

## Thriveni Sainik Mining Private Limited

April 06, 2022

### Ratings

Facilities/Instruments*	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	206.30 (Reduced from 318.00)	CARE BBB+ (CE); Positive [Triple B Plus (Credit Enhancement); Outlook: Positive]	Reaffirmed
Long Term / Short Term Bank Facilities	130.00 (Reduced from 160.00)	CARE BBB+ (CE); Positive/CARE A2 (CE) [Triple B Plus (Credit Enhancement); Outlook: Positive/ A Two (Credit Enhancement)]	Reaffirmed
<b>Total Bank Facilities</b>	<b>336.30</b> <b>(Rs. Three Hundred Thirty- Six Crore and Thirty Lakh Only)</b>		

Details of instruments/facilities in Annexure-1

\*backed by unconditional and irrevocable corporate guarantee extended by Thriveni Earthmovers Private Limited (TEPL, rated CARE BBB+; Positive/CARE A2)

<b>Un Supported Rating<sup>2</sup></b>	<b>CARE BBB- / CARE A3 (Triple B Minus/A Three) [Reaffirmed]</b>
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Note : Unsupported Rating does not factor in the explicit credit enhancement

### Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The above rating assigned to the bank facilities of Thriveni Sainik Mining Private Limited (TSMPL) is based on credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by TEPL.

### Detailed Rationale & Key Rating Drivers of TEPL

CARE Ratings Limited (CARE) has taken a consolidated view on Thriveni Earthmovers Private Limited (TEPL) and its subsidiaries given the strong operating and financial linkages with the subsidiaries.

The ratings assigned to the bank facilities/instrument of TEPL continue to draw comfort from its long track record of operations and established position as a mine developer and operator (MDO), diversified revenue streams including from key subsidiaries, healthy revenue visibility with reputed clientele and differentiated acquisition and rebuild model of large fleet of owned heavy equipment that reduces capital intensity of mining services business significantly. The ratings also factor in the moderate overall gearing despite high capital intensity of operations.

The ratings take note of the decline in consolidated profitability and moderation in debt coverage indicators of the company in FY21 (refers to the period April 1 to March 31) as compared to FY20 mainly due to lower mining income in standalone operations, muted performance of the overseas operations, losses incurred in the coal mining contract in subsidiary Thriveni Sainik Mining Private Limited (TSMPL) and proportionate profitability booked under TEPL from the pellets business of subsidiary Brahmani River Pellets Limited (BRPL) due to implementation of pellet offtake agreement since February 2020.

TSMPL booked losses in FY21 on account of disruptions caused due to the outbreak of Covid-19 pandemic and stoppage of operations for about three months at the mining site owing to agitations by the local people demanding higher land and Rehabilitation and Resettlement compensation from NTPC Limited (NTPC). This resulted in lower production of coal and hence under absorption of fixed overheads. With gradual resolution of the issues, the operating losses in TSMPL have reduced considerably in 9MFY22 and the company is expected to report profit at PBILDT level in FY22.

The ratings remain constrained by the capital-intensive nature of business, perceived regulatory risk in the mining industry, emerging competition in mining services industry and dependence on the cyclical iron and steel sector.

### Key Rating Drivers of TSMPL for Unsupported Ratings

The ratings assigned to the bank facilities of TSMPL factor in the experience of the promoters in mining operations, long term contract with NTPC, near completion of the capex for the development of the mine and continued support extended by TEPL.

The ratings take note of the significant decline in total operating income (TOI) in FY21 on account of disruptions at the mining site resulting in lower production of coal. The decline in production led to lower absorption of overhead expenses resulting in operating losses during the year. However, during 9MFY22, with increase in production, the losses have reduced substantially. The ratings remain constrained by the project implementation risk and regulatory risk in mining activity.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

<sup>2</sup> As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

## Rating Sensitivities (TEPL)

### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Healthy growth in consolidated TOI and profitability as envisaged from the various revenue streams with consolidated PBILDT margin of more than 15% on a sustained basis.
- Maintaining consolidated overall gearing at less than 0.50x and improvement in debt coverage indicators (Total Debt/PBILDT < 2x and interest coverage > 4x) on a sustained basis.

### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Significant decline in consolidated TOI or profitability (PBILDT margin < 8%)
- Deterioration in consolidated capital structure (overall gearing > unity) and debt coverage indicators (Total Debt/PBILDT > 4x and interest coverage < 2.5x) on a sustained basis
- Any significant debt laden capex/acquisition which is likely to result in significant deterioration of debt protection matrix.

### Outlook: Positive (TEPL)

The 'Positive' outlook assigned to the long-term ratings of TEPL continues to factor in the expected improvement in debt coverage indicators with healthy revenue visibility and profitability expected to be generated from the mining operations, inflows from overseas operations in Indonesia, Laserda Pacheri mine block and sale of pellets sourced from BRPL. The outlook may be revised to stable if the company is unable to achieve the envisaged improvement in TOI and profitability from the various revenue streams.

## Detailed description of the key rating drivers of TEPL

### Key Rating Strengths

#### *Long and established track record of operations as MDO*

The promoters of TEPL, Mr. P. Balasubramaniam (Ex-chairman), Mr. B. Prabhakaran (MD) and Mr. B. Karthikeyan (ED), started as MDO for limestone in 1991 and over the years TEPL has grown to be one of the dominant players in iron ore mining in the country. It has also built presence in open cast coal mining through its subsidiary joint venture TSMPL.

#### *Diversified revenue streams*

Apart from the mining operations under TEPL and TSMPL, TEPL also owns commercial lease of aggregate quarry situated at Hosur, Tamil Nadu which is used for manufacturing sand (as opposed to river sand) which is environment friendly. This apart, TEPL has controlling interest over a coal mine in Indonesia through a step-down subsidiary, PT Minemax Indonesia (PTM). TEPL has also entered into strategic partnership in 2019 with some of the largest coal mine owners in Indonesia to grow its business significantly in the future. It also holds 49% stake in BRPL through its subsidiary Thriveni Pellets Private Limited (TPPL) and has management control of the entity.

BRPL operates a 4.7 Million TPA iron-ore beneficiation plant in Barbil, Odisha, 4 Million TPA pellet plant in Jajpur, Kalinganagar and has a 230 km underground slurry pipeline connecting the beneficiation plant to the pellet plant resulting in substantial savings in transportation cost. It has significant share in the export of pellets from India. Through a pellet offtake agreement, iron ore pellets manufactured by BRPL are sold by its shareholders.

In FY22, the company has also acquired 24.41% stake in Lloyds Metals and Energy Ltd (LMEL) at an investment of about Rs.200 crore and became a promoter of LMEL. LMEL produces sponge iron and has an iron ore mine with environmental clearance for production of 3 million MTPA and total deposits of more than 91 million ton in the Maharashtra belt for which TEPL has also been appointed as the MDO. The mining operations commenced in June 2021 and TEPL expects to achieve healthy PBILDT from LMEL MDO operations independently.

#### *Differentiated heavy mining equipment acquisition and rebuild model*

The company possesses more than 1600 heavy equipment, including some of the largest class of equipment available globally such as 240-280 Ton dumpers, 35-42 CuM Excavators/Loaders, and other supporting equipment etc. TEPL purchases many of these second hand at the end of their life in their respective markets at a fraction of the original cost and rebuilds/refurbishes them in its state of the art rebuild centre in Jamshedpur for which it has developed an extensive local and international supply chain. This approach to equipment acquisition and rebuild/life extension has enabled the company to reduce capital intensity in the MDO business. Through this approach the company is able to meet majority of its heavy equipment requirement in-house with significant spare capacity and the remaining (mostly smaller sized equipment) is hired on contractual basis.

#### *Reputed Clientele*

TEPL has bagged iron ore MDO contracts from the new lessees in the mining auctions concluded in Odisha, from some of the most reputed and established names in the iron and steel sector. It also has established Public Sector Undertakings in its client base. In its iron ore pellet business, the company has presence both in the export and domestic market.

#### *Healthy order-book position and strong revenue visibility through cash flows from key subsidiaries*

As on December 31, 2021, TEPL has number of MDO contracts with environmental clearance of around 107 MTPA which provides significant revenue visibility for the future. Further, TEPL has revenue visibility through rental income from its subsidiary TSMPL, rental income from its Indonesian subsidiary both leveraging its large sized equipment bank, significant cash flows expected from pellet sales manufactured by BRPL and other MDO contracts (barytes, coal etc). The company had received prospecting license for Laserda Pacheri mine block which is located in Bonai-Kendujhar Belt of Kendujhar district in Odisha. The company found Manganese ore having 2.3 million tonnes of reserve, Iron having 1.2 million tonnes of reserve and

Dolomite having 14.58 million tonnes of reserve during its prospecting activities in the mine. Prospecting license is in the process of being converted into a mining lease. The mining activities are expected to provide healthy revenues from FY24 onwards.

Thrivani Group has also formed a strategic alliance with Darma Henwa (DH) Group of Indonesia, one of the largest mining contractors in Indonesia, in December 2019 wherein TEPL will manage the operations for DH and will also deploy its mining equipment and in return will earn lease rentals. TEPL has already dispatched the mining equipment at the respective sites. The rental flow has already started, and the company expects to book long-term income from the same.

Going forward, the Indonesian operations are expected to generate healthy profitability with commencement of mining operations and the profitability of TSMPL is also expected to improve.

### **Key Rating Weaknesses**

#### ***Moderation in profitability in FY21***

The consolidated TOI of TEPL remained relatively stable in FY21 at Rs.6,740 crore as against Rs.6,656 crore in FY20. The lower revenue in mining operations in TEPL and TSMPL was compensated by increase in sales of pellets.

However, the profitability witnessed a significant dip in FY21 due to the lower revenue from high margin mining operations, losses incurred in TSMPL, limited profit booked in TEPL from sale of pellets as per the pellet offtake agreement between BRPL and its stakeholders and subdued performance of overseas subsidiaries in Indonesia.

With lower PBILDT and increase in the depreciation and interest cost on purchase of equipment, the company witnessed a significant decline in PAT both on standalone and consolidated basis.

In 9MFY22, the losses have reduced in TSMPL and the PBILDT margin remained stable on a standalone basis.

#### ***Moderation in debt coverage indicators***

The capital structure of TEPL remained moderate and stable with consolidated overall gearing at 0.63x as on March 31, 2021 (0.64x as on March 31, 2020) despite high capital intensity of operations. Apart from the term loans and equipment loans availed by the company, debt also includes significant amount of unsecured loans (including from promoters), a part of which is expected to be converted to equity in FY22 (about Rs.330 crore).

The debt level has increased significantly in the standalone books as on December 31, 2021 due to equipment loans, term loans and NCDs availed during the year to finance the additional investments during the year.

The total debt/PBILDT deteriorated to 3.02x (FY20: 1.35x) and interest coverage deteriorated to 2.95x in FY21 (6.05x in FY20) due to the moderation in profitability in FY21. However, the same is expected to improve going forward with the expected improvement in profitability.

#### ***Capital intensive nature of business***

TEPL's MDO operation is capital intensive in nature as it has to continuously incur capex for procuring heavy earthmoving and other mining equipment. Further, the company's MDO operation is also working capital intensive in nature due to requirement of maintenance of adequate stock of critical stores & spares for its heavy equipment, many of which have a long lead procurement cycle and provide credit period of around two months to its customers.

However, TEPL reduces its capex requirement, to large extent, through its strategy of procuring large mining equipment from around the world at the end of their life in their respective markets and rebuilding them at its facility at Jamshedpur. TEPL has also built an extensive local and international supply chain away from OEMs which has enabled to reduce cost of maintenance and inventory holding.

#### ***Regulatory risk in the mining industry***

TEPL generates significant revenue from its mining service operations. The Indian mining industry is highly regulated by the Government of India; therefore, TEPL's MDO business is indirectly exposed to the risk attached to changes in government policy affecting the rights of its customers. However, this risk associated with the mining industry has been mitigated to a large extent after amendment in the Mines and Minerals (Development and Regulation) Act, 1957 in 2015 which has mandated that all the mining leases shall be granted through auction by competitive bidding, including e-auction as opposed to first come first serve principles which existed prior to the said amendment.

#### ***Emerging competition in mining services industry***

The profitability margins from the new MDO contracts, bagged by TEPL from the new lessees post conclusion of mining auction in Odisha, is reduced on account of lower mining rates in comparison to the earlier contracts. Decline in mining rates is largely on account competitive bidding invited by the new lessees for award of contracts which saw many small and large competitors, although partially offset from reduced scope of work and responsibility that the company was undertaking on behalf of its erstwhile mine owners. Nevertheless, low profitability margin is expected to be compensated, to some extent, through higher mining volumes and optimal utilization of overhead resulting in stable profitability in the long run.

#### ***Dependence on iron and steel sector***

As majority of the company's MDO revenue currently is derived from iron ore mining and pellet and fine trading, the prospects of the company are dependent upon the iron and steel industry which is cyclical in nature. However, this risk is somewhat mitigated as it has diversified into other minerals such as coal, barytes etc. Further, as the company's iron ore mining is largely concentrated in Odisha (and nearby Jharkhand) which are home to majority of high-grade iron ore deposit in the country, any down-turn in steel industry reducing demand is less likely to impact iron ore producers in Odisha/Jharkhand. From FY22, the

company has also commenced MDO operations in the mines of LMEL in Maharashtra. The company remains exposed to cyclical of the steel industry in its pellet business as well.

#### **Liquidity: Adequate**

TEPL's cash accruals are expected to be adequate to meet its term debt and unsecured debt repayment obligations. Average utilisation of its fund-based limits over the past 12 months ended February 2021 stood at around 86%. The company does not have any major capex plans over the medium term. The current ratio remained moderate at 1.12x as on March 31, 2021.

#### **Analytical approach (CE Rating): Consolidated**

CARE Ratings Ltd (CARE) has taken a consolidated approach in TEPL considering the significant exposure of TEPL in its subsidiaries/associates along with presence of operational and financial linkages between the entities. Further, TEPL has provided corporate guarantee for debt availed by TSMPL. The list of entities consolidated with TEPL are placed at **Annexure-6**. Earlier CARE had taken a standalone approach while factoring in the exposure in the group companies.

**Unsupported rating assessment:** Standalone factoring in linkages with TEPL.

#### **Applicable Criteria**

[Factoring linkages](#)

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Service Sector Companies](#)

[Wholesale Trading](#)

[Rating Credit Enhanced Debt](#)

#### **About the Company- TEPL**

TEPL was initially promoted by Sri P. Balasubramaniam as a partnership firm in 1991 which was later converted into private limited company in 1999. It is engaged in MDO contract services of various minerals (i.e. iron ore, copper, coal, bauxite, barite ore, etc) for private mine lease owners. TEPL is one of the largest MDO of iron-ore in India.

Consolidated Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)*
Total operating income	6,656	6,740	2,865
PBILDT	1,328	579	318
PAT	543	-16	62
PAT excluding non-controlling interest	213	-27	-
Overall gearing (times)	0.64	0.63	NA
Interest coverage (times)	6.05	2.95	2.76

A: Audited; UA: Unaudited; NA: Not available

Ratios are classified as per CARE standards

\*9MFY22 financial are standalone

#### **About the company – TSMPL**

TSMPL is a special purpose vehicle (SPV) promoted by TEPL and Sainik Mining and Allied Services Limited (SMASL) to undertake the work for development and operation of Pakri Barwadih Coal Mining Block (PB block) situated in the state of Jharkhand in District Hazaribagh. The work has been awarded by NTPC Limited. TEPL has 51% stake in the SPV and the remaining 49% is held by SMASL. As per the terms of agreement, the company is entitled to get Rs.785.72 per tonne of coal delivered for a period of 27 years (starting from 2015) till September 2042. The rate varies depending upon the overburden removal while mining.

Standalone Brief Financials of TSMPL (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	<b>1058</b>	<b>720</b>	641
PBILDT	117	-44	-3
PAT	56	-80	-31
Overall gearing (times)	1.55	1.70	1.77
Interest coverage (times)	15.23	-3.36	-0.16

A: Audited; UA: Unaudited

Ratios are classified as per CARE standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	August 2025	146.30	CARE BBB+ (CE); Positive
Fund-based - LT-Cash Credit		-	-	-	60.00	CARE BBB+ (CE); Positive
Non-fund-based - LT/ ST-BG/LC		-	-	-	130.00	CARE BBB+ (CE); Positive / CARE A2 (CE)
Un Supported Rating-Un Supported Rating (LT/ST)		-	-	-	0.00	CARE BBB- / CARE A3

**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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	146.30	CARE BBB+ (CE); Positive	1)CARE BBB+ (CE); Positive (07-Apr-21)	-	1)CARE BBB+ (CE) (CWD) (26-Feb-20) 2)CARE BBB+ (CE); Positive (04-Jul-19)	1)CARE BBB+ (SO); Positive (08-Jan-19) 2)CARE BBB+ (SO); Stable (13-Jul-18) 3)CARE BBB+ (SO) (CWD) (04-Apr-18)
2	Fund-based - LT-Cash Credit	LT	60.00	CARE BBB+ (CE); Positive	1)CARE BBB+ (CE); Positive (07-Apr-21)	-	1)CARE BBB+ (CE) (CWD) (26-Feb-20) 2)CARE BBB+ (CE); Positive (04-Jul-19)	1)CARE BBB+ (SO); Positive (08-Jan-19) 2)CARE BBB+ (SO); Stable (13-Jul-18) 3)CARE BBB+ (SO) (CWD) (04-Apr-18)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	130.00	CARE BBB+ (CE); Positive / CARE A2 (CE)	1)CARE BBB+ (CE); Positive / CARE A2 (CE) (07-Apr-21)	-	1)CARE BBB+ (CE) / CARE A2 (CE) (CWD) (26-Feb-20)	1)CARE BBB+ (SO); Positive / CARE A2 (SO) (08-Jan-19)

							2)CARE BBB+ (CE); Positive / CARE A2 (CE) (04-Jul-19)	2)CARE BBB+ (SO); Stable / CARE A2 (SO) (13-Jul-18)  3)CARE BBB+ (SO) / CARE A2 (SO) (CWD) (04-Apr-18)
4	Term Loan-Long Term	-	-	-	-	-	1)CARE BBB+ (CE); Positive (03-Sep-19)  2)Provisional CARE BBB+ (CE); Positive (04-Jul-19)	-
5	Fund-based - LT-Cash Credit	-	-	-	-	-	1)CARE BBB+ (CE); Positive (03-Sep-19)  2)Provisional CARE BBB+ (CE); Positive (04-Jul-19)	-
6	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST*	0.00	CARE BBB- / CARE A3	1)CARE BBB- / CARE A3 (07-Apr-21)	-	1)CARE BBB- / CARE A3 (26-Feb-20)	-

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Un Supported Rating-Un Supported Rating (LT/ST)	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Annexure 6: Details of entities consolidated with TEPL as on March 31, 2021**

<b>Name of Entity</b>	<b>Relationship</b>	<b>% Holding</b>
Maa Tarani Logistics Limited	Subsidiary	58.31
Geovale Services Pvt Ltd	Subsidiary	60.00
Sumrit Metaliks Pvt Ltd	Subsidiary	99.81
Thriveni Sainik Mining Pvt Ltd	Subsidiary	51.00
Thriveni Apparels & Textiles Pvt Ltd	Subsidiary	100.00
Thriveni Ramka Mining Pvt Ltd	Subsidiary	51.00
Thriveni Pellets Pvt Ltd (Consolidated)	Subsidiary	51.00
Thriveni Minerals Mozambique Ltd	Subsidiary	100.00
Thriveni Resomin Pte Ltd (Consolidated)	Subsidiary	100.00
Thriveni International Limited (Consolidated)	Subsidiary	100.00
Stem Minerals & Resources LLP	LLP	70.00
Thriveni Sands & Aggregates LLP	LLP	90.00
Thriveni Logistics Services LLP	LLP	60.00
GeoMysore Services India Pvt Ltd	Associate	43.14
KJS Pellets & Power Pvt Ltd	Subsidiary	51.00
STK Energies Pvt Ltd	Subsidiary	51.00
Thriveni Sainik PBNW Pvt Ltd	Subsidiary	60.00
Thriveni Llyods Mining Pvt Ltd	Subsidiary	60.00

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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