

SEPTEMBER 22, 2016

## CARE REAFFIRMS THE RATINGS ASSIGNED TO THE ENHANCED BANK FACILITIES OF IL&FS ENERGY DEVELOPMENT COMPANY LIMITED

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long Term Bank Facilities– Term Loan	1,237.85 [enhanced from Rs.1,185.00 crore]	<b>CARE A+ (Single A Plus)</b>	<b>Reaffirmed</b>
Long Term Bank Facilities– Cash Credit	50.00	<b>CARE A+ (Single A Plus)</b>	
Bank Facilities – Non Fund Based – Long Term	50.00	<b>CARE A+ (Single A Plus)</b>	
<b>Total bank facilities</b>	<b>1,337.85 (Rupees One Thousand Three Hundred Thirty Seven crore and Eighty Five lakhs only)</b>		

**Rating Rationale**

CARE has re-affirmed the ratings assigned to the various long term bank facilities of IL&FS Energy Development Company Ltd (IEDCL). The company has largely completed and operationalised all its capacity i.e. ~92% (2,841MW) of its total capacity and balance of 241MW is in advanced stages of completion. Further, the rating also favourably factors the diversified asset portfolio of IEDCL, its improved capital structure and operationalisation and stabilization of U-I (600MW) of the thermal plant i.e. IL&FS Tamilnadu Power Company Ltd.(1200MW).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 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 majority ownership, receive need based support from the parent, stabilization of U-II after CoD, timely mitigating revenue risks by entering into remunerative long term PPA for U-II (600MW) of its SPV i.e. IL&FS Tamilnadu Power Company Ltd. and monetization of key investments in timely manner remain major 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 2,841MW alongwith 241MW of capacity under construction as on April 30, 2016 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.

IEDCL reported net profit of Rs.301.66 crore on a total operating income of Rs.263.61 crore in FY16 as against loss of Rs. 4.42 crore on a total operating income of Rs.411.30 crore in FY15.

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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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