

FEBRUARY 13, 2015

CARE ASSIGNS 'CARE A-' RATING TO NCD OF IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Unsecured Non-Convertible Debenture issue	100	CARE A- (Single A Minus)	Assigned

Other Ratings

Facilities	Amount (Rs. crore)	Ratings ²
Long-term Bank Facilities – Term Loan	1,185	CARE A- (Single A Minus)
Long-term Bank Facilities – Cash Credit	50	CARE A- (Single A Minus)
Bank Facilities – Non-fund Based – Long-term	50	CARE A- (Single A Minus)
Total Facilities	1,285	

Rating Rationale

CARE's rating on the instruments/bank facilities of IL&FS Energy Development Company Ltd (IEDCL) 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. The rating also positively factors in successful implementation of various power generation projects by IEDCL through its subsidiaries/associates with aggregate operational installed capacity of 1,533 MW (807 MW through renewable sources and the balance through conventional sources) as on December 31, 2014, with an additional installed capacity of 1,560 MW nearing completion.

The rating, however, continues to be tempered by project execution and implementation risks associated with projects under development, medium-term investment commitments to meet funding requirement of subsidiaries/associates which would result in financial leverage going up in the medium term and high counter-party risk for the operational power projects under the various SPVs due to weak financial health of the state power distribution utilities.

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

Background

IEDCL, a subsidiary in which IL&FS owns majority stake (87.54%) is spearheading IL&FS's initiatives in the power segment and is associated in various capacities with different power generation projects aggregating to more than 16,000 MW through conventional and non-conventional energy sources to be implemented over a period of the next five to six years. 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.

The company reported profit after tax (PAT) of Rs.19.49 crore on a total operating income of Rs.275.42 crore in FY14 as against PAT of Rs.13.23 crore on a total operating income of Rs.132.03 crore in FY13.

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

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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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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