

# Ratings

**CRISIL**

An S&amp;P Global Company

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## Rating Rationale

September 30, 2020 | Mumbai

### Andhra Pradesh Power Finance Corporation Limited

*Rating Reaffirmed*

#### Rating Action

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 &amp; Bank Facilities

\*Amount outstanding as on March 31, 2013

#### Detailed Rationale

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

The rating reaffirmation takes into account delays in interest payment on the rated bonds in the past. Although the company has paid interest on the rated bonds on time since May 2019, the timeliness of obligations will remain uncertain until there is a final resolution on the distribution of assets and liabilities between Andhra Pradesh and Telangana.

The obligations on each of the rated bonds are jointly met by APPFC and Telangana State Power Finance Corporation (TSPFC) post bifurcation of the erstwhile state of Andhra Pradesh. While APPFC has been making timely payment to investors for Andhra Pradesh's share of the liabilities, there have been delays in the past by 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 is based on the unconditional and irrevocable guarantee from the erstwhile government of Andhra Pradesh (GoAP) for the rated bonds. The rating reflects the delays in meeting the bond obligations in the past 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 Andhra Pradesh, there have been disputes over the division of assets and liabilities between Andhra Pradesh and Telangana which led to delays in meeting the obligations on the rated bonds. While APPFC has met its liabilities on time, there have been delays by TSPFC in the past.

TSPFC availed the moratorium on principle and interest payments between March and May 2020 for its share of payments on bond Series I/2005, Series I/2010 and Series I & II/2011. The bond Series I/2005 was due in March and April 2020. However, independent confirmation regarding full redemption of Series I/2005 and interest obligation on the other two bonds series is awaited.

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, the timeliness in meeting the interest and principal obligations on the rated bonds will remain uncertain.

##### \* Failure of the designated payment structure

The rating on the bonds factors in the 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 from the erstwhile GoAP.

#### Liquidity Poor

APPFC's existing bonds have poor liquidity because of delay in funding support from the Telangana government. The servicing of the bonds depends on funds from the Andhra Pradesh and Telangana governments, which are meeting their share of payments through budgetary allocation.

#### Rating Sensitivity Factors

##### Upward Factor

- \* Resolution of the dispute between the governments of Andhra Pradesh and Telangana regarding debt servicing.
- \* 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 Andhra Pradesh. The company reported total revenue of Rs 293.8 crore with no profit after tax for fiscal 2018. Revenue for fiscal 2019 was Rs 215 crore with profit of Rs 0.03 crore.

#### Key Financial Indicators - Government of Andhra Pradesh reported financials

Particulars	Unit	2019 (Accounts)	2018 (Accounts)
Revenue receipts	Rs.Cr	1,14,671	1,05,062
Revenue deficit	Rs.Cr	13,899	16,152
Gross fiscal deficit (GFD)	Rs.Cr	35,441	32,314
GFD/GSDP	%	4.1	4.1
Debt*/GSDP	%	35.6	32.7
RR/interest	Times	7.5	7.6

\*Including guarantees

**Any other information:** Not applicable

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

CRISIL 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. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).

**Annexure - Details of Instrument(s)**

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
INE847E08CY9 INE847E08CZ6	Bond Series I/2005*	30-Mar-2005 04-Apr-2005	8.15%	29-Mar-2020 03-Apr-2020	597.20	Complex	CRISIL D
INE847E09011 INE847E09029	Bond Series I/2010*	15-Nov-2010	8.49% 8.74%	15-Nov-2020 15-Nov-2020	1053.30	Complex	CRISIL D
INE847E08DK6 INE847E08DJ8 INE847E08DL4 INE847E08DM2	Bond Series I & II/2011*	15-Dec-2011 30-Jan-2012	9.60% 9.10% 9.85% 9.97%	15-Dec-2023 15-Dec-2021 30-Jan-2022 30-Jan-2024	898.30	Complex	CRISIL D
INE847E08DN0 INE847E08DO8	Bond Series I/2012*	08-Jun-2012	9.50% 9.64%	08-Jun-2022 08-Jun-2024	314.10	Complex	CRISIL D
INE847E08DP5	Bond Series II/2012*	18-Jul-2012	9.75%	18-Jun-2022	1000.00	Complex	CRISIL D

\*Amount outstanding as on March 31, 2013

**Annexure - Rating History for last 3 Years**

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	3862.90 30-09-20	CRISIL D			17-09-19	CRISIL D	30-11-18	CRISIL D	27-11-17	CRISIL D	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.

**Links to related criteria**

[CRISILs Approach to Financial Ratios](#)

[Rating Criteria for State Governments](#)

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