



**Press Release**  
**ANDHRA PRADESH CENTRAL POWER DISTRIBUTION CORPORATION LIMITED**  
**September 30, 2024**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	500.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	1000.00	ACUITE BB+   Stable   Upgraded	-
Bank Loan Ratings	100.00	-	ACUITE A4+   Upgraded
Total Outstanding Quantum (Rs. Cr)	1600.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE C**' (read as **ACUITE C**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 1100 Cr. bank facilities of Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL). The Outlook is '**Stable**'.

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 500 Cr. bank facilities of Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL). The Outlook is '**Stable**'.

**Rationale for rating upgrade**

The rating upgrade takes into account, regularization in the banking conduct of Andhra Pradesh Central Power Distribution Corporation Limited. It also takes into consideration the complete ownership of the government of Andhra Pradesh (GoAP) and its strategic importance to the GoAP for catering the power distribution requirements across 3 districts of the state. The rating also considers the extended support of the state government in the form of grants and guarantees towards the existing debts of the corporation. Further, the rating assigned factors in the healthy revenue growth of the company which is supported by the favourable consumer mix as seen by higher mix from commercial and industrial consumers.

However, these strengths are partly offset by the below average financial risk profile for the company as marked by the negative net-worth and below average gearing. The rating also factors in intensive working capital operation of the company as marked by high tariff subsidies receivables from state government. Further the rating is constrained by the stretched liquidity of the company as seen by insufficient net cash accruals as against the

maturing debt obligations.

### **About the Company**

APCPDCL is a Andhra Pradesh State Government owned power distribution company. It was formed duly by bifurcating Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL). On March 31, 2020, post grant of distribution license to APCPDCL by Andhra Pradesh Electricity Regulatory Commission (APERC), distribution of power in Krishna, Guntur and Prakasam districts moved out of APSPDCL. The Registered office of APCPDCL is at Vijayawada. The company is 100 percent held by GoAP and is strategically important to the state with distribution license accorded by APERC. By virtue of strategic importance of the distribution utility, the Government has been providing funding support to the utility by way of tariff subsidy and grants apart from the corporate guarantee.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of APCPDCL to arrive at the rating. Acuité has also factored in benefits emanating from the ownership by Government of Andhra Pradesh. GoAP's financial support to APCPDCL is in the form of its 100 per cent ownership and its guarantee for certain borrowings of APCPDCL.

## Key Rating Drivers

### Strengths

#### Fully owned by GoAP and key distributor of electricity in the state

APCPDCL is a wholly owned undertaking of GoAP, and the government has extended support to the corporation in the form of grants and guarantees. GoAP has extended guarantees towards the existing debt of APCPDCL. The company was incorporated in December 2019 with its headquarters at Vijayawada and distributes power to the consumers in districts of Krishna, Guntur and Prakasam. APCPDCL is a strategically important entity along with Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) and Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL) which forms the backbone of the power sector infrastructure for Andhra Pradesh. It is the government's focal point for implementing the state's Rural Electrification (RE) task, which aims to give all rural families access to electricity in accordance with the National Rural Electrification Policy.

Acuité believes that APCPDCL, being a 100 per cent undertaking of GoAP, shall continue to benefit from the financial, operational and management support from time to time.

#### Growth in scale of operations supported by favourable consumer mix

The revenue of the company increased by ~24 percent in FY24 on account Fuel and Power Purchase Cost Agreement (FPPCA). Revenue for the company was marked at Rs. 16413.35 crore in FY24 as against 13165.94 crore in FY23 and Rs. 9833.78 crore in FY22. Without accounting for the charges, the revenue of the company increased by ~20 percent in FY24. This increase in revenue is attributed to increase in the consumers for the company.

APCPDCL has a favourable consumer mix with commercial, and industrial connection accounting for about 55.62 per cent in FY2024, while domestic connection accounts for about 28.64 per cent in FY2023. Apart from the industrial and domestic consumers, the company supplies to transport, public water works, irrigation and other sectors. Since the commercial and industrial consumption commands a higher tariff, this augurs well for the revenues of the company.

Further, the operating margins of the company increased to 13.8 percent in FY24 as against 10.98 percent in FY23. This increase is due to higher decrease in power purchase as against increase in employee cost for the company in FY24. The PAT margins of the company are marked volatile at 0.19 percent in FY24 as against 3.66 percent in FY23.

Acuité believes that, going forward, increase in the scale of operations along with improvement in the profitability margins will be a key rating sensitivity for the company.

### Weaknesses

#### Below Average Financial Risk Profile

The financial risk profile of the company stood below Average, marked by negative net worth, below average gearing (debt-equity) and average debt protection metrics. The tangible net worth stood at Rs. (5170.87) crore as on 31 March 2024 as against Rs. (5615.12) crore as on 31 March 2023. The total debt of the company stood at Rs.17687.03 crore, which includes long term borrowings of Rs. 13169.25 crore, short-term debt of Rs.4262.25 crore in form of CC/RBRF and unsecured loans of Rs.255.53 crore as on 31 March 2024. The gearing (debt-equity) stood at (3.42) times as on 31 March 2024 as compared to (2.03) times as on 31 March, 2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at (5.12) times as on 31 March, 2024 as against (3.73) times as on 31 March, 2023. Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio stood at 0.85 times and 1.41 times respectively in FY2024. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.04 times for FY2024 as against 0.09 times for FY2023.

Acuite expects the financial risk profile of company to stay below average on account of low cash accruals by the company and higher borrowings going ahead.

#### Intensive Working Capital Management

The working capital management of the company is Intensive marked by GCA days of 290 days in FY24 as against 239 days in FY23. Higher GCA days is on account of significant other current assets which consist of tariff subsidy receivables from the GoAP. The company maintains inventory levels of around 15 days in FY24 as against

13 days for FY23. Subsequently, the debtor's collection period stood at 229 days in FY24 as against 171 days for FY23. Higher Debtors days in FY24 is on account of FPPCA charges which are levied by the company. Furthermore, the creditor days stood at 86 days in FY24 as against 158 days in FY23. However, the reliance of working capital limits is low, reflected by average utilizations of around ~50 percent in last 6 months ended July' 2024

Acuite expects the working capital operations of the company may continue to remain intensive as long as the other current assets of the company consisting of tariff subsidies from the government are realised.

#### **ESG Factors Relevant for Rating**

Not Applicable

#### **Rating Sensitivities**

- Significant improvement in scale of operations leading to improvement in financial and business risk profile of the company.
- Improvement in working capital operation by timely realizations of tariff subsidies from GoAP.
- Any deterioration in GoAP's fiscal position
- Timely repayment of the debt obligations

#### **Liquidity Position Stretched**

The company's liquidity position is stretched, marked by insufficient net cash accruals as against the maturing debt obligations. The company has been generating insufficient cash accruals as against the maturing debt obligations over the years. The company generated a net cash accruals of Rs.655.38 crores in FY24 as against repayment obligations of 1039.49 crore during the same tenure. Further, going ahead it is expected to generate cash accrual in the range of Rs.671-685 crore as against the debt repayment obligations of around Rs.1200 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 290 days in FY2024 as against 239 days in FY2023. However, it draws comfort from minimum utilizations of working capital limits which stands Utilized at ~50 percent in last 6 months ended July 2024. The company maintains unencumbered cash and bank balances of Rs.243.51 crore as on March 31, 2024. The current ratio stands at 1.05 times as on March 31, 2024, as against same 0.82 times as on 31 March, 2023.

Acuite believes the liquidity position of the company may continue to remain stretched with insufficient cash accruals as against the debt repayment obligations.

#### **Outlook: Stable**

Acuite believes that the company will maintain 'Stable' outlook over the medium term due to support from the government of Andhra Pradesh and the growing scale of operations supported by favourable consumer mix. The outlook may be revised to 'Positive' in case of an improvement in its liquidity profile led by adequate revision in tariffs which will translate into higher revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in its financial risk profile and liquidity position.

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	16413.35	13165.94
PAT	Rs. Cr.	31.24	482.16
PAT Margin	(%)	0.19	3.66
Total Debt/Tangible Net Worth	Times	(3.42)	(2.03)
PBDIT/Interest	Times	1.41	2.06

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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](https://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Mar 2024	Term Loan	Long Term	718.29	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	145.44	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	100.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	36.27	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	100.00	ACUITE A4 (Downgraded from ACUITE A3)
07 Dec 2023	Term Loan	Long Term	718.29	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	145.44	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	100.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	36.27	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	100.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE BB+   Stable   Upgraded ( from ACUITE C )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	500.00	Simple	ACUITE BB+   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE A4+   Upgraded ( from ACUITE A4 )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	242.48	Simple	ACUITE BB+   Stable   Upgraded ( from ACUITE C )
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Aug 2029	565.19	Simple	ACUITE BB+   Stable   Upgraded ( from ACUITE C )
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2025	92.33	Simple	ACUITE BB+   Stable   Upgraded ( from ACUITE C )

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

Sr. No.	Company Name
1	Government of Andhra Pradesh
2	Andhra Pradesh Central Power Distribution Corporation Limited

## Contacts

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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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