely tariff revisions could result in cash flow

mismatch in the medium term. The entity is also subject to counterparty or delayed payment risk from WBSEDCL which has a relatively weaker credit profile as compared to WBSETCL.

Rating Sensitivities

Timely support from the Government of West Bengal

Timelines for tariff revision

Any significant increase in receivables from WBSEDCL

Liquidity Position

Strong

The company's liquidity is strong marked by net cash accruals of Rs.1320.43 Cr. in March 31, 2023 as against debt repayment obligation of Rs.335.18 Cr. The cash and bank balances of the company stood at Rs.93.36 Cr. as on March 31, 2023 as compared to Rs.184.63 Cr. as on March 31, 2022. The company has put aside fund of Rs.408.95 Cr. as on March 31, 2023 and Rs.190.12 Cr. as on March 31, 2022 to be utilized for redemption of debentures and unforeseen exigencies. The fund-based limit remains utilised at around 9.90 per cent over the six months ended Feb, 2023. However, the current ratio stood at 1.17 times as on March 31, 2023, on account of high other current liabilities due to amount received from Power Grid Corporation, consumer contribution to capital asset, payable to WBSETCL Pension Trust and provision for employee benefits. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term due to the steady cash flows inherent in the power transmission business along with its strategic importance and the support provided by the state government. The outlook may be revised to 'Positive' in case the company registers consistent growth in revenues while maintaining its profitability and liquidity. Conversely, the outlook may be revised to 'Negative' in case of any unexpected deterioration in the financial profile, elongation of working capital cycle or any significant pressures on the fiscal position of the state government.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2242.63	1713.11
PAT	Rs. Cr.	970.25	487.69
PAT Margin	(%)	43.26	28.47
Total Debt/Tangible Net Worth	Times	0.49	0.56
PBDIT/Interest	Times	6.51	4.43

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Aug 2023	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	145.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	80.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	54.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	490.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	470.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	618.10	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	190.00	ACUITE A+ Stable (Reaffirmed)
26 May 2023	Cash Credit	Long Term	145.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	80.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	54.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	490.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	618.10	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	190.00	ACUITE A+ Stable (Reaffirmed)
07 Jun 2022	Cash Credit	Long Term	250.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	54.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	490.00	ACUITE A+ Stable (Reaffirmed)
	Term Loan	Long Term	618.10	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	190.00	ACUITE A+ Stable (Reaffirmed)
06 May 2021	Cash Credit	Long Term	250.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	75.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	190.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Term Loan	Long Term	490.00	ACUITE A+ Stable (Assigned)
	Term Loan	Long Term	54.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	80.00	ACUITE A+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.98	ACUITE A+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	265.64	ACUITE A+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	109.71	ACUITE A+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	390.25	ACUITE A+ Stable Reaffirmed
Housing and Urban Development Corporation Ltd (HUDCO)	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	54.00	ACUITE A+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	434.40	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	618.12	ACUITE A+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	243.75	ACUITE A+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	236.54	ACUITE A+ Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Pradeep Singh Senior Analyst-Rating Operations Tel: 022-49294065 pradeep.singh@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.