

## National Highways Infra Trust

October 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	11,850.00	CARE AAA; Stable	Reaffirmed
Issuer rating	0.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures <sup>^</sup>	500.00	CARE AAA; Stable	Assigned
Non-convertible debentures <sup>^</sup>	1,500.00	CARE AAA; Stable	Reaffirmed
Non-convertible debentures	1,500.00	CARE AAA; Stable	Reaffirmed
Zero coupon bonds <sup>^</sup>	500.00	CARE AAA; Stable	Reaffirmed
Zero coupon bonds <sup>^</sup>	500.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

<sup>^</sup>Proposed Zero coupon bond (ZCB) of ₹1,000 crore and proposed non-convertible Debentures (NCD) of ₹2,000 crore will be utilised for refinancing existing term debt and will not result in additional increase in total debt.

### Rationale and key rating drivers

To arrive at ratings of debt facilities of National Highways Infra Trust (NHIT), CARE Ratings Limited (CARE Ratings) has applied a consolidated approach of NHIT and its underlying project assets.

Ratings assigned to proposed instruments of ₹500 crore and reaffirmation of ratings assigned to bank facilities, long-term instruments and issuer rating of NHIT continues to derive strength from experienced and established track record of the Trust's sponsor – National Highways Authority of India (NHAI; rated CARE AAA; Stable) – in the roads and highways sector and its strategic importance to the Government of India (GoI) as a proposed vehicle for monetising road assets. The investment manager – National Highways Infra Investment Managers Private Limited (NHIIMPL) – comes under the Ministry of Road Transport & Highways (MoRTH), while the project manager –National Highways Invit Project Managers Private Limited (NHIPMPL) – is a wholly owned subsidiary of NHAI. Ratings are underpinned by a geographically diversified portfolio of mature toll road assets with an operational history of 6-20 years.

NHIT's five toll road assets acquired under round-1 are held through a project special purpose vehicle (SPV), NHIT Western Projects Private Limited (NWPPPL; erstwhile known as National Highways Infra Projects Private Limited, NHIPPL), which has signed a 30-year concession agreement (CA) with NHAI for operating road assets under the toll-operate-transfer (TOT) mode and commenced toll collections from December 16, 2021. NWPPPL also holds three toll road assets of NHIT acquired under round-2, with a similar TOT arrangement with NHAI for 20 years and commenced toll collections on October 29, 2022, taking the portfolio to eight assets. NHIT through another project SPV, NHIT Eastern Projects Private Limited (NEPPL) has signed a 20-year CA with NHAI for operating the seven road assets acquired under round-3, thereby increasing the portfolio size to fifteen toll road assets with an aggregate length of 1,525 km.

Geographically well-diversified portfolio with healthy toll collection, benefits of cashflow pooling under the InvIT structure, favourable capital structure, and strong debt coverage metrics of the Trust with presence of debt service reserve account (DSRA) equivalent to one-quarter of debt servicing to be maintained throughout the loan tenor are other credit positives.

However, ratings are partially tempered by the exposure to inherent risks of constituent toll road projects, including varying traffic growth and the linkage of toll rate revision (which is linked to WPI movement), inherent operation and maintenance (O&M) and major maintenance (MM) risks, and inherent interest rate fluctuation risk.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Not applicable

#### Negative factors

- Lower-than-envisaged toll collections in underlying SPVs, adversely impacting the combined debt service coverage ratio (DSCR) below 1.50x on a sustained basis.
- Increase in O&M and MM expenses, adversely impacting profitability and cash accruals in the future.
- Non-adherence of sanction terms.

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

- Adversely changing capital structure leading to a debt-to-enterprise value exceeding 49%.
- Traffic diversion adversely impacting the project stretch, resulting in the combined average DSCR below 1.50x on a sustained basis.

### **Analytical approach: Consolidated**

The InvIT holds 100% stake in NWPPL, which has signed a CA with NHAI for concessions of the following assets – Palanpur-Abu Road, Abu Road-Swaroopganj, Chittorgarh-Kota, Kothakota-Kurnool, Belgaum-Kagal, Agra-bypass, Borkhedi-Kelapur, and Shivpuri-Jhansi. NWPPL has given a cross-guarantee for debt raised at NHIT, thus entire cashflow across eight assets are available for pooling, and hence, consolidated. The InvIT holds 100% stake in another SPV, NEPPL, which has signed CA with following seven additional road assets – Rewa-Katni-Jabalpur-Lakhnadon, Mohgaon-Khawasa, Chichra-Kharagpur, Orai-Barah, Assam Package, Galia, and Haveri-Hebbalu-Chitradurga. Hence, these too are consolidated. Entities consolidated is listed under Annexure-6.

### **Outlook: Stable**

CARE Ratings expects NHIT's business and financial risk profiles to remain stable, aided by healthy toll collections, comfortable leverage indicators, and strong liquidity.

### **Detailed description of key rating drivers:**

#### **Key strengths**

##### **Experienced sponsor with strategic importance to GoI**

NHIT was set up by NHAI in October 2020 as an InvIT for monetising its road assets. NHIT was authorised by the Union Cabinet and announced by the finance minister in Union Budget 2021. As a principal vehicle proposed for monetising road assets in the country under the National Asset Monetisation Pipeline, the InvIT holds significant importance for GoI.

NHAI is the nodal agency responsible for developing and maintaining National Highways. It was constituted under Section 3(1) of the National Highways Authority of India Act, 1988, and commenced operations in February 1995 for developing, maintaining, and managing National Highways in the country. The NHAI is vested with executive powers for developing National Highways in India by the MoRTH. The charter of NHAI is set out in the National Highways Act, 1956, and the National Highways Authority of India Act, 1988. GoI has a 100% stake in NHAI, with the authority receiving continuous support from the GoI in the form of capital grants, allocation of cess funds, additional budgetary support (ABS), and has extended guarantees to the latter's market borrowing programmes.

##### **Geographically diversified portfolio of toll road projects with healthy toll collection**

NHIT currently has fifteen toll road project assets – the Palanpur-Abu Road, Abu Road-Swaroopganj, Chittorgarh-Kota, Kothakota-Kurnool, Belgaum-Kagal (five assets under round-1), Agra Bypass, Borkhedi-Kelapur, and Shivpuri-Jhansi (three assets under round-2), Rewa-Katni-Jabalpur-Lakhnadon, Mohgaon-Khawasa, Chichra-Kharagpur, Orai-Barah, Assam Package, Galia, and Haveri-Hebbalu-Chitradurga (seven assets under round-3, referred to as leap assets). The project assets are located at diversified geographical locations spread across ten states i.e. Gujarat, Rajasthan, Maharashtra, Telangana, Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh, Assam and West Bengal. Such geographical diversification significantly mitigates the InvIT's business risk by reducing potential impact of any region-specific economic slowdown or force majeure events, or specific risks of individual projects. CARE Ratings expects no single asset to contribute more than 20% of the total toll revenue, further mitigating the revenue concentration risk.

The five projects under round-1 and three projects under round-2 possess an operational track record of 14-20 years and 6-14 years, respectively, while the seven toll road assets subsumed under round-3 have an operational track record of 4-14 years.

Toll collections for assets under round-1 commenced on December 16, 2021, while for those under round-2 commenced on October 29, 2022, and for those under round-3 commenced on April 01, 2024. In FY24, the InvIT reported toll collection of ₹944 crore with ADTC of ₹2.58 crore. In Q1FY25 (refers to April 01 to June 30), the InvIT reported toll collection of ₹564 crore with an average daily toll collection (ADTC) of ₹6.21 crore, which significantly jumped from ADTC of ₹2.58 crore in FY24 (FY refers to April 01 to March 31) post addition of leap assets.

##### **CA providing long-term revenue visibility**

NHIT holds entire shareholding in project assets through its 100% subsidiaries, NWPPL and NEPPL. NWPPL has signed a 30-year CA (five assets round-1) and 20-year CA (ten assets under round-2 and round-3) with NHAI on a TOT basis, providing long-term revenue visibility. The required concession fees for all fifteen road assets have been remitted, with appointed date and

commencement for road assets (round -1) as December 16, 2021, road assets (round-2) as on October 29, 2022 and road assets (round-3) as April 01, 2024.

**Strong debt coverage with presence of DSRA**

NHIT has received debt sanction limits for ₹13,357 crore, of which, it raised about ₹11,852 crore up to March 31, 2024. NHIT raised a capital of ₹14,713 crore towards R1, R-2 and R-3 assets. Proceeds have been utilised for NHAH concession fee payment, as specified in the CA. This apart, NHIT is also planning to raise debt in a phased manner in the concession period for meeting required MM expenses of underlying project highways.

Surplus cashflows after meeting operational expenses of all project highways will be available to the NHIT. Owing to long debt tenor and strong structural features, debt coverage indicators are expected to be robust in the projected period. Consolidated debt (basis outstanding debt as on March 31, 2024 and including the undrawn debt) to enterprise value remained at 47.77% as on March 31, 2024 per the valuation report dated May 27, 2024.

DSRA to the tune of ₹298 crore for debt raised for existing fifteen assets under R-1, R-2 and R-3 is created in the form of a fixed deposit (FD) as on September 19, 2024, which is equivalent to one-quarter of debt and interest servicing. In lines with sanction conditions, NHIT shall create and maintain a one-quarter DSRA equivalent to principal, interest, fees, and all other obligations due and payable of the facility in the subsequent quarter. Maintenance of DSRA is one of the restricted payment conditions for distributing surplus cashflows to unitholders by the InvIT, which is viewed as a strong structural feature.

Thus, long-tenor loan, reserve requirement, and availability of a tail period of about five years at InvIT level imparts significant financial flexibility. However, adverse changes in the capital structure or debt coverage indicators, triggered by additional debt raised by the InvIT beyond the expected level of 49% (refers to consolidated debt-to-enterprise value) for supporting existing or acquiring additional assets, will be a key rating monitorable.

**Key weaknesses****Inherent O&M and MM risks with interest rate risk**

Underlying assets are exposed to inherent routine and periodic maintenance to be undertaken over the concession period. CARE Ratings understands that the O&M (both, routine and periodic maintenance) of project highways under the InvIT will be carried out based on a pre-agreed mechanism, in which the project manager will be responsible for the O&M and the same will be captured under appropriate InvIT agreements.

For both, routine and periodic maintenance, CARE Ratings has primarily relied on the O&M cost assumptions, as specified by the technical consultant for respective project stretches. Routine O&M costs are superior, while periodic maintenance costs assumptions are largely comparable to CARE Ratings' benchmark. Besides, the aforesaid risk is largely mitigated due to NHAH's vast experience in the road construction and development sector.

Notably, majority debt raised at the InvIT level carries floating interest rate and is subject to a periodic reset, exposing the Trust to adverse changes in interest rates in future. NHIT plans to refinance its existing bank debt by way of ZCBs and NCDs at fixed coupon rate, which is envisaged to mitigate risk partially.

**Inherent traffic risk**

Toll revenues are a function of toll rates and traffic volumes. Traffic volumes directly or indirectly depend on multiple factors, including project location (connecting areas and their commercial importance), growing automobile sector, affordability of automobiles, and the quality, convenience, and travel efficiency of alternative routes outside the network of toll roads, among others. With no actual traffic data for the past, CARE Ratings has relied on traffic studies conducted by consultants and data available for past three years from earlier NHAH toll contracts on project stretches. However, adverse divergence between estimates considered and actual traffic flow on these stretches and its consequent bearing on the debt coverage metrics constitute a key rating monitorable.

**Liquidity: Strong**

NHIT's liquidity is strong with available surplus cashflows from the underlying project stretches and low repayment obligations at the NHIT level debt arising out of a long amortisation period. Provision of DSRA maintenance equivalent to one-quarter of debt repayment obligations to the tune of ₹298 crore in the form of lien-marked fixed deposits (FDs) as on September 19, 2024, provides liquidity support. NHIT had a free cash and bank balance (including liquid investments) of ₹8 crore as on September 19, 2024, besides lien-marked fixed deposits towards DSRA of ₹298 crore. Cashflow of all assets are available for pooling, providing added comfort.

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Issuer Rating](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Infrastructure Investment Trusts \(InvITs\)](#)

[Infrastructure Sector Ratings](#)

[Road Assets-Toll](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport infrastructure	Road assets–toll, annuity, hybrid-annuity

NHIT is registered as an irrevocable Trust under the Indian Trust Act 1882 and is registered as an InvIT under SEBI (Infrastructure Investment Trust) Regulations 2014. Currently, five road projects (Round-1)– Palanpur-Abu Road, Abu Road-Swaroopganj, Chittorgarh-Kota, Kothakota-Kurnool, and Belgaum-Kagal – with a total stretch of 388.83 km, three road assets (Round-2) - Agra-bypass, Borkhedi-Kelapur, and Shivpuri-Jhansi with total stretch of 247 km are transferred to the InvIT. NHIT has transferred additional seven road assets – Rewa-Katni-Jabalpur-Lakhnadon, Mohgaon-Khawasa, Chichra-Kharagpur, Orari-Barah, Assam Package, Galia, and Haveri-Hebbalu-Chitradurga under the InvIT. NHIT, through a project SPV, NWPPL, signed a CA with the NHAI for 30 years on a TOT basis for round-1 assets and for 20 years for round-2 and round-3 assets. The InvIT was listed in November 2021. All five project assets under round-1, three project assets under round-2 and seven project assets under round-3 have received appointed date as December 16, 2021, October 29, 2022, and April 01, 2024, respectively, and have commenced tolling operations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	700.87	974.63	571.30
PBILDT	545.52	731.89	456.18
PAT	256.89	294.20	64.03
Overall gearing (times)	0.40	0.82	0.82
Interest coverage (times)	3.28	2.61	1.79

A: Audited; UA: Unaudited; Note: These 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:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Bonds-Zero Coupon Bonds	Proposed	-	-	-	500.00	CARE AAA; Stable
Bonds-Zero Coupon Bonds	Proposed	-	-	-	500.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	500.00	CARE AAA; Stable
Debentures-Non Convertible Debentures	Proposed	-	-	-	1500.00	CARE AAA; Stable
Fund-based - LT-Term Loan		-	-	31-03-2042	850.00	CARE AAA; Stable
Fund-based - LT-Term Loan		-	-	31-03-2042	9000.00	CARE AAA; Stable
Fund-based - LT-Term Loan		-	-	31-03-2041	2000.00	CARE AAA; Stable
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE AAA; Stable
NCD	INE0H7R07017	25-10-2022	7.9%	25-10-2035	450.00	CARE AAA; Stable
NCD	INE0H7R07025	25-10-2022	7.9%	25-10-2040	450.00	CARE AAA; Stable
NCD	INE0H7R07033	25-10-2022	7.9%	25-10-2047	600.00	CARE AAA; Stable

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	2000.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24)	1)CARE AAA; Stable (20-Feb-24) 2)CARE AAA; Stable	1)CARE AAA; Stable (11-Oct-22) 2)CARE AAA; Stable	1)CARE AAA; Stable (02-Feb-22)

					2)CARE AAA; Stable (04-Apr-24)	(20-Dec-23) 3)CARE AAA; Stable (05-Jul-23)	(26-Aug-22)	2)Provisional CARE AAA; Stable (24-Aug-21)  3)Provisional CARE AAA; Stable (01-Apr-21)
2	Issuer Rating-Issuer Ratings	LT	0.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24) 2)CARE AAA; Stable (04-Apr-24)	1)CARE AAA; Stable (20-Feb-24) 2)CARE AAA; Stable (20-Dec-23) 3)CARE AAA; Stable (05-Jul-23)	1)CARE AAA; Stable (26-Dec-22) 2)CARE AAA (Is); Stable (11-Oct-22) 3)CARE AAA (Is); Stable (26-Aug-22)	1)CARE AAA (Is); Stable (02-Feb-22) 2)Provisional CARE AAA (Is); Stable (24-Aug-21)
3	Fund-based - LT-Term Loan	LT	850.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24) 2)CARE AAA; Stable (04-Apr-24)	1)CARE AAA; Stable (20-Feb-24) 2)CARE AAA; Stable (20-Dec-23) 3)CARE AAA; Stable (05-Jul-23)	1)CARE AAA; Stable (11-Oct-22) 2)Provisional CARE AAA; Stable (26-Aug-22)	-
4	Debentures-Non Convertible Debentures	LT	1500.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24) 2)CARE AAA; Stable (04-Apr-24)	1)CARE AAA; Stable (20-Feb-24) 2)CARE AAA; Stable (20-Dec-23) 3)CARE AAA; Stable (05-Jul-23)	1)CARE AAA; Stable (11-Oct-22) 2)Provisional CARE AAA; Stable (26-Aug-22)	-
5	Fund-based - LT-Term Loan	LT	9000.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24) 2)CARE AAA; Stable (04-Apr-24)	1)Provisional CARE AAA; Stable (20-Feb-24) 2)Provisional CARE AAA; Stable (20-Dec-23) 3)Provisional CARE AAA; Stable (05-Jul-23)	-	-

6	Bonds-Zero Coupon Bonds	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24) 2)CARE AAA; Stable (04-Apr-24)	1)CARE AAA; Stable (20-Feb-24) 2)CARE AAA; Stable (20-Dec-23)	-	-
7	Debentures-Non Convertible Debentures	LT	1500.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24)	-	-	-
8	Bonds-Zero Coupon Bonds	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (18-Jun-24)	-	-	-
9	Debentures-Non Convertible Debentures	LT	500.00	CARE AAA; Stable				

LT: Long term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Zero Coupon Bonds	Simple
2	Debentures-Non Convertible Debentures	Simple
3	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr. No.	Name of Entity	Extent of Consolidation	Rationale for Consolidation
1	NWPPL	Full	Round-1 and round-2 road assets (eight) are held under NWPPL and entire cashflow across eight road assets are available for pooling, and hence, consolidated.
2	NEPPL	Full	Round-3 road assets (seven) are held under NEPPL and entire cashflow across seven road assets are available for pooling, and hence, consolidated.



**List of assets under above SPVs**

Project Stretch	State	Length (in Km)
<b>Assets under round 1 held through SPV NWPPL</b>		
Palanpur-Abu Road	Gujarat/Rajasthan	45
Abu Road-Swaroopganj	Rajasthan	31
Chittorgarh-Kota	Rajasthan	161
Kothakota-Kurnool	Telangana/Andhra Pradesh	75
Belgaum-Kagal	Karnataka	78
<b>Assets under round 2 held through SPV NWPPL</b>		
Agra Bypass	Uttar Pradesh	33
Borkhedi-Kelapur	Maharashtra	138
Shivpuri-Jhansi	Madhya Pradesh	75
<b>Assets under round 3 held through SPV NEPPL</b>		
Rewa-Katni-Jabalpur-Lakhnadon	Madhya Pradesh	306
Mohgaon-Khawasa	Madhya Pradesh	107
Chichra-Kharagpur	West Bengal	56
Orai-Barah	Uttar Pradesh	114
Assam Package (Patgaon & Dahlapara)	Assam	27
Assam Package (Galia)	Assam	63
Haveri-Hebbalu-Chitradurga	Karnataka	214

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.



## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Rajashree Murkute Senior Director <b>CARE Ratings Limited</b> Phone: 022-6837 4474 E-mail: <a href="mailto:rajashree.murkute@careedge.in">rajashree.murkute@careedge.in</a>
<b>Relationship Contact</b>  Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a>	Maulesh Desai Director <b>CARE Ratings Limited</b> Phone: 079-4026 5605 E-mail: <a href="mailto:maulesh.desai@careedge.in">maulesh.desai@careedge.in</a>
	Setu Gajjar Assistant Director <b>CARE Ratings Limited</b> Phone: 079-4026 5615 E-mail: <a href="mailto:setu.gajjar@careedge.in">setu.gajjar@careedge.in</a>

### About us:

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