

June 10, 2024

Vijaya Wb Smart Meters Private Limited: [ICRA]A- (Stable)/[ICRA]A2+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Proposed term loan	160.00	[ICRA]A- (Stable); assigned
Short-term – Interchangeable – Proposed Letter of Credit	(160.00)	[ICRA]A2+; assigned
Long-term – Fund-based – Proposed bridge loan	90.00	[ICRA]A- (Stable); assigned
Long-term/Short-term – Non-fund-based – Proposed Bank Guarantee	50.00	[ICRA]A- (Stable)/[ICRA]A2+; assigned
Total	300.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating for Vijaya WB Smart Meter Private Limited (VWBSMPL) factors in the long-term contract with West Bengal State Electricity Distribution Company Limited (WBSEDCL) for installing and operating advanced metering infrastructure (AMI). The company would receive a lumpsum grant for the installed smart meters after achieving operational go live and fixed monthly service charges for the operational meters for the operating period of 93 months, subject to meeting the stipulated operating parameters, thereby providing long-term revenue visibility. The rating derives comfort from the strong parent, GVPR Engineers Limited (GVPR, rated [ICRA]A+ (Stable)/[ICRA]A1), which has a comfortable financial risk profile to meet the equity requirements and is expected to provide the necessary funding support to meet any shortfalls during the contract period.

The rating is constrained by the project execution risk due to the nascent stage of the execution and pending financial closure for the project as of May 2024. ICRA does not foresee any challenges in achieving the financial closure, given the strong sponsor profile. While, the sponsor, GVPR has a limited track record in the smart meter installation segment, it has experience in the installation of the regular electrical meters and undertaken related works in the past. VWBSMPL's ability to commission the project, in a timely manner and within the budgeted cost, would be important from the credit perspective. Further, as per the contract, the company has to achieve various milestones in a timely manner and is exposed to risk of liquidated damages (LDs) in case of delay in achieving the milestones. This apart, the company's ability to demonstrate compliance with the service level thresholds (SLA), related to meter availability, data collection and delivery of recharge, among others, remains a key monitorable, given that there are provisions for penalty in case of under performance against these SLAs. Therefore, any delay in project execution or achieving satisfactory operating parameters will remain a key rating sensitivity. Nevertheless, the company has entered into back-to-back arrangement with its vendors mitigating the risk to an extent.

The rating also factors in the presence of a direct debit facility (DDF), wherein online payments made by the consumers assigned to VWBSMPL will be deposited into the DDF account and shall be first used to clear the payments to VWBSMPL. This, in turn, reduces the counterparty risk associated with the credit profile of WBSEDCL. However, the DDF mechanism has a limited track record, and the timeliness of payments will have to be monitored over a longer period. Further, the timeliness of receipt of lumpsum payments remains crucial, as these payments will be utilised for subsequent meter installation cost.

The Stable outlook on the rating derives comfort from ICRA's opinion that the company will be able to complete the project within the stipulated timelines, benefit from its long-term advanced metering infrastructure service provider (AMISP) contract with WBSEDCL and presence of DDF payment mechanism to ensure the timely payments.

Key rating drivers and their description

Credit strengths

Long-term AMISP contract provides revenue visibility – The company has signed a long-term contract with WBSEDCL for installation of smart meters and associated infrastructure under the revamped distribution sector scheme (RDSS). The project SPV would be responsible for installation of 7.78 lakh smart meters along with associated infrastructure through pre-paid mode in selected circles in West Bengal within a span of 27 months from the date of signing the concession agreement and operating period of 93 months for each meter. The company will receive a one-time lumpsum amount based on the number of smart meters operationalised and service charge per meter over the operating period, providing long-term revenue visibility for the company.

Strong parentage – The company is sponsored by GVPR Engineers Limited, which has a comfortable financial profile. It is expected to infuse the requisite equity in a timely manner and is likely to provide the necessary funding support to meet any shortfalls during the contract period.

Credit challenges

Project execution risk and stringent SLA requirements – The company is exposed to execution risk due to the nascent stage of the project and pending financial closure as of May 2024. ICRA does not foresee any challenges in achieving the financial closure, given the strong sponsor profile. While the sponsor, GVPR, has a limited track record in the smart meter installation segment, it has experience in the installation of the regular electrical meters and undertaken related works in the past. VWBSMPL's ability to commission the project, in a timely manner and within the budgeted cost, would be important from the credit perspective. Further, as per the contract, the company has to achieve various milestones in a timely manner and is exposed to risk of LDs in case of delay in achieving the milestones and penalties in case of non-compliance with SLA thresholds, related to meter availability, data collection and delivery of recharge, among others for the operational meters. Therefore, any delay in project execution or achieving satisfactory operating parameters will remain a key rating sensitivity. Nevertheless, the company has entered into back-to-back arrangements with its vendors mitigating the risk to an extent.

New Payment Mechanism of Direct Debit Facility – DDF shall ensure timely payments to the project SPV, wherein online payments made by the consumers assigned to VWBSMPL will be deposited into the DDF and shall be first used to clear the payments to VWBSMPL. This, in turn, reduces the risk associated with the credit profile of WBSEDCL. The utility has to ensure that the DDF, so created, has an average monthly inflow of at least 5 times of the estimated monthly payment to AMISP. While the payment security mechanism under DDF is robust, the track record for such a mechanism is limited in India. Going forward, a sustained track record of timely recovery of grant payments and monthly service charges, in line with DDF arrangement, will be a key credit monitorable.

Liquidity position: Adequate

The company's liquidity position is expected to be adequate, given the estimated project cost of ~Rs. 414 crore is to be funded through ~Rs. 65 crore of equity, Rs. 151.65 crore of term loan and the rest through internal accruals (VWBSMPL plans to utilise part of the cash inflows from one-time lumpsum payments and monthly service charges towards installation costs).

Rating sensitivities

Positive factors – The rating could be upgraded upon achieving the operational go-live as per the scheduled timelines along with maintaining satisfactory operating parameters as well as timely receipt of lumpsum payments and monthly charges.

Negative factors – Pressure on the rating could arise if any significant delays in installation/commissioning or cost overrun and/or significant delay in receipt of lumpsum amount resulting in higher equity burden on the sponsor or weakening in debt coverage metrics or liquidity position. The rating could be downgraded if there is a weakening in linkages or change in support philosophy with the sponsor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Project finance methodology
Parent/group support	Parent/Group Company: GVPR Engineers Limited (rated [ICRA]A+ (Stable))/[ICRA]A1) ICRA expects the sponsor, GVPR Engineers Limited to be willing to extend financial support to VWBSMPL, should there be a need, given its strategic importance to the sponsor.
Consolidation/standalone	Standalone

About the company

Vijaya WB Smart Meters Private Limited (VWBSMPL) is an SPV incorporated by GVPR Engineers Limited on October 30, 2023 for installation of smart electric meters and related infrastructure on Design-Build-Finance-Own-Operate-Transfer basis. The SPV was awarded the contract from West Bengal State Electricity Distribution Company Ltd, an enterprise of West Bengal Government with an estimated contract value of Rs. 857.05 crore to implement the project in five districts of West Bengal. The letter of award was issued on January 10, 2024, While Advanced Meter Infrastructure Service Provider (AMISP) contract was signed between GVPR and WBSEDCL on February 20, 2024. The estimated cost of the project is Rs. 414.04 crore (including GST) and to be met through term loan of Rs. 151.65 crore, Rs. 65.52 crore of equity infusion and the rest through internal accruals from upfront lumpsum payment or bridge loan of Rs. 110 crore. The installation works are to be completed within 27 months from the date of agreement and will be under operation and maintenance period for 93 months.

Key financial indicators

Key financial indicators are not applicable as VWBSMPL is a project stage company.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on May 31, 2024 (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					June 10, 2024			
1	Proposed term loan	Long-term	160.00	0.00	[ICRA]A- (Stable)	-	-	-
2	Interchangeable – Proposed Letter of credit	Short-term	(160.00)	0.00	[ICRA]A2+			
3	Proposed bridge loan	Long-term	90.00	0.00	[ICRA]A- (Stable)			
4	Proposed Bank guarantee	Long-term/Short-term	50.00	0.00	[ICRA]A- (Stable)/[ICRA]A2+			

Note: Amount in Rs. crore;

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Proposed term loan	Simple
Short-term – Non-fund-based – Proposed Letter of credit	Very Simple
Long-term – Fund-based – Proposed bridge loan	Simple
Long-term/Short-term – Non-fund-based – Proposed Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Proposed term loan	NA	NA	NA	160.00	[ICRA]A- (Stable)
NA	Interchangeable – Proposed Letter of Credit	NA	NA	NA	(160.00)	[ICRA]A2+
NA	Proposed bridge loan	NA	NA	NA	90.00	[ICRA]A- (Stable)
NA	Proposed Bank guarantee	NA	NA	NA	50.00	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Company; amount in Rs. crore

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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