

Rating Letter - Intimation of Rating Action

Letter Issued on : March 19, 2026

Letter Expires on : February 06, 2027

Annual Fee valid till : February 06, 2027

HYDERABAD METROPOLITAN DEVELOPMENT AUTHORITY
 4TH FLOOR,
 SWARNAJAYANTHI COMPLEX, AMEERPET,
 Hyderabad 500038
 Telangana

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 verify authenticity of this
 rating



Kind Attn.: Mrs. A JAYASREE, CHIEF ACCOUNTS OFFICER (Tel. No.9347371934)

Sir / Madam,

Sub.: Rating(s) Assigned - Debt Instruments of HYDERABAD METROPOLITAN DEVELOPMENT AUTHORITY

Please note that the current rating(s) and outlook, instrument details, and latest rating action for the aforementioned instrument are as under:

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
BOND	5000.00	Provisional ACUITE AA+ CE Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	5000.00	-	-

Acuit^o reserves the right to revise the rating(s), along with the outlook, at any time, on the basis of new information, or other circumstances which Acuit^o believes may have an impact on the rating (s). Such revisions, if any, would be appropriately disseminated by Acuit^o as required under prevailing SEBI guidelines and Acuit^o 's policies.

This letter will expire on February 06, 2027 or on the day when Acuit^o takes the next rating action, whichever is earlier. It may be noted that the rating(s) is subject to change anytime even before the expiry date of this letter. Hence lenders / investors are advised to visit <https://www.acuite.in/> OR scan the QR code given above to confirm the current outstanding rating(s).

Acuit^o will re-issue this rating letter on February 07, 2027 subject to receipt of surveillance fee as applicable. If the rating(s) is reviewed before February 06, 2027, Acuit^o will issue a new rating letter.

Please note that under extant SEBI regulations and as per the terms of the rating agreement, once a rating is accepted and outstanding, the issuer is required to promptly furnish the 'No Default Statement' on the first working day of every month.

Sd/-

Chief Rating Officer

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This is a system generated document. No signature is required.

Annexures: ÌÌÌÌÌÌÌÌ A. Details of the Rated Instrument

Annexure A. Details of the rated instrument			
Instruments	Scale	Amt. (Rs. Cr)	Rating Assigned (Outlook) Rating Action
Proposed Bond	Long-term	5000.00	ACUITE Provisional AA+ (CE) (Stable) Assigned
Total Quantum Rated		5000.00	-

DISCLAIMER

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Any inadvertent omission or error in the rating letter which is discovered or brought to the notice of Acuite shall be rectified as soon as reasonably practicable not later than 48 hours of such discovery or notice. Such error or omission shall not render Acuite liable to any person for any kind of loss or damage including, but not limited to, any special, incidental, indirect or consequential damages caused by errors or omissions, provided such omission or error is rectified as soon as possible after discovery/notice.



Press Release

March 19, 2026

HYDERABAD METROPOLITAN DEVELOPMENT AUTHORITY Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
BOND	5000.00	Provisional ACUITE AA+ CE Stable Assigned	-
Total Outstanding	5000.00	-	-
Total Withdrawn	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Provisional ACUITE AA+**' (CE) (read as **Provisional ACUITE double A plus (Credit Enhancement)**) on the Rs.5,000 Cr. proposed bonds of Hyderabad Metropolitan Development Authority (HMDA). The Outlook is '**Stable**'.

The rating on the proposed Rs.5,000 Cr. bonds is provisional and the final rating is subject to the following documents

- Receipt of final signed term sheet
- Receipt of final guarantee deed
- Receipt of final signed debenture trust deed
- Confirmation from trustee regarding the compliance with all terms and conditions.
- Legal opinion if any
- All the other relevant documents relating to bonds issue besides the above-mentioned documents.

Rationale for ratings assigned:

The rating assigned to HMDA reflects the unconditional and irrevocable guarantee from the Government of Telangana with direct debit mechanism, backed by a structured payment with maintenance of Escrow, Bond Servicing Account (BSA) and a two-quarter peak debt service reserve account (DSRA). The structured payment mechanism incorporates defined timelines, ensuring early identification and resolution of shortfalls. The rating is also supported HMDA's diversified revenues from development charges, TOT receipts, land monetization, rentals, and Tellapur inflows provide stability, while substantial land parcels valued at ~Rs.9,550 Cr. crore and expected additional land parcel allocations provides strong future inflow potential. However, the rating is constrained by the HMDA's exposure to real estate cyclicity and regulatory litigation risks.

The CE suffix to the rating based on credit enhancement support from GOT's explicit guarantee for the Bonds and replenish the upfront DSRA fully covering peak service requirement of two quarters in case of shortfall/impairment along with Direct Debit Mechanism (DDM).

About the Company

Hyderabad Metropolitan Development Authority (HMDA) was established with the primary objective of planning, coordinating, supervising, promoting, and securing the orderly development of the Hyderabad Metropolitan Region. Formed under an official government order (G.O.Ms.No.570 MA & UD (II) Dept.) on August 25, 2008, HMDA operates within the jurisdiction of the then-combined state of Andhra Pradesh. Spanning an extensive area of 7,257 square kilometers, HMDA's jurisdiction encompasses seven districts and 70 mandals. Within this vast region, there are a total of 1,032 villages, including those within the Greater Hyderabad Municipal Corporation (GHMC), which is composed of 175 villages and 40 municipalities, including Nagar Panchayats. Specifically, HMDA is responsible for an additional 138 villages, while the remaining 719 villages also fall under its jurisdiction. This comprehensive coverage allows HMDA to undertake integrated planning and development initiatives aimed at enhancing the quality of life for residents and promoting sustainable growth in the metropolitan region. Hyderabad Urban Development Authority (HUDA) - Established in 1975 and transformed into HMDA. Mr. Anumula Revanth Reddy, Ms. Gadwal Vijayalakshmi, Mr. K. Ramakrishna Rao are the members.

Unsupported Rating

Acuite AA-/Stable (factoring in government support)

Analytical Approach

Acuite has considered standalone approach while evaluating the financial and business risk profile of HMDA and further notched up for the support of Government of Telangana and structured payment mechanism in place for the issue for arriving at the rating.

Key Rating Drivers

Strengths

Strategic importance to Government of Telangana (GoT):

HMDA plays a critical role in supporting the developmental priorities of the Government of Telangana by acting as the primary urban planning and infrastructure development agency for the Hyderabad Metropolitan region. The authority contributes significantly to the state's economic growth through systematic land use planning, improvement of urban mobility, development of key public infrastructure and execution of large-scale projects that enhance the region's investment attractiveness. HMDA's revenue generating activities including land development, auctions, permissions and impact fees also provide an important non-tax revenue source to the state. Its effective functioning is therefore essential to supporting the government's long-term vision for sustainable urban expansion, decongestion and regional economic competitiveness.

Diversified revenue sources:

HMDA's revenue profile is well diversified across multiple streams, including development charges (Rs.199.88 crore in FY2025, which is 15 percent of the total development charges of Rs.1332.50 Cr.), TOT receipts from the Outer Ring Road (Rs.241.08 Cr.), administrative charges on government land sales (Rs.7.79 Cr.), land auctions (Rs.4.41 Cr.), inflows from Telapur Technocity (Rs.61.63 Cr.), as well as recurring receipts from parks (Rs.25.17 Cr.), rentals (Rs.17.40 Cr.), and other operating income (Rs.5.14 Cr.). While certain sources such as land auctions and government land sales can be volatile, the steady accrual of development charges, TOT receipts, and Telapur inflows provide a predictable base. Further, 85 percent of these revenues from development charges, ORR Impact fees, TOT receipts and Telapur Technocity are routed through a structured escrow mechanism, wherein collections are first aggregated in the Development Charges Master Collection Account (DMCA) and subsequently transferred to the Infrastructure Revenue Collection Account (IRCA). The escrow framework ensures priority allocation of funds towards the Bond Servicing Account (BSA) and Debt Service Reserve Account (DSRA), thereby strengthening the payment discipline and enhancing credit assurance for bondholders.

Structured payment mechanism:

HMDA has established a robust structured payment mechanism to ensure timely servicing of its bond obligations. Under this framework, all revenues collected from designated sources are routed through the Development Charges Master Collection Account (DMCA), from which 85 percent of collections are transferred daily to the Infrastructure Revenue Collection Account (IRCA) via standing instructions. The issuer monitors IRCA balances on a daily basis and, in the event of any shortfall in the Debt Service Reserve Account (DSRA), transfers funds to replenish DSRA to the required levels. Once DSRA is adequately funded, subsequent transfers are directed to the Bond Servicing Account (BSA) until the full servicing requirement for the upcoming payout date is met. Thereafter, for the remainder of the quarterly cycle, HMDA is free to utilize incremental inflows in IRCA for other requirements.

Once the BSA is fully funded, HMDA provides intimation to the Debenture Trustee along with account statements. In the absence of such intimation, the Trustee independently verifies adequacy of funds at T-45 days before the servicing date and, if required, advises HMDA to make good any shortfall by T-30. If a shortfall persists, the Trustee escalates the matter to the State Government at T-29, triggering the pre-invocation responsibility under the Guarantee Deed. The State Government is obligated to bridge the shortfall by T-9 to avoid DSRA impairment and guarantee invocation. Should any gap remain at T-5, funds are drawn from DSRA to BSA to ensure full payout to bondholders on the due date.

Acuite believes, this structured mechanism, with clearly defined timelines and responsibilities, provides strong assurance of timely debt servicing and minimizes payment risk.

Weaknesses

Exposure to real estate cyclicalities:

HMDA's revenue profile remains significantly exposed to real estate cyclicalities, given its reliance on development charges and land monetization through auctions. These inflows are inherently linked to real estate demand and market sentiment, which can fluctuate with broader economic conditions. Periods of slowdown in property transactions or muted demand for land parcels may adversely impact cash flows and reduce predictability of revenues. Acuite believes that this dependence on cyclical real estate activity continues to be a key constraint on revenue stability.

Regulatory and litigation risks:

As a statutory authority, HMDA is subject to regulatory oversight and potential litigation risks related to land ownership, allocation, and development activities. Delays in approvals, disputes over land titles, or changes in policy frameworks could affect the timing and quantum of inflows from monetization. Such risks may pose challenges to revenue visibility and could impact the authority's ability to meet debt servicing obligations in a timely manner. Acuite believes that regulatory uncertainties and litigation exposures remain material risks that could weigh on HMDA's financial flexibility.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

The Government of Telangana (GoT) has provided a guarantee to cover any shortfall in the Debt Service Reserve Account (DSRA) within the specified timeline. The issuer is responsible for ensuring that the necessary funds are transferred to the Bond Service Account (BSA) to maintain the full servicing amount, at least 45 days before the relevant quarterly servicing date (T-45). If a shortfall in funds is identified in the BSA five days prior to the servicing date (T-5), the shortfall will be addressed by transferring funds from the DSRA. The Debenture Trustee will verify the adequacy of the DSRA at the beginning of each servicing cycle. In the event of a shortfall due to previous cycle utilization, the state government will be required to cover the shortfall within the next 30 days (T+30). If this is not met, the state government's guarantee will be invoked, and the Debt Default Mechanism (DDM) will be triggered the following day (T+31) to meet shortfall amount, forthwith, directly into DSRA.

Stress case Scenario

Acuite believes that, given the adequacy of the structure and unconditional, irrevocable guarantee provided by Government of Telangana (GOT) including direct debit mechanism (DDM), HMDA will be able to service its debt on time, even in a stress scenario.

Rating Sensitivities

Potential triggers (individual or collective) for an upward rating action:

- Timely completion of projects without significant cost and time over runs.
- Adherence to the stipulated credit enhancement structure.
- Higher than expected average DSCR of 3.25 times throughout the tenure of the bonds.

Potential triggers (individual or collective) for a downward rating action:

- 50 percent decline in receipts from land auctions from base case.
- Any deterioration in the credit profile of Government of Telangana (GoT)

All Covenants

- Creation of security and maintenance of security cover as per applicable law.
- Compliance with information covenants including submission of financial results and providing compliance certificate as agreed under the Debenture Trust Deed
- Intimation to the Debenture Trustee prior to undertaking or entering into any amalgamation, demerger, merger or corporate restructuring or reconstruction scheme proposed by the Issuer
- To enter into / execute the relevant lease agreement(s) and all other documents, deeds, notices, letters, agreements, declarations, undertakings, instruments and forms as may be required in relation to or in connection with or for the purposes of the Designated Land Bank
- Compliance with all terms of the Transaction Documents
- Listing of Debentures / Bonds within timelines prescribed under applicable laws
- No modification to the structure of Debentures / Bonds without prior approvals as required under Applicable Laws
- No wilful defaulter on the Board
- No modification to the Constitutional Documents which imposes restrictions on the Issuer in complying with its obligations under the Transaction Documents
- Not to sell, assign, transfer, dispose off its business undertakings or assets or Secured Properties other than as specified in Transaction Documents
- No change in financial year end date unless required by law;
- Full disclosure in respect of Use of proceeds in the Offer Documents
- Not to create any encumbrance on the Secured Properties without prior approval of the Debenture Trustee except as provided in the Transaction Documents
- Preservation of corporate existence and status
- Not do or voluntarily suffer any act which restricts right to transact its business
- Timely payment of all applicable dues
- Secured Properties to be adequately insured
- Intimate Debenture Trustee of all orders, directions, notices of a court or tribunal that may affect the Issue or Secured Properties

- Maintenance of Asset Coverage Ratio
- Compliance with anti-Bribery and Corruption Law
- Maintenance of Internal Controls
- Information Covenants in compliance with applicable laws and as agreed with the Debenture Trustee as detailed in the Key Information Document
- Further Assurances
- Additional covenants primarily relating to credit of securities, payment obligations and other covenants relating to the Debentures / Bonds
- Pre-authorization to Debenture Trustee to seek redemption payment related details from Account Bank
- Confirmation that the State Government of Telangana will make payments under the Deed of Guarantee cum Undertaking free from any withholding or deduction into the Bond Servicing Account and/or the Debt Service Reserve Account (as the case may be)
- Undertaking from the State Government that it would maintain 100% control on the Issuer during the pendency of the debentures / bonds.
- Issuer to ensure State Government of Telangana complies with all undertakings given by it and covenants applicable to it
- Undertaking by the Issuer that it would not create any kind of encumbrance or dispose in any way, any of the Designated Land Bank other than as specified in Transaction Documents;

Liquidity position

Adequate

HMDA's liquidity is adequate supported by steady inflows from development charges, ORR impact fees, TOT receipts, land monetization and revenues from Tellapur Technocity, which are routed through structured escrow mechanisms to ensure timely debt servicing. The average Debt Service Coverage Ratio (DSCR) is expected to be at ~3.25 times throughout the tenure of the bonds. Liquidity comfort is further enhanced by the explicit support from the Government of Telangana, which has undertaken to bridge any shortfall in servicing requirements prior to payout dates under the Guarantee Deed. The authority has unencumbered cash and cash equivalents of Rs.3,562.60 Cr. as on March 31, 2025 which provides, further liquidity support.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	444.22	1193.81
PAT	Rs. Cr.	(995.20)	(197.53)
PAT Margin	(%)	(224.04)	(16.55)
Total Debt/Tangible Net Worth	Times	0.04	0.06
PBDIT/Interest	Times	(163.29)	3.15

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Supplementary disclosures for Provisional Ratings

A. Risks associated with the provisional nature of the credit rating.

1. Absence of any structured payment mechanism.
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuité will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

B. Rating that would have been assigned in absence of the pending steps/ documentation.

The rating would be equated to the standalone rating of the entity: ACUITE AA-/ Stable.

C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued.

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- State Government Ratings : <https://www.acuite.in/view-rating-criteria-26.htm>
- Urban Local Bodies : <https://www.acuite.in/view-rating-criteria-57.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Bond	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5000.00	Simple	Provisional ACUITE AA+ CE Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.no	Name of the entities
1	Hyderabad Metropolitan Development Authority
2	Government of Telangana

Contacts

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About Acuité Ratings & Research

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