



Press Release
TELANGANA STATE INDUSTRIAL INFRASTRUCTURE CORPORATION LIMITED
January 09, 2025
Rating Assigned

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has assigned and converted the long-term rating from Provisional to Final to '**ACUITE AA (CE)**' (read as **ACUITE double A (credit enhancement)**) on the Rs.10,000 Cr. Non-convertible debentures of Telangana State Industrial Infrastructure Corporation Limited (TSIICL). The Outlook is **'stable'**. The rating is converted from provisional to final post receipt of following documents,

- Final signed term sheet
- Final signed debenture trust deed
- Confirmation from trustee regarding the compliance with all terms and conditions
- Final legal opinion.

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 Limited, Maheshwaram Science Park Limited, Fabcity SPV India Private limited, Zaheerabad NIMZ Limited, Hyderabad Pharma City Limited, Telangana Life Sciences Infrastructure Development Limited, Bio Tech Hub limited, CETP-KMPT Warangal Limited.

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, IIT 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)

Government guarantee for DSRA replenishment

The Government of Tamil Nadu (GoT) has provided a guarantee to cover any shortfall in the Debt Service Reserve Account (DSRA) within the specified timeline. The issuer is responsible for ensuring that the necessary funds are transferred to the Bond Service Account (BSA) in order to maintain the full servicing amount, at least 45 days before the relevant quarterly servicing date (T-45). If a shortfall in funds is identified in the BSA five days prior to the servicing date (T-5), the shortfall will be addressed by transferring funds from the DSRA. The Debenture Trustee will verify the adequacy of the DSRA at the beginning of each servicing cycle. In the event of a shortfall due to previous cycle utilization, the state government will be required to cover the shortfall within the next 30 days (T+30). If this is not met, the state government's guarantee will be invoked, and the Debt Default Mechanism (DDM) will be triggered the following day (T+31) to meet shortfall amount, forthwith, directly into DSRA.

Stress case Scenario

Acuite believes that, given the adequacy of the structure and unconditional, irrevocable guarantee provided by Government of Telangana (GOT) including direct debit mechanism (DDM), TSIIC will be able to service its debt on time, even in a stress scenario.

Rating Sensitivities

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

All Covenants

- 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.
- Asset coverage ratio
 - The Issuer shall, at all times until the Final Settlement Date, maintain a minimum Asset Coverage Ratio of 1.50 (one decimal five zero).
 - The Asset Coverage Ratio requirement under above shall be tested on a yearly basis (or such other frequency as may be required under Applicable Law) (each such date shall be the "Testing Date").

- ❖ On each Testing Date, the Issuer shall procure a certificate stating the value of the Designated Land Bank from an independent practicing chartered accountant, which shall be prepared on the basis of the latest available land valuation figures as certified by a registered valuer.
- Notwithstanding anything contained in this Deed or any other Transaction Document, the Debenture Trustee (acting on the instructions of the Bond Holders) may require the Issuer to, within 60 (sixty) days of such occurrence, create such further Security Interest as may be required, in the event the Issuer fails to maintain the Asset Coverage Ratio at the level stipulated in sub-clause (i) hereinabove.
- The Issuer shall submit/ provide to the Debenture Trustee relevant documents/ information, as applicable, including the reports / certifications set out below, to enable the Debenture Trustee to submit the reports / certifications to the stock exchanges as required under the SEBI DT Master Circular as maybe amended from time to time:
 - ❖ an asset cover certificate in such form as may be required by the Debenture Trustee on a quarterly basis within 60 (sixty) calendar days from end of each Quarter or within such other timelines as maybe prescribed under Applicable Law;
 - ❖ a statement of value for any security offered on a quarterly basis within 60 (sixty) calendar days from end of each Quarter or within such other timelines as maybe prescribed under Applicable Law; and
 - ❖ a valuation report for the Secured Properties on an annual basis within 75 (seventy-five) calendar days from end of each financial year or within other such timelines as maybe prescribed under Applicable Law.
- The Issuer shall provide information pertinent to a credit assessment of the Issuer undertaken by the Bond Holders as may be required from time to time, including but not limited to the latest financial information, rating letter and rating rationale, copies of the board and shareholder resolutions (as applicable) authorizing the Bonds and the latest company profile.
- The Issuer shall submit a progress report in respect of implementation of the project(s) situated in the area comprising the Designated Land Bank on a half-yearly basis to the Debenture Trustee in a form acceptable to Bond Holder(s), within 60 (sixty) calendar days from end of each calendar half year.
- The Issuer shall, at least 44 (forty-four) days prior to each Due Date (T-44 days), provide the bank account statement of the Bond Servicing Account, the Debt Service Reserve Account and the Demat Account to the Debenture Trustee.

Liquidity Position: Adequate

Liquidity position is adequate with cash and balance of Rs.278.08 Cr. as on March 31st 2024. Also with DSRA amount of Rs.1080.86 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)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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 - Urban Local Bodies: <https://www.acuite.in/view-rating-criteria-57.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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Dec 2024	Proposed Non Convertible Debentures	Long Term	5000.00	ACUITE Provisional AA (CE) Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	5000.00	ACUITE Provisional AA (CE) Stable (Assigned)

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	INE1C3207057	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	31 Dec 2027	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207081	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	29 Dec 2028	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207073	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	31 Dec 2029	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207065	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	31 Dec 2030	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207040	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	31 Dec 2031	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207032	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	31 Dec 2032	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207024	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	30 Dec 2033	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final
Not Applicable	INE1C3207016	Non-Convertible Debentures (NCD)	06 Dec 2024	9.35	24 Nov 2034	1250.00	Simple	ACUITE AA CE Stable Assigned Provisional To Final

***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

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About Acuité Ratings & Research

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