AUGUST 28, 2015

CARE REAFFIRMS THE RATING OF ADDITIONAL CP ISSUE OF IL&FS TRANSPORTATION NETWORKS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Commercial Paper issue	400 (400)	**CARE A1 [A One]**	**Reaffirmed**
Commercial Paper issue	350 (150)	**CARE A1 [A One]**	**Reaffirmed; rated amount enhanced from Rs.150 crore**

Other Ratings

Instruments	Amount (Rs. crore)	Ratings
Long-term Bank Facilities – Term Loan	**1,357**	**CARE A (Single A)**
Short-term Bank Facilities – Term Loan	**230**	**CARE A1 (A One)**
Long/Short-term Bank Facilities	**620**	**CARE A/CARE A1 (Single A/A One)**
Long-term Non-Convertible Debentures	**1,500**	**CARE A [Single A]**
Total instruments/bank facilities	**3,707**	

Rating Rationale

CARE has assigned 'CARE A1' rating to additional Commercial Paper issue of Rs.200 crore. With this CARE has rating of 'CARE A1' on aggregate amount of Rs.750 crore. The additional CP would be utilized to refinance existing short-term debt/ CP and as such there would be no increase in overall borrowing levels.

The ratings continue to draw comfort from strong parentage of Infrastructure Leasing & Financial Services Limited (IL&FS, rated 'CARE AAA/A1+'), significant experience and expertise of IL&FS Transportation Networks Limited (ITNL) in surface transportation and road infrastructure development, proven track record in project execution and its dominant position in the domestic road sector reflected by ownership of geographically diversified road assets with a healthy mix of annuity and toll-based projects and Government's focus on investment and development of road infrastructure in India. The ratings are, however, tempered by ITNL's continued financial commitment 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 FY14 (refers to the period April 1 to March 31), resulting in elongation of the effective maturity of debt. The ratings are further tempered by project execution and implementation risks as approximately 3,939 lane km at SPV levels are under various stages of construction/development as on March 31, 2015 and are likely to be commissioned in the next 2-3 years. Further, CARE believes that the company will deleverage its balance sheet and improve the capital structure through various steps such as raising equity through rights issue in the near term and monetizing few of its mature operational assets in the medium term.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Going forward, higher financial commitment to SPVs than envisaged and the resultant impact on the ITNL's capital structure and 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 March 31, 2015, the company is the largest player in road development segment on BOT basis with a pan India presence in 18 states. Incorporated in 2000, ITNL was promoted by IL&FS [rated 'CARE AAA/A1+'], which holds 70.79% equity stake (along with other IL&FS group companies) in ITNL, in order to consolidate its existing road infrastructure projects.

On standalone basis, the company reported profit after tax (PAT) of Rs.319 crore on revenues of Rs.3,523 crore in FY15 as against PAT of Rs.266 crore on a revenues of Rs.3,405 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.

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