

India Ratings Converts The Andhra Pradesh Mineral Development Corporation's Provisional Rating of NCDs of INR55,261.80 million to Final Rating; Affirms INR34,737.30 at 'IND AA(CE)'/Stable

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India Ratings and Research (Ind-Ra) has taken following rating actions on The Andhra Pradesh Mineral Development Corporation Ltd's (APMDC) non-convertible debentures (NCDs):

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debentures\$	-	-	-	INR34,737.30	IND AA(CE)/Stable	Affirmed
Non-convertible debentures\$#	-	-	-	INR55,261.80 (reduced from INR55,262.70)	IND AA(CE)/Stable	Converted to Final

\$Credit ratings with (CE) suffix indicates that the instruments are supported by an external explicit credit enhancement (CE). Please refer to section DISCLOSURES FOR CE RATING for additional details as per the Securities and Exchange Board of India's (SEBI) Master Circular dated 6 July 2023.

#The provisional rating has been converted to final following the receipt of key executed transaction documents conforming to the information already received by Ind-Ra and the creation of a debt service reserve on 30 June 2025. The final rating is, therefore, the same as the provisional rating assigned on 16 April 2025. The key documents received are reissuance final term sheet, debenture trustee deed, deed of guarantee, deed of hypothecation, accounts agreement and the Reserve Bank of India (RBI)-acknowledged copy of a direct debit mandate. A detailed break-up of the NCDs is mentioned in Annexure II.

Analytical Approach

Ind-Ra has taken a standalone view of APMDC while assigning the ratings, while factoring in the support from the credit profile of the government of Andhra Pradesh (GOAP), which has extended an unconditional and irrevocable guarantee for debt issuance. The ratings have been notched up on the basis of the strength of the structured payment mechanism, the creation of a debt service reserve account (DSRA) equivalent to peak two quarters of debt servicing, the likely adequate debt service coverage ratio (DSCR) and the provision of direct debit mechanism from the consolidated fund of Andhra Pradesh in case of a shortfall.

Detailed Rationale of the Rating Action

Ind-Ra takes comfort from the irrevocable, unconditional and continuing pre-default guarantee agreement executed by the GoAP, which will remain in force and effect until the entire NCDs are fully redeemed. The guarantee is also available to replenish the DSRA, if it is utilised to meet its debt payment obligations. Based on the pre-default guarantee and enforceability of the guarantee, Ind-Ra has assigned a 'CE' suffix to the NCD rating, and the base rating of the transaction is linked to the credit profile of GoAP.

Ind-Ra has notched up the NCD ratings based on the legal and financial strengths of the transaction structure, which will be monitored by a debenture trustee and credit enhancers. The transaction rating benefits from the presence of peak two-

quarter of DSRA, the structured payment mechanism under which the entire revenue of APMDC would be deposited into the revenue collection account, which will be used for building up of balance in bond service account and direct debit mechanism from the consolidated fund of the state.

List of Key Rating Drivers

Strengths

- Supportive transaction structural features
- Structured payment mechanism
- DSRA shortfall guarantee from GoAP
- GoAP ownership and control of APMDC
- Improvement in state's economic performance
- Diversified revenue profile

Weaknesses

- State's moderate fiscal performance
- Regulatory risk

Detailed Description of Key Rating Drivers

Supportive Transaction Structural Features: Ind-Ra believes the structural features of the transaction provide sufficient comfort on debt servicing. The NCDs are to be secured by i) an exclusive charge over identified minor mineral mines being acquired by APMDC and the mining rights over such mines; ii) an exclusive charge on the revenue collection account, of which the transfer of funds, as per defined periodic intervals, to the bond servicing account (BSA) is required to be made as mentioned in the structured payment mechanism; iii) an exclusive charge on APMDC's bond servicing escrow account in favour of the debenture trustee (DT); iv) an exclusive charge on the DSRA and the funds lying therein in favour of the DT; and v) an unconditional and irrevocable guarantee from the GoAP with provisions for direct debit mechanism from the consolidated fund of the state maintained with the RBI as the banker to the state government.

As per the guarantee and undertaking deed executed among the GoAP, DT and APMDC, the guarantor/GoAP has irrevocably and unconditionally authorised the DT to advise the RBI to debit such amount as mentioned in the guarantee invocation notice from the account(s) of the guarantor maintained with the RBI, subject to the availability of clear and sufficient balance in the account at the time of executing the request of DT or immediately on availability of funds in the account(s), and credit the same to the DSRA or the BSA, as required under the provisions of the guarantee deed and subject to the conditions stipulated in the irrevocable letter of authority furnished by the guarantor in favour of the RBI.

As per the structured payment mechanism detailed in the term sheet, which is part of the key information document, APMDC's entire revenue accruing from whatsoever activity would be deposited only into the revenue collection account (RCA). The balance in RCA will be utilised as per a pre-defined waterfall mechanism, which would inter alia include transfer of funds to the BSA. APMDC will acquire the identified 436 minor mineral mines, valuation of which is estimated at INR95 billion based on the present value of the estimated mineral reserves available in the concerned mines. APMDC needs to maintain a minimum security/asset cover of 1.0x of the outstanding liability at any point of time.

The company is required to maintain an amount equivalent to two quarters of servicing of interest plus principal of the outstanding bonds (falling due at the end of fifth and sixth quarter from the deemed date of allotment) in the DSRA and the amount is/to be deposited on a priority basis from the issue proceeds. Furthermore, as the servicing liability would progressively reduce after the sixth quarter, APMDC would be permitted to take out the excess amount from the DSRA progressively after obtaining the DT's approval, subject to no unresolved breach of any covenants. APMDC has maintained a DSRA of INR9.18 billion, which is equivalent to peak two quarters of debt servicing requirement on INR89.99 billion issued NCDs.

The deed of guarantee also provides for the necessary fund infusion in the DSRA, in the event of its impairment, to the extent of a DSRA shortfall. If the shortfall in the DSRA is not replenished within 30 days of the date of shortfall notice, the DT would issue a guarantee invocation notice for the invocation of guarantee, along with simultaneous triggering of

defined recourse (direct debit mechanism) in the post invocation scenario.

Structured Payment Mechanism: Ind-Ra believes the structured payment mechanism, ensures availability of funds for timely debt servicing. Under the structure, APMDC would ensure that on the first working day of every quarterly servicing cycle, an amount equivalent to 30% of the requisite servicing amount would get transferred to the BSA from the RCA. APMDC would further transfer an amount equivalent to 35% of the quarterly servicing requirement both by T-60 and T-30 (i.e. 60 days and 30 days prior to the servicing days) from the RCA to the BSA, so as to ensure a full build-up of servicing amount payable, at least 30 days prior to the relevant quarterly servicing date (T-30). The DT would independently monitor the adequacy of funds in the BSA on the next working day in all above cases. Any shortfall in the amount transferred shall enforce the default escrow arrangement of RCA, which shall remain in force till the entire built-up of that particular cycle has been completed. The DT would independently monitor the adequacy of funds in the BSA on T-29 day. In case of any shortfall in the built-up, it shall immediately send a written communication to the state government to provide fund support for meeting the shortfall. In case the shortfall in BSA persists at T-5 days, such shortfall would be met by transferring the requisite funds from the DSRA to the BSA to ensure the payment is made on the due date. The first interest payment is due on 8 August 2025; as on 6 August 2025, APMDC has maintained INR2.08 billion in the permitted investment as per transition structure.

DSRA Shortfall Guarantee from GoAP: Ind-Ra believes the DSRA shortfall guarantee from the GoAP reduces the risk of delay in debt servicing. The GoAP has extended a guarantee to fund the DSRA shortfall within the specified timeline. Under the guarantee deed, on the next business day after the payment due date, if funds available in the DSRA are less than required for the immediate next two servicing dates, the DT will issue a shortfall notice to the GoAP on the next business day (T+1) to meet the shortfall within 30 calendar days from the date of issuance of the DSRA shortfall notice. Also, the DT shall ensure the default escrow mechanism on RCA remains in force till the DSRA replenishment is remedied. If the irregularity continues beyond the stipulated timeline, the DT shall invoke the government guarantee to the extent of the shortfall in the DSRA by issuing a guarantee invocation notice to the GoAP and simultaneously advise the RBI to debit such amount(s) as may be specified in the guarantee invocation notice from the account(s) of the GoAP maintained with the RBI. The government shall be required to pay the shortfall amount, forthwith, directly into the DSRA.

GoAP Ownership and Control of APMDC: Ind-Ra considers GoAP's control and oversight over APMDC as strongly supportive of its credit quality. APMDC is fully owned by the GoAP and under the administrative control of Mines and Geology Department, which is its nodal department in the GoAP. The GoAP exercises a significant control over APMDC's policy design and strategy through its board of directors. All the directors are nominated by the GoAP from time to time. The statutory auditors of APMDC are appointed by the Comptroller and Auditor General of India.

APMDC has its own budget and its debt is not consolidated in GoAP's debt. Being a profitable entity, there are no regular equity infusions from the GoAP. However, the GoAP is providing non-financial support to APMDC in terms of allocating mining rights on nomination basis. The state government has extended a pre-default guarantee for the proposed NCDs. The rating factors in the ability and willingness of the state government to extend budgetary support to APMDC for its developmental activities, as and when required. Ind-Ra expects the GoAP to continue providing strategic support to APMDC.

Improvement in State's Economic Performance: Andhra Pradesh's (AP) economic structure is somewhat different from that of the national economy. In FY25, the state's share of the agricultural sector in the state economy was 29.6%, considerably higher than that of the national economy (14.4%). AP's gross state value-added (GSVA) grew at a higher CAGR of 5.7% during FY19-FY25 than the national economic growth (CAGR: 5.1%), considering Hyderabad, which is a centre of industrial activity, became a part of Telangana following the reorganisation of the erstwhile state of AP. The state's GSVA growth increased to 8.4% yoy in FY25 (FY24: 4.8% yoy), led by the robust growth in the agriculture and services sectors.

Diversified Revenue Profile: Ind-Ra expects APMDC's revenue profile to be diversified in the medium-to-long term as it proposes to start commercial operations at 436 designated minor mineral mines from FY27. Furthermore, APMDC proposes to start exploration of beach sand minerals by FY29. Presently, APMDC is engaged in mining of

Baryte in Mangampet, Andhra Pradesh and coal in Suliyari, Madhya Pradesh. APMDC reported total revenue of INR30.46 billion in FY25 (unaudited; FY24: INR39.72 billion; FY23: INR22.02 billion).

State's Moderate Fiscal Performance: As per the FY25 revised estimate (RE), the state's revenue deficit came in higher at INR483.1 billion (3% of gross state domestic product (GSDP)) than the budget estimate (BE) of INR347.4 billion (2.1% of GSDP). This was primarily due to lower-than-budgeted revenue receipts of INR251.4 billion in FY25(RE). Despite the lower-than-budgeted growth in AP's revenue expenditure of 5.6% yoy (budgeted growth: 11.0%), a minimal growth of 1.3% yoy in the revenue receipts led to the higher revenue deficit in FY25(RE). The reduced capex compared with FY25(BE) and better-than-projected GSDP growth for FY25 could not compensate for the gap in revenue receipts versus FY25(BE), resulting in a higher-than-budgeted fiscal deficit of 4.6% in FY25(RE) (FY25(BE): 4.2% of GSDP).

For FY26, the state government has estimated a revenue deficit of 1.8% and a fiscal deficit of 4.4% of the GSDP. The debt/GSDP is projected to be at 35.5% for FY26 (FY25(RE): 35.2%).

Regulatory Risk: Ind-Ra views timely compliance and approval of statutory clearances such as environmental clearance, approved mining plan and consent to operate from the Pollution Control Board as critical. Any non-compliance or delay in statutory clearances will affect APMDC's long-term sustainability and future cashflows.

Liquidity

Adequate: APMDC's liquidity is supported by its accumulated cash and bank balances, and operating cash flows. The cash and bank balance stood at INR4.89 billion at FYE25 (FYE24: INR2.89 billion). Ind-Ra expects the liquidity to remain supported by receipt of advance payments against the sale of minerals, operating revenue and strong EBITDA. The total debt servicing obligations on the outstanding and proposed NCDs based on the prevailing interest rate are estimated to be at INR7.50 billion for FY26 and INR14.70 billion for FY27. As per the terms of NCDs, APMDC prepaid a term loan of INR5.50 billion borrowed from the State Bank of India ([SBI: 'IND AAA/Stable'](#)) in April 2025. Ind-Ra expects APMDC to service this debt from a combination of EBITDA and government support. The liquidity is also supported by the DSRA.

Rating Sensitivities

Positive: An improvement in the credit profile of the GoAP will be positive for the ratings.

Negative: The following developments could, individually or collectively, lead to a negative rating action:

- deterioration in GoAP's credit profile,
- deterioration in APMDC's liquidity position resulting in continuous dipping into the DSRA,
- a non-maintenance of the minimum asset/security coverage ratio as per the terms of the NCDs on a sustained basis.

Disclosures for CE Rating

1) UNSUPPORTED RATING

Ind-Ra has affirmed the unsupported rating at 'IND A'/Stable.

The unsupported rating is arrived at without factoring in the explicit CE. It helps in understanding the extent of the CE factored into the instrument rating.

ANALYTICAL APPROACH

Ind-Ra continues to factor in the strong legal and operational linkages between APMDC and the GoAP.

DETAILED RATIONALE OF THE RATING ACTION

Ind-Ra has classified APMDC as a dependent public sector entity under its Rating of Public Sector Entities criteria. The unsupported rating considers the legal status of the entity, entity's strategic importance and the significant control exercised by the GoAP over its policy objective.

LIST OF KEY RATING DRIVERS

Strengths

- GoAP ownership and control of APMDC
- Improvement in state's economic performance
- Diversified revenue profile

Weaknesses

- State's moderate fiscal performance
- Regulatory risk

Detailed Description of Key Rating Drivers

The detailed description of key rating drivers and liquidity profile for the unsupported rating are the same as that of the NCDs.

Rating Sensitivities

Positive: An improvement in the credit profile of the GoAP will be positive for the ratings.

Negative: The following developments could, individually or collectively, lead to a negative rating action:

- deterioration in GoAP's credit profile,
- deterioration in APMDC's liquidity position,
- weakening of linkages with the GoAP,
- weakening of standalone financial profile.

2) INSTRUMENT COVENANTS

Refer to Annexure I

3) ADEQUACY OF CE STRUCTURE

DSRA shortfall guarantee from GoAP: The GoAP has extended a guarantee to fund the DSRA shortfall within the specified timeline. Under the guarantee deed, on the next business day after the payment due date, if funds available in the DSRA are less than required for the immediate next two servicing dates, the DT will issue a shortfall notice to the GoAP on the next business day (T+1) to meet the shortfall within 30 calendar days from the date of issuance of the DSRA shortfall notice. Also, DT shall ensure that the default escrow mechanism on the RCA remains in force till the DSRA replenishment is remedied. If the irregularity continues beyond the stipulated timeline, the DT shall invoke the government guarantee to the extent of the shortfall in the DSRA by issuing a guarantee invocation notice to the GoAP and simultaneously advise the RBI to debit, such amount(s) as may be specified in the guarantee invocation notice from the account(s) of the GoAP maintained with the RBI. The government shall be required to pay the shortfall amount, forthwith, directly into the DSRA.

State Government Guarantee: The guarantee is unconditional and irrevocable and is a continuing obligation. The guarantee will remain in force and effect until the NCDs are fully redeemed. Ind-Ra, in its analysis, has stressed the GoAP's credit profile by considering a sizeable portion of the guarantee to devolve. As per Ind-Ra's analysis, the guarantor, even in the stress scenario, is likely to meet all the guaranteed debt obligations.

Any Other Information

Public interest litigation seeking interim stay order for a) issuance of proposed NCDs of INR90.0 billion, b) grant of mining lease to APMDC and c) approving APMDC to provide exclusive charge in favour of the debenture trustee has been filed on 6 May 2025 at Andhra Pradesh High Court. The next hearing for the purpose of admission is scheduled on 5 November 2025.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on AOMDC, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please [click here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

About the Company

APMDC is a state-owned public sector entity incorporated on 24 February 1961 and registered under the Companies Act, 1956. It is a wholly-owned undertaking of the GoAP. The APMDC has authorised share capital of INR100 million as on 31 March 2025. APMDC is primarily engaged in excavation of mineral resources including exploration and mineral beneficiation, development of the surroundings and protection of the ecology system around the mines.

Key Financial Indicators

APMDC		
Particulars	FY25 (Unaudited)	FY24 (Audited)
Total Income (INR million)	30,457.00	39,716.10
EBIDTA (INR million)	12,115.60	17,259.80
EBIDTA margin(%)	39.78	43.46
Net debt/EBIDTA (x)	0.06	0.25
Interest coverage ratio (x)	19.22	22.48
Source: APMDC, Ind-Ra		

Government of Andhra Pradesh		
Particulars (as % of GSDP)	FY26(BE)	FY25(RE)
Revenue balance	-1.8	-3.0
Fiscal balance	-4.4	-4.6
Total debt	35.5	35.2
Source: GoAP FY26 Budget, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook	
				20 June 2025	16 April 2025
Non-convertible debentures	Long-term	INR89,999.10	IND AA(CE)/Stable	IND AA(CE)/Stable	Provisional IND AA(CE)/Stable
Unsupported rating	Long-term	-	IND A/Stable	IND A/Stable	IND A/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures*	Moderate

* The complexity indicator has been assigned as moderate for NCDs because of the pre-default guarantee agreement executed between the APMDC and GoAP.

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Annexure I

For NCDs and Proposed NCDs

- Unconditional and irrevocable guarantee from the GoAP for the timely servicing of interest and principal in respect of bonds, including defined recourse in the post invocation scenario.
- Maintenance of the DSRA to the extent of fully covering the peak servicing requirements for two quarters as liquidity support.
- Stipulation for invocation of government guarantee for impairment of DSRA if not remedied within stipulated timelines and defined recourse in the post invocation scenario.
- Stipulation for invocation of government guarantee in case of a default, if settlement of entire liabilities not effected within stipulated timelines and defined recourse in the post invocation scenario.
- Maintenance of minimum asset/security cover of 1.0x.

Annexure II

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook
Non-convertible debentures	INE0TLC07036	9 May 2025	9.30%	8 May 2035	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07044	9 May 2025	9.30%	9 May 2034	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07028	9 May 2025	9.30%	9 May 2033	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07101	9 May 2025	9.30%	7 May 2032	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07051	9 May 2025	9.30%	9 May 2031	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07077	9 May 2025	9.30%	7 May 2030	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07069	9 May 2025	9.30%	8 May 2029	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07093	9 May 2025	9.30%	9 May 2028	INR9,999.90	IND AA(CE)/Stable
Non-convertible debentures	INE0TLC07085	9 May 2025	9.30%	7 May 2027	INR9,999.90	IND AA(CE)/Stable
Total					INR89,999.10	

Source: APMDC, NSDL

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Policy for Credit Enhanced (CE) Ratings

The Rating Process

Policy on Provisional Ratings

Local and State Government Rating Criteria

Rating of Public Sector Entities

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