

September 25, 2018

**Vice President,**  
 Listing Department,  
 National Stock Exchange of India Limited  
 'Exchange Plaza', Bandra Kurla Complex,  
 Bandra (East), Mumbai - 400 051

**General Manager,**  
 Listing Department,  
 BSE Limited,  
 P.J. Tower, Dalal Street,  
 Mumbai 400 001

**Scrip Code No: IL&FSTRANS EQ**

**Scrip Code No: 533177**

Dear Sirs,

**Re.: Revised Ratings by Brickworks Ratings**

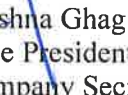
We give below the revised ratings assigned for the following instruments by Brickworks Ratings Limited:

Financial Instrument	Rating Amount (₹ Cr.)	Current Rating	Previous Rating
Non-convertible debenture	3,550	BWR C (SO)	BWR BB- (SO)

Also attached the rating rationale issued by Rating Agency

Thank you

Yours faithfully,  
 For IL&FS Transportation Networks Limited

  
 Krishna Ghag  
 Vice President &  
 Company Secretary

## Rating Rationale

### IL&FS Transportation Networks Limited

25 Sep 2018

**Brickwork Ratings downgrades the rating for the NCD amounting to Rs. 3550 crs of IL&FS Transportation Networks Limited (ITNL)**

#### Particulars

Instrument	Sanctioned Amt (Rs Crs)	Previous Rating	Current Rating
NCD <sup>^</sup>	550.00	<b>BWR BB-(SO)</b> (Pronounced BWR Double B Minus Structured Obligation) Ratings Watch with Negative Implication	<b>BWR C (SO)</b> (Pronounced BWR C Structured Obligation)
	3000.00		
Total	3550.00	INR Three Thousand Five Hundred and Fifty Crores Only	

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

<sup>^</sup> The NCDs of Rs. 3550 crs is backed by DSRA support undertaking from parent IL& FS Ltd, which will cover all schedule debt obligations due for the NCD's.

#### Details of Other Instruments Rated

Instrument	Tenor	Amount (Rs. Crs)	Previous Rating*	Current Rating
Commercial Paper	7 to 365 days	<b>1000.00</b> (One Thousand Crore)	<b>BWR A4</b> (Pronounced BWR A Four)	<b>BWR A4</b> (Pronounced BWR A Four)

#### Rating Downgrade.

The revision in the rating of structured NCD follows the significant deterioration in the credit profile of the Parent company i.e. IL&FS limited (DSRA undertaking provider) as indicated from recent delays and default in servicing of debt obligation by IL&FS.

The rating downgrade also factors in impaired financial flexibility of ITNL and the IL&FS group in servicing debt obligations given the sizable near term repayment obligations. The liquidity position has further worsened on account of inconclusive shareholder meeting on 15<sup>th</sup> September 2018, where the funding support was envisaged at IL&FS Level. The ability of IL&FS to support, the ITNL payment obligation in case of cash flow mismatch is extremely low at present.

The revision in the rating of the NCD follows the dried up liquidity position of the company and Credit Enhancement provider (IL&FS) for servicing the rated NCD which requires

replenishment of DSRA besides enhancing of DSRA on account of downgrade of credit rating below the threshold level. Timely and adequately replenishment and enhancement of DSRA remains critical in the wake of recent deterioration in financials risk profile of the group.

The rating of NCD of Rs. 3550 crs rated at BWR BB- (SO) was on 12 September 2018 put under Ratings watch with Negative implications mainly on account of delay in deleveraging efforts taken by parent IL&FS and high refinancing risks given the sizable near term debt obligations. BWR monitored the developments and further course of rating action was dependent on outcome of deleveraging efforts including raising capital via right issue by IL&FS Ltd and improving liquidity profile and timely repayment of debt at the group level.

### **Key Rating Drivers**

**Delay in Servicing of Debt Obligations by the parent company:** Further deterioration in the liquidity profile of the company is based on recent delays in servicing of the debt obligations by the parent company i.e. IL&FS for both long term and short term instruments and delays in servicing of debt obligations by the other group companies. Limited ability, impaired financial flexibility of ITNL and the group in servicing debt obligations given the sizable near term repayment obligations.

**Delay in fund infusion and asset monetization:** As a part of deleveraging efforts at ITNL and the group level, monetization of certain assets was to happen to reduce debt levels including infusion of capital by the promoters. The liquidity situation has worsened post the inconclusive shareholder meeting on 15th September 2018 where the funding support was envisaged at IL&FS level resulting into the longer than expected time for deleveraging.

**Increase in leverage ratio and low debt coverage indicators:** The consolidated Debt equity ratio of the company increased to 7.21x in FY18 as compared to 6.75x in FY17. The leverage is partly increased on account of increase in debt in FY18 and partly due to reduction in net worth on account of adoption of IndAs resulting certain adjustments. The Debt Coverage ratio of the company is relatively lower on account of higher interest expenses and relatively low profitability, however it has improved as compared to FY17.

**Refinance Risk:** Historically ITNL has relied on short term loan to fund its working capital requirements, however the company is in process to replace the same by long term funding via NCD issuance. The company has substantial amount of ST loans and current portion of long term debt which needs to be refinanced in current year. Keeping in view, the further current deteriorated credit profile of the group the refinancing going ahead remains challenging.

**Operating Portfolio of Road Networks:** ITNL has a portfolio of 28 BOT road projects of which 21 are operational and the balance are under construction with a total road lane network of 13,493 kms which is a mix of Toll & Annuity based projects. Further, the company has an order book of Rs. 16,402 Cr and International order book of US\$ 232 Million. The company has also forayed into new sectors like mass rapid transport system, urban transportation infra system; car parking and border check post systems.

**Rating Sensitivities:**

Ability to manage and service debt obligations and material improvement in financial profile at the company and group level would remain key rating triggers. Complying with the term sheet provisions particularly relating to enhancement of DSRA along with the funding support in the required quantum and timelines would also be the key rating sensitivities.

**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, management, and supervisory -, operation and maintenance (O&M) and toll collection services. Incorporated in 2000, ITNL was promoted by IL&FS which currently holds 73.22% equity stake. The company is the largest player in road development segment of 13,493 lane km comprising a mix of Toll & Annuity based projects with a pan India presence in several states having 28 road projects of which 21 are operational. The company has also forayed into new sectors like mass rapid transport system, urban transportation infra system; car parking and border check post systems.

**Key Financial Ratios- Consolidated**

Particulars (Amt Rs. Crs)	2017 (Audited)	2018 (Audited)
Total Operating Income	8402.00	9,779.00
EBITDA	3577.00	4,324.00
PAT	65.00	146.00
Net Worth (excluding Intangible)	4,620.35	4,826.16
Total Debt: TNW	6.75	7.21

**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument / Facility			Current Rating		Rating History		
		Type	Amount (Rs Crs)	21 <sup>st</sup> September 2018	Rating (12 <sup>th</sup> September 2018)	17 <sup>th</sup> Aug 2018	24 <sup>th</sup> July 2018	22 <sup>nd</sup> June 2018
1)	Commercial Paper	Short Term	1000.00	BWR A4	BWR A4	BWR A4	BWR A4	BWR A2+
2)	NCD	Long Term	550.00	BWR C (SO)	BWR BB-(SO) Ratings Watch With Negative Implications	BWR AA-(SO) Ratings Watch With Developing Implications	BWR AA+(SO) Ratings Watch With Negative Implications	BWR AA+(SO) Outlook: stable
3)			3000.00					
Rs. 4550.00 (INR Four Thousand Five Hundred and Fifty Crores Only)								

**Status of non-cooperation with previous CRA (if applicable)- NA**

**Any Other Comments: NA**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

Annexure I- ISIN Details of NCD

Tranche	ISIN	Date of Allotment	Date of Maturity	Amt. Rs. Crs	Coupon	Coupon Frequency
Bonds XVI	INE975G08199	10-Aug-16	10-Feb-25	200	9.51%	Semi-Annually
Bonds XVII	INE975G08207	18-Aug-16	18-Feb-25	100	9.51%	Semi-Annually
Bonds XVIII	INE975G08215	27-Oct-16	27-Oct-26	250	9.44%	Semi-Annually
Bonds-XIX - a	INE975G08223	31-Mar-17	15-Apr-22	300	9.20%	Quarterly
Bonds-XIX - b	INE975G08231	31-Mar-17	31-Mar-27	450	9.33%	Quarterly
Bonds-XX - a	INE975G08249	30-Oct-17	28-Oct-22	32.5	9.25%	Quarterly
Bonds-XX - b	INE975G08256	30-Oct-17	29-Oct-27	118	9.37%	Quarterly
Bonds-XXI - a	INE975G08264	30-Nov-17	30-Nov-27	100	9.37%	Quarterly
Bonds-XXI - b	INE975G07019	30-Nov-17	30-Nov-27	100	9.00%	Quarterly

Bonds-XXII - a	INE975G08272	15-Dec-17	15-Dec-22	50	9.25%	Quarterly
Bonds-XXII - b	INE975G07027	15-Dec-17	15-Dec-27	99	9.00%	Quarterly
Bonds-XXIII - a	INE975G07043	01-Feb-18	15-Dec-27	100	9.10%	Quarterly
Bonds-XXIII - b	INE975G07035	02-Feb-18	02-Feb-23	100	9.10%	Quarterly
Bonds-XXIV	INE975G07068	28-Mar-18	28-Mar-25	100	9.15%	Quarterly
Bonds-XXIV	INE975G07050	28-Mar-18	28-Mar-23	75	9.10%	Quarterly
Bonds-XXIV	INE975G07076	31-Mar-18	30-Mar-28	140	9.20%	Quarterly
Bonds-XXV - a	INE975G08280	27-Apr-18	27-Apr-23	10	9.35%	Quarterly
Bonds-XXV - b	INE975G08306	27-Apr-18	27-Apr-28	75	9.45%	Quarterly
Bonds-XXV - c	INE975G08298	27-Apr-18	25-Apr-25	15	9.40%	Quarterly
Bonds-XXVI - a	INE975G07084	25-May-18	23-May-25	24	9.15%	Quarterly
Bonds-XXVI - b	INE975G07092	25-May-18	25-May-28	75	9.20%	Quarterly

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#### For print and digital media

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.



BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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