

FEBRUARY 12, 2015

CARE ASSINGS THE RATING OF 'CARE A' TO ADDITIONAL NCD ISSUE OF IL&FS TRANSPORTATION NETWORKS LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Proposed Long-term Non-Convertible Debentures	500	CARE A [Single A]	Assigned

Other Ratings

Instruments	Amount (Rs. crore)	Ratings
Long-term Bank Facilities – Term Loan	1,257	CARE A (Single A)
Short-term Bank Facilities – Term Loan	330	CARE A1 (A One)
Long/Short-term Bank Facilities	620	CARE A/CARE A1 (Single A/A One)
Long-term Non-Convertible Debentures	500	CARE A [Single A]
Commercial Paper	400	CARE A1 [A One]
Total Instruments/Bank Facilities	3,107	

Rating Rationale

The ratings of IL&FS Transportation Networks Limited (ITNL) continue to draw comfort from strong parentage of Infrastructure Leasing & Financial Services Limited (IL&FS, rated 'CARE AAA/A1+'), significant experience and expertise of 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, 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.

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

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. Furthermore, the company has reported PAT of Rs.300.32 crore on a total operating income of Rs.1,717.55 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.

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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