Rating Rationale

Andhra Pradesh Power Generation Corporation Ltd.

29Mar2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹3125.98 Crores of Andhra Pradesh Power Generation Corporation Ltd (‘APGENCO’ or ‘the Corporation’)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2018)	Present
Fund based	2240.77	2825.98	**Long Term**	**BWR A** (Pronounced as BWR Single A) **Outlook: Stable**	**BWR A** (Pronounced as BWR Single A) **Outlook: Stable**
Non Fund Based	325.00	300.00	**Short Term**	**BWR A2+** (Pronounced as BWR A Two Plus)	**BWR A2+** (Pronounced as BWR A Two Plus)
Total	**2565.77**	**3125.98**	**INR Three thousand One hundred and twenty five crores and ninety eight lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I
Apart from the above mentioned loans, APGENCO has also availed loans from REC and PFC to an extent of ₹ 11273.1 Crores (O/s as on 31 Mar 2018). These loans were not included in the rating amount.

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, projected financials upto FY21, publicly available information and information/clarification provided by the Corporation's management

The rating reaffirmation reflects strong parentage with the Corporation being wholly owned by Government of Andhra Pradesh (GoAP) with support in terms of need based equity infusion from GoAP, experienced management, satisfactory conduct of account with lenders and favorable operating margins. The rating also takes into account the completion of 600MW thermal unit of RTPP Stage IV and 400MW solar project during the year. However, the ratings are constrained by large ongoing capex which are primarily debt funded, high debt equity levels 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 APDSICOMs and TSDISCOMs, infusion of equity/grants by the State Government for the ongoing projects, timely implementation of ongoing projects without cost overrun and the political risks on account of upcoming state elections will remain the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths

- **Wholly owned by GoAP:** APGENCO is being wholly owned by GoAP with adequate State Government support due to the strategic importance of the power sector
- **Experienced management:** Mr. K Vijayanand and Mr. Ajay Jain are the Managing Director and Chairman of the APGENCO. There are 5 other directors in the Corporation. All the Board members are qualified and have vast experience.
- **Increase in installed capacities:** APGENCO's installed capacity has improved to 5613.026 MW as on 28 Feb 2019 from 4613.026 MW as on 31 Oct 2017. The increase in installed capacity is due to the addition of 600MW thermal unit which was commissioned on 28 March 2018 and 400MW solar unit which was commissioned on 12 Feb 2019. This increase in generation capacity is expected to improve revenues in the medium term
- **Favorable operating margins and networth levels:** Corporation is continuously reporting favorable operating profit margins in the last three years. i.e. at 24.04% as on FY16, 26.41% as on FY17 and 24.10% as on FY18. Tangible Networth of the Corporation improved from ₹3952.60 Crs as on FY17 to ₹ 4137.85 Crs as on FY18.

Credit Risks:

- **High debt equity levels:** Debt equity of APGENCO has deteriorated from3.04X as on FY17 to 3.82X as on FY18 on account of availment of fresh loans. Debt equity of the corporation is expected to be further deteriorate in the medium term on account of ongoing capex which are primarily debt funded.
- **Elongated days receivable:** APGENCO receivables as on 31 March 2018 are at ₹8394.61 Crores, out of which receivables exceeding more than six months are ₹5127.70 Crores. Receivables exceeding more than six months are receivables due from TSDISCOMs. As informed by the APGENCO management, the receivables from APDISCOMs are being settled regularly.
- **Liquidity Position:** Corporation has reported weak debt protection metrics as on FY18, As per APGENCO's management, the position is expected to improve in the medium term as Corporation has taken measures for realization of receivables from the TSDISCOM's which will improve the medium term liquidity. APGENCO also proposes to refinance some portion of the loans.

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 Ltd.** 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 Corporation:

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 Corporation 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 installed capacity has improved to 5613.026 MW as on 28 Feb 2019 from 4613.026 MW as on 31 Oct 2017. The increase in installed capacity is due to the addition of 600MW thermal unit which was commissioned on 28 March 2018 and 400MW solar unit which was commissioned on 12 Feb 2019. Currently, APGENCO has installed capacities of thermal 3410MW, Hydel- 1797.60MW and Solar - 405.426 MW.

PLF achieved for the thermal power projects are at 74.62% and 71.59% in FY17 and FY18 respectively. Ongoing capex of APGENCO comprises of two new thermal power stations (Dr. NTTPS Stage-V, Krishnapatnam TPP Stage-II, Rayalaseema TPP Stage IV) with total generation capacity of 1600 MW which is expected to commission by December 2019.

Corporation Financial Performance

As per FY18 audited financials, scale of operations of the Corporation stood at ₹ 8378.58 Crores as against ₹ 8642.90 Crores in FY17. Decline in scale of operations is partly on account of backing down of thermal stations due to increased share from non conventional energy sources. Total debt of the Corporation reported at Rs. 15787.11 Crores as on 31 March 2018. Tangible net worth of the Corporation reported at Rs. 4137.85 Crores. Interest service coverage ratio at 1.52X for FY18.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	23 Jan 2018	23 Jan 2017	2016
1	**Fund Based**	Long Term	2825.98	**BWR A** (Pronounced as BWR Single A) **Outlook: Stable Reaffirmed**	**BWR A** (Pronounced as BWR Single A) **Outlook: Stable**	**Ratings Placed under Ratings Not Reviewed**	--
2	**Non Fund Based**	Short Term	300.00	**BWR A2+** (Pronounced as BWR A Two Plus) **Reaffirmed**	**BWR A2+** (Pronounced as BWR A Two Plus) **Assigned**	--	--
	Total		**3125.98**	**₹ Three thousand One hundred and twenty five crores and ninety eight lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA
Any other information: NA

Key Financial Indicators

Key Parameters	**Units**	**2017**	**2018**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Crores	8642.90	8378.58
EBITDA	₹ Crores	2282.68	2019.39
PAT	₹ Crores	394.84	183.36
Tangible Net worth	₹ Crores	3952.60	4137.85
Total Debt/Tangible Net worth	In X	3.04	3.82
Current Ratio	In X	1.90	1.96

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Annexure-I
Bank Loan Facility Details

S.No	Name of the Bank	Fund Based				Non Fund Based		Total
		Cash Credit	Proposed Loans WC	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					200.00
3	State Bank of India	500.00				125.00	75.00	700.00
4	Union Bank of India	750.00				100.00		850.00
5	Vijaya Bank	200.00		34.87				234.87
6	Andhra Bank	500.00		6.85				506.85
7	Tamilnad Mercantile Bank	100.00			18.22			118.22
8	Punjab & Sind Bank			8.99				8.99
10	Karur Vysya Bank			42.35	2.00			44.35
11	Karnataka Bank			4.78	12.50			17.28
12	Lakshmi Vilas Bank				3.29			3.29
13	IDBI Bank Ltd.,				33.45			33.45
14	Syndicate Bank		200.00		38.68			238.68
15	Indian Bank				95.00			95.00
Total		**2225.00**	**300.00**	**97.84**	**203.14**	**225.00**	**75.00**	**3125.98**

Note:

- Apart from the above mentioned loans, APGENCO has also availed loans from REC and PFC to an extent of ₹ 11273.1 Crores (O/s as on 31 Mar 2018). These loans were not included in the rating amount
- Term Loans O/s as on March 14, 2019