

RATING RATIONALE

05 Feb 2024

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY

Brickwork Ratings downgrades the rating for NCD/Bonds of Rs. 1900.00 Crs. of Andhra Pradesh Capital Region Development Authority and continues to place it under Rating Watch with Negative Implications

Particulars

Instrument**	Previous Amount (Rs. Crs.)	Present Amount (Rs. Crs.)	Tenure	Previous Rating (24 Nov 2023)	Present Rating*
NCD / Bonds	1900.00	1900.00	Long Term	BWR BBB (CE) Rating Watch with Negative Implications Downgrade	BWR BB+ (CE) Rating Watch with Negative Implications Downgrade
Total	1900.00	1900.00	Rupees One Thousand Nine Hundred Crores Only		

The rating with the symbol CE is based on 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) for and the availability of a Debt Service Reserve Account (DSRA) for two quarters.

Unsupported rating	BWR C (Reaffirmed)
---------------------------	---------------------------

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-I

RATING ACTION / OUTLOOK

The downgrade of the rating of the bonds of Andhra Pradesh Capital Region Development Authority (APCRDA or the Authority) factors the continuing deficit in the Debt Service Reserve Account (DSRA) and the Bond Servicing Account (BSA) for the debt servicing of ~Rs.150 Crs. falling due on 16 Feb 2024, as confirmed by the issuer and the debenture trustee.

Further, BWR notes the continued non-adherence to the T-structure of the BWR rated Bonds and strained the timely debt servicing ability of APCRDA. As per terms of the Deed, the DSRA replenishment was to be completed within five business days (T+5 day) i.e. 22 November 2023. BWR had earlier taken note of the shortfall in BSA and DSRA as per terms of issue and it was expected that BSA and DSRA would be adequately funded timely by APCRDA post the grant approval of Rs.570 Crs. by the Government of Andhra Pradesh (GoAP). However, the bills raised by APCRDA against that allotment are still awaiting clearance from the Finance Department of GoAP for disbursement. BWR notes the BSA has



a balance (as on 02 Feb 2024) of ~Rs. 7 Crs. against a stipulated balance of ~Rs. 224 Crs. (1.5 times of ensuing quarter's debt obligations) and DSRA balance (as on 02 Feb 2024) is ~Rs. 84 Crs. against a stipulated balance of ~Rs. 295 Crs (2 quarters). Against the aggregate shortfall of ~Rs. 430 Crs., APCRDA expects ~Rs.61 Crs., shortly, to cover the impending debt obligation on 16 Feb 2024. BWR understands from the issuer and the debenture trustee that BSA and DSRA deficits are yet to be replenished currently. The delay in the release of funds from the GoAP has resulted in continued non-adherence to the T-structure of the BWR rated Bonds and strained the timely debt servicing ability of APCRDA.

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 support by way of grants, availability of structured payment mechanisms stipulating maintenance of DSRA and BSA, and the Authority's strategic importance to the GoAP.

The rating continues to be placed under Rating Watch with Negative Implications 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 also notes that as per the DT Deed, the GoAP guarantee may be invoked on T+120th day in case of continued shortfall in the DSRA balance. 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 timely release of funds and adherence to the stipulated payment structure of the rated bonds shall remain key monitorables.

Please refer to the following link for the previous detailed rationale:
[Rating Rationale dated 24 Nov 2023.](#)

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	9MFY24
		Audited	Audited	Provisional	Unaudited
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 criteria.

NA = Not Available.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):
Nil

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

Instrument	Current Rating (Feb 2024)			Rating History						
	Bonds	Tenure	Amount (Rs. Crs.)	Rating	2023		2022		2021	
					Date	Rating	Date	Rating	Date	Rating
NCD / Bonds	Long Term	1900.00	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		1900.00	Rupees One Thousand Nine Hundred Crores Only							

COMPLEXITY LEVELS OF THE INSTRUMENTS: Complex

For more information, visit

<https://www.brickworkratings.com/download/ComplexityLevels.pdf>

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	
Swarn Saurabh Assistant Manager - Ratings Board: +91 80 4040 9940 swarn.s@brickworkratings.com	Saakshi Kanwar Associate Director - Ratings Board: +91 80 4040 9940 saakshi.k@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY

ANNEXURE I - DETAILS OF RATED INSTRUMENTS

Name of the Issue	ISIN Particulars	Amount (Rs. Crs.)	Coupon Rate	Issue Date	Maturity Date
NCD / Bonds	INE01E708016	300.00	10.32%	16 Aug 2018	16 Aug 2024
	INE01E708024	400.00	10.32%	16 Aug 2018	16 Aug 2025
	INE01E708032	400.00	10.32%	16 Aug 2018	16 Aug 2026
	INE01E708040	400.00	10.32%	16 Aug 2018	16 Aug 2027
	INE01E708057	400.00	10.32%	16 Aug 2018	16 Aug 2028
	Total	1900.00	Rupees One Thousand Nine Hundred Crores Only		

Note: The rated bonds are listed on BSE. Bond of ISIN INE01E708016 was partially redeemed on 16 Nov 2023.



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 partner.

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. 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.