



Press Release
THE ANDHRA PRADESH MINERAL DEVELOPMENT CORPORATION LIMITED
May 06, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	9000.00	Provisional ACUITE AA CE Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	9000.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Provisional ACUITE AA (CE)**' (read as **provisional ACUITE double A (Credit Enhancement)**) on the Rs. 9000 Cr. proposed Non-Convertible Debentures of The Andhra Pradesh Mineral Development Corporation Limited (APMDC). The Outlook is '**Stable**'.

The rating on the proposed Rs. 9000 Cr. Non-Convertible Debentures is provisional and conversion to final rating is subject to the following documents:

- Receipt of final signed term sheet
- Receipt of final signed debenture trust deed
- Confirmation from trustee regarding the compliance with all terms and conditions
- Legal opinion
- Setting up of Debt Service Reserve Account (DSRA)
- All the other relevant documents relating to NCDs issue besides the above mentioned documents.

Rationale for rating assigned

The assigned rating considers APMDC's complete ownership by the Government of Andhra Pradesh (GoAP) and its strong financial and operational linkages with the state government. Additionally, it considers the strategic importance of APMDC as a nodal agency for mining in the state of Andhra Pradesh. The rating also factors in the state's improving economic performance, however it is constrained by its vulnerable fiscal position. Furthermore, the rating is supported by GoAP's unconditional, irrevocable, and legally enforceable guarantee, ensuring timely servicing of interest and principal payments for the NCD's. The structured payment mechanism established for the NCD issue also enhances the financial security of the transaction. Additionally, the rating factors in the APMDC's adequate liquidity profile with expected cash flow sufficiency for debt servicing, further backed by the maintenance of a DSRA covering peak service requirements for two quarters.

Acuite has assigned the CE suffix to the rating based on credit enhancement support from GoAP's explicit guarantee for the NCD's and replenish the upfront DSRA fully covering peak service requirement of two quarters in case of shortfall/impairment and provision of Direct Debit Mechanism (DDM) from the consolidated fund of GoAP.

About the Company

Incorporated in 1961, The Andhra Pradesh Mineral Development Corporation Limited is a Hyderabad based, wholly owned entity of the GoAP engaged in the exploration, mining, and marketing of various minerals both within and outside the State of Andhra Pradesh. Mr. Pravin Kumar is the current managing director of the company.

Unsupported Rating

ACUITE A+| Stable (Post notch up in the view of the support from Government of Andhra Pradesh)

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of APMDCL and further notched up for the support of GoAP, structured payment mechanism and provision of direct debit mechanism from the consolidated funds of GoAP.

Key Rating Driver

Strengths

Wholly owned by Government of Andhra Pradesh (GoAP), nodal agency for development of mining in the state

Established on February 24, 1961, Andhra Pradesh Mineral Development Corporation Limited (APMDCL) formerly known as A.P. Mining Corporation Limited is a wholly owned entity of the Government of Andhra Pradesh (GoAP) and is under administrative control of Mines and Geology Department, which is the nodal department in the GoAP. APMDCL is engaged in exploration, exploitation, conservation and processing of mineral resources while promoting mineral based industries. The company has been one of the largest global producers and suppliers of barytes since 1975, currently contributing to ~90-95% of India's baryte production. In addition to barytes, APMDCL has diversified into coal mining having been allocated two coal blocks in Madhya Pradesh and Jharkhand with commercial production from the Suliyari coal block commencing in March 2022. Its mining portfolio also includes granite, ball clay and iron ore and the company is actively planning diversification into minor minerals through 436 designated minor mineral mines by FY2027 and into beach sand minerals by 2029.

Strong growth in operating performance, albeit moderation in FY2025

APMDCL's operating income increased to Rs. 3,841.82 Cr. in FY2024 from Rs. 2,102.39 Cr. in FY2023 reflecting an 83% year-on-year growth, primarily driven by increased coal mining activity. However, revenue is expected to moderate in FY2025, largely due to lower baryte sales during June-August 2024, although improvements are expected in the near term. The company reported revenue of Rs.2,205.83 Cr in 9MFY2025.

The profitability remains strong with EBITDA margin 41.55% in FY2024 as against 39.87% in FY2023 while the PAT margin stood at 27.62% in FY2024, compared to 28.44% in FY2023. Further, APMDCL's operating margin for 9MFY2025 stood at 35%.

Going ahead, APMDCL's operational performance is expected to strengthen, supported by further diversification of its revenue profile. This will be driven by commencement of commercial production at 436 designated minor mineral mines from FY2027 and exploration of beach sand minerals by FY2029, which are expected to contribute to sustained growth in the medium to long term.

Structured payment mechanism

Under this structure, APMDCL would ensure that on the first working day of every quarterly servicing cycle, an amount equivalent to 30% of the requisite servicing amount should get transferred from RCA to the BSA. The company should further transfer an amount equivalent to 35% of the quarterly servicing requirement both by T-60 and T-30 (i.e. 60 and 30 days prior to the servicing date) to BSA from the RCA so as to ensure full built up of servicing amount payable at least 30 days prior to the relevant quarterly servicing date (T-30). The Debenture Trustee (DT) should independently check whether the requisite amount of funds has been transferred to BSA on the next working days in all the above cases and in case of any shortfall in amounts transferred, must immediately enforce the Default Escrow arrangement on RCA, which shall remain in force till the entire built up of the particular cycle gets completed. In the event of DT finding any shortfall during the monitoring on T-29 days, it shall immediately send a written communication to the State Government to provide fund support for meeting the shortfall. A provision in the Guarantee Deed would specifically stipulate a pre-invocation responsibility of the State Government to bridge this shortfall on or before T-9 to prevent any DSRA impairment and consequential invocation of the guarantee. In case the shortfall in BSA still persists on T-5 day, such shortfall would be met by transferring requisite funds from DSRA to BSA. On the due date, the payout would be made to the Bond holders from BSA.

DSRA shortfall guarantee from GoAP and support from DDM

In the event of any shortfall in DSRA due to impairment on account of transfer of funds to BSA or for any other reason, the DT would send DSRA shortfall notice to GoAP on the next day (T+1) stating that if the amount is not fully replenished within the next 30 days, the guarantee would be invoked to the extent of such shortfall along with simultaneous triggering of defined recourse mechanism – Direct Debit Mechanism from the consolidated funds of GoAP (i.e. DDM) in the post invocation scenario.

The Debenture Trustee should also ensure that the Default Escrow Mechanism on RCA remains in force till all the irregularities including requisite DSRA replenishment get completely remedied.

If DSRA is not fully restored at the expiry of aforesaid 30 days, the Debenture Trustee would invoke the guarantee to the extent of such shortfall on the next working day (T+31) through issue of Guarantee Invocation Notice, along

with simultaneous triggering of DDM in the post invocation scenario.

Weaknesses

Vulnerable fiscal profile of Andhra Pradesh amid improved economic performance

The current state of Andhra Pradesh was created in 2014-15 following the bifurcation of the original state into the former and Telangana. The reorganisation led to the conversion of the state into an economy where the share of agriculture was significant and higher than national average. As per Andhra Pradesh State budget, the revenue receipts are estimated at Rs. 2,18,002 Cr. for FY2025-26 (Budgeted Estimates) an increase of 24% as against Rs. 1,76,056 Cr. for FY2024-25 (Revised). The revenue deficit is estimated at Rs. 33,186 Cr. for FY2025-26 (Budgeted Estimates) which is 1.8% of the Gross State Domestic Product (GSDP) as against 3% of GSDP for FY2024-25. Further, the fiscal deficit is estimated at Rs.79,927 Cr. (4.4%) for FY2025-26 (Budgeted Estimates) against Rs.73,362 Cr. (4.6%) for FY2024-25 (Revised Estimates). The fiscal deficit in FY2024-25 (4.6%) is higher than the budget estimate of 4.2% of GSDP which is driven by a shortfall in receipts as compared to the budget target (12% lower).

However, on the economic front, state of Andhra Pradesh recorded the second highest economic growth rate in India at 8.21% for FY2024-25. Further, the GSDP of Andhra Pradesh for 2025-26 (at current prices) is projected increase by 14% over the revised estimates of 2024-25 (Rs.16,06,109 Cr.).

Going forward, the ability of AP to improve its fiscal profile while continue facilitating higher GSDP growth will be a key determinant of GoAP's credit profile. Any adverse changes in the fiscal indicators of GoAP due to factors such as prolonged slowdown in industrial activities or socio-economic challenges faced by AP can have a significant impact on APMDCL and thus will remain as a key monitoring factor.

Susceptibility to risks related to regulations in the mining industry

Operational and regulatory risks in the mining industry have risen sharply in recent years. Regulatory measures, aimed primarily at curbing illegal mining, have included actions such as withholding permits and imposing bans on mining and exports. APMDCL is exposed to execution challenges arising from regulatory hurdles, potential law and order issues in mining regions and shifts in government policies all of which could adversely affect its revenue.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

Government guarantee for DSRA replenishment

The Government of Andhra Pradesh (GoAP) has provided a guarantee to cover any shortfall in the DSRA within the specified timeline. The Debenture Trustee would check the adequacy of funds available in the DSRA on the first day of every quarterly servicing cycle. In the event of any shortfall in DSRA due to impairment on account of transfer of funds to BSA or for any other reason, the DT would send DSRA shortfall notice to GoAP on the next day stating that if the amount is not fully replenished within the next 30 days, the guarantee would be invoked to the extent of such shortfall along with simultaneous triggering of Defined Recourse Mechanism (Direct Debit Mechanism) in the post invocation scenario.

Stress case Scenario

Acuite has stressed the projected cash flows against maturing repayment obligations and found that even in a stressed scenario, APMDCL would be able to timely meet its scheduled repayment obligations.

Further, Acuite believes that, given the adequacy of the structure and unconditional, irrevocable and legally enforceable guarantee provided by Government of Andhra Pradesh (GoAP) including direct debit mechanism (DDM), APMDCL will be able to service its debt on time, even in a stress scenario.

Rating Sensitivity

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

All Covenants

1. Unconditional and Irrevocable Guarantee from Government of Andhra Pradesh for timely servicing of Interest and Principal in respect of Bonds.
2. Maintenance of Debt Service Reserve Amount (DSRA) to the extent of fully covering the peak servicing requirements for 2 quarters as a liquidity support.
3. Entire revenue of the Issuer from all activities to be collected in a single account – Revenue Collection

Account.

4. Stipulation for invocation of Government Guarantee for impairment of DSRA if not remedied within 30 days of stipulated timelines and ensuring Default Escrow Mechanism on the Revenue Collection Account remaining active till DSRA replenishment gets completed.
5. Stipulation for invocation of Government Guarantee in case of an Event of Default, if settlement of entire liabilities not effected within stipulated timelines and activation of the Default Escrow Mechanism on the Revenue Collection Account in the post invocation scenario.
6. Maintenance of security value at all times shall be sufficient to ensure at least 1.0 times coverage of the outstanding liabilities.
7. The Issuer shall give the following undertakings:
 - maintenance of corporate existence.
 - compliance with applicable laws.
 - no change of business other than as may be permitted under the terms of the Debenture Trust Deed.
 - creation of security and maintenance of security cover as per applicable law
 - compliance with information covenants including submission of financial results and providing compliance certificate as agreed under the Debenture Trust Deed
 - intimation to the Debenture Trustee prior to undertaking or entering into any amalgamation, demerger, merger or corporate restructuring or reconstruction scheme proposed by the Issuer
 - such other information regarding the financial condition, business and operations of the Company's the Debenture Trustee may reasonably request

Liquidity Position **Adequate**

The liquidity position is adequate with expected sufficient cash flows against its projected maturing repayment obligations. The average DSCR is expected to remain at ~1.78 times during the tenure of the NCDs. The cash and bank balance stood at Rs. 288.99 Cr. as on 31st March 2024 and Rs. 415.30 as on 31st December 2024. Further, the liquidity is supported by provision of upfront DSRA creation, GoAP support in the form of replenishment of DSRA balance in case of impairment or any shortfall, unconditional irrevocable and legally enforceable guarantee and provision of direct debit mechanism.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3841.82	2102.39
PAT	Rs. Cr.	1061.19	597.82
PAT Margin	(%)	27.62	28.44
Total Debt/Tangible Net Worth	Times	0.24	0.19
PBDIT/Interest	Times	22.45	10.96

Key Financials- 9 Months (Standalone-Actuals)

Particulars	Unit	9MFY2025 (Actuals)
Operating Income	Rs. Cr.	2205.83
PAT	Rs. Cr.	520.91
PAT Margin	(%)	23.61
Total Debt/ Tangible Net Worth	Times	0.17
PBDIT/Interest	Times	16.69

Status of Non-cooperation with previous CRA (If Applicable)

None

Supplementary disclosures for Provisional Ratings

Risks associated with the provisional nature of the credit rating

In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued). Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/ documentation

ACUITE A+/ Stable

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

The statutory auditors have issued qualified opinion for FY2023 and FY2024. The qualification comments include a significant amount of long-standing unsecured trade receivables, high level of contingent liabilities and loans extended to other GoAP entities, among other matters. Further, the management has provided clarifications to the auditor on these matters and has also submitted a detailed response to Acuite.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Explicit Credit Enhancements: <https://www.acuite.in/view-rating-criteria-49.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.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.

Rating History :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5000.00	Simple	Provisional ACUITE AA CE Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4000.00	Simple	Provisional ACUITE AA CE Stable Assigned

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

Sr. No.	Company Name
1	The Andhra Pradesh Mineral Development Corporation Limited
2	Government of Andhra Pradesh

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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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Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.