

Press Release

Andhra Pradesh Capital Region Development Authority

January 31, 2020

Rating Update



Bond Programme*	Rs. 2000.00 Cr.
Long Term Rating	ACUITE A+ (CE) (Under rating watch with negative implications)

* Refer Annexure for details

Rating Rationale

Acuité has placed the long term ratings of '**ACUITE A+ (CE)**' (read as **ACUITE A plus (Credit Enhancement)**) 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 publically available information with regards to change in capital region which will significantly impede the current and future investment flows thereby affecting the credit profile of APCRDA. Acuité believes that such events are likely to further 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 assess 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.

About the Authority

The erstwhile state of Andhra Pradesh was bifurcated into 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.

Standalone (Unsupported) Rating

ACUITE BBB

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 along with presence of Debt Service Reserve Account (DSRA) 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

Government of Andhra Pradesh (GoAP) Financial Indicators

	Unit	FY2018-19 (RE)	FY2017-18 (Actuals)
Total Receipts	Rs. Cr.	156,007	105,113
Total Expenditure	Rs. Cr.	162,134	146,944
Revenue Deficit	Rs. Cr.	11,655	16,152
Fiscal Deficit	Rs. Cr.	33,619	32,373
Debt/GSDP	%	27.80	28.20

For further details, kindly refer to Acuite's release dated November 21, 2019

<https://www.acuite.in/documents/ratings/revised/26437-RR-20191121.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	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>

- Explicit Credit Enhancements - <https://www.acuite.in/view-rating-criteria-49.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
21-Nov-19	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) / Negative
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) / Negative
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) / Negative
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) / Negative
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) / Negative
19-Aug-19	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) (Rating Watch with Negative Implications)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) (Rating Watch with Negative Implications)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) (Rating Watch with Negative Implications)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) (Rating Watch with Negative Implications)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) (Rating Watch with Negative Implications)
26-Jun-19	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) / Stable (Reaffirmed)
	Unsecured Redeemable Non-Convertible Debentures	Long Term	400.00	ACUITE AA- (CE) / Stable (Reaffirmed)
29-June-18	Proposed Bond	Long Term	2000.00	ACUITE AA- (CE) / Stable (Reaffirmed)
31-May-18	Proposed Bond	Long Term	2000.00	ACUITE AA- (CE) / Stable (Assigned)

***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 A+ (CE) (Under rating watch with negative implications)
INE01E708024	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-25	400.00	ACUITE A+ (CE) (Under rating watch with negative implications)
INE01E708032	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-26	400.00	ACUITE A+ (CE) (Under rating watch with negative implications)
INE01E708032	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-27	400.00	ACUITE A+ (CE) (Under rating watch with negative implications)
INE01E708057	Unsecured Redeemable Non-Convertible Debentures	16-Aug-18	10.32%	16-Aug-28	400.00	ACUITE A+ (CE) (Under rating watch with negative implications)

Contacts

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