

May 12, 2010

CARE ASSIGNS 'A (IS)' TO ISSUER RATING AND 'A' RATING TO THE BOND ISSUE OF WEST BENGAL STATE ELECTRICITY TRANSMISSION CO LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Issuer rating	-	'CARE A (Is)' [Single A (Issuer rating)]	Assigned
Long-term Bank Facilities	300.0	'CARE A' (Single A)	Reaffirmed
Secured Redeemable Bonds – Series I Tranche I	183.0	'CARE A' (Single A)	Reaffirmed
Secured Redeemable Bonds – Series I Tranche II	17.0	'CARE A' (Single A)	Revalidated
Secured Redeemable Bonds – Series II	300.0	'CARE A' (Single A)	Assigned

Rating Rationale

The above rating continues to draw strength from the 100% ownership of Government of West Bengal (GoWB), its position of being the sole transmission utility in the state of West Bengal, wide transmission network with high system availability, low transmission loss, reasonably assured revenue, satisfactory profitability & cash accruals and increasing demand from distribution licensees. The rating also takes into account equity infusion of Rs.91.5 crore by GoWB in FY09.

The rating however, continues to remain constrained by the very short track record of the company as a stand alone entity, sole reliance on West Bengal State Electricity Distribution company Ltd. (WBSEDCL) for revenue, risks associated with implementation of various on-going projects, pending reconciliations & accounting adjustments arising out of unbundling exercise, high debt-equity ratio and its exposure to regulatory risk.

Ability of WBSETCL to maintain high system availability with minimum transmission loss, to conform to the norms set by West Bengal Electricity Regulatory Commission (WBERC) and earn reasonable level of profit on sustained basis shall remain the key rating sensitivities.

Company Profile

WBSETCL is a 100% GoWB entity (transmission utility) unbundled from erstwhile West Bengal State Electricity Board (WBSEB) with effect from April 1, 2007, as a part of power sector reforms in the state of West Bengal. It is engaged in transmission of electricity in West Bengal (excluding Kolkata, but including Salt Lake) and load despatch. WBSEDCL is the sole long term user of the transmission network of WBSETCL. The company had high system availability of over 99% in FY09.

As on Jan.31, 2010, WBSETCL had a number of transmission projects involving a total outlay of Rs.525.4 crore, which were under various stages of implementation.

WBSETCL earned a PAT (after defd. tax) of Rs.197.3 crore (Previous year Rs.79.7 crore) on a total income of Rs.674.0 crore (Previous year Rs.436.9 crore) in FY09. Long-term debt equity ratio as on Mar.31, 2009 improved to 1.83 from 2.30 as on

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Mar.31, 2008 on account of equity infusion of Rs.91.5 crore by GoWB in FY09 and accretion of profit to reserves.

Provisional results of WBSETCL for the nine months ended Dec.31, 2009 vis-à-vis audited results for FY09 were satisfactory.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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