

January 7, 2014

CARE REAFFIRMS THE RATING ASSIGNED TO THE NON-CONVERTIBLE BONDS OF ANDHRA PRADESH POWER GENERATION POWER CORPORATION LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
7.8% Unsecured Non-Convertible Bonds (Series III) @	75.68 (reduced from 132.44)	CARE A (SO) (Single A [Structured Obligation])	Reaffirmed
Total Facilities	75.68		

@ backed by unconditional irrevocable guarantee extended by the Government of Andhra Pradesh (GoAP)

Rating Rationale

The rating of the above bonds is based on the credit enhancement in the form of an unconditional irrevocable guarantee extended by the Government of Andhra Pradesh supported by a structured payment mechanism, for timely servicing of interest and principal repayments.

The Government of Andhra Pradesh (GoAP) has maintained a stable financial position over the years. On the positive front, the key financial parameters comprise the persistent revenue surplus position and improving debt ratios. Besides, the fiscal ratios are well within the prescribed norms set by Andhra Pradesh Fiscal Responsibility and Budget Management (APFRBM) and Thirteenth Finance Commission (ThFC). However, the high committed expenditure continues to be a concern. In addition, the reliance of the government on grants from the centre continues to increase, which though an entitlement does make the finances dependent on the performance of the Union Budget.

Going ahead, the impact of the reorganization of the state of Andhra Pradesh on the finances of the government and other investment activities needs to be monitored.

Background

Andhra Pradesh Power Generation Corporation Limited (APGENCO) is a GoAP-entity involved in the generation of power. Consequent to the reforms undertaken by the GoAP in 1998 in the power sector, the erstwhile APSEB (Andhra Pradesh State Electricity Board - formed in 1959) was unbundled and restructured into APGENCO and Transmission Corporation of Andhra Pradesh Ltd (APTRANSCO), thus separating the activities relating to Generation and Transmission and Distribution of power. All the generating stations owned by APSEB were transferred to APGENCO, while the transmission and distribution business of APSEB was transferred to APTRANSCO. Later in 2000, the transmission and distribution activity was further unbundled with transmission remaining with APTRANSCO and distribution was allocated to the newly formed four distribution companies. APGENCO came into existence on December 28, 1998, and commenced operations from February 1, 1999. Apart from power generation, the company also does execution of the ongoing and new power projects under capacity addition programme, renovation and modernization of old power stations and conduct of operations and maintenance of power plants.

During FY13 (refers to the period April 1 to March 31), APGENCO earned a PAT of Rs.437 crore on a total income of Rs.13,414 crore.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications

Analyst Contact

Name: Vidhyasagar L

Tel: +91-40-4010 2030

Mobile: +91-8801880184

Email: vidhya.sagar@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com |

Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax:

+91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 |

E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529

E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.