

October 6, 2018

To

The General Manager
BSE Limited
P.J. Towers, Dalal Street,
Mumbai- 400 001
Tel: 022-22721234, Fax-2272 3121The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Bandra (East), Mumbai-400 051
Tel: 022 – 26598235, Fax-26598237/38**Scrip Code: 532907****Scrip Code: IL&FSENGG****Sub: Revision in Credit Rating****Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir/Madam :

This is to inform that CARE Ratings has revised the credit rating of the Company for Long / Short Term Bank Facilities aggregating to Rs 3,091.33 Crore as per the following details :

Facility	Amount (Rs Crore)	Ratings	Remarks
Long-term facilities	902.81	CARE D (Single D)	CARE BB; Negative (Double B; Outlook : Negative)
Short-term facilities	2,188.52	CARE D (Single D)	CARE A4 (A Four)
Total Bank Facilities	3,091.33		

Please find enclosed the rating rationale issued by CARE Ratings

Submitted for your information please

Thanking You
For IL&FS Engineering and Construction Company LimitedSushil Dudeja
Company Secretary

Encl: As above



CARE/HO/RL/2018-19/3316

Mr. Sambhu Mukherjee,
Chief Financial Officer,
IL&FS Engineering & Construction Company Limited
D.No. 8-2-120/113/3,4th Floor,
Sanali Info Park, Road No. 2,
Banjara Hills, Hyderabad- 500 003

October 05, 2018

Confidential

Dear Sir

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of IL&FS Engineering and Construction Company Limited for FY18 (audited) and Q1FY19 (unaudited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Facilities	902.81	CARE D (Single D)	Revised from CARE BB; Negative (Double B; Outlook: Negative)
Short-term Facilities	2,188.52	CARE D (Single D)	Revised from CARE A4 (A Four)
Total Bank facilities	Rs.3,091.33 crore (Rupees Three Thousand Ninety One Crore and Thirty Three Lakh only)		

2. Refer Annexure 1 for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure-2. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by October 05, 2018, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

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

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,

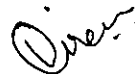


Suhani Gupta

Analyst

suhani.gupta@careratings.com

Encl.: As above



Viren Shah

Associate Director

viren.shah@careratings.com

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 Rated Facilities

1. Long-term bank facilities

1. A. Rupee Term Loans

(Rs. crore)

Sr. No.	Name of the Bank	Rated Amount	Remarks (Outstanding/ Sanctioned / Proposed)	Debt Repayment Terms
1.	Allahabad Bank	15.94	Outstanding as on December 31, 2017	Repayment as mentioned below
2.	Bank of India	1.95		
3.	Bank of Maharashtra	9.42		
4.	ICICI Bank Limited	66.15		
5.	IDBI Bank Limited	8.65		
6.	Indian Overseas Bank	5.45		
7.	Punjab National Bank	4.03		
8.	State Bank of Hyderabad	8.05		
9.	State Bank of India	27.45		
10.	Vijaya Bank	5.72		
11.	ICICI Bank Limited-Term loan 2017	39.00	Sanctioned	
12.	Proposed*	161.00	Proposed	
	Total	352.81		

* Proposed represents WC/NBF/fund based loans assessed by the consortium and are in different stages of sanction

Term loan repayment is as under:

Principal repayment	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Term Loans (CDR package) FY11 of Rs.300.00 crore	20%	20%	20%	20%	20%	-	-	-	-
Term loans FY15 of Rs.128.44 crore	-	-	15%	35%	40%	10%	-	-	-
Term loans FY18 of Rs. 39.00 crore	-	-	-	-	-	5%	25%	35%	35%

Total long-term facilities (1.A) is Rs. 352.81 crore

1. B. Fund Based limits

(Rs. crore)

Sr. No.	Name of the Bank	Fund Based Limits (Cash Credit)
1.	Allahabad Bank	63.09
2.	Bank of India	17.00
3.	Bank of Maharashtra	24.23
4.	ICICI Bank Limited	65.75
5.	IDBI Bank Limited	22.71
6.	Indian Overseas Bank	33.00
7.	Punjab National Bank	53.00
8.	State Bank of Hyderabad	77.27
9.	State Bank of India	106.05
10.	Vijaya Bank	34.85
11.	Proposed *	53.05
	Total	550.00

* Proposed represents WC/NBF/fund based loans assessed by the consortium and are in different stages of sanction

Total long-term bank facilities (1.B) is Rs.550.00 crore

Total long-term bank facilities (1.A) + (1.B) is Rs.902.81 crore

2. Short-term bank facilities

(Rs. crore)

Sr. No.	Name of the Bank	Non Fund Based Limits (Bank Guarantee/Letter of Credit)
1.	Allahabad Bank	167.98
2.	Bank of India	139.00
3.	Bank of Maharashtra	147.91
4.	ICICI Bank Limited	766.47
5.	IDBI Bank Limited	40.86
6.	Indian Overseas Bank	28.00
7.	Punjab National Bank	186.00
8.	State Bank of Hyderabad	72.81
9.	State Bank of India	136.22
10.	Vijaya Bank	15.27
11.	Proposed*	488.00
	TOTAL	2,188.52

* Proposed represents WC/NBF/fund based loans assessed by the consortium and are in different stages of sanction

Total short-term bank facilities (2) is Rs. 2,188.52 crore

Total rated bank facilities (1+ 2) is Rs. 3,091.33 crore

Annexure 2
Press Release
IL&FS Engineering and Construction Company Limited

Ratings

Facilities	Amount(Rs. crore)	Ratings ¹	Remarks
Long-term Facilities	902.81	CARE D (Single D)	Revised from CARE BB; Negative (Double B ; Outlook: Negative)
Short-term Facilities	2,188.52	CARE D (Single D)	Revised from CARE A4 (A Four)
Total Bank facilities	Rs.3,091.33 crore (Rupees Three Thousand Ninety One Crore and Thirty Three Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rating Rationale and Key rating drivers

The revision in the rating of IL&FS Engineering and Construction Company Limited (IECCL) factors in the delay in debt servicing obligation on its rated facilities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations: The company had delayed in its debt servicing obligation on its rated facilities.

Deterioration in the liquidity profile of its promoter, IL&FS: As a part of the deleveraging plan, Infrastructure Leasing and Financial Services group (IL&FS, CARE D) had envisaged monetization of certain identified assets to reduce debt levels, infusion of equity capital to decrease leverage as well as have a funding line from its shareholder entities as a liquidity measure. However, the deleveraging has taken longer time than expected, while uncertainty about the timely infusion of funds vis-à-vis impending debt payment obligations in the near term has severely impacted the liquidity profile of the promoter and the group entities.

Analytical approach: CARE has taken a consolidated approach. For arriving at the ratings, CARE has factored in the fund based timely support from IL&FS group extended to IECCL for operations and debt servicing.

Applicable Criteria

CARE's Policy on Default Recognition

About the Company

IECCL is engaged in infrastructure development which includes construction and project management services operating across different countries.

Subsequent to the Satyam Scam, in September 2009, Infrastructure Leasing and Financial Services group (IL&FS, rated CARE D) was inducted by Company Law Board (CLB) of India as the new promoter of IECCL

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

Infra Limited) with the mandate to put the company back on track. As on Sep 30, 2018, IL&FS group holds 42.25% of equity share capital of the company.

In 2009, along with induction of IL&FS as the new promoter, IECCL got a Corporate Debt Restructuring (CDR) package approved, whereby lenders agreed to convert the existing facilities into fresh loans, preference and equity shares. In 2010, Saudi Bin Laden Group of Saudi Arabia (SBG, holds 27.87% of equity share capital) was inducted as the second major shareholder.

Since assuming charge, IL&FS has worked aggressively and rebuilt the company by developing a comprehensive and implementable business plan for the company, finalized a restructuring package enabling the organization to grow, securing new orders to enhance the profitability. IECCL presently undertakes construction of roads, industrial structures, irrigation canals and dams, rural and urban electrification and power projects. The company has forayed into new business segments such as sea ports, rail and rail based systems including metros, oil and gas sector, water treatment, and power transmission and distribution.

Brief Financials –Consolidated	FY17 (A)	FY18 (A)
	(Rs. crore)	(Rs. crore)
Total operating income	1938.44	2112.25
PBILDT	263.79	399.74
PAT	(46.29)	15.16
Overall gearing (times)	NM	NM
Interest coverage (times)	0.76	0.98

A: Audited and reinstated as per IND AS

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.

Analyst Contact

Name: Viren Shah

Tel: 022-6754-656

Email: viren.shah@careratings.com

****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	-	-	March 2023	352.81	CARE D
Fund-based - LT-Working Capital Limits	-	-	-	550.00	CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	2188.52	CARE D

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	352.81	CARE D	1)CARE BB; Negative (11-Sep-18) 2)CARE BBB-; Stable (04-Apr-18)	-	1)CARE BBB-; Stable (09-Feb-17)	1)CARE BBB- (21-Jan-16) 2)CARE BBB- (22-Apr-15)
2.	Fund-based - LT-Working Capital Limits	LT	550.00	CARE D	1)CARE BB; Negative (11-Sep-18) 2)CARE BBB-; Stable (04-Apr-18)	-	1)CARE BBB-; Stable (09-Feb-17)	1)CARE BBB- (21-Jan-16) 2)CARE BBB- (22-Apr-15)
3.	Non-fund-based - ST-Working Capital Limits	ST	2188.52	CARE D	1)CARE A4 (11-Sep-18) 2)CARE A3 (04-Apr-18)	-	1)CARE A3 (09-Feb-17)	1)CARE A3 (21-Jan-16) 2)CARE A3 (22-Apr-15)
4.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (11-Sep-18) 2)CARE A1+ (SO) (04-Apr-18)	1)CARE A1+ (SO) (20-Jul-17) 2)Provisional CARE A1+ (SO) (12-Jul-17) 3)Provisional CARE A1+ (SO) (29-Jun-17)	-	-