



## Press Release

### TELANGANA STATE WATER RESOURCES INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

February 21, 2025

## Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17000.00	ACUITE A+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	17000.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has upgraded its long-term rating to ‘ACUITE A+’ (read as **ACUITE A plus**) from **ACUITE BB+** (read as **ACUITE double B plus**) on the Rs.17000.00 Cr. bank facilities of Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL). The outlook is ‘Stable’.

### Rationale for upgrade:

The rating upgrade and migration from 'Issuer non cooperating' reflects the incremental improvement in the overall project progress as of September 2024 as compared to August 2023. It also factors in the strength of an unconditional and irrevocable guarantee provided by the Government of Telangana (GoT) and the strong economic management and financial risk profile of GoT.

These strengths are partially offset by large capital outlay towards irrigation projects and time and cost overruns or a sustained deterioration in GoT’s revenues leading to sizeable revenue deficits, and/or a rise in leverage levels, going forward.

### About the Company

The Government of Telangana (GoT) has incorporated a Special Purpose Vehicle (SPV) named Telangana State Water Resources Infrastructure Development Corporation Limited (TSWRIDCL) or “the Company”, or “the Corporation”) on April 26, 2018. TSWRIDCL is 100% owned by the state government and runs irrigation projects aimed at developing drought-prone uplands and backward areas of Telangana. The irrigation projects undertaken by TSWRIDCL consist of Indiramma Flood Flow Canal Project (FFC), J. Chokka Rao Devadula Lift Irrigation Scheme and Thupakulagudem Barrage (DT or Devadula Thupakulagudem) and Sita Rama Lift Irrigation Project (SR or SRLI). All three projects together will handle around 200 TMC of water annually to serve 11.18 lakh acres of new ayacut and stabilize around 10.47 lakh acres, other than supplying 10 TMC of water for industrial use and 8 TMC for domestic purposes. The total project costs of three projects are estimated at Rs. 47,222.88 Cr, which is proposed to be funded by an equity/grant of Rs. 26708.21 Cr from GoT and debt of Rs. 20514.67 Cr from commercial banks and FIs. The Flood Flow Canal Project and the Devadula Thupakulagudem Project commenced commercial operations with critical components from March 2022. The third project, the Sitarama Lift Irrigation Project, commenced commercial operations with critical components from March 2023. The company’s current board of directors are Mr. Cheeti Muralidhar, Mr. Rajat Kumar, Mr. Nunavath Shankar, Mr. Sriram Mohan Rao Gundavarapu, Mr. Jonnada Surya Prakash, Mr. Shankar Bhuram, Mr. Srinivas Reddy Aileni and Mr. Sudhakar Reddy Adamala.

### Unsupported Rating

ACUITE BBB-/Stable

### Analytical Approach

To arrive at the rating, Acuite has considered the standalone business and financial risk profiles of TSWRIDCL and Acuite has also factored in the financial support from government of Telangana (GoT) by the way of unconditional

and irrevocable guarantee for the timely payment of both principal and interest of the rated debt.

## **Key Rating Drivers**

### **Strengths**

- **Strategic and economic importance of the ongoing project for Government of Telangana (GoT)**

TSWRIDCL is a special purpose vehicle (SPV) created by the Government of Telangana (GoT) with an objective to develop the drought-prone upland and backward areas of Telangana State by providing water for irrigation, drinking, and industrial requirements. The project is expected to provide 200 TMC of water annually to serve 11.18 lakh new Ayacuts and stabilize around 10.47 lakh, other than supplying 10 TMC of water for industrial use. The project further enhances the irrigation potential in Telangana and the upkeep of the existing projects to enhance the agriculture productivity per unit of water with increased water use efficiency. All the available water resources for the benefit of the agricultural sector, the industrial sector, and also providing drinking water for the overall development of Telangana State. The project additionally supports the 'Mission Kakatiya' and 'Mission Bhagiratha' schemes designed to provide drinking water to many villages while improving the capacities for farmers to sow two crops. TSWRIDCL divided the entire project into three parts based on its coverage area and connectivity. The Telangana government has awarded the project for execution to reputed companies like Megha Engineering & Infrastructures Limited (MEIL), BVSR Constructions Private Limited, and Navayuga Engineering Company Limited (NECL), among others. The project is being undertaken by GoT and is therefore likely to pose implementation challenges like land acquisition, timely execution, and any cost overruns. However, these risks are mitigated by strong government support. Acuite rating is also based on expectations of strong explicit government support for the project through an unconditional and irrevocable state government guarantee.

- **Presence of Government Guarantee**

The GoT has provided an unconditional, irreversible, and irrevocable guarantee for both principal and interest payments of the term loans until repayment. TSWRIDCL, being its 100 percent owned company, shall also guarantee the funding of cost overruns (if any).

- **Strong economic growth of Telangana state**

Telangana has shown impressive economic growth since its formation, with a CAGR of 12.8% in GSDP, significantly outperforming the national average. In FY24, its GSDP is projected at Rs. 15.02 lakh crore, up from Rs. 13.12 lakh crore in FY23. The state's contribution to India's GDP has risen from 4.1% in FY2015 to 5.1% in FY24, despite having only 2.8% of the national population. The services sector dominates, contributing 68.8% to GSVA, with strong growth in finance, real estate, and professional services. Per capita income has surged from Rs. 91,121 in FY2011-12 to Rs. 356,564 in FY2023-24, placing Telangana third in the nation after Sikkim and Delhi. Revenue growth has been robust, with 15.2% CAGR in the state's own revenue and the highest growth in tax revenue among Indian states. Telangana ranks second in tax revenue as a percentage of GSDP, at 8.2%. Government spending is moderate, ranking 13th in terms of expenditure to GSDP. Overall, Telangana's economic momentum reflects strong growth in multiple sectors and improved fiscal health. In terms of per capita income, it has increased from Rs. 91,121 in 2011-12 to Rs. 3,56,564 in 2023-24, while that of India increased from Rs. 63,462 to Rs. 1,84,205 in this period. TS's per capita income has consistently surpassed India's, with the income gap widening significantly over the years. The average annual growth rate in per capita income is at 12.2 percent against 9.4 percent for India. Telangana stands at the number three position in India in terms of per capita income, only behind Sikkim and Delhi. TS demonstrates the robust revenue mobilization since the formation of the state, achieving the second-highest growth rate of 15.2 percent in the overall state's own revenue (SOR). In terms of the state's own tax revenue, TS has registered the highest growth rate of 15.4 percent between FY15 and FY23, outperforming all other states. In terms of state-owned tax revenue as a percentage of GSDP, TS is 2nd highest at 8.2 percent of GSDP, only next to Goa. The overall state's own revenue stood at Rs. 1.27 lakh Cr, out of which Rs. 1.07 lakh Cr is tax revenue and Rs. 0.2 lakh Cr is non-tax revenue.

## **Weaknesses**

- **Exposure to project implementation risk, including time and cost overruns**

The project cost of the 3 projects being undertaken by TSWRIDCL is Rs. 47,222.88 Cr, which was proposed to be funded by equity/grant of Rs. 26,708.23 Cr (56.56%) from GoT and debt of Rs. 20,514.67 Cr (43.44%) from commercial banks and financial institutions (FIs). As of September 30, 2024, the total capital expenditure incurred by the company towards the project was Rs. 39,336.91 Cr (~83 percent), funded by Rs. 14,219.69 Cr of debt from commercial banks and FIs and Rs. 24,970.96 Cr of equity/grant from GoT. The physical progress project is around 83 percent completed as on September 30, 2024. The flood flow canal project cost is estimated at Rs. 12624.20 Cr, which is to be funded by an equity/grant of Rs. 7459.4 Cr from GoT and debt of Rs. 5164.80 Cr from commercial banks and FIs. As on September 30, 2024, the total capital expenditure incurred by the company towards the project was Rs. 11,682 Cr (~93 percent), which is funded by Rs. 7,866.4 Cr of equity/grant from GoT and Rs. 3669.34 Cr of debt

from commercial banks and FIs. Physical progress is at ~93 percent as on September 30, 2024. All major elements of the project have been completed, and DCCO of the project commenced in March 2022. The Devadula-Tupakulagudem project cost is estimated at Rs. 18,245.90 Cr, which is proposed to be funded by an equity/grant of Rs. 10,858.21 Cr from GoT and debt of Rs. 7387.72 Cr from commercial banks and FIs. As on Sep 30, 2024, the total capital expenditure incurred by the company towards the project was Rs. 17,360.92 Cr (~95 percent) funded by Rs. 12,148.71 Cr (which includes the interest during construction for the delay in DCCO of Rs. 583.43 Cr) of equity/grant from GoT and Rs. 5,212.21 Cr of debt from commercial banks and FIs. Physical progress is at ~95 percent as on September 30, 2024. All major elements of the project have been completed, and DCCO of the project achieved in March 2022. Management is expecting to complete this project in the near term. The Sita Rama Lift Irrigation project cost is estimated at Rs. 16,352.78 Cr, which is proposed to be funded by an equity/grant of Rs. 8390.30 Cr from GoT and debt of Rs. 7962.15 Cr from commercial banks and FIs. As on September 30, 2024, the total capital expenditure incurred by the company towards the Project was Rs. 10,293.99 Cr (~63 percent), funded by Rs. 4955.85 Cr (which includes the interest during construction for the delay in DCCO of Rs. 583.43 Cr) of equity/grant from GoT and Rs. 5338.18 Cr of debt from commercial banks and FIs. Physical progress is at ~63 percent as on September 30, 2024. All major elements of the project have been completed, and DCCO of the project achieved in March 2023. The management is expected to complete it in the near term.. Acuité believes that the ability of the company to execute the project as per timelines and booking revenue will be a key rating sensitivity.

### **Rating Sensitivities**

- Credit profile of Telangana Government and timely support to TSWRIDCL
- Improvement in the operational metrics and financial risk profile
- Improvement in socio-economic indicators of the state

### **Liquidity Position: Adequate**

The TSWRIDCL's projects have commenced operations; however, the projects are yet to be completed entirely. The company as on September 2024, has incurred ~84% of the total project cost, and the balance is expected to be completed over the medium term. TSWRIDCL is expected to be supported by the Government of Telangana (GoT) in the form of grants and/or loans from commercial banks and FIs. Further, its liquidity position is supported by the continuous support from the strong operational and financial support from the Government of Telangana.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(1558.27)	(483.73)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	22.58	36.74
PBDIT/Interest	Times	0.02	0.00

### Key Financials :

Statutory Audit for FY2023 is yet to be completed.

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Oct 2024	Term Loan	Long Term	13516.30	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A+   Stable)
	Term Loan	Long Term	1700.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A+   Stable)
	Proposed Long Term Loan	Long Term	783.72	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A+   Stable)
	Term Loan	Long Term	1000.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE A+   Stable)
03 Aug 2023	Term Loan	Long Term	13516.30	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	1700.00	ACUITE A+   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	783.72	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	1000.00	ACUITE A+   Stable (Reaffirmed)
20 May 2022	Term Loan	Long Term	10001.60	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	1700.00	ACUITE A+   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	4298.39	ACUITE A+   Stable (Reaffirmed)
	Term Loan	Long Term	1000.00	ACUITE A+   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	783.72	Simple	ACUITE A+   Stable   Upgraded ( from ACUITE BB+ )
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Mar 2035	1000.00	Simple	ACUITE A+   Stable   Upgraded ( from ACUITE BB+ )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Mar 2035	800.00	Simple	ACUITE A+   Stable   Upgraded ( from ACUITE BB+ )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2034	450.00	Simple	ACUITE A+   Stable   Upgraded ( from ACUITE BB+ )
Rural Electrification Corporation Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Mar 2035	13516.28	Simple	ACUITE A+   Stable   Upgraded ( from ACUITE BB+ )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2034	450.00	Simple	ACUITE A+   Stable   Upgraded ( from ACUITE BB+ )

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	GOVERNMENT OF TELANGANA
2	TELANGANA STATE WATER RESOURCES INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

## Contacts

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