

Rating Rationale

August 25, 2022 | Mumbai

Andhra Pradesh Power Finance Corporation Limited

Rating reaffirmed

Rating Action

Rs.314.1 Crore Bond	CRISIL D (Reaffirmed)
Rs.1053.3 Crore Bond	CRISIL D (Reaffirmed)
Rs.898.3 Crore Bond	CRISIL D (Reaffirmed)
Rs.1000 Crore Bond	CRISIL D (Reaffirmed)
Rs.597.2 Crore Bond	CRISIL D (Reaffirmed)

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 2022. 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.

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 APSFC 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

About the Company

APPFC was set up to provide financial assistance to the power sector in AP. APPFCL reported a profit after tax (PAT) of Rs 153 crore on a total income of Rs 1,582 crore as on March 31, 2022.

Key Financial Indicators

Particulars	Unit	2022	2021
Total assets	Rs crore	18543	16438
Total income	Rs crore	1582	1277

PAT	Rs crore	153	36
Gearing	Times	33.0	41.2
Overall capital adequacy ratio	%	15%	13.88%
Return on assets	%	0.83%	0.22%

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. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' 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)	Complexity levels	Rating assigned with outlook
INE847E08CY9	Bond Series I/2005	30-Mar-05	8.15%	29-Mar-20	597.2	Complex	CRISIL D
INE847E08CZ6		4-Apr-05		3-Apr-20			
INE847E09011	Bond Series I/2010	15-Nov-10	8.49%	15-Nov-20	1053.3	Complex	CRISIL D
INE847E09029			8.74%	15-Nov-22			
INE847E08DK6	Bond Series I & II/2011	15-Dec-11	9.60%	15-Dec-23	898.3	Complex	CRISIL D
INE847E08DJ8			9.10%	15-Dec-21			
INE847E08DL4		30-Jan-12	9.85%	30-Jan-22			
INE847E08DM2			9.97%	30-Jan-24			
INE847E08DN0	Bond Series I/2012	8-Jun-12	9.50%	8-Jun-22	314.1	Complex	CRISIL D
INE847E08DO8			9.64%	8-Jun-24			
INE847E08DP5	Bond Series II/2012	18-Jul-12	9.75%	18-Jul-22	1000	Complex	CRISIL D

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	3862.9	CRISIL D		--	30-09-21	CRISIL D	08-10-20	CRISIL D	17-09-19	CRISIL D	CRISIL D
			--		--		--	30-09-20	CRISIL D	07-09-19	CRISIL D, Provisional CRISIL A+ (CE) /Stable	--
			--		--		--		--	20-02-19	CRISIL D, Provisional CRISIL A+ (SO) /Stable	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating Criteria for State Governments](#)

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</p>	<p>Anuj Sethi Senior Director CRISIL Ratings Limited D:+91 44 6656 3100 anuj.sethi@crisil.com</p> <p>Aditya Jhaver Director CRISIL Ratings Limited D:+91 22 3342 3390 Aditya.Jhaver@crisil.com</p> <p>Mahir Kantilal Gada Manager CRISIL Ratings Limited</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>

B: +91 22 3342 3000
Rutuja.Gaikwad@ext-crisil.com

B:+91 22 3342 3000
Mahir.Gada@crsil.com

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>