



Rating Rationale

Indian Renewable Energy Development Agency Ltd

29 March 2019

Brickwork Ratings assigns rating for Proposed/Existing Bank Loans amounting to Rs. 2200 Crs of Indian Renewable Energy Development Agency Ltd and reaffirms Issuer Rating along with rating for the existing NCD instruments

Particulars:

Instrument	Previous Amount (Rs. Crs)	Present Amount (Rs. crs)	Tenure	Previous Rating Feb 2019	Present Rating*
Existing/Proposed Term Loan	-	2200	Long Term	NA	BWR AAA (Pronounced BWR Triple A) Outlook: Stable
Proposed Taxable Green Bonds	2085	2085		BWR AAA (Pronounced BWR Triple A) Outlook: Stable	BWR AAA (Pronounced BWR Triple A) Outlook: Stable Reaffirmation
Taxable Green Bonds	865	865		BWR AAA (Pronounced BWR Triple A) Outlook: Stable	BWR AAA (Pronounced BWR Triple A) Outlook: Stable
Existing/Proposed Taxable Subordinated Tier II Bonds	750	750		BWR AAA (SO) [Pronounced BWR Triple A (Structured Obligation)] Outlook: Stable	BWR AAA (SO) [Pronounced BWR Triple A (Structured Obligation)] Outlook: Stable <i>Reaffirmation</i>
Long Term Taxable Bonds	1350	1350			
Long Term Tax Free Bonds	757.65	757.65			
Total	5807.65	8007.65	INR Eight Thousand Seven Crores and Sixty Five Lakhs Only		

Entity	Rating Type	Tenure	Previous Rating Feb 2019	Present Rating*
Indian Renewable Energy Development Agency Ltd	Issuer	Long Term	BWR AAA (Pronounced BWR Triple A) Outlook: Stable	BWR AAA (Pronounced BWR Triple A) Outlook: Stable <i>Reaffirmation</i>

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

29 March 2019



Rationale/Rating Sensitivities:

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

BWR has essentially relied upon the audited financial results up to FY18, publicly available information and information and clarifications provided by the Company.

The rating continues to factor 100% GoI ownership in IREDA and its strategic role in the promotion and growth of renewable energy in the country, comfortable capital adequacy, consistent growth in sanctions & disbursements, diversified resource profile, adequate risk management & IT systems in place, sustained profitability, comfortable liquidity over short to medium term and satisfactory financial performance. The rating has also factored in the impending IPO of the company which will strengthen its capital structure

The rating has taken note of asset quality issues in certain segments of the overall portfolio, and the measures adopted by IREDA to improve the same. BWR has also noted that a sizable portion of the company's borrowings are in the form of foreign currency loans from various multilateral and bilateral organizations.

Going forward, the Company's ability to sustain growth with improved credit risk management to bring down the NPA levels shall remain key rating sensitivities.

Key Rating Drivers:

GoI Ownership & its Continued Support: Presently 100% ownership of the company lies with Government of India (GoI). IREDA was set up under the administrative control of Ministry of New & Renewable Energy (MNRE) to incentivize the growth of renewable energy in the country. The company was accorded the status of 'Mini Ratna' in 2015, post which there was no additional equity infusion by GoI in the company. However, GoI has been consistently supporting IREDA by way of guaranteeing its debt. As on March 31, 2018, 47% of the company's debt had government guarantees. The support from the government is expected to continue in the future as well due to the strategic importance of IREDA in implementing various renewable energy related policies of GoI.

Comfortable Capital Adequacy & Impending IPO: As on September 30, 2018, IREDA reported a CRAR of 17.36%, above the minimum requirement of 10% till 31st March 2019. Further, IREDA has issued Rs. 150.00 Crs of Tier II Subordinated Bonds and will issue additional Tier II Subordinated bonds as and when required which will support further lending till the time its impending IPO gets materialize.

Consistent Growth in Business: The sanctions and disbursements have shown consistent growth over the years. The sanctions increased by 19% and disbursements increased by 26% in FY18. Sanctions increased from Rs. 10199 Crs in FY17 to Rs. 12130 Crs in FY18 and Disbursements increased from Rs. 6593 Crs in FY17 to Rs. 8328 in FY18. Further during Nine months till December 31, 2018 the company has



disbursed additional Rs. 5370.97 Crs. of loans and outstanding as on December 31, 2018 stood at Rs. 18904.80 Crs

Issues with Asset Quality: The asset quality was deteriorated during FY18 on account of problems associated with certain sectors such as Biomass, Cogeneration and Small Hydro where the company had reduced further sanctioning of loans to very low level. GNPA% deteriorated from 6.30% as on March 31 2018 to 7.37% as on September 30, 2018 partially on account of change in NPA recognizing norms from 180+dpd till March 31, 2018 to 120+ dpd during FY19. While, the company has provided for the GNPA by way of creating provisions and as a result NNPA% were at 4.79% as on September 30, 2018 as compared to 3.84% on 31st March 2018. While, IREDA's portfolio continues to remain vulnerable on account of its concentration in the renewable energy sector, the company is gradually reducing its exposure to stressed sectors such as Biomass, Cogeneration and Small Hydro. Presently, the overall NPA situation seems to be relatively better than most other Banks/Financial Institutions. During the ongoing year, IREDA has moved to 120+dpd norm as per the guidelines and it will shift to 90+dpd norm in FY20. As the company moves to stricter NPA recognition norms, the asset quality is likely to suffer and may impact its profitability.

Rating Outlook: Stable

BWR believes IREDA's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The outlook may be revised to Negative, if there is any significant deterioration in the asset quality levels.

Analytical Approach: The rating for the long term taxable and tax free bonds continues to derive credit enhancement from the Letter of Comfort issued by the Ministry of New and Renewable Energy (MNRE), Government of India (GoI) ensuring timely repayment of debt towards the said bonds, based on which the SO (Structured Obligation) rating has been assigned. Please refer to the applicable criteria at the end.

About the Company:

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 the Companies Act, 1956 and also registered as Non-Banking Finance Company with RBI. The company was established for the promotion, development and commercialization of New and Renewable Sources of Energy and provides financial assistance to energy efficiency and conservation projects. IREDA was conferred the status of 'Mini Ratna' under Category-I by GoI in June 2015.

The sectors financed by IREDA can broadly be classified as - wind energy, small hydro energy, bio energy, solar energy, energy efficiency & conservation and new & emerging technologies.

Company's Financial Performance:

During the year, IREDA raised incremental borrowings of Rs. 1950 Crs by way of Green Masala Bonds from international debt market and Rs. 203 Crs by way of fresh foreign currency borrowings from various multilateral and bilateral organizations.

Key financial indicators are mentioned in the table below:

Key Financial Indicators			
Particulars	Unit	FY17 (A)	FY18 (A)
Portfolio	Rs. Crores	13605	15820
Gross NPA	%	6.01	6.30
Net NPA	%	3.77	3.84
Net Interest Income	Rs. Crores	753	754
PAT	Rs. Crores	365	393
Tangible Net Worth	Rs. Crores	2510	2537
CRAR	%	19.17	18.05

Rating History for the last three years:

Sl. No.	Instrument	Current Rating (March 2019)		Rating History				
		Type	Amount (Rs Crs)	Rating	2019 Feb	2018	2017	2016
1.	Proposed/ Existing Term Loan	Long Term	2200	BWR AAA (Pronounced as BWR Triple A Outlook:Stable)	NA	NA	NA	NA
2.	Proposed Taxable Greed Bonds		2085	BWR AAA (Pronounced as BWR Triple A Outlook:Stable (Reaffirmation))	BWR AAA (Pronounced as BWR Triple A Outlook:Stable)	BWR AAA (Pronounced as BWR Triple A) Outlook:Stable	NA	NA
3.	Taxable Green Bonds		865				NA	NA
4.	Proposed/Existing Taxable Subordinated Tier II Bonds		750			NA	NA	NA
5.	Long Term Taxable Bonds		1350	BWR AAA (SO)	BWR AAA (SO)	BWR AAA (SO)	BWR AAA (SO)	BWR AAA (SO)
6.	Long Term Tax Free Bonds		757.65	[Pronounced as BWR Triple A(Structured Obligation)] Outlook:Stable (Reaffirmation)	[Pronounced as BWR Triple A(Structured Obligation)] Outlook:Stable	[Pronounced as BWR Triple A(Structured Obligation)] Outlook:Stable	[Pronounced as BWR Triple A(Structured Obligation)] Outlook:Stable	[Pronounced as BWR Triple A(Structured Obligation)] Outlook:Stable



Total			8007.65	INR Eight Thousand Seven Crores and Sixty Five Lakhs Only				
1.	Issuer Rating	Long Term	NA	BWR AAA (Pronounced as BWR Triple A Outlook:Stable	BWR AAA (Pronounced as BWR Triple A Outlook:Stable	BWR AAA (Pronounced as BWR Triple A Outlook:Stable	NA	NA

Annexure I: Details of Already Rated Instruments

ISIN Particulars	Amount (Rs. Crs)	Instrument Name	Issue Date	Maturity Date	Coupon Rate
INE202E07047	150	Long Term Taxable Bonds - Series II	Jan 13, 2010	Jan 13, 2020	8.85%
INE202E07054	150	Long Term Taxable Bonds - Series III Tranche I	Sep 24, 2010	Sep 24, 2020	8.87%
INE202E07062	250	Long Term Taxable Bonds Series III Tranche II	Sep 24, 2010	Sep 24, 2025	9.02%
INE202E07070	300	Long Term Taxable Bonds Series IV	June 4, 2012	June 4, 2022	9.49%
INE202E07088	300	Long Term Taxable Bonds Series VA	May 10, 2013	May 10, 2023	8.44%
INE202E07096	200	Long Term Taxable Bonds Series VB	May 10, 2013	May 10, 2028	8.49%
INE202E07161	36	Long Term Taxfree Bonds Series XIII Tranche I-IC	Mar 27, 2014	Mar 27, 2029	8.56%
INE202E07104	75.76	Long Term Taxfree Bonds - Series XIII Tranche I-IA	Mar 13, 2014	Mar 13, 2024	8.16%
INE202E07120	123.08	Long Term Taxfree Bonds - Series XIII Tranche I-IIA	Mar 13, 2014	Mar 13, 2029	8.55%
INE202E07146	38.81	Long Term Taxfree Bonds - Series XIII Tranche I-IIIA	Mar 13, 2014	Mar 13, 2034	8.55%
INE202E07112	105.29	Long Term Taxfree Bonds Series XIII Tranche I-IB	Mar 13, 2014	Mar 13, 2024	8.41%
INE202E07138	234.55	Long Term Taxfree Bonds - Series XIII Tranche I-IIB	Mar 13, 2014	Mar 13, 2029	8.80%
INE202E07153	144.16	Long Term Taxfree Bonds - Series XIII Tranche I-IIB	Mar 13, 2014	Mar 13, 2034	8.80%
INE202E07260	275.00	Taxable Green Bonds - Series VII A*	Jan 3, 2019	Jan 3, 2029	8.51%
INE202E07278	590.00	Taxable Green Bonds - Series VII B*	Jan 17, 2019	Jan 17, 2029	8.47%
INE202E08045	150.00	Taxable Subordinated Tier II Bonds	Feb 2, 2019	Feb 2, 2029	9.23%
Total	3122.65				

Status of Non-Cooperation with Previous CRA: NA

Any Other Information: NA

29 March 2019



Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Structured Obligation Instruments](#)
- [Banks & Financial Institutions](#)
- [Complexity Levels](#)
- [Ratings Based on Government Support](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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