IL&FS Transportation Networks Limited

January 25, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities-Term loans	500.00	**Provisional CARE AA+ (SO); Stable [Provisional Double A Plus (Structured Obligation) Outlook: Stable]**	**Assigned**
Total Facilities	**Rs.500.00 (Rupees Five hundred crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the long-term bank facilities of IL&FS Transportation Networks Limited (ITNL) factors in the Debt Service Reserve Account (DSRA) support undertaking from Infrastructure Leasing and Financial Services Limited [IL&FS; rated CARE AAA (Stable), CARE A1+] to the effect that it or its nominee shall arrange necessary finance for infusion of funds into the DSRA Account (to make payment of interest and/or principal amounts), in the event that ITNL is not able to meet such DSRA obligations throughout the tenure of bank facilities.

The rating will remain provisional till the receipt of final transaction documents such as sanction letter from bank(s), the executed version of DSRA support undertaking, facility loan agreement along with any other agreement and undertaking executed between the Parties with respect to the Loan and the transaction to the satisfaction of CARE.

The rating of CARE AAA; 'Stable'/CARE A1+ of various borrowing programme of IL&FS reflects its strong institutional ownership, experienced management, expertise in the infrastructure sector, financial flexibility and demonstrated ability to offload investments successfully.

For detailed rating rationale of IL&FS, please refer to our website www.careratings.com.

Detailed description of the key rating drivers

Key Rating Strengths

DSRA support undertaking from IL&FS

DSRA support undertaking from IL&FS in the favour of the term loan lenders stating that it would arrange for necessary funds upon occurrence of **Deposit Shortfall Event**[2] to meet ITNL's obligation to maintain DSRA to make payment of interest and/or principal amounts, in the event that ITNL is not able to meet such DSRA obligations throughout the tenure of bank facilities.

About the Credit Enhancement Provider (i.e. IL&FS)

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. IL&FS received certificate of registration as Core Investment Company (CIC-ND-SI) from RBI dated September 11, 2012.

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

[2] *("**Deposit Shortfall Event**": means the occurrence of event where company (ITNL) has failed to deposit the DSRA amount in the DSRA account within a period of 15 days from previous payment date to meet Scheduled Debt Obligation.*

IL&FS's income profile constitutes interest income from loans given to subsidiaries/group companies, dividend received from subsidiaries (mainly IFIN, IEDCL, ITNL and IL&FS Investment Managers Ltd.), brand fees received from group companies, rental income from business centre and profit from divestment of its exposure in group entities.

Analytical approach: For arriving at rating of ITNL bank facilities, CARE Ratings has considered credit profile of Infrastructure Leasing and Financial Services (IL&FS) Limited, which has provided DSRA Support Undertaking.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Factoring Linkages in Ratings
Rating Methodology - Infrastructure Sector Ratings
Financial ratios – Non-Financial Sector

About the Company
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; Stable/CARE A1+] which currently holds 73.22% equity stake in ITNL, in order to consolidate its existing road infrastructure projects.

On a standalone basis, ITNL has earned about 87.93% of its total operating income from construction activity in FY17 as against 81.10% in FY16. The other contributors to the total revenue are advisory and project development fees (5.44%) and O&M income (6.63%).

As on September 30, 2017, the company is the largest player in road development segment on BOT basis (14,016 Lane kms) with a pan India presence in 20 states having 35 road projects (27 operational/8 under construction).

Brief Financials- Consolidated (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	8,438	8,309
PBILDT	2,929	3,505
PAT	155	(32)
Interest coverage (times)	1.13	1.13
Overall Gearing (times)	5.59	6.75

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	500.00	Provisional CARE AA+ (SO); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	1691.50	CARE A; Negative	1)CARE A; Negative (10-Oct-17)	1)CARE A (25-Oct-16)	1)CARE A (29-Oct-15) 2)CARE A (23-Jul-15)	1)CARE A (23-Jan-15) 2)CARE A (15-Dec-14)
2.	Fund-based - ST-Term loan	ST	230.00	CARE A1	1)CARE A1 (10-Oct-17)	1)CARE A1 (25-Oct-16)	1)CARE A1 (29-Oct-15) 2)CARE A1 (23-Jul-15)	1)CARE A1 (23-Jan-15) 2)CARE A1 (15-Dec-14)
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	890.00	CARE A; Negative / CARE A1	1)CARE A; Negative / CARE A1 (10-Oct-17)	1)CARE A / CARE A1 (25-Oct-16) 2)CARE A / CARE A1 (12-May-16) 3)CARE A / CARE A1 (05-May-16)	1)CARE A / CARE A1 (29-Oct-15) 2)CARE A / CARE A1 (23-Jul-15)	1)CARE A / CARE A1 (23-Jan-15) 2)CARE A / CARE A1 (15-Dec-14)
4.	Debentures-Non Convertible Debentures	LT	225.00	CARE A; Negative	1)CARE A; Negative (10-Oct-17)	1)CARE A (25-Oct-16)	1)CARE A (29-Oct-15) 2)CARE A (15-Jun-15)	1)CARE A (15-Dec-14)
5.	Commercial Paper	ST	400.00	CARE A1	1)CARE A1 (10-Oct-17)	1)CARE A1 (25-Oct-16)	1)CARE A1 (29-Oct-15) 2)CARE A1 (28-Aug-15)	1)CARE A1 (15-Dec-14)

6.	Debentures-Non Convertible Debentures	LT	700.00	CARE A; Negative	1)CARE A; Negative (10-Oct-17)	1)CARE A (25-Oct-16)	1)CARE A (29-Oct-15) 2)CARE A (15-Jun-15)	1)CARE A (12-Feb-15)
7.	Commercial Paper	ST	350.00	CARE A1	1)CARE A1 (10-Oct-17)	1)CARE A1 (25-Oct-16)	1)CARE A1 (29-Oct-15) 2)CARE A1 (28-Aug-15) 3)CARE A1 (15-Jun-15)	-
8.	Debentures-Non Convertible Debentures	LT	390.00	CARE AAA (SO); Stable	1)CARE AAA (SO); Stable (10-Oct-17)	1)CARE AAA (SO) (25-Oct-16) 2)CARE AAA (SO) (05-May-16)	-	-
9.	Debentures-Non Convertible Debentures	LT	200.00	Provisional CARE AAA (SO); Stable	1)Provisional CARE AAA (SO); Stable (10-Oct-17)	1)CARE AAA (SO) (25-Oct-16)	-	-
10.	Debentures-Non Convertible Debentures	LT	425.00	CARE AAA (SO); Stable	1)CARE AAA (SO); Stable (10-Oct-17)	1)CARE AAA (SO) (25-Oct-16)	-	-
11.	Fund-based - LT-Cash Credit	LT	50.00	CARE A; Negative	1)CARE A; Negative (10-Oct-17)	1)CARE A (25-Oct-16) 2)CARE A (12-May-16)	-	-
12.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA+ (SO); Stable	1)CARE AA+ (SO); Stable (10-Oct-17)	1)CARE AA+ (SO) (10-Nov-16) 2)Provisional CARE AA+ (SO) (25-Oct-16) 3)Provisional CARE AA+ (SO) (24-Aug-16) 4)Provisional CARE AA+ (SO) (15-Jul-16)	-	-
13.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA+ (SO); Stable	1)CARE AA+ (SO); Stable (10-Oct-17)	1)CARE AA+ (SO) (25-Oct-16) 2)CARE AA+ (SO) (15-Jul-16)	-	-
14.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA+ (SO); Stable	1)CARE AA+ (SO); Stable (10-Oct-17)	1)CARE AA+ (SO) (25-Oct-16)	-	-
15.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA+ (SO); Stable	1)CARE AA+ (SO); Stable (10-Oct-17)	1)CARE AA+ (SO) (25-Oct-16) 2)CARE AA+ (SO) (24-Aug-16)	-	-

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