

RATING RATIONALE

24 November 2023

ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY

Brickwork Ratings downgrades and places the rating for NCD/Bonds of Rs. 1900.00 Crs. of Andhra Pradesh Capital Region Development Authority under Rating Watch with Negative Implications

Particulars

Instrument**	Previous Amount (Rs. Crs.)	Present Amount (Rs. Crs.)	Tenure	Previous Rating (25 Oct 2023)	Present Rating*
NCD / Bonds	2000.00	1900.00	Long Term	BWR BBB+ (CE)/Stable Reaffirmation	BWR BBB (CE) Rating Watch with Negative Implications Downgrade
Total	2000.00	1900.00	Rupees One Thousand Nine Hundred Crores Only		

The rating with the symbol CE is based on unconditional, irrevocable, and legally enforceable guarantee from the Government of Andhra Pradesh (GoAP) for the timely payment of debt obligations. Additionally, these bonds have a structured payment mechanism, including a defined payment mechanism with the maintenance of a Bond Servicing Account (BSA) for and the availability of a Debt Service Reserve Account (DSRA) for two quarters.

Unsupported rating	BWR C (Reaffirmed)
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Note: Unsupported rating does not factor in the explicit credit enhancement.

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

** Details of the Bonds are provided in Annexure-I

RATING ACTION / OUTLOOK

The downgrade of the ratings of the bonds of Andhra Pradesh Capital Region Development Authority (APCRDA or the Authority) factors the delay in replenishment of the Debt Service Reserve Account (DSRA) within the stipulated five business days as per terms of the Debenture Trust Deed following the delay in the release of funds from the Government of Andhra Pradesh (GoAP) which has resulted in continued non-adherence to the T-structure of the BWR rated Bonds and strained the timely debt servicing ability of APCRDA.

BWR takes note of the timely servicing of the principal and coupon payment of the rated bonds on 16 November 2023 by utilising funds available in the DSRA. However, APCRDA is yet to replenish the DSRA within the stipulated five business days as per the terms of the Debenture Trust Deed. Furthermore, on account of the delay in the release of funds from GoAP, there is a continued shortfall in DSRA and the Bond Servicing Account (BSA) for the debt servicing falling due on 16 Feb 2024.

As per the terms of the Debenture Trust Deed (Deed), the debt obligation of ~Rs.152 Crs (Scheduled Payment) consisting of coupon payment and partial redemption of the rated Bonds was due on 16 Nov 2023 (T day). In case of any shortfall, the BSA is required to be adequately funded by APCRDA on T-7th day i.e. 09 Nov 2023. Keeping in view the insufficient funds in the BSA, APCRDA funded BSA on 09 Nov 2023 by utilising funds from DSRA and two of its fixed deposits. **The debt obligation due on 16 Nov 2023 was serviced timely as confirmed by the Debenture Trustee and the issuer.** BWR had, during the review of ratings in October 2023, taken note of the shortfall in BSA and DSRA as per terms of issue and the expectation that BSA and DSRA would be adequately funded timely by APCRDA post the grant approval of Rs.570 Crs by GoAP. However, the bills raised by APCRDA against that allotment are still awaiting clearance from the Finance Department of GoAP for disbursement. BWR notes that post the scheduled payment, BSA has a balance of ~Rs. 8 Crs. against a stipulated balance of ~Rs. 224 Crs. (1.5 times of ensuing quarter's debt obligations) and DSRA balance is ~Rs. 81 Crs. against a stipulated balance of ~Rs. 295 Crs (2 quarters). Against the aggregate shortfall of ~Rs. 430 Crs., APCRDA has already raised bills for ~Rs. 178 Crs. and is in the process of raising bills for the balance ~Rs. 252 Crs. As per terms of the Deed, the DSRA replenishment was to be completed within five business days (T+5 day) i.e. 22 November 2023. BWR understands from the issuer and the debenture trustee that BSA and DSRA deficits are yet to be replenished currently.

Apart from the rated Bonds, the Authority has also availed term loans from banks and financial institutions. BWR notes the recent delay in debt servicing of such debt facilities of APCRDA (***not rated by BWR***) due to the aforementioned delayed disbursement of funds by GoAP.

The rating, however, continues to derive comfort from the availability of GoAP's unconditional, irrevocable and legally enforceable guarantee for timely servicing of its debt obligations, its continuous support by way of grants, availability of structured payment mechanisms ensuring maintenance of DSRA and BSA, and the Authority's strategic importance to the GoAP.

Placing of the rating under Rating Watch with Negative Implications is primarily on account of uncertainty over timelines for replenishment of DSRA and BSA to the stipulated levels in accordance with the terms of the T-structure for the rated Bonds. BWR notes the company's continued inability to adhere to the terms of the T-structure of rated Bonds' payment mechanism mainly due to the delay in funds' release by GoAP, which is straining its liquidity. BWR is closely monitoring the developments and shall take appropriate rating action including resolution of the watch as and when it has clarity on the restoration of the DSRA and BSA balances. Support from GoAP through timely release of funds and adherence to the stipulated payment structure of the rated bonds shall remain key monitorables.

Please refer to the following link for the previous detailed rationale: [Rating Rationale dated 25 Oct 2023.](#)

KEY COVENANTS OF THE INSTRUMENT RATED

- Backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoAP.
- Maintenance of BSA and DSRA as part of the structured payment mechanism to ensure timely payment of Bonds' coupon and principal as and when due.

- DSRA to be maintained in the form of cash or fixed deposits equivalent to two quarters of principal and interest on a rolling basis.
- BSA to be funded at the start of each quarter equivalent to 1.5 times the debt servicing amount of the ensuing quarter from the “Designated Revenue” of the Authority
- Structured payment mechanism of T-15 days under which the debenture trustee (DT) shall intimate the issuer in case of any shortfall in BSA on the T-15th day.
- If the shortfall is not made good by the T-7th day, the DT shall utilise the funds from the DSRA to meet the shortfall.
- In case the Authority or GoAP fails to replenish DSRA within 120 days from the date of the shortfall date, then the trustee shall invoke the state government guarantee for the entire principal outstanding and the interest due thereon.
- The rated bonds have quarterly interest and repayment.

ABOUT THE AUTHORITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Public Services	Development Authority

AP Capital Region Development Authority (APCRDA) was formed under the AP Capital Region Development Act, 2014. APCRDA has been constituted for the purposes of planning, coordination, execution, supervision, financing, funding and for promoting and securing the planned development of the capital region development area, undertaking the construction of the new capital for Andhra Pradesh and for managing and supervising urban services in the new capital area and for matters ancillary thereto.

KEY FINANCIAL INDICATORS - ISSUER: Standalone

Key Parameters	Unit	FY21	FY22	FY23	H1FY24
		Audited	Audited	Provisional	Unaudited
Total Operating Income	Rs. Crs.	45.07	165.39	59.12	NA
EBITDA	Rs. Crs.	15.66	-5.15	8.56	NA
PAT	Rs. Crs.	-264.20	-226.07	-208.01	NA
TNW	Rs. Crs.	3441.45	4146.74	6394.55	NA
Total Borrowings	Rs. Crs.	4928.79	4970.59	3286.44	NA
D:E	Times	1.43	1.20	0.51	NA

Note: All figures and ratios have been adjusted as per BWR standards.

NA = Not Available.

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

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

Instrument	Current Rating (Nov 2023)		Rating History									
	Bonds	Tenure	Amount (Rs. Crs.)	Rating	2023		2022		2021		2020	
					Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD / Bonds	Long Term	1900.00	BWR BBB (CE) Rating Watch with Negative Implications / Downgrade	25 Oct 2023	BWR BBB+ (CE)/ Stable Reaffirmation	09 Mar 2022	BWR A+ (CE)/ Stable Reaffirmation and Change in Outlook	09 Feb 2021	BWR A+ (CE)/ Negative Reaffirmation	07 Feb 2020	BWR A+ (CE)/ Negative Reaffirmation	
						09 Sep 2022	BWR BBB+ (CE)/Stable Downgrade					
Proposed Term Loans		-	NA	NA	NA	NA	NA	NA	NA	07 Feb 2020	Withdrawn	
Total		1900.00	Rupees One Thousand Nine Hundred Crores Only									

COMPLEXITY LEVELS OF THE INSTRUMENTS: Complex

For more information, visit

<https://www.brickworkratings.com/download/ComplexityLevels.pdf>

Hyperlink/Reference To Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Credit Enhancement](#)
- [Rating Based on Government Support](#)
- [Default Recognition and Post Default Curing Period](#)

Analytical contacts	
Swarn Saurabh Assistant Manager - Ratings Board: +91 80 4040 9940 swarn.s@brickworkratings.com	Saakshi Kanwar Associate Director - Ratings Board: +91 80 4040 9940 saakshi.k@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

**ANDHRA PRADESH CAPITAL REGION DEVELOPMENT AUTHORITY
ANNEXURE I - DETAILS OF RATED INSTRUMENTS**

Name of the Issue	ISIN Particulars	Amount (Rs. Crs.)	Coupon Rate	Issue Date	Maturity Date
NCD / Bonds	INE01E708016	300.00	10.32%	16 Aug 2018	16 Aug 2024
	INE01E708024	400.00	10.32%	16 Aug 2018	16 Aug 2025
	INE01E708032	400.00	10.32%	16 Aug 2018	16 Aug 2026
	INE01E708040	400.00	10.32%	16 Aug 2018	16 Aug 2027
	INE01E708057	400.00	10.32%	16 Aug 2018	16 Aug 2028
	Total	1900.00	Rupees One Thousand Nine Hundred Crores Only		

Note: The rated bonds are listed on BSE. Bond of ISIN INE01E708016 was partially redeemed on 16 Nov 2023.

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