

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY

Instrument**	Previous Amount (Rs. Crs.)	Present Amount (Rs. Crs.)	Tenure	Present Rating*
NCD / Bonds	1900.00	1700.00	Long Term	BWR BB+ (CE) Rating Watch with Negative Implications
Total	1900.00	1700.00	Rupees One Thousand Seven Hundred Crores Only	

Particulars: The rating with the symbol CE is based on an unconditional, irrevocable, and legally enforceable guarantee from the Government of Andhra Pradesh (GoAP) for the timely payment of debt obligations. Additionally, these bonds have a structured payment mechanism, including a defined payment mechanism with the maintenance of a Bond Servicing Account (BSA) and the availability of a Debt Service Reserve Account (DSRA) for two quarters.

Unsupported rating	BWR C
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Note: Unsupported rating does not factor in the explicit credit enhancement.

*Please refer to BWR website www.brickworkratings.com for the definition of the ratings

** Details of the Bonds are provided in Annexure-II

UPDATE

Brickwork Ratings (BWR) takes note of the timely servicing of the coupon payment and partial principal payment by Andhra Pradesh Capital Region Development Authority (APCRDA or the Authority) on 16 May 2024 by utilizing the DSRA. As per the terms of issue of the BWR-rated Bonds, the Authority was expected to replenish the DSRA to the stipulated level of the amount equivalent to the total debt servicing obligation of the outstanding bonds for the next two quarters within 5 business days from the date of such utilization. However, based on the information from the Authority and the Debenture Trustee (DT), BWR understands that the Authority has not been able to replenish the DSRA within 5 business days as the bills raised for the same have not been cleared by the Government of Andhra Pradesh (GoAP). There is also a shortfall in BSA against the stipulated level of 1.5 times the amount of debt servicing requirement for the ensuing quarter. Such continued shortfalls are in continued non-adherence to the stipulated T-structure of the structured payment mechanism as mentioned in the Term Sheet of the Bond issue.

BWR notes that the DSRA was replenished to the stipulated level on 15 Mar 2024 by the GoAP, thus avoiding the situation of the DT invoking the government guarantee for the entire principal outstanding and the accrued interest due thereon. However, due to a shortfall in BSA on the T-7th day preceding the scheduled date of debt servicing (viz. 16 May 2024, Tth day), the requisite amount was transferred from DSRA to BSA. Post debt servicing on 16 May 2024, the available balance in BSA and DSRA was at ~Rs. 0.89 Cr. and ~Rs. 147.85 Crs., respectively. The DSRA balance is sufficient to cover the scheduled debt repayment of



16 Aug 2024. Bills of ~Rs. 197.84 Crs. are pending the approval of the GoAP. the Authority is in the process of raising another bill of ~Rs. 155.15 Crs. for servicing of the BWR-rated Bonds. Funding of BSA and DSRA to the stipulated levels is contingent upon the timely approval of the bills and release of funds under the relevant heads.

The Authority, through its DT, had up with the bondholders for their approval of the proposed changes in the Term Sheet which included, among other things, making the Bonds GoAP serviced bonds and removing the requirement of DSRA and BSA in the existing form. The proposals were put to e-voting twice - first between 07 Mar 2024 and 12 Mar 2024 and then between 18 Mar 2024 and 20 Mar 2024. On both occasions, the Authority could not get the requisite amount of votes needed to effect the change in the Term Sheet. BWR understands that no further efforts have been made by the Authority in this respect.

Apart from the rated Bonds, the Authority has also availed term loans from banks and financial institutions which are not rated by BWR.

The rating, however, continues to derive comfort from the availability of GoAP's unconditional, irrevocable and legally enforceable guarantee for timely servicing of its debt obligations, its continuous support by way of grants, and the Authority's strategic importance to the GoAP.

Placing of the rating under Rating Watch with Negative Implications is primarily on account of uncertainty over timelines for replenishment of DSRA and BSA to the stipulated levels in accordance with the terms of the T-structure for the rated Bonds. BWR notes the company's continued inability to adhere to the terms of the T-structure of rated Bonds' payment mechanism mainly due to the delay in funds' release by GoAP, which is straining its liquidity. BWR is closely monitoring the developments and shall take appropriate rating action including resolution of the Watch as and when it has clarity on the restoration of the DSRA and BSA balances. Support from GoAP through the timely release of funds and adherence to the stipulated payment structure of the rated bonds shall remain key monitorable.

ADEQUACY OF CREDIT ENHANCEMENT STRUCTURE

BWR has assessed the attributes of availability of an unconditional, irrevocable, and legally enforceable guarantee for principal and interest as a continuing obligation by GoAP. In case the Authority or GoAP fails to replenish DSRA within 120 days of the first interest payment date then the trustee shall invoke the guarantee of GoAP for the entire principal outstanding and the interest due thereon.

KEY COVENANTS OF THE INSTRUMENT RATED

- Backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoAP.
- Maintenance of BSA and DSRA as part of the structured payment mechanism to ensure timely payment of Bonds' coupon and principal as and when due.
- DSRA to be maintained in the form of cash or fixed deposits equivalent to two quarters of principal and interest on a rolling basis.
- BSA to be funded at the start of each quarter equivalent to 1.5 times the debt servicing amount of the ensuing quarter from the "Designated Revenue" of the Authority
- Structured payment mechanism of T-15 days under which the debenture trustee (DT) shall intimate the issuer in case of any shortfall in BSA on the T-15th day.
- If the shortfall is not made good by the T-7th day, the DT shall utilise the funds from the DSRA to meet the shortfall.

- In case the Authority or GoAP fails to replenish DSRA within 120 days from the date of the shortfall date, then the trustee shall invoke the state government guarantee for the entire principal outstanding and the interest due thereon.
- The rated bonds have quarterly interest and repayment.

KEY RATING DRIVERS

Credit Strengths:-

- **Guarantee and support by GoAP:** The GoAP has given an unconditional, irrevocable, and legally enforceable guarantee for the BWR-rated Bonds. GoAP continuously supports the Authority with grants through budgetary allocations for debt servicing and other operational expenses like land pooling schemes. In FY24, GoAP sanctioned the grant of Rs. 500 Crs. (previous year, similar amount) for the Authority. GoAP has replenished the DSRA to the stipulated level on 15 Mar 2024.
- **Availability of a well-defined Structured Payment Mechanism:** The rated bond series has a well-defined, trustee-monitored structured payment mechanism which ensures timely transfers to the designated accounts of the respective accounts. The structured payment mechanism has ensured the availability of funds for scheduled payments on due dates. Under the mechanism, APCRDA is expected to transfer funds at the start of a quarter from its Designated Revenue account to BSA equivalent to 1.5 times of debt servicing due for the ensuing quarter in accordance with the waterfall mechanism provided in the terms of the issue. The debenture trustee shall independently monitor the adequacy of collection (interest and principal) in BSA on T-15th day and inform the issuer in case of any shortfall. If the shortfall is not made good by T-7th day, the debenture trustee shall utilise funds from the DSRA to meet the shortfall. In case there is a shortfall in DSRA due to utilisation of funds, the issuer undertakes to replenish the DSRA within 5 days. An amount equivalent to the total debt servicing obligation of the outstanding Bonds for the next 2 quarters to be maintained by the issuer in the DSRA on a rolling basis.

Credit Risks:

- **APCRDA's average financial and operational performance:** APCRDA continues to report net losses primarily due to a high level of annual interest payment obligations. The Authority has a limited source of revenue, primarily coming from development charges and fees. The net cash accruals are insufficient for debt servicing which is primarily funded through GoAP grants.
- **Timely Support from GoAP:**
Notwithstanding the well-defined Structured Payment Mechanism, there have been instances of non-adherence of the same due to delay in receipt of the GoAP's support. Presently, the Authority's BSA and DSRA balances are falling short of the stipulated requirements as per the terms of the issue. BWR notes that APCRDA has requested additional budgetary allocation primarily to meet its debt service obligations. Although the Authority has raised its requests with the concerned in GoAP, timely receipt of such funds remains a key rating monitorable on the strength of the credit enhancement.



ANALYTICAL APPROACH - Credit Enhancement

For arriving at the unsupported ratings, BWR has considered the standalone financials of the Authority. The CE rating derives credit enhancement from the unconditional, irrevocable, and legally enforceable guarantee from the GoAP.

RATING SENSITIVITIES:

Going forward, the Authority's ability to receive timely support from GoAP as per the agreed timelines, review the scope and timelines for developing the capital region to ensure adequate cash flows and to ensure the key elements of the structured payment mechanism are maintained will be key rating sensitivities. Furthermore, the revenue and fiscal profile, along with Andhra Pradesh state's revenue and expenditure pattern are key rating monitorables.

Upward:

- Improvement in Andhra Pradesh state's socio-economic profile and fiscal parameters and an upward revision in the credit rating of the guarantor (the GoAP).
- At the standalone level, timely completion of the ongoing capex without time and cost overrun and availability of adequate funds to meet debt obligations in a timely manner along with a demonstrated satisfactory track record of adherence to the Structured Payment Mechanism as per the terms of the issue.

Downward:

- The ratings can move downward if there is any downward revision in the credit rating of the guarantor (the GoAP).
- Delay in the release of grants from the state government for meeting debt obligations resulting in a sustained non-adherence to the defined structured Payment Mechanism of the issue.

LIQUIDITY INDICATORS - Stretched

Total principal repayment obligations in FY25 are Rs. 400 Crs. Currently, the Authority's BSA and DSRA balances are falling short of the stipulated requirements per the issue's terms. The Authority is not generating adequate cash accruals to meet its debt obligations. Hence, the timely servicing of upcoming payments on 16 Nov 2024 depends on timely budgetary allocation and release of funds by GoAP. Apart from the rated Bonds, the Authority has also availed the term loans from banks and financial institutions. The repayment obligation to the tune of Rs. 50-60 Crs. in FY25 is due from financial institutions while the Bank-repayment obligations shall commence from FY26 onwards. BWR expects that the GoAP shall extend adequate funds and support to meet the debt obligations timely and remain a key rating monitorable.

ABOUT THE AUTHORITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Public Services	Development Authority

AP Capital Region Development Authority (APCRDA) was formed under the AP Capital Region Development Act, 2014. APCRDA has been constituted for the purposes of planning, coordination, execution, supervision, financing, funding and for promoting and securing the planned development of the capital region development area, undertaking the construction of

the new capital for Andhra Pradesh and for managing and supervising urban services in the new capital area and for matters ancillary thereto.

KEY FINANCIAL INDICATORS - ISSUER: Standalone

Key Parameters	Unit	FY21	FY22	FY23	FY24
		Audited	Audited	Provisional	Provisional
Total Operating Income	Rs. Crs.	45.07	165.39	59.12	NA
EBITDA	Rs. Crs.	15.66	-5.15	8.56	NA
PAT	Rs. Crs.	-264.20	-226.07	-208.01	NA
TNW	Rs. Crs.	3441.45	4146.74	6394.55	NA
Total Borrowings	Rs. Crs.	4928.79	4970.59	3286.44	NA
D:E	Times	1.43	1.20	0.51	NA

Note: All figures and ratios have been adjusted as per BWR standards.

NA = Not Available.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Instrument	Current Rating (May 2024)			Rating History								
	Bonds	Tenure	Amount (Rs. Crs.)	Rating	2024		2023		2022		2021	
					Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD / Bonds	Long Term	1700.00	BWR BB+ (CE) Rating Watch with Negative Implications	05 Feb 2024	BWR BB+ (CE) Rating Watch with Negative Implications/Downgrade	25 Oct 2023	BWR BBB+ (CE) Stable Reaffirmation	09 Mar 2022	BWR A+ (CE) Stable Reaffirmation and Change in Outlook	09 Feb 2021	BWR A+ (CE) Negative Reaffirmation	
						24 Nov 2023	BWR BBB (CE) Rating Watch with Negative Implications / Downgrade	09 Sep 2022	BWR BBB+ (CE) Stable Downgrade			
Total		1700.00		Rupees One Thousand Seven Hundred Crores Only								

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY): No non-cooperation from any other CRA.

HYPERLINK/REFERENCE TO APPLICABLE CRITERIA

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Credit Enhancement](#)
- [Rating Based on Government Support](#)
- [Default Recognition and Post Default Curing Period](#)

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ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)	Complexity of the Instrument*
		Nil	Nil	Nil	Nil	NA
		TOTAL	Nil	Nil	Nil	
	Total Nil					

*For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

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ANNEXURE II - DETAILS OF RATED INSTRUMENTS

Name of the Issue	ISIN Particulars	Amount (Rs. Crs.)	Coupon Rate	Issue Date	Maturity Date	Complexity of the Instrument*
NCD / Bonds	INE01E708016	100.00	10.32%	16 Aug 2018	16 Aug 2024	Complex
	INE01E708024	400.00	10.32%	16 Aug 2018	16 Aug 2025	Complex
	INE01E708032	400.00	10.32%	16 Aug 2018	16 Aug 2026	Complex
	INE01E708040	400.00	10.32%	16 Aug 2018	16 Aug 2027	Complex
	INE01E708057	400.00	10.32%	16 Aug 2018	16 Aug 2028	Complex
	Total	1700.00	Rupees One Thousand Seven Hundred Crores Only			

*For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf



Note: The rated bonds are listed on BSE. STRPP of ISIN INE01E708016 was partially redeemed on 16 Nov 2023, 16 Feb 2024, and 16 May 2024.

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