

Press Release

West Bengal Infrastructure Development Finance Corporation Limited

May 05, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1000.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	5850.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	6850.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' read as (**ACUITE A**) on the Rs. 5850.00 Cr. bank facilities of West Bengal Infrastructure Development Finance Corporation Limited (WBIDFC). The outlook remains '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE A**' read as (**ACUITE A**) on the Rs. 1000.00 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 also considers the experienced managerial board at WBIDFC and comfortable capitalization levels. The company's Capital Adequacy Ratio (CAR) reduced to 69.69 percent as on March 31, 2022, from 82.00 percent as on March 31, 2021, due to increase in risk weighted assets. The company reported a further reduction in Capital Adequacy Ratio (CAR) to 64.35 percent as on December 31, 2022. The company has reported an improvement in loan book to Rs. 4424.09 Cr. as on March 31, 2022 from Rs 1835.39 Cr. as on March 31, 2021. The company has reported a further improvement in loan book to Rs 4919.58 Cr. as on January 31, 2023. Improvement in loan book is driven by disbursements of Rs 686.15 Cr. during 9MFY2023. 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 1.20 percent as on March 31, 2022 due to prudent underwriting practices. The company has reported a further improvement in GNPA to 1.08 percent as on January 31, 2023. On account 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 rating 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.

Standalone (Unsupported) Rating

Acuite BBB/ 'Stable'

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 64.35 percent as on December 31, 2022. WBIDFC's funding mix comprises equity contribution from GoWB and borrowings from banks. The Company's outstanding debt is Rs 5332.53 Cr. as on March 31, 2023 (Provisional). The company's borrowings comprised of 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 2.6 per cent of the GSDP for FY2020-21 (RE). The outstanding debt of West Bengal state as a percentage of GSDP remained over 38.60 for FY21 RE. 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 has improved to Rs. 4424.09 Cr. as on March 31, 2022 from Rs 1835.39 Cr. as on March 31, 2021. The company's loan book has further improved to Rs 4919.58 Cr. as on January 31, 2023. The entire loan book was spread across 20 borrowers indicating an average ticket size of around Rs. 246 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 company's asset quality remained healthy with GNPA of 1.20 percent as on March 31, 2022 (0.35 percent as on March 31, 2021 and 0.31 percent as on March 31, 2020). The company has reported a further improvement in GNPA of 1.08 percent as on January 31, 2023. 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 during FY2022-23, that there has been a 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:

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. 1341.63 Cr., the company is geared at 3.13 times as on March 31, 2023 (Provisional). 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. 353.73 Cr. during FY2022-23. 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.

ESG Factors Relevant for Rating

WBIDFC is a wholly-owned subsidiary of Government of West Bengal (GoWB), primary objective is to mobilise funds from debt market and banks and lend it to various state level enterprises, joint sector and Private sector companies. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions financial inclusion and social development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. WBIDFC board of directors comprises of Chairman, Managing Director, Independent Director and three directors.

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. 5332.53 Cr. as on March 31, 2023 (Provisional) comprising term loans & overdraft facilities from Banks. The company had maintained cash and bank balances of ~Rs. 1334.03 Cr. 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 three months ending March 31, 2023, indicating the financial flexibility of WBIDFC.

Outlook:

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.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Provisional)	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs Cr.	6707.52	6262.23	3017.52
Total Income*	Rs Cr.	242.48	99.09	101.76
PAT	Rs Cr.	94.94	53.13	45.26
Networth	Rs Cr.	1341.63	1246.69	1191.24
Return on Average Assets (ROAA)	(%)	1.46	1.15	1.27
Return on Net Worth (RoNW)	(%)	7.34	4.36	3.84
Total Debt/Tangible Net Worth (Gearing)	Times	3.97	3.99	1.5
Gross NPA's	(%)	Not Available	1.20%	0.35%
Net NPA's	(%)	Not Available	0.78%	0.00%

*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>

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 Feb 2022	Term Loan	Long Term	500.00	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	200.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	400.00	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	200.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	50.00	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	500.00	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	300.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	1000.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	600.00	ACUITE A Stable (Assigned)
	Secured Overdraft	Long Term	200.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	500.00	ACUITE A Stable (Reaffirmed)
	Term Loan	Long Term	450.00	ACUITE A Stable (Assigned)
	Term Loan	Long Term	450.00	ACUITE A Stable (Reaffirmed)
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)

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	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	500.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A Stable Reaffirmed
Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	200.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	300.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	450.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	400.00	ACUITE A Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	500.00	ACUITE A Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	500.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1000.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	500.00	ACUITE A Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	600.00	ACUITE A Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	450.00	ACUITE A Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1000.00	ACUITE A Stable Assigned

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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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