

November 28, 2013

**CARE ASSIGNS 'CARE AAA (SO)' RATING TO THE TAX-FREE BONDS OF
INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED****Ratings**

Instrument	Amount Rated (Rs. crore)	Ratings ¹	Remarks
Long-term tax free bonds	1,000	CARE AAA (SO)* [Triple A (Structured Obligation)]	Assigned

* The rating is backed by letter of comfort from Ministry of New and Renewable Energy (MNRE), GOI

Rating Rationale

The rating primarily takes into account credit enhancement of the bonds in the form of 'Letter of Comfort' from Ministry of New and Renewable Energy, Government of India (GoI) which states that Ministry of New and Renewable Energy will ensure that IREDA meets its payment obligation on the above-mentioned bonds in a timely manner. The rating also factors in the 100% ownership of IREDA by the GoI, demonstrated government support in the form of regular equity infusions and sovereign guarantees to IREDA's debt, strong capitalization levels, stable profitability and moderate asset quality.

Going forward, the continued support from GoI and the ability of the entity to maintain its profitability and improve asset quality would be the key rating sensitivities.

Background

Incorporated in 1987, Indian Renewable Energy Development Agency Limited (IREDA) is a wholly owned Government of India enterprise working under the administrative control of Ministry of New and Renewable Energy (MNRE).

IREDA has been notified as a "Public Financial Institution" under the Companies Act, 1956 and registered as NBFC with RBI, formed for the purpose of promoting, developing and financing Renewable Energy (RE) & Energy Efficiency (EE) projects in India.

IREDA mainly finances projects in the wind, hydro, solar, bio-energy sectors as well as emerging areas like battery powered vehicles sectors. Of late, wind energy and small- hydro sectors have emerged as the key growth areas for the company on account of incentives offered by the Centre as well as some state governments.

During FY13 (refers to the period from April 1, 2012 to March 31, 2013), IREDA earned a net profit of Rs. 203 crore on a total income of Rs. 730 crore. Gross NPA% and Net NPA% stood at 3.86% and 0.92%, respectively, as on March 31, 2013. Total CAR stood at 24.75% at the end of FY13.

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

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