

Press Release
Kerala State Industrial Development Corporation Limited
March 22, 2024



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	250.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	450.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs. 250.00 Cr. bank facilities of KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (KSIDC). The outlook is '**Stable**'

Acuite has assigned its long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs. 200.00 Cr. bank facilities of KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (KSIDC). The outlook is '**Stable**'

Rationale for the rating

The rating reaffirmation factors in KSIDC's growth in loan portfolio which stood at Rs. 905.86 Cr. as on Dec 31, 2023 from Rs. 865.30 Cr. as on March 31, 2023 and healthy capitalization levels marked by net worth of Rs. 945.24 Cr. as on March 31, 2023 from Rs. 869.12 Cr. as on March 31, 2022. The rating continues to factor in Government of Kerala's (GoK) support and KSIDC's strategic importance in the development of physical and social infrastructure required for industrial growth in the state. The rating factors in KSIDC's role as a nodal agency for foreign and domestic investments in Kerala. The rating also factors in the improvement in PAT levels of KSIDC which stood at Rs. 64.73 Cr. in FY2023 as compared to Rs. 54.93 Cr. in FY2022. KSIDC made sanctions of Rs 428.01 Cr. during FY2022 and Rs. 483.15 Cr. during FY2023.

The rating is however constrained with high levels of GNPA's of KSIDC. The corporation's GNPA as on March 31, 2023 stood at 13.99 percent as compared to 19.07 percent as on March 31, 2022. KSIDC's ability to continue to demonstrate growth in loan assets while containing asset quality risks will be key credit monitorable.

About the company

KSIDC was incorporated in 1961, by Government of Kerala (GoK) with the objective of facilitating and financing medium to large scale industries in the State. KSIDC offers financial assistance and support to service sectors like tourism, star category hotels, resorts, hospitals, infrastructure projects etc. In addition to project financing, KSIDC is also involved in creation of infrastructure facilities and investment promotion activities in the State. At present, KSIDC has 3 Industrial Growth Centres and 2 industrial parks in various parts of the State. Government of Kerala has 100 per cent holding in KSIDC. The head office of the Corporation is at Thiruvananthapuram and the Branch office is operated at Cochin. KSIDC provides services across all districts in Kerala. KSIDC is categorized as a Systematically Important Non-Deposit taking NBFC (NBFC-ND-SI) as per the norms of the RBI. The managing director of the company is Mr. Harikishore Subramanian.

Unsupported Rating
Not Applicable

Analytical Approach

Acuité has considered a standalone approach while assessing the business and financial risk profile of KSIDC and has factored in financial, operational and managerial support it receives from Government of Kerala by virtue of being a state owned entity. The rating factors in the high degree of State Government holding in KSIDC along with the systemically important role played by the corporation in implementing the key financial and developmental objectives of the state.

Key Rating Drivers

Strength

Ownership and Support from Government of Kerala

KSIDC is a state owned corporation incorporated in 1961. The board of KSIDC includes representation from Government of Kerala (GoK). The Board of Directors comprises of bureaucrats appointed by the Government of Kerala. This indicates a strong level of managerial support from the Government of Kerala.

KSIDC's funding profile is supported by the State Government's moral obligation to support the capitalisation levels both on an ongoing basis and in the event of distress. The Government of Kerala is a 100 percent stakeholder in the corporation as on Dec 31, 2023 and is expected to support the corporation given its systemic importance in the government's efforts to step up industrial and economic activity in the state. KSIDC's capitalisation levels remained adequate marked by Capital Adequacy Ratio (CAR) at 64.46 percent as Dec 31, 2023 .

KSIDC is a Nodal Agency for several policy initiatives by the State Government of Kerala and is responsible to implement the policies announced in the annual state budget. The corporation in the past has operationalised various policy initiatives by GoK such as Kerala State Entrepreneurship Development/Startup Mission and Women Entrepreneur Development Mission. KSIDC reported growth in its loan portfolio which stood at Rs. 865.30 Cr. as on Mar 31, 2023 as compared to Rs. 815.10 Cr. as on March 31, 2022. The growth in loan portfolio of KSIDC has been as a result of the Corporation's approach towards diversifying the loan portfolio as well as enlarging the clientele base. KSIDC made sanctions of Rs. 428.01 Cr. during FY2022 and Rs. 483.15 Cr. in FY2023. Loan portfolio as on Dec 31, 2023 stood at Rs. 905.86 Cr. The support from GoK is critical to the rating and therefore the credit profile of the state is of key importance.

Acuité believes that KSIDC will continue to benefit from strong financial and managerial support from the State Government on an ongoing basis over the medium term.

Weakness

Weak asset quality, albeit improving

KSIDC's loan portfolio is concentrated towards the hospitality and the manufacturing segment which exposes KSIDC's performance to risks associated with the said sectors. The asset quality of KSIDC remains weak as reflected in elevated Gross NPA of 13.99 percent as on March 31, 2023 which improved from 19.07 percent as on March 31, 2022. This is mainly due to operating challenges in these segments which has impacted the cash flows of the borrowers. KSIDC has done provisioning against NPAs as the Net NPA stood at 1.40% as on March 31, 2023 as against 2.44% on March 31, 2022. While the asset quality continues to be weak, the Return on Average Assets (RoAA) marginally declined to 4.37 percent in FY2023 as against 4.40 percent in FY2022. The corporation is also taking efforts to reduce the NPA levels by offering one time settlement to the delinquent borrowers. Additionally, the corporation is focusing on improving collection and recovery mechanism.

Acuité believes the ability of the corporation to control slippages and increase the loan portfolio will be one of the key rating drivers

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivity

- Credit profile of Government of Kerala (GoK) and timely support to KSIDC
- Improvement in asset quality along with a sustainable growth in the lending portfolio

Liquidity Position Adequate

The company had a gearing level of 0.24 times as on March 31, 2023. As on March 31, 2023, the total borrowings stood at ~Rs. 229 Cr. and cash and bank balances stood at ~Rs. 122.60 Cr. The networth during the same period stood at Rs. 945.24 Cr. There were no negative cumulative balances in any bucket as per the ALM statement, submitted by KSIDC, as on Dec 31, 2023.

Outlook: Stable

Acuité believes that KSIDC will maintain a 'Stable' outlook over the medium term mainly supported by the continued support from the GoK. The outlook may be revised to 'Positive' in case of significant improvement in the operating performance of KSIDC backed by improved asset quality. The outlook may be revised to 'Negative' in case of events which may impinge on GoK's ability to provide financial and operational support to KSIDC.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	1509.01	1455.10
Total Income*	Rs. Cr.	95.55	83.27
PAT	Rs. Cr.	64.73	54.93
Net Worth	Rs. Cr.	945.24	869.12
Return on Average Assets (RoAA)	(%)	4.37	4.40
Return on Average Net Worth (RoNW)	(%)	7.14	6.54
Total Debt/Tangible Net worth (Gearing)	Times	0.24	0.29
Gross NPA	(%)	13.99	19.07
Net NPA	(%)	1.40	2.44

*Total income equals to Total Income net off interest expense

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such

instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Dec 2022	Term Loan	Long Term	250.00	ACUITE A Stable (Reaffirmed)
28 Sep 2021	Proposed Long Term Loan	Long Term	250.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	63.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Aug 2028	Simple	187.00	ACUITE A Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2025	Simple	200.00	ACUITE A Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Akancha Singh Analyst-Rating Operations Tel: 022-49294065 akancha.singh@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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