

West Bengal State Electricity Transmission Company Limited

Full Rating Report

Ratings

Long-Term Issuer Rating	IND A
Long-Term Bank Facilities	IND A
INR3.41bn Long-Term Bonds	IND A
Proposed INR2,600m Bond	Provisional IND A

Outlook

Long-Term Issuer Rating	Stable
Long-Term Bank Facilities	Stable
INR3.41bn Long-Term Bonds	Stable
Proposed INR2,600m Bond	Stable

Financial Data

West Bengal State Electricity Transmission Company Limited

Particulars	Mar 14	Mar 13
Revenue (INRm)	10,686	10,103
Operating EBITDAR (INRm)	7,744	7,256
Operating EBITDAR/revenue (%)	72.5	71.8
Total debt (INRm)	25,489	24,658
Adjusted net debt/operating EBITDA (x)	3.14	3.30

Key Rating Drivers

Maintenance of Financial Profile: West Bengal State Electricity Transmission Company Limited (WBSE-T) has maintained its financial performance for FY15 in line with India Ratings and Research's (Ind-Ra) expectations. Ind-Ra expects the financial profile to remain at the current levels over the near term (FY15-FY16) with net leverage (net debt / EBITDA) of about 3.5x and interest coverage (EBITDA/ interest cost) at about 3x.

Fixation of Multi-year Tariff: The multi-year tariff for FY15-FY17 approved in March 2015 by the West Bengal State Electricity Regulatory Commission (WBERC) increases the certainty of cash flow in the medium term.

Operating Under Regulatory Regime: WBSE-T has a monopoly status in its license area and faces low business risks in a regulated tariff regime, despite regulatory uncertainty continuing to weigh on certain tariff dues and a time lag in tariff fixation.

High Operating Efficiency: WBSE-T maintains high operating efficiencies with a network availability of above 99% over FY09-FY14 and a low transmission loss of around 3%.

High Customer Concentration: The financial profile of WBSE-T is highly dependent on the timely recovery of dues from West Bengal State Electricity Distribution Company Limited (WBSE-D), which is its single large customer and contributes over 90% to WBSE-T's revenue. However, WBSE-D's financial profile may weaken as the gap between its actual distribution loss and allowable loss widens, leading to a lower cash profit. WBSE-D's distribution loss increased to 27.96% in FY14 (FY13: 25.4%, FY12: 24.9%) as against the 17.5% loss allowed by the regulator.

Large Capex: WBSE-T, which had postponed a part of the planned capex during FY13 and FY14, took up around INR7,500m of this capex in FY15 and plans to incur INR12,500m in FY16 as envisaged by Ind-Ra. This large capex plan will lead to higher debt and interest expense from FY16, resulting in a marginal increase in the net leverage.

Rating Sensitivities

Negative: Delays in realisation of receivables from WBSE-D resulting in deterioration of liquidity and net leverage exceeding 5x could be negative for the ratings.

Positive: Maintenance of WBSE-T's credit profile and strengthening of WBSE-D's credit profile could result in a rating upgrade.

Liquidity and Debt Structure

Debt Structure: WBSE-T's total debt declined to INR21,344.9m in FY14 (FY13: INR24,658.3m) because of the scheduled repayment of term debt. The outstanding debt at FYE14 comprised long-term loans and outstanding bonds. Working capital use was nil at FYE14.

Comfortable Liquidity: WBSE-T has been reporting positive cash flow from operations since FY10 due to low working capital requirements and high EBITDA. However, free cash flow remained negative till FY14 due to capex. It is likely to remain negative FY15 onwards due to high capex.