

Press Release

Brickwork Ratings assigns 'BWR A' for the Long Term Bank Loan Facilities of ₹ 9553.07 Cr of Andhra Pradesh Power Generation Corporation Ltd.

Brickwork Ratings (BWR) has assigned **Rating¹** for Bank Loan Facilities of Andhra Pradesh Power Generation Corporation Ltd. ('APGENCO' or 'the Corporation') as under.

| Facility | Tenure | | Limits (₹ Cr) | Rating |
|---|-----------|----------------------------|------------------|--------------------------|
| Term Loan | Long Term | Outstanding Amount | 3007.26 | BWR A Outlook: Stable |
| | | Undrawn Amount | 720.16 | |
| | | Additional Amount Proposed | 5075.65 | |
| Cash Credit | | Existing | 750.00 | |
| Total | | | 9553.07 | |
| (INR Nine Thousand Five Hundred Fifty Three Crores and Seven Lakhs only) | | | | |

APGENCO is a wholly owned Corporation of the Government of Andhra Pradesh. The rating assigned to the Bank loan facilities of APGENCO has, inter alia, factored total installed Power Generation capacity (including Thermal Power and Hydel Power) of ~8925 MW, proposed capacity addition of ~3210 MW over next two years, long term PPA with AP Distribution Companies, long term FSA with Singareni Collieries Company Ltd. and Mahanadi Coalfields Ltd. for coal supply and the financial and managerial support from the Govt. of AP in terms of equity funding for its future capacity addition plans. The rating is however constrained by declining trend in Hydel Power Generation, high debt level, moderate profit margins, huge debt requirement to fulfil future Capex plans and risk associated with on time completion of projects under development.

BWR has essentially relied upon the audited financial results of APGENCO up to FY12, provisional results for FY13, and clarifications/information provided by the Company.

APGENCO was incorporated as a company under the provisions of Companies Act, on 29th Dec, 1998. APGENCO commenced its business operations effective from 1st Feb, 1999. The objectives of APGENCO include acquire, establish, construct and operate power generating stations. Govt. of AP holds 100% equity in APGENCO. The Installed

¹ Please refer to www.brickworkratings.com for definition of the Rating

generation Capacity of APGENCO as on 31st Mar 2013, is at 8924.9 MW comprising of 5092.5 MW Thermal, 3829.4 MW Hydel and 3 MW renewable energy sources.

APGENCO is the third largest utility among all power generating utilities in the country next to NTPC (40674 MW) and MAHAGENCO (11732 MW). APGENCO constitutes 54.5% of Total AP state installed capacity (16389 MW). The AP state stands 4th with 7.3% share in all India installed capacity of 223344 MW as of March 31, 2013. APGENCO is contributing ~ 46% of energy to the AP state grid requirement. Total Capacity addition during XI Plan was 2374 MW. APGENCO has taken up 19 new projects with a combined capacity of 18,852 MW benefiting from XII Plan.

APGENCO's operating income has increased during last three years to ₹ 13321 Crs in FY13 (Provisional) from ₹ 8918 Crs in FY11. Also PAT has increased to ₹ 440 Crs in FY13 from ₹ 313 Crs in FY11.

APGENCO has a total installed Power Generation capacity of ~8925 MW (including Thermal Power: 5093 MW and Hydel Power: 3829 MW) and capacity addition of ~3210 MW over next two years. Implementation of the additional capacity on time would be crucial for the APGENCO's performance. It is having long term FSA with Singareni Collieries Company Ltd. and Mahanadi Coalfields Ltd. for coal supply; however its additional capacity would require further coal supply, which is yet to be tied up. APGENCO's Hydel Power Generation has shown declining performance over the past three years mainly due to low hydrology. APGENCO has a huge debt requirement to fulfil future Capex plans, which is in its initial stages of planning. Funding these projects and equity funding from the Govt. for its future capacity addition plans would be crucial for the APGENCO performance. Further, the proposed bifurcation of Andhra Pradesh into Telangana and Andhra Pradesh may have implications on APGENCO as the location of the power plants fall in both the States and this may impact the Company in terms of funding and performance.

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