

Press Release

The West Bengal Power Development Corporation Limited

March 15, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2565.97	ACUITE A- Stable Assigned	-
Bank Loan Ratings	3999.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	350.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	6914.97	-	-

Rating Rationale

Acuite has assigned and reaffirmed the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and reaffirmed short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) to the Rs.6914.97 Cr bank facilities of The West Bengal Power Development Corporation Limited (WBPDCCL). The outlook remains '**Stable**'.

Rating Rationale

The rating considers the stable business risk profile of the company marked by a cost plus based tariff mechanism and assured offtake on account of power purchase agreement with WBSEDCL (rated at ACUITE BBB/Stable/A3+). Acuite also derives comfort from the steady fiscal position of the Government of West Bengal, which is expected to provide significant support to WBPDCCL, as and when necessary. These strengths are, however, partly offset by the inherently regulated nature of operations in the electricity generation business and the counterparty exposure to the state distribution entity, WBSEDCL, which has a relatively weaker credit profile.

About the Company

Incorporated in 1985, The West Bengal Power Development Corporation Limited (WBPDCCL) is a wholly owned undertaking of the state government of West Bengal. The company is engaged in the business of thermal power in the state. Currently, WBPDCCL operates and maintains 20 units at 5 locations, Kolaghat, Bandel, Bakreswar, Santaldih and Sagardighi. The installed capacity of Kolaghat Thermal Power Station is 1260 MW, Bakreshwar Thermal Power Station is 1050MW, Sagardighi Thermal Power Project is 1600MW, Bandel Thermal Power Station is 335 MW and Santaldih Thermal Power Station is 500 MW. WBPDCCL supplies all its power to West Bengal State Electricity Distribution Company Limited (WBSEDCL).

Standalone (Unsupported) Rating

ACUITE BBB-/Stable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of WBPDCCL to

arrive at the rating. Acuité has also factored in benefits emanating from the ownership by Government of West Bengal. GoWB's financial support to WBPDCCL is in the form of its 100 per cent ownership and its guarantee for certain borrowings of WBPDCCL.

Key Rating Drivers

Strengths

Strategically important entity and support from the government of West Bengal

WBPDCCL is a wholly-owned undertaking of the GoWB and a strategically important entity of the power sector infrastructure for the state of West Bengal. The ownership structure provides adequate financial flexibility. It is also the nodal agency of the government for undertaking power generation activity in the state. Being the power generation licensee by WBERC, WBPDCCL is mandated to ensure the generation of power from its installed capacity and supply the same to WBSEDCL. WBPDCCL's credit profile 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. The rating factors in the financial flexibility of WBPDCCL.

West Bengal has been one of the fastest-growing states in India and is the sixth-largest state economy in India with gross state domestic product (GSDP) growing at 18.10 per cent in 2021-22. While the state's revenue deficit has been relatively modest at 2.15 per cent, its fiscal deficit stood at 3.48 per cent in 2021-22. GoWB has significantly increased its focus on increasing industrial development in the state, which gets reflected from the improving FDI inflows onto the state. However, the state's overall borrowing level continues to remain high and is a challenge to its overall fiscal profile.

Acuité believes that WBPDCCL, being a 100 per cent undertaking of GoWB, shall continue to benefit from the financial, operational and management support as and when required. The GoWB has demonstrated financial support by way of loans to WBPDCCL on a regular basis. Any changes in the ownership pattern of WBPDCCL or any event that impinges GoWB's overall credit profile shall remain a key rating sensitivity.

Assured offtake account on PPA

There is a power purchase agreement between WBSEDCL and WBPDCCL for 15 years upto 2026. As per the agreement, the entire generating capacity of WBPDCCL is allotted to WBSEDCL. WBSEDCL shall purchase such power as per terms conditions set forth in the agreement. Acuité believes that going forward the long term agreement will continue to ensure assured offtake of the company.

Inbuilt 'cost plus tariff' structure

The billing of generation charges of WBPDCCL are regulated and required the Annual Revenue Requirement (ARR) under 'cost-plus' based tariff mechanism. The regulator, WBERC allows a post-tax return on equity of 15 per cent and other uncontrollable expenses are allowed to be passed through in tariff through Annual Performance Review (APR) process. Acuité derives comfort from the cost plus based tariff mechanism.

Steady business risk profile

WBPDCCL has achieved revenues of Rs. 10,249.52 Cr in FY2022 as compared to Rs. 9,453.24 Cr in FY2021. Further, the company has achieved a revenue of Rs.5797.11 Cr. The increase in revenue is primarily due to increase in generation of power, which is in turn on account of usage of 68 per cent of required coal from captive coal mines. Acuité believes that the business risk profile is strengthened by the increase in usage of captive coal, going forward, which is expected to be increase further.

Moreover, the cost plus tariff model has translated into steady EBITDA margin for the company of about 18.91 per cent in FY2022. The profitability is driven by superior in Plant Availability Factor (PAF) of 85.59 per cent in FY2022 compared to 78.43 per cent in FY2021, and other operating efficiencies namely reduced oil consumption rate with respect to the normative rate and reduction of boiler tube leakage and reduction in unit tripping.

Weaknesses

Regulated nature of operations

The revenues are influenced by the regulatory framework governing the power sector. Revenues of players such as WBPDCCL are determined by West Bengal Electricity Regulatory Commission (WBERC). The company operates through a cost-plus return on equity model laid down by WBERC. Any significant delays in tariff approvals or a reduction in return on equity or a tightening of the WBERC norms could result in lower operating cash flows. Acuité believes that any significant change in the regulatory environment will impinge on the credit profile of the company.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Continued support from the Government of West Bengal
- Periodical and timely tariff revision
- Any significant increase in receivables from WBSEDCL

Material covenants

None

Liquidity Position: Adequate

The state government of West Bengal has given guarantee for certain borrowings of WBPDCCL; which provides financial flexibility to the company. Further, the company's liquidity is adequate marked by the high amount of cash and bank balances of Rs.119.68 Cr as on March 31, 2022 and investment in fixed deposits and other deposits of Rs.3537.54 Cr as on March 31, 2022. However, the current ratio stood moderate at 1.16 as on March 31, 2022. The net cash accruals stood at Rs.1003.40 Cr in FY2022, which is insufficient against debt repayment obligation of Rs.1682.48 Cr for the same time period. The differential payment had been done from the internal resources of the company. The fund based limit remains highly utilised at around 91 per cent over the six months ended February, 2023. Acuité believes that going forward the liquidity position of the company will improve backed by the gradually improving accruals.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook over the medium term due to the assured offtake on account of PPA with WBSEDCL along with its strategic importance and the support provided by the state government. The outlook may be revised to 'Positive' in case of significant improvement of the financial risk profile, liquidity position and its revenue level. 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	10249.52	9453.24
PAT	Rs. Cr.	289.20	569.04
PAT Margin	(%)	2.82	6.02
Total Debt/Tangible Net Worth	Times	1.64	1.28
PBDIT/Interest	Times	2.26	2.34

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

None

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. Acuité'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
03 Oct 2022	Letter of Credit	Short Term	350.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	550.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	114.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	500.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	9.75	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	550.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	20.25	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	650.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	325.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1250.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
10 Nov 2021	Cash Credit	Long Term	325.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	650.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	550.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	1250.00	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	360.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	325.00	ACUITE A- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	550.00	ACUITE A- Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1250.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	650.00	ACUITE A- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	500.00	ACUITE A- Stable Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	350.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	12.80	ACUITE A- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	36.92	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	256.92	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.25	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.75	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	125.00	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	270.00	ACUITE A- Stable Assigned
Punjab								ACUITE A-

National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	200.00	Stable Assigned
IDBI Bank Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	194.44	ACUITE A- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	204.56	ACUITE A- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	300.00	ACUITE A- Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	200.00	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	550.00	ACUITE A- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	483.33	ACUITE A- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	114.00	ACUITE A- Stable Reaffirmed

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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.

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