NOVEMBER 10, 2016

CARE ASSIGNS FINAL RATING TO THE NCD OF IL&FS TRANSPORTATION NETWORKS LIMITED

Rating

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Non-Convertible Debentures*	250.00#	**CARE AA+ (SO) [Double A Plus (Structured Obligation)]**	**Final Rating Assigned**
Total instruments	**250.00 (Rupees Two 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.

Other outstanding ratings:

Facilities/Instruments* -	Volume (Rs. Cr)	Existing Rating
Bank Facilities-Fund Based – LT	1,691.50	CARE A [Single A]
Short – Term Bank Facilities – Term Loan	230.00	CARE A1 [A One]
Long Term - Fund based -Bank facilities- Cash Credit	50.00	CARE A [Single A]
Long term/Short-term Non-Fund Based Bank facilities	890.00	CARE A/CARE A1 ([Single A]/ [A One])
Non-Convertible Debentures (NCDs)	1,500.00	CARE A [Single A]
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])
Commercial papers	750.00	CARE A1 [A One]
Non-Convertible Debentures (NCDs)	200.00##	CARE AA+(SO)** [Double A Plus (Structured Obligation])
Non-Convertible Debentures (NCDs)	300.00	CARE AA+(SO)** [Double A Plus (Structured Obligation])
Total bank facilities/Instruments	**6,701.50**	

*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

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@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) of Rs.250 crore of IL&FS Transportation Networks Ltd. (ITNL) following receipt of key executed documents such as Information Memorandum, Debenture Trustee appointment Agreement and DSRA Support Undertaking Agreement. Pay-in for the entire portion of Rs.250 crore concluded on October 27, 2016. The Debenture Trust Deed (DTD) is expected to be executed and signed within 30 days of the allotment date. 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 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 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 in the capacity of lenders' engineer, 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 railways, urban infrastructure and various overseas 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.

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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