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ICRA assigns issuer rating at IrA and long term rating at LA on proposed bond issue of West Bengal State Electricity Transmission Company Limited

ICRA has assigned issuer rating of 'IrA' and 'LA' (pronounced as L A) on the proposed bond issue of Rs. 3 billion of West Bengal State Electricity Transmission Company Limited (WBSETCL)[†]. ICRA has also reaffirmed the LA rating on the bank lines of Rs. 3 billion and bond issue of Rs. 2 billion of WBSETCL.

The rating reflects the company's status as the transmission licensee in the state of West Bengal, low business risks arising from the regulated nature of operations based on 'cost-plus' based tariff principles and its track record of efficient operations. The ratings also factor in the strategic importance of the utility to the Government of West Bengal. The ratings are constrained by the intrinsic credit quality of the Government of West Bengal and the large capex plans of the utilities which would imply continued reliance on debt and the currently moderate debt servicing indicators. The company is also exposed to the counter party credit risks of its sole customer, West Bengal State Electricity Distribution Company Limited (WBSEDCL) and while distribution loss levels of WBSEDCL continue to remain much higher than allowed, ICRA, however, takes comfort from its profitable operations during FY 2008 & FY 2009 as well as its track record of timely payments to the company. While the GoWB has announced subsidy for certain sections of consumers by during 2009-10, overall subsidy support for WBSEDCL remains quite limited and is adjusted against the electricity duty recoveries from the consumers.

Company Profile

West Bengal Electricity Transmission Corporation Limited (WBETCL) was incorporated w.e.f. 1st April 2007, post unbundling of erstwhile West Bengal State Electricity Board (WBSEB) on functional lines in line with the requirement under Electricity Act 2003. The erstwhile WBSEB has been unbundled into a) West Bengal State Electricity Transmission Company Limited and b) West Bengal State Electricity Distribution Company Limited (WBSEDCL). WBSETCL is responsible for transmitting Power at 400KV, 220KV, 132KV & 66KV throughout the state of West Bengal. The company currently operates and maintains a transmission network of 11160 ckm of Extra High Voltage (EHV) transmission lines along with 93 substations (400 KV to 66 KV) having total transformation capacity of 15214 MVA. In 2008-09, company handled energy flow of about 23446 MU in its transmission network with average transmission loss of 3.9%.

During FY 2008-09, company recorded operating income of Rs. 6.81 billion and profit after tax of Rs. 1.96 billion.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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