



## Rating Rationale

### Andhra Pradesh Power Generation Corporation

23 Jan 2018

**Brickwork Ratings reaffirms long term rating and assigns the short term ratings for the Bank Loan Facilities of ₹. 2565.77 Crores of Andhra Pradesh Power Generation Corporation. ('APGENCO or The Company')**

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July 2014)	Present
<b>Fund Based</b>	9553.07	2240.77	Long Term	<b>BWR A<sup>^</sup></b> (BWR Single A) Ratings watch with developing implications	<b>BWR A</b> (BWR Single A) <b>Outlook: Stable</b> <b>Reaffirmed</b>
<b>Non-Fund Based</b>	--	325.00	Short Term	--	<b>BWR A2+</b> (BWR A Two Plus) Assigned
<b>Total</b>	<b>9553.07</b>	<b>2565.77</b>	<b>₹ Two Thousand five hundred sixty five crores and seventy seven lakhs Only</b>		

<sup>^</sup>Ratings moved to Not reviewed category on Jan 23 2017

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

Complete details of Bank facilities is provided in Annexure-I

Note: The Company's other credit facilities from Power Finance Corporation and Rural Electrification Corporation Limited O/s Rs. 7664.04 Crores as on March 31, 2017 have not been rated by us.

#### **Ratings: Long Term ratings reaffirmed/short term ratings assigned**

#### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financials upto FY17, projected financials upto FY21, publicly available information and information/clarification provided by the Company's management

The rating reflects strong parentage with the company being wholly owned by Government of Andhra Pradesh (GoAP) with adequate support in terms of need based equity infusion from GoAP, experienced management, satisfactory conduct of account with lenders and favorable operating margins. However, the ratings are constrained by large ongoing capex which are primarily debt funded, high debt equity levels resulting and elongated days receivables.



Going forward, ability of APGENCO to generate adequate cash flow for timely repayment of its debt obligations, realization of receivables from APDISCOMs and TSDISCOMs, infusion of equity/grants by the State Government for the ongoing projects, timely implementation of ongoing projects without cost overrun will remain key rating sensitivities.

### Description of Key Rating Drivers

- **Company being wholly owned by GoAP with adequate State Government support due to strategic importance of the power sector:** Government of Andhra Pradesh (GoAP) has been supporting the Company by way of regular equity infusion.
- **High debt equity levels:** APGENCO has reported high debt equity levels and the gearing is further expected to deteriorate in medium term on account of ongoing capex of 2600 MW comprises of thermal and solar power, However GoAP is expected to infuse equity to support the cash flows as well as implement the proposed capital expenditure for new projects.
- **Elongated days receivable:** APGENCO receivable position as on 31 March 2017 is ₹ 6761.96 Crores, out of which receivables exceeding more than six months are ₹ 3519.57 Crores. Receivables exceeding more than six months are receivables held up from TSDISCOMs on account of bifurcation. As informed by the APGENCO management, the receivables from APDISCOMs are being settled regularly and the TSDISCOMs receivables are expected to be brought down in the medium term.

### Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### Rating Outlook: Stable

BWR believes the **Andhra Pradesh Power Generation Corporation** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

Andhra Pradesh Power Generation Corporation Limited (APGENCO) formed after unbundling erstwhile AP State Electricity Board (APSEB) into APTRANSCO and APGENCO under the AP Electricity Reforms Act, 1998 on 01.02.1999. As per AP Re-organisation Act, 2014 a separate state generating company has created with effect from June 2, 2014 for the state of Telangana. APGENCO was bifurcated into APGENCO (Residuary) and Telangana Generation Corporation Limited (TSGENCO). The power projects located in the state of Telangana has been transferred to TSGENCO with effect from. June 2, 2014. The projects located in the residual AP remained with APGENCO.

APGENCO has installed capacity of 4613.026 MW as on October 31, 2017 comprising Thermal power of 2810 MW (60.91%), Hydel power of 1797.60 MW (38.97 %) and Solar power of 5.426 MW (0.12%).



PLF achieved for the thermal power and hydel power projects in FY17 is at 74.62% and 14.85% as against 78.43% and 16.13% in FY16 respectively.

Ongoing capex of APGENCO comprises of three new thermal power stations (Dr. NTPS Stage-V, Krishnapatnam TPP Stage-II, Rayalaseema TPP Stage IV Unit 6) with total generation capacity of 2200MW. Apart from the thermal power projects, company is also implementing one solar power project with total generation capacity of 400MW.

Mr. K Vijayanand and Mr. Ajay Jain are the Managing Director and Chairman of the APGENCO. There are 8 other directors in the company.

### Company Financial Performance

As per FY17 audited financials, scale of operations of the company stood at ₹ 8642.90 Crores as against ₹ 8935.49 Crores. Decline in scale of operations in FY17 due to increase in demand in non conventional energy in the state. Company has shown improvement in operating profit margin from 20.42% in FY16 to 21.88% in FY17. In FY17, net cash accruals of the company were reported at ₹531.50 crores. Tangible net worth of the company reported at ₹ 3963.22 Crores as on March 31, 2017.

### Rating History for the last three years

Instrument /Facility	Current Rating (2018)			Rating History			
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating\$	Jan 28, 2017#	2016 & 2015	2014#	2013#
<b>Fund Based</b>	Long Term	2240.77	<b>BWR A Outlook: Stable (Reaffirmed)</b>	<b>Rating Placed in Not Reviewed category</b>	--	<b>BWR A</b> Ratings placed under credit watch with developing implications	<b>BWR A Outlook: Stable</b>
<b>Non Fund Based</b>	Short Term	325.00	<b>BWR A2+ (Assigned)</b>	<b>Not Rated</b>			
<b>Total</b>		<b>2565.77</b>	<b>₹ Two Thousand five hundred sixty five crores and seventy seven lakhs Only</b>				

#Ratings were done for undivided APGENCO for an amount of ₹ 9553.07 Crores Only.

\$Ratings are carried out for the APGENCO (Residuary) post state bifurcation.



**Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>2016</b>	<b>2017</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	₹ Crores	8935.49	8642.90
EBITDA	₹ Crores	1824.93	1891.17
PAT	₹ Crores	206.34	379.70
Tangible Net worth	₹ Crores	3587.32	3963.22
Total Debt/Tangible Net worth	In Times	3.02	3.03
Current Ratio	In Times	1.81	1.77

**Annexure-I**  
**Details of Bank Facilities**

S.No	Name of the Bank	Fund Based (₹ Crores)			Non Fund Based (₹ Crores)		Total Limits (₹ Crores)
		Working Capital (CC)	Term Loans	Term Loans (Pledge of DISCOM Power Bonds)	Bank Guarantee	Letter of Credit	
1	Bank of Maharashtra	75.00					75.00
2	Punjab National Bank	100.00					100.00
3	State Bank of India Existing	100.00			125.00	25.00	250.00
	State Bank of India Proposed	200.00				75.00	275.00
4	Union Bank of India	300.00			100.00		400.00
5	Vijaya Bank	200.00	59.93				259.93
6	Andhra Bank	500.00	26.85				526.85
7	Tamilnad Mercantile Bank	100.00		41.56			141.56
8	Punjab & Sind Bank		20.75				20.75
9	Oriental Bank of Commerce		1.99				1.99
10	Karur Vysya Bank		45.34	32.00			77.34
11	Karnataka Bank		10.53	37.50			48.03
12	Lakshmi Vilas Bank			18.80			18.80
13	IDBI Bank Ltd.,			89.00			89.00
14	Syndicate Bank			116.52			116.52
15	Indian Bank			165.00			165.00
<b>Total</b>		<b>1575.00</b>	<b>165.39</b>	<b>500.38</b>	<b>225.00</b>	<b>100.00</b>	<b>2565.77</b>

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)



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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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