

RATING RATIONALE

Indian Renewable Energy Development Agency Ltd.

Brickwork Ratings withdraws the rating for GOI Fully Serviced Bond, reaffirms the rating of bank loan facilities and bond facilities, and reaffirms the Issuer Rating of Indian Renewable Energy Development Agency Ltd.

Particulars

Instrument	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2020)	Present
Proposed GOI Fully Serviced Bond	500.00	-	Long Term	BWR AAA (BWR Triple A) Stable	Withdrawn
Proposed Taxable Bonds	3600.00	3600.00		BWR AAA (BWR Triple A) Stable (Reaffirmation)	BWR AAA (BWR Triple A) Stable (Reaffirmation)
Taxable Green Bonds	865.00	865.00			
Proposed Term Loan	2200.00	2200.00			
Proposed Taxable Sub Tier II Bonds	150.00	650.00			
Long Term Taxable Bonds	1200.00	1200.00		BWR AAA (CE) [BWR Triple A (Credit Enhancement)] Stable (Reaffirmation)	BWR AAA (CE) [BWR Triple A (Credit Enhancement)] Stable (Reaffirmation)
Long Term Tax Free Bonds	757.65	757.65			
Total	9272.65	9272.65	INR Nine thousand Two hundred seventy two crores and sixty five lacs Only		



Entity	Rating Type	Tenure	Previous Rating Feb, 2020	Present Rating
Indian Renewable Energy Development Agency Ltd	Issuer	Long Term	BWR AAA (BWR Triple A) Stable Reaffirmation	BWR AAA (BWR Triple A) Stable Reaffirmation

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities/bond issue is provided in Annexure-I & II

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating continues to factor in 100% GoI ownership in Indian Renewable Energy Development Agency Ltd. (IREDA), IREDA's strategic role in the promotion of and growth in renewable energy in the country, comfortable capital adequacy, diversified resource profile, adequate risk management and IT systems in place, sustained profitability and comfortable liquidity. The rating has also taken note of IREDA's asset quality issues in certain segments of the overall portfolio, along with the measures adopted by IREDA to improve the same.

Brickwork Ratings (BWR) has also noted that a sizable portion of the company's borrowings is in the form of foreign currency loans from various multilateral and bilateral organizations, the majority of which are backed by a government guarantee.

The Stable outlook indicates a low likelihood of a rating change over the medium term. BWR believes IREDA's business risk profile will be maintained over the medium term.

The rating assigned to GOI Fully Serviced Bond stands withdrawn since the company has decided to cancel the issue.



Description of Key Rating Drivers

- **Credit Strengths:**

GoI Ownership and its Continued Support: Presently, 100% ownership of the company lies with the Government of India (GoI). IREDA was set-up under the administrative control of the Ministry of New & Renewable Energy (MNRE) to incentivise the growth in renewable energy in the country. The company was accorded the status of 'Mini Ratna' in 2015, following which there was no additional equity infusion by the GoI in the company. However, the GoI has been consistently supporting IREDA by guaranteeing its foreign currency debt. As on 31 March 2019, ~44% of the company's debt was backed by government guarantees. Support from the government is expected to continue in future as well due to the strategic importance of IREDA in implementing various renewable-energy-related policies of the GoI.

Comfortable Capital Adequacy: As on 31 March 2019, the company reported a CRAR of 16.32%, which is above the permissible limit of 10% prescribed under RBI norms. Tier I CRAR stood at 14.65% as on 31 March 2019.

Consistent Growth in Business: During FY19, the company sanctioned loans of Rs. 11,941.87 Crs, reflecting a minor deflection over the previous year's sanctioned amount of Rs. 12,130.01 Crs due to the subdued market condition. Loan disbursals during the financial year 2018-19 were Rs. 9,385.37 Crs, registering an increase of 12.69% over the previous year's disbursement of Rs. 8,328.38 Crs. Additionally, recovery efforts have resulted in the recovery of an aggregate amount of Rs. 113.34 Crore from NPAs, including the amount recovered from written-off assets amounting to Rs. 2.15 Crore.

- **Credit Risks:**

Issues with Asset Quality: IREDA's portfolio continues to remain vulnerable on account of its concentration in the renewable energy sector, and the company is gradually reducing its exposure to stressed sectors, such as Biomass, Cogeneration and Small Hydro. The GNPA's as on 31 March 2019 were reported at 6.12%, against the previous year's figure of 6.30%.



Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The firm's ability to contain deterioration in asset quality NPAs, improve financial performance and raise capital will be key rating sensitivities.

Negative: The rating may be downgraded if further deterioration in asset quality or weakening in financial risk profile is recorded.

LIQUIDITY POSITION: ADEQUATE

As on 30 September 2019, the company had cash and cash equivalent of Rs.2,877.45 Crs. As per the ALM as on 31 March 2019, cumulative mismatch across all the time buckets of the loan portfolio is positive for the company, indicating a comfortable liquidity position. The company also has unutilized lines of credit worth Rs. 2777.56 Crs, which provides additional comfort.

About the Company

Indian Renewable Energy Development Agency Ltd (IREDA) was incorporated on 11 March 1987 as a fully owned Government of India enterprise under the administrative control of the Ministry of New and Renewable Energy (MNRE). Furthermore, the company was notified as a public financial institution under section 4A of the Companies Act, 1956 and also registered as a Non-Banking Finance Company with the RBI. The company was established for the promotion, development and commercialisation of New and Renewable Sources of Energy and provides financial assistance to energy efficiency and conservation projects. The GoI conferred the status of Mini Ratna under Category-I upon IREDA in June 2015. The sectors financed by IREDA can broadly be classified as under wind energy, small hydro energy, bioenergy, solar energy, energy efficiency and conservation, and new and emerging technologies.



Company Financial Performance

	Units	2018	2019
Key Parameters		Audited	Audited
Portfolio	Rs. Crores	15820.00	21388.67
Net Interest Income	Rs. Crores	772.56	841.02
PAT	Rs. Crores	370.44	244.13
Tangible Net Worth	Rs. Crores	2412.83	2563.77
CRAR	%	18.05	16.32
Gross NPA	%	6.30	6.12
Net NPA	%	3.84	3.74

Rating History for the last three years

Instrument /Facility	Current Rating			Rating History									
	Type	Amount (₹ Crs)	Rating	Feb 2020	Aug 2019	Mar 2019	Feb 2019	2018	2017	2016			
GOI Fully Serviced Bond	Long Term	0.00	Withdrawn	BWR AAA Stable	BWR AAA Stable	NA	NA	NA	NA	NA	NA		
Proposed Taxable Bonds		3600.00	BWR AAA Stable			NA	NA	NA	NA	NA	NA		
Taxable Green Bonds		865.00				NA	NA	NA	NA	NA			
Proposed Term Loan		2200.00				BWR AAA Stable	BWR AAA Stable	BWR AAA Stable	BWR AAA Stable	BWR AAA Stable	NA	NA	
Proposed Taxable Sub Tier II Bonds		650.00				NA	NA	NA	NA	NA			
Long Term Taxable Bonds		1200.00				BWR AAA (CE) Stable	BWR AAA (CE) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable
Long Term Tax Free Bonds		757.65				BWR AAA (CE) Stable	BWR AAA (CE) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable
Total		9272.65				INR Nine thousand Two hundred seventy two crores and sixty five lacs Only							

Status of non-cooperation with previous CRA (if applicable): NA



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Indian Renewable Energy Development Agency Ltd.

Annexure-I
Details of Bank Facilities

Name of the Bank	Name of Facility	Tenure	Exposure (₹ Crores)
HDFC	Term Loan	Term Loan	200.00
SBI			1000.00
Canara Bank			500.00
Unallocated	Proposed Term Loan		500.00
Total			2200.00

Indian Renewable Energy Development Agency Ltd.

Annexure-II
Details of bonds

ISIN Particulars	Amount (Rs.Crs)	Instrument Name	Issue Date	Maturity Date	Coupon Rate %
INE202E0729 4	803	Taxable Redeemable Non-Convertible Non-Cumulative Secured Bonds Sr-IX-B	Mar 3,2020	Mar 3,2030	7.40
INE202E0705 4	150	Long Term Taxable Bonds - Series III Tranche I	Sep 24, 2010	Sep 24, 2020	8.87
INE202E0706 2	250	Long Term Taxable Bonds Series III Tranche II	Sep 24, 2010	Sep 24, 2025	9.02
INE202E0707 0	300	Long Term Taxable Bonds Series IV	June 4, 2012	June 4, 2022	9.49
INE202E0708 8	300	Long Term Taxable Bonds Series VA	May 10, 2013	May 10, 2023	8.44
INE202E0709 6	200	Long Term Taxable Bonds Series VB	May 10, 2013	May 10, 2028	8.49
INE202E0716 1	36	Long Term Taxfree Bonds Series XIII Tranche I-IC	Mar 27, 2014	Mar 27, 2029	8.56



INE202E0710 4	75.76	Long Term Taxfree Bonds - Series XIII Tranche I-IA	Mar 13, 2014	Mar 13, 2024	8.16
INE202E0712 0	123.08	Long Term Taxfree Bonds - Series XIII Tranche I-IIA	Mar 13, 2014	Mar 13, 2029	8.55
INE202E0714 6	38.81	Long Term Taxfree Bonds - Series XIII Tranche I-IIIA	Mar 13, 2014	Mar 13, 2034	8.55
INE202E0711 2	105.29	Long Term Taxfree Bonds Series XIII Tranche I-IB	Mar 13, 2014	Mar 13, 2024	8.41
INE202E0713 8	234.55	Long Term Taxfree Bonds - Series XIII Tranche I-IIB	Mar 13, 2014	Mar 13, 2029	8.8
INE202E0715 3	144.16	Long Term Taxfree Bonds - Series XIII Tranche I-IIB	Mar 13, 2014	Mar 13, 2034	8.8
INE202E0726 0	275	Taxable Green Bonds - Series VII A	Jan 3, 2019	Jan 3, 2029	8.51
INE202E0727 8	590	Taxable Green Bonds - Series VII B	Jan 17, 2019	Jan 17, 2029	8.47
INE202E0804 5	150	Subordinate Tier II Taxable Bonds	22 Feb 2019	22 Feb 2029	9.23

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