CARE Ratings
Professional Risk Opinion

APRIL 12, 2016

CARE ASSIGNS RATING TO THE NCD OF IL&FS TRANSPORTATION NETWORKS LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings1	Remarks
Non-Convertible Debentures*	500.00# (Rupees Five hundred crore only)	**CARE AAA (SO) [Triple A (Structured Obligation)]**	**Final Rating Assigned**
Proposed Non-Convertible Debentures*@	200.00 (Rupees Two hundred crore only)	**Provisional CARE AAA (SO) [Triple A Structured Obligation]**	**Reaffirmed**
Total instruments	**700.00 (Rupees Seven hundred Crore only)**		

**credit enhancement in the form of a binding tripartite Parent Agreement for shortfall undertaking, whereby Debenture Trustee has a right to call upon IL&FS (i.e. Parent) for timely repayment of outstanding amounts of the aforesaid instruments.*
 # including Green shoe option of Rs.100 crore
@Ratings shall remain provisional till the receipt of the executed copies of the transaction documents such as Debenture Trust Deed, Parent Agreement/Shortfall Undertaking and Information Memorandum along with Independent Legal Opinion to the satisfaction of CARE.

Other ratings:

Facilities	Amount (Rs. crore)	Ratings1	Remarks
Long-term Bank Facilities – Term Loan	1,186.50	CARE A (Single A)	Reaffirmed
Short-term Bank Facilities – Term Loan	420.50	CARE A1 (A One)	Reaffirmed
Long/Short-term Bank Facilities	600.00	CARE A/CARE A1 (Single A/A One)	Reaffirmed
Total Bank facilities	**2207.00**		
Non-Convertible Debenture issue	1,500.00	CARE A (Single A)	Reaffirmed
Commercial Paper issue	750.00	CARE A1 (A One)	Reaffirmed
Total instruments/Bank Facilities	**4,457.00 (Rupees Four Thousand Four Hundred and Fifty Seven Crore only)**		

Rating Rationale

CARE confirms the rating assigned to Non-Convertible Debentures (NCDs) of Rs.500 crores of IL&FS Transportation Networks Ltd. (ITNL) following receipt of key documents such as Information Memorandum, Parent Agreement (Tripartite agreement among Debenture Trustee, Parent (i.e. IL&FS) and Issuer-ITNL) and Final term sheet. However, the ratings assigned to Rs.200 crore remains provisional till financial execution of documents and receipt of final term sheet.

The rating continues to factor in credit enhancement in the form of Trustee administered Structured Payment Mechanism (SPM) backed by a binding tripartite Parent Agreement for shortfall undertaking, whereby Debenture Trustee has a right to call upon IL&FS (i.e. Parent) for timely repayment of outstanding amounts of the aforesaid instruments.

The structure will be Trustee monitored on behalf of NCD holders to oversee the entire transaction while ensuring that the redemption amount gets deposited in the redemption account on or before redemption date. Further, in event of non-payment by the issuer i.e. ITNL, the credit enhancer has to oblige and pay-off the outstanding amount to the Debenture holders within the mentioned timeframe as per the defined Waterfall Mechanism.

Non adherence to the SPM and any variation of credit profile of Credit Enhancement Provider i.e. IL&FS constitute key rating sensitivities.

Background

ITNL is involved in the development, operations and maintenance of surface transportation infrastructure projects encompassing national and state highways, roads, tunnels, flyovers and bridges with expertise in development of build operate transfer (BOT) road projects. ITNL also renders services in areas of project advisory and management, supervisory, operation and maintenance (O&M) and toll collection services. As on March 31, 2015, the company is the largest player in road development segment on BOT basis with a pan India presence in 19 states. Incorporated in 2000, ITNL was promoted by IL&FS (rated 'CARE AAA/A1+') which holds 70.79% equity stake (along with other IL&FS group companies) in ITNL, in order to consolidate its existing road infrastructure projects.

About IL&FS (Credit Enhancement Provider)

IL&FS is one of India's leading infrastructure development and finance companies promoted by the Central Bank of India (CBI), Housing Development Finance Corporation (HDFC) and Unit Trust of India (UTI). IL&FS was established with twin mandates of providing financial services and to develop infrastructure projects under a commercial format. The shareholding pattern of the company has undergone a considerable change over the years with wider participation of other domestic as well as foreign institutional investors. During FY08, the non-group assets (mainly investment banking division) of IL&FS were transferred to its wholly owned subsidiary, IL&FS Financial Services Ltd. (IFIN) whereas IL&FS was transformed to function as a holding company for the group with a focus on investments in and lending to the group companies. IL&FS received certificate of registration as Core Investment Company (CIC-ND-SI) from RBI dated September 11, 2012.

IL&FS's income profile constitutes interest income from loans given to subsidiaries/group companies, dividend received from subsidiaries (mainly IFIN and IL&FS Transportation Networks Ltd. (ITNL) and IL&FS Investment Managers Ltd.(IIML)), brand fees received from group companies, rental income from business centre and profit from divestment of its exposure in group entities.

For detailed rating rationale of IL&FS, please refer to our website ***www.careratings.com.***

ITNL reported profit after tax (PAT) of Rs.319 crore on a total operating income of Rs.3,580 crore in FY15 as against PAT of Rs.266 crore on a total operating income of Rs.3,668 crore in FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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