

JULY 15, 2016

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

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Non-Convertible Debentures*	200.00 [#] (Rupees Two Hundred Crore only)	CARE AA+ (SO) [Double A Plus (Structured Obligation)]	Final Rating Assigned
Proposed Non-Convertible Debentures* [@]	550.00 (Rupees Five Hundred and Fifty Crore only)	Provisional CARE AA+ (SO) [Double A Plus (Structured Obligation)]	Reaffirmed
Total instruments	750.00 (Rupees Seven hundred and Fifty Crore only)		

*Backed by DSRA Support Undertaking by IL&FS (Credit Enhancement Provider, rated CARE AAA/CARE A1+) to arrange for necessary funds through itself or its nominee in relation to meeting ITNL's obligation to maintain debt service reserve (DSRA) in respect to the immediately succeeding Scheduled Debt Obligation, in the event that ITNL is not able to meet such DSRA obligations throughout the tenure of Non-convertible debentures.

[#] 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, DSRA Support Undertaking and Information Memorandum along with Independent Legal Opinion to the satisfaction of CARE.

Other ratings:

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-Term Bank Facilities – Term Loan	1,691.50 [Enhanced from Rs.1,186.50 crore]	CARE A (Single A)	Reaffirmed
Short-Term Bank Facilities – Term Loan	230.00 [Reduced from Rs.420.50 crore]	CARE A1 (A One)	Reaffirmed
Long/Short-term Bank Facilities	940.00 [Reduced from Rs.1,260.00 crore]	CARE A/CARE A1 (Single A/A One)	Reaffirmed
Total Bank Facilities	2,861.50 (Rupees Two Thousand Eight Hundred Sixty One Crore and Fifty lakhs only)		
Non-Convertible Debenture issue	1,500.00	CARE A (Single A)	Reaffirmed
Commercial Paper issue	750.00	CARE A1 (A One)	Reaffirmed
Non-Convertible Debentures (NCDs)	500.00 [#]	CARE AAA(SO)* [Triple A (Structured Obligation)]	
Non-Convertible Debentures (NCDs)	200.00 [@]	Provisional CARE AAA (SO)*[Triple A (Structured Obligation)]	
Non-Convertible Debentures (NCDs)	390.00	CARE AAA(SO)**[Triple A (Structured Obligation)]	
Total instruments/Bank Facilities	6,201.50 (Rupees Six Thousand Two Hundred One crore and Fifty lakhs 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 for Rs.200 crore 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 rating assigned to the NCD issue of Rs.200 crore takes into consideration the credit enhancement through a Trustee monitored Structured Payment Mechanism [SPM] in the form of a DSRA Support Undertaking by IL&FS (rated CARE AAA/A1+) to arrange for necessary funds through itself or its nominee in relation to meet ITNL's obligation to maintain debt service reserve (DSRA) in respect to the immediately succeeding Scheduled Debt Obligation, in the event that ITNL is

not able to meet such DSRA obligations throughout the tenure of proposed Non-convertible debentures. CARE has received copies of executed transaction documents viz. Information Memorandum, Debenture Trustee Agreement, DSRA Support Undertaking Agreement and Independent Legal Opinion for the aforementioned issue.

Besides, the rating assigned to the proposed NCD issue of Rs.550 crore continues to factor in credit enhancement through a Trustee monitored Structured Payment Mechanism [SPM] in the form of a proposed DSRA Support Undertaking by IL&FS (rated CARE AAA/A1+) to arrange for necessary funds through itself or its nominee in relation to meet ITNL's obligation to maintain debt service reserve (DSRA) in respect to the immediately succeeding Scheduled Debt Obligation, in the event that ITNL is not able to meet such DSRA obligations throughout the tenure of proposed Non-convertible debentures.

The rating will remain provisional till execution of relevant transaction documents and receipt of final term sheet.

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 (ITNL), the credit enhancer (IL&FS) or its nominee has to arrange for DSRA obligation amount for the Debenture holders within the mentioned timeframe.

Any non-adherence to SPM, continued majority ownership by IL&FS in ITNL 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, 2016, the company is the largest player in road development segment on BOT basis with a pan India presence in. 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.

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.173 crore on a total operating income of Rs.4,762 crore in FY16 as against PAT of Rs.319 crore on a total operating income of Rs.3,523 crore in FY15.

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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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