

May 14, 2025

Punjab Infrastructure Development Board: Rating reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|-----------------------------------------------|--------------------------------------|-------------------------------------|---------------------------------------------------|
| Rs. 500-crore Deep Discount Bonds- Series II | 19.82 | 19.82 | [ICRA]BBB-(CE) (Stable); reaffirmed |
| | 1.04 | 0.0 | [ICRA]BBB-(CE) (Stable); reaffirmed and withdrawn |
| Rs. 150-crore Deep Discount Bonds- Series III | 32.63 | 32.63 | [ICRA]BBB-(CE) (Stable); reaffirmed |
| | 9.97 | 0.0 | [ICRA]BBB-(CE) (Stable); reaffirmed and withdrawn |
| Total | 63.46 | 52.45 | |

Rating without explicit credit enhancement

[ICRA]BB+

*Instrument details are provided in Annexure I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

For the [ICRA]BBB-(CE) (Stable) rating

The reaffirmation of the rating continues to reflect an unconditional and irrevocable guarantee by the Government of Punjab (GoP) for the repayment of the principal and payment of interest over the tenure of the rated instruments of Punjab Infrastructure Development Board's (PIDB). Further, the debt servicing of the rated bonds is backed by the adequate budgetary allocation by the GoP. Therefore, the rating assigned to PIDB's bond programmes primarily reflects the credit profile of the GoP. The rating assigned to the bond programmes of PIDB factors in its expected adherence to the structured payment mechanism, adequate budgetary allocation for debt servicing of ICRA-rated bonds by the GoP in FY2026 and the anticipated timely release of the same in the ongoing fiscal. This is in line with the demonstrated past practice followed during FY2019-FY2025. However, the rating is constrained by PIDB's dependence on the state government, which has a moderate credit profile. ICRA notes that w.e.f. April 5, 2021, the Board started receiving a special infrastructure development (ID) fee on petrol, diesel and immovable property transactions within the state. While this special levy has improved PIDB's revenue and liquidity profile from FY2022, ICRA believes that support from the state government in the form of budgetary provision for its debt servicing requirements would remain critical.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach, whereby the rating of the guarantor has been translated to the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenure of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by the GoP is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]BBB-(CE) against the rating of [ICRA]BB+ without explicit credit enhancement. In case the rating of the guarantor changes in the future, the same would reflect in the rating of the aforesaid instrument as well.

Salient covenants of the rated facility

- An unconditional and irrevocable guarantee by the GoP for the repayment of principal and interest over the entire tenure of the bond programme
- Adequate funding of the escrow account by PIDB for servicing the bondholders at least seven days prior to the forthcoming due date for payment of principal and/or interest
- Regular monitoring of the escrow account by the Trustee to the bondholders
- Tripartite agreement among PIDB, the GoP and the Trustee to the bondholders, outlining the obligations of various signatories
- A trigger-enabled mechanism if PIDB fails to adequately fund the escrow account in time

The Stable outlook assigned to the long-term rating reflects ICRA's expectation of satisfactory adherence to the structured payment mechanism by PIDB and ICRA's outlook on the rating of the GoP, which has provided strong support to PIDB for servicing of the rated bonds.

ICRA has withdrawn the rating assigned to the Rs. 11.01 crore long-term bonds as these bonds have been fully redeemed through maturity, and no amount is outstanding against the same. The rating has been withdrawn in accordance with ICRA's withdrawal policy (click [here](#) for the policy).

Key rating drivers and their description

Credit strengths

Adequate budgetary allocation by GoP for debt servicing of bonds – The GoP has been making budgetary allocations for assistance to PIDB (debt servicing and other expenditure) since FY2018. The budgetary allocations made by the GoP and the funds released to PIDB were adequate for debt servicing of the ICRA-rated bonds of the Board between FY2020 and FY2025. The GoP has made a budgetary allocation of Rs. 456.17 crore in FY2026 as assistance to PIDB, which is adequate for debt servicing of its ICRA-rated bonds (Rs. 102.8 crore) as well as for non-ICRA-rated term loans due in FY2026.

Satisfactory adherence to structured payment mechanism for rated bonds – PIDB is required to timely fund the escrow accounts monitored by a Trustee, by T-10 days to facilitate debt servicing of the ICRA-rated bonds. If the funds are inadequate at T-10 days, the Trustee shall intimate the GoP to make up for the shortfall in the escrow accounts. If sufficient funds are not available in the escrow accounts by T-7, the Trustee would invoke the guarantee extended by the GoP for repayment of the principal and payment of interest on the ICRA-rated bonds of PIDB. PIDB has been depositing funds in the escrow accounts, in line with the transaction structure of the ICRA-rated bonds.

Credit challenges

Dependence on GoP for timely debt servicing – Despite collections of special ID fee on specified commodities in its own account from FY2022, PIDB would continue to be reliant on the GoP, which has a moderate credit profile.

Key rating drivers and their description (of the GoP, the support provider)

Credit strengths

Above-average per capita income and healthy socio-economic indicators: Above-average per capita income relative to all-India level (Rs. 1,95,031 compared to Rs. 1,88,892 in FY2024) and remittances support consumption in the state. Moreover, Punjab's performance on various socio-economic indicators, including the literacy rate (76.7% in 2011), urbanisation (37.5% in 2011) and infant mortality rate (18 per 1,000 persons live birth in 2020) was favourable, compared to the respective national averages (74.0%, 31.2% and 28 per 1,000 persons, respectively).

Favourable infrastructure: Punjab fares well in terms of infrastructure indicators, with universal irrigation coverage, substantial per-capita availability of power (2,510 kilowatt-hours in 2024, more than double the national average of 1,366 kilowatt-hour), three airports (one international and two domestic airports, including Chandigarh) and an above-average road density (2,936 per 1000 km, compared to the national average of 1,652 per 1,000 km in 2019).

Credit challenges

High outgo on committed items: The combined outgo on salary, pension and interest payments of the GoP averaged 64% of its total revenue expenditure and 82% of its revenue receipts during FY2022-2024, higher than most other states. As a proportion of gross state domestic product (GSDP), the GoP's committed expenditure was ~10% of GSDP during this period.

Large power subsidy: The GoP's power subsidy outgo nearly doubled to Rs. 17,800-18,200 crore in FY2023-2024 from Rs. 9,394 crore in FY2020, driven by the GoP's policy to provide 300 units of domestic power supply per month free from July 2022 onwards as well as the release of arrears. As a proportion of GSDP, the GoP's power subsidy increased to 2.4% in FY2023 from 1.8% in FY2020, higher than several other Indian states.

Worsening of quality of fiscal deficit: The share of revenue deficit in fiscal deficit in FY2024 worsened to 85% in FY2024 from 77% in FY2023, thereby curtailing fiscal space for capital spending.

High leverage levels relative to GSDP: Reflecting the consistently large fiscal deficits and support extended to the power and civil supplies sector, the GoP's leverage stood at an adverse 44.5% of GSDP in FY2024. However, this is mildly lower than 45.3% of GSDP in FY2020.

Liquidity position of the guarantor (GoP): Stretched

The GoP availed the ways and means advances (WMA) window for 105 days and overdraft (OD) for 16 days in FY2024. In FY2025 (data available till February 2025), the state tapped the WMA window for 172 days and the OD window for 38 days. Based on the increase in the usage of the WMA and OD facilities by the GoP in the recent period, its liquidity position is inferred to be stretched.

Liquidity position of PIDB: Stretched

PIDB is dependent on the GoP for debt servicing of bonds and term loans. The transaction structure of the ICRA-rated bonds includes trustee-monitored escrow accounts. Adequate funds must be transferred into these accounts by T-7. If the requirement is not met, the guarantee extended by the GoP will be invoked. For FY2026, the GoP has made a budgetary allocation of Rs. 456.17 crore in its annual budget as assistance to PIDB, which will be utilised for debt servicing of its ICRA-rated bonds in FY2026 (Rs. 102.8 crore) as well as for non-ICRA rated term loans. Further, PIDB's own revenue from the Special Infrastructure Development can also be used for debt servicing.

Rating sensitivities

Positive factors – The rating assigned by ICRA to the bond programme of PIDB is principally based on the strength of the support provider, the GoP, and the guarantee it provides. Accordingly, any future rating changes will remain synchronous with changes in the GoP's credit quality.

Negative factors – The rating assigned by ICRA to the bond programme of PIDB is principally based on the strength of the support provider, the GoP and the guarantee provided by the GoP. Accordingly, any future rating changes will remain synchronous with changes, if any, in the GoP's credit quality. Further, any non-adherence to the structured payment mechanism by PIDB could lead to a downward revision in the rating of its bond programmes.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable rating methodologies | Corporate Credit Rating Methodology State Governments Rating Approach - Implicit parent or group support Policy on Withdrawal of Credit Ratings |
| Parent/Group support | Parent: Government of Punjab (GoP) The assigned rating factors in the credit profile of GoP, which has extended an unconditional and irrevocable guarantee along with adequate budgetary allocations for servicing of the rated bonds. |
| Consolidation/Standalone | Standalone |

About Punjab Infrastructure Development Board

PIDB is a statutory body with the Chief Minister, Punjab as its Chairman. PIDB was incorporated under the Punjab Infrastructure Development Act (PIDA) in 1998 to act as a nodal agency to stimulate infrastructure development in Punjab. PIDA was subsequently replaced by the Punjab Infrastructure (Development & Regulation) Act, 2002 (PIDRAA) effective July 11, 2002 to provide for the creation, development, maintenance and operation of infrastructure and for matters connected therewith or incidental thereto. The act passed in 2002 retained the Board's role as a nodal agency for the overall planning of infrastructure development in the state. The primary revenue sources for PIDB were infrastructure development (ID) fees, levied on the sale of specific agricultural items (wheat and paddy), petrol, diesel, consumption of electricity and purchase of immovable property at rates notified by the Government of Punjab (GoP).

Subsequently, in July 2017, the GoP notified the Punjab Infrastructure (Development & Regulation) Amendment Act (PIDRAA), 2017. As per PIDRAA, 2017, ID fee levied on sale of specific items (paddy, wheat, petrol, diesel, consumption of electricity and purchase of immovable property), which previously formed the key source of revenues for PIDB, would be credited to the consolidated fund of the GoP.

On March 25, 2021, the GoP notified PIDRAA, 2021, which includes a provision to levy a special ID fee on petrol, diesel and immovable property by the state government at a rate notified by it. PIDRAA, 2021 mentions that a special ID fee would be collected and deposited directly in PIDB's Development Fund, which was created under Section 27 of PIDRA 2002.

PIDRAA, 2021 came into effect on April 5, 2021, wherein the Governor of Punjab notified an additional levy of special ID fee of Rs. 0.25 per litre on sale of petrol and diesel within Punjab and Rs. 0.25 for every Rs. 100 of the value of purchase of immovable property within Punjab. This incremental special ID fee is being transferred directly to PIDB's development fund, and it is reflecting in its accounts since FY2022.

Key financial indicators (audited)

| PIDB | FY2023 | FY2024 |
|-----------------------------------|---------|---------|
| Operating income | 282.7 | 287.7 |
| Operating expenditure | 865.1 | 1,105.1 |
| Operating profit/ loss | (582.4) | (817.4) |
| Interest expenditure | 67.7 | 127.8 |
| Depreciation | 0.2 | 0.1 |
| Non-operating income | 59.5 | 29.7 |
| Excess of income over expenditure | (590.8) | (915.6) |

Source: PIDB, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

About the GoP's finances

The GoP's revenue receipts as a proportion of GSDP eased to 11.9% of GSDP in FY2024 from an average of 12.7% of GSDP in FY2021-23, primarily reflecting the cessation of the GST compensation period. The GoP's revenue expenditure is dominated by committed items (salaries, pensions, and interest payments) and power subsidy. The state's revenue expenditure declined mildly to 15.7% of GSDP in FY2024 from an average of 16.0% of GSDP during FY2021-23. Accordingly, the state's revenue deficit rose to 3.8% of GSDP in FY2024 from ~3% of GSDP during FY2021-22, while remaining unchanged from 3.8% of GSDP in FY2023. With the reduced fiscal space, the GoP's capital spending declined to 0.7% of GSDP in FY2024 from 1.0% of GSDP during FY2021-23. The GoP's fiscal deficit ranged at a high of 4.2-5.0% of GSDP during FY2021-2024¹. Due to high fiscal deficits and the support extended to the power and civil supplies sectors, the GoP's leverage level (debt + guarantees excluding GST compensation loans) remained adverse at ~45% of GSDP in FY2024, nearly similar to the average ratio during FY2021-2023.

In the revised estimates (RE) for FY2025, the GoP's revenue deficit and fiscal deficit are expected to widen to Rs. 28,685 crore and Rs. 36,750 crore, respectively, from Rs. 28,215 crore and Rs. 33,115 crore, respectively, in FY2024. As per the GoP's FY2026 Budget, the state's fiscal deficit is expected to be 4.5% of GSDP. In the budget estimates (BE) for FY2026, the GoP has forecast its revenue deficit to decline to Rs. 23,957 crore from the level projected in the FY2025 RE. Capital spending and net lending in the FY2026 BE are expected to increase to Rs. 10,744 crore, 25.4% higher than the FY2025 RE. Nevertheless, the GoP's fiscal deficit is budgeted to narrow to Rs. 34,201 crore in FY2026, or 3.8% of GSDP (as per the budget documents).

ICRA will analyse the GoP's provisional actuals for FY2025 and FY2026, respectively, to assess the performance of key fiscal indicators relative to the FY2025 RE and FY2026 BE. ICRA will continue to analyse the policy measures undertaken by the state to augment its revenues and rationalise revenue spending. ICRA will also monitor the financial health of the GoP's power sector entities and their impact on the state's finances.

Key financial indicators of the GoP

| | FY2024 | FY2025 RE | FY2026 BE |
|--------------------------------|----------|-----------|-----------|
| Revenue receipts* | 89,114 | 1,03,595 | 1,11,603 |
| Revenue expenditure* | 1,17,330 | 1,32,280 | 1,35,560 |
| Revenue balance | -28,215 | -28,685 | -23,957 |
| Capital outlay and net lending | 4,900 | 8,565 | 10,744 |
| Fiscal balance | -33,115 | -36,750 | -34,201 |

* Note: *Adjusted for double entries of interest on loans of departmental commercial undertakings and lotteries; Amount in Rs. crore

Source: State Budget, CAG and ICRA Research; RE (Revised Estimates); BE (Budget Estimates)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ As per the audit report for FY2023 on state finances published by the Comptroller and Auditor General of India (CAG), the GoP had a carried forward borrowing of around Rs. 12,961 crore from FY2022 which it had used to finance its fiscal deficit of 5% of GSDP in FY2023. The information on funding the fiscal deficit for FY2024 will be included in audit report for FY2024, which is not yet available in the public domain.

Rating history for past three years

| Current (FY2026) | | | | Chronology of rating history for the past 3 years | | | | | |
|-----------------------------------------------|-----------|--------------------------|------------------------------------|---------------------------------------------------|-------------------------|-----------|-------------------------|-----------|-------------------------|
| | | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | May 14 2025 | Date | Rating | Date | Rating | Date | Rating |
| Rs. 500-crore Deep Discount Bonds – Series II | Long-term | 19.82 | [ICRA]BBB-(CE) (Stable) | Jul-04-24 | [ICRA]BBB-(CE) (Stable) | Jul-06-23 | [ICRA]BBB-(CE) (Stable) | Jul-25-22 | [ICRA]BBB-(CE) (Stable) |
| | | 1.04* | [ICRA]BBB-(CE) (Stable); withdrawn | Jul-04-24 | [ICRA]BBB-(CE) (Stable) | Jul-06-23 | [ICRA]BBB-(CE) (Stable) | Jul-25-22 | [ICRA]BBB-(CE) (Stable) |
| Rs. 150-crore Deep Discount Bonds Series III | Long-term | 32.63 | [ICRA]BBB-(CE) (Stable) | Jul-04-24 | [ICRA]BBB-(CE) (Stable) | Jul-06-23 | [ICRA]BBB-(CE) (Stable) | Jul-25-22 | [ICRA]BBB-(CE) (Stable) |
| | | 9.97* | [ICRA]BBB-(CE) (Stable); withdrawn | Jul-04-24 | [ICRA]BBB-(CE) (Stable) | Jul-06-23 | [ICRA]BBB-(CE) (Stable) | Jul-25-22 | [ICRA]BBB-(CE) (Stable) |

* Fully redeemed either through maturity/exercise of buy back option by the PIDB

Complexity level of the rated instrument

| Instrument | Complexity indicator |
|----------------|----------------------|
| Bond Programme | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](https://www.icra.in)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|--------------|------------------------------------------------|------------------|-------------|--------------|--------------------------|-----------------------------------|
| INE091D11089 | Rs. 500 crore Deep Discount Bonds – Series II | Dec 27, 2007 | 10.19% | Dec 27, 2025 | 12.48 [^] | [ICRA]BBB-(CE)(Stable) |
| INE091D11097 | | | | Dec 27, 2026 | 6.01 [^] | |
| INE091D11105 | | | | Dec 27, 2027 | 1.33 | |
| INE091D11121 | Rs. 150 crore Deep Discount Bonds – Series III | Oct 15, 2008 | 11.98% | Oct 15, 2025 | 5.30 | [ICRA]BBB-(CE)(Stable) |
| INE091D11139 | | | | Oct 15, 2026 | 6.77 | |
| INE091D11147 | | | | Oct 15, 2027 | 2.49 | |
| INE091D11162 | | | | Oct 15, 2029 | 7.04 | |
| INE091D11170 | | | | Oct 15, 2030 | 7.42 | |
| INE091D11204 | | | | Oct 15, 2033 | 3.61 [^] | |
| INE091D11071 | Rs. 500 crore Deep Discount Bonds – Series II | Dec 27, 2007 | 10.19% | Dec 27, 2024 | 1.04 [*] | [ICRA]BBB-(CE)(Stable); Withdrawn |
| INE091D11113 | Rs. 150 crore Deep Discount Bonds – Series III | Oct 15, 2008 | 11.98% | Oct 15, 2024 | 9.97 [*] | |

Source: PIDB; * Fully redeemed either through maturity/exercise of buy back option by the PIDB

[^]Outstanding amount of few ISINs (INE091D11089, INE091D11097 and INE091D11204) is lower due to partial buy-back of bonds.

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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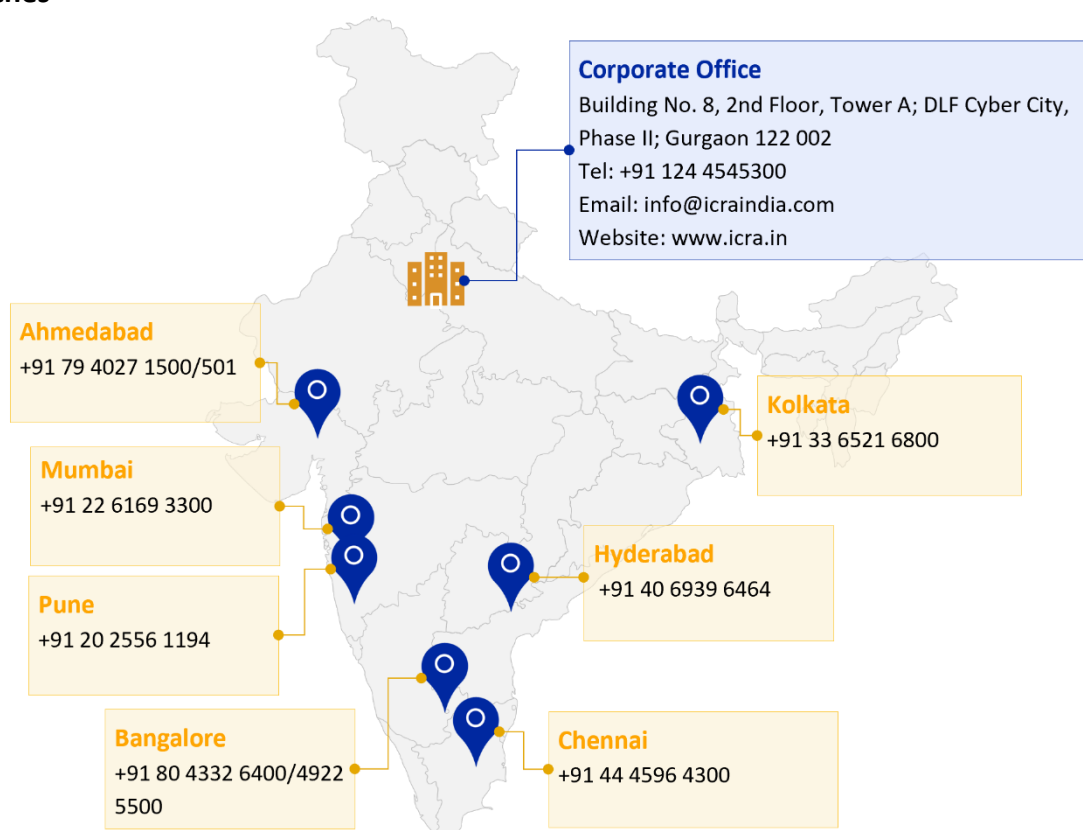
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