



**Press Release**  
**Andhra Pradesh Capital Region Development Authority**  
**September 28, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Non Convertible Debentures (NCD)</b>	2000.00	ACUITE BBB+   CE   Stable   Upgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	2000.00	-	-

**Rating Rationale**

Acuite has upgraded its long term rating to **ACUITE BBB+ (CE) (read as ACUITE triple B plus (Credit Enhancement))** from **ACUITE BB+ (CE) (read as ACUITE double B plus (Credit Enhancement))** on the Rs.2000.00 Cr. Non-Convertible Debentures of Andhra Pradesh Capital Region Development Authority (APCRDA). The outlook remains 'stable'.

**Rationale for Upgrade**

The rating factors in funding support and availability of the unconditional and irrevocable guarantee from the Government of Andhra Pradesh (GoAP) towards the entire debt of APCRDA. The company has received grants from GoAP to the tune of Rs.5379.43 Cr. as on March 31, 2023 (Provisional.) as against Rs.4144.54 Cr. as on 31 March 2022. Acuite believes that APCRDA will continue to receive timely financial support from its parent (GoAP), given the moral obligations arising from the guarantees provided by GoAP. The rating also considers timely coupon payment made by APCRDA which was due on August 16, 2023, towards the NCDs and adherence to the T structure mechanism laid down in the term sheet. Further, the rating derives additional comfort basis of the undertaking from the company which lays down sources of funds that will be utilised in order to maintain required funds in the bond servicing account for the upcoming repayment obligation due in November 2023. The credit profile of GoAP will remain the key to the credit quality of APCRDA.

**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 in Guntur district with an 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 BB / Stable

**Analytical Approach**

Acuite 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 including the availability of Debt Service Reserve Account (DSRA) while arriving at the rating.

### **Key Rating Drivers**

## **Strengths**

### **Unconditional and irrevocable guarantee from GoAP along with a Structured Payment Mechanism**

The interest and the principal payments on the NCDs are backed by an unconditional and irrevocable guarantee from the Government of Andhra Pradesh (GoAP). The structure mechanism entails maintenance of Debt Service Reserve Account (DSRA), and Bond Servicing Account (BSA), the salient aspects being:

- I. The DSRA shall be maintained in form of cash or fixed deposits equivalent to total debt servicing obligation of the outstanding bonds for the next 2 quarters.
- II. BSA shall be funded at the start of each quarter, amount equivalent to 1.5 times the amount of debt servicing requirement (interest and principal), from its own revenue sources
- III. The debenture trustee will independently monitor the adequacy of collection (interest and principal) in BSA. In case of a shortfall on T-15th day, it shall intimate APCRDA. In case the shortfall is not met by T-7th day, the debenture trustee shall draw the funds from DSRA by that day.
- IV. In case there is a shortfall in DSRA due to drawal of funds to BSA, the shortfall in DSRA is to be met by APCRDA within 5 days of the utilisation of the funds.
- V. If the DSRA is not replenished to the requisite extent within 135 days of the shortfall by issuer or by GoAP, then the Trustees shall invoke the GoAP Guarantee for the shortfall amount.

The amounts lying to the credit of Designated Revenue shall be first utilised towards bond servicing amount equivalent to 1.5 times of debt servicing due for particular quarter, then towards debt servicing or transfer to any other account relevant to servicing of other debt. The adherence to the structured payment mechanism will remain a key rating sensitivity factor.

## **Weaknesses**

### **High linkages with the vulnerable fiscal profile of Andhra Pradesh**

The positioning of Andhra Pradesh as an attractive major destination for various local and international investors will require significant investments in infrastructure development in Amaravati. High developmental expenditure is required for execution of these mega plans which has been funded largely through long term investments and borrowings from various domestic and international investors. Besides the participation of the private sector through Public-Private Partnership (PPP), the State Government is expected to support these development plans through various fiscal sops, equity contributions, soft loans and issuance of guarantees in favor of the lenders to these projects. Acuité believes APCRDA will have a significant dependence on grants from State and Central Government. Timely support from the State Government or any long term equity tie up for timely completion of the projects will remain a key monitorable. The rating factors in support from the State Government to APCRDA in a timely manner.

As per Andhra Pradesh State budget, the revenue receipts is estimated at Rs. 2,60,868 Cr. for FY2023-24 (Budget Estimates) as against Rs.1,76,502 Cr. for FY2022-23 (Revised Estimates). The revenue deficit is estimated at Rs. 22,317 Cr. for FY2023-24 (BE) which is 1.5% of the GSDP as against 2.2% of GSDP for FY2022-23 (RE). The gross fiscal deficit to gross state domestic product (GFD to GSDP) is estimated at 3.8 per cent in FY2023-24 (BE) as against 3.6 per cent in FY2022-23 (RE). The influence of adverse macro-economic factors such as cutbacks in capex plans by corporates and improved sops by other States may impinge on the investment flows into the State. Any further slippages in the key fiscal parameters could impact the credit profile of the State. Andhra Pradesh's ability to attain an improvement in its fiscal parameters also depends on its revenue generation which in turn is linked to its own revenues as well as devolution from Centre. Any further slowdown in investment flows and sluggishness in economic activity may affect its fiscal parameters. The ability to maintain fiscal discipline while facilitating higher GSDP growth will be a key determinant of GoAP's credit profile, going forward.

## **ESG Factors Relevant for Rating**

Not Applicable

## **Rating Sensitivities**

- Credit Profile of GoAP.
- Adherence to the stipulated transaction structure.

## **All Covenants**

### **Affirmative Covenants**

The issuer covenants with the Bond Trustee that until the Final Settlement Date of Bonds it shall;

- Utilise proceeds of bonds received towards the purpose.
- Take all steps necessary to get the Bonds listed within 20 (Twenty) calendar days from the Date of allotment. In case of a delay by the Issuer in listing the Bonds beyond 20 (Twenty) calendar days from the Date of allotment the Issuer shall make payment to the Bond Holders of additional interest calculated on the face value of the Bonds at the rate of at least 1% (One Percent) p.a. over and above the Interest Rate from the expiry of 30 (Thirty) calendar days from the Date of allotment until the listing of the Bonds.
- APCRDA shall take all necessary steps to preserve its status as authority and shall comply with all relevant necessary guidelines.
- No Misrepresentation.
- Pay all costs, charges and expenses in any way incurred by the Bond Trustee towards protection of Bond-holders' interests.
- Increased Costs.
- Furnish all required information to trustee.
- Further Assurances.
- Ensure validity of transaction documents.
- Ensure execution of further documents and and acts.
- Comply with each of the Financial Terms and Conditions.
- Ensure Records and Inspection.
- Issuer to ensure that Bonds are rated by the Rating Agencies and continue to be rated during the tenure of the Bonds.
- Perform all of its respective obligations under the terms of the Transaction Documents and maintain in full force and effect each of the Transaction Documents to which it is a party.
- The Issuer agrees that it shall forward to the Bond Trustee promptly, whether a request for the same has been made or not: (i) a copy of the Statutory Auditors' and ' Annual Report of Issuer, Balance Sheet and Profit & Loss Account and of all periodical and special reports at the same time as they are issued; (ii) a copy of all notices, resolutions and circulars relating to new issue of debt securities at the same time as they are sent to shareholders/ holders of debt securities; (iii) a copy of all the notices, call letters, circulars, proceedings, etc. of the meetings of debt security holders at the same time as they are sent to the holders of debt securities or advertised in the media.
- The Issuer shall, while submitting half yearly/ annual financial results to the stock exchange disclose the following line items along with the financial results accompanied by a certificate from the Bond Trustee confirming that it has taken note of the said content and the same shall be communicated to the Bond Holder(s) on a half-yearly basis: (i) Credit rating of the Issue and change in credit rating (if any); asset cover available, in case of non convertible debt securities (ii) Asset cover available (iii) Debt- Equity Ratio of the Issuer; (iv) Previous due date for the payment of Interest / principal and whether the same has been paid or not; (v) Next due date of payment along with the amount of interest/redemption amount payable; (vi) debt service coverage ratio; interest service coverage ratio; Net Worth; Net profit after tax;
- Notify the Bond Trustee in writing no later than 5 working days of any information submission.
- The issuer shall provide periodical status / performance reports within 7 (Seven) calendar days of the relevant board meeting or within 45 (Fifty five) calendar days of respective quarter whichever is earlier.

### **Negative Covenants**

The Issuer hereby covenants with the Bond Trustee that until the Final Settlement Date, the

Issuer shall not, except as may otherwise be previously agreed to in writing by the Bond Trustee (acting upon the receipt of the prior written approval of the Majority Bond Holder(s);  
(a) Merger, Restructuring Etc.

(b) Engage in or undertake any restructuring, by way of merger, de-merger, acquisition, restructuring or amalgamation, consolidation.

Arrangement With Creditors/Shareholders

Enter into any transaction of merger, de-merger, consolidation, re-organization, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction; provided however that this restriction shall not apply in the event that the compliance with this restriction would result in the Issuer defaulting in relation to any of its payment obligations in relation to the Bonds.

(c) Disposal Of Assets ; Sell, transfer, or otherwise dispose of assets/business/division in any manner whatsoever.

(d) Change Of Business Undertake any new business or diversify or any change in the general nature and conduct of its business. Further main revenue account shall strictly comply with the fall mechanism defined in accounts agreement

(e) take any action/ commit any omission and/ or allow any action to be taken/ any omission to be committed which would result in the termination of any of the Transaction Documents;

(f) undertake that authority shall not provide third party Guarantees in violation of any of the transaction documents

(g) wind up, liquidate or dissolve its affairs;

(h) enter into any compromise or arrangement or settlement with the creditors of the Issuer.

### **Assessment of Adequacy of CE Structure**

The CE structure has been designed to ensure adequacy and timeliness in the receipt of funds required for debt service. An independent trustee will be appointed to monitor the structured payment mechanism.

### **Liquidity Position**

#### **Adequate**

The liquidity of APCRDA is supported by timely receipt of grants from GoAP for servicing the debt. Further, the liquidity cushion is also available from the DSRA along with the stipulated structure.

### **Outlook: Stable**

Acuité believes that APCRDA will maintain a 'Stable' outlook over the medium term on the back of support of GoAP. The outlook may be revised to 'Positive' in case of the sustained industrial growth and reduction in state's indebtedness or in case APCRDA is able to generate cash surpluses. Conversely, the outlook may be revised to 'Negative' in case of any significant deterioration in the financial health of GoAP

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	62.56	165.39
PAT	Rs. Cr.	(208.01)	(226.07)
PAT Margin	(%)	(332.50)	(136.69)
Total Debt/Tangible Net Worth	Times	0.51	1.20
PBDIT/Interest	Times	0.13	0.02

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

Not Applicable

## Any other information

### 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.
1. Debt Servicing
- T+90 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-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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>

### **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](http://www.acuite.in).



## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Aug 2023	Non Convertible Debentures	Long Term	400.00	ACUITE BB+(CE) (Downgraded and Issuer not co-operating*)
	Non Convertible Debentures	Long Term	400.00	ACUITE BB+(CE) (Downgraded and Issuer not co-operating*)
	Non Convertible Debentures	Long Term	400.00	ACUITE BB+(CE) (Downgraded and Issuer not co-operating*)
	Non Convertible Debentures	Long Term	400.00	ACUITE BB+(CE) (Downgraded and Issuer not co-operating*)
	Non Convertible Debentures	Long Term	400.00	ACUITE BB+(CE) (Downgraded and Issuer not co-operating*)
01 Sep 2022	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+ (CE)   Stable (Downgraded from ACUITE A+ (CE)   Stable)
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+ (CE)   Stable (Downgraded from ACUITE A+ (CE)   Stable)
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+ (CE)   Stable (Downgraded from ACUITE A+ (CE)   Stable)
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+ (CE)   Stable (Downgraded from ACUITE A+ (CE)   Stable)
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+ (CE)   Stable (Downgraded from ACUITE A+ (CE)   Stable)
14 Jan 2022	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Stable (Reaffirmed)
15 Jan 2021	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE) (Ratings Under Watch)
31 Jan 2020	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Negative (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Negative (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Negative (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Negative (Ratings Under Watch)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Negative (Ratings Under Watch)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE01E708016	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2024	Simple	400.00	ACUITE BBB+   CE   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	INE01E708024	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2025	Simple	400.00	ACUITE BBB+   CE   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	INE01E708032	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2026	Simple	400.00	ACUITE BBB+   CE   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	INE01E708040	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2027	Simple	400.00	ACUITE BBB+   CE   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	INE01E708057	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2028	Simple	400.00	ACUITE BBB+   CE   Stable   Upgraded ( from ACUITE BB+ )

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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