

DECEMBER 23, 2014

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities – Term Loan	1185.00 (enhanced from Rs.535 crore)	CARE A- (Single A Minus)	Reaffirmed
Long Term Bank Facilities – Cash Credit	50.00	CARE A- (Single A Minus)	Reaffirmed
Bank Facilities – Non Fund Based – Long Term	50.00	CARE A- (Single A Minus)	Reaffirmed
Total Facilities	1285.00		

Rating Rationale

CARE has reaffirmed the rating assigned to the long-term bank facilities of IL&FS Energy Development Company Ltd (IEDCL). CARE's rating on the bank facilities of 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 1097.9 MW (734.6 MW through renewable sources and the balance through conventional sources) as on June 30, 2014, with an additional installed capacity of 737.7 MW nearing completion.

The company plans to monetize its investments in wind assets aggregating 776 MW through listing as a Business Trust (BT) on the Singapore Stock Exchange (SGX) by end of FY15 (refers to period April 1 to March 31). In CARE's opinion the listing is likely to unlock funds which would be used to repay the existing debt and fund investments in upcoming projects of IEDCL.

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 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.

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

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

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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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