

MAY 12, 2016

**CARE REAFFIRMS THE RATING ASSIGNED TO THE ENHANCED BANK FACILITIES OF
IL&FS TRANSPORTATION NETWORKS LIMITED**

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term-Fund Based Bank Facilities-Cash Credit	50.00	CARE A (Single A)	Assigned
Long Term/Short term Non-Fund based Bank facilities	1,210.00 [rated enhanced from Rs.1,110 crore]	CARE A/CARE A1 (Single A)/(A One)	Reaffirmed
Total bank facilities	1,260 (Rupees One Thousand Two hundred and Sixty Crore Only)		

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
Total Bank facilities	1,607.00		
Non-Convertible Debenture issue	1,500.00	CARE A (Single A)	Reaffirmed
Non-Convertible Debenture issue (NCDs)	500.00 [#]	CARE AAA (SO) [Triple A (Structured Obligation)]*	Reaffirmed
Proposed Non-Convertible Debenture issue (NCDs)@@	200.00	Provisional CARE AAA (SO) [Triple A Structured Obligation]*	Reaffirmed
Non-Convertible Debenture issue (NCDs)	390.00	CARE AAA (SO) [Triple A (Structured Obligation)]**	Reaffirmed
Commercial Paper issue	750.00	CARE A1 (A One)	Reaffirmed
Total instruments/Bank Facilities	4,947.00		

*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.

**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.

Rating Rationale

The reaffirmation of the ratings assigned to the bank facilities/instruments of IL&FS Transportation Networks Ltd (ITNL) continue to draw comfort from strong parentage of Infrastructure Leasing & Financial Services Limited (IL&FS, rated 'CARE AAA/CARE A1+'), significant experience and expertise of IL&FS Transportation Networks Limited (ITNL) in surface transportation and road infrastructure development, established track record in project execution and its dominant position in the domestic road sector reflected by ownership of geographically diversified road assets with healthy mix of annuity and toll based projects. The ratings also build in recent efforts by the company to deleverage its balance sheet by raising equity through proposed rights issue. The increased government focus on investment and development of road infrastructure in India are the other credit positives.

The rating strengths are, however, tempered by ITNL's continued financial commitments and support extended to under construction and operational projects and relatively high financial leverage. While ITNL continues to remain exposed to refinancing risk due to long gestation period of the investment in the projects and medium to short-term borrowings being

used to support such investments, CARE draws comfort from refinancing of part of short-term debt by longer maturity debt in FY15 (refers to the period April 1 to March 31) resulting in elongation of the effective maturity of debt. The ratings strengths are further tempered by project execution and implementation risks as approximately 3,941 lane km at SPV level are currently under various stages of construction/development and are likely to be commissioned in the next 2-3 years.

Higher than envisaged financial commitment to SPVs, timely funds mobilization by way of proposed rights issue with resultant impact on the ITNL's capital structure and concomitant improvement in financial leverage are the 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 December 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 71.92% equity stake (along with other IL&FS group companies) in ITNL, in order to consolidate its existing road infrastructure projects.

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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