

**ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY**

<b>Instrument**</b>	<b>Previous Amount (Rs. Cr)</b>	<b>Present Amount (Rs. Cr)</b>	<b>Tenure</b>	<b>Present Rating*</b>
<b>NCD / Bonds</b>	1700.00	<b>1600.00</b>	Long Term	<b>BWR BB+ (CE) Rating Watch with Negative Implications</b>
<b>Total</b>	1700.00	<b>1600.00</b>	<b>Rupees One Thousand Six Hundred Crores Only</b>	

**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.

<b>Unsupported rating</b>	<b>BWR C</b>
---------------------------	--------------

**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

**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 Aug 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 on 29 Jun 2024, a bill of Rs. 136.84 Crs. raised by APCRDA, was cleared by GoAP and the amount was credited into BSA. On 11 Jul 2024, the whole amount from BSA was transferred to the DSRA thus bringing it to the stipulated level as per the terms of the issue of the Bonds. However, due to a shortfall in BSA on the T-7<sup>th</sup> day preceding the scheduled date of debt servicing (viz. 16 Aug 2024, T<sup>th</sup> day), the requisite amount was transferred from DSRA to BSA. Post debt servicing on 16 Aug 2024, the available balance in BSA and DSRA was at ~Rs. 4.24 Crs. and ~Rs. 141.29 Crs., respectively, against the BSA

and DSRA requirements of ~Rs. 212 Crs. and ~Rs. 280 Crs., respectively. The DSRA balance is sufficient to cover the scheduled debt repayment of 16 Nov 2024. A bill of ~Rs. 139.15 Crs. has been raised and is waiting for fund clearance by the Finance Department of the GoAP. The Authority has been allocated ~Rs. 348 Crs. through the Vote of Account for August 2024 to November 2024 period. Further, the proposal for an additional budget of Rs. 171 Crs. is already with the Finance Department of the GoAP. 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.

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

The rating 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-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 quarterly interest and repayment. They are listed on 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 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. The Authority has been allocated ~Rs. 348 Crs. through the Vote of Account for August 2024 to November 2024 period. DSRA was replenished to the stipulated level in July 2024 after the GoAP released Rs. 136.84 Crs. for the approved bill in June 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-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.

### 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 delays 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 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.

**KEY FINANCIAL INDICATORS - GoAP**

Key Parameters	Unit	FY22	FY23	FY24	FY25
		Accounts	Accounts	RE	BE
Revenue Receipts	Rs. Crs.	1,50,552	1,57,768	1,96,702	2,05,352
Revenue Deficit	Rs. Crs.	8,611	43,487	31,535	24,758
Fiscal Deficit	Rs. Crs.	25,013	52,508	60,153	55,817
Primary Deficit	Rs. Crs.	2,847	27,016	31,480	27,800

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

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

Instrument	Current Rating (September 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	1600.00	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	
				31 May 2024	BWR BB+ (CE) Rating Watch with Negative Implications	24 Nov 2023	BWR BBB (CE) Rating Watch with Negative Implications / Downgrade	09 Sep 2022	BWR BBB+ (CE)/Stable Downgrade			
<b>Total</b>		<b>1600.00</b>	<b>Rupees One Thousand Six Hundred Crores Only</b>									

**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](#)

Analytical Contacts	
<b>Swarn Saurabh</b> Assistant Manager - Ratings <a href="mailto:swarn.s@brickworkratings.com">swarn.s@brickworkratings.com</a>	<b>Niraj Kumar Rathi</b> Director - Ratings <a href="mailto:niraj.r@brickworkratings.com">niraj.r@brickworkratings.com</a>
1-860-425-2742	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**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>					

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

## 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	0.00	10.32%	16 Aug 2018	16 Aug 2024	-
	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	1600.00	<b>Rupees One Thousand Six Hundred Crores Only</b>			

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Note:** The rated bonds are listed on BSE. STRPP of ISIN INE01E708016 was fully redeemed through partial repayments on 16 Nov 2023, 16 Feb 2024, 16 May 2024, and 16 Aug 2024.

## 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.

### **About Brickwork Ratings**

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. BWR has rated over 11,560 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners.

**DISCLAIMER :** Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.



BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, [www.brickworkratings.com](http://www.brickworkratings.com). More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited. BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.