

DRAFT RATING RATIONALE

June 28, 2022

Indian Renewable Energy Development Agency Ltd.

Brickwork Ratings assigns ratings for the additional bank loan facilities amounting to Rs.7270 Crs, reaffirms the ratings for existing bonds and bank loan facilities amounting to Rs.8255.65 Crs and withdraws the ratings of bonds and bank loan facilities amounting to Rs.1300 Crs on repayments of Indian Renewable Energy Development Agency Ltd. (IREDA). BWR also reaffirms the issuer rating of IREDA. The rating outlook for IREDA's various issues stands revised from Negative to Stable.

Particulars

Instruments and Facilities	Tenure	Amount Rs Crs		Ratings	
		Previous	Present	Previous (10 Dec 2021)	Present*
Fund Based Bank Loan Facilities	Long Term	3430	3430	BWR AAA/Negative (Reaffirmation)	BWR AAA/Stable (Reaffirmation and change in outlook)
Fund Based Bank Loan Facilities		1000	-	BWR AAA/Negative (Reaffirmation)	Withdrawn (on repayment in full)
Fund Based Bank Loan Facilities		-	7270	-	BWR AAA/Stable (Assignment)
Unsecured Taxable Sub Tier II Bonds		500	500	BWR AAA/Negative (Reaffirmation)	BWR AAA/Stable (Reaffirmation and change in outlook)
Existing Taxable Bonds		1803	1803		
Taxable Green Bonds		865	865		
Existing Taxable Sub Tier II Bonds		150	150		
Long Term Taxable Bonds**		300	-	BWR AAA (CE)/ Negative (Reaffirmation)	Withdrawn (on full redemption)
Long Term Taxable Bonds**		750	750	BWR AAA (CE)/ Negative (Reaffirmation)	BWR AAA (CE)/ Stable (Reaffirmation and change in outlook)
Long Term Tax Free Bonds**		757.65	757.65		
Total		9,555.65	15,525.65	Rupees Fifteen Thousand Five Hundred and Twenty Five Crores and Sixty Five Lakhs Only	

Entity	Rating Type	Tenure	Previous Ratings (10 Dec 2021)	Present Rating
Indian Renewable Energy Development Agency Ltd	Issuer	Long Term	BWR AAA/Negative (Reaffirmed)	BWR AAA/Stable (Reaffirmed and outlook changed from Negative)

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

** Details of Bank Loan facilities and Bonds is provided in Annexure I and II

CE: Credit enhancement is based on Letter of Comfort issued by the Ministry of New and Renewable Energy (MNRE), Government of India (GoI), ensuring the timely repayment of debt towards the said bonds. The standalone / unsupported rating of IREDA has been derived at BWR AAA/ Stable

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has assigned ratings for additional bank loan facilities of Rs.7270 Crs and reaffirmed the ratings of the company's various bond issues and bank loan facilities aggregating to Rs.8255.65 Crs as tabulated above. BWR also reaffirms the Issuer Rating of the Company.

The rating of the long-term taxable and tax-free bonds continues to derive support in the form of credit enhancement from the letter of comfort issued by the Ministry of New and Renewable Energy (MNRE), Government of India (GoI), ensuring the timely repayment of debt towards the said bonds.

The rating assignment/reaffirmation of the outstanding bond issuances and bank loan facilities continues to factor in the ownership of Government of India, the criticality of the company to the Government, experienced management and improved performance of the company during FY22 and continued support of Government of India (GoI). However, the asset quality and sector concentration remains the monitorable.

The revision in outlook from Negative to Stable necessarily factors in the substantial capital infusion of Rs.1500 Crs by GOI during Q4FY22, which has strengthened the Capital Adequacy ratio (CAR) of the company and improved the gearing levels substantially. The Company's total CAR stood improved to 21.22% (FY21: 17.12%) and the gearing was 5.24x (FY21: 8.01x).

BWR also withdraws the ratings of the long term taxable bonds of Rs.300 Crs with immediate effect, as it was fully redeemed on its maturity date and confirmation received from the debenture trustee. The withdrawal of rating was at the company's request and the confirmation of no dues against the said bonds was received from the Debenture Trustee. Also, BWR has withdrawn the ratings of fund based bank Loan Facilities of Rs.1000 Crs with immediate effect, as these were fully repaid. The withdrawal is at the request of the company based on the no dues certificate issued by the lender of the facilities. The aforesaid Withdrawal of Ratings are in line with BWR internal Policy on Rating Withdrawal.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: N/A

KEY RATING DRIVERS

Credit Strengths:

- **Government Ownership and support:** Apart from the 100% ownership in the company, Government of India (GoI) has been extending support in the form of providing Guarantees / Letter of comfort for the fundraising programme of the company. IREDA has been seen as a strategically important company to provide

financial assistance for renewable energy ventures. The GoI continues to provide financial support as well to the Company by infusing Rs.1500 Crs during March 22. The GoI support is expected to continue considering the Government initiatives to boost the sector.

- **Experienced Board and Senior Management:** The present Chairman and MD of the company Mr. Pradip Kumar Das has over 33 years of vast experience in various positions in Finance, Banking, Accounts, Audit, Resource Mobilization & Treasury, Loan & Recovery, Disinvestment/Divestment, etc. both in public as well as private sectors. The Board of the company also includes Government nominees as a Part time Directors who are the senior officials of the Government undertakings.
- **Improvement in Loan Book and Profitability:** Company's loan portfolio has been continuously growing and it has reached Rs.33,931 Crs as on March 31, 2022 from Rs.27,854 Crs as at the end of FY21 and Rs.23,548 Crs as at the end of FY20. Of the total AUM, ~35% (PY:~26%) of the book is deployed in the nature of Short Term loans having tenure of 1-3 years which are provided to power distribution company (DISCOMs), power transmission companies (TRANSCOMs) and Engineering Procurement and Construction (EPC) contractors. The sector wise loan book exposure is led by Solar ~26% (PY:~32%) followed by Wind sector ~18.4% (PY:~21%) and Small Hydro ~12% (PY:~10%) of AUM as on March 31, 2022. It has disbursed Rs.16,071 Crs out of the sanction of Rs.23,921 Crs during FY22 as against the total disbursements of Rs.8,826 Crs during FY 21. Further, the profitability of the company has been improving over the period. The company's revenue profile has strengthened on account of increase in its loan portfolio, the total revenue from operations was Rs.2,860 Crs in FY22 from Rs.2,658 Crs, stable average cost of borrowings in the range of 6.5% - 7% over the past 2 years due to its ability to raise funds at competitive rates both from the domestic and overseas market owing to the Government ownership and Guarantees, lower provisioning due to reduction in impairment costs during FY22. With the aforesaid improvement, the company booked PAT of Rs.634 Crs for FY22, which was a significant improvement over PAT of Rs.346 for FY21.
- **Improved Capitalisation:** With the infusion of Rs.1,500 Crs during FY22, the capital to risk weighted assets ratio (CRAR) of the company improved to 21.22% (FY21: 17.12%), Tier I ratio to 17.6% (FY21: 12.9%). As on 31 March 2022, the Tangible Net worth increased to Rs.5,265 Crs from Rs.2,995 Crs as on 31 March 2021. Further, the company's gearing level moderated from 8.01 times as at the end of FY21 to 5.24 times as at end FY22. Going forward, maintaining the gearing level in line with the industry average and below regulatory permissible levels will be a key rating monitorable.

Credit Risks:

- **Portfolio Concentration:** ~44% of the company's loan portfolio as on 31 March 2022 has been concentrated in the Solar and Wind energy sector. However, the

company has also started diversifying its portfolio and started lending towards hybrid energy projects and explored ethanol based energy projects. The company looks forward to rationalizing the concentration for sectoral exposure in the medium term.

- **Moderate Asset Quality:** Gross Non Performing Assets (GNPA) stood at Rs.1768 Crs (5.22%) as on 31 March 2022 although improved from Rs.2441 Crs (8.77%) as at the end of FY21. Net Non Performing Assets (NNPA) reduced to Rs.1035 Crs (3.12%) from Rs.1510 Crs (5.61%). The provision coverage has been improving since FY20. The improvement in asset quality has been due to recoveries and limited addition in NPAs during the year. Of the reduction in NPAs amounting to Rs.706 Crs, the company upgraded accounts amounting to Rs. 462 Crs and made recoveries amounting to Rs. 231 Crs and written off Rs.13 Crs. It made recovery of Rs.11 Crs of bad debts during FY22 (FY21: Rs.42 Crs). The stage II assets of the company had increased to 7.9% as at end of FY22 against 5.8% at end of FY21. The company's ability to manage the asset quality while increasing its scale of operations will be a key rating monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

To arrive at its ratings, BWR has considered the standalone performance of IREDA. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Upward: Significant growth in the AUM, adequate fund raise and significant improvement in asset quality, will be rating positives

Downward: Deterioration in the asset quality or earning profile if any, will be rating negatives

LIQUIDITY INDICATORS - Strong

As on 31 May 2022, IREDA had a total liquidity of around Rs.9,074 Crs which consisted of cash and bank balance of Rs.389 Crs, Unutilised Bank limits (Domestic lines of credit) of Rs.6,525 Crs and undrawn facilities in foreign currency line of credits amounting to around Rs.2,160 Crs. Against the above liquidity, it had total principal repayment obligations of around Rs.4,364 Crs upto 1 year maturity bucket as per the Asset Liabilities Management (ALM) statement for as on 31 March 2022.

COMPANY'S PROFILE

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 MNRE (Ministry of New & Renewable Energy). Furthermore, the company was notified as a public financial institution under section

Bonds									Stable	Stable	AAA Stable	Stable
Taxable Green Bonds	865											
Existing Taxable Sub Tier II Bonds	150											
Long Term Taxable Bonds	-**	Withdrawn									BWR AAA	BWR AAA
Long Term Taxable Bonds	750	BWR AAA (CE)/Stable	BWR AAA (CE)/Negative	BWR AAA (CE)/Negative	BWR AAA (CE)/Negative	BWR AAA (CE)/stable	BWR AAA (CE)/Stable	BWR AAA (CE)/Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable	BWR AAA (SO) Stable
Long Term Tax Free Bonds	757.65											
Issuer Ratings	-		BWR AAA/Negative	-		BWR AAA/Negative	BWR AAA Stable	BWR AAA Stable	BWR AAA Stable	BWR AAA Stable	BWR AAA Stable	BWR AAA Stable
Total	15,525.65	Rupees Fifteen Thousand Five Hundred and Twenty Five Crores and Sixty Five Lakhs Only										

COMPLEXITY LEVELS OF THE INSTRUMENTS:

Bank Loans and Bonds - Simple

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Banks & Financial Institutions](#)
- [Credit enhancement based on corporate guarantee, letter of comfort, pledge of shares etc.](#)

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Indian Renewable Energy Development Agency Ltd.

ANNEXURE I

Details of Bank Loan facilities

Name of the Bank/Lender	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
SBI Term Loan	Term Loan	450	0.00	450
SBI Term Loan	Term Loan	3000	0.00	3000
Bank of India	Term Loan	1000	0.00	1000
Bank of India	Term Loan	1500	0.00	1500
PNB	Term Loan	2700	0.00	2700
SMBC	OD/STL	350	0.00	350
Bank of India	OD/STL	400	0.00	400
RBL	OD/STL	300	0.00	300
Yes Bank	OD/STL	500	0.00	500
Bank of Baroda	OD/STL	500	0.00	500
Total Rated Bank Loan Facilities		10,700	0.00	10,700

(Rupees Ten Thousand Seven Hundred Crores Only)

ANNEXURE II

Details of Bonds rated by BWR

Instrument	Issue Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars
IREDA Taxable Bonds	24-Sep-10	250.00	9.02%	24-Sep-25	INE 202E 07062
IREDA Taxable Bonds	10-May-13	300.00	8.44%	10-May-23	INE 202E 07088
IREDA Taxable Bonds	10-May-13	200.00	8.49%	10-May-28	INE 202E 07096
IREDA Taxable Green Bonds	3-Jan-19	275.00	8.51%	3-Jan-29	INE 202E 07260
IREDA Taxable Green Bonds	17-Jan-19	590.00	8.47%	17-Jan-29	INE 202E 07278
IREDA Taxable Unsecured Subordinated Tier-II Bond	22-Feb-19	150.00	9.23%	22-Feb-29	INE 202E 08045
IREDA Taxable Bonds	24-Sep-19	1,000.00	8.00%	24-Sep-29	INE 202E 07286
IREDA Taxable Bonds	03-Mar-20	803.00	7.40%	03-Mar-30	INE 202E 07294
IREDA Taxable Unsecured Subordinated Tier-II Bond	08-May-20	500.00	7.74%	08-May-30	INE 202E 08060
IREDA Tax Free Bonds	13-Mar-14	75.76	8.16%	13-Mar-24	INE 202E07104
IREDA Tax Free Bonds	13-Mar-14	123.08	8.55%	13-Mar-29	INE 202E07120
IREDA Tax Free Bonds	13-Mar-14	38.81	8.55%	13-Mar-34	INE 202E07146
IREDA Tax Free Bonds	13-Mar-14	105.29	8.41%	13-Mar-24	INE 202E07112

IREDA Tax Free Bonds	13-Mar-14	234.55	8.80%	13-Mar-29	INE 202E07138
IREDA Tax Free Bonds	13-Mar-14	144.16	8.80%	13-Mar-34	INE 202E07153
IREDA Tax Free Bonds	27-Mar-14	36.00	8.56%	27-Mar-29	INE 202E07161
Total Rated Bonds		4825.65			

(Rupees Four Thousand Eight Hundred and Twenty Five Crore and Sixty Five Lakh only)

ANNEXURE III

List of entities consolidated: N/A

For print and digital media

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