

NHPC Limited

February 09, 2023

Sl. No.	Instruments	Amount (₹ crore)	Rating ¹	Rating Action
1.	Bonds	1,000.00	CARE AAA; Stable	Assigned
2.	Bonds	527.50	CARE AAA; Stable	Reaffirmed
3.	Bonds	1,000.00	CARE AAA; Stable	Reaffirmed
4.	Bonds	458.00 (Reduced from 586.00)	CARE AAA; Stable	Reaffirmed
5.	Bonds	983.28 (Reduced from 1,106.19)	CARE AAA; Stable	Reaffirmed
6.	Bonds	900.00	CARE AAA; Stable	Reaffirmed
7.	Bonds	750.00 (Reduced from 900.00)	CARE AAA; Stable	Reaffirmed
8.	Bonds	1,500.00	CARE AAA; Stable	Reaffirmed
9.	Bonds	2,017.20	CARE AAA; Stable	Reaffirmed
10.	Bonds	2,000.00	CARE AAA; Stable	Reaffirmed
11.	Bonds	750.00 (Reduced from 1,000.00)	CARE AAA; Stable	Reaffirmed
12.	Bonds	1,500.00 (Reduced from 2,000.00)	CARE AAA; Stable	Reaffirmed
13.	Redeemable non-convertible unsecured taxable bonds	1,475.00	CARE AAA; Stable	Reaffirmed

Details of instruments in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd (CARE Ratings) has assigned rating to the long-term instrument of NHPC Limited (NHPC) bearing Sl. No. 1 while reaffirming the rating for the long-term instruments bearing Sl. No 2 through 13. The rating continues to derive strength from NHPC's established position as India's largest hydropower producer with the majority ownership (70.95%) by the Government of India (GoI). The rating also factors in the geographical diversification of the company's revenues; the sustained healthy operational efficiency of its hydropower plants with an overall plant availability factor (PAF) of 87.35% during FY22 (refers to the period from April 01 to March 31) and 95.55% during 9MFY23 (refers to the period from April 01 to December 31), ensuring recovery of fixed costs. Furthermore, the rating continues to favourably factor in NHPC's comfortable financial risk profile, characterised by a low overall gearing, strong liquidity position, and earnings protection attributable to the long-term power selling arrangements with regulated return on equity on account of the cost-plus tariff mechanism applicable for its hydro-based power plants.

These rating strengths, however, remain constrained by the counterparty credit risks with NHPC being exposed to various state electricity distribution utilities and departments with relatively weak credit profiles, hydrological risks related to variability in river water flow, and regulatory risks with respect to tariff revisions. The rating takes cognisance of the execution risks, including time and cost overruns associated with the large under-implementation projects of NHPC being developed on a standalone basis and through joint ventures (JVs) and subsidiaries, which are inherent in hydropower projects. The company has seen time and cost overruns in two of its large under-construction projects – Subansiri Lower and Parbati-II; however, the residual construction risk is partially mitigated by the progress made on the respective projects and the cost-plus tariff framework governing the projects. The company is also implementing 7,539 MW of hydro and solar power projects in a standalone mode as well as in the subsidiary or JV mode.

Rating sensitivities: Factors likely to lead to rating actions

Negative factors

- Significant decrease in the GoI's shareholding, leading to reduction in financial and strategic support.
- Deterioration in debtor collection period beyond 150 days on a sustained basis.
- Substantial delay in completion of the ongoing capex plans and/or substantial cost revisions of the under-implementation projects.

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

Analytical approach: Consolidated. The rating factors in NHPC's strategic importance to the Government of India (GOI) and its role as largest hydro power company in India. List of subsidiaries/JVs which have been consolidated are as under:

Sr. No.	Particulars	Shareholding
Subsidiaries		
1	NHDC Limited	51%
2	Loktak Downstream Hydroelectric Corporation Limited	74%
3	Bundelkhand Saur Urja Limited	74%
4	Lanco Teesta Hydro Power Limited	100%
5	Jal Power Corporation Limited	100%
6	Ratle Hydroelectric Power Corporation Limited	51%
7	NHPC Renewable Energy Limited	100%
Joint Ventures		
1	Chenab Valley Power Projects Private Limited	49%
2	National High Power Test Laboratory Private Limited	20%

Key strengths

Majority ownership by the GoI and its support

NHPC benefits substantially from its strong linkages with the GoI, with the Government not only holding a majority stake (70.95% as on December 31, 2022) but also providing financial and strategic support. Besides providing equity support, the GoI has provided support in the form of longer tenure subordinated debt to fund strategically important projects at concessional interest rates. The GoI is also involved in the appointment of the board and senior management as well as in setting up NHPC's business plan annually. Furthermore, the GoI's recognition of NHPC as a Mini Ratna Category-I central public sector enterprise (CPSE) provides its management with significant autonomy in taking financial decisions. NHPC benefits from supportive policy frameworks, which enables it to operate hydropower projects across India. Furthermore, the tariff determination of hydroprojects has continued to be on a cost-plus basis by the Ministry of Power (MoP), assuring a stable return.

Cost-plus tariff providing stable cash flow and assured returns

The tariff for each hydropower station of NHPC is determined by the Central Electricity Regulatory Commission (CERC). It ensures adequate recovery of cost along with stipulated return on equity on achievement of the normative availability and generation, meeting the design energy of that particular plant. NHPC has low sales risk because of the execution of long-term power purchase agreements (PPAs) for its hydro-projects. The average tariff of all the hydropower plants of NHPC was ₹2.98 per unit for FY22, with 16 plants (out of 20) having a tariff of ₹5.0 per unit or below in FY22. Furthermore, the FY22 tariff for the majority of the plants was provisional and will be finalised as per CERC 2019-24 tariff regulations.

Healthy operational performance

NHPC is the largest hydropower generating company in India, with a total power generation (consolidated) of around 26.94 BUS during FY22 (PY: 28.48 BUS) through its 24 operating power stations (including one wind power plant and one solar power plant and two hydro projects housed in its subsidiary) located across different parts of the country. Furthermore, the same stood at 26.17 BUS during 9MFY23 (9MFY22: 23.12 BUS). The company had achieved an aggregate PAF of 87.35% in FY22 (PY: 84.87%). Of the total 22 operational hydropower stations, 18 power stations had registered a higher PAF during FY22 than the normative availability prescribed by the CERC. Furthermore, NHPC continued to report incentive income driven by incentives on capacity, deviation charges and energy incentives on account of higher generation than design energy. NHPC has also diversified into solar power trading from 2,000 MW solar power projects, for which Letters of Award (LoAs) were awarded to solar power developers. The developers have achieved financial closures for the projects. The company has already signed PPAs and power sale agreements for the entire capacity on a long-term basis, with a pre-defined trading margin.

Comfortable leverage and coverage metrics

The overall financial risk profile of NHPC continued to remain comfortable characterised by low overall gearing and stable debt coverage metrics. The overall gearing moderated to 0.69x as on March 31, 2022 (PY: 0.65x), driven by incremental debt raised for ongoing capital expenditure largely related to the projects, Subansiri Lower and Parbati-II. The coverage indicators remained comfortable as reflected by interest coverage of 9.18x in FY22 (PY: 7.92x), and the same stood at 16.53x in H1FY23 (refers to period from April 01 to September 30) vis-à-vis 13.91x in H1FY22.

Key weaknesses

Execution risks pertaining to projects under implementation

The expansion plans of NHPC exposes the company to the project execution and funding-related risks, which is, however, mitigated largely through the company's favourable capital structure, consistent cash flows from operations with adequate cash

and bank balance and extensive experience in implementation of various projects in the past. Currently, the company has 6,434 MW of projects under construction out of which two major hydro power projects under implementation, namely, Subansiri Lower (2,000 MW) and Parbati-II (800 MW), are in advance stages and are expected to be fully commissioned in FY25 and FY24 respectively. The execution of the said projects has been delayed on issues related to clearance from National Green Tribunal (NGT) and geological complexities in the construction of the head race tunnel. Out of the total cost estimate for Subansiri Lower and Parbati-II projects, the company has already incurred around 85% and 91% of the total cost, respectively, as on December 31, 2022. The company is also undertaking capex for the projects Teesta-VI (500 MW), Rangit IV (120 MW) Ratle (850 MW) through subsidiaries, and Pakal Dul (1000 MW), Kiru (624 MW) and Kwar (540 MW) through JV with Jammu and Kashmir State Power Development Corporation (JKSPDC). However, all these projects are in their initial stages of construction. The company is also in the process of setting up various solar assets of aggregate capacity of 5,205 MW.

Counterparty credit risk

The below-average financial health of many of the state distribution utilities, which in turn affects the timely realisation of the revenue, remains a cause of concern for power generating companies, including NHPC. During the past, there has been accumulation of debtors, especially from two of the counterparties – Jammu & Kashmir Power Corporation Limited and Uttar Pradesh Power Corporation Limited (UPPCL). Despite reduction in the receivables post the disbursement of funds under Atmanirbhar Bharat package, the consolidated debtors as on March 31, 2022, stood high at ₹5,176 crore (PY: ₹5,133 crore). The same stands at ₹5,958 crore as on September 30, 2022. Many of the discoms will be liquidating the overdues to NHPC in line with rules notified by the MoP.

NHPC's dominance in hydro power generation in India with fairly diversified off-taker base alleviates the risk to a great extent. Nonetheless, timely receipt of payment from off-takers, shall remain a key monitorable going forward.

Liquidity: Strong

NHPC's liquidity profile continued to remain strong during FY23 backed by healthy consolidated cash accruals of around ₹4,700 crore. The total debt repayment obligation of the company during FY23 stands at ₹1,525 crore. The company's cash and bank balance and liquid investments stood at around ₹843.89 crore as on January 31, 2023. The company also has sanctioned fund-based limits of ₹925 crore, which remained largely unutilised during the last 12 months ended January 2023. Furthermore, considering the comfortable capital structure, the company has sufficient headroom, to raise additional debt for its planned capex.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Government Support](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non-financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Infrastructure Sector Ratings](#)

[Power Generation Projects](#)

About the company

NHPC, a 'Miniratna Category-I' (since April 2008) and GoI enterprise, was incorporated in 1975 with an objective to plan, promote and organise an integrated and efficient development of hydroelectric power in the country. The company is the largest hydro power generating company in the country with an aggregate installed hydropower capacity (including subsidiaries) of 7,071 MW as on September 30, 2022, which is around 15% of installed hydro power capacity in India. NHPC is present across 11 states, and currently operates 24 hydropower stations (including two through its subsidiary) with single largest capacity of 1,000 MW in Madhya Pradesh.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23 (UA)
Total operating income	9,704	9,686	6,151
PBILDT	5,158	5,350	4,034
PAT	3,582	3,774	2,740
Overall gearing (times)	0.65	0.69	NM
Interest coverage (times)	7.92	9.18	16.53

A: Audited UA: Unaudited; NM: Not meaningful

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

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/facilities is given in Annexure-3

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

Lenders details: Annexure 5

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bonds - Q-Series	INE848E07120	12.03.2012	9.25%	12.03.2023	105.50	CARE AAA; Stable
	INE848E07138	12.03.2012	9.25%	12.03.2024	105.50	
	INE848E07146	12.03.2012	9.25%	12.03.2025	105.50	
	INE848E07153	12.03.2012	9.25%	12.03.2026	105.50	
	INE848E07161	12.03.2012	9.25%	12.03.2027	105.50	
Bonds - S1-Series	INE848E07658	26.11.2014	8.49%	26.11.2023	36.50	CARE AAA; Stable
	INE848E07666	26.11.2014	8.49%	26.11.2024	36.50	
Bonds - S2 Series	INE848E07724	26.11.2014	8.54%	26.11.2023	55.00	CARE AAA; Stable
	INE848E07732	26.11.2014	8.54%	26.11.2024	55.00	
	INE848E07740	26.11.2014	8.54%	26.11.2025	55.00	
	INE848E07757	26.11.2014	8.54%	26.11.2026	55.00	
	INE848E07765	26.11.2014	8.54%	26.11.2027	55.00	
	INE848E07773	26.11.2014	8.54%	26.11.2028	55.00	
Bonds - T Series	INE848E07781	26.11.2014	8.54%	26.11.2029	55.00	CARE AAA; Stable
	INE848E07831	14.07.2015	8.50%	14.07.2023	122.91	
	INE848E07849	14.07.2015	8.50%	14.07.2024	122.91	
	INE848E07856	14.07.2015	8.50%	14.07.2025	122.91	
	INE848E07864	14.07.2015	8.50%	14.07.2026	122.91	
	INE848E07872	14.07.2015	8.50%	14.07.2027	122.91	
	INE848E07880	14.07.2015	8.50%	14.07.2028	122.91	
INE848E07898	14.07.2015	8.50%	14.07.2029	122.91		
INE848E07906	14.07.2015	8.50%	14.07.2030	122.91		
Tax Free Bonds 1A	INE848E07518	02.11.2013	8.18%	02.11.2023	50.81	CARE AAA; Stable
Tax Free Bonds 1B	INE848E07542	02.11.2013	8.43%	02.11.2023	60.77	CARE AAA; Stable
Tax Free Bonds 2A	INE848E07526	02.11.2013	8.54%	02.11.2028	213.12	CARE AAA; Stable
Tax Free Bonds 2B	INE848E07559	02.11.2013	8.79%	02.11.2028	85.61	CARE AAA; Stable
Tax Free Bonds 3A	INE848E07534	02.11.2013	8.67%	02.11.2033	336.07	CARE AAA; Stable
Tax Free Bonds 3B	INE848E07567	02.11.2013	8.92%	02.11.2033	253.62	CARE AAA; Stable
Bonds - U Series	INE848E07914	27.06.2016	8.24%	27.06.2031	540.00	CARE AAA; Stable
Bonds - U1 Series	INE848E07922	07.07.2016	8.17%	27.06.2031	360.00	CARE AAA; Stable
Bonds - V2 Series	INE848E07989	06.06.2017	7.52%	06.06.2023	295.00	CARE AAA; Stable
	INE848E07997	06.06.2017	7.52%	06.06.2024	295.00	
	INE848E07AA3	06.06.2017	7.52%	06.06.2025	295.00	
	INE848E07AB1	06.06.2017	7.52%	06.06.2026	295.00	
	INE848E07AC9	06.06.2017	7.52%	06.06.2027	295.00	
Bonds - W2 Series	INE848E07AI6	15.09.2017	7.35%	15.09.2023	150.00	CARE AAA; Stable
	INE848E07AJ4	15.09.2017	7.35%	15.09.2024	150.00	
	INE848E07AK2	15.09.2017	7.35%	15.09.2025	150.00	
	INE848E07AL0	15.09.2017	7.35%	15.09.2026	150.00	
	INE848E07AM8	15.09.2017	7.35%	15.09.2027	150.00	
Bonds - X Series	INE848E07AN6	08.02.2019	8.65%	08.02.2029	1500.00	CARE AAA; Stable
Bonds - AA-1 Series	INE848E07BD5	11.03.2020	6.89%	11.03.2026	100.00	CARE AAA; Stable
	INE848E07BE3	11.03.2020	6.89%	11.03.2027	100.00	

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
	INE848E07BG8	11.03.2020	6.89%	10.03.2028	100.00	
	INE848E07BH6	11.03.2020	6.89%	09.03.2029	100.00	
	INE848E07BI4	11.03.2020	6.89%	11.03.2030	100.00	
Bonds - AA Series	INE848E07AY3	11.02.2020	7.13%	11.02.2026	300.00	CARE AAA; Stable
	INE848E07AZ0	11.02.2020	7.13%	11.02.2027	300.00	
	INE848E07BA1	11.02.2020	7.13%	11.02.2028	300.00	
	INE848E07BB9	11.02.2020	7.13%	09.02.2029	300.00	
	INE848E07BC7	11.02.2020	7.13%	11.02.2030	300.00	
NHPC-GOI Fully Serviced bonds Series I	INE848E08136	22.03.2019	8.12%	22.03.2029	2017.20	CARE AAA; Stable
Bonds - AB Series	INE848E07BJ2	24.04.2020	6.80%	24.04.2026	150.00	CARE AAA; Stable
	INE848E07BK0	24.04.2020	6.80%	23.04.2027	150.00	
	INE848E07BL8	24.04.2020	6.80%	24.04.2028	150.00	
	INE848E07BM6	24.04.2020	6.80%	24.04.2029	150.00	
	INE848E07BN4	24.04.2020	6.80%	24.04.2030	150.00	
Bonds - AC Series	INE848E07BO2	12.02.2021	6.86%	12.02.2027	150.00	CARE AAA; Stable
	INE848E07BP9	12.02.2021	6.86%	11.02.2028	150.00	
	INE848E07BQ7	12.02.2021	6.86%	12.02.2029	150.00	
	INE848E07BR5	12.02.2021	6.86%	12.02.2030	150.00	
	INE848E07BS3	12.02.2021	6.86%	12.02.2031	150.00	
	INE848E07BT1	12.02.2021	6.86%	12.02.2032	150.00	
	INE848E07BU9	12.02.2021	6.86%	11.02.2033	150.00	
	INE848E07BV7	12.02.2021	6.86%	10.02.2034	150.00	
	INE848E07BW5	12.02.2021	6.86%	12.02.2035	150.00	
INE848E07BX3	12.02.2021	6.86%	12.02.2036	150.00		
Proposed Bonds	-	-	-	-	1,000.00	CARE AAA; Stable
Total					14,860.98	

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	LT	527.50	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
2	Bonds	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
3	Bonds	LT	458.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
4	Bonds	LT	983.28	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
5	Bonds	LT	900.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
6	Bonds-Redeemable Non Convertible Unsecured Taxable	LT	1475.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-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
	Bonds							
7	Bonds	LT	750.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
8	Bonds	LT	1500.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
9	Bonds	LT	2017.20	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (04-Jul-19)
10	Bonds	LT	2000.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20)	1)CARE AAA; Stable (06-Feb-20)
11	Bonds	LT	750.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (06-Jul-20) 2)CARE AAA; Stable (03-Apr-20)	-
12	Bonds	LT	1500.00	CARE AAA; Stable	1)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (02-Jul-21)	1)CARE AAA; Stable (08-Feb-21)	-
13	Bonds	LT	1000.00	CARE AAA; Stable				

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities - N.A.

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of Instrument	Complexity Level
1	Bonds-Redeemable Non Convertible Unsecured Taxable Bonds	Simple
2	Bonds	Simple

Annexure-5: Lender details

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.

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