

Bank of Baroda

September 06, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Tier II Bonds (Basel III) ^{&}	2,456.50	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	500.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	450.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	780.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	400.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	250.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	500.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Tier II Bonds (Basel III) ^{&}	2,920.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Upper Tier II Bonds (Basel II)	500.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Lower Tier II Bonds (Basel II)	-	-	Withdrawn
Additional Tier I Bonds (Basel III)	-	-	Withdrawn
Total Long-term Instruments	8,756.50 (₹ Eight thousand seven hundred fifty-six crore and fifty lakhs only)		

Details of instruments in Annexure-1.

[&] Tier II Bonds under Basel III are characterised by a 'Point of Non-Viability' (PONV) trigger due to which the investor may suffer a loss of principal. PONV will be determined by the Reserve Bank of India (RBI) and is a point at which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations, and thus, enable it to continue as a going concern. In addition, the difficulties faced by a bank should be such that these are likely to result in the financial losses and raising the Common Equity Tier I capital of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable.

Detailed rationale and key rating drivers

The ratings assigned continue to factor in majority ownership, demonstrated and expected continued support from the Government of India (GoI), Bank of Baroda's (BOB's) systemic importance and position in the Indian banking sector being the one of the largest public sector banks in terms of business (advances and deposits) and asset size and its strong and established franchise through pan-India branch network which helps it to garner low-cost and stable Current Account Savings Account (CASA) deposit base with comfortable liquidity. The ratings further factor in the improvement in the bank's capitalisation levels post equity infusion through QIP (non-government) in FY21 (refers to the period April 01 to March 31) and internal accruals and improvement in the earnings profile. The ratings also factor in the bank's moderate but improving asset quality with lower incremental slippages, however, the performance of its restructured book will be key monitorable.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to Additional Tier I Bonds (Basel III) of ₹2,325 crore and Lower Tier II Bonds (Basel II) of ₹850 crore as these bonds have been redeemed by the bank.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Not Applicable

Negative factors – Factors that could lead to negative rating action/downgrade:

- Reduction in government support and ownership below 50%
- Deterioration in asset quality parameters: Net NPA ratio of over 5% on a sustained basis
- Decline in profit for a sustained basis leading to deterioration in capitalisation levels

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers

Key rating strengths

Majority ownership and support by GOI and experienced management: GOI has been supporting public sector banks with regular capital infusions and steps to improve capitalisation, operational efficiency and asset quality. GOI continues to be the majority shareholder holding 63.97% stake in BOB as on June 30, 2022 and considering its systemic significance as being one of the largest public sector banks, timely and regular support from GoI to maintain the capitalisation as expected, would remain a key rating sensitivity.

The bank is headed by Dr Hasmukh Adhia who was appointed as the Non-Executive Chairman of the bank w.e.f. March 01, 2019. Dr Adhia is an ex-officer of Indian Administrative Service (IAS), retired in November 2018, as Union Finance Secretary & Revenue Secretary in Government of India. The operations of the bank are headed by Mr Sanjiv Chadha who took over as the Managing Director and Chief Executive Officer (MD & CEO) with effect from January 20, 2020. Mr Chadha has over 33 years of banking experience. The bank has in place a team handling various functions headed by Chief General Managers and General Managers.

Long track record of operations and position as one of the largest public sector banks in India with an established franchise and stable deposit profile:

BOB has a long and established operational track record of more than 11 decades and is one of the largest nationalised banks in terms of assets, business and outreach. Post the amalgamation of Vijaya Bank and Dena Bank with BOB with effect from April 01, 2019, the pan-India geographical presence of BOB has risen substantially thereby furthering its existing strong franchise with a network of 8,204 (including international) branches and catering to a customer base of over 15.77 crore globally. The bank had a network of 9,825 ATMs, 1,650 cash re-cyclers and 79,176 employees as on June 30, 2022. The bank has significant international presence with 94 overseas branches/offices across 17 countries comprising of 41 overseas branches/offices (including one International Banking Unit in GIFT City, Gandhinagar, Gujarat, India, nine EBSUs in UAE and one Mobile Banking Unit in Mauritius) and 53 branches of the bank's seven overseas subsidiaries. The low-cost CASA of BOB registered a growth of 11.67% YOY as on March 31, 2022 (June 30, 2022: 11.18% YOY), whereas the total deposits grew by 8.16% YOY as on March 31, 2022 (June 30, 2022: 10.89% YOY). BOB has a strong resource profile as depicted by the steady improvement of low-cost CASA deposits of 41.46% as on March 31, 2022 (June 30, 2022: 41.14%) as against 35.29% as on March 31, 2020 (March 31, 2021: 40.15%). The improvement in share of CASA deposits (along with reduction of bulk deposits) in total deposits, has resulted in BOB lowering its cost of deposits significantly at 3.31% for the FY22 as against 4.69% for FY20 (FY21: 3.93%).

Improvement in capitalisation levels: The bank has seen improvement in its capitalisation levels over the past three years post its amalgamation with Dena Bank and Vijaya Bank with sufficient capital cushion over the regulatory limits. The bank raised equity capital of ₹4,500 crore during FY21 through the QIP (non-government) route which led to reduction of the GoI's stake. BOB also raised by AT1 bonds of ₹3,375 crore during FY21 and ₹2,749 crore during FY22 supported by improvement in internal accruals. BOB reported Capital Adequacy Ratio (CAR) of 15.68% (P.Y.: 14.99%) with Common Equity Tier I (CET I) Ratio of 11.42% (P.Y. 10.94%) as on March 31, 2022 and CAR of 15.46% and CET I Ratio of 11.24% as on June 30, 2022 as against minimum regulatory requirement of 11.5% for CAR and 8% for CET I Ratio respectively indicating adequate cushion to absorb any unexpected losses. The comfortable capital cushion has enhanced its ability to absorb asset quality pressures as well as support growth in the near term.

Improving profitability matrices: During FY22, BOB saw 9% growth in advances largely driven by retail lending which constituted 47% of total advances as on March 31, 2022. The bank's net interest margin (NIM) improved at 2.69% for FY22 against 2.50% for the previous year due to higher fall in cost of deposit as compared to fall in yields in a decreasing interest rate scenario except for the last quarter for FY22 when the interest rates started rising. The bank's non-interest income fell by 11% during FY22 despite the fee income registering a growth due to significant lower treasury income (mark-to-market losses during Q4FY22) as compared to the previous year. However, supported by NII, the BOB's Pre-Provisions Operating Profit (PPOP) improved from ₹21,199 for FY21 to ₹22,389 crore for FY22. Due to improving asset quality, credit cost reduced to 1.07% from 1.36% in FY21 resulting in PBT to improve in FY22 over the previous year. The bank changed tax regime in FY21 wherein it saw significant tax outgo (one-off) resulting in lower PAT of ₹829 crore which improved significantly to ₹7,272 crore for FY22 translating into ROTA of 0.60% in FY22 as against 0.07% in FY21.

BOB reported a net profit of ₹2,168 crore for the Q1FY23 on total income of ₹20,120 crore as against a net profit of ₹1,209 crore on a total income of ₹19,917 crore for the corresponding quarter the previous year Q1FY22. The improvement is on account of lower provisions despite treasury losses on investment portfolio.

Key rating weaknesses

Moderate asset quality: BOB's asset quality improved but remains at moderate levels with Gross NPA of 6.61% as on March 31, 2022 (June 30, 2022: 6.26%) as compared to 8.87% as on March 31, 2021. Segment-wise MSME continues to have the highest NPA at 13.30% followed by International advances and Agriculture at 9.55% and 8.49% respectively as on March 31, 2022 (June 30, 2022: 12.86%, 9.28% and 8.15%). Even though the stress in corporate segment (domestic) has moderated over the past few years, the stress in SME and international advances continues to be high. The moderation in Gross NPA is attributable to significant reduction of fresh slippages on account of restructuring framework and additional credit lines offered under various schemes and higher write-off during FY22. The slippage ratio improved to 2.08% in FY22 from 2.99% in FY21. The bank's Net NPA, Provision Coverage Ratio (excluding TWO) and Net NPA to Net worth improved to 1.72%, 75.28% and 16.96% as on March 31, 2022 from 3.09%, 67.30% and 30.33% as on March 31, 2022 respectively (June 30, 2022: 1.58%, 75.94% and 15.39%).

BOB's standard restructured book (including the RBI Resolution Framework 1.0 and 2.0) continues to remain high at ₹19,677 crore and has disbursed ECLGS of ₹13,478 crore aggregating to around 3.2% of gross advances as on June 30, 2022. The gross stressed assets (GNPA+ Standard Restructured assets+ Security Receipts) stood at 8.74% as on June 30, 2022 (March 31, 2022: 9.16%). Furthermore, the bank's special mention accounts (SMA) 1 (overdue between 30 days to 60 days) and SMA 2 (overdue between 60 to 90 days) constitute around 1.70% of gross advances respectively as on June 30, 2022 (March 31, 2022: 1.57%). Slippages in the standard restructured book would will be key rating monitorable.

Liquidity: Adequate

The bank's liquidity profile is supported by the bank's strong retail and CASA depositor base. The asset liability maturity (ALM) profile as on June 30, 2022 had positive cumulative mismatches in the time buckets upto three months. The bank had excess SLR of ₹30,212 crore as on June 30, 2022, which provides adequate liquidity. In addition, the bank has access to borrowing from RBI's liquidity adjustment facility (LAF) and marginal standing facility (MSF) along with option to refinance from SIDBI, NHB, NABARD, etc and access to call money markets. The Liquidity Coverage Ratio as on June 30, 2022 stood at 134.91%, as against the minimum regulatory requirement of 100%. Furthermore, considering the stable franchise of the bank, the bank is expected to roll over its deposits.

Analytical approach

The ratings are based on standalone profile of the bank and factors in strong and continued support from Government of India (GOI) which holds majority shareholding in the bank

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Rating Basel III - Hybrid Capital Instruments issued by Banks](#)

[Bank](#)

[Policy on Withdrawal of Ratings](#)

About the company

BOB, established in 1908, is amongst the oldest commercial banks in India with a substantial footprint in domestic and international markets. During FY19, the government announced first three-way amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda as a step towards consolidation of public sector banks. In terms of scale, the combined bank which came into operations from April 1, 2019, is one of the largest PSBs in India, further increasing its systemic importance. The consolidated bank has over 157 million customers across the globe through its network of 8,209 branches (including 8,168 domestic branches of which rural branches were 4,927) and 9,845 ATMs and 1,642 cash re-cyclers and 79,806 employees as on March 31, 2022 (June 30, 2022: 8,204 branches, 9,825 ATMs, 1,650 cash re-cyclers and 79,176 employees).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(UA)
Total income	83,429	81,365	20,120
PAT	829	7,272	2,168
Total assets	11,50,188	12,70,913	12,78,399
Net NPA (%)	3.09	1.72	1.58
ROTA (%)	0.07	0.60	0.69

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments 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 (₹ crore)	Rating Assigned along with Rating Outlook
Basel III Compliant Additional Tier I Series V	INE028A08091	22-Mar-17	9.14%	Perpetual (Call Date 22-Mar-22)	-	Withdrawn
Basel III Compliant Additional Tier I Series VI	INE028A08083	02-Dec-16	8.50%	Perpetual (Call Date 2-Dec-21)	-	Withdrawn
Basel III Compliant Tier – II Bonds Series XVIII	INE028A08125	07-Dec-18	8.42%	7-Dec-28 (Call Date 7-Dec-23)	971.5	CARE AAA; Stable
Basel III Compliant Tier – II Bonds Series XIX	INE028A08133	20-Dec-18	8.40%	20-Dec-28 (Call Date 20-Dec-23)	240	CARE AAA; Stable
Basel III Compliant Tier – II Bonds Series XX	INE028A08141	10-Jan-19	8.60%	10-Jan-29 (Call date 10-Jan-24)	285	CARE AAA; Stable
Basel III Compliant Tier – II Bonds Series XXI	INE028A08158	14-Feb-19	8.55%	14-Feb-29 (Call date 14-Feb-24)	460	CARE AAA; Stable
Basel III Compliant Tier – II Bonds Series XXII	INE028A08166	11-Sep-19	7.75%	11-Sep-34 (call date 11-Sep-29)	500	CARE AAA; Stable
Tier II Basel III Series IX ^	INE705A08037	30-Oct-14	9.15%	30-Oct-24	500	CARE AAA; Stable
Tier II Basel III Series XI ^	INE705A08078	22-Jan-16	8.64%	22-Jan-26	450	CARE AAA; Stable
Bonds-Lower Tier II (Series XII) #	INE077A09104	25-Jun-12	9.23%	25-Jun-27 (Call Date 25-Jun-22)	-	Withdrawn
Bonds-Tier II Bonds (Series XIII) #	INE077A08064	26-Feb-14	9.86%	26-Feb-24	780	CARE AAA; Stable
Bonds-Tier II Bonds (Series XIV) #	INE077A08098	20-Sep-16	8.76%	20-Sep-26	400	CARE AAA; Stable
Tier II Basel III Series VIII ^	INE705A08029	23-Dec-13	9.73%	23-Dec-23	250	CARE AAA; Stable
Tier II Basel III Series X ^	INE705A08052	18-Feb-15	8.62%	18-Feb-25	500	CARE AAA; Stable
Additional Tier I Basel III (Series IV) ^	INE705A08094	17-Jan-17	10.49%	Perpetual (Call Date 17-Jan-22)	-	Withdrawn
Basel III Compliant Tier – II Bonds Series XXIII	INE028A08190	03-Jan-20	7.44%	03-Jan-30 (call date 03-Jan-25)	920	CARE AAA; Stable
Basel III Compliant Tier – II Bonds Series XXIV	INE028A08208	15-Jan-20	7.84%	15-Jan-35 (call date 15-Jan-30)	2,000	CARE AAA; Stable
Upper Tier II (Series XII)	INE028A09123	08-Jul-09	8.54%	08-Jul-24	500	CARE AAA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Bonds-Upper Tier II	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AA+; Stable (08-Sep-20)	1)CARE AA+; Stable (03-Jul-19) 2)CARE AA+; Stable (16-May-19)
2	Bonds-Lower Tier II	LT	0.00	CARE AAA; Stable	-	-	-	1)CARE AAA; Stable (16-May-19)
3	Bonds-Perpetual Bonds	LT	-	-	-	-	1)Withdrawn (08-Sep-20)	1)CARE AA+; Stable (03-Jul-19) 2)CARE AA+; Stable (16-May-19)
4	Bonds-Upper Tier II	LT	-	-	-	-	1)Withdrawn (08-Sep-20)	1)CARE AA+; Stable (03-Jul-19) 2)CARE AA+; Stable (16-May-19)
5	Bonds-Upper Tier II	LT	-	-	-	-	1)Withdrawn (08-Sep-20)	1)CARE AA+; Stable (03-Jul-19) 2)CARE AA+; Stable (16-May-19)
6	Bonds-Upper Tier II	LT	-	-	-	-	1)Withdrawn (08-Sep-20)	1)CARE AA+; Stable (03-Jul-19) 2)CARE AA+; Stable (16-May-19)
7	Bonds-Perpetual Bonds	LT	-	-	-	-	1)Withdrawn (08-Sep-20)	1)CARE AA+; Stable (03-Jul-19) 2)CARE AA+; Stable (16-May-19)
8	Bonds-Perpetual Bonds	-	-	-	-	-	-	-
9	Bonds-Perpetual Bonds	LT	-	-	-	1)Withdrawn (07-Sep-21)	1)CARE AA; Stable (08-Sep-20)	1)CARE AA; Stable (03-Jul-19) 2)CARE AA; Stable (16-May-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
10	Bonds-Perpetual Bonds	LT	-	-	-	1)CARE AA+; Stable (07-Sep-21)	1)CARE AA; Stable (08-Sep-20)	1)CARE AA; Stable (03-Jul-19) 2)CARE AA; Stable (16-May-19)
11	Bonds-Tier II Bonds	LT	2456.50	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
12	Certificate Of Deposit	ST	-	-	-	-	-	1)Withdrawn (08-Aug-19) 2)CARE A1+ (03-Jul-19) 3)CARE A1+ (16-May-19)
13	Bonds-Tier I Bonds	LT	-	-	-	1)Withdrawn (07-Sep-21)	1)CARE AA; Stable (08-Sep-20)	1)CARE AA; Stable (03-Jul-19) 2)CARE AA; Stable (16-May-19)
14	Bonds-Tier I Bonds	LT	-	-	-	-	1)Withdrawn (08-Sep-20)	1)CARE AA; Stable (03-Jul-19) 2)CARE AA; Stable (16-May-19)
15	Bonds-Tier II Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
16	Bonds-Tier II Bonds	LT	450.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
17	Bonds-Lower Tier II	LT	-	-	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
								(16-May-19)
18	Bonds-Tier II Bonds	LT	780.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
19	Bonds-Tier II Bonds	LT	400.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
20	Bonds-Perpetual Bonds	LT	-	-	-	-	-	1)Withdrawn (11-Jun-19) 2)CARE AA+; Stable (16-May-19)
21	Bonds-Tier II Bonds	LT	250.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
22	Bonds-Tier II Bonds	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (03-Jul-19) 2)CARE AAA; Stable (16-May-19)
23	Bonds-Tier I Bonds	LT	-	-	-	1)CARE AA+; Stable (07-Sep-21)	1)CARE AA; Stable (08-Sep-20)	1)CARE AA; Stable (03-Jul-19) 2)CARE AA; Stable (16-May-19)
24	Bonds-Upper Tier II	LT	-	-	-	-	-	1)Withdrawn (14-Jun-19)
25	Bonds-Tier II Bonds	LT	2920.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Sep-21)	1)CARE AAA; Stable (08-Sep-20)	1)CARE AAA; Stable (13-Sep-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments

Tier II Bonds (Basel III)	Detailed explanation
Covenants	
Call option	Applicable
Write-down trigger	PONV Trigger, in respect of the bank means the earlier of: (i) a decision that a principal write-down, without which the bank would become non-viable, is necessary, as determined by the RBI; and (ii) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the RBI.
If write-down, full or partial	Full or partial
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	Not applicable

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

Sr. No.	Name of Instrument	Complexity Level
1	Bonds-Lower Tier II	Complex
2	Bonds-Tier I Bonds	Highly Complex
3	Bonds-Tier II Bonds	Complex
4	Bonds-Upper Tier II	Highly Complex

Annexure-5: Bank lender details for this company

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

Note on complexity levels of the rated instruments: CARE Ratings 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.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Aditya R Acharekar
Phone: 9819013971
E-mail: aditya.acharekar@careedge.in

Relationship contact

Name: Saikat Roy
Phone: +91-98209 98779
E-mail: saikat.roy@careedge.in

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