

Andhra Pradesh Capital Region Development Authority

Brickwork Ratings revises the ratings of NCD/Bonds of Rs. 2000.00 Crs of Andhra Pradesh Capital Region Development Authority.

Particulars

Facilities/ Instrument**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (09-Mar-2022)	Present
NCD/Bonds	2000.00	2000.00	Long Term	BWR A+ (CE) / Stable	BWR BBB+ (CE)/Stable Downgrade
Total	2000.00	2000.00	Rupees Two Thousand Crores Only		

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

** Details of NCD/Bonds are provided in Annexure- I

Unsupported Rating: Revised to BWR C from BWR BB / Stable ;

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

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) revises the ratings from BWR A+ (CE)/Stable to BWR BBB+ (CE)/Stable on account of non adherence of the stipulated terms as per the structured payment mechanism of the bonds. The funds to the extent of 1.5 times the coupon and instalment dues at the end of the quarter were required to be transferred to the bond service account at the beginning of the quarter as per the structure. However, the funds were not available in the bond service account by T-7 days from the due date, due to which the trustee had to utilise part of the funds in the DSRA for the coupon payment which was due and paid on 16 Aug 2022. The corporation and the banker, who maintained the DSRA account have confirmed that the replenishment of the DSRA has been done within 5 working days. However, as on date, the bond service account is yet to be credited with the amount due on the next due date. BWR has taken note that the GoAP has initiated the process for the release of the funds for funding of the bond service account. BWR would continuously monitor the replenishment of the bond service account within the stipulated timelines for the forthcoming coupon payment due dates. Furthermore, the ratings are constrained by losses incurred at the authority, financial closure yet to be achieved for the ongoing capex in the capital city and deterioration in the state fiscal position leading to breaching the Fiscal Responsibility and Budget Management’s (FRBM) norms.

The said rating constraints are offset by the availability of a structured payment mechanism with a T minus structure, Debt Service Reserve Account (DSRA), and unconditional and irrevocable

guarantee from the state Government of Andhra Pradesh (GoAP). In addition, the ratings factor in the strengths of support from the GoAP by way of grants to honour its debt obligations.

The unsupported rating of the authority is revised to BWR C from BWR BB/Stable considering the delays in meeting the debt obligations to lenders for loan facilities not rated by BWR in the current financial year FY23 as confirmed by the lender.

The outlook has been kept as Stable, considering there would be continuous support extended from the GoAP for timely repayment of debt obligations and the expected adherence to the terms of the bonds.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: The rated bonds of Rs.2000.00 Crs have an irrevocable and unconditional guarantee from the GoAP for the timely repayment of debt obligations. Additionally, these bonds have a structured payment mechanism, including a defined payment mechanism with maintenance of a bond servicing account and availability of a DSRA for two quarters.

KEY RATING DRIVERS

Credit Strengths:-

- **Credit Enhancement:** The NCD issue of Rs. 2000 Crs has been given a BWR A+ (CE)/Stable rating on account of the structured payment mechanism, including an escrow account (bond servicing account), a DSRA that covers two quarterly coupon payments, and the unconditional and irrevocable guarantee for the servicing of interest and principal by the GoAP.
- **Continuous Support from the GoAP:** The authority is continuously being supported by GoAP in the form of grants. The authority has received grants from the GoAP to an extent of Rs. 826.78 Crs in FY21 and Rs. 791.64 Crs in FY22 for meeting its debt obligations and other commitments. BWR expects that timely support will be extended by the GoAP for meeting the debt obligations.

Credit Risks:-

- **Average Financial Performance:** As per the provisional financials for FY22, net losses were reported at Rs. 203.95 Crs as against the net losses of Rs. 264.20 Crs in FY21. The debt obligations are met from the funds/grants received from the GoAP. The authority has reported satisfactory debt protection metrics after accounting for the revenue grants received during the year. The total debt to equity ratio is at 1.23x as of 31 March 2022. The debt equity is expected to deteriorate in the medium term as the authority is planning to raise additional loans for the completion of the projects in the capital city. BWR expects that the authority will be supported by the GoAP in the form of grants and the guarantee for the loans would be available.
- **Financial Closure:** The authority is yet to achieve financial closure and has to raise funds from various sources by way of grants and loans from the GoAP, banks and financial institutions and other agencies. Any delay in tying-up funds from various sources may delay the project execution.

- **Deterioration in the fiscal position of the state :** The state continues to report a high level of outstanding debt, which is leading to breaching the fiscal indicators set by the FRBM Committee. The fiscal situation has continued to deteriorate.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at the unsupported ratings, BWR has considered the standalone financials of the authority. The CE rating derives credit enhancement from the unconditional and irrevocable guarantee from the GoAP.

RATING SENSITIVITIES:

Going forward, the authority's ability to receive timely support from GoAP as per the agreed timelines, review the scope and timelines for developing the capital region to ensure adequate cash flows and to ensure the key elements of the structured payment mechanism are maintained will be key rating sensitivities. Furthermore, the revenue and fiscal profile, along with Andhra Pradesh state's revenue and expenditure pattern are key rating monitorables.

- **Upward:** The ratings can move upward if there is an improvement in Andhra Pradesh state's socioeconomic profile and fiscal parameters, and an upward revision in the credit rating of the guarantor (the GoAP). At the standalone level, the ratings can move upward if the authority repays the debt obligations in a timely manner without any delays.
- **Downward:** The ratings can move downward if there is any downward revision in the credit rating of the guarantor (the GoAP) and delay in the release of grants from the state government for meeting debt obligations.

LIQUIDITY: STRETCHED

The principal repayment of the authority for the rated bonds will commence from FY25 onwards. Currently, at the standalone level, APCRDA, the authority, is not generating adequate cash accruals to meet its debt obligations. However, as per the agreed terms between APCRDA and the GoAP, the state government is supporting APCRDA in meeting its debt obligations. Apart from the rated bonds, the authority has availed term loans from banks and financial institutions. The repayment has already commenced for the loans from financial institutions with an annual principal repayment of Rs. 51.00 Crs. The repayment obligations with respect to loans from the banks will commence from FY25 onwards. BWR expects that the liquidity position would continue to remain stretched. However, timely support from the GoAP would be a key monitorable for ensuring the timely repayments.

ABOUT THE AUTHORITY

The GoAP enacted the AP Capital Region Development Act, 2014, and has formed AP Capital Region Development Authority (APCRDA) 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.

On 13 December 2021, the GoAP notified an act to repeal the APCRDA Repeal Act, 2020, and the Andhra Pradesh decentralisation and inclusive development of all regions act 2020. Accordingly, the APCRDA Act, 2014, has been revived. All the assets and liabilities of any nature, whatsoever, transferred to the Amaravati Metropolitan Region Development Authority (AMRDA), shall revert and stand re-transferred to the revived APCRDA.

KEY FINANCIAL INDICATORS - APCRDA

Key Parameters	Units	FY20-21	FY20-21
Result Type		Provisional	Audited
Operating Revenue	Rs. Crs	39.35	45.07
EBITDA	Rs.Crs	15.24	15.66
Net profit	Rs. Crs	(203.95)	(264.20)
Tangible Net worth	Rs. Crs	4029.12	3441.45
Total Debt/Tangible Net worth	In Times	1.23	1.43

KEY FINANCIAL INDICATORS - STATE FINANCES

The state expects a revenue deficit of Rs.17,036 Crs in 2023 BE (1.27% of GSDP). In 2022 RE the revenue deficit is estimated to be Rs.19,545 Crs as per revised estimates, as compared to the revenue deficit of Rs.5000 Crs estimated at the budget stage (2022 BE). The fiscal deficit for 2023 BE is estimated to be Rs.48,724 Crs (3.64% of GSDP). In 2022 RE, as per the revised estimates, the fiscal deficit is estimated to be at 3.18% of the GSDP as compared to 3.49% of the GSDP estimated at the budget stage (2022 BE). The state has a high level of outstanding debt of Rs.3.60 lakh Crs as on 2021 actuals, which is expected to rise to Rs.4.38 lakh Crs as on 2023 BE. The outstanding guarantees of the state stood at Rs. 77,783 crs as on 2021 actuals indicating a higher level of contingent liabilities for the GoAP. The state continues to breach the fiscal indicators set by the FRBM Committee.

State Financials	Units	2021	2022	2023
Result Type		Actuals	R.E.	B.E.
Revenue Receipts	Rs. Crs	1,17,136	1,54,273	1,91,225
Revenue Expenditure	Rs. Crs	58,499	55,486	64,853
Capital Receipts	Rs. Crs	1,52,677	1,73,818	2,08,261
Capital Expenditure	Rs. Crs	34,425	34,289	47,995
Revenue Surplus/GSDP	Rs. Crs	(3.60)	(1.63)	(1.27)
Fiscal Deficit/GSDP	Rs. Crs	(5.59)	(3.18)	(3.64)
Debt+Guarantees/GSDP	Rs. Crs	44.38	39.67	38.57

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 (2022)			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 2022	Date(s) & Rating(s) assigned in 2021	Date(s) & Rating(s) assigned in 2020	Date(s) & Rating(s) assigned in 2019
1	NCD/ Bonds	Long Term	2000.00	BWR BBB+ (CE)/ Stable Downgraded	BWR A+ (CE)/ Stable (09-Mar-2022)	BWR A+ (CE)/ Negative (09-Feb-2021)	BWR A+ (CE)/Negative (07-Feb-2020)	BWR A+ (CE)/ Negative (31-Dec-2019) BWR A+ (SO)/ Stable (16-Aug-2019)
2	BLR Fund Based Proposed Term Loans	Long Term	--	--	--	--	Rating Withdrawn (07-Feb-2020)	BWR A (CE)/ Negative (31-Dec-2019) BWR A (SO)/ Stable (16-Aug-2019)
Total			2000.00	Rupees Two Thousand Crores Only				

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

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Hyperlink/Reference to applicable Criteria

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



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

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**Annexure-I
Instrument Details**

Instrument	Issue Date	Amount (Rs. Crs)	Coupon Rate	Maturity Date	ISIN Particulars
NCDs/Bonds	16 Aug 2018	400.00	10.32%	16 Aug 2024	INE01E708016
NCDs/Bonds	16 Aug 2018	400.00	10.32%	16 Aug 2025	INE01E708024
NCDs/Bonds	16 Aug 2018	400.00	10.32%	16 Aug 2026	INE01E708032
NCDs/Bonds	16 Aug 2018	400.00	10.32%	16 Aug 2027	INE01E708040
NCDs/Bonds	16 Aug 2018	400.00	10.32%	16 Aug 2028	INE01E708057
Total		2000.00			

Total Rupees Two Thousand Crores Only



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