

### Press Release

WEST BENGAL INFRASTRUCTURE DEVELOPMENT FINANCE CORPORATION LIMITED

February 04, 2022

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	2550.00	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	3300.00	ACUITE A   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	5850.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuité has reaffirmed the long term rating of 'ACUITE A' read as (ACUITE A) on the Rs. 3,300.00 Cr. bank facilities of West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC). The outlook is 'Stable'.

Further, Acuité has assigned the long term rating of 'ACUITE A' read as (ACUITE A) on the Rs. 2,550.00 Cr. bank facilities of West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC). The outlook is 'Stable'.

The rating factors in WBIDFC's strong parentage (Government of West Bengal holds~100 percent) and its strategic importance in providing credit to key infrastructure projects in West Bengal. The rating further considers the experienced managerial board at WBIDFC, comfortable capitalization levels marked by Capital Adequacy Ratio (CAR) of 82.00 percent as on March 31, 2021. The company's loan book increased to Rs. 4,807.97 Cr. as on September 30, 2021 from Rs. 1,835.39 Cr. as on March 31, 2021 driven by higher disbursements of Rs. 3,027.76 Cr. during H1 FY2022 as compared to Rs. 980.54 Cr. during FY2021. WBIDFC majorly lends to its state government entities and projects and receives guarantee from GoWB for the same. WBIDFC's asset quality stood healthy marked by GNPA of 0.35 percent as on March 31, 2021. By virtue of state government ownership and support, the corporation enjoys strong resource raising ability at lower cost of funds thereby maintaining comfortable liquidity buffers to meet its funding requirements.

These strengths are partially offset by large ticket size exposures and limited flexibility to go beyond its existing area and scope of operations. Going forward, continued support from GoWB, WBIDFC's ability to profitably grow its loan portfolio while containing any additional slippages will be a key monitorable.

### About the company

WBIDFC, a wholly-owned subsidiary of Government of West Bengal (GoWB), was incorporated in 1997 with an objective to support infrastructure development in West Bengal. The company's primary objective is to mobilise funds from debt market and banks and on lend it to various state level enterprises, joint sector and Private sector companies. Besides Infrastructure, the company has also provided funding to department of food and supplies among others.

## **Analytical Approach**

Acuité has adopted a standalone approach while assessing the business and financial risk profile of WBIDFC and has factored in benefits emanating from the ownership by Government of West Bengal. GoWB's financial support to WBIDFC is in the form of its ~100 per cent equity ownership and its guarantee for certain borrowings of WBIDFC. Besides financial support, GoWB also extends managerial support through Board representation.

## **Key Rating Drivers**

### **Strength**

- **Strong support from Government of West Bengal**

WBIDFC is an RBI registered non-deposit taking NBFC engaged in financing for infrastructure development in West Bengal. The current board comprises Dr. Abhirup Sarkar (Chairman), Mr. Manas Dhar (Managing Director) along with various professionals and bureaucrats representing Government of West Bengal (GoWB). This provides strong managerial support on an ongoing basis to WBIDFC.

WBIDFC's funding profile is supported by the State Government's moral obligation to support the capitalization levels both on an ongoing basis and in the event of distress. GoWB is ~100 per cent stakeholder in the corporation and is expected to support the corporation given its key role as a financier for infrastructure development in the state. WBIDFC's capitalization levels remained adequate at 82 percent as on March 31, 2021. WBIDFC's funding mix comprises equity contribution from GoWB, borrowings from banks. The outstanding debt of ~Rs. 4,992 Cr. as on September 30, 2021, comprised bank borrowings (term loans and overdrafts). The ownership by the GoWB enables WBIDFC to borrow at fine pricing from various banks and institutions. Given the linkages with the West Bengal Government and its role in facilitating funding for several state enterprises as well as companies that play an important role in the state economy, Acuité believes that WBIDFC will continue to receive need based support in future as well.

Since the support from GoWB is critical to the rating, the credit profile of West Bengal state is of key importance. West Bengal's fiscal deficit stood at 2.7 per cent of the GSDP for FY2019-20(RE). The outstanding debt of West Bengal state as a percentage of GSDP remained over 34 per cent for 2018-19 and 2019-20. These levels are already elevated. Any further deterioration in the state metrics could impact the headroom to support the entities like WBIDFC, for whom it is obligated to extend support either on account of an explicit support arrangement or an implicit understanding with the lenders. The fiscal position and credit profile of West Bengal state will be a key rating sensitivity.

Acuité believes that the company will continue to benefit from strong financial and managerial support from the State Government on an ongoing basis over the medium term.

### **Weakness**

- **Risks inherent in big ticket lending**

WBIDFC's mandate is to offer financial assistance for infrastructure development. The company's loan book as on March 31, 2021 stood at Rs. 1,835.39 Cr. as on March 31, 2021 (Rs. 2,194.84 Cr. March 31, 2020; Rs. 1,093 Cr. as on March 31, 2019). As on September 30, 2021 the loan book increased to Rs. 4,807.97 Cr. on account of disbursements made during H1 FY2022 of the sanctions made in FY2021. The entire loan book was spread across 22 borrowers indicating an average ticket size of around Rs. 220 Cr. These borrowers mostly comprised of entities owned and controlled by the State Government and joint venture entities with the State Government as one of the partners. The loan portfolio includes exposure to Private sector borrower which had turned delinquent.

Since the margins on exposures to the state government entities/ Public sector entities are

typically low (on account of the low risk), the company has in the past taken exposures on Private sector entities also. However, it has been observed that the company's experience with lending to Private sector entities have not been very encouraging. The company's remained healthy marked by Gross NPA as on March 31, 2021 stood at 0.35 percent (0.31 percent as on March 31, 2020; 6.67 percent as on March 31, 2019). The NPAs have been from the Private sector portfolio of the company. The company's gross NPA's moderated, primarily on account of sale of assets to an ARC and write offs during FY2020 and since then has remained Nil. GNPA as on September 30, 2021 stood at 0.14 percent.

Besides the risk of delinquency in large exposures, WBIDFC is also exposed to the risk of prepayments or delays in offtake in respect of sanctioned exposures. Since any improvement in operating performance is linked to growth in the loan book, the company will have to maintain a healthy pipeline of disbursements. It has been observed over the past three years, that there has been a significant divergence between the sanctions and the disbursements. This is attributable to sanctions to Government entities which remained undrawn mainly on account of funding arrangements being made by these entities from alternative sources like budgetary support.

Acuité believes that the company's ability to manage the risks inherent in the wholesale lending segment will remain a key rating sensitivity.

- **Limited operational flexibility amidst an intensely competitive landscape**

Limited operational flexibility amidst an Intensely competitive landscape: WBIDFC's objective is to extend financial support to the infrastructure development in the state of West Bengal. The company has primarily focused on lending to Public sector, Private sector entities and entities owned and managed by Government of West Bengal. The company's resource base comprises equity from GoWB and funding from banks and institutions. Currently on a networth base of Rs. 1,214.36 Cr., the company is geared at 4.11 times as on September 30, 2021. As the borrowings increase, the overall cost of funds will be increasingly linked to the interest rates on these incremental debts. The likelihood of raising debt through GoWB guarantees is linked to the Government's willingness to extend further guarantees. Since WBIDFC is required to pay guarantee commission to the Government for any guarantees, it adds to the cost of funding through that route. Hence, the company has always endeavored to raise funds on the strength of its standalone credit profile. The ability to access funds at competitive rates will be a key determinant of its future cost of funding. WBIDFC has demonstrated access to funding at competitive rates by availing term loan facilities from PSB's of ~Rs. 2,550 Cr. during H1 FY2022.

WBIDFC's mandate of lending to Infrastructure projects/ entities in the State of West Bengal limits the lendable options in an intensely competitive environment. Amidst this intensely competitive landscape, WBIDFC tries to identify profitable lendable opportunities on the strength of its quick turnaround and speedy decision making.

Acuité believes that against the above competitive backdrop and limited flexibility to go beyond its existing area and scope of operations, WBIDFC will have to maintain a healthy roster of highly rated Private and Public sector borrowers to sustain its profitability and growth.

### **Rating Sensitivity**

- Credit profile, ownership & support of Government of West Bengal
- Profitability and asset quality metrics
- Changes in regulatory environment

### **Material Covenants**

WBIDFC is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

## Liquidity Position: Adequate

The company's total debt stood at Rs. 4,992.03 Cr. as on September 30, 2021 comprising term loans & overdraft facilities from Banks. The company had maintained cash and bank balances of ~Rs. 805 Cr. and liquid investments in term deposits amounted to Rs. 138 Cr. as on September 30, 2021. The company has working capital facility of Rs.1400.00 Cr. from four Public sector banks. These facilities were utilized at around 30-40 percent on an average of six months ending December 31, 2021, indicating the financial flexibility of WBIDFC.

## Outlook: Stable

Acuité believes that WBIDFC will maintain a 'Stable' credit profile over the near to medium term on the back of ongoing financial and managerial support from GoWB. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its AUM while maintaining profitability and asset quality at healthy levels. Conversely, the outlook may be revised to 'Negative' in case of any significant deterioration in asset quality or profitability metrics. The ownership and control of GoWB will be a key ratings sensitivity.

## Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	3017.22	4122.16
Total Income*	Rs. Cr.	101.76	74.65
PAT	Rs. Cr.	45.26	36.62
Networth	Rs. Cr.	1191.24	1163.83
Return on Average Assets (RoAA)	(%)	1.27	1.05
Return on Net Worth (RoNW)	(%)	3.84	3.18
Total Debt/Tangible Net Worth (Gearing)	Times	1.50	2.52
Gross NPA's	(%)	0.31	0.31
Net NPA's	(%)	-	-

\*Total income equals to Net interest income plus other income

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

Not Applicable

## Any other information

Not Applicable

## Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>



## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Nov 2020	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	500.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	400.00	ACUITE A   Stable (Assigned)
	Term Loan	Long Term	450.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	300.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE A   Stable (Assigned)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Reaffirmed)
23 Aug 2019	Proposed Bank Facility	Long Term	500.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	500.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	300.00	ACUITE A   Stable (Reaffirmed)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Reaffirmed)
24 Jul 2018	Secured Overdraft	Long Term	500.00	ACUITE A   Stable (Assigned)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Assigned)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Assigned)
	Secured Overdraft	Long Term	300.00	ACUITE A   Stable (Assigned)
	Secured Overdraft	Long Term	200.00	ACUITE A   Stable (Assigned)
	Term Loan	Long Term	500.00	ACUITE A   Stable (Assigned)
	Proposed Bank Facility	Long Term	1000.00	ACUITE A   Stable (Assigned)

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	300.00	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	500.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	50.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	450.00	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	400.00	ACUITE A   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	500.00	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1000.00	ACUITE A   Stable   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	500.00	ACUITE A   Stable   Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	600.00	ACUITE A   Stable   Assigned
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	450.00	ACUITE A   Stable   Assigned

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### About Acuité Ratings & Research

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