

Rating Rationale

Brickwork Ratings reaffirms BWR AAA (SO) rating for the Multiple Bond Issues aggregating ₹ 3000 Crore of Indian Renewable Energy Development Agency Ltd.

Brickwork Ratings (BWR) has reaffirmed the rating for the multiple bond issues of Indian Renewable Energy Development Agency Limited as under:

Instruments	Amount (₹ Crs)	Assigned / Reaffirmed	Initial Rating Date
Long Term Tax Free Bonds (Series XIII)	1000	Reaffirmed	November 2013
Long Term Taxable Bonds (Series-V)	1000	Reaffirmed	March 2013
Long Term Taxable Bonds (Series-IV)	450	Reaffirmed	January 2012
Long Term Taxable Bonds (Series-III)	400	Reaffirmed	September 2010
Long Term Taxable Bonds (Series-II)	150	Reaffirmed	October 2009
Total	3000.00	INR Three Thousand Crores Only	

Instruments with this rating are considered to have **highest degree** of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

The rating, inter alia, factors the Letter of Comfort issued by Ministry of New and Renewable Energy (MNRE), Government of India (GoI) and timely repayment of debt is ensured by the ministry, 100% GoI ownership in IREDA, regular equity infusion by GOI, comfortable capital adequacy, significant growth in sanctions and disbursements and comfortable financial performance. The rating has taken note of asset quality issues in certain segments of the overall portfolio.

BWR has essentially relied upon the results up to June 2014, projected financials, publicly available information and information and clarifications provided by the Company.

Background:

Indian Renewable Energy Development Agency Ltd. (IREDA) was incorporated on 11th March, 1987 as a fully owned Government of India enterprise under the administrative control of the Ministry of New and Renewable Energy (MNRE). Further, the company was notified as a public financial institution under section 4A of Companies Act, 1956 and also registered as Non-Banking Finance Company with RBI. The company operates a revolving fund for promotion, development and commercialization of New and Renewable Sources of Energy and provides financial assistance to energy efficiency and conservation projects. The sectors financed by IREDA can be

broadly classified under - wind energy, hydro energy, bio energy, solar energy, energy efficiency & conservation and new & emerging technologies.

The Board of Directors of IREDA comprises a mix of executive and non-executive Directors, all serving Government Officers. Mr. K. S. Popli is the Chairman and Managing Director (CMD) of the Company.

Financial Profile:

IREDA is a leading organization providing financial support to projects in renewable energy, energy efficiency and conservation. The Company's loan portfolio is largely concentrated on four renewable energy sectors viz. wind power, hydro power, co-generation and Solar Photovoltaic plants, which together account for 94.50% of the cumulative loans outstanding as on March 31, 2014. The company sanctioned loans amounting to Rs. 3818.40 Cr and disbursements amounting to Rs. 2471.08 Cr as on March 31, 2014

The level of Gross Non-Performing Assets increased significantly in FY14 on account of problems in the Biomass and Cogeneration sectors. Gross NPA percentage increased from 3.86% in FY13 to 4.18% in FY14. Consequently Net NPA percentage also increased from 0.64% in FY13 to 2.46% in FY14. At an absolute level, GNPA increased from Rs. 254.80 Cr as on March 31, 2013 to Rs. 341.55 Cr as on March 31, 2014 and NNPA increased from Rs. 59.12 Cr as on March 31, 2013 to Rs. 204.45 Cr as on March 31, 2014. The company has initiated steps to improve collections, as also strengthen appraisals in the sectors that have not performed well.

IREDA maintains strong capital levels with Total Capital Adequacy Ratio of 23.79% as on March 31, 2014. Networth of the company was Rs. 2031.86 Cr as on March 31, 2014.

Rating Outlook:

The outlook is considered to be Stable for the next twelve months. Company's ability to sustain growth with improved credit risk management to bring down the NPA levels are considered key rating sensitivities. Brickwork Ratings expects continued support from Govt. of India for all the business initiatives of IREDA, given its crucial role in the alternative power sector.

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Indian Renewable Energy Development Agency Ltd
Annexure I – Income Statement

Particulars (Rs. Crores)	FY10 (A)	FY11 (A)	FY12 (A)	FY13 (A)	FY14 (A)
<u>Income</u>					
Income From Operations	321.00	400.96	519.65	719.07	993.86
Other income	24.25	1.50	15.17	10.49	4.64
Total Income	345.25	402.46	534.82	729.56	998.50
<u>Expenditure</u>					
Personnel	14.01	13.98	16.04	18.28	21.18
Administrative and Others	3.70	7.02	10.23	10.92	11.90
Depreciation	3.11	3.03	3.24	3.85	3.31
Finance Charges	147.82	189.10	253.49	380.59	487.96
Bad Debts written off	17.58	0.24	24.10	10.79	98.80
Bond Issue Expenses	0.00	0.00	0.00	0.00	0.00
Provision for Bad and doubtful debts	18.76	21.23	18.40	46.98	19.13
Provision for Standard Assets	0.00	1.08	3.54	4.25	15.46
Total Expenditure	204.98	235.67	329.04	475.66	657.74
Profit For the Year	140.27	166.79	205.78	253.90	340.76
Prior Period Adjustment (Net)	0.77	-0.09	2.35	-3.29	-0.45
Profit Before Tax	141.05	166.70	208.12	250.61	340.31
Provision For Taxation					
- Income Tax	44.75	51.75	56.40	83.00	76.62
- Deferred Tax	4.51	-5.54	-21.45	-15.75	23.17
- Fringe Benefit Tax	0.00	0.02	0.00	0.00	0.00
- Previous year tax	19.10	0.00	0.04	-19.31	0.00
Profit After Tax	72.69	120.46	173.13	202.67	240.52

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Balance Sheet (Rs. Crs)	FY11 (A)	FY12 (A)	FY13 (A)	FY14 (A)
<u>Sources of Funds</u>				
Capital	589.60	639.60	699.60	744.60
Reserves & Surplus	674.52	818.39	988.75	1288.26
Other Long term liabilities	1.69	0.53	0.04	0.00
Long term provisions	28.55	32.15	29.20	46.27
Total Borrowings	2398.06	3959.18	4916.63	6446.44
CPLTD	77.13	184.67	176.54	317.51
Trade Payables	2.91	4.46	12.56	16.78
Other current liabilities	65.38	92.19	115.85	163.43
short term provisions	293.82	357.39	253.93	337.34
Total Liabilities	4131.67	6088.55	7193.10	9360.63
<u>Application of Funds</u>				
Fixed Assets				
Gross Block	40.18	42.58	39.32	36.41
Less : Depreciation	0.00	0.00	0.00	0.00
Net Block	40.18	42.58	39.32	36.41
Intangible Assets	0.44	0.63	0.97	0.71
Capital Work - In- Progress	0.19	0.00	0.00	0.05
Investments	0.12	0.12	0.12	0.12
Long term Loans & Advances	3041.02	4524.15	5653.82	7491.23
Deferred Tax Assets	58.39	58.35	77.66	54.49
Other non-current assets	181.41	129.70	119.39	108.03
Current Assets , Loans and Advances				
Trade receivables	0.78	1.25	0.06	0.17
Cash and Bank Balances	204.55	613.89	114.82	506.87
Other Current Assets	1.68	0.95	10.32	13.70
Short Term Loans and Advances	602.90	716.95	1176.68	1148.84
Total Assets	4131.67	6088.55	7193.10	9360.62