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Rating Rationale

September 17, 2019 | Mumbai

Andhra Pradesh Power Finance Corporation Limited

Rating Reaffirmed

Rating Action

Rs.5000 Crore Bond	Provisional CRISIL A+(CE)^/Stable (Withdrawn)
Rs.597.2 Crore Bond Series I/2005*	CRISIL D (Reaffirmed)
Rs.1053.3 Crore Bond Series I/2010*	CRISIL D (Reaffirmed)
Rs.898.3 Crore Bond Series I & II/2011*	CRISIL D (Reaffirmed)
Rs.314.1 Crore Bond Series I/2012*	CRISIL D (Reaffirmed)
Rs.1000 Crore Bond Series II/2012 *	CRISIL D (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

*Amount outstanding as on March 31, 2013

^A prefix of 'Provisional' indicates that the rating centrally factors in strength of specific structures, and will be supported by certain critical documentation by the issuer, without which the rating would either have been different or not assigned ab initio. This is in compliance with a directive issued by the Securities and Exchange Board of India (SEBI) on May 6, 2015.

Detailed Rationale

CRISIL has **withdrawn** its 'Provisional CRISIL A+(CE)/Stable' rating on the proposed bond of Rs 5,000 crore of Andhra Pradesh Power Finance Corporation Limited (APPFC). The provisional rating was not used for raising bonds and hence withdrawn at the company's request. The withdrawal is in line with CRISIL's policy.

CRISIL has reaffirmed its rating on the existing bonds (Bond Series I/2005, Bond Series I/2010, Bond Series I & II/2011, Bond Series I/2012, and Bond Series II/2012) at 'CRISIL D' as it continues to reflect delays in meeting debt obligation.

Based on information received from the trustee, CRISIL understands that debt servicing for Andhra Pradesh's share of liabilities has been timely in the past one year. While APPFC has been making timely payment to investors for Andhra Pradesh's share of the liabilities, the T-structure (T-10) of crediting the bond servicing account prior to the due date has not been followed.

CRISIL had, on September 25, 2015, downgraded the rating on the bonds, which were guaranteed by the erstwhile GoAP, to 'CRISIL D' from 'CRISIL A(SO)', while removing the rating from 'Watch with Developing Implications'. The downgrade reflects delays in debt servicing by APPFC on account of disputes with the Telangana State Power Finance Corporation relating to distribution of assets and liabilities. Due to this, interest payment on some of the rated bonds was not made in full on the due date. CRISIL understands that there are no dues outstanding for payment as on July 31, 2019.

Analytical Approach

The rating was based on the unconditional and irrevocable guarantee from the erstwhile GoAP of principal and interest payments in a timely manner. The rating reflects continued delays in debt servicing and non-invocation of the guarantee by the trustee.

Key Rating Drivers & Detailed Description

* Continued lack of clarity on division of liabilities

The delays were on account of continuing disputes over distribution of assets and liabilities. Interest payment on some of the rated bonds was not made in full on the due date. While payments have now been cured, albeit with a delay, lack of clarity regarding bifurcation of the assets and liabilities of APPFC persists, and could result in continuation of the dispute, with respect to servicing of debt on rated instruments.

* Failure of designated payment structure

The rating on the existing bonds factors in the failure of the payment structure and the inability of the trustee to ensure adherence to the trustee-administered structure (non-invocation of guarantee).

Liquidity: Poor

APPFC's existing bonds has poor liquidity owing to delay in funding support from GoTS. These bonds are dependent on funds from both GoTS and GoAP, who are servicing their share of payments through budgetary allocation.

Rating sensitivity factors

Upward Factor

- * Track record of timely interest/principal payments for at least 3 months.
- * Resolution of dispute between GoAP and GoTS (Government of Telangana) towards debt servicing
- * Adherence to T-10 structure for existing bonds

About the Company

APPFC was set up to provide financial assistance to the power sector in Andhra Pradesh. The company reported total revenue of Rs 294 crore with no profit after tax for fiscal 2018. Revenue for fiscal 2019 was Rs 215 crore with loss of Rs 0.03 crore.

Key Financial Indicators

Particulars	Unit	2018 (Accounts)	2017 (Accounts)
Revenue receipts	Rs. Cr.	1,05,062	98,984
Revenue deficit	Rs. Cr.	16,152	17,194
Gross fiscal deficit	Rs. Cr	32,372	30,909
GFD/GSDP	%	4.0	4.4
Debt*/GSDP	%	30.4	26.9
RR/interest	Times	7.4	8.0

*CRISIL Adjusted debt

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Rating Assigned with Outlook
INE847E08CY9 INE847E08CZ6	Bond Series I/2005*	30-03-2005 04-04-2005	8.15%	29-Mar-2020 03-Apr-2020	597.20	CRISIL D
INE847E09011 INE847E09029	Bond Series I/2010*	15-11-2010	8.49% 8.74%	15-Nov-2020 15-Nov-2022	1053.30	CRISIL D
INE847E08DK6 INE847E08DJ8 INE847E08DL4 INE847E08DM2	Bond Series I & II/2011*	15-12-2011 30-01-2012	9.60% 9.10% 9.85% 9.97%	15-Dec-2023 15-Dec-2021 30-Jan-2022 30-Jan-2024	898.30	CRISIL D
INE847E08DN0 INE847E08DO8	Bond Series I/2012*	08-06-2012	9.50% 9.64%	08-Jun-2022 08-Jun-2024	314.10	CRISIL D
INE847E08DP5	Bond Series II/2012*	18-07-2012	9.75%	18-Jul-2022	1000.00	CRISIL D

*Amount outstanding as on March 31, 2013

Annexure - Details of Rating Withdrawn

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)
NA	Bond*	NA	NA	NA	5000

*Not yet placed

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	3862.90 17-09-19	CRISIL D	07-09-19	CRISIL D Provisional CRISIL A+ (CE)/Stable	30-11-18	CRISIL D	27-11-17	CRISIL D	21-11-16	CRISIL D	CRISIL D
				20-02-19	CRISIL D Provisional CRISIL A+ (SO)/Stable							

All amounts are in Rs.Cr.

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating Criteria for State Governments](#)

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