

Punjab Infrastructure Development Board

February 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Unsecured Redeemable Bonds – Series II [@]	19.66 (Reduced from 20.70)	CARE BB+ (CE); Stable	Downgraded from CARE BBB- (CE); Stable
Unsecured Redeemable Bonds – Series III [@]	32.42 (Reduced from 42.25)	CARE BB+ (CE); Stable	Downgraded from CARE BBB- (CE); Stable

Details of instruments/facilities in Annexure-1

@ The instruments are guaranteed by the Government of Punjab. The guarantee provided is unconditional and irrevocable

Unsupported rating	CARE BB [Downgraded from CARE BB+]
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Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for credit enhanced debt

The downgrade in the rating of long-term instrument of Punjab Infrastructure Development Board (PIDB) factors in the weakening of the credit profile of Government of Punjab (GoP). The rating is based on credit enhancement (CE) received in the form of an unconditional and irrevocable guarantee from GoP for repaying its interest and principal obligations.

CARE Ratings Limited has withdrawn the rating assigned to the ISIN issued in Series II and Series III in line with CARE Ratings' withdrawal policy, with immediate effect on the basis of No Due Certificates, as the instruments have matured, and the company has repaid the dues against it in full and there is no amount outstanding under the instruments as on date.

Rationale and key rating drivers of Government of Punjab

The weakening of credit profile of Government of Punjab (GoP) is on account of high proportion of committed and non-developmental expenditure resulting in sizeable revenue deficits. The significant deficit on revenue account has constrained the fiscal space available for capital formation and hence, resulted in sustained increase in debt levels, which are being used to fund these revenue deficits.

The credit profile of GoP also remains constrained on account of sustained non-adherence to the fiscal consolidation norms as prescribed by the Finance Commission, GoP's widening revenue deficit and absence of a guarantee redemption fund (GRF). CARE Ratings also notes that GoP has been continuously availing financial accommodation from the Reserve Bank of India (RBI).

The credit profile, however, derives its strength from the growth in the revenue receipts in FY2024 as compared with FY2023, owing to the recovery in the state's economy and moderate self-reliance with more than half of its revenue comprising own-revenue sources as per FY2024 (RE). During FY2024, all the components of revenue receipts (i.e., commercial taxes (SGST), state excise, stamp and registration, motor vehicle and other taxes) logged healthy growth over FY2023. The credit profile also takes comfort from the healthy socio-economic indicators and presence of consolidated sinking fund (CSF) for amortization of its debt.

Key rating drivers of PIDB

The rating of PIDB has been downgraded to CARE BB, from CARE BB+, on account of sustained weakening in earnings profile and increase in shortfall between receipts and expenditure in FY2024. Further, its rating is constrained by high dependence on the GoP. The rating, however, derives strength by maintaining a structured payment mechanism and it continuously receiving support from the GoP with adequate budgetary allocations for servicing debt obligations on time. CARE Ratings notes that per the Punjab Infrastructure (Development & Regulation) Amendment Act (PIDRAA), 2021, the GoP has permitted levying a special infrastructure development (ID) fee on sale of petrol, diesel, and immovable property. Proceeds of these are credited into PIDB's Development Fund, created under Section 27 of PIDRAA 2002. This has led to an improvement in PIDB's own revenues since FY2022.

Rating sensitivities: Factors likely to lead to rating actions

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Positive factors

- Significantly lower than budgeted revenue deficit and gross fiscal deficit (GFD)
- Adherence to the fiscal consolidation targets prescribed by the Finance Commission
- Significant reduction in (debt + guarantees) to gross state domestic product (GSDP)

Negative factors

- Significantly higher than budgeted revenue deficit and GFD
- Sustained non-adherence to the fiscal consolidation targets prescribed by the Finance Commission
- Further worsening of (debt + guarantees) to GSDP
- Worsening of liquidity profile in terms of sustained availment of liquidity support from the RBI

Analytical approach:

Unsupported rating: Standalone

CE Rating: CE in the form of an unconditional and irrevocable guarantee from the GoP for servicing interest and principal repayment obligations for the bond's entire tenure.

Outlook: Stable

The stable outlook is on the back of CARE Ratings' expectation of the economic and financial positions of GoP over the medium term

Detailed description of key rating drivers:**Key weaknesses (for GoP)****Sizeable revenue and fiscal deficit led by high committed expenditure**

The state has seen a sustained increase in the revenue deficit since FY2017. Although the revenue deficit as a percentage of GSDP improved from 3.9% in FY2023, it remained elevated at 3.2% for FY2024 (RE). The fiscal deficit also remained high at 4.1% of the GSDP in FY2024 (RE). The committed expenditure (salary, pension and interest) accounted for a significant 76.5% of the revenue receipts. The state's ability to manage the deficit amidst high level of committed expenditure and subsidies, shall remain a monitorable.

Reducing focus on quality of expenditure

Due to the limited fiscal space available in the state budget on account of high committed expenditures and deficit on revenue account, the state seems to be constrained in incurring quality expenditure. The capital outlay as percentage of GSDP remained restricted and reduced from 1.0% in FY2023 to 0.9% in FY2024 (RE), lower than most states.

Increasing debt levels

The state has elevated debt levels. The state's outstanding debt as per FY2024 (RE) is estimated to be at Rs. 3.2 lakh crore, 10.0% increase over the previous year. Also, its debt to GSDP ratio stood high at 44.3%, as per FY2024 (RE), and is budgeted to be at 44.5% as per FY2025 (BE).

Sustained non-adherence to fiscal consolidation targets

The state's finances have been pressured over the years and it has been unable to adhere to the fiscal consolidation norms of the Finance Commission. As per FY2024 (RE), the state's revenue deficit is estimated to be 3.2% of the GSDP, and its GFD as a proportion of GSDP is estimated to be 4.1%. In addition, the debt to GSDP ratio at 44.3% is significantly higher than the target of 25%.

Absence of guarantee redemption fund (GRF)

The guarantees extended by state government to the state entities have increased consistently over the years. The outstanding guarantees of the state stood at Rs.20,208 crore as of March 2023. However, the state has not set up a GRF against the guaranteed debt.

Key strengths (for GoP)

Growth in revenue receipts

The state's revenue receipts have depicted an increasing trend over the last three years. The state's revenue receipts as per FY2024 (RE) are Rs. 98,940 crore i.e., ~13% higher than the revenue receipts of FY2023. This growth has been on account of notable improvement in the State own revenue which has grown by ~27% during FY2024 (RE) over FY2023. In FY2024, all the components of state's own tax revenue (i.e., SGST, state excise, stamp and registration, motor vehicle and other taxes) logged healthy growth of ~22% over FY2023. The growth in State's own revenue has offset the contraction in grants receipt from Centre to Rs. 17,530 crore during FY2024 (FY2023: Rs. 21,977 crore). The revenue receipts are expected to further increase to Rs. 1,03,936 crore as per FY2025 (BE) i.e., a growth of 5.0%.

Moderate self-reliance

The state has moderate degree of self-reliance with 62% of the revenues being derived from its own sources as per FY2024 (RE) which has increased from 55% in FY2023. The same is budgeted to further improve to 67.5% as per FY2025 (BE).

Presence of CSF

The state has a CSF (for amortization of its debt) which has a corpus of around Rs. 9,026 crore as on January 31, 2025.

Healthy socio-economic indicators

Punjab fares well above the national average in socio-economic indicators. The literacy rate and level of urbanisation of Punjab was 75.8% and 37.5%, respectively, in 2011 (national average of 73.0% and 31.2%, respectively). Also, Punjab's poverty rate of 8.3% in 2012 is lower than the national average of 21.9%. The GSDP witnessed a healthy growth of 9.4% in FY2024 (RE).

Liquidity: Stretched

The state has been facing shortfalls in its liquidity management and has been availing special drawing facility (SDF) and ways and means advances (WMA) facilities from the RBI. During the trailing twelve months ended November 2024, the state had availed an average SDF and WMA facilities amounting to Rs. 2,783 crore and Rs. 605 crore for an average of 30 and 18 days of a month, respectively, along with occasionally availing the overdraft facility, as per the RBI.

Assumptions/Covenants: Please refer Annexure 3

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[State Governments](#)

Adequacy of credit enhancement structure: The guarantee provided by the GoP is an unconditional and irrevocable guarantee for repaying interest and principal obligations of its bonds.

About the Government of Punjab

Punjab's economy was subdued in the recent years, with GSDP witnessing a modest 6.6% growth in FY24. The state has budgeted revenue deficit at 2.9% and fiscal deficit at 3.8% of GSDP in FY25 (BE) as against 3.23% and 4.1%, respectively, in FY24 (RE). The state has also budgeted an increase in Debt/GSDP to 44.1% in FY25 (BE) as against 43.9% in FY24 (RE).

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Financial Institution

PIDB is a nodal agency facilitating infrastructure development in Punjab, acting as a facilitator for providing funds for undertaking preliminary pre-requisite activities in project development, funding support for investments in infrastructure in the state, and as an equity contributor for the GoP in priority infrastructure projects. The agency is wholly owned by the GoP, with the Chief Minister of Punjab as its Chairman.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total receipts *	807.77	1090.88	547.22
Excess/(Shortfall) of receipts over expenditure*	354.66	217.45	-683.61
Interest expenses/Total receipts (%)	21.71	23.94	40.26
Total assets	1,669.36	808.20	1207.04
Net NPA (%)	NA	NA	NA
Surplus/(Deficit)/ Total receipts (%)	43.90	19.93	-124.92

A: Audited UA: Unaudited; NA: Not Applicable; Note: 'the above results are latest financial results available' after adjusting grant in aid from GoP.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Unsecured Redeemable Bonds- Series II	INE091D11071	December 27, 2007	10.19%	December 27, 2024	0.00	Withdrawn
	INE091D11089			December 27, 2025	12.43	CARE
	INE091D11097			December 27, 2026	5.9	BB+(CE);
	INE091D11105			December 27, 2027	1.33	Stable
Unsecured Redeemable Bonds- Series III	INE091D11113	October 15, 2008	11.98%	October 15, 2024	0.00	Withdrawn
	INE091D11121			October 15, 2025	5.3	CARE BB+(CE); Stable
	INE091D11139			October 15, 2026	6.77	
	INE091D11147			October 15, 2027	2.5	
	INE091D11162			October 15, 2029	7.04	
	INE091D11170			October 15, 2030	7.42	
	INE091D11204			October 15, 2033	3.39	
Unsupported Ratings	-	-	-	-	0.00	CARE BB

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Unsecured Reedemable	LT	19.66	CARE BB+(CE); Stable	-	1)CARE BBB- (CE); Stable (29-Feb-24)	1)CARE BBB- (CE); Stable (03-Mar-23)	1)CARE BBB (CE); Negative (23-Mar-22)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
2	Bonds-Unsecured Redeemable	LT	32.42	CARE BB+ (CE); Stable	-	1)CARE BBB- (CE); Stable (29-Feb-24)	1)CARE BBB- (CE); Stable (03-Mar-23)	1)CARE BBB (CE); Negative (23-Mar-22)
3	Un Supported Rating	LT	0.00	CARE BB	-	1)CARE BB+ (29-Feb-24)	1)CARE BB+ (03-Mar-23)	1)CARE BB+ (23-Mar-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Name of the Instrument	Detailed Explanation
Financial covenants	None
Non-financial covenants	<ol style="list-style-type: none"> The guarantee will be in force until all bonds issued by PIDB pursuant are redeemed. PIDB to redeem bonds to the registered bondholder at the end of the 8th, 9th, and 10th year from deemed date of allotment against the surrender of bonds certificate. If the principal redemption date falls on a day that is not a business day, then payment is to be made on the next business day with additional interest. Trustees to ensure sufficient funds are available in the escrow account on T-7 working day. Guarantee of GoP to be invoked if there is a shortfall in the escrow account on T-7 day.

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Unsecured Redeemable	Complex
2	Un Supported Rating	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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