



06.11.2015

Disclosure of information to investors and general public

(In terms of SEBI (Issue & Listing of Debt Securities) Regulations 2008)

Downgrading of credit rating of APSFC Non-SLR Bonds issued by Andhra Pradesh State Financial Corporation (APSFC)

It is brought to the notice of the investors of above series of bonds mentioned below and the public in general as follows:

(A) That APSFC has issued Unsecured Redeemable Non-Convertible Debentures titled as 'APSFC Non-SLR Bonds' (**Bonds**) under different series mentioned below:

Sr. No.	Series / Tranches	Date of Allotment of Bonds	Amt. of issue (Cr.)	Credit Rating at the time of issue		Present Credit Rating	
				Rating Agency	Credit Rating	Rating Agency	Credit Rating
1	Series - II	27.03.2008	129.00	CRISIL	CRISIL- A (SO) Stable	CRISIL	BBB+(SO) / Watch Negative
				FITCH	FITCH A+ (IND)		
2	Series - III	03.01.2009	100.00	CRISIL	CRISIL- A (SO) Stable	CRISIL	BBB+(SO) / Watch Negative
				FITCH	FITCH A+ (IND)		
3	Series - IV	29.12.2009	121.00	CRISIL	CRISIL- A (SO) Stable	CRISIL	BBB+(SO) / Watch Negative
				FITCH	FITCH A+ (IND)		
4	Series - V	28.03.2012	200.00	CRISIL	CRISIL- A (SO) Stable	CRISIL	BBB+(SO) / Watch Negative
				FITCH	FITCH A+ (IND)		
5	Series -VII	24.03.2014	58.00	CRISIL	CRISIL- A (SO) Stable	CRISIL	BBB+(SO) / Watch Negative
				Brickwork	BWR A+ (SO)		
6	Series -VIII	28.03.2014	150.00	CRISIL	CRISIL- A (SO) Stable	CRISIL	BBB+(SO) / Watch Negative
				Brickwork	BWR A+ (SO)		

- (B) That GDA Trusteeship Ltd. has been appointed as Debenture Trustee by APSFC in respect of all the above issues.
- (C) It is observed that the Bonds issued under each of the above series have been rated by two credit rating agencies. One of the credit rating agency viz. CRISIL has downgraded the rating of Bonds under Series II, III, IV, V, VII & VIII as mentioned above. The 'Rating Rationale' given by the said Credit Rating Agency is attached for perusal. The rating by other credit rating agencies viz. FITCH and Brickwork is awaited.
- (D) The payment of interest and redemption of all the Debentures / Bonds mentioned above have been guaranteed by Govt. of Andhra Pradesh by executing Guarantee Agreement in favour of Debenture Trustee.
- (E) As per Section 70 of the Andhra Pradesh Reorganization Act, 2014, the status quo would be maintained with respect of APSFC until completion of the reorganization process as per the directions stipulated in the said Act. It is informed by APSFC that it has paid the amount of interest and redemption due in respect of above issues till 30.09.2015 on due dates.

The above information is issued in pursuance to the Regulation No. 23(5) of SEBI (Issue & Listing of Debt Securities) Regulations 2008 and the Circular No. MIRSD/DPS III/Cir-11/07 dated 06.08.2007 of Chief General Manager, MIRSD, Securities & Exchange Board of India. The investors of above series of bonds and general public are requested to take a note above.

GDA Trusteeship Ltd.

Mumbai Office : Office No. 1, 2 and 3, 4th Floor, Rahimtoola House, 7, Homji Street, Fort, Mumbai 400 001 • Tel : +91-22-49220555 • Fax : +91-22-49220505

Regd Office : GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411 038 • CIN No. U74999PN1997PLC110262

Tel: +91-20-25280081 • Fax: +91-20-25280275 • Email : dt@gdatrustee.com • Web : www.gdatrustee.com

Bengaluru Office : D II - 207, Shriram White house, Netaji Shubhashchandra Bose Road, 15th Cross, 6th Main, R. T. Nagar, IInd Block, Bengaluru - 560 032 • Tel: +91-80-2354 2436

Delhi Office : B-22, Ansal Chambers-1, 3 Bhikaji Kama Place, New Delhi - 110066 • Tel: +91-11-26163600

October 12, 2015
Mumbai

Andhra Pradesh State Financial Corporation

Rating downgraded to 'CRISIL BBB+(SO)/Watch Negative'

Rs.2.00 Billion 9.48% Bond Series V/2012*	CRISIL BBB+(SO)/Watch Negative (Downgraded from 'CRISIL A(SO)/Watch Developing')
Rs.0.77 Billion 8.5% Bond Series II/2008* (Reduced from Rs.1.03 Billion)	CRISIL BBB+(SO)/Watch Negative (Downgraded from 'CRISIL A(SO)/Watch Developing')
Rs.0.80 Billion 9% Bond Series III/2008* (Reduced from Rs.1.00 Billion)	CRISIL BBB+(SO)/Watch Negative (Downgraded from 'CRISIL A(SO)/Watch Developing')
Rs.1.21 Billion 8.35% Bond Series IV/2009*	CRISIL BBB+(SO)/Watch Negative (Downgraded from 'CRISIL A(SO)/Watch Developing')
Rs.2.08 Billion Bonds Series VII & VIII/2014* (Reduced from Rs.3.50 Billion)	CRISIL BBB+(SO)/Watch Negative (Downgraded from 'CRISIL A(SO)/Watch Developing')

*Amount outstanding as on March 31, 2015

CRISIL has downgraded its rating on bonds issued by Andhra Pradesh State Financial Corporation (APSFC) and guaranteed by the Government of Andhra Pradesh to '**CRISIL BBB+(SO)/Rating Watch with Negative Implications**' from 'CRISIL A(SO)/Rating Watch with Developing Implications'.

The downgrade reflects expectation of dispute among the state finance corporations of Andhra Pradesh (AP) and Telangana with respect to sharing of liabilities of the rated debt and consequent debt servicing of the same.

While the bifurcation of APSFC is in progress, concern of a dispute has emerged on account of a potential differing stance that can be taken by the state governments on the sharing formula. In a similar case of Andhra Pradesh Power Finance Corporation (APPFC; rated 'CRISIL D'), dispute and non-compliance on the payment structure (including non-invocation of guarantee) by the trustee had led to payment shortfall and delays in debt servicing on bonds.

As per Section 70 of the AP Reorganisation Act, 2014, status quo would be maintained with respect to APSFC until completion of the reorganisation process as per the directions stipulated in the Act. A separate state finance corporation for Telangana has not been created, and APSFC services debt from its own resources. As the bifurcation process is in the initial stage and APSFC is not dependent on state resources for debt servicing, CRISIL believes the likelihood of dispute in APSFC is relatively lower as compared with APPFC and Transmission Corporation of Andhra Pradesh (APTRANSCO, rated 'CRISIL BB/CRISIL BB (SO)/Watch Negative'), where separate corporations formed for the two states are jointly servicing debt held by the corporation under the erstwhile unified AP.

CRISIL awaits clarity on the final bifurcation of liabilities between the state finance corporations and the ratings will be removed from 'Rating Watch' and a final rating view taken once there is adequate clarity on the segregation of CRISIL-rated instruments.

CRISIL had placed the ratings on 'Rating Watch with Developing Implications' on June 11, 2014, following the carving of Telangana from the erstwhile state of AP. One of the key aspects being monitored is the bifurcation of the assets and liabilities (specifically for CRISIL-rated bonds) between the respective state finance corporations for Telangana and AP.

About the Issuer

APSFC is a term-lending institution set up in 1956 for promoting small and medium scale industries in AP under the provisions of the State Financial Corporation Act, 1951.

For 2014-15 (refers to financial year, April 1 to March 31), APSFC reported a profit after tax (PAT) of Rs.385 million on total income of Rs.4.78 billion against a PAT of Rs.401 million on a total income of Rs.4.53 billion for 2013-14.