

January 29, 2016

CARE REAFFIRMS THE RATINGS TO THE BANK FACILITIES/NCD OF IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities – Term Loan	1,185.00	CARE A (single A)	Reaffirmed
Long Term Bank Facilities – Cash Credit	50.00	CARE A (Single A)	Reaffirmed
Bank Facilities – Long Term (Non Fund Based)	50.00	CARE A (Single A)	Reaffirmed
Non-Convertible Debenture issue [#]	500.00	CARE A (Single A)	Reaffirmed
Total Instruments/Bank Facilities	1,785.00 (Rupees One Thousand Seven hundred Eighty Five crore only)		

#Amount outstanding as on January 15, 2016 is Rs. 100 crore

Rating Rationale

CARE has reaffirmed the ratings assigned to the various long term instruments/bank facilities of IL&FS Energy Development Company Ltd (IEDCL). The rating continues to factor in substantial completion of various projects developed through subsidiaries and associate entities. Out of total capacity under development of around 3,100MW through various subsidiaries/JVs; as on September 30, 2015, 2,212MW capacity is already commissioned and remaining capacity of 881MW is nearing completion. Further, rating also favourably factors in the company's improved capital structure with large part of financial commitment already met. The rating continues to reflect its strong parentage viz. Infrastructure Leasing & Financial Services Ltd (IL&FS; rated CARE AAA/CARE A1+), managerial and financial support it receives from IL&FS, significant experience and proven track record of IEDCL in implementation of various large-sized power projects and stable/favourable/improving outlook for the power sector in India.

The rating strengths, however, continue to be partially tempered by residual project execution and implementation risks associated with projects under development, lack of revenue visibility for Unit-II (600MW) of IL&FS Tamilnadu Power project and high counter-party risks for the operational power projects under the various Special Purpose Vehicles (SPVs) due to weak financial health of the state power distribution utilities.

The company's ability to maintain healthy capital structure, majority ownership, receive continued support from the parent and commercialization of key investments in timely manner remain key rating sensitivities.

Background

IEDCL, a subsidiary in which Infrastructure Leasing & Financial Services Ltd. (IL&FS; rated CARE AAA/CARE A1+) owns majority stake (91.07%) is spearheading IL&FS's initiatives in the power segment and associated in various capacities with different power generation projects. The company has installed capacity of 2,212MW alongwith 881MW of capacity under construction as on September 30, 2015 with mix of conventional and non-conventional energy sources. IEDCL's range of services includes project development, project appraisal, training & capacity building and project/programme management consultancy. IEDCL also provides advisory services to state governments, large public sector companies as well as private sector clients on all facets of power project development and implementation. IL&FS is one of India's leading infrastructure development and finance companies. IL&FS has a proven track record and has successfully implemented and also undertakes operation and maintenance of various infrastructure projects in roads and urban infrastructure segment. The company has strong capabilities in appraising of infrastructure projects and mobilizing resources for the same.

On standalone basis, the company reported net loss of Rs.4.42 crore on a total operating income of Rs.411.30 crore in FY15 as against PAT of Rs.19.49 crore on a total operating income of Rs.275.42 crore in FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.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.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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