

## Rating Rationale

September 30, 2021 | Mumbai

# Andhra Pradesh Power Finance Corporation Limited

*Rating Reaffirmed*

### Rating Action

<b>Rs.1053.3 Crore Bond</b>	<b>CRISIL D (Reaffirmed)</b>
<b>Rs.314.1 Crore Bond</b>	<b>CRISIL D (Reaffirmed)</b>
<b>Rs.898.3 Crore Bond</b>	<b>CRISIL D (Reaffirmed)</b>
<b>Rs.1000 Crore Bond</b>	<b>CRISIL D (Reaffirmed)</b>
<b>Rs.597.2 Crore Bond</b>	<b>CRISIL D (Reaffirmed)</b>

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 rating continues to reflect continuing instances of delays in interest payment on the rated bonds. The timeliness of debt obligation will remain uncertain until there is a final resolution on the distribution of assets and liabilities between Andhra Pradesh and Telangana.

The debt obligation 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 payments to investors for Andhra Pradesh's share of the liabilities, there have been delays 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 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 debt obligation

The rated bonds were guaranteed by the erstwhile Andhra Pradesh government. 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 debt obligation 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, 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 government of Andhra Pradesh.

### Liquidity: Poor

APPFC's existing bonds have poor liquidity because of delays in receipt of funds from the Telangana government for servicing debt obligation. 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 factors

- \* 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. APPFCL reported profit after tax (PAT) of Rs 3.41 crore in fiscal 2020 on a loan book of Rs 11,045.9 crore as on March 31, 2020.

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

Particulars	Unit	2021 (Revised estimates)	2020 (Accounts)
Revenue receipts	Rs crore	1,18,063	1,11,034
Revenue deficit	Rs crore	34,927	26,441
Gross fiscal deficit (GFD)	Rs crore	54,369	39,684
GFD/GSDP	%	5.3	4.1
Debt*/GSDP	%	42.5	38.7
RR/interest	Times	5.4	6.3

\*Including guarantees

**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](http://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 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-2022	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-Jul-2022	1000.00	Complex	CRISIL D

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

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	3862.9	CRISIL D		--	08-10-20	CRISIL D	17-09-19	CRISIL D	30-11-18	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
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating Criteria for State Governments</a>

Media Relations	Analytical Contacts	Customer Service Helpdesk
-----------------	---------------------	---------------------------

<p><b>Saman Khan</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 3895 B: +91 22 3342 3000 <a href="mailto:saman.khan@crisil.com">saman.khan@crisil.com</a></p> <p><b>Naireen Ahmed</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1818 B: +91 22 3342 3000 <a href="mailto:naireen.ahmed@crisil.com">naireen.ahmed@crisil.com</a></p>	<p>Manish Kumar Gupta Senior Director <b>CRISIL Ratings Limited</b> B: +91 124 672 2000 <a href="mailto:manish.gupta@crisil.com">manish.gupta@crisil.com</a></p> <p>Ankit Hakhu Director <b>CRISIL Ratings Limited</b> B: +91 124 672 2000 <a href="mailto:ankit.hakhu@crisil.com">ankit.hakhu@crisil.com</a></p> <p>Sagar Prashant Nadkarni Senior Rating Analyst <b>CRISIL Ratings Limited</b> D: +91 22 3342 8431 <a href="mailto:Sagar.Nadkarni@crisil.com">Sagar.Nadkarni@crisil.com</a></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: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>
--	---	--



**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, portals etc.

**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 rating 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](http://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](http://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](http://www.crisil.com).

**DISCLAIMER**

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale (each a "Report") that is provided by CRISIL Ratings Limited (hereinafter referred to as "CRISIL Ratings"). For the avoidance of 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 or otherwise 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. Rating by CRISIL Ratings 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 company/entity.

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. CRISIL Rating's public ratings and analysis 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 web sites, [www.crisil.com](http://www.crisil.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](http://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 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 analytical firewalls and for managing conflict of interest. For details please refer to: <http://www.crisil.com/ratings/highlightedpolicy.html>

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public web site, [www.crisil.com](http://www.crisil.com). For latest rating information on any instrument of any company rated by CRISIL Ratings you may contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto: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 a prior written consent of CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings Limited 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: [www.crisil.com/ratings/credit-rating-scale.html](http://www.crisil.com/ratings/credit-rating-scale.html)