

June 3, 2010

**CARE ASSIGNS 'CARE BBB- (SO)' RATING TO BANK FACILITIES
(PHASE II & III) OF TIRUVANANTHAPURAM ROAD DEVELOPMENT CO LTD.**

Ratings

| Facilities/Instruments | Amount (Rs. crore) | Ratings ¹ | Remarks |
|---|-----------------------|--|----------|
| Long-term Bank Facilities (Phase II & III) | 109.21 | 'CARE BBB-(SO)' (Triple B Minus (Structured Obligation) | Assigned |
| Total Facilities | 109.21 | | |

Rating Rationale

The rating is, inter-alia based on the strength of cash flows in the form of annuity receivable from Kerala Road Fund Board (KRFB), which has been constituted under the Public Works Department, Government of Kerala (PWD, GoK) as per the Central Government directive. KRFB's cash inflows originate from PWD, GoK and the credit quality of TRDCL's cash inflows hence mirror that of GoK. Instruments guaranteed by GoK are rated 'CARE BBB (SO)' by CARE.

The rating additionally factors in the promoters' vast experience in executing Build, Operate Transfer (BOT) projects, the annuity nature of the project, proposed creation of Debt Service Reserve Account (DSRA), the conclusion of financial closure for Phases II & III, sponsor support and substantial receipt of arbitration award.

However, the rating is constrained by project execution risk, delay in handover of Right of Way (RoW) for Phase III, nature of Engineering, Procurement and Construction (EPC) contract for Phase II and Operation & Maintenance (O&M) risk.

Further, timely completion of the project without additional cost overrun would be the key rating sensitivity.

Company Profile

TRDCL is a Special Purpose Vehicle (SPV) formed by IL&FS Transportation Networks Limited (ITNL) and Punj Lloyd Limited (PLL) and was incorporated on March 01, 2004 to design, finance, construct, operate and maintain the road network of 42.07 km within Thiruvananthapuram, Kerala. The PWD, GoK issued bids under the Thiruvananthapuram City Roads Improvement Project (TCRIP) and subsequently the project was awarded to ITNL-PLL consortium, which quoted the lowest annuity amount of Rs.35.50 crore with KRFB as the annuity provider. KRFB is formed by GoK under the Kerala Road Fund Act, 2001. TRDCL completed the development of road network of 14.27 km out of 42.07 km (Phase I) with a project cost of Rs.110.03 crore funded in a debt to equity ratio of 2.03:1 and has an outstanding rating of CARE BBB(SO). The Commercial Operations

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

Date (COD) for Phase I was January 5, 2008 and KRFB has started paying the proportionate annuity of Rs.5.09 crore semi-annually for Phase-I.

The balance road network of 27.80 km is being treated as a separate project by TRDCL and KRFB, PWD, GoK that comprises development of 18-km and 9.80-km stretches in two phases namely Phase-II and Phase-III with Schedule Project Completion Date (SPCD) as May 01, 2011 and November 01, 2011 respectively. As on December 31, 2009, the physical progress of the project for Phase II & III is 10.13% as against the planned progress of 29.15% and the financial progress is 22%. While the entire RoW for Phase II has been handed over to TRDCL, the same is pending for Phase III.

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CARE 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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