

Rating Rationale

August 21, 2023 | Mumbai

Andhra Pradesh Power Finance Corporation Limited

Rating Reaffirmed

Rating Action

Rs.249.4 Crore (Reduced from Rs.314.1 Crore) Bond	CRISIL D (Reaffirmed)
Rs.1011.3 Crore (Reduced from Rs.1053.3 Crore) Bond	CRISIL D (Reaffirmed)
Rs.736.1 Crore (Reduced from Rs.898.3 Crore) Bond	CRISIL D (Reaffirmed)
Rs.1000 Crore Bond	CRISIL D (Reaffirmed)
Rs.597.2 Crore Bond	CRISIL D (Withdrawn)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL D' rating on the bonds of Andhra Pradesh Power Finance Corporation Limited (APPFC).

The reaffirmation factors in instances of delay in interest payment on the rated bonds with a recent occurrence in July 2023. Timeliness of meeting obligations remains uncertain until there is a final resolution on distribution of assets and liabilities between the states of Andhra Pradesh (AP) and Telangana.

Post bifurcation of the erstwhile state of AP, the obligation on each of the rated bonds are met jointly by APPFC and Telangana State Power Finance Corporation (TSPFC). While APPFC has been making timely payments to investors, there have been delays in payments from TSPFC. Furthermore, the T-structure (T-10) of crediting the bond servicing account before the due date has not been followed.

Consequent to redemption, CRISIL Ratings has **withdrawn** its rating on bonds of Rs 866.1 crore in line with its withdrawal policy (See Annexure 'Details of rating withdrawn' for details). CRISIL Ratings has received independent confirmation that these instruments are fully redeemed.

Analytical Approach

The rating reflects the delays in servicing the bond obligation earlier and non-invocation of the guarantee by the trustee.

Key Rating Drivers & Detailed Description

Continued lack of clarity on division of liabilities and delays in meeting obligations

The rated bonds were guaranteed by the erstwhile GoAP. However, post bifurcation of AP, there have been disputes over division of assets and liabilities between AP and Telangana, which led to delays in meeting obligations on the rated bonds. While APPFC has met its liabilities on time, there have been repeated instances of delays by TSPFC.

The track record of timely servicing of interest and principal obligations will be monitored. Also, until there is a final resolution between the two states, there will be uncertainty over timeliness in meeting the interest and principal obligations on the rated bonds.

Failure of the designated payment structure

The rating on the Bonds factors in failure of the payment structure due to non-adherence to the T-structure and non-invocation of guarantee by the trustee, as the guarantee was provided by the erstwhile GoAP.

Liquidity: Poor

Existing bonds of APPFC face funding constraints because of delay in receipt of funds from the Telangana government. The servicing of the bonds depends on receipt of funds from the AP and Telangana governments, which are meeting their share of payments through the budgetary allocation

Rating Sensitivity factors

Upward factors

- Resolution of the dispute between the governments of AP and Telangana over servicing of the debt obligation
- Adherence to the T-10 structure for existing bonds

Unsupported ratings - CRISIL D

Disclosure of unsupported rating for credit ratings without 'CE' suffix, where the instruments are backed by specified support considerations, is in compliance with SEBI's Operational Circular dated January 06, 2023.

About the Company

APPFCL reported a profit after tax (PAT) of Rs 201 crore on a total income of Rs 1,582 crore for fiscal 2023 (provisional) against PAT of Rs 150 crore on a total income of Rs 1,578 crore for fiscal 2022.

Key Financial Indicators

As on/ for the year ended March 31,	Unit	2023	2022
Total assets	Rs crore	14,249	18,539
Total income	Rs crore	1,582	1,583
PAT	Rs crore	201	150
Gearing	Times	18.1	33.2
Return on assets	%	1.23	0.86

Status of non cooperation with previous CRA

Andhra Pradesh Power Finance Corporation Limited has not cooperated with Brickwork Ratings India Private Limited which has published its ratings as an issuer not co-operating vide release dated 25-Jan-2023. The reason provided by Brickwork Ratings India Private Limited was non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. 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)	Complexity levels	Rating assigned with outlook
INE847E09029	Bond	15-Nov-10	8.74%	15-Nov-22	1011.3	Complex	CRISIL D
INE847E08DK6	Bond	15-Dec-11	9.60%	15-Dec-23	149.2	Complex	CRISIL D
INE847E08DM2	Bond	30-Jan-12	9.97%	30-Jan-24	586.9	Complex	CRISIL D
INE847E08DO8	Bond	8-Jun-12	9.64%	8-Jun-24	249.4	Complex	CRISIL D
INE847E08DP5	Bond	18-Jul-12	9.75%	18-Jul-22	1000	Complex	CRISIL D

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
INE847E08CY9	Bond	30-Mar-05	8.15%	29-Mar-20	351.4	Complex	Withdrawn
INE847E08CZ6	Bond	4-Apr-05	8.15%	3-Apr-20	245.8	Complex	Withdrawn
INE847E09011	Bond	15-Nov-10	8.49%	15-Nov-20	42	Complex	Withdrawn
INE847E08DJ8	Bond	15-Dec-11	9.10%	15-Dec-21	5	Complex	Withdrawn
INE847E08DL4	Bond	30-Jan-12	9.85%	30-Jan-22	157.2	Complex	Withdrawn
INE847E08DN0	Bond	8-Jun-12	9.50%	8-Jun-22	64.7	Complex	Withdrawn

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	2996.8	CRISIL D		--	25-08-22	CRISIL D	30-09-21	CRISIL D	08-10-20	CRISIL D	CRISIL D
			--		--		--		--	30-09-20	CRISIL D	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios

[Rating Criteria for Banks and Financial Institutions](#)

[CRISILs Approach to Recognising Default](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Ajit Velonie Senior Director CRISIL Ratings Limited B:+91 22 3342 3000 ajit.velonie@crisil.com</p> <p>Rahul Malik Associate Director CRISIL Ratings Limited B:+91 22 3342 3000 rahul.malik@crisil.com</p> <p>MEERA JAYENDRABHAI THAKRAR Senior Rating Analyst CRISIL Ratings Limited B:+91 22 3342 3000 MEERA.THAKRAR@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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