CARE Ratings
Professional Risk Opinion

JANUARY 23, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF IL&FS TRANSPORTATION NETWORKS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities – Term Loan	1,257 (enhanced from Rs.1,137 crore)	**CARE A (Single A)**	Reaffirmed
Short-term Bank Facilities – Term Loan	330 (reduced from Rs.455 crore)	**CARE A1 (A One)**	Reaffirmed
Long/Short-term Bank Facilities	620	**CARE A/CARE A1 (Single A/A One)**	Reaffirmed
Total Bank Facilities	**2,207**		

Other Ratings

Instruments	Amount (Rs. crore)	Ratings
Long-term Non Convertible Debentures	500	CARE A [Single A]
Commercial Paper	400	CARE A1 [A One]

Rating Rationale

The reaffirmation of the ratings continues 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 healthy mix of annuity and toll-based projects. The ratings also build in recent effort by the company to deleverage its balance sheet by raising equity through rights issue and the 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 5,229 lane km at SPV levels are currently under various stages of construction/development and are likely to be commissioned in the next 2-3 years.

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,

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

supervisory, operation and maintenance (O&M) and toll collection services. As on March 31, 2014, the company is the largest player in road development segment on BOT basis with a pan India presence in 16 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.

The company reported profit after tax (PAT) of Rs.266 crore on a total operating income of Rs.3,668 crore in FY14 as against PAT of Rs.271 crore on a total operating income of Rs.3,545 crore in FY13. Further, the company has reported PAT of Rs216.08 crore on a total operating income of Rs. 3065.85 crore in 6MFY15.

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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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