

IL&FS Energy Development Company Limited

May 25, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Proposed Long-Term-Non-Convertible Debentures-Tranche-I	195.00	Provisional CARE AA+ (SO); Stable [Provisional Double A Plus (Structured Obligation) Outlook: Stable]	Reaffirmed
Proposed Long-Term-Non-Convertible Debentures-Tranche-II*	305.00	Provisional CARE AA+ (SO); Stable [Provisional Double A Plus (Structured Obligation) Outlook: Stable]	Reaffirmed
Total Facilities	Rs.500.00 (Rupees Five Hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the proposed Non-Convertible Debentures of IL&FS Energy Development Company Limited (IEDCL) factors in the Debt Service Reserve Account (DSRA) support undertaking from Infrastructure Leasing and Financial Services Limited [IL&FS; rated CARE AAA (Stable), CARE A1+] to the effect that it shall arrange for necessary funds upon occurrence of **Deposit Shortfall Event**² and **Deposit Shortfall After Rating Event**³ to meet IEDCL's obligation to maintain DSRA in respect to the total debt servicing obligation for next servicing date, in the event IEDCL is not able to meet such DSRA obligations throughout the tenure of proposed Non-Convertible Debentures.

The rating will remain provisional till the receipt of final transaction documents such as Information Memorandum, Debenture Trustee Agreement, DSRA Support Undertaking and any other agreement and undertaking executed between the parties with respect to the Debentures and the transactions contemplated under this undertaking to the satisfaction of CARE Ratings Limited.

The rating of CARE AAA; 'Stable'/CARE A1+ of various borrowing programme of IL&FS reflects its strong institutional ownership, experienced management, expertise in the infrastructure sector, financial flexibility and demonstrated ability to offload investments successfully.

For detailed rating rationale of IL&FS, please refer to our website www.careratings.com.

Detailed description of the key rating drivers

Key Rating Strengths

DSRA support undertaking from IL&FS

DSRA support undertaking from IL&FS in the favour of the proposed debenture holders stating that it would arrange for necessary funds upon occurrence of Deposit Shortfall Event and Deposit Shortfall After Rating Event to meet IEDCL's obligation to maintain DSRA in respect to the total debt servicing obligation for next servicing date, in the event IEDCL is not able to meet such DSRA obligations throughout the tenure of proposed Non-Convertible Debentures.

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

² **"Deposit Shortfall Event"**: means the occurrence of event where company (IEDCL) has failed to deposit the DSRA amount in the DSRA account within a period of 45 days from previous payment date to meet Scheduled **Debt Obligation**₁.

³ **"Deposit Shortfall After Rating Event"**: means the occurrence of an event where the Company has failed to deposit such amounts in the DSRA Account, within a period of 45 (Forty Five) calendar days from the Rating Event Date that would increase the balance in the DSRA Account to **Scheduled Debt Obligation**₂

About the Credit Enhancement Provider (i.e. IL&FS)

IL&FS is one of India's leading infrastructure development and finance companies promoted by the Central Bank of India (CBI), Housing Development Finance Corporation (HDFC) and Unit Trust of India (UTI). IL&FS was established with twin mandates of providing financial services and to develop infrastructure projects under a commercial format. The shareholding pattern of the company has undergone a considerable change over the years with wider participation of other domestic as well as foreign institutional investors. IL&FS received certificate of registration as Core Investment Company (CIC-ND-SI) from RBI dated September 11, 2012.

IL&FS's income profile constitutes interest income from loans given to subsidiaries/group companies, dividend received from subsidiaries (mainly IFIN, IEDCL, ITNL and IL&FS Investment Managers Ltd.), brand fees received from group companies, rental income from business centre and profit from divestment of its exposure in group entities.

Analytical approach: For arriving at rating of IEDCL's Non-Convertible Debentures, CARE Ratings has considered credit profile of Infrastructure Leasing and Financial Services (IL&FS) Limited, which has provided DSRA Support Undertaking to meet IEDCL's obligation to maintain DSRA in respect to the total debt servicing obligation for next servicing date.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

[Financial ratios – Non-Financial Sector](#)

About the Company-IEDCL

IEDCL, a subsidiary in which Infrastructure Leasing & Financial Services Ltd. (IL&FS; rated CARE AAA; 'Stable'/CARE A1+) owns majority stake (89.35%⁴) 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 2,803MW with additional 228 MW of solar/wind capacity under construction as on January 31, 2018 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. IEDCL has strong capabilities in appraising of infrastructure projects and mobilizing resources for the same. The company' and its group's installed/operational capacity as on March 31, 2018 is as follows:

OPERATIONAL CAPACITY	(MW)
Wind	876
OTPC (Gas)	727
ITPCL (Coal) – U-I (600MW) & U-II (600MW)	1,200
Total Operational capacity (A)	2,803
Under Construction/Implementation:	
Wind	100
Total (B)	100
Total (A+B)	2,903

⁴ On fully diluted basis

Brief Financials- Consolidated (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1,664.27	3,413.76
PBILDIT	919.07	1,784.36
PAT	(265.78)	(41.82)
Interest coverage (times)	1.00	1.23
Overall Gearing (times)	4.43	4.38

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	-	-	Series- I - 7 years Series-II – 8.25 years	305.00	Provisional CARE AA+ (SO); Stable
Debentures-Non Convertible Debentures	-	-	7 years	195.00	Provisional CARE AA+ (SO); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	50.00	CARE A+; Stable	1)CARE A+; Stable (18-May-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+ (03-Nov-16) 2)CARE A+ (22-Sep-16) 3)CARE A+ (17-Jun-16)	1)CARE A (29-Jan-16) 2)CARE A (09-Apr-15)
2.	Non-fund-based - LT-BG/LC	LT	50.00	CARE A+; Stable	1)CARE A+; Stable (18-May-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+ (03-Nov-16) 2)CARE A+ (22-Sep-16) 3)CARE A+ (17-Jun-16)	1)CARE A (29-Jan-16) 2)CARE A (09-Apr-15)
3.	Term Loan-Long Term	LT	1037.85	CARE A+; Stable	1)CARE A+; Stable (18-May-18)	1)CARE A+; Stable (09-Oct-17)	1)CARE A+ (03-Nov-16) 2)CARE A+ (22-Sep-16) 3)CARE A+ (17-Jun-16)	1)CARE A (29-Jan-16) 2)CARE A (09-Apr-15)
4.	Debentures-Non Convertible Debentures	LT	300.00	CARE A+; Stable	-	1)CARE A+; Stable (09-Oct-17)	1)CARE A+ (03-Nov-16) 2)CARE A+ (17-Jun-16)	1)CARE A (29-Jan-16) 2)CARE A (18-May-15) 3)CARE A (09-Apr-15)
5.	Debentures-Non Convertible Debentures	LT	200.00	CARE A+; Stable	-	1)CARE A+; Stable (09-Oct-17)	1)CARE A+ (03-Nov-16) 2)CARE A+ (17-Jun-16)	1)CARE A (29-Jan-16) 2)CARE A (18-May-15)
6.	Debt	LT	100.00	Provisional CARE AAA (SO); Stable	-	1)Provisional CARE AAA (SO); Stable (22-Dec-17)	-	-
7.	Debentures-Non Convertible Debentures	LT	305.00	Provisional CARE AA+ (SO); Stable	1)Provisional CARE AA+ (SO); Stable (18-May-18)	1)Provisional CARE AA+ (SO); Stable (27-Mar-18) 2)Provisional CARE AA+ (SO); Stable (05-Feb-18)	-	-
8.	Debentures-Non Convertible Debentures	LT	195.00	Provisional CARE AA+ (SO); Stable	1)Provisional CARE AA+ (SO); Stable (18-May-18)	-	-	-

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