

June 8, 2010

**CARE ASSIGNS 'CARE A-(SO)' RATING TO THE BOND ISSUE OF WEST BENGAL INFRASTRUCTURE DEVELOPMENT FINANCE CORPN. LTD. & REAFFIRMS OUTSTANDING ISSUES**

**Ratings Assigned**

<b>Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Proposed bond [Series IB (AG, AH, AI/2009-10)]	1000.00	<b>CARE A- (SO)</b>	Assigned
Outstanding bonds [Series IB (AX, AY, AZ, AZ(Z)/2004-05), Series IB (AA, AB, AC/2005-06) and Series IB (AD, AE, AF/2007-08)]	3000.00	<b>CARE A (SO)</b>	Reaffirmed
Outstanding bonds (Series OPQRST/2002-03 and Series XYZ/2003-04)	1,277.28	<b>CARE A- (SO)</b>	Reaffirmed
<b>Total Instruments</b>	<b>5,277.28</b>		

**Rating Rationale**

The above ratings are based on credit enhancement in the form of unconditional and irrevocable guarantee of the Government of West Bengal (GoWB) for repayment of principal and payment of interest in respect of the aforesaid bonds and also draw comfort from the debt repayment by GoWB to WBIDFC through half-yearly/quarterly instalments backed by adequate budgetary provision and these are not the stand alone ratings of WBIDFC.

The CARE A- (SO) rating assigned to the proposed bond of Rs.1,000 crore is based on the additional comfort of a Structured Payment Mechanism (SPM) involving lien of G-Sec, SDL, AAA rated PSU Bonds and recurring/term deposits of WBIDFC in favour of Trustee to the extent that the maturity value of the same is expected to be atleast 50% of the principal value of the bonds and earmarking of the cash flow of the preceding month for interest payment.

The CARE A (SO) rating assigned to the outstanding bonds aggregating Rs.3,000 crore is based on the additional comfort of a Structured Payment Mechanism (SPM) involving lien of recurring/fixed deposits of WBIDFC in favour of Trustee to the extent that the maturity value of the same is expected to equal the entire principal value of the bonds and earmarking of the cash flow of the preceding month for interest payment.

The above ratings factor in the persistent high levels of revenue and fiscal deficits of GoWB, continued high level of committed expenditure, high debt level in relation to revenue receipts, improving but relatively low debt-servicing indicators, gradual increase in the pace of industrialisation in the State of West Bengal, steady growth in NSDP, improving trend in GoWB finances in the last four years and steps being taken by GoWB to improve its present financial position by containing revenue expenditure and boosting up recovery of user charges.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

## About WBIDFC

WBIDFC, a wholly-owned GoWB company, was promoted in 1997 as the nodal infrastructure financing agency for creation of infrastructure in West Bengal and also to arrange negotiated loans for part financing the annual plan of GoWB. From FY07, WBIDFC also started financing private sector, joint sector and government enterprises. Besides, the company has also forayed into development of a real estate project.

Till Dec.31, 2009, WBIDFC disbursed loans aggregating Rs.13401.6 crore, of which Rs.11884.0 crore was to GoWB and Rs.234.6 crore under the new business model. The recovery performance of WBIDFC over the last three years has, by and large, been satisfactory with collection efficiency of 99.9% in FY09.

## About GoWB

GoWB's fiscal position continued to remain weak with high Revenue Deficit (RD). Interest expense formed around 32% of revenue receipt and committed expenditure (salaries, pensions, interest) was around 77% of revenue receipt for FY09 (RE). Total outstanding liabilities of GoWB grew at a CARG of 8.3% during FY06 to FY09 (RE) mainly on account of substantial increase in internal debt and loan against NSS Fund, which grew at a CARG of 18.1% and 6.1% respectively. As on Mar.31, 2009, outstanding debt stood at Rs.1,437 bn. (RE). Despite significant increase in RR, huge borrowings over the years have placed GoWB at a high Debt/RR position (which was 3.5 in FY09 (RE)). In FY08 the liquidity position also seemed to be tight. Accordingly, W&M advance and overdraft availed by GoWB was significantly high at Rs.24.5 bn and Rs.60.5 bn respectively. However, the higher allocations as per the recommendations by 13<sup>th</sup> Finance Commission is likely to improve the liquidity position of GoWB.

The State is yet to undertake some reform oriented measures such as enactment of FRBM Act which will outline a path towards consistent reduction in revenue and fiscal deficits and lead towards improvement in state fiscal position. The State Government would also need to improve private investment scenario and the infrastructural facilities.

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