

APRIL 13, 2016

CARE ASSIGNS 'CARE AAA (SO)' RATING TO THE NCD OF IL&FS TRANSPORTATION NETWORKS LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Non-Convertible Debentures*	390.00	CARE AAA (SO) [Triple A (Structured Obligation)]	Final Rating Assigned
Total instruments	390 (Rupees Three Hundred and Ninety 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.

Other ratings:

Facilities	Amount (Rs. crore)	Ratings ¹	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		

Rating Rationale

CARE confirms the rating assigned to Non-Convertible Debentures (NCDs) of IL&FS Transportation Networks Ltd. (ITNL) following receipt of key documents such as Debenture Trust Deed, Debenture Trustee Agreement, Information Memorandum, Parent Agreement (Tripartite agreement among Debenture Trustee, Parent (i.e. IL&FS) and Issuer-ITNL) and Independent Legal Opinion.

The rating continues to factor in 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.

The structure will be Trustee monitored on behalf of NCD holders to oversee the entire transaction while ensuring that the designated amount gets deposited in the designated account on or before redemption date. Further, in event of non-payment by the issuer i.e. ITNL, the credit enhancer has to oblige as a "Primary Obligor" 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.

The company 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**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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