

Andhra Pradesh Township Infrastructure and Development Corporation Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 5000.00 Crs. of Andhra Pradesh Township Infrastructure and Development Corporation Ltd.

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (31-Dec-2019)	Present
Fund Based Proposed Term Loans	4700.00	4700.00	Long Term	Provisional BWR A (CE)#/ Stable	Provisional BWR A (CE)#/ Stable (Reaffirmed)
Fund Based Term Loans	300.00	300.00	Long Term	Affirmation at BWR A (CE)\$/ Stable	BWR A (CE)\$/ Stable (Reaffirmed)
Total	5000.00	5000.00	₹ Five Thousand Crores Only		

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

** Details of Bank Loan facilities is provided in Annexure- I

Unsupported Rating: BWR BBB- /Stable

#Credit Enhancement (CE) was assigned based on the unconditional and irrevocable guarantee from State Government of AP (GoAP)

\$Credit Enhancement (CE) was assigned based on the proposed unconditional and irrevocable guarantee from the State Government of AP.

Provisional rating will be affirmed once the financial closure, unconditional and irrevocable guarantee from State Government of AP is obtained and all the documentation is completed . The said rating has been assigned on the basis of the terms and conditions assumed in the draft term sheet including, repayment over 13 years with a moratorium of 2 years and irrevocable and unconditional guarantee from the AP state Government with Structured payment mechanism.

RATING ACTION / OUTLOOK

The ratings reaffirmation takes into account the project being developed under PMAY Scheme, experienced management and financial support from Government of India (GoI) and Government of Andhra Pradesh (GoAP). However, the ratings are constrained by the delay in the execution of the project on account of political and regulatory risks associated with the state and states' fiscal position.

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

KEY RATING DRIVERS

Credit Strengths:

- **Financial Support from GoI and GoAP:** As per the PMAY scheme, GoI contribution towards the implementation of the project is at Rs. 7500.00 Crores. During FY18 and FY19, Company has received capital grants from GoI to an extent of ₹1209.81 Crs and ₹3334.95 Crs respectively. GoAP has issued a letter dated 7-Aug-2018 stating that State Government shall pay the project management and maintenance charges to APTIDCO at the beginning of every year for a minimum of 15 years. The project management and maintenance charges are proposed at 2% of the total project cost during FY19 with minimum escalation of 5%PA thereafter. During FY18 and FY19, grants received from GoAP in FY18 and FY19 are at ₹135.25 Crs and ₹806.21 Crs.
- **Experienced Management:** Mr. J Syamala Rao, IAS, Secretary of MA&UD is the Chairman and Mr. B M Diwan Mydeen, IFS is the Managing Director of APTIDCO. The other members of the board of directors include members from Principal Secretary of Industries, I&T and Energy, Special Chief Secretary of TR&B, Special Secretary of Finance, Andhra Pradesh Chambers of Commerce, Etc.,

Credit Risks:

- **Political and Project execution risks:** Consequent to the change in the Government, the State Government is undertaking a reevaluation of the projects which are yet to be executed consequent to which the overall project is expected to undergo some changes. However this process is yet to be completed. Timely execution of the projects without any cost overrun is a monitorable
- **Financial closure:** APTIDCO has to ensure the raising of funds from various sources by way of grants and loans from GoI, GoAP, multilateral institutions and other agencies. Any delay in tying up of funds from various sources, may delay the project execution.
- **State Finances:** Modest growth of revenue and capital expenditure, deteriorated fiscal balances, high level of debt outstanding and guarantees, modest demographic trends and socioeconomic infrastructure of a state.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of the company. Also BWR has assessed the Andhra Pradesh State financials for determining the credit enhancement. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, timely support from 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 key rating sensitivities.

- **Positive:** Implementation of projects, improvement in the revenues and profitability margins, improvement in the socio economic profile and fiscal parameters of the State.
- **Negative:** Substantial delay in the finalisation of the projects, delay in receipt of grants from GoAP and GoI, delay in execution of ongoing projects, deterioration in the state fiscal position and increase in the state debt levels

LIQUIDITY INDICATORS

Stretched: The Company is not generating adequate cash accruals to meet its debt obligations. It is being supported by the Government of Andhra Pradesh (GoAP) and Government of India (GoI) by way of grants to meet its development expenses and repayment obligations.

During FY18 and FY19, Company has received capital grants from GoI to an extent of ₹1209.81 Crs and ₹3334.95 Crs respectively. Similarly, grant received from GoAP in FY18 and FY19 was at ₹135.25 Crs and ₹806.21 Crs. The total outstanding loans as on 31 March 2019 was at ₹3981.03 Crores. These loans have unconditional and irrevocable guarantee from the state government of Andhra Pradesh (GoAP). The cash and bank balances as on 31 March 2019 reported at ₹554.94 Crores and ₹1211.59 Crores as on FY18 and FY19 respectively.

COMPANY'S PROFILE

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 the state of 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 effective coordination of functioning among the key institutional stakeholders – viz., Urban Local Bodies [ULBs] & 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 Government of Andhra Pradesh (GoAP) aims to construct 14 lakh houses for urban poor by 2022 under the scheme “Pradhan Mantri Awas Yojana – Housing for All Urban” (PMAY)-U. The State Government has already received sanctions for construction of 6.81 lakhs in the urban areas.

Mr. J Syamala Rao, IAS, Secretary of MA&UD is the Chairman and Mr. B M Diwan Mydeen, IFS is the Managing Director of APTIDCO. The other members of the board of directors include members from Principal Secretary of Industries, I&T and Energy, Special Chief Secretary of TR&B, Special Secretary of Finance, Andhra Pradesh Chambers of Commerce, Etc.,

As on 31-Dec-2019, APTIDCO has grounded ~68% of dwelling units (houses) out of the total houses tendered or sanctioned. Out of the grounded projects, approximately 25% of houses are in completed stage and 20% are in partial finishings and rest 54% are in work in progress. Currently, Company is in the process of reverse tendering the contracts for the projects yet to be executed and the revised project details have not been finalized.

KEY FINANCIAL INDICATORS- APTIDCO

Key Financial Indicators	Units	FY18	FY19
Result Type		Audited	Audited
Operating Income	Rs. Crs	80.40	140.37
Operating Profit	Rs. Crs	46.65	(10.17)
Net Profit	Rs. Crs	1.50	0.29
Tangible Net worth	Rs. Crs	200.84	1010.41
Total Debt/ Tangible Net worth	Times	6.18	3.94
Current Ratio	Times	1.55	1.11

STATE FINANCES

The state's revenue receipts have been growing at a CAGR of 4.81% over the last 5 years. Own tax revenue is 51.00% of the overall revenue receipts. The revenue expenditure has increased at a CAGR of 1.92% where developmental expenditure growth is at 1.9% and non-developmental expenditure growth is at 6.61% indicating the State's expenditure has shown a higher growth in non-developmental expenditure. The State has budgeted Revenue Deficit of 1779 Crs (0.17% of the GSDP) in FY20(BE). The fiscal deficit is targeted at Rs 35,261 crore (3.44% of GSDP) and Primary Deficit is budgeted at Rs 18,017 Crs (1.75% of GSDP). The deficit levels are more than the prescribed limits by the finance commission. The liabilities of Andhra Pradesh are estimated at 29.86% of the GSDP as per BE 19-20.

State Financials	Units	2018	2019	2020
Result Type		Actuals	R.E.	B.E.
Revenue Receipts	Rs Crs	105,062	114,684	178,697
Revenue Expenditure	Rs Crs	121,214	126,339	180,476
Capital Receipts	Rs Crs	74,114	38,523	47,521
Capital Expenditure	Rs Crs	71,352	35,780	47,499
Revenue Surplus/GSDP	%	(2.00)	(1.27)	(0.17)
Fiscal Deficit/GSDP	%	(4.00)	(3.68)	(3.44)
Debt+Guarantees/GSDP	%	32.77	38.86	38.13

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

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 Crores sanctioned and availed by ICICI Bank has unconditional and irrevocable guarantee from the state government of Andhra Pradesh for the timely repayment of the debt obligations. The proposed Rupee Term Loans (RTL) of Rs.4700.00 Crores would be secured by the Guarantee of Andhra Pradesh for both Principal and Interest repayment as per the G.O.Ms No.58 dated February 06, 2018.

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

RATING HISTORY FOR THE PREVIOUS THREE YEARS

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (Rs. Crs.)	Rating	31-Dec-2019	21-Dec-2018 **	2017
Fund Based Term Loan	Long Term	300.00	Provisional BWR A (CE)#/ Stable (Reaffirmed)	Affirmation at BWR A (CE)# / Stable Downgraded	--	--
Fund Based Proposed Term Loans	Long Term	4700.00	BWR A (CE)\$/ Stable (Reaffirmed)	Provisional BWR A (CE)\$/ Stable Downgraded	Provisional BWR A+ (CE) / Stable	--
Total		5000.00	Rupees Five Thousand Crores Only			

Unsupported Rating: BWR BBB-/ Stable

**Rated Limits were Rs. 5000.00 Crs

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COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Credit Enhancement](#)
- [Ratings based on Government Support](#)

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ANDHRA PRADESH TOWNSHIP INFRASTRUCTURE AND DEVELOPMENT CORPORATION LTD

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	ICICI Bank	Term Loans	500.00	--	500.00
2	Un-tied Portion	Term Loans (Proposed)	4700.00	--	4700.00
Total			5000.00	--	5000.00

Total Rupees Five Thousand Crores Only

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DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons