

Rating Rationale

08 September 2021

Andhra Pradesh Township & Infrastructure Development Corporation Limited

Brickwork Ratings assigns provisional ratings of Provisional BWR A (CE)/ Stable for the proposed Bank Loan Facilities of Rs. 2700.00 Crs, and reaffirms the ratings of BWR A (CE)/ Stable and removes the rating from the Issuer Not Cooperating' category for the Bank Loan Facilities of Rs. 300.00 Crs of Andhra Pradesh Township & Infrastructure Development Corporation Limited.

Particulars

Instrument/ Facilities**	Amount (Rs. Crs)		Tenure	Rating##	
	Previous	Present		Previous (29-Apr-2021)	Present
Fund Based Proposed Term Loans	--	2700.00	Long Term	--	^Provisional BWR A(CE) ^s / Stable Assigned
Fund Based Term Loans	300.00	300.00		BWR A (CE) ^{^^} / Stable Reaffirmed Issuer Not Cooperating*	Removed from Issuer Not Cooperating, BWR A (CE) ^{^^} / Stable Reaffirmed
Total	300.00	3000.00	Rupees Three Thousand Crores Only		

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

Details of Bank Loan Facilities is re provided in Annexure-I

Unsupported Rating: Revised to BWR BB-/Stable from BWR BB/Stable

^{^^}Credit Enhancement (CE) was assigned based on the unconditional and irrevocable guarantee from the state Government of Andhra Pradesh (GoAP)

^s CE was assigned based on the proposed unconditional and irrevocable guarantee from the GoAP

*Issuer did not cooperate, based on the best available information.

[^]A prefix of provisional indicates that the rating is contingent upon occurrence of certain steps or execution of certain documents by the issuer, as applicable, without which the rating would either have been different or not assigned. This is in compliance with the April 27, 2021 circular 'Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments' by Securities and Exchange Board of India (SEBI).

RATING ACTION/OUTLOOK

Brickwork ratings (BWR) assigns/reaffirms the ratings of Andhra Pradesh Township & Infrastructure Development Corporation Limited (APTIDCO or the company) considering factors such as the project being implemented under the Pradhan Mantri Awas Yojana (PMAY) scheme, experienced management, support in the form of grants from the Government of India (GoI) and Government of Andhra Pradesh (GoAP) and rated facilities having currently/



proposed, a credit enhancement in the form of a guarantee from the GoAP. However, the company's ratings are constrained by project execution risks, incomplete financial closure, impact of COVID-19 on the state finances and the continuous increase in the state's debt levels.

The unsupported rating has been revised on account of the slowdown in project execution during the last two years, resulting in lower revenues.

The outlook has been kept as Stable, as the company's performance is likely to remain consistent in the medium term, along with continued support from the GoAP and GoI in the form of grants for the development cost and the guarantee from the AP state government towards debt, ensuring the timely payment of debt obligations.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:

The terms of sanctions include standard covenants normally stipulated for bank loan facilities. The term loan of Rs.300.00 Crs sanctioned and availed by ICICI Bank has an unconditional and irrevocable guarantee from the GoAP for the timely repayment of the principal and interest obligations. The proposed term loans of Rs.2700.00 Crs would be secured by the GoAP as per the Government Order (GO) dated 06 July 2021.

Key Rating Drivers

Credit Strengths:-

- **Financial assistance from GoI and GoAP:** APTIDCO receives revenue grants from the GoAP. During FY21, the company has received revenue grants of Rs.539.02 Crs. These grants are utilised for meeting the company's debt obligations. Upto 31 March 2020, APTIDCO received capital grants from the GoI to an extent of Rs.1009.31 Crs.
- **Experienced management:** The company is owned by the GoAP. The current chairman is Smt. Y. Sri Lakshmi, IAS, Special Chief Secretary, MA&UD Dept, and Sri. Ch. Sridhar, IAS, is the company's managing director. The board also has directors who are in senior departments of the GoAP.
- **Credit enhancement:** The rated facilities of Rs.300.00 Crs of the company have a credit enhancement by way of an irrevocable and unconditional guarantee from the GoAP. The proposed loans of Rs.2700.00 Crs are also expected to carry an unconditional and irrevocable guarantee from the GoAP as granted under the GO dated 06 July 2021.

Credit Risks:-

- **Project execution risks:** Timely project execution without any cost overrun is a monitorable. The GoAP has currently allowed the completion of 2,62,916 houses (dwelling units) by April 2022. The remaining houses are yet to be notified by the GoAP.
- **Financial closure:** APTIDCO is yet to achieve financial closure and has to raise funds from various sources by way of grants and loans from the GoI, GoAP, multilateral institutions and other agencies. Any delay in tying-up funds from various sources may delay the project execution.



- **Increasing debt of GoAP:** The state has a high level of outstanding debt of Rs. 3.55 lakh Crs as on FY21 (R.E.), which is expected to rise to Rs. 3.87 lakh Crs as on FY22 (B.E.). The outstanding guarantees of the state too witnessed a sharp rise from Rs. 9,665 Crs as of FY17 to Rs. 91,330 Crs as of FY21 (R.E.), which has resulted in higher contingent liabilities of the GoAP. The state continues to breach the fiscal indicators set by the Fiscal Responsibility and Budget Management (FRBM) Committee. The fiscal situation has continued to deteriorate.
- **COVID-19 impact on state finances:** The impact of COVID-19 will be felt on account of disruptions in the operations of the state's several revenue generating sectors, with likely reductions in the devolution of central taxes to Andhra Pradesh resulting from the prolonged nationwide lockdown implemented to curb the spread of the virus in the country. However, the expected moderation in the state's budgeted revenues from tax collections, coupled with the requirement of additional spending, would pose a challenge for the state in adhering to the fiscal consolidation norms.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

To arrive at its ratings, BWR has considered the company's standalone financials. Furthermore, BWR has assessed Andhra Pradesh state financials for determining the credit enhancement. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES:

Going forward, timely support from the GoI and GoAP by way of grants, ensuring timely payment of the interest and principal dues, timely implementation/execution of projects without cost and time overrun will remain the key rating sensitivities.

- **Upward:** The ratings can move upward if the project is executed as per the scheduled time frame, resulting in an improvement in revenues and profitability margins, improvement in the socio-economic profile and fiscal parameters of Andhra Pradesh state and upward revision in the credit rating of the guarantor (the GoAP).
- **Downward:** The ratings can move downward if there is a slowdown in project execution, resulting in a deterioration in the financial performance, lack of /delay in support from the GoAP in the form of grants leading to a mismatch in the cash flows for meeting its debt obligations, deterioration in the state fiscal position and increase in the state debt levels, and a downward revision in the credit rating of the guarantor (GoAP).

LIQUIDITY: Adequate

The company is not generating adequate cash accruals to meet its debt obligations. However, the liquidity position is being assessed based on the company being supported by the GoAP and GoI by way of grants to meet its repayment obligations. During FY21, the company has received revenue grants to an extent of Rs.539.02 Crs from the GoAP for meeting the debt obligations. The repayment obligations with lender ICICI Bank have commenced June 2021 onwards. Apart



from the rated facilities with ICICI Bank, the company has also availed term loans from HUDCO and PFC. As on 31 March 2021 (provisional), the total borrowings of the company were reported at Rs.5,787.95 Crs. Furthermore, the borrowings from HUDCO and PFC have an unconditional and irrevocable guarantee from the GoAP. The cash and bank balances as on 31 March 2021 (Provisional) were at Rs.1,056.14 Crs.

ADDITIONAL DISCLOSURES REQUIREMENTS FOR PROVISIONAL RATINGS:

The provisional rating is contingent upon completion of pending steps and availability of the following documents:

- Sanction letter
- Sanction terms containing the clause- guaranteed by the state government of Andhra Pradesh
- Tenor of the repayment would be 15 years, including the moratorium period of 2 years
- Executed government guarantee deed

The provisional rating shall be converted into a final rating following receipt of confirmation of completion of pending steps and /or executed transaction documents, as applicable, within 90 days from the date of issuance of the instrument/availment of borrowings (as applicable). The final rating assigned shall be consistent with the completed actions and/or available documents at the end of the validity period. In case of non-receipt of the duly executed transaction documents within the above mentioned timeline, BWR may either grant an extension of upto another 90 days based on the status of the pending steps/documentation or take appropriate action in line with its policy on provisional ratings and applicable regulatory guidelines.

RATING THAT WOULD HAVE BEEN ASSIGNED IN ABSENCE OF THE PENDING STEPS/ DOCUMENTATION:

In the absence of pending steps/documentation considered while assigning provisional rating as mentioned above, BWR would have assigned a rating of 'BWR BB-/Stable'.

While arriving at the ratings, BWR has also factored in certain terms and conditions of the transaction. In case the debt is raised and there are material changes in the terms and conditions, BWR may review the rating on the basis of the revised terms of the transaction in accordance with its provisional ratings policy.

RISKS ASSOCIATED WITH PROVISIONAL NATURE OF CREDIT RATING:

The provisional rating indicates that the rating is contingent upon completion of the critical pending steps and/or execution of pending documentation, as applicable. The final rating may differ from the provisional rating in case the completed actions/executed documents are not in conformity with those envisaged initially at the time of assignment of rating. In such circumstances, BWR may take appropriate action which may include a rating change, outlook change, placing the rating on credit watch etc, depending on the status of the transaction, in line with the BWR's policy on provisional ratings. The rating of the debt instrument/borrowings would have been different in the absence of the pending steps/documentation.



ABOUT THE COMPANY

Andhra Pradesh Township and Infrastructure Development Corporation Limited (APTIDCO) was established in August 2016 as a government syndicate to take up the task of integrated township and Infrastructure development across Andhra Pradesh. It is the state-level nodal agency for Pradhan Mantri Awas Yojana (PMAY) with capabilities of holistic planning, development, financing and implementation of affordable housing in the state, under Municipal Administration and Urban Development Department, so as to ensure the effective coordination of functioning among the key institutional stakeholders, viz., Urban Local Bodies (ULBs) and Development Authorities, and achieving desired mission outcomes including mandatory reforms, all of which fall under the domain of the Municipal Administration and Urban Development Department.

The GoAP aims to construct 14 lakh houses for the urban poor by 2022 under the scheme titled Pradhan Mantri Awas Yojana – Housing for All Urban (PMAY)-U. The state government has already received sanctions for the construction of 6.81 lakh houses in the urban areas.

Project Details:

Post the change in the political government in Andhra Pradesh, the government has notified the company to proceed with the construction of 2,62,616 houses as against the initial plan of 5 lakh houses. Accordingly, the project cost has been revised to Rs. 23,195.25 Crs for the completion of the 2,62,616 houses. The means of finance is grants of Rs.3,933.24 Crs from the GoI and of Rs.14,672.01 Crs from the GoAP, and a share from the beneficiary contribution of Rs.4,590.00 Crs. In terms of the physical progress as of 31 March 2021, the company has completed the execution of 36.19% of the houses, 36.74% of houses are above 90% completion, 14.63% of houses are between 25-75% completion, and the remaining 12.29% houses are below 25% completion.

KEY FINANCIAL INDICATORS - APTIDCO

Key Parameters	Units	2019	2020
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	140.37	12.60
EBITDA	Rs.Crs	(10.17)	(15.92)
Net profit	Rs. Crs	0.29	(0.25)
Tangible Net worth	Rs. Crs	1010.41	1015.49
Total Debt/Tangible Net worth	In Times	3.94	5.20
Current Ratio	In Times	1.11	1.35

STATE FINANCES

The state expects a revenue deficit of Rs. 5,000 Crs in 2021-22 (0.47% of GSDP). In 2020-21, the revenue deficit is estimated to be Rs 34,927 Crs at the revised stage, as compared to the revenue deficit of Rs.18,434 Crs estimated at the budget stage. Fiscal deficit for 2021-22 is estimated to be Rs. 37,030 Crs (3.49% of GSDP). In 2020-21, as per the revised estimates, the fiscal deficit is estimated to increase to 5.38% of the GSDP as compared to 4.78% of the GSDP estimated at the budget stage. The state has a high level of outstanding debt of Rs.3.01 lakh Crs (FY20), which is expected to rise to Rs.3.87 lakh Crs (FY22). The outstanding guarantees of the state too witnessed a sharp rise from Rs.9,665 Crs in FY17 to Rs. 77,783 Crs in FY20, which has resulted in higher contingent liabilities for the GoAP. The state continues to breach the fiscal indicators set by the FRBM Committee.

State Financials	Units	2020	2021	2022
Result Type		Actuals	R.E.	B.E.
Revenue Receipts	Rs. Crs	1,11,034	1,18,063	1,77,196
Revenue Expenditure	Rs. Crs	1,37,475	1,52,990	1,82,197
Capital Receipts	Rs. Crs	56,043	58,867	50,576
Capital Expenditure	Rs. Crs	36,224	32,478	47,583
Revenue Surplus/GSDP	%	(2.72)	(3.46)	(0.47)
Fiscal Deficit/GSDP	%	(4.08)	(5.38)	(3.49)
Debt+Guarantees/GSDP	%	39.01	44.27	45.06

R.E. Revised Estimates B.E. Budget Estimates

NON COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: NIL

Rating History for the previous three years (Including withdrawal and suspended)

S.No	Instrument /Facility	Current Rating (2021)			Chronology of Rating History for the past 3 years (Rating assigned and press release date) along with outlook/watch, if applicable			
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	Date(s) & Rating(s) assigned in 2021	Date(s) & Rating(s) assigned in 2020	Date(s) & Rating(s) assigned in 2019	Date(s) & Rating(s) assigned in 2018
1	Fund Based	Long Term	2700.00	Provisional BWR A (CE) [§] /Stable (Assigned)	--	--	--	--
2	Fund Based	Long Term	300.00	Removed from Issuer Not Cooperating, BWR A (CE) ^{^^} / Stable (Reaffirmed)	BWR A (CE) ^{^^} / Stable Reaffirmed Issuer Not Cooperating* (29-Apr-2021)	BWR A (CE) ^{^^} /Stable (10-Feb-2020)	Affirmation at BWR A (CE) ^{^^} / Stable (31-Dec-2019)	Provisional BWR A+ (SO)/ Stable (21-Dec-2018)
3	Fund Based	Long Term	--	--	Rating Withdrawn (29-Apr-2021)	Provisional BWR A (CE)/Stable (10-Feb-2020)	Provisional BWR A (CE)/ Stable (31-Dec-2019)	Provisional BWR A+ (SO)/ Stable (21-Dec-2018)
Total			3000.00	Rupees Three Thousand Crores Only				

^{^^}Credit Enhancement (CE) was assigned based on the unconditional and irrevocable guarantee from GoAP

[§] CE was assigned based on the proposed unconditional and irrevocable guarantee from the GoAP

*Issuer did not cooperate, Based on best available information.

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

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.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure](#)
- [Ratings based on government support](#)
- [Ratings based on credit enhancement](#)

For any other criteria obtain [hyperlinks](#) from website.

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Andhra Pradesh Township & Infrastructure Development Corporation Limited
Annexure-I

Details of Bank Loan Facilities

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	ICICI Bank	Term Loans	300.00	--	300.00
2	Un-tied Portion	Proposed Term Loans	2700.00	--	2700.00
Total			3000.00	--	3000.00

Total Rupees Three Thousand Crores Only

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