RESEARCH & PUBLICATIONS •



A Fitch Group Company

India Ratings Assigns IREDA's Gol Fully Serviced Bonds' 'IND AAA'/Stable; Affirms Existing Ratings Home · Press Releases · India Ratings Assigns IREDA's GoI Fully Serviced Bonds' 'IND AAA'/Stable; Affirms Existing Ratings

Rating/Outlook

ABOUT US •

RATINGS •

Rating Action



By Bhushan Joshi

Instrument

Date of

signed between the Ministry of New and Renewable Energy and IREDA.

Coupon

(IREDA) government fully serviced bonds:

Maturity

Size of Issue

India Ratings and Research (Ind-Ra) has taken the following rating actions on Indian Renewable Energy Development Agency Limited's

Туре	Issuance	Rate	Date	(million)		
FY20 borrowing programme#	-	-	-	INR41,000	IND AAA/Negative	Affirmed
FY19 borrowing programme#	-	-	-	INR8,650	IND AAA/Negative	Affirmed
Sub debt*#	-	-	-	INR7,500	IND AAA/Negative	Affirmed
Bonds#	-	-	-	INR7,000	IND AAA/Negative	Affirmed
Tax-free bonds#	-	-	-	INR20,000	IND AAA/Negative	Affirmed
GoI fully serviced bonds**#	-	-	-	INR16,400	IND AAA/Stable	Affirmed
GoI fully serviced bonds**\$#	-	-	-	INR5,000	IND AAA/Stable	Assigned
*INR1,500 million raise	ed in FY19					

Details in Annexure \$ Yet to be issued

Analytical approach: The rating approach factors in IREDA's systemic importance to the government of India (GoI) in view of the need to address the issues related to the financing of renewable energy (RE) projects.

concerns regarding capital buffers.

The Negative Outlook on the non-GoI fully serviced bonds reflects Ind-Ra's expectations of a weakening in IREDA's asset quality and the agency's

Public Policy Institution: IREDA is the GoI's only nodal agency to incentivise the renewable energy (RE) sector and attract investments by way of subsidies and lower cost borrowings. It is the sole programme administrator of the MNRE's schemes, such as incentive schemes for wind and

solar power projects, the roof-top solar power programme, a capital subsidy scheme for solar water heating systems and the National Clean Energy Fund. Ind-Ra believes IREDA will continue to play a crucial role in reducing emissions as well as in the development of the RE sector.

Disbursements in solar grew at 60.6% CAGR over FY15-FY19.

KEY RATING DRIVERS

of the GoI. IREDA had received regular equity infusions from the GoI till FY15. However, with IREDA being accorded the status of Mini Ratna in June 2015, the government support in the form of equity infusions would no longer be seen in a normal course. The Cabinet Committee on Economic Affairs has approved IREDA's initial public offering (IPO). While it was planned for FY20 and IREDA had filled draft red herring prospectus and received the Securities and Exchange Board of India's approval, the IPO is unlikely to take place in FY20. The

Sovereign Support: IREDA is financially independent as it maintains its own accounts, and its debt/borrowings are not consolidated with those

proceeds from the IPO will enable IREDA to increase its equity base, and thereby raise more debt resources for funding RE projects. IREDA's importance is also evident from the fact that the GoI has guaranteed its multilateral and bilateral debt, which formed 43.4% of its outstanding borrowings at FYE19. Additionally, in the past, IREDA has been authorised to raise low-cost funds by issuing tax-free bonds in the past so as to reduce their on-lending cost of financing RE projects.

Expanding Loan Book: IREDA's loan book grew 23.95% yoy to INR208.81 billion in 1HFY20 (FY19: 37.6% yoy, INR213 billion). The loan book grew at a CAGR of 24.8% between FY15 (INR88 billion) and FY19. While sanctions grew at an average pace of 35.1% yoy over FY15-FY18, the growth remained muted in FY19 (FY19: INR119 billion, FY18: INR121 billion). Disbursements grew 12.7% yoy in FY19 to INR94 billion (against the targeted disbursements of INR93 billion). The sanctions and disbursals during 9MFY20 were INR99.25 billion and INR55.49 billion, respectively.

Loan Book in Sync with GoI's Objective: IREDA's loan allocation mirrors the target allocation set by GoI for achieving the 175GW target by 2022 (57.1% by solar power, 34.3% by wind power, 5.7% by biomass power and 2.9% by small hydro power). At FYE19, the loan book was highly concentrated towards solar (35.9%, FYE15: 11.5%) and wind (27.2%, FYE15: 47.7%). The solar sector accounted for 51.24% and 49.01% of total sanctions and disbursals, respectively, made during 1HFY20. The solar sector, which accounted for 12% of the loan book at FYE15, accounted for 35.9% at FYE19 after growing steadily. The outstanding loan portfolio of solar grew 54.5% yoy at FYE19 (FY15-FY19: 65.9% CAGR). Unlike other sectors where the disbursements have been fluctuating, solar is the only sector that has witnessed a steady growth in disbursements.

Liquidity Indicator - Strong: With 12.51% of its liabilities maturing in FY20, there were no mismatches in any of its bucket for the current financial year at 1HFY20. This was aided by IREDA's low reliance on short-term borrowings with most of the asset book being financed through

long-term borrowings. At end-January 2020, IREDA had three unutilised overdraft/cash credit facilities amounting to a total of INR3.48 billion.

Concentration Risk Looms: At FYE19, the top 20 borrowers occupied a comfortable chunk of the portfolio (32.8%), reflecting moderate concentration risk. Among the top 20 borrowers, 43.6% of the loan book was accounted by short-term loans, 31.5% by the wind sector and 24.9% by the solar sector. However, the credit quality of these borrowers provides some comfort. Moreover, IREDA faces regional concentration risk. The top 10 states accounted for 85.7% of its FYE19 loan book (top five states accounted for

65.3%). Andhra Pradesh (AP) alone accounted for 24.9% of the loan book exposure and 14.9% of the sanctioned capacity at FYE19.

from the other AP portfolio. Although the High Court of Andhra Pradesh has stayed the matter (negotiation to review, negotiate and bring down the wind and solar energy purchase prices), IREDA's AP portfolio is exposed to increased delinquencies risk in the short-to-medium term.

Deteriorating Asset Quality: IREDA's gross non-performing assets (NPAs) shot up to INR20.64 billion in 1HFY20 from INR12.73 billion at 1HFY19. Even the net NPA doubled to INR14.26 billion in 1HFY20 from INR7.79 billion at FYE19. The gross NPA to gross advances increased to

At mid-August 2019, 68.1% of the projects financed in AP were in wind and solar sector. From this, 23.1% was relatively secured as the power purchase agreements were stronger counter parties such as Solar Energy Corporation of India or NTPC Limited ('IND AAA'/Stable) risk emerges

8.03% in 1HFY20 from 7.37% in 1HFY19. Fresh slippages during 1HFY20 were INR7.76 billion. The provisioning coverage ratio in 1HFY20 was 30.91% (1HFY19: 33.12%). In FY20, IREDA's NPA classification came down to 90 days from 120 days in FY19 (FY18: 180 days). IREDA's asset quality is likely to be affected by the reduction in NPA classification days and also by the AP government's move to renegotiate the tariff of solar and wind projects.

FY16) to fund the loan book growth and (2) increased provisioning. While IREDA's capital adequacy remained higher than the regulatory requirement of 10% at FYE19, an increasing sizeable part of its capital is getting locked in the form of delinquent assets (net) (FYE19: 31.3%, FYE15: 16.4%). IREDA's minimum capital adequacy requirement according to the regulator is 12% at FYE20.

IREDA's leverage (total debt to total equity) declined marginally to 7.21x at 1HFY20 from 7.26x in FY19. Ind-Ra believes without the IPO, it will be

Capitalisation and Leverage Concerns: IREDA's capital adequacy ratio continues to be high at 16.99% in 1HFY20; however, it has declined from 18.05% in FYE18. This has been due to (1) the absence of equity infusion (which has stopped post the awarding of the Mini Ratna status in

Drop in Net Interest Margins: IREDA's net interest margins continued a downward trend to 1.61% in 1HFY20 from 2.7% in 1HFY19 (FYE19: 3.80%; FYE18: 4.07%). The interest earned increased 23.3% yoy in 1HFY20 to INR11.01 billion and the finance cost increased 26.8% yoy to INR7.13 billion. IREDA's net profit in 1HFY20 increased 88.0% yoy to INR1.63 billion.

was set up with an objective of promoting, developing and extending financial assistance to techno-commercially viable RE and energy efficiency

FY19

216,909

6,349

1.09

6.12

31.3

September

IND

AAA/Stable

Maturity

Date

24 March

2027

29 March

2027

1 October

2025

21 January

2026

FY18

173,541

5,477

1.90

6.30

24.0

Historical Rating/Outlook

4 February 2019

IND AAA/Stable

Size of Issue

(million)

INR2,000

INR5,000

INR2,840

INR1,089

20 September 2017

IND AAA/Stable

Rating/Outlook

IND

AAA/Negative

IND

AAA/Negative

IND

AAA/Negative

IND

AAA/Negative

- a material increase in the leverage (debt:equity ratio beyond 8x) and a weakening of the capitalisation - the lack of adequate provisioning against delinquent assets (under 45%)

RATING SENSITIVITIES

COMPANY PROFILE

- Ind-Ra's expectation of a weakening of IREDA's operational and managerial linkages with the GoI

- inadequate budgetary provisions for servicing the GoI fully serviced bonds throughout the tenure of the bonds

Future developments that could, individually or collectively, lead to a negative rating action include:

difficult for IREDA to increase its equity base, which is crucial for growth capital.

- 35% or more capital is locked in the form of delinquent assets (net)

- IREDA was incorporated under Section 4A of the Companies Act, 1956, on 11 March 1987 under the aegis of the Ministry of New and Renewable Energy. IREDA is a GoI-owned public financial institution and has been registered with the Reserve Bank of India since February 1998. The entity
- **Particulars** Total earning assets (INR million) Net interest income (INR million)

Gross non-performing assets (%)

Source: IREDA, Ind-Ra

RATING HISTORY

Instrument Type

Net non-performing assets/equity (%)

FINANCIAL SUMMARY

projects.

ROAA (%)

		(million)		2019		
FY20 borrowing programme	Long-term	INR41,000	IND AAA/Negative	IND AAA/Negative		-
Sub-debt	Long-term	INR7,500	IND AAA/Negative	IND AAA/Negative	IND AAA/Stable	-
FY19 borrowing programme	Long-term	INR8,650	IND AAA/Negative	IND AAA/Negative	IND AAA/Stable	-
Bonds	Long-term	INR7,000	IND AAA/Negative	IND AAA/Negative	IND AAA/Stable	IND AA+/
Tax-free bonds	Long-term	INR20,000	IND AAA/Negative	IND AAA/Negative	IND AAA/Stable	IND AA+/

IND AAA/Stable

Coupon

Rate (%)

8.12

8.05

7.17

7.28

Rating

Current Rating/Outlook

Rated

Limits

INR21,400

Date of

Issuance

24 March

2017

29 March

2017

1 October

2015

21 January

2016

Rating Type

Long-term

ISIN

INE202E07245

INE202E07252

INE202E07179

INE202E07187

GoI fully serviced bonds

Instrument

Bonds - Taxable

Bonds - Taxable

Tax-free bonds (2015)

Tax-free bonds (2016)

ANNEXURE

Tax-free bonds (2016) INE202E07203 Tax-free bonds (2016) INE202E07211 Tax-free bonds (2016) INE202E07229 Tax-free bonds (2016) INE202E07237 GoI fully serviced bonds INE202E08011 GoI fully serviced bonds INE202E08029 Z GoI fully serviced bonds INE202E08037 INE202E08037 INE202E07260 Bonds	21 January 2016 21 January 2017 2017 2017 3 February 2017 3 January 2019	7.49 7.43 7.53 7.74 7.68 7.22 7.6 7.85	21 January 2031 21 January 2036 21 January 2026 21 January 2031 21 January 2036 6 February 2027 23 February 2027 6 March 2027	INR8,843 INR364 INR1,279 INR4,835 INR750 INR6,100 INR2,200 INR8,100	IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Negative
Tax-free bonds (2016) INE202E07211 Tax-free bonds (2016) INE202E07229 Tax-free bonds (2016) INE202E07237 GoI fully serviced bonds INE202E08011 GoI fully serviced bonds INE202E08029 GoI fully serviced bonds INE202E08037 IREDA Taxable Green Bonds IREDA Taxable Green	2016 21 January 2016 21 January 2016 21 January 2016 21 January 2016 26 February 2017 27 February 2017 2017 3 January 3 January	7.53 7.74 7.68 7.22 7.6	2036 21 January 2026 21 January 2031 21 January 2036 6 February 2027 23 February 2027 6 March	INR1,279 INR4,835 INR750 INR6,100 INR2,200	IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Stable
Tax-free bonds (2016) INE202E07229 Tax-free bonds (2016) INE202E07237 GoI fully serviced bonds INE202E08011 GoI fully serviced bonds INE202E08029 GoI fully serviced bonds INE202E08037 IREDA Taxable Green Bonds IREDA Taxable Green	2016 21 January 2016 21 January 2016 21 January 2016 26 February 2017 23 February 2017 6 March 2017 3 January	7.74 7.68 7.22 7.6	2026 21 January 2031 21 January 2036 6 February 2027 23 February 2027 6 March	INR4,835 INR750 INR6,100 INR2,200	IND AAA/Negative IND AAA/Negative IND AAA/Negative IND AAA/Stable
Tax-free bonds (2016) INE202E07237 GoI fully serviced bonds INE202E08011 GoI fully serviced bonds INE202E08029 GoI fully serviced bonds INE202E08037 IREDA Taxable Green Bonds IREDA Taxable Green	2016 21 January 2016 6 February 2017 23 February 2017 6 March 2017 3 January	7.68 7.22 7.6 7.85	2031 21 January 2036 6 February 2027 23 February 2027 6 March	INR750 INR6,100 INR2,200	IND AAA/Negative IND AAA/Negative IND AAA/Stable IND AAA/Stable
GoI fully serviced bonds INE202E08011 GoI fully serviced bonds INE202E08029 GoI fully serviced bonds INE202E08037 IREDA Taxable Green Bonds IREDA Taxable Green	2016 6 February 2017 23 February 2017 6 March 2017 3 January	7.22 7.6 7.85	2036 6 February 2027 23 February 2027 6 March	INR6,100 INR2,200	AAA/Negative IND AAA/Stable IND AAA/Stable
GoI fully serviced bonds INE202E08029 2 GoI fully serviced bonds INE202E08037 IREDA Taxable Green Bonds IREDA Taxable Green	2017 23 February 2017 6 March 2017 3 January	7.6 7.85	2027 23 February 2027 6 March	INR2,200	IND AAA/Stable
GoI fully serviced bonds INE202E08037 IREDA Taxable Green Bonds IREDA Taxable Green	2017 6 March 2017 3 January	7.85	2027 6 March		
IREDA Taxable Green Bonds IREDA Taxable Green	2017 3 January			INR8,100	
Bonds IREDA Taxable Green	,	8.51			IND AAA/Stable
		0.02	3 January 2029	INR2,750	IND AAA/Negative
INE202E07278	17 January 2019	8.47	17 January 2029	INR5,900	IND AAA/Negative
Sub debt INE202E08045 2	22 February 2019	9.23	22 February 2029	INR1,500	IND AAA/Negative
Bonds (FY20) INE202E07286	24 September 2019	8.00	24 September 2029	INR10,000	IND AAA/Negative
Sub-debt (Unutilised)				INR6,000	IND AAA/Negative
FY20 borrowing programme (Unutilised)				INR31,000	IND AAA/Negative
GoI fully serviced bonds				INR5,000	IND AAA/Stable
Grand Total				INR105,550	

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. ABOUT INDIA RATINGS AND RESEARCH

India's fixed income market.

India Ratings is a 100% owned subsidiary of the Fitch Group. For more information, visit www.indiaratings.co.in.

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE WWW.INDIARATINGS.CO.IN. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES.

INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

DISCLAIMER

Asset Manager Gradings

Sectoral and Economic Research

MFI Gradings

Financial Institutions **Mutual Fund** Public Finance Structured Finance

SSI/SME Ratings

Infrastructure Debt Fund Ratings

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies. Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

SITE MAP **REACH US**

** The servicing of these bonds is a charged expenditure on the central budget, as clearly articulated in the memorandum of understanding

Manager – Corporate Communication

Applicable Criteria Rating of Public Sector Entities CONTACT POPULAR SIMILAR

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th floor, West Wing Plot C-2, G Block. Bandra Kurla Complex Bandra (East), Mumbai 400051

Primary Analyst

Bhushan Joshi

Analyst

Secondary Analyst

+91 22 40356113

Principal Economist and Director Public Finance +91 124 6687255

Committee Chairperson

Dr Devendra Pant

Dr. Sunil Kumar Sinha

Chief Economist and Head Public Finance 0124 6687251 Media Relation **Ankur Dahiya**

+91 22 40356121

-/Positive -/Positive

India

India Ratings and Research Private Limited Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

Phone: +91 22 4000 1700, Fax: +91 22 4000 1701 Email: infogrp@indiaratings.co.in

Non-Performing Assets (NPA) Investor Relationships & Grievances Term Deposit Credit Ratings Copyright © 2020 Fitch Ratings, Inc., Fitch Ratings, Ltd. and its subsidiaries.

CAREERS •

CONTACT US •

Contact Us

About Us Corporates Infrastructure & Project Finance

Issuer Credit Research Transition and Default Study Working at IndiaRatings Get In Touch

Terms Of Use Privacy Policy