

Emcure Pharmaceuticals Limited

August 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	557.50 (Reduced from 1,075.43)	CARE AA-; Stable	Revised from CARE A+; Stable
Long-term / Short-term bank facilities	1,286.00	CARE AA-; Stable / CARE A1+	Revised from CARE A+; Stable / CARE A1
Short-term bank facilities	114.00	CARE A1+	Revised from CARE A1

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Emcure Pharmaceuticals Limited (hereafter referred to as Emcure) takes into account the significant reduction of debt post the IPO combined with favourable resolution of major pending lawsuits.

The company had raised Rs. 800 crores as fresh equity as part of the IPO in July 2024 (net proceeds of ~Rs 758 crore, post IPO-related expenses). Out of the above amount, Rs 600 Crore was for the purpose of repayment of term debt. As on 25th July, 2024; Company has utilized around Rs. 580 crores towards repayment of term debt. Balance amount of Rs. 158 crores will be used for general corporate purpose.

Zuventus Healthcare Limited (Zuventus) had subscribed to Non-Convertible Debentures (NCD) of Rs 250 Crore raised by Avet Lifesciences Pvt Ltd (Avet) in November, 2023. During June 2024, Avet has repaid back the NCDs to Zuventus which has further enhanced the liquidity and enable in reducing the debt of the Emcure group going forward. This is expected to improve the overall gearing significantly from 1.03x as on March 2024.

A Seattle-based biopharma company, HDT Bio Corp (HDT) had filed a lawsuit against Emcure on March 21, 2022 and arbitration proceedings were filed against Gennova Biopharmaceuticals Limited (Gennova) in the London Court of International Arbitration (LCIA). On December 4, 2023, the US Court dismissed HDT's claims against Emcure without prejudice. In May 2024, HDT and Gennova resolved their dispute amicably and entered into a settlement agreement which provides amongst others for mutual release from all claims, debts, and liabilities.

This reduces the uncertainty regarding any adverse outcome on account of the various pending lawsuit and arbitrations leading to significant financial liability to a great extent.

In addition to the above, the existence of experienced management and the Emcure's successful track record of more than four decades in pharmaceutical industry, diversified product portfolio with focus on chronic high-value segments, accredited manufacturing facilities with well-equipped R&D facility and geographical diversification coupled with growth in domestic, European and Canadian markets are also favourably factored in while arriving at the ratings.

The working capital utilization on a standalone level, which is currently at 89%, is expected to come down going forward. The minimal scheduled debt repayments, no major capex plans apart from regular operational & maintenance capex, favourable outcome from pending lawsuits as compared to expected healthy GCA levels, the overall liquidity profile of Emcure is comfortable. However, these are constrained by inherent regulatory risks associated with the various geographies in which Emcure operates, exposure to foreign exchange fluctuations and intense competition.

The rating assigned to certain bank facilities which are repaid have been withdrawn based on No Due Certificate received.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Maintenance of overall PBILDT margin above 20% and 10% increase in sales.
- Significant Improvement in financial risk profile with total debt to PBILDT below 0.75x.

Negative factors

- Any deterioration in the capital structure because of incremental debt or direct/indirect support extended to group companies leading to adjusted total debt (including CG extended) to PBILDT to 2.00x at consolidated level.
- PBILDT margin falling below 15% on a sustained basis.
- Any regulatory action against Emcure or any of its group companies, significantly impairing the credit profile of the group.

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

Analytical approach: Consolidated

CARE Ratings has considered consolidated financials of the Emcure including its subsidiaries as on March 31, 2024 on account of similar line of business and management. Furthermore, the majority of the subsidiaries of Emcure are engaged in the trading and marketing of products manufactured by Emcure and other companies across various geographies. As a result of similar line of business and inter group transactions, consolidated view has been considered. The corporate guarantee extended to Avet Lifesciences private limited (Avet) for USD 65 million has now been withdrawn wef. May 2024. List of subsidiaries considered for consolidation are mentioned in annexure 6.

Outlook: Stable

The stable outlook reflects CARE Rating's expectation that the company will continue to benefit from established track record and diversified product profile in the near term.

Detailed description of the key rating drivers:**Key strengths****Significant improvement in capital structure, post successful IPO**

The company had raised Rs. 800 crores as fresh equity as part of the IPO in July 2024 (net proceeds of ~Rs 758 crore, post IPO-related expenses). Out of the above amount, Rs 600 Crore was for the purpose of repayment of term debt. As on 25th July, 2024; Company has utilized around Rs. 580 crores towards repayment of term debt. Balance amount of Rs. 158 crores will be used for general corporate purpose. Overall gearing of the Company has substantially improved as on 25th July 2024 from on March 31, 2024 levels of 1.03x with reduction in debt and improvement in networth.

Also, Zuventus had subscribed to NCD of Rs 250 Crore raised by Avet in November, 2023. During June 2024, Avet has repaid back the NCDs to Zuventus which has further enhanced the liquidity and enable in reducing the debt of the Emcure group going forward. This is expected to improve the overall gearing significantly from 1.03x as on March 2024.

Earlier, Emcure has extended corporate guarantee to the debt obligation of Avet (Rs. 459 crores as on March 31, 2024), however the same has been withdrawn during Q1FY25 as Avet has refinanced that portion of debt without corporate guarantee from Emcure.

Favourable outcome on major pending litigation

A Seattle-based biopharma company, HDT Bio Corp (HDT) had filed a lawsuit against Emcure on March 21, 2022 and arbitration proceedings were filed against Gennova Biopharmaceuticals Limited in the London Court of International Arbitration. HDT had claimed that Gennova has stolen HDT's intellectual property which breaches the License Agreement and constitutes misappropriation of HDT's billion dollar trade secrets. HDT had also sought compensatory damages of USD 950 million. On December 4, 2023, the US Court dismissed HDT's claims without prejudice. In May 2024, HDT and Gennova resolved their dispute amicably and entered into a settlement agreement which provides amongst others for mutual release from all claims, debts, and liabilities. Pursuant to the said agreement, HDT will cause the LCIA proceedings to be dismissed. Settlement of these cases reduces the uncertainty regarding the potential liability and adverse impact on liquidity is mitigated to an extent.

In addition to the above, Emcure has entered into an indemnification deed with Avet, pursuant to which Avet will assume all losses or liability, and the payment obligation, that would be owed by Emcure or its officers, directors and employees. As a result of the Indemnification Deed, Emcure would be liable to pay for any potential settlement obligation, or adverse jury verdict for the amount directed specifically against it, only in the event that Avet is unable to fully satisfy such an obligation or verdict.

Consistent increase in scale of operations:

In the past three years, Emcure's revenue from operations grew at a CAGR of 6.64% from Rs. 5855.39 crores to Rs. 6658.25 crores, while maintain PBILDT margins in 18-20% range. TOI increased by 11% YoY to Rs 6,658 crores. There has been slight moderation in PBILDT margins from 19% to 18% owing to higher employee costs as a % of sales and other expenses. Going forward, CARE Ratings expects the sales growth and PBILDT to be similar to FY24 levels.

Experienced management and successful track record of Emcure in pharmaceutical industry

The promoters have more than four decades of experience in the pharmaceutical industry. The CEO of the company, Mr. Satish Mehta is a first-generation entrepreneur with an experience of over four decades in the field of pharmaceuticals. Mrs. Namita Thapar (MBA from Duke University (Fuqua) School of Business, US & Chartered Accountant, ICAI), looks after India Business. Samit Satish Mehta is a Whole-time Director of the Company. He holds a bachelor's degree in commerce from B. M. College of Commerce (University of Pune, Pune) and a master's degree in business administration from the Wharton School, University of Pennsylvania, Philadelphia. The company also has strong professionals leading various key aspects of business, including Dr Mukund Gurjar and Dr Deepak Gondaliya. Dr Mukund Gurjar is Chief Scientific Officer. He has over three decades of experience in pharmaceutical sciences, during which he was involved in advanced research in organic chemistry at the National Chemical Laboratory for 25 years and is a fellow at various national and international academics. Dr Deepak Gondaliya has over two decades of experience in formulation R&D.

Diversified product portfolio with focus on chronic high-value segments

Emcure is vertically integrated, manufacturing APIs and formulations and is also involved in the bio-pharma drugs. Under formulations, Emcure has presence in the high value chronic therapy as well as in acute segments. The company's products are diversified across chronic and acute segments like cardiology, oncology, nephrology, anti-HIV, anti-infective, pain management, anemia, gynaecology, anti retrovirals, pediatrics, etc. The company has launched multiple products in recent years mainly in the segments of Anti-Neoplastics, Gynaecological, Anti-infectives, Derma, Anti-Diabetics, Analgesics, Neuro/CNS, Respiratory, Cardiac, Hormones etc thereby expanded its presence in varied segments.

Accredited manufacturing facilities with well-equipped R&D facility

Out of the group, Emcure, Gennova Biopharmaceuticals Limited (Gennova) and Zuventus Healthcare Limited (Zuventus) have manufacturing facilities while other subsidiaries are engaged in warehousing and marketing of drugs manufactured by Emcure or other companies in various geographies. Emcure at consolidated level has 13 manufacturing facilities across India which are capable of producing pharmaceutical and biopharmaceutical products of a wide range of dosage forms, including oral solids, oral liquids, injectables including lipid, liposomal, lyophilized injectables, biologics, vaccines and complex APIs, including chiral molecules and cytotoxic products. The facilities have obtained approvals from various regulatory bodies and are compliant with current Good Manufacturing Practices certificates from regulators including Health Canada, the World Health Organization, the Agency for Medicinal Products and Medical Devices of Croatia, the National Institute of Pharmacy and Nutrition of Hungary and the Therapeutic Goods Administration of Australia.

Geographical diversification coupled with growth in domestic and European markets

Emcure has a wide geographical presence with sales to more than 70 countries globally, and has an overall healthy mix of exports, providing it geographic diversification. Emcure is further expanding its presence in various emerging markets. It has a strong sales and marketing team both within India and outside the country. The company has an established marketing network through channel partners in the international markets and C&F agents within domestic market. The geographically diversified nature of revenues significantly reduces the exposure of the company towards any adverse economic slowdown in any single geography. Over the years, Emcure has established its presence in domestic markets through subsidiaries and in international markets through overseas acquisitions and other subsidiaries set up. Emcure has seen reasonable growth in sales in domestic, European and Canadian market over the past few years.

Key weaknesses**Intense competition and exposure to regulatory risk inherent in pharmaceutical industry**

The company faces intense competition in the domestic as well as international markets. Pricing pressure, increasing regulation, increased sensitivity towards product performance are the key issues in the pharmaceutical industry. The pharmaceutical industry has been a highly regulated industry worldwide by virtue of its direct bearing on public health. In India too, government policies have played key role in performance of companies such as explicit control on drug prices in the form of drug price control order (DPCO). Further, the patent laws and related regulations might hamper company's plans to launch new products and cater to new markets.

Foreign exchange fluctuation risk

Emcure generates majority of its foreign currency revenues denominated in USD, Euro, GBP and CAD. Any fluctuation in foreign currency rates may have an impact on the financials of the company. However, trade payables and loans in foreign currency are hedged naturally against the foreign currency receivables.

Liquidity: Strong

The liquidity of the company is strong on the back of substantial debt reduction post the IPO. The company had raised Rs. 800 crores as fresh equity as part of the IPO in July 2024 (net proceeds of ~Rs 758 crore, post IPO-related expenses). Out of the above amount, Rs 600 Crore was for the purpose of repayment of term debt. As on 25th July, 2024; Company has utilized around Rs. 580 crores towards repayment of term debt. Balance amount of Rs. 158 crores will be used for general corporate purpose. Also, Avet has repaid back the NCDs (Rs. 250 crores) to Zuventus which has further enhanced the liquidity and enable in reducing the debt of the Emcure group going forward. The company's capex plans will be in the nature of regular operational and maintenance nature and to be funded through internal accruals. The working capital utilization, which was 89%, is expected to come down going forward. The future scheduled debt repayments, towards the term loan at overseas subsidiaries, are also minimal in the next 3 years. Considering the healthy GCA levels, no concrete plans for major expansion or acquisition plans and favourable outcome from major pending lawsuits, Emcure is expected to comfortably service its debt obligations in the near future.

CARE Ratings also notes that the resolution of HDT and anti-trust lawsuits in the recent months has reduced the uncertainty surrounding any adverse outcomes and possible impact on liquidity.

Assumptions/Covenants – Not applicable**Environment, social, and governance (ESG) risks**

Among ESG factors, key considerations for pharmaceutical companies include product quality and safety in the social domain and regulatory compliance in governance. Given their global reach, these companies must navigate diverse and ever-changing regulatory landscapes. Failure to comply with these regulations can lead to product withdrawals, recalls, regulatory actions, declining sales, reputational damage, increased litigation, and associated expenses. To mitigate these risks, pharmaceutical companies are prioritizing product safety and quality. They are enhancing internal audits and quality checks, implementing digital quality systems, securing adequate insurance for clinical and product liability, and establishing dedicated teams to collaborate with regulatory authorities and monitor legal developments closely.

There have been certain instances in the past relating to product quality issues and governance. Emcure has resolved major pending litigations recently, significant one being the HDT case recently.

Mitigation efforts taken: Emcure has established standard operating procedures to segregate, handle and dispose of different categories of waste, including hazardous and biomedical waste. The waste management strategy includes monitoring and control procedures for waste categorization, segregation, minimization, safe handling, transport and disposal of waste. Also, Emcure, signed a 22.78 MWp DC Solar Power Purchase Agreement with Sunsure Energy on July 2024, which will supply power from its 150 MWp DC solar plant. The company has also undertaken measures such as tree plantations to facilitate creation of carbon sinks.

Emcure provides appropriate training to its management and employees. The company has adopted a health and safety policy that is aimed at complying with legislative requirements, requirements of the licenses, approvals, various certifications and ensuring the safety of its employees and the people working at the facilities or under Emcure's management.

Applicable criteria[Consolidation](#)[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Manufacturing Companies](#)[Pharmaceuticals](#)[Financial Ratios – Non financial Sector](#)[Withdrawal Policy](#)[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Emcure was incorporated in April 1981 as a Private Limited Company and is engaged in manufacturing of pharmaceuticals products (mainly formulations). The company has major thrust in the areas of manufacturing and marketing of formulations which contributes around 90% revenue of Emcure along with APIs, Contract Research and Manufacturing Services. It has presence in multiple therapeutic segments with gynaec, cardiac and ant infective segments being the company's forte with famous brands like orofer, metpure, elaxim etc. Over the last 5 years the Emcure has derived 45%-55% revenue from India and remaining from other parts of the world with a growing focus on emerging market.

Brief Financials consolidated (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	5812.35	6004.82	6658.25
PBILDT	1287.27	1200.53	1276.78
PAT	702.56	561.85	527.58
Overall gearing (times)	1.17	1.01	1.03
Interest coverage (times)	7.46	5.64	5.01

A: Audited; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	30-03-2027*	557.50	CARE AA-; Stable
Fund-based - LT/ ST-Working Capital Demand loan	-	-	-	-	954.00	CARE AA-; Stable / CARE A1+
Fund-based - LT/ ST-Working Capital Demand loan	-	-	-	-	200.00	CARE AA-; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	132.00	CARE AA-; Stable / CARE A1+
Non-fund-based - ST-BG/LC	-	-	-	-	114.00	CARE A1+

*The company has repaid Rs. 580 crores of debt as on 25th July 2024 and further plans prepay remaining term loans in the coming months.

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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	557.50	CARE AA-; Stable	-	1)CARE A+; Stable (05-Jan-24)	1)CARE A+; Stable (06-Jan-23) 2)CARE A; Positive (05-Apr-22)	1)CARE A; Positive (07-Jan-22)
2	Non-fund-based - ST-BG/LC	ST	114.00	CARE A1+	-	1)CARE A1 (05-Jan-24)	1)CARE A1 (06-Jan-23) 2)CARE A1 (05-Apr-22)	1)CARE A1 (07-Jan-22)
3	Fund-based - LT/ST-Working Capital Demand loan	LT/ST	954.00	CARE AA-; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1 (05-Jan-24)	1)CARE A+; Stable / CARE A1 (06-Jan-23) 2)CARE A; Positive / CARE A1 (05-Apr-22)	1)CARE A; Positive / CARE A1 (07-Jan-22)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	132.00	CARE AA-; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1 (05-Jan-24)	1)CARE A+; Stable / CARE A1 (06-Jan-23) 2)CARE A; Positive / CARE A1 (05-Apr-22)	1)CARE A; Positive / CARE A1 (07-Jan-22)
5	Fund-based - LT/ST-Working Capital Demand loan	LT/ST	200.00	CARE AA-; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1 (05-Jan-24)	1)CARE A+; Stable / CARE A1 (06-Jan-23) 2)CARE A; Positive / CARE A1 (05-Apr-22)	1)CARE A; Positive / CARE A1 (07-Jan-22)
6	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (05-Jan-24)	1)CARE A+; Stable (06-Jan-23) 2)CARE A; Positive	1)CARE A; Positive (07-Jan-22)

							(05-Apr-22)	
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*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Demand loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of subsidiaries

Name of companies/ Entities	Extent of consolidation	Rationale for consolidation
Direct subsidiaries		
1. Zuventus Healthcare Limited	Full	Direct Subsidiaries
2. Gennova Biopharmaceuticals Limited	Full	Direct Subsidiaries
Direct Subsidiaries (Foreign)		
1. Emcure Nigeria Limited	Full	Direct Subsidiaries
2. Emcure Pharmaceuticals Mena FZ-LLC	Full	Direct Subsidiaries
3. Emcure Pharmaceuticals South Africa (Pty) Limited	Full	Direct Subsidiaries
4. Emcure Brasil Farmacêutica Ltda	Full	Direct Subsidiaries
5. Emcure Pharma UK Ltd	Full	Direct Subsidiaries
6. Emcure Pharma Peru S.A.C	Full	Direct Subsidiaries
7. Emcure Pharma Mexico S.A. DE C.V.	Full	Direct Subsidiaries
8. Marcan Pharmaceuticals Inc.	Full	Direct Subsidiaries
9. Emcure Pharmaceuticals Pty Ltd.	Full	Direct Subsidiaries
10. Emcure Pharma Chile SpA	Full	Direct Subsidiaries
11. Lazor Pharmaceuticals Limited	Full	Direct Subsidiaries
12. Emcure Pharma Philippines Inc.	Full	Direct Subsidiaries
13. Emcure Pharmaceuticals Dominicana S.A.S	Full	Direct Subsidiaries
Indirect Subsidiaries		
1. Tillomed Pharma GmbH	Full	Indirect Subsidiaries
2. Tillomed Laboratories Limited	Full	Indirect Subsidiaries
3. Laboratorios Tillomed Spain SLU	Full	Indirect Subsidiaries
4. Tillomed Italia SRL	Full	Indirect Subsidiaries
5. Tillomed France SAS	Full	Indirect Subsidiaries
6. Tillomed Malta Limited	Full	Indirect Subsidiaries
7. Mantra Pharma Inc.	Full	Indirect Subsidiaries

Note on the 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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About us:

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