

Rating Rationale

IL&FS Transportation Networks Limited

12th Sep 2018

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

Particulars

Instrument	Sanctioned Amt (Rs Crs)	Current Rating	Previous Rating
NCD	550.00	BWR BB-(SO) (Pronounced BWR Double B Minus Structured Obligation) Ratings Watch with Negative Implication	BWR AA-(SO) (Pronounced BWR Double A Minus Structured Obligation) Ratings Watch with Developing Implication
	3000.00		
Total	3550.00	INR Three Thousand Five Hundred and Fifty Crores Only	

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

Details of Other Instruments Rated

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

Rating Downgrade

BWR has downgraded the rating for structure NCD amounting to Rs. 3550 crs of ITNL mainly on account of deterioration in financial risk profile of parent company IL&FS (DSRA undertaking provider) on account of elevated debt levels, further high funding commitments to group companies and delay in asset monetization resulting high gearing levels at IL&FS Limited. The rating also factors the liquidity pressure at the group level on account of delay in raising funds from its promoter's entities for near term liquidity needs and deleveraging strategy. The recent rating downgrade of parent company and key group companies is expected to limit the financial flexibility of the overall group.

The parent company is in process of deleveraging its balance sheet via raising capital through right issue and additional lines of credit and asset monetization of various projects and unlocking capital. However, lack of clarity on the fund infusion and impending sizeable repayment obligations in the near term due to elevated debt levels have significantly deteriorated the liquidity profile of the group.

The rating of NCD of Rs. 3550 crs rated at BWR BB- (SO) has been put under Ratings watch with Negative implications mainly on account of parent's ability to timely raise funds and deleverage its balance sheet as envisaged, BWR is continuously monitoring the developments and further course of rating action will be dependent on outcome of deleveraging efforts including raising capital via right issue by IL&FS Ltd, improvement in liquidity at the stand alone and Group level and timely repayment of debt..

The structure NCD 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. 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

Significant Deterioration in the credit profile of the Parent company i.e. IL&FS Limited (Credit Enhancement provider for rated NCD) on account of elevated debt, delay asset monetization and deterioration in the credit profile of its subsidiaries exposing the group to refinancing risk and limits the financial flexibility enjoyed by the group.

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 (12 th Sep 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	17 th Aug 2018	24 th July 2018	22 nd June 2018
1)	Commercial Paper	Short Term	1000.00	BWR A4	BWR A4	BWR A4	BWR A2+
2)	NCD	Long Term	550.00	Downgrade: 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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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

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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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