

April 4, 2012

**CARE ASSIGNS 'CARE A-' RATING TO THE BANK FACILITIES OF
IL&FS ENERGY DEVELOPMENT CO LTD.**

Rating

| Facilities | Amount (Rs. Crore) | Ratings¹ | Remarks |
|---------------------------|-------------------------------|-------------------------------------|----------------|
| Long-term Bank Facilities | 214.00 | CARE A- (Single A Minus) | Assigned |
| Total Facilities | 214.00 | | |

Rating Rationale

CARE's rating on long-term facilities of IL&FS Energy Development Company Limited (IEDC) reflects the majority shareholding of Infrastructure Leasing & Financial Services Ltd. (IL&FS; rated CARE AAA/A1+) in IEDC which has demonstrated its support by infusing funds in IEDC and experience & track record of the promoters in identification, development, and implementation of various large-size infrastructure projects.

The rating is however, constrained by majority of power projects being at development/implementation stage exposing the company to significant project execution risk and high counterparty risk for the operational power projects due to weak financial health of the state power distribution utilities. IEDC also will be required to fund the investment in various Special Purpose Vehicles (SPVs) to meet its equity commitments.

Ability of IEDC to maintain its capital structure, support from parent and its credit profile, and timely commercialization of key investments are the key rating sensitivities.

Background

IEDC, a subsidiary in which IL&FS owns majority stake (83.3%), is a vehicle for power generation business of the IL&FS Group. IEDC's range of services includes Project Development, Project Appraisal, Training & Capacity Building and Project/Programme Management Consultancy. IEDC also provides advisory services to state governments, large public sector companies as well as private sector client on all facets of power project development and implementation.

IEDC registered a PAT of Rs.0.79 crore on the net sales of Rs.61.17 crore in FY11 (refers to the period April 1 to March 31) as against PAT of Rs.7.50 crore on net sales of Rs.27.50 crore in FY10.

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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.

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

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