

Change in Rating Symbol

September 16, 2019

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY

Bond Programme	Rs. 2,000.00 Cr
Long Term Rating	ACUITE AA- (CE) (Under rating watch with negative implications)

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to 'CE' suffix / removal of 'SO' suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuité's credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: [https://www.acuite.in/pdf/General%20Communication%20For%20Website%20\(1\).pdf](https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf)

Criteria for assigning ratings with 'SO' suffix: <https://www.acuite.in/view-rating-criteria-48.htm>

Criteria for assigning ratings with 'CE' suffix: <https://www.acuite.in/view-rating-criteria-49.htm>

Press Release

Andhra Pradesh Capital Region Development Authority

August 19, 2019



Rating Update

Bond Programme*	Rs. 2000.00 Cr.
Long Term Rating	ACUITE AA- (SO) (Under rating watch with negative implications)

* Refer Annexure for details

Rating Rationale

Acuité has placed the long term rating of '**ACUITE AA- (SO)** (read as ACUITE double A (Structured Obligation)) on the Rs.2000.00 crore Non-Convertible Debentures of ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY (APCRDA) on 'Rating watch with negative implications'.

Rationale for placing the rating on Watch with negative implications

Acuité has placed the rating under watch with negative implication based on recent development pertaining to the withdrawal by certain lenders to the project. Acuité believes that such events are likely to slowdown the pace of development of the Amaravati Project. The impact of these development, if any, and the magnitude of the same is yet to be examined. Acuité is in discussion with the management of APCRDA to access the extent of impact of these recent development on APCRDA's future cash flows and their debt servicing ability. Acuité will also endeavor to understand the extent of support, if required, from state government and the change in stance of the new government, if any, as regards the Amaravati Project.

About the Authority

The erstwhile state of Andhra Pradesh was bifurcated in to the successor states of Andhra Pradesh (AP) and Telangana in June 2014 vide the Andhra Pradesh Reorganization Act, 2014 act of the Indian Parliament. Andhra Pradesh Capital Region Development Authority (APCRDA) was formed in 2014 under 'AP Capital Region Development Act 2014' and is a statutory body under GoAP. The objectives of APCRDA are planning, coordination, execution, and financing for the development of Amaravati. Amaravati is located in Guntur district with area of ~217 sq. km. and is strategically located within 30 minutes of driving distance of two major urban centres viz. Vijayawada and Guntur.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of APCRDA and has factored in support extended by GoAP (through an unconditional and irrevocable guarantee) as well as the presence of the Structured Payment Mechanism while arriving at the rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	126.23	124.61	50.71
PAT	Rs. Cr.	25.14	44.85	10.80
PAT Margin	(%)	19.92	35.99	21.30
Total Debt/Tangible Net Worth	Times	0.56	0.12	0.00

For further details, kindly refer to Acuité's release dated June 26, 2019
<https://www.acuite.in/documents/ratings/revised/26437-RR-20190626.pdf>

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

None

Any other information

None

Transaction structure:

Date	Particulars
T-90	Advance crediting of the bond servicing account, of 1.5x the upcoming debt servicing obligation (Interest + Principal (whenever applicable))
T-15	Trustee to monitor the adequacy of collection (interest and principal) in APCRDA bond servicing account on T-15th day and intimates the issuer/ GoAP in case of any shortfall.
T-7	If the shortfall is not made good by T-7th day, the Debenture Trustee shall utilize funds from DSRA account to meet the shortfall.
T	Debt Servicing date, when payments are made to the investors
T+5	In case there is a continued shortfall in DSRA account due to utilization of funds, issuer/GoAP undertakes to restore DSRA account within 5 working days.
T+10	In case Issuer fails to replenish the DSRA, trustees to inform the GoAP in writing regarding the shortfall in DSRA account so that necessary arrangements shall be made for replenishment of DSRA by the issuer or GoAP.
T+15	The DSRA to be replenished by APCRDA/GoAP
T+30	If the DSRA is not replenished to the requisite extent by T+30th day, the Trustees shall send soft notice to GoAP intimating that Guarantee shall be invoked, if Government fails to replenish the DSRA
T+75	The debenture trustee should independently monitor the adequacy of collection (interest and principal) in APCRDA Bond Servicing account on T2-15 (i.e. 15 days prior to next debt servicing date) day and intimate the issuer in case of any shortfall.
T+83	If the shortfall is not made good by T+83 day, the Debenture Trustee shall utilize funds from DSRA account to meet the shortfall.
T+90	<ol style="list-style-type: none"> 1. Debt Servicing 2. Trustee shall send notice to GoAP to replenish full DSRA of two quarters within 30 days
T+120	Invocation of GoAP guarantee by trustee for redemption of outstanding principal and interest
T+130	Last date by which GoAP shall transfer requisite funds in the designated escrow account as per the notice of invocation served by the trustees.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- State Government Support - <http://acuite.in/view-rating-criteria-26.htm>
- Service Entities - <http://acuite.in/view-rating-criteria-8.htm>
- Securitized Transactions - <http://acuite.in/view-rating-criteria-29.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-June-19	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA - (SO) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA - (SO) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA - (SO) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA - (SO) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA - (SO) / Stable (Reaffirmed)
29-June-18	Proposed Bond	Long Term	2000.00	ACUITE AA - (SO) / Stable (Reaffirmed)
31-May-18	Proposed Bond	Long Term	2000.00	ACUITE AA - (SO) / Stable

***Annexure – Details of instruments rated**

ISIN	Name of Facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
INE01E708016	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-24	400.00	ACUITE AA- (SO) (under rating watch with negative implications)
INE01E708024	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-25	400.00	ACUITE AA- (SO) (under rating watch with negative implications)
INE01E708032	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-26	400.00	ACUITE AA- (SO) (under rating watch with negative implications)
INE01E708032	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-27	400.00	ACUITE AA- (SO) (under rating watch with negative implications)
INE01E708057	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-28	400.00	ACUITE AA- (SO) (under rating watch with negative implications)

Contacts

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About Acuité Ratings & Research: Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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