



## Press Release

### Goa Industrial Development Corporation (GIDC)

October 08, 2020

Sl. No.	Instrument/Facility	Amount (INR Crore)	Supported Rating* Assigned	Rating Action
1.	Long Term Bank Facility – Term Loan	200.00	IVR A (CE)/Stable Outlook {IVR Single A (Credit Enhancement) with Stable Outlook}	Revised
	<b>Total</b>	<b>200.00</b>		

*\*CE Rating backed by Letter of Comfort from Government of Goa for the bank facilities of GIDC*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating of the above bank facilities of Goa Industrial Development Corporation derives strength from Letter of Comfort from Government of Goa for the bank facilities of GIDC. This letter of comfort results in an enhancement in the rating of the said instrument to IVR A (CE)/ Stable Outlook) (IVR Single A [Credit Enhancement] with Stable Outlook against the unsupported rating of IVR BB/Credit watch with developing implications (IVR Double B Credit watch with developing implications)

The rating revision of the Government of Goa reflects headwinds faced by the tourism industry (Major contributor in Goa's GDP) from prolonged lockdown due to the COVID-19 pandemic. Further, rating derives strength from benefits derived from GIDC being Nodal agency for development and industrialization in Goa, Specific Letter of Comfort from the Government of Goa, State logs higher GDP growth rate than national average, Healthy financial profile of Goa; albeit correlation with mining activity and maintenance of GRF and CSF However, the rating strengths are partially offset by significant debt repayment obligations of the corporation, moderate liquidity position and headwinds from dampened tourism activity & COVID -19 pandemic



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### **Key Rating Sensitivities:**

- **Upward Factor**

- Further improvement in financial position of the State of Goa.
- Ability to generate sufficient cash flows from allotment/auctions of plots

- **Downward Factor**

- Any substantial & sustained deterioration in financial position of the State of Goa.
- Any delay in auction/allotment of plots

### **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.

##### **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 availed by Goa Industrial Development Corporation for payment to the 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.

##### **State logs higher GDP growth rate than national average**

The Gross State Domestic Product (GSDP) of Goa at current prices increased at a Compound Annual Growth Rate (CAGR) of 11.83 per cent between 2015-16 and 2019-20. In terms of NSDP per capita (INR at Current prices), Goa has the highest per capita income Rs 467,998 in FY19. Goa's economic growth is driven by the strong performance of its industrial sectors such as mining, tourism, and pharmaceuticals. Goa is currently a revenue surplus state.



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### **Healthy financial profile of Goa; albeit correlation with mining activity**

The budget 2019-20 of the State was presented with revenue surplus of ₹ 455.10 crore. 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. For the Financial year 2019-20 (till 31/10/2019) Total Royalty collected on extraction of Major Mineral is ₹.9.25 lakh. Royalty collected on Minor Minerals for the above period is ₹ 2.48 crore.

### **Maintenance of GRF and CSF**

The state government maintains Guarantee Redemption Fund (GRF) and Consolidated Sinking Fund (CSF) with RBI. As on July 31, 2020, the corpus of Goa state in GRF and CSF stood at Rs.296.00 crore and Rs.589.00 crore respectively

### **Key Weaknesses**

#### **Significant debt repayment obligations of the corporation**

The corporation has availed term loan of INR200.00 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 Negative PAT in FY19 due to interest paid to SEZ parties). However, the corporation will be able to pay the debt obligation from new allotment and/or auction of the SEZ land.

#### **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 SDF of around INR138 Crore during July-2020 for 20 days as compared to INR127 Crore during June-2020 for 21 days.



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### **Headwinds from dampened tourism activity and COVID 19 pandemic**

Tourism sector is considered as the backbone of Goa's economy. The state attracts a large number of domestic and foreign travelers. COVID-19 pandemic has taken a toll on the tourism sector. With the Covid-19 outbreak across the world, tourism in Goa has also dropped to a great extent and the tourist footfalls have declined.

### **Analytical Approach & Applicable Criteria:**

Unsupported Rating: Standalone

Credit Enhancement (CE) rating: Assessment of the credit profile of Government of Goa which has backed bank facilities of GIDC by providing Letter of Comfort.

Methodology for Infrastructure Companies

Rating Methodology – State Finance

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

Government of Goa has an adequate 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. Also, GIDC is planning for auction of land in FY21 i.e. Dec-20 and FY22 which shows the cash flow in the corporation against the term loan

### **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 Corporate office of GIDC is located in Panaji, the state capital of Goa. Presently, Mr. Derrick P. Neto is the Managing Director of GIDC.



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### Financials: GIDC (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	41.53	29.33
EBITDA	11.95	-1.45
PAT	-115.39	-35.43
Total Debt	0.00	168.94
Tangible Net-worth	-70.7	-106.14
EBITDA Margin (%)	28.77	-4.96
PAT Margin (%)	-277.86	-120.80
Overall Gearing Ratio (x)	NM	NM

\* Classification as per Infomerics' standards

NM: Not Meaningful

### About the Guarantor

Government of Goa has given a letter of comfort (LoC) to the term loan facility of Rs.200.00 crore availed by Goa Industrial Development Corporation. Goa is a coastal state located in Western India. Goa is accessible through sea-route and has a presence of one of the 12 major ports in India at Mormugao. The state is also well-connected through rail and road routes. The state of Goa is richly endowed with minerals such as iron ore, manganese, ferro-manganese, and bauxite and silica sand.

**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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 Aug 01, 2019	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Term Loan	Long Term	200.00	IVR A (CE) / Stable Outlook	IVR A+ (CE) / 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](http://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

<b>Name of Facility</b>	<b>Size of Facility (INR Crore)</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Rating Assigned/ Outlook</b>
Long Term Bank Facility – Term Loan	200.00	NA	NA	May-2025	IVR A (CE) /Stable Outlook