

## Rating Rationale

### Andhra Pradesh Township & Infrastructure Development Corporation Limited

21 Dec 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 5,000.00 Crores of Andhra Pradesh Township & Infrastructure Development Corporation Limited (APTIDCO)**

#### Particulars

| Facility                             | Amount<br>(₹ Crs) | Tenure                               | Rating*  |
|--------------------------------------|-------------------|--------------------------------------|--|
| Fund based<br>Proposed Term<br>Loans | 5,000             | Long Term                            | <b>Prov BWR A+ (SO)</b><br>Pronounced as Provisional BWR<br>Single A Plus<br>(Structured Obligation)<br><b>Outlook: Stable</b> |
| <b>Total</b>                         | <b>5,000</b>      | <b>INR Five Thousand Crores Only</b> |  |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Note:

- Structured obligation is assigned based on the proposed unconditional and irrevocable guarantee from State Government of Andhra Pradesh
- Provisional rating will be affirmed once the financial closure, unconditional and irrevocable guarantee from State Government of Andhra Pradesh 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 with Structured payment mechanism.

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, projected cash flows of the project, publicly available information and information/clarifications provided by APTIDCO's management.

The ratings assigned takes into account the project being developed under PMAY Scheme and financial support from Government of India (GoI) and Government of Andhra Pradesh (GoAP). The ratings is further strengthened due to the credit enhancement from the proposed irrevocable and unconditional Guarantee by the State Government of Andhra Pradesh as per Government Order GO No: Ms. No 58 dated 6 February 2018. The ratings assigned are constrained by the implementation risks for the implementation of the projects undertaken, timely availability of funds, additional fiscal burden on the State finances due to the provisions under UDAY and increasing revenue and fiscal deficits as per revised estimates for 2017-18 of Andhra Pradesh State Government .

Going forward, ability of APTIDCO to develop the infrastructure as per the scheduled, adequate availability of funds for the development which includes additional grants from GoI, financial support



from GoAP and other financing options from various organizations and revenue buoyancy, increase in the guarantees issued by the State Government of Andhra Pradesh and the fiscal position of Andhra Pradesh will remain key rating sensitivities.

## Description of 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. 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.
- **Credit Enhancement :** The proposed Rupee Term Loans (RTL) of Rs.5000.00 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. While the cash flows generated by the corporation are adequate to meet the debt obligations as per the detailed project report, the state government guarantee is available to meet the debt obligations in case of any shortfall.

### Credit Risks:

- **Project execution risks :** Timely execution of the projects as per schedule plan without any cost overrun and time overrun.
- **Financial closure** APTIDCO has to ensure 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 the various sources, may delay the project execution.
- **State Finances:** The fiscal position of Andhra Pradesh has shown improvement since the bifurcation of the States in 2014. However there have been revenue deficits in 2017 Actuals as well as 2018 revised estimates. However the budget estimates for 2018-19 show a revenue surplus and consequent improvement in fiscal position. As per the BE 2018-19, the outstanding liabilities of the state for the last two fiscal year was at ~28% of the GSDP due to additional burdens on the State finances from UDAY and other schemes.

## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## Rating Outlook: Stable

BWR believes the **Andhra Pradesh Township & Infrastructure Development Corporation Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



### **About the Corporation:**

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. R Karikal Velaven, IAS, Principal Secretary of MA&UD acts as chairman, Mr. B M Diwan Mydeen, IFS acts as 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.

### **Project Details:**

Government of Andhra Pradesh, vide its Government Order(GO) G.O.Ms No.58 under Municipal Administration & Urban Development (UH) dated February 06, 2018 had approved the entire cost of the project at Rs.38,265.88 Crores for construction of 5 Lakh dwelling units. The project cost is proposed to be funded from Grants from GoI of Rs. 7,500 crores, Rupee Term Loan of Rs. 11,050 Crores (contribution of GoAP), contribution from the beneficiaries of Rs. 17,730 Crores and internal accruals of APTIDCO of Rs. 1,986 Crores.

As per the PMAY scheme, The GoI will provide grant at Rs.1,50,000/- for each dwelling unit and the respective State Government also has to provide equal amount as subsidy to beneficiaries of the scheme and the balance is the contribution of the beneficiary, which is generally arranged through housing loan. The proposed Rupee Term Loans (RTL) of Rs. 11,050 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. Also 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 to be at 2% of the total project cost during FY19 with minimum escalation of 5%PA thereafter.

The project is proposed to have houses in three categories as 300 sqft dwelling unit under Category-I; 365 sqft dwelling unit under Category-II; and 430 sqft dwelling unit under Category-III. As per the APTIDCO management, 68% of the projects are under implementation and are expected to be completed by December 2019.

### **Financial Performance:**

In FY18, total operating income of the corporation stood at Rs. 80.40 Crores. Networth of the Corporation reported at Rs. 200.84 Crores as on 31 March 2018. Company has availed a loan from HUDCO to an

extent of Rs.1050.00 Crores as on 31 March 2018. This loan has been guaranteed by the State Government.

#### State Government Finances:

- Andhra Pradesh State has a literacy rate of 67% and population density of 304 /Sq.Km. The growth rate in GSDP of Andhra Pradesh has been increasing from 7% in 2013-14 to 11.2% in 2017-18. Total receipts (excluding borrowings) for 2018-19 have increased by 25.4% as compared to the revised estimates of 2017-18. Revenue surplus for the current financial year is targeted at 0.6% of the GSDP which indicate higher revenue receipts over expenditure.
- The fiscal deficit to GSDP of the state is budgeted to improve to 2.78% from 3.43% in 2018 revised estimates which is within the 3% limit prescribed by the 14th Finance Commission.
- Out of the total expenditure, state has spent three fourth of its expenditure on Social Services and Economic Services on account of increase in allocation to the departments of education, municipal administration. Urban development, health, medical and family welfare have witnessed the highest increase in allocations over the previous year. The State has allocated ₹14,705 crore for rural development which is 6.7% of its expenditure.

#### Rating History for the last three years

| S.No         | Instrument /Facility | Current Rating (2018)        |                |   | Rating History |      |      |
|--------------|----------------------|------------------------------|----------------|---|----------------|------|------|
|              |                      | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating  | 2017           | 2016 | 2015 |
| 1            | Fund Based           | Long Term                    | 5000.00        | <b>Prov BWR A+ (SO)</b><br>Pronounced as<br>Provisional BWR Single<br>A Plus<br>Structured Obligation<br><b>Outlook: Stable</b> | --             | --   | --   |
| <b>Total</b> |                      |                              | <b>5000.00</b> | <b>₹ Five Thousand Crores Only</b>  |                |      |      |

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NA

Any other information: NA

#### Hyperlink/Reference to applicable Criteria

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



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#### Note on complexity levels of the rated instrument:

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#### About Brickwork Ratings

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