AUGUST 24, 2016

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

**Rating**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Non-Convertible Debentures* | 200.00 | **CARE AA+ (SO) [Double A Plus (Structured Obligation)]** | **Final Rating Assigned** |
| Non-Convertible Debentures* | 100.00 | **CARE AA+ (SO) [Double A Plus (Structured Obligation)]** | **Final Rating Assigned** |
| **Total instruments** | **300.00 (Rupees Three Hundred 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.*

**Other ratings:**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long-Term Bank Facilities – Term Loan | 1,691.50 | **CARE A (Single A)** | Reaffirmed |
| Short-Term Bank Facilities – Term Loan | 230.00 | **CARE A1 (A One)** | Reaffirmed |
| Long Term- Fund based -Bank facilities- Cash Credit | 50.00 | CARE A [Single A] | |
| Long/Short-term Bank Facilities | 890.00 | **CARE A/CARE A1 (Single A/A One)** | Reaffirmed |
| **Total Bank Facilities** | **2,861.50 (Rupees Two Thousand Eight Hundred Sixty One crores 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])** | Reaffirmed |
| Non-Convertible Debentures (NCDs) | 200.00@@ | **Provisional CARE AAA (SO)*[Triple A (Structured Obligation])** | Reaffirmed |
| Non-Convertible Debentures (NCDs) | 390.00 | **CARE AAA(SO)**[Triple A (Structured Obligation])** | Reaffirmed |
| Non-Convertible Debentures (NCDs) | 200.00## | **CARE AA+(SO)*** [Double A Plus (Structured Obligation])** | |
| Non-Convertible Debentures (NCDs) | 250.00@ | **Provisional CARE AA+ (SO) [Double A Plus (Structured Obligation)]** | Reaffirmed |
| **Total instruments/Bank Facilities** | **6,651.50 (Rupees Six Thousand Six Hundred Fifty 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.*

*@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.*

**Rating Rationale**

*CARE confirms the rating assigned to Non-Convertible Debentures (NCDs) aggregating Rs.300 crores of IL&FS Transportation Networks Ltd. (ITNL) following receipt of key executed documents for both tranches i.e. tranche-II of Rs.200 crore and tranche-III of Rs.100 crore such as Information Memorandum, Debenture Trustee appointment Agreement and DSRA Support Undertaking Agreement. Pay-in for Rs.200 crore concluded on August 10, 2016 and for Rs.100 crore on August 18, 2016, respectively. The extant regulations allow the Debenture Trust Deed (DTD) to be executed within specified period after allotment of bonds. Thus, DTD is expected to be executed and signed within 30 days of both the allotment/pay in dates, respectively. The executed documents shared are in conformance with CARE's assumptions on basis which the provisional rating was assigned on June 28, 2016 for entire Rs.750 crore NCDs.*

*The rating continues to factor in 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 Non-convertible debentures.*

*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 enhancement provider (IL&FS) or its nominee has to arrange for DSRA obligation amount for the Debenture holders within the mentioned timeframe.*

*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 21 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.

**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**

*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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