



RATING RATIONALE

25 Jan 2023

Andhra Pradesh Power Finance Corporation Limited

Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of Rs. 9462.33 Crs. of Andhra Pradesh Power Finance Corporation Limited based on best available information, as the issuer did not cooperate

Particulars:

Facilities**	Amount (Rs Cr)		Tenure	Rating*	
	Previous	Present		Previous^ (27 Oct 2021)	Present
Fund Based Term Loans	9741.33	9462.33	Long Term	BWR A (CE)/ Stable (Reaffirmed)	BWR BBB/Stable/ ISSUER NOT COOPERATING# / Downgraded @
Total	9741.33	9462.33	Rupees Nine Thousand Four Hundred Sixty Two Crores and Thirty Three Lakhs only.		

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

** Details of bank loan facilities are provided in Annexures-I

^Rating Advisory for delay in rating review was issued on 03 Nov 2022

#Issuer did not cooperate; based on best available information

@Revision in analytical approach from CE to standalone; withdrawal of earlier unsupported rating of BWR BB+/Stable

Note: The supported rating of 27 Oct 2021 was based on a Credit Enhancement (CE) in the form of an “Unconditional and Irrevocable Guarantee” provided by the Government of Andhra Pradesh for the rated bank loan facilities. The Unsupported (Standalone) rating as assessed by BWR without considering the credit enhancement was BWR BB+/Stable

RATING ACTION/OUTLOOK/NATURE OF NON-COOPERATION

Bank loan ratings of Andhra Pradesh Power Finance Corporation Limited (APPFCL or the Company) were due for a review in October 2022. A Rating Advisory for delay in rating review was issued in November 2022. Brickwork Ratings (BWR) had taken up with the company through emails and telephone calls to provide financial and operational information for the periodic monitoring and surveillance of the ratings. Despite the best efforts of BWR to get the required information for a review, the company has not shared all the requisite information. Due to the lack of cooperation in sharing the requisite information and in its absence, BWR is unable to assess the company’s performance, and its ability to service its debt and maintain a valid rating.

The rating action also aligns BWR’s ratings with the Reserve Bank of India’s (RBI) revised guidelines on ‘Credit Ratings supported by Credit Enhancement (CE) for Bank loans’ vide its



Guidance Note (GN) dated 22 Apr 2022 read with FAQs dated 26 July 2022. BWR notes that the Guarantee of Government of Andhra Pradesh (GoAP) does not meet the evaluation criteria/mechanism stipulated by the Guidance Note and the FAQ document issued by the RBI. In compliance with the aforesaid regulatory guidance, BWR would not be considering the benefit of a guarantee that does not meet the revised rating criteria. However, the presence of such a guarantee continues to represent a strong expression of commitment on the part of the guarantee provider. Hence, based on extant regulatory guidelines, non-cooperation by the company, and the best available information, BWR has downgraded the ratings of government guaranteed bank loan facilities to BWR BBB/Stable and migrated them the ISSUER NOT COOPERATING* category. *Issuer did not cooperate; based on best available information

LIMITATIONS OF THE RATING

Information availability risk is a key factor in the assessment of credit risk as generally non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit rating should therefore take into account the possible deterioration in the credit quality of the rated entity arising from its non-transparency and withholding of information required for a review of the rating.

ABOUT THE COMPANY

Andhra Pradesh Power Finance Corporation Limited (APPFCL) was incorporated as a Government Company under Companies Act, 1956 on 12th July 2000 and commenced business on 13th July 2000. APPFCL has also obtained registration from Reserve Bank of India as a Non-Banking Company on 25-8-2000. The main objective of the company includes providing long term finance to those enterprises wholly engaged in the business of developing, maintaining and operating power distribution facilities viz. GENCO, TRANSCO, DISCOM. The Government of Andhra Pradesh has 100% ownership of the Company.

On 02 June 2014, Andhra Pradesh was bifurcated into the successor states of Telangana and residuary Andhra Pradesh (AP). As per section 53 of the AP Reorganisation Act 2014, a separate Telangana Power Finance Corporation Limited (TPFCL) was created for Telangana, and the existing APPFCL continued for the residuary AP. The outstanding bonds of APPFCL were allocated between Telangana and residuary AP in the ratio of 59.54% and 40.46%, respectively, vide a government order dated 30 May 2014, issued prior to bifurcation by the GoAP.

BWR rated bank loan facilities were sanctioned and availed by APPFCL post the bifurcation of state and mostly covered by the Guarantee of State of Andhra Pradesh towards timely servicing of debt and interest obligations. BWR has factored this strength in its rating exercise apart from the 100% ownership of Government of Andhra Pradesh, strong board of directors, experienced management team and the improving financial profile of the Company.

KEY FINANCIAL INDICATORS (Standalone) -ISSUER

Key Parameters	Units	FY21	FY22	H1FY23
Result Type		Audited	Audited	Unaudited
AUM	Rs Crs	16303	18350	17804
Interest Income	Rs Crs	1277	1578	829
PAT	Rs Crs	36	150	97
Tangible Net Worth	Rs Crs	401	540	637
Total Debt	Rs Crs	16024	17961	17300
Gearing	Times	41.30	33.41	27

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

ANY OTHER INFORMATION : Nil

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

S.No	Instrument	Current Rating 2023			Rating History		
		Type	Amount (Rs Crs)	Rating	2022 ^^	2021	2020
1	Fund Based Term Loans	Long Term	9462.33	BWR BBB/Stable/ISSUER NOT COOPERATING*/Downgraded@	-	BWR A CE (Stable) (Reaffirmed) 27 Oct 2021	BWR A CE (Stable) (27-Oct-20) (Reaffirmed) BWR A CE (Stable) (20-Mar-20) (Assigned)
2	Proposed Bonds	Long Term	-	-	-	-	Withdrawn (9-Jan-20)
Total			9462.33	Rupees Nine Thousand Four Hundred Sixty Two Crores and Thirty Three Lakhs only.			

*Issuer did not cooperate, based on best available information

@Revision in analytical approach from CE to standalone; withdrawal of earlier unsupported rating of BWR BB+/Stable

^^Rating Advisory for delay in rating review issued on 03 Nov 2022.

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

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

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks and Financial Institutions](#)
- [Approach to Financial Ratio](#)
- [What Constitutes Non-cooperation](#)

Analytical Contacts	
Tripti Agrawal Senior Rating Analyst B :+91 80 4040 9940 tripti.a@brickworkratings.com	Hemant Sagare Director- Ratings +91 80 40409940 hemant.s@brickworkratings.com
1-860-425-2742 media@brickworkratings.com	

Andhra Pradesh Power Finance Corporation Limited
ANNEXURE I
Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.) @
1	State Bank of India	Term Loan	1312	0.00	1312
2	Union Bank of India (Andhra Bank)	Term Loan	1500	0.00	1500
3	Canara Bank	Term Loan	2000	0.00	2000
4	Bank of India	Term Loan	2909	0.00	2909
5	Bank of Baroda	Term Loan	750	0.00	750
6	Indian Overseas Bank	Term Loan	500	0.00	500
	Proposed Bank Loans	Term Loans	491.33	0.00	491.33
Total					9462.33

@Term Loan outstanding as on 31 Oct 2022

ANNEXURE II

INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS: NA

ANNEXURE III List of entities consolidated: NA



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