



October 4, 2010

ICRA re-affirms long-term rating assigned to non-fund based facilities of L&T Infrastructure Development Projects Limited; assigns stable outlook

ICRA has reaffirmed an LAA (pronounced L double A) rating assigned to the Rs. 200 crore¹ non-fund based limits of L&T Infrastructure Development Projects Limited ("LTIDPL")[†]. The outlook on the rating is stable.

The rating reaffirmation takes into account the status of LTIDPL as a subsidiary of Larsen & Toubro Limited (L&T; rated at LAAA by ICRA) developing various infrastructure projects, the financial flexibility it derives from the strength of its promoters and financial investors, the company's conservative financial profile and the management's stated intention to limit the extent of leveraging in the company. Further, with most of the projects in LTIDPL's current portfolio having been completed, the level of execution risks that the company faces is low. While assigning the rating, ICRA has also taken note of the back-to-back arrangement that LTIDPL (through its SPVs) enters into with the Engineering, Procurement and Construction (EPC) contractor (generally the construction division of L&T) for meeting the construction obligations as per the respective Concession Agreement (CA), which limits LTIDPL's risk and liability. The rating is however constrained by the possibility of time and cost overruns in the projects that LTIDPL is currently executing and the future funding support that LTIDPL may opt to provide to the SPVs in case of any cash flow mismatches during the operations period. Further, LTIDPL's investment in real estate sector also exposes it to market risks. ICRA, however, notes that the company has the flexibility of upstreaming surplus cash from its operating SPVs or by churning its large portfolio, if required to meet funding requirements.

Company Profile

LTIDPL (formerly L&T Holdings Limited) was promoted by Larsen & Toubro Limited (L&T) in February 2001 to act as the holding company for the various infrastructure projects that are being developed by L&T. In April 2006, LTIDPL issued fresh equity (of 55 million shares with a face value of Rs. 10 each) at a premium of Rs. 90 per share to the financial investors, resulting in an equity infusion of Rs. 5.5 billion. Post-dilution, As on March 31, 2010 L&T had a holding of 84.27% and thereafter on April 9, 2010 L&T increased its stake to 86.49% in the paid-up share capital by buying out equity investment of IDFC in LTIDPL, while overseas financial investors JP Morgan and Old lane hold the balance stake.

LTIDPL has promoted and executed several infrastructure projects through public-private partnership, in the field of highways and expressways, bridges, seaports/terminals, airport, water supply, wind energy, real estate development, IT and industrial parks. The current investment portfolio of LTIDPL consists of 16 major projects; among which there are nine road/bridge projects, two port projects, one metro project, one wind power project and three real estate projects; all projects, other than the Wind Power project and the Nagpur SEZ project, are being developed in project specific SPVs. LTUIL a subsidiary of LTIDPL houses SPVs implementing various property development and urban infrastructure projects.

For the financial year ended March 2010, the company earned a Net Profit of Rs. 511.71 crore on an income of Rs 698.46 crore.

September 2010

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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