

Press Release

Goa Industrial Development Corporation

August 1, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned*
1.	Long Term Debt – Term Loan	142.68	IVR A+ (SO) / Stable Outlook (IVR Single A Plus [Structured Obligation] with Stable Outlook)
2.	Proposed Long Term Debt – Term Loan	57.32	IVR A+ (SO) / Stable Outlook (IVR Single A Plus [Structured Obligation] with Stable Outlook)
Total		200.00	

**SO rating backed by specific letter of comfort from Government of Goa for the bank facilities of GIDC*

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from GIDC being the nodal agency for development and industrialization in Goa, specific Letter of Comfort from the Government of Goa, healthy financial profile of Goa; albeit correlation with mining activity and maintenance of Guarantee Redemption Fund (GRF) and Consolidated Sinking Fund (CSF) with RBI by Government of Goa. The rating however is constrained by significant debt repayment obligations of the corporation, moderation in economic performance and moderate liquidity position of the State. Ability to generate cash flows from allotment of plots, political and economic performance of the State and financial position of the State government are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

Nodal agency for development and industrialization in Goa

GIDC is responsible for carrying out industrial infrastructure development across the state of Goa. The key activities of the corporation include land acquisition, allotment of land for setting up of industrial units and providing basic infrastructure for the industrial units. Over the years, GIDC has developed 23 industrial estates for setting up small, medium and large scale industries

in Goa. The corporation has assets in the form of land banks of ~2,33,35,000 sq. mtrs. available for monetization.

Specific Letter of Comfort from the Government of Goa

Government of Goa has given letter of comfort (LoC) to the term loan facility of Rs.200.00 crore (Rs.142.68 crore o/s as on June 30, 2019) availed by Goa Industrial Development Corporation for payment to five SEZ allottees. Although the corporation is capable of comfortably fulfilling its debt obligations utilizing net surplus from the allotment of the SEZ land, letter of comfort from the state government provides additional cushion for the bank facilities.

Healthy financial profile of Goa; albeit correlation with mining activity

Goa is currently a revenue surplus state. This indicates that it has been able to manage the state finances in a better manner than its peer states. However, the surplus position of the state has a high correlation with mining activity as the state was in revenue deficit during initial years of the mining ban (FY13-14). Also, the fiscal deficit of Goa was lower than that of the national average when mining activities were going on in the state. The fiscal deficit is currently high as mining has been banned in the state from March 2018.

Maintenance of GRF and CSF by Government of Goa

The state government maintains Guarantee Redemption Fund (GRF) and Consolidated Sinking Fund (CSF) with RBI. As on May 30, 2019, the corpus of Goa state in GRF and CSF stood at Rs.273.00 crore and Rs.543.00 crore respectively.

Key Weaknesses

Significant debt repayment obligations of the corporation

The corporation has availed term loan of Rs.200.00 crore in May 2019 for payment to five SEZ allottees. The repayment of this debt obligation is an important factor given that the corporation had booked losses in the past (GIDC has however reported positive PAT in FY19). Moreover the corporation is capable of paying off the entire debt utilizing the proposed revenue from allotment of SEZ land. Ability to generate cash flows from allotment of SEZ plots is a key rating sensitivity.

Moderation in economic performance of the State

The Goan economy has logged higher than national economic growth rates except in FY13 and FY14. The state economy experienced de-growth during these two years on account of the mining ban as directed by the Hon'ble Supreme Court of India. The GSDP of Goa at constant prices (2011-12) for FY18 is estimated at Rs.53787 crore as against Rs.51848 core in FY17 implying a growth rate of 6.23%. However, the economic growth rate slipped significantly in FY18 on account of re-imposition of mining ban.

Moderate liquidity position

Goa has a moderate liquidity position as evinced by the state resorting to SDF, WMA and OD facility from the RBI on various occasions during the last financial year. The state had availed WMA and OD amounting to Rs.83 crore and Rs.41 crore respectively in March 2019.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Infrastructure companies

Financial Ratios and Interpretation (Non-Financial Sector)

Rating Methodology for Structure Debt Transaction (Non-securitisation transaction)

Rating Methodology – State Finance

Liquidity

GIDC is expected to have moderate liquidity position given the expected proceeds from land sales will be higher than the term loan repayments. Further, Goa has a moderate liquidity position as evinced by the state resorting to SDF, WMA and OD facility from the RBI on various occasions during the last financial year. These facilities are extended by the RBI to state governments to tide over temporary cash flow mismatches.

About the Company

Goa Industrial Development Corporation (GIDC) is a statutory body established in November 1965 by Government of Goa with the objective of developing industrial areas across the state of Goa. The key activities of the corporation include land acquisition, allotment of land for setting up of industrial units and providing basic infrastructure for the industrial units. Over the years,

GIDC has developed 23 industrial estates for setting up small, medium and large scale industries in Goa. The corporation is the process of developing another ten industrial areas spanning across an extensive area of ~30.71 lakh sq. mtrs. Corporate office of the corporation is located in Panaji, the state capital of Goa. Presently, Mr. S.V. Naik is the Managing Director of GIDC.

Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Operating Income	39.55	42.09
EBITDA	19.24	14.89
PAT	-1.10	5.16
Total Debt	0.00	0.00
Tangible Networth	47.93	61.13
EBITDA Margin (%)	48.65	35.39
PAT Margin (%)	23.56	12.26
Overall Gearing Ratio (x)	0.00	0.00

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating*	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan	Long Term	142.68	IVR A+ (SO) / Stable Outlook	--	--	--
2.	Proposed Term Loan	Long Term	57.32	IVR A+ (SO) / Stable Outlook	--	--	--

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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR/ROI	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook*
Term Loan	May 2019	1 year MCLR + 0.10% p.a.	May 2025	142.68	IVR A+ (SO) /Stable Outlook
Proposed Term Loan	--	1 year MCLR + 0.10% p.a.	--	57.32	IVR A+ (SO) /Stable Outlook

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