



**Press Release**  
**TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED**  
**December 04, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Non Convertible Debentures (NCD)</b>	10000.00	Provisional   ACUITE AA   CE   Stable   Assigned	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	10000.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has assigned a long term rating of **Provisional ACUITE AA (CE)** (read as **provisional ACUITE double A(Credit Enhancement)**) on the Rs. 10,000 Cr. proposed Non Convertible Debentures of Telangana state Industrial Infrastructure Corporation limited (TSIICL). The Outlook is '**Stable**'.

The rating on the proposed Rs.10,000 Cr. Non-convertible debentures is provisional and the final rating is subject to the following documents

- Receipt of final signed term sheet
- Receipt of final signed debenture trust deed
- Confirmation from trustee regarding the compliance with all terms and conditions
- Legal opinion (if any).
- All the other relevant documents relating to NCDs issue besides the above mentioned documents.

**Rationale for rating assigned**

The rating assigned considers 100 percent shareholding and significant financial and operational linkages between TSIICL and Government of Telangana (GOT), strategic importance of TSIICL as a nodal agency for industrial parks development in Telangana state. The rating also factored in the strong economic growth of Telangana, the strategic location of the subject property, unconditional and irrevocable guarantee extended by GOT, direct debit mechanism and structured payment mechanism in place for the issue. Rating also factors in liquidity strength drives by maintenance to extent of fully covering the peak service requirement for two quarters. Acuite has assigned the CE suffix to the rating based on credit enhancement support from GOT's explicit guarantee for the NCDs and replenish the upfront DSRA fully covering peak service requirement of two quarters in case of shortfall/impairment.

**About the Company**

Telangana State Industrial Infrastructure Corporation Limited was established pursuant to A.P. Reorganisation Act, 2014 and incorporated under the Companies Act 2013 as a separate legal entity on 4 September 2014. The key objectives of the corporation are identification of land for the development of industrial parks and SEZs, land allotment, providing infrastructure facilities and other services for the promotion of industries in Telangana and manage, control and operate these parks. The current Directors of the company are Mr. Jayesh Ranjan and Mr. Emmadi Vishnu Vardhan Reddy. The company has its registered office at Hyderabad, Telangana.

## About the Group

Acuite has considered the consolidated financial risk profile of TSIICL and its subsidiaries namely Ecity Manufacturing cluster ltd, Maheshwaram science park ltd, Fabcity SPV India Private limited, Zaheerabad NIMZ Ltd, Hyderabad pharma city ltd, Telangana life sciences Infrastructure development ltd, Bio Tech Hub limited, CETP-KMPT Warangal Ltd.

## Unsupported Rating

ACUITE A+ | Stable (Post notch up in the view of the support from Government of Telangana)

## Analytical Approach

### Extent of Consolidation

• Full Consolidation

### Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated financial risk profile of TSIICL and its subsidiaries and further notched up for the support of Government of Telangana and structured payment mechanism in place for the issue for arriving at the rating.

## Key Rating Drivers

### Strengths

**Fully owned by Government of Telangana (GOT), nodal agency for development of Industrial parks in the state**

Telangana State Industrial Infrastructure Corporation limited (TSIICL) is nodal agency of the government of Telangana. It was established pursuant to AP reorganisation Act, 2014 and incorporated as separate legal entity in September 2014. The objective of the company involves identifying and developing land parcels as industrial parks and SEZs, land allotment and providing infrastructure facilities and other services for promotion of industries in Telangana. It also involves in management and operations of these parks. After formation of Telangana state, the industrial department through TSIICL has undertaken several projects. TSIICL represents GOT in PPP (Public private partnership) models and joint ventures. TSIICL is also vested with certain powers and functions of local bodies and acts as industrial area local body authority (IALA) in all industrial parks. Until date, TSIICL has developed infrastructure for 156 industrial parks covering the area of 28,000 acres.

### 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. 3,56,564 in FY2023-24, placing Telangana third in the nation after Sikkim and Delhi. Revenue growth has been robust, with 15.2% CAGR in 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.

### Strategic location of the subject property

The proposed IT park will be developed in the gross land area of 400 acres with saleable area of 251.9 acres comprising of 27 plots. The proposed project being developed will be auctioned in phases to prospective bidder by TSIICL. The property is located in Gachibowli with close vicinity to Raidurg, Madhapur and Hi tech city an established IT/ITeS and residential hubs located at west of Hyderabad city. The micro market is characterized by significant real estate development activities across real estate classes like commercial, residential, hospitality and retail. The area is surrounded by educational establishments such as Indian School of Business, University of Hyderabad, IIIT and commercial office developments such as Microsoft Office, Wipro Office, ZF technology Center, Broadcom, Accenture etc. The subject micro-market is also well connected to the international airport and other key economic nodes of the city through the arterial roads, inner ring road and outer ring road.

### Structured payment mechanism and government guarantee for DSRA replenishment

Under this structure, despite having an unconditional & irrevocable state guarantee supported by a direct debit mechanism (DDM) into the accounts of the state which gets simultaneously triggered on guarantee invocation a relatively high liquidity buffer by way of 2 quarters DSRA (covering both interest & principal) payments are covered. This is essentially to cover any unforeseen short term eventuality pending action from the state

government, if required. The issuer would ensure that the requisite funds should get transferred to the BSA so as to ensure full build-up of servicing amount payable, at least 45 days prior to the relevant Quarterly servicing date (T-45). In event of shortfall of funds available in BSA (Bond service account) 5 days prior (T-5) days, the shortfall would be met by transfer of funds from DSRA. The Debenture Trustee would monitor the adequacy of DSRA at the start of every servicing cycle (T+0) & in case of any shortfall due to utilization for servicing in the previous cycle would immediately intimate the state government to meet the shortfall within the next 30 days (T+30) failing which the state government guarantee would be invoked along with simultaneous triggering of DDM on the next day (T+31). Since DSRA is stipulated for peak servicing requirement for two quarters, it would be adequate to meet service obligations for next quarters. Therefore, after any impairment of DSRA, the state government funding support would be sought at least 180 days prior to any potential default while guarantee invocation & trigger of DDM would happen at least 149 days prior to any potential default.

## **Weaknesses**

### **Moderation in financial health of Government of Telangana (GOT)**

The revenue surplus is estimated at Rs.297 Cr. for budget estimates FY24-25 (BE) as against Rs.1705 Cr. ( 0.1% of GSDP) for FY2023-24 (RE). The fiscal deficit to gross state domestic product (FD to GSDP) is estimated at 3 percent of GSDP as against revised estimates of 3.4 percent for FY2023-24 (RE). The primary deficit has been estimated to 1.9 percent of GSDP for FY2024-25 (BE) as against 1.8 percent as per FY2023-24 (RE). The debt of the GoT stood at 27.38 percent of the GSDP as per FY2024-25 (BE). Going forward, the ability of the GoT to improve its financial stability will be key monitorable.

### **Assessment of Adequacy of Credit Enhancement (Applicable only for CE Ratings)**

The structure provides for adequate covenants to safeguard the interest of the lenders and has adequate buffers available to initiate timely corrective action and effectively mitigate the risk arising out of any adverse market movements.

## **Rating Sensitivities**

- Credit Profile of GoT.
- Adherence to the stipulated transaction structure.

### **All Covenants (Applicable only for CE & SO Ratings)**

- Unconditional and Irrevocable Guarantee from Government of Telangana for timely servicing of Interest and Principal in respect of Bonds, including defined recourse in the post invocation scenario.
- Maintenance of Debt Service Reserve Amount (DSRA) to the extent of fully covering the peak servicing requirements for 2 quarters as liquidity support.
- Progressive monetization of the Designated Land Bank to meet servicing requirement with shortfall support from the State Government as provided under the Deed of Guarantee.
- Stipulation for invocation of Government Guarantee for impairment of DSRA if not remedied within stipulated timelines and defined recourse in the post invocation scenario.
- Stipulation for invocation of Government Guarantee in case of an Event of Default, if settlement of entire liabilities not effected with stipulated timelines and defined recourse in the post invocation scenario.
- Any other covenant as may be stipulated in the Debenture Trust Deed.

## **Liquidity Position: Adequate**

Liquidity position is adequate with cash and balance of Rs.277.23 Cr. as on March 31<sup>st</sup> 2024. Also with DSRA amount of Rs.1088 Cr. would provide adequate liquidity to the structure.

## **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	402.69	539.20
PAT	Rs. Cr.	73.53	111.69
PAT Margin	(%)	18.26	20.71
Total Debt/Tangible Net Worth	Times	0.38	0.62
PBDIT/Interest	Times	7.52	5.87

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

None

## Any Other Information

### Supplementary disclosures for Provisional Ratings

#### Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued). Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

#### Rating that would have been assigned in absence of the pending steps/ documentation

ACUITE A+/Stable

#### Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

## 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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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](http://www.acuite.in).

## Rating History :

Not applicable

**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 Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5000.00	Simple	Provisional   ACUITE AA   CE   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5000.00	Simple	Provisional   ACUITE AA   CE   Stable   Assigned

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

Sr.No.	Company Name
1	Ecity Manufacturing Cluster Limited
2	Maheshwaram Science Park Limited
3	Fabcity SPV India Private Limited
4	Zaheerabad NIMZ Limited
5	Hyderabad Pharma City Limited
6	Telangana Life Sciences Infrastructure Development Limited
7	Bio Tech Hub Limited
8	CETP-KMPT Warangal Limited
9	Telangana State Industrial Infrastructure Corporation Limited
10	Government of Telangana

## Contacts

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### 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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