



## Press Release

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY (APCRDA)

November 30, 2023

Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	2000.00	ACUITE C   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	2000.00	-	-

## Rating Rationale

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

### Rationale for downgrade

The downgrade reflects APCRDA's delays in timely servicing of its bank debt obligations during the month of October 2023 owing to its poor liquidity position. As per the intimation received by the entity, the interest payment to the tune of Rs. 14.36 Cr. towards the consortium loan that was due on October 31, 2023 was only paid on November 20, 2023. The bank debt was guaranteed by the state government.

Acuite has noted that the bond servicing account was not funded adequately as per the terms before the debt obligation to the tune of ~Rs.152 Cr which was due on 16 November 2023 and the trustee had to utilise the funds from the DSRA in order to meet the shortfall towards debt obligation. However, the DSRA has not yet been replenished until November 30, 2023. as per the feedback received from the Trustee, which has resulted into the non-adherence of the structured payment mechanism.

The current available balance in the DSRA is around Rs.88 Cr. while the entity still needs to arrange for shortfall of ~Rs. 430. Cr. in order to ensure timely repayment of next obligation which falls due on February 16, 2024. The same is expected to be met through additional budget allocation from GoAP of Rs. 570 Cr. Approval for the supplementary budget has been received on November 3, 2023, however, transfer to BSA, DSRA and other escrow accounts of APCRDA is pending for approval from GoAP on the bills submitted by APCRDA. However, - Acuite believes timely replenishment of DSRA and BSA will remain critical towards the rating.

### 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.

### Unsupported Rating

Not Applicable

## Analytical Approach

To arrive at the rating, Acuité has considered the standalone business and financial risk profiles of APCRDA. While a Credit Enhancement (CE) was applied earlier based on a structured payment mechanism and a GoR guarantee, the same has been removed.

## Key Rating Drivers

### Strengths

#### 100% Government of Andhra Pradesh (GoAP) holding

Andhra Pradesh based, 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. It was formed with the purpose of construction of new Capital city of Andhra Pradesh, 'Amaravati' Planning, Co-ordination, Execution, Supervision, Financing, Funding and for Promoting and Securing the Planned Development. The key managerial personnel are Mr. YS Jagan Mohan Reddy, Mr. P. Narayana, Mr. Yanamala Ramakrishnu, Mr. Dinesh Kumar, Mr. Muddada Ravichandra, Mr. Ajay Jain, Mr. Anil Chandra Punitha, Mr. G. Anantha Ramu, Mr. K. S. Jawahar Reddy, Mr. Sreedhar Cherukuri, Mr. Keshav Verma, Mr. V. K Phatak, Mr. Christopher Charles Benninger and Mr. S.L Dhingra.

### 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

- Replenishment of DSRA Account
- 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 waterfall 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.

### **Liquidity Position**

#### **Poor**

Debt obligations for bonds non-adherence to the stipulated transaction structure has been observed. As per the T structure, GoAP has to ensure that the bond servicing account has adequate funds equivalent to 1.5 times of the upcoming debt service obligation and in case if the same is not done by T-7 days, funds have to be transferred from the existing DSRA by the trustee. Acuite has noted that the bond servicing account was not funded as per the terms before the previous interest due date and the trustee had to tap into the DSRA to partially service the interest. The interest was due on 16th November 2023, and payment had been made through DSRA invocation for meeting the same. This has resulted in a shortfall in the DSRA which is to be maintained at a level equivalent to next 2 quarters of debt servicing obligation. Further, DSRA has not been replenished yet, as per the feedback of the trustee.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

Not Applicable.

## 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.
- 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-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>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
28 Sep 2023	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+(CE)   Stable (Upgraded from ACUITE BB+(CE))
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+(CE)   Stable (Upgraded from ACUITE BB+(CE))
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+(CE)   Stable (Upgraded from ACUITE BB+(CE))
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+(CE)   Stable (Upgraded from ACUITE BB+(CE))
	Non Convertible Debentures	Long Term	400.00	ACUITE BBB+(CE)   Stable (Upgraded from ACUITE BB+(CE))
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)
	Non Convertible Debentures	Long Term	400.00	ACUITE A+ (CE)   Negative (Ratings Under Watch)
	Non Convertible	Long		ACUITE A+ (CE)   Negative (Ratings Under

31 Jan 2020	Debentures	Term	400.00	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 C   Downgraded ( from ACUITE BBB+ CE )
Not Applicable	INE01E708024	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2025	Simple	400.00	ACUITE C   Downgraded ( from ACUITE BBB+ CE )
Not Applicable	INE01E708032	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2026	Simple	400.00	ACUITE C   Downgraded ( from ACUITE BBB+ CE )
Not Applicable	INE01E708040	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2027	Simple	400.00	ACUITE C   Downgraded ( from ACUITE BBB+ CE )
Not Applicable	INE01E708057	Non-Convertible Debentures (NCD)	16 Aug 2018	10.32	16 Aug 2028	Simple	400.00	ACUITE C   Downgraded ( from ACUITE BBB+ CE )

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:jaitashree.hukerikar@acuite.in">jaitashree.hukerikar@acuite.in</a>	

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.