

July 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 Brickwork Ratings & India Ratings

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

(i) Brickwork Ratings

Financial Instrument	Rating Amount Cr.	Current Rating	Previous Rating
Commercial papers	1000	BWR A4	BWR A2+
Non-Convertible Debentures	3000	BWR AA+ (SO) (Rating Watch Negative)	BWR AA+ (SO)/Stable Outlook
Non-Convertible Debentures	550	BWR AA+ (SO) (Rating Watch Negative)	BWR AA+ (SO)/Stable Outlook

(ii) India Ratings & Research

Financial Instrument	Rating Amount Cr.	Current Rating	Previous Rating
Commercial papers	310	IND A4+ (Rating Watch Negative)	IND A1 (Rating Watch Negative)
Non-Convertible Debentures	1500	IND BB (Rating Watch Negative)	IND A (Rating Watch Negative)
Term Loan	550	IND BB (Rating Watch Negative)	IND A (Rating Watch Negative)

Also attached the rating rationales issued by Brickworks Ratings & India Ratings

Thank you

Yours faithfully,
For IL&FS Transportation Networks Limited



Krishna Ghag
Vice President &
Company Secretary

Rating Rationale

IL&FS Transportation Networks Limited

24 July 2018

Brickwork Ratings revises the rating for the Commercial Paper of Rs. 1000 Crs and reaffirms the rating of NCD amounting to Rs. 3550 crs of IL&FS Transportation Networks Limited (ITNL)

Particulars

Instrument	Tenor	Amount (Rs in Crs)	Current Rating*	Previous Rating
Commercial Paper	7 to 365 days	1000.00 (One Thousand Crore)	BWR A4 (Pronounced BWR A Four) Downgrade	BWR A2+ (Pronounced BWR A Two Plus)

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Instrument	Sanctioned Amt (Rs in Crs)	Current Rating	Previous Rating
NCD	550.00	BWR AA+(SO) (Pronounced BWR Double A Plus Structured Obligation) Ratings Watch with Negative Implication	BWR AA+(SO) (Pronounced BWR Double A Plus Structured Obligation) Outlook- Stable
	3000.00		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Downgrade

BWR has revised the rating downward for commercial paper of ITNL owing to deteriorating financial metric. The revision in rating factors deterioration in financial risk profile as evident by increase in overall debt of the company and deterioration in coverage metrics. The rating also factors high near term debt repayment reflecting refinancing risk. Further the rating also factors irregularities in payment of interest and principal by SPV's of ITNL as on 30th June 2018. Historically ITNL has supported its SPV's for servicing of debt however, ITNL did not extend the support which translated into delay in debt servicing by the SPV's. According to ITNL, it has initiated termination of projects under these SPV's. Moreover the credit profile of ITNL has weakened on account of non-materialization of deleveraging efforts and lower than anticipated claims receipts translating into weak liquidity.

ITNL has substantial quantum of claim pendency with authorities, which are at various stages of claim processes. The company is also planning to reduce debt via fresh equity infusion via multiple sources, monetization of assets, realization of claims and topping up of debt via refinancing of operational SPV's. The company is also planning to elongate the debt by refinancing existing debt thereby reducing interest cost for the company. The ability of the



company to accelerate the deleveraging efforts via equity infusion and timely serving of debt would be key rating sensitivities.

The rating continues to factor parent support from IL&FS Limited by way of infusion of capital, established track record of executing large infrastructure projects, strong order book position, operating portfolio of road networks and focus on reduction of overall debt levels.

The rating of NCD of Rs. 3550 crs rated at BWR AA+ (SO) has been put under Ratings watch with Negative implications mainly on account of deterioration in credit profile of ITNL and associated terms of NCD providing DSRA Support Undertaking from IL&FS Limited covering all scheduled debt obligations that may arise on the rated NCDs. However the undertaking would not fully cover the accelerated amount due to the investors in the event the NCDs were to get accelerated. BWR will continuously monitor the credit profile of ITNL for further rating action.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Audited financials from FY14 to FY18 of IL&FS Transportation Networks Limited (ITNL), publicly available information and information / clarification provided by the Company's management.

Key Rating Drivers

Default in debt servicing reported by SPV's of ITNL

Five SPV's of ITNL reported default in servicing of debt obligation for month of June 2018 owing to non-extension of support and termination initiated for those projects. Unlike its past track record of support, ITNL has not extended the support which translated into nonpayment of debt obligation for these SPV's. According to ITNL, it has initiated the termination of projects under these SPV's.

Delay in deleveraging Plans

There has been delay in plans to raise funds via equity infusion, asset monetization and pending claims realizations resulting deterioration in liquidity profile of the company. ITNL has substantial quantum of claim pendency with authorities, which are at various stages of claim processes. The company is also planning to reduce debt via fresh equity infusion via multiple sources, monetization of assets, realization of claims and topping up of debt via refinancing of operational SPV's. The company is also planning to elongate the debt by refinancing existing debt thereby reducing interest cost for the company. The ability of the company to accelerate the deleveraging efforts via equity infusion and timely serving of debt would be key rating sensitivities.

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 networth 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.

Parentage Support and dominant position in road sector: ITNL is promoted by IL&FS Limited (IL&FS) which holds ~73.22% of shares in the company. ITNL draws parentage support from IL&FS. The company has established track record of implementing projects on time, which is also reflected by the fact that the company has a dominant position in the domestic road sector.

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.

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 (July 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	June 2018	October 2017	May 2017
1)	Commercial Paper	Short Term	1000.00	BWR A4	BWR A2+	BWR A1	NA
2)	NCD	Long Term	550.00	BWR AA+ (SO) Ratings Watch With Negative Implications	BWR AA+ (SO) Outlook: stable	BWR AA+ (SO) Outlook: stable	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](#)

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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 Investors queries can be sent to 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 ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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India Ratings Downgrades IL&FS Transportation Networks to 'IND BB'; Maintains RWN

25

JUL 2018

By Sudeep Arekar

India Ratings and Research (Ind-Ra) has downgraded IL&FS Transportation Networks Limited's (ITNL) Long-Term Issuer Rating to 'IND BB' from 'IND A' and maintained it on Rating Watch Negative (RWN). The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Rating Watch	Rating Action
Long-term loan			31 December 2018	INR1.19	IND BB/RWN	Downgraded; maintained on RWN
Non-convertible debentures (NCDs)*	-	-	-	INR8	IND BB/RWN	Downgraded; maintained on RWN
Commercial papers (CPs)*	-	-	-	INR3.1	IND A4+/RWN	Downgraded; maintained on RWN
Proposed NCDs**	-	-	-	INR7	Provisional IND BB/RWN	Downgraded; maintained on RWN
Proposed term loans**	-	-	-	INR4.31	Provisional IND BB/RWN	Downgraded; maintained on RWN

*Details in annexure

** The rating is provisional and shall be confirmed upon the execution of the loan documents for the above facility by ITNL to the satisfaction of Ind-Ra.

The downgrade reflects a delay in ITNL's deleveraging plans and weakening of its linkages with its parent, Infrastructure Leasing & Financial Services Limited (IL&FS, 'IND AAA'/Stable).

KEY RATING DRIVERS

ITNL's credit metrics are likely to remain stretched, in view of delays in its deleveraging initiatives as against the timelines indicated during February 2018. These initiatives were likely to alleviate near-term refinancing requirements. At end-FY18, ITNL's gross leverage (debt/EBITDA) was 6.9x (FY17: 7.3x) and interest coverage was 1.2x (1.1x).

ITNL has strong operational and strategic linkages with its parent. ITNL is one of the largest investments of IL&FS and shares the IL&FS brand name. However, IL&FS' ability to support ITNL's operations has reduced significantly, given the increase in overall debt levels of the IL&FS group. Hence, the agency has removed the notching support for ITNL from IL&FS.

Amid weak liquidity due to delays in the realisation of pending claims from various government authorities, among other reasons, ITNL has managed its debt servicing through refinancing its obligations with IL&FS group support. However, with the weakening of support from IL&FS, the ability to manage its obligations remains to be seen. Hence, Ind-Ra has maintained the ratings on RWN.

Five of ITNL's subsidiaries reported defaults in servicing debt obligations for June 2018. However, ITNL did not extend any tangible support to these entities. According to the management, the company has initiated the process for termination of projects under these special purpose vehicles.

RATING SENSITIVITIES

The RWN indicates that rating may be either affirmed or downgraded upon resolution. Ind-Ra will monitor the refinancing of ITNL's debt over the next two quarters. Inability to refinance its obligations without support from IL&FS would be negative for the ratings.

COMPANY PROFILE

ITNL is a surface transportation infrastructure company and the largest private sector road operator in India under the build-operate-transfer model.

FINANCIAL SUMMARY

Particulars (INR million)	FY18	FY17
Revenue	35,368	36,763
EBITDA	19,962	15,875
Debt	137,300	116,702
Finance costs	16,421	13,779
Net profit	2,518	2,364
Source: ITNL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Rating Watch	Historical Rating/Rating Watch/Outlook

	Rating Type	Rated Limits (billion)	Rating	8 February 2018	6 June 2016	20 August 2015
Issuer rating	Long-term	-	IND BB/RWN	IND A/RWN	IND A/Negative	IND A/Stable
Long-term loan	Long-term	INR5.5	IND BB/RWN	IND A/RWN	IND A/Negative	IND A/Stable
NCDs*	Long-term	INR15	IND BB/RWN	IND A/RWN	IND A/Negative	IND A/Stable
CPs	Short-term	INR3.1	IND A4+/RWN	IND A1/RWN	IND A1	IND A1

ANNEXURE

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Rating Watch
NCDs	INE975G08041	4 March 2014	11.5	4 February 2024	INR1	IND BB/RWN
NCDs	INE975G08058	22 July 2014	11.5	21 June 2024	INR2	IND BB/RWN
NCDs	INE975G08082	21 January 2015	11.8	21 December 2024	INR2.5	IND BB/RWN
NCDs	INE975G08090	4 February 2015	11.8	3 January 2025	INR2.5	IND BB/RWN

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

[Corporate Rating Methodology](#)

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