

## RATING RATIONALE

3 Sep 2025

### ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY

Brickwork Ratings removes the rating from Rating Watch with Negative Implications, upgrades the rating and assigns an Outlook for the Bonds of Rs. 1200.00 Crs. of Andhra Pradesh Capital Region Development Authority

#### Particulars:

Instrument**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (04 Sep 2024)	Present
Bonds	1600.00	<b>1200.00</b>	Long Term	BWR BB+ (CE) Rating Watch with Negative Implications (Credit Update)	<b>BWR BBB+ (CE)/Stable Removed from Rating Watch with Negative Implications, Upgraded, and assigned an Outlook</b>
<b>Total</b>	1600.00	<b>1200.00</b>	<b>Rupees One Thousand Two Hundred Crores Only</b>		

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.

<b>Unsupported rating</b>	<b>BWR B/Stable (upgraded from BWR C)</b>
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**Note:** Unsupported rating does not factor in the explicit credit enhancement.

\*Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for the definition of the ratings

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

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has removed the supported rating from Rating Watch with Negative Implications, upgraded it from BWR BB+ (CE) to BWR BBB+ (CE), and assigned a Stable Outlook for the Bonds of Rs. 1200.00 Crs. of Andhra Pradesh Capital Region Development Authority (APCRDA or the Authority). Unsupported/standalone rating has been upgraded from BWR C to BWR B/Stable.

The rating action factors in the improved adherence of APCRDA to the structured payment mechanism for the debt servicing of the rated Bonds over the past four scheduled quarterly payments. The Authority has not utilised the DSRA after the August 2024 debt servicing. DSRA has been maintained at an amount equivalent to the total debt servicing obligation of the outstanding Bonds for the next 2 quarters since 06 Sep 2024. BSA has been replenished at a level of 1.5 times the total debt servicing obligation of the outstanding bonds for the ensuing quarter since 30 Jan 2025. As of the date, DSRA and BSA balances are at Rs. 260.03 Crs. and Rs. 199.08 Crs., respectively, sufficient to cover the Bonds' debt servicing obligations for the next 3.5 quarters.

The rating continues to derive comfort from the availability of GoAP's unconditional, irrevocable and legally enforceable guarantee for the timely servicing of its debt obligations for the entirety of the Bonds' tenure, availability of a structured payment mechanism stipulating maintenance of DSRA and BSA, and the Authority's strategic importance to the GoAP. BWR has also factored in the renewed focus of GoAP to complete the Amaravati Capital City project, an increase in the budgetary allocations for its infrastructure projects in the FY26 State Budget, and financial closure secured for a large part of the approved projects in H2FY25 with the help of the central and state governments.

However, the rating continues to be constrained by APCRDA's sustained reliance on the GoAP for servicing its BWR-rated bonds, as well as its project loans from various lenders that remain unrated by BWR. The disbursement of the approved loans over the coming fiscals would increase the indebtedness of APCRDA and its reliance on the GoAP's support for debt servicing. The gradual monetisation of the land and other assets created, along with the increase in the development charges and various user fees for the infrastructure created, is expected to ease the reliance on the GoAP to some extent in the coming fiscals.

A Stable outlook has been assigned, reflecting expectations that APCRDA will continue to comply with the structured payment mechanism, bolstered by enhanced funding support from the GoAP and renewed momentum toward completing the Capital City development project. The outlook may be revised to Negative if there are signs of liquidity stress, such as delays in replenishing the BSA following debt servicing, or any lapses in servicing loans that are not rated by BWR.

BWR will continue to monitor the Authority's adherence to the structured payment mechanism, especially the timely replenishment of the BSA post-debt servicing.

#### **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 debenture 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' coupons 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-15<sup>th</sup> day.
- If the shortfall is not made good by the T-7<sup>th</sup> 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 a quarterly interest and principal repayment frequency. They are listed on the BSE.

### **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 loans and grants through budgetary allocations for debt servicing and other operational expenses like land pooling schemes. In FY24, APCRDA received grants of Rs. 1429.67 Crs. from GoAP (FY23: Rs. 811.76 Crs.). The Authority has received a total budgetary allocation of Rs. 7248.93 Crs. in FY26 compared to Rs. 4397.93 Crs. in FY25. The strategic significance of APCRDA to the GoAP has grown in the past 12 months, driven by the latter's renewed commitment to completing the Capital City project, with APCRDA being the primary agency for its implementation. Infrastructure projects worth over Rs. 90,366 Crs. have been approved, with funding for over Rs. 28,820 Crs. finalised. The Authority secured funding of ~Rs. 24,600 Crs. from Housing and Urban Development Corporation Ltd (HUDCO), Asian Development Bank (ADB) and World Bank in H2FY25.
- **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-15<sup>th</sup> day and inform the issuer in case of any shortfall. If the shortfall is not made good by T-7<sup>th</sup> 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.
- **Improved adherence to the structured payment mechanism:** There has been a noticeable improvement in the flow of funds to APCRDA for Bond servicing after August 2024 payments. DSRA has been replenished to the stipulated level on 06 Sep 2024, and is yet to be dipped in for any subsequent scheduled payments. BSA is getting replenished to the stipulated 1.5 times the amount required for debt servicing of the ensuing quarter before the payment date. The scheduled payments in Nov'24, Feb'25, May'25 and Aug'25 were made from the BSA and were replenished to the stipulated levels well before the next payment dates. The current balances in DSRA (~Rs. 260 Crs.) and BSA (~Rs. 199 Crs.) are in line with the T-structure. Until FY24, the GoAP extended support for debt servicing through direct grants. However,

beginning FY25, this assistance has transitioned into a structured loan to APCRDA, integrated within the state's budgetary allocations, signalling a shift towards a more accountable and fiscally disciplined framework.

**Credit Risks:-**

- **APCRDA's financial dependence on GoAP:** APCRDA is undertaking a greenfield Capital City development initiative of significant scale and strategic importance. At present, the Authority's internal revenue generation is primarily derived from development charges and select fee-based collections. However, these sources remain limited in scope and insufficient to meet the financial demands of the project. Given the magnitude of the planned infrastructure investments, APCRDA is expected to rely heavily on debt financing and budgetary allocations as its principal funding mechanisms. Current net cash accruals are inadequate to service existing debt obligations, necessitating continued dependence on loans and grants from the GoAP to bridge the fiscal gap. Over the next three to four financial years, APCRDA's outstanding debt is projected to rise, accompanied by an increase in debt servicing requirements. This trajectory will likely deepen the Authority's financial reliance on GoAP support. Nevertheless, APCRDA has outlined a strategic roadmap to mitigate this dependence. Key measures include the monetisation of land and other assets, as well as the enhancement of development charges and user fees associated with newly developed infrastructure. These initiatives are expected to strengthen the Authority's revenue base and gradually reduce its reliance on state funding in the medium to long term.
- **Exposure to economic cycles and market dynamics:** APCRDA is entrusted with the pooling and development of land assets and the development of infrastructure around them for long-term leasing to residential, commercial, and industrial stakeholders. The scale and pace of its operations are largely contingent upon the volume of land that the Authority is able to pool, develop, and allocate within a given fiscal year. Demand for such assets has historically exhibited pronounced cyclicity, closely tied to broader economic conditions. Periods of economic downturn tend to suppress investor sentiment, leading to reduced participation in land and building tenders and causing existing allottees to defer or reassess their development plans. Such inherent susceptibility to macroeconomic fluctuations presents ongoing challenges for APCRDA, with potential implications for its growth trajectory, revenue generation, and overall financial sustainability. The Authority's ability to scale up its operations in a commercially viable manner will be a key monitorable.
- **Financial risk profile of GoAP:** GoAP's debt to gross state domestic product (GSDP) has increased from ~31% in FY20 (actuals) to ~35% in FY26 (BE). Own tax revenue to GSDP has remained stagnant at ~6% over the period. GoAP's outstanding government guarantees increased from ~9% of GSDP on 31 March 2022 to ~11% of GSDP on 31 Mar 2024. The state government guarantees are expected to increase as GoAP is guaranteeing the debt for the Amaravati project. The interest payment to revenue receipt has remained in the range of ~15-17% in the past 4-5 fiscals. This may also increase due to increased budgetary allocation for debt servicing of the loans taken by APCRDA. The state needs to improve its capital outlay to improve its overall infrastructure to establish itself as one of the top investment destinations in India. This will also increase the attractiveness of the Amaravati region as an

investment avenue. Overall capital outlay of the state declined from Rs. 18,975 Crs. in FY21 (actuals) to Rs. 7,244 Crs. in FY23 (actuals) and then increased to Rs. 23,330 Crs. in FY24 (actuals). It was Rs. 24,072 Crs. in FY25 (RE) and is budgeted at Rs. 40,636 Crs. in FY26 (BE).

**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 for the principal and coupon payments of the Bonds for their entire tenure.

**RATING SENSITIVITIES:**

**Upward:**

- Continued adherence to the structured payment mechanism underpinned by timely BSA replenishment to stipulated levels post-debt servicing
- Improvement in the financial risk profile of GoAP

**Downward:**

- Weakening of the structured payment mechanism due to DSRA utilisation and/or delay in BSA replenishment
- Weakening of the financial risk profile of GoAP

**LIQUIDITY INDICATORS - Adequate**

As of the date, the entity has maintained DSRA equivalent to debt obligations of the next 2 quarters and BSA equivalent to 1.50 times the next debt servicing obligation. So, currently, the DSRA & BSA funds available with APCRDA cover Bonds’ debt servicing for the next 3 and a half quarters. Total debt servicing obligations for FY26 and FY27 are ~Rs. 860 Crs. and ~Rs. 820 Crs., respectively, including Bonds, HUDCO loans, and consortium loans. APCRDA's own net cash accruals for FY26 and FY27 are expected to be lower compared to actual debt servicing obligations. So, APCRDA is expected to remain dependent on the GoAP loans for debt servicing in FY26 and FY27. FY26 GoAP Budget has allocated Rs. 836 Crs. as loans for debt servicing of APCRDA. The repayment of additional loans from HUDCO is scheduled to start from FY30. The sanctioned loans from ADB and the World Bank are yet to be disbursed.

**ABOUT THE AUTHORITY**

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

Andhra Pradesh Capital Region Development Authority (APCRDA or the Authority) was formed under the AP Capital Region Development Act, 2014. The Authority was constituted for 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 region development area, undertaking the construction of the new capital for the state of 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	FY22	FY23	FY24
		Audited	Audited	Audited
Total Operating Income	Rs. Crs.	60.38	73.45	105.08
EBITDA	Rs. Crs.	17.94	10.14	51.60
PAT	Rs. Crs.	19.59	14.41	63.45
TNW	Rs. Crs.	5840.34	6662.49	8358.94
Total Borrowings	Rs. Crs.	4991.84	4940.84	4685.54
Gearing	Times	0.85	0.74	0.56

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

**KEY FINANCIAL INDICATORS - CREDIT ENHANCEMENT PROVIDER: GoAP**

Key Parameters	Unit	FY22	FY23	FY24	FY25	FY26
		Accounts	Accounts	Accounts	RE	BE
Revenue Receipts	Rs. Crs.	1,50,552	1,57,768	1,73,767	1,76,031	2,17,977
Revenue Deficit	Rs. Crs.	8,611	43,487	38,683	48,311	33,186
Fiscal Deficit	Rs. Crs.	25,013	52,508	62,720	73,362	79,927
Primary Deficit	Rs. Crs.	2,847	27,016	33,238	42,418	44,929
Own Tax Revenue/GSDP	%	5.90	5.90	6.00	5.90	6.00
Debt/GSDP	%	31.50	32.60	35.00	35.00	35.00
Interest Payment/Revenue Receipts	%	14.72	16.16	16.97	17.58	16.06

**RE** = Revised Estimates; **BE** = Budget Estimates.

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

Instrument	Current Rating (2025)			Rating History						
	Bonds	Tenure	Amount (Rs. Crs.)	Rating	2024		2023		2022	
					Date	Rating	Date	Rating	Date	Rating
Bonds	Long Term	1200.00	BWR BBB+ (CE)/Stable Removed from Rating Watch with Negative Implications, Upgraded, and assigned an Outlook	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	
				31 May 2024	BWR BB+ (CE) Rating Watch with Negative Implications (Credit Update)	24 Nov 2023	BWR BBB (CE) Rating Watch with Negative Implications / Downgrade	09 Sep 2022	BWR BBB+ (CE)/Stable Downgrade	
				04 Sep 2024	BWR BB+ (CE) Rating Watch with Negative Implications (Credit Update)	NA	NA	NA	NA	
<b>Total</b>		<b>1200.00</b>	<b>Rupees One Thousand Two Hundred Crores Only</b>							

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):**  
Not Applicable.

**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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**ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY**

**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
		<b>TOTAL</b>	Nil	Nil	Nil	
	<b>Total Nil</b>					

**ANNEXURE II**

**Details Of Rated Instruments**

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate (p.a.)	Maturity Date	ISIN Particulars	Complexity of the instrument##
Bond	16 Aug 2018	400.00	10.32%	16 Aug 2026	INE01E708032	Complex
Bond	16 Aug 2018	400.00	10.32%	16 Aug 2027	INE01E708040	Complex
Bond	16 Aug 2018	400.00	10.32%	16 Aug 2028	INE01E708057	Complex
	Total	1200	<b>Rupees One Thousand Two Hundred Crores Only</b>			

**Note:** The rated bonds are listed on the BSE. Bonds of ISIN INE01E708016 and INE01E708024 were fully redeemed on 16 Aug 2024 and 14 Aug 2025, respectively.

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**ANNEXURE III**

**List of Entities Consolidated**

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
Nil	Nil	Nil	Nil

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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