India Ratings & Research
A Fitch Group Company

India Ratings Assigns Telangana State Industrial Infrastructure Corp.'s NCDs Final 'IND AA(CE)'/Stable; Affirms Existing Ratings

Jan 07, 2025 | Development Authority

India Ratings and Research (Ind-Ra) has taken the following rating action on Telangana State Industrial Infrastructure Corp. Ltd's (TSIIC) debt facilities:

Details of Instruments

Instrument Description	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/ Watch	Rating Action
Non-convertible debentures $,#	-	-	-	INR99.95 (reduced from 100 billion)	IND AA(CE)/Stable	Assigned
Bank loan	-	-	-	INR10	IND A-/Stable	Affirmed

$Credit ratings with (CE) suffix indicates that the instruments are supported by an external explicit credit enhancement. Please refer to the section, DISCLOSURES FOR CE RATING, for additional details as per the Securities and Exchange Board of India's (SEBI) Master Circular dated 6 July 2023.

#The assignment of the final rating follows the receipt of key executed transaction documents conforming to the information already received by Ind-Ra and the creation of a debt service reserve and fixed deposit (FD) on 07 December 2024. The final rating is, therefore, the same as the provisional rating assigned on 26 November 2024. The key documents received are information memorandum, debenture trustee deed, deed of hypothecation, accounts agreement and creation of DSRA equivalent to peak two quarter debt servicing. A detailed break-up of the NCDs is mentioned in the annexure.

Analytical Approach

Bank loan: Ind-Ra continues to view TSIIC as a dependent entity of the government of Telangana (GoTS) in line with its criteria for Rating Public Sector Entities and continues to factor in the credit profile of the GoTS to arrive at the rating. The corporation fulfils an important policy objective towards the implementation of GoTS's industrial policy framework and acts as the nodal agency for development of industrial infrastructure in Telangana. Ind-Ra continues to consider TSIIC's linkages with the GoTS to be strong, and hence, believes the government would continue to provide adequate support to the credit profile of the corporation.

NCDs: The rating of the NCDs draw comfort from the credit profile of the GoTS, which has extended an unconditional and irrevocable guarantee for the debt issuance. The rating has been notched up on the basis of the strength of the structured payment mechanism, peak debt service reserve account (DSRA), the likely adequate debt service coverage ratio (DSCR) and the provision of direct debit mechanism from the consolidated fund of the state.

Detailed Rationale of the Rating Action

Bank loan: The ratings factor in TSIIC's strong operational and strategic linkages with the GoTS. Ind-Ra considers the likelihood of extraordinary support from the GoTS towards TSIIC to be high. The bank loan rating also reflects the standalone profile of TSIIC.

NCDs: The rating is based on the continued strong legal and financial linkages between TSIIC and the GoTS. Ind-Ra takes comfort from the irrevocable, unconditional and continuing pre-default guarantee agreement executed by the GoTS, which will remain in force and effect until the entire NCDs are fully redeemed. The guarantee is also available to replenish the DSRA, if it is utilised to meet its debt payment obligations. Based on the pre-default guarantee and enforceability of the guarantee, Ind-Ra has assigned a CE suffix to the NCD rating and the base rating of the transaction is linked to the credit profile of GoTS.

Ind-Ra has notched up the NCD rating based on the legal and financial strengths of the transaction structure, which will be monitored by a debenture trustee and credit enhancers. The transaction rating benefits from the CE by way of peak two quarter DSRA, proceeds from the sale of land to be deposited in bond service account and direct debit mechanism from the consolidated fund of the state.

List of Key Rating Drivers

Bank loan

Strengths

- Public sector entity status
- Strategic importance to state
- Strong government control and moderate integration
- Telangana's robust economic performance

Weaknesses

- State's moderate fiscal performance
- Revenue concentration and volatility

NCDs

Strengths

- Supportive transaction structural features
- Structured payment mechanism
- DSRA shortfall guarantee from GoTS
- Public sector entity status
- Strategic importance to state
- Strong government control and moderate integration
- Telangana's robust economic performance

Weaknesses

- State's moderate fiscal performance
- Revenue concentration and volatility

Detailed Description of Key Rating Drivers

Bank loan

Public Sector Entity Status: TSIIC is fully owned by the GoTS. The corporation operates in a non-commercial environment and is under the administrative control of Industries and Commerce Department, which is a nodal department in the GoTS. The company plays a significant role in the implementation of various initiatives of the state government in the development of industrial parks/estates/clusters and special economic zones (SEZ) throughout the state. It is highly unlikely that TSIIC would become privatised in the medium-to-long term.

Strategic Importance to State: TSIIC's strategic importance to the GoTS lends strong support to its credit quality, as disruptions in its operations would be detrimental to the GoTS's mission to develop the state as a vibrant industrial hub. The industrial and services sectors contributed 12.7% and 67.8%, respectively, to Telangana's gross value added (GVA) growth during FY19-FY24. The state aims to establish sector-centric industrial parks with well-developed infrastructure to attract investments and generate employment opportunities.

TSIIC is the nodal agency/state implementing agency for the identification and acquisition of land for the development of industrial parks, industrial corridors, provision of common and specialised infrastructure facilities, allotment and sale of land to private players for setting up industrial units in industrial parks. TSIIC was developing the phase-I of the Hyderabad Pharma City (HPC) project at an estimated project cost of INR14.91 billion, through a mix of debt (INR10 billion) and equity (INR4.91 billion). However, this project is likely to be subsumed under a larger smart city project aimed at providing a sustainable urban living environment to an estimated population of 1.5 million, as per the management. As part of a broader vision, the state government is set to launch the Hyderabad Green Pharma City (HGPC), a multi-sectoral integrated smart city based on the principles of a Net Zero Concept that would span across around 14,000 acres in the state. TSIIC is the implementing agency for the integrated smart city project.

Strong Government Control and Moderate Integration: Ind-Ra considers the control and oversight of TSIIC by the GoTS as strongly supportive of its credit quality. The GoTS exercises significant control over TSIIC's policy design and strategy through its board of directors. All the directors are nominated by the GoTS from time to time. TSIIC has availed debt from financial institutions for project works with government approval. The statutory auditors of TSIIC are appointed by the Comptroller and Auditor General of India.

TSIIC has its own budget and its debt is not consolidated in the GoTS's debt. There are no regular equity infusions from the GoTS; however, GoTS is providing budgetary support to the TSIIC for debt servicing and infrastructure development. The state government has extended a guarantee (post default for bank loans and pre-default for proposed NCDs) on the debt availed by TSIIC. The ratings factor in the ability and willingness of the state government to extend budgetary support to TSIIC for its developmental activities. TSIIC receives budgetary support in the nature of grants for the development of industrial parks and provision of basic infrastructure facilities. The GoTS provided budgetary support of INR1,534 million to TSIIC in FY24 (FY23: INR2,550 million) for debt repayment and infrastructure development. Ind-Ra expects the GoTS to continue providing budgetary support to TSIIC in future as well.

Telangana's Robust Economic Performance: Telangana's economic structure is quite similar to the national economy. The share of the services sector in the state's gross GVA stood at 63.1% in FY24 (FY23: 62.1%) followed by industrial sector (22.8%; 22.5%) and agriculture (14.1%; 15.4%) as against those in the national economy at 54.6%; 30.9% and 14.5%, respectively. Manufacturing activities which had gathered momentum in FY16 witnessed a push back due to a growth slowdown in FY20 and the COVID-19 pandemic. As a result, the growth of manufacturing in Telangana, which had increased to 16.54% in FY19 (FY18: 9.25%) clocked either negative or modest growth during FY20-FY23. However, the sector recovered with 12.1% yoy growth in FY24. The state's gross state domestic product (GSDP) in FY24 grew 9.2% yoy, higher the national economic growth of 8.2%.

State's Moderate Fiscal Performance: The GoTS has maintained revenue surplus since its formation in FY15 till FY19. With normalisation in economic and business activities post pandemic, the state recorded a revenue surplus of 0.5% of GSDP in FY23 (actual) and 0.1% in FY24RE (revised estimate). The revenue surplus/GSDP was marginally lower at 0.1% in FY24RE compared with the budgeted 0.3% in FY24(BE) due to lower revenue collection than GoTS's estimates. A considerably lower than budgeted grants from the Centre and lower than budgeted state's own tax revenue collection resulted in an overall less than budgeted revenue receipts in FY24. The state has budgeted a negligible revenue surplus of INR2.97 billion, resulting in a revenue surplus/GSDP of 0.0% for FY25. The fiscal deficit/GSDP was 3.3% in FY24RE, less than 3.7% FY24BE. The state has budgeted a fiscal/GSDP of 3.0% for FY25. Telangana's debt burden remained above 25% and was higher at 26.8% of GSDP in FY24RE (FY24BE: 23.8%). The state has projected a debt/GSDP of 27.4% for FY25.

Revenue Concentration and Volatility: TSIIC generates its revenue primarily from the sale of land/buildings/sheds to industrial units in industrial parks and lease premium from SEZs. TSIIC also generates revenue from lease rentals and user charges from the supply of water, electricity, sewerage services and others. The sale of land/buildings/sheds averaged 55.27% of the operating revenue during FY20-FY24. Growth in operating revenue was volatile during this period. Volatility in revenue mainly arises from delays in the execution of sale deed by the entities allotted land in industrial parks as the revenue is recognised only upon the execution of sale deed. TSIIC's operating income declined to INR3,949.35 million in FY24 (FY23: INR5,116.86 million). Although inconsistent, the corporation generated positive EBITDA margins during FY20-FY24. The company's EBITDA was INR1,242.73 million for FY24 (FY23: INR2,092.50 million) with EBITDA margins of 24.81% (32.76%).

The sale of land would depend on economic conditions. Ind-Ra believes the materialisation of land allotment and timely execution of sale deeds for the land plots in the existing and new industrial parks are crucial for any improvement in TSIIC's operating performance in the medium- to long term.

NCDs:

Supportive Transaction Structural Features: Allotted NCDs are secured by: 1) an exclusive mortgage of designated land parcels (designated land bank), measuring around 400 acres with unencumbered ownership/ sale rights located in Kancha Gachibowli village, Serilingampally mandal, Ranga Reddy district; 2) exclusive charge on TSIIC's bond servicing escrow account in favour of debenture trustee (DT); 3) exclusive charge on the DSRA and the funds lying therein in favour of DT; and 4) an unconditional and irrevocable guarantee from the GoTS with provisions for direct debit mechanism from the consolidated fund of the state maintained with the Reserve Bank of India (RBI). The RBI is the banker to the state government. The guarantor/GoTS has irrevocably and unconditionally authorised the DT to advise the RBI to debit such amount as mentioned in guarantee invocation notice from the account(s) of the guarantor maintained with the RBI subject to the availability of clear and sufficient balance in the account at the time of executing the request of DT or immediately on availability of funds/limits in the account(s), and credit the same to the DSRA or the bond servicing account (BSA), as required under the provisions of the guarantee deed and subject to the conditions stipulated in the irrevocable letter of authority furnished by the guarantor in favour of the RBI.

The land is in the possession of TSIIC and valued at INR205 billion. TSIIC would develop the designated land by building common infrastructure and sell the developed plots in phases during the tenor of the NCDs. The proceeds from land bank monetisation will be deposited in the BSA to meet debt payment obligations. All funds for servicing debt would be credited within a specified timeline prior to the servicing date in the BSA. TSIIC has to ensure that the security or asset cover of the mortgaged portion of the designated land bank, along with funds lying to the credit of the BSA and the DSRA is maintained at a minimum of 1.5x. If it falls below 1.5x, TSIIC shall provide additional security through mortgage of additional land parcels.

As per the transaction structure, TSIIC has created DSRA equivalent to two peak quarterly servicing of interest plus principal of the outstanding bonds (falling due at the end of ninth and tenth quarter from the deemed date of allotment) amounting to INR10.81 billion. Furthermore, as the servicing liability would progressively come down after the ninth quarter, TSIIC would be permitted to take out the excess amount of the DSRA progressively under intimation to the DT, subject to no unresolved breach of any covenants.

The deed of guarantee also provides for necessary fund infusion in the DSRA, in the event of its impairment, to the extent of a DSRA shortfall. If the shortfall in the DSRA is not replenished within stipulated timelines, the DT would issue the guarantee invocation notice, for invocation of guarantee along with simultaneous triggering of defined recourse (direct debit mechanism) in the post invocation scenario.

The authorisation letter from the GoTS to the RBI that had been provided to Ind-Ra at the time of assignment of provisional rating, had contained the following statement: The guarantor/GoTS has irrevocably and unconditionally authorised the DT to advise the RBI to debit such amount as mentioned in guarantee invocation notice from the account(s) of the guarantor maintained with the RBI subject to the availability of clear and sufficient balance in the account at the time of executing the request of DT or immediately on availability of funds/limits in the account(s), on first priority basis before any other utilisation, and credit the same to the DSRA or the bond servicing account (BSA), as required under the provisions of the guarantee deed and subject to the conditions stipulated in the irrevocable letter of authority furnished by the guarantor in favour of the RBI. The final letter does not have the phrase 'on first priority basis before any other utilisation'. However, despite the deletion of this phrase, Ind-Ra believes the interests of the bond holders are protected to the same extent as earlier.

Structured Payment Mechanism: Under the structure, TSIIC would ensure that the requisite funds are deposited in the BSA to ensure a full build-up of servicing amount payable, at least 45 days prior to the relevant quarterly servicing date (T-45). The funding requirement is to be met out of part sale of designated land bank. The DT would independently monitor the adequacy of funds in BSA on T-44 day. In case of any shortfall in the built-up, the DT would advise TSIIC to expeditiously sell an appropriate area out of the designated land bank to ensure availability of sufficient funds in BSA to take care of forthcoming servicing requirement and would regularly monitor the progress. The DT would simultaneously request the issuer to make arrangements for meeting the shortfall from other sources including requesting the state government for financial support.

In case the shortfall in BSA persists at T-5 days, such shortfall would be met by transferring requisite funds from the DSRA to BSA to ensure the payment is made on the due date. If the DSRA is utilised to fund the BSA, all amounts accruing to BSA shall be transferred to the DSRA on an ongoing basis until the DSRA is fully replenished.

DSRA Shortfall Guarantee from GoTS: The GoTS has extended a guarantee to fund the DSRA shortfall within the specified timeline. Under the guarantee deed, on the next business day after the payment due date, if funds available in the DSRA are less than required for the immediate next two servicing dates, the DT will issue a shortfall notice to the GoTS and TSIIC on the next business day (T+1) to meet the shortfall within 30 calendar days from the date of issuance of the DSRA shortfall notice. If the irregularity continues beyond the stipulated timeline, the DT shall invoke the government guarantee to the extent of the shortfall in the DSRA by issuing a guarantee invocation notice to the GoTS and simultaneously advise the RBI to debit, forthwith, such amount(s) as may be specified in the guarantee invocation notice from the account(s) of the GoTS maintained with the RBI. The government shall be required to pay the shortfall amount, forthwith, directly into the DSRA.

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Liquidity

Bank loan

Adequate: The company's liquidity position is supported by adequate cash balances of INR2,998.83 million as on 30 September 2024 (FY24: INR3,856.74 million; FY23:INR6,820.30 million), the DSRA for NCDs and government budgetary support for debt servicing and infrastructure development. The total debt outstanding was INR2,758.64 million as on 30 September 2024 (FY24: INR2,814.02 million; FYE23: INR4,139 million). Loans availed from government institutions for the construction of infrastructural facilities in industrial parks have been fully serviced through budgetary allocation from the GoTS during FY24. The available unencumbered cash and bank balances as on 30 September 2024 are sufficient for meeting cash flow mismatches in the near- to medium term. The corporation has not availed any working capital/overdraft/cash credit facility. The TSIIC's debt servicing requirement, after factoring in the NCD repayments based on prevailing interest rate, in FY25 and FY26 are estimated to be INR3,555.1 million and INR9,789.1 million, respectively. Ind-Ra expects TSIIC to service this debt from a combination of EBITDA and government support.

The loan facility for HPC Phase-I project had a door-to-door tenor of seven years and two months with a moratorium of 26 months and amortisation period of five years. During the construction period, the interest during construction is part of the project cost, which is supportive of TSIIC's liquidity position. There is an upfront DSRA requirement of INR51 million, equivalent of one quarter interest payment, which has been created and maintained by TSIIC. The DSRA of one quarter principal amount needs to be created before end of moratorium period, as per sanction terms.

Due to pending issues regarding terms of land acquisition, physical progress of the project was affected and date of commencement of commercial operations (DCCO) of HPC project Phase-I was extended to 30 September 2025 from 30 September 2023. The lender has agreed for the extension of the DCCO and issued sanction letter with revised terms. The revised terms of sanctions are as follows.

- The door-to-door loan tenor has revised to 8 years and 11 months, with moratorium of 50 months.
- Repayment to start from 28 April 2026, repayable in 20 equal quarterly installments of INR500 million each.
- Conditions with regard to the DSRA and other securities remained unchanged.

NCDs:

Adequate: The company's liquidity position is supported by adequate cash balances of INR2,998.83 million as on 30 September 2024 (FY24: INR3,856.74 million; FY23: INR6,820.30 million), the DSRA (INR10.81 billion) for NCDs and government budgetary support for debt servicing and infrastructure development. The total debt outstanding was INR2,758.64 million as on 30 September 2024 (FY24: INR2,814.02 million; FYE23: INR4,139 million). Loans availed from government institutions for the construction of infrastructural facilities in industrial parks have been fully serviced through budgetary allocation from GoTS during FY24. The available unencumbered cash and bank balances as on 30 September 2024 are sufficient for meeting cash flow mismatches in the near- to medium term. The corporation has not availed any working capital/overdraft/cash credit facility. The TSIIC's debt servicing requirement, after factoring in NCD repayments based on prevailing interest rate, in FY25 and FY26 are estimated to be INR3,555.1 million and INR9,789.1 million, respectively. Ind-Ra expects TSIIC to service this debt from a combination of EBITDA and government support.

Rating Sensitivities

Bank loan

Positive: A positive rating action could result from an improvement in the GoTS's credit profile and improvement in the operating performance of TSIIC, on a sustained basis.

Negative: A negative rating action could result, individually or collectively, on a sustained basis, from:

- deterioration in the GoTS's credit profile,
- deterioration in TSIIC's liquidity position.
- weakening of linkages with the GoTS.

NCDs:

Positive: A positive rating action could result from an improvement in the GoTS's credit profile and improvement in the operating performance of TSIIC, on a sustained basis.

Negative: A negative rating action could result, individually or collectively, on a sustained basis, from:

- deterioration in the GoTS's credit profile,
- frequent dipping into the DSRA
- non-maintenance of minimum asset coverage ratio as per the terms of the NCDs on a sustained basis.

Disclosures for CE Rating

1) UNSUPPORTED RATING

Ind-Ra has assigned the unsupported rating at 'IND A-'/Stable.

Analytical Approach

The rating of the NCDs draw comfort from the credit profile of the GoTS, which has extended an unconditional and irrevocable guarantee for the debt issuance. The rating has been notched up on the basis of the strength of the structured payment mechanism, peak debt service reserve account (DSRA), the likely adequate debt service coverage ratio (DSCR) and the provision of direct debit mechanism from the consolidated fund of the state.

Detailed Rationale of the Rating Action

Ind-Ra has classified TSIIC as a dependent public sector entity under its Rating of Public Sector Entities criteria. The unsupported rating considers the legal status of the entity, entity's strategic importance and the significant control exercised by the GoTS over its policy objective.

List of Key Rating Drivers

Strengths

- Public sector entity status
- Strategic importance to state
- Strong government control and moderate integration
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Weaknesses

- State's moderate fiscal performance
- Revenue concentration and volatility

Detailed Description of Key Rating Drivers

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TSIIC has its own budget and its debt is not consolidated in the GoTS's debt. There are no regular equity infusions from the GoTS; however, GoTS is providing budgetary support to the TSIIC for debt servicing and infrastructure development. The state government has extended a guarantee (post default for bank loans and pre-default for proposed NCDs) on the debt availed by TSIIC. The ratings factor in the ability and willingness of the state government to extend budgetary support to TSIIC for its developmental activities. TSIIC receives budgetary support in the nature of grants for the development of industrial parks and provision of basic infrastructure facilities. The GoTS provided budgetary support of INR1,534 million to TSIIC in FY24 (FY23: INR2,550 million) for debt repayment and infrastructure development. Ind-Ra expects the GoTS to continue providing budgetary support to TSIIC in future as well.

Telangana's Robust Economic Performance: Telangana's economic structure is quite similar to the national economy. The share of the services sector in the state's gross GVA stood at 63.1% in FY24 (FY23: 62.1%) followed by industrial sector (22.8%; 22.5%) and agriculture (14.1%; 15.4%) as against those in the national economy at 54.6%; 30.9% and 14.5%, respectively. Manufacturing activities which had gathered momentum in FY16 witnessed a push back due to a growth slowdown in FY20 and the COVID-19 pandemic. As a result, the growth of manufacturing in Telangana, which had increased to 16.54% in FY19 (FY18: 9.25%) clocked either negative or modest growth during FY20-FY23. However, the sector recovered with 12.1% yoy growth in FY24. The state's gross state domestic product (GSDP) in FY24 grew 9.2% yoy, higher the national economic growth of 8.2%.

State's Moderate Fiscal Performance: The GoTS has maintained revenue surplus since its formation in FY15 till FY19. With normalisation in economic and business activities post pandemic, the state recorded a revenue surplus of 0.5% of GSDP in FY23 (actual) and 0.1% in FY24RE (revised estimate). The revenue surplus/GSDP was marginally lower at 0.1% in FY24RE compared with the budgeted 0.3% in FY24(BE) due to lower revenue collection than GoTS's estimates. A considerably lower than budgeted grants from the Centre and lower than budgeted state's own tax revenue collection resulted in an overall less than budgeted revenue receipts in FY24. The state has budgeted a negligible revenue surplus of INR2.97 billion, resulting in a revenue surplus/GSDP of 0.0% for FY25. The fiscal deficit/GSDP was 3.3% in FY24RE, less than 3.7% FY24BE. The state has budgeted a fiscal/GSDP of 3.0% for FY25. Telangana's debt burden remained above 25% and was higher at 26.8% of GSDP in FY24RE (FY24BE: 23.8%). The state has projected a debt/GSDP of 27.4% for FY25.

Revenue Concentration and Volatility: TSIIC generates its revenue primarily from the sale of land/buildings/sheds to industrial units in industrial parks and lease premium from SEZs. TSIIC also generates revenue from lease rentals and user charges from the supply of water, electricity, sewerage services and others. The sale of land/buildings/sheds averaged 55.27% of the operating revenue during FY20-FY24. Growth in operating revenue was volatile during this period. Volatility in revenue mainly arises from delays in the execution of sale deed by the entities allotted land in industrial parks as the revenue is recognised only upon the execution of sale deed. TSIIC's operating income declined to INR3,949.35 million in FY24 (FY23: INR5,116.86 million). Although inconsistent, the corporation generated positive EBITDA margins during FY20-FY24. The company's EBITDA was INR1,242.73 million for FY24 (FY23: INR2,092.50 million) with EBITDA margins of 24.81% (32.76%).

The sale of land would depend on economic conditions. Ind-Ra believes the materialisation of land allotment and timely execution of sale deeds for the land plots in the existing and new industrial parks are crucial for any improvement in TSIIC's operating performance in the medium- to long term.

Liquidity

Adequate: The company's liquidity position is supported by adequate cash balances of INR2,998.83 million as on 30 September 2024 (FY24: INR3,856.74 million; FY23: INR6,820.30 million), the DSRA for NCDs and government budgetary support for debt servicing and infrastructure development. The total debt outstanding was INR2,758.64 million as on 30 September 2024 (FY24: INR2,814.02 million; FYE23: INR4,139 million). Loans availed from government institutions for the construction of infrastructural facilities in industrial parks have been fully serviced through budgetary allocation from the GoTS during FY24. The available unencumbered cash and bank balances as on 30 September 2024 are sufficient for meeting cash flow mismatches in the near- to medium term. The corporation has not availed any working capital/overdraft/cash credit facility. The TSIIC's debt servicing requirement, after factoring in the NCD repayments based on prevailing interest rate, in FY25 and FY26 are estimated to be INR3,555.1 million and INR9,789.1 million, respectively. Ind-Ra expects TSIIC to service this debt from a combination of EBITDA and government support.

Rating Sensitivities

Positive: A positive rating action could result from an improvement in the GoTS's credit profile and improvement in the operating performance of TSIIC, on a sustained basis.

Negative: A negative rating action could result, individually or collectively, on a sustained basis, from:

- deterioration in the GoTS's credit profile,
- deterioration in TSIIC's liquidity position.
- weakening of linkages with the GoTS.

2) INSTRUMENT COVENANTS: For Issued bonds

a. 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.

b. Maintenance of Debt Service Reserve Amount (DSRA) to the extent of fully covering the peak servicing requirements for 2 quarters as liquidity support.

c. 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.

d. Stipulation for invocation of Government Guarantee for impairment of DSRA if not remedied within stipulated timelines and defined recourse in the post invocation scenario.

e. 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.

3) ADEQUACY OF CE STRUCTURE:

1. DSRA shortfall guarantee from GoTS: The GoTS has extended a guarantee to fund the DSRA shortfall within the specified timeline. Under the guarantee deed, on the next business day after the payment due date, if funds available in the DSRA are less than required for the immediate next two servicing dates, the DT will issue a shortfall notice to the GoTS and TSIIC on the next business day (T+1) to meet the shortfall within 30 calendar days from the date of issuance of the DSRA shortfall notice. If the irregularity continues beyond the stipulated timeline, the DT shall invoke the government guarantee to the extent of the shortfall in the DSRA by issuing a guarantee invocation notice to the GoTS and simultaneously advise the RBI to debit, forthwith, such amount(s) as may be specified in the guarantee invocation notice from the account(s) of the GoTS maintained with the RBI.. The government shall be required to pay the shortfall amount, forthwith, directly into the DSRA.

2. State Government Guarantee: The guarantee is unconditional and irrevocable and is a continuing obligation. The guarantee will remain in force and effect until the NCDs are fully redeemed. Ind-Ra, in its analysis, has stressed the

GoTS's credit profile by considering a sizeable portion of the guarantee to devolve. As per Ind-Ra's analysis, the guarantor, even in the stress scenario, is likely to meet all the guaranteed debt obligations.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on TSIIC, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

TSIIC 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 authorised share capital of the company was INR100 million at end-March 2024.

Key Financial Indicators

TSIIC

Particulars	**FY24 (Audited)**	**FY23 (Audited)**
Total income (INR million)	5,008.64	6,387.10
EBITDA (INR million)	1,242.73	2,092.50
EBITDA margin (%)	24.81	32.76
Cash and cash equivalent	3,856.74	6,820.30
Net debt/EBITDA (x)	n.m.	n.m.
Source: TSIIC n.m.- Not meaningful		

GoTS

Particulars (as a % of GSDP)	**FY24(RE)**	**FY25(BE)**
Revenue balance	0.1	0.0
Fiscal balance	-3.3	-3.0
Total debt	26.8	27.4
Source: The GoTS's Budget, NSO and Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	**Rating Type**	**Rated Limits (billion)**	**Current Ratings/Outlook**	**Historical Rating/Outlook**		
				26 November 2024	**28 November 2023**	**30 August 2022**
Bank loan	Long-term	INR10	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable
Non-convertible debentures	Long-term	INR99.95	IND AA(CE)/Stable	Provisional IND AA(CE)/Stable		
Unsupported rating	Long-term		IND A-/Stable	IND A-/Stable		

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan	Low
Non-convertible debenture	Moderate

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
Non-convertible debentures	INE1C3207016	6 December 2024	9.35	24 November 2034	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207024	6 December 2024	9.35	30 December 2033	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207032	6 December 2024	9.35	31 December 2032	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207040	6 December 2024	9.35	31 December 2031	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207065	6 December 2024	9.35	31 December 2030	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207073	6 December 2024	9.35	31 December 2029	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207081	6 December 2024	9.35	29 December 2028	INR12,494.10	IND AA(CE)/Stable
Non-convertible debentures	INE1C3207057	6 December 2024	9.35	31 December 2027	INR12,494.10	IND AA(CE)/Stable
TOTAL					**INR99,952.80**	

Source: NSDL, TSIIC

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APPLICABLE CRITERIA AND POLICIES

Local and State Government Rating Criteria

Evaluating Corporate Governance

Rating of Public Sector Entities

Policy on Provisional Ratings

The Rating Process

Policy for Credit Enhanced (CE) Ratings