OCTOBER 25, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF IL&FS TRANSPORTATION NETWORKS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long Term Bank Facilities– Term Loan	1,691.50	**CARE A (Single A)**	
Long Term Bank Facilities– Cash Credit	50.00	**CARE A (Single A)**	
Short-term Bank Facilities – Term Loan	230.00	**CARE A1 (A One)**	
Long/Short-term Bank Facilities	890.00	**CARE A/CARE A1 (Single A/A One)**	
Total Bank Facilities	**2,861.50 (Rupees Two Thousand Eight Hundred Sixty One crore and Fifty lakh only)**		
Non-Convertible Debenture issue (NCDs)	1,500.00	**CARE A (Single A)**	
Commercial Paper issue	750.00	**CARE A1 (A One)**	
Non-Convertible Debenture issue (NCDs)	390.00	**CARE AAA(SO)* [Triple A (Structured Obligation])**	**Reaffirmed**
Non-Convertible Debenture issue (NCDs)	500.00[#]	**CARE AAA(SO)* [Triple A (Structured Obligation])**	
Non-Convertible Debenture issue (NCDs)	200.00@	**Provisional CARE AAA (SO)* [Triple A (Structured Obligation])**	
Non-Convertible Debenture issue (NCDs)	200.00[##]	**CARE AA+(SO)** [Double A Plus (Structured Obligation])**	
Non-Convertible Debenture issue (NCDs)	300.00	**CARE AA+(SO)** [Double A Plus (Structured Obligation])**	
Non-Convertible Debenture issue (NCDs)	250.00[@]	**Provisional CARE AA+(SO)** [Double A Plus (Structured Obligation])**	
Total instruments/ bank facilities	**6,951.50 (Rupees Six Thousand Nine 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.

**Backed by a proposed 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.

Rating Rationale

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 funds through direct and indirect divestment (through InvIT) of few of its mature assets. 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 significant part of short-term debt by longer maturity debt in FY16 (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 4,504 lane kms 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 monetization of mature assets with resultant impact on the ITNL's capital structure and concomitant improvement in financial leverage remain 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 services, operation and maintenance (O&M) and toll collection services. Incorporated in 2000, ITNL was promoted by IL&FS [rated 'CARE AAA/A1+'] which currently holds 71.92% equity stake,

ITNL earned about 81.1% (on a standalone basis) of its total operating income from construction activity in FY16 as against 77.5% in FY15. The other contributors to the total revenue are advisory and project development fees (10.9%), O&M income (4.5%) and other operating income (3.5%).

As on June 30, 2016, the company is the largest player in road development segment on BOT basis (14,699 lane kms) with a pan India presence in 19 states having 31 road projects (25 operational/6 under construction). ITNL has a geographically diversified investment portfolio mainly in the Indian Road Sector. The company has also forayed into new sectors like Metros, urban infrastructure and various overseas projects.

On consolidated basis, the company reported profit after tax (PAT) of Rs.272 crore on a total operating income of Rs.8,415 crore in FY16 as against PAT of Rs.415 crore on a total operating income of Rs.6,614 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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