



Andhra Pradesh Central Power Distribution Corporation Limited

Instrument	Amount	Rating Action
	In Rs Crore	As on June 14
Long Term Debt	1285	ICRA]B placed on rating watch with developing implications
Fund Based Limits	87	ICRA]B placed on rating watch with developing implications
Non-Fund Based Limits	260	[ICRA]A4 placed on rating watch with developing implications

ICRA has placed the ratings of [ICRA] B assigned previously to the Rs. 1285 crore* Long-term debt program and Rs. 87 crore Fund based bank facilities and [ICRA] A4 assigned previously to the Rs. 260 crore Non-Fund based bank facility of Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL) on watch with developing implications.

The ratings assigned to various public sector enterprises of GoAP have been placed on watch with developing implications following the bifurcation of the State of Andhra Pradesh into the successor States of Telangana and residuary Andhra Pradesh (AP) on June 2, 2014. The aforementioned bond programmes of APPFC and AP Transco are unconditionally and irrevocably guaranteed by the undivided State Government of Andhra Pradesh. Accordingly, the ratings assigned to these bond programmes primarily reflected the credit quality of the State Government of undivided Andhra Pradesh (AP) as well as the integrity of and adherence to structured payment mechanisms stipulated by ICRA, which include escrow accounts monitored by Trustees.

The revenue receipts of the Government of undivided AP as a percentage of GSDP have traditionally been favourable as compared to most peer States†, benefitting from relatively higher access to Central transfers, although per capita State's own tax revenues (SOTR) were relatively low. Committed expenditure (salaries, pension and interest payments) within GoAP's revenue expenditure were relatively moderate. The revised fiscal roadmap suggested by the Thirteenth Finance Commission (ThFC) entails a balanced revenue account and curtailment of the fiscal deficit to 3% of GSDP from 2011-12 onwards for a number of States, including AP. The fiscal balances for 2011-12, 2012-13 and 2013-14 (BE) are in compliance with these fiscal targets.

Going forward, the fiscal strength of the successor States would depend on a number of factors including their expenditure priorities, own revenue receipts as well as support to be provided by Government of India (GoI), including special category status to the residuary State of AP and support for creation of infrastructure. Additionally, the split of various assets and liabilities, including the size of debt and guarantees in relation to revenue receipts and GSDP, would impact the States' credit metrics.

ICRA would assess the fiscal strength of the successor States and continue to monitor the impact of the reorganisation of the State into Telangana and Andhra Pradesh on ICRA-rated debt of public sector enterprises, namely AP Transco, APPFC and APCPDCL.

* 100 lakh = 1 crore = 10 million

† ICRA has rated a number of State entities in other States including Gujarat, Karnataka, Punjab and Tamil Nadu.



Company Profile

Central Power Distribution Company of Andhra Pradesh Limited (APCPDCL), formed on the 31st March 2000, presently operates as a distribution licensee in the central part of Andhra Pradesh. APCDCL is currently fully owned State Government undertaking.

In 1998, the State of Andhra-Pradesh enacted the State Electricity Reform Act and the first transfer scheme for unbundling of erstwhile State Electricity Board into two entities, Andhra Pradesh Transmission Corporation Limited (APTRANSCO) and Andhra Pradesh Generation Corporation Limited (APGENCO) was drawn up. Subsequently a second transfer scheme was drawn up in March 2000, where-in the distribution functions was segregated from APTRANSCO and vested with four distribution companies (EPDCL for eastern region, CPDCL for central region, NPDCL for northern region and SPDCL for southern region) based on regional lines. As per the Electricity act, 2003 "Transcos" were not allowed to trade in power, thus necessitating separation of trading and transmission functions. In line with this provision of EA-2003, a third transfer scheme of State Electricity Reform Act was notified on 9th June 2005, whereby the supply business was transferred from APTRANSCO to the respective DISCOMs and accordingly, the existing power purchase agreements between APTRANSCO and generating stations were also allocated on pro-rata basis. As a result w.e.f. 9th June 2005, all DISCOMs, including APCPDCL are sourcing power directly from the generating stations on the basis of the PPAs that has been allocated.

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