

## Network18 Media & Investments Limited

September 27, 2022

### Ratings

Facilities	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long-term/Short-term bank facilities	1,000.00	CARE AAA; Stable/CARE A1+ (Triple A; Outlook: Stable/A One Plus)	Reaffirmed
<b>Total facilities</b>	<b>1,000.00</b> <b>(₹One thousand crore only)</b>		
Commercial paper issue	1,500.00	CARE A1+ (A One Plus)	Reaffirmed
<b>Total instruments</b>	<b>1,500.00</b> <b>(₹ One thousand five hundred crore only)</b>		

Details of facilities/instruments in Annexure-1

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities/instruments of Network18 Media & Investments Limited (Network18) principally derive strength from its strong parentage [Reliance (Mukesh Ambani) group] and the strategic importance of its media and entertainment business for its ultimate parent, i.e., Reliance Industries Limited (RIL; rated 'CARE AAA; Stable/CARE A1+'). The ratings further derive strength from the diversified news and entertainment content offerings in various genres of its broadcasting business, healthy performance of its flagship channels with their consistent presence amongst top channels in their respective genre in terms of television viewership. The ratings also factor in Network18's improved consolidated revenue in FY22 (refers to the period April 1 to March 31) and Q1FY23 driven by improved performance of the news segment, better monetisation of its entertainment content as well as the increasing traction of the company's digital news/information platform.

The entertainment arm of Network18 group, i.e., Viacom18 Media Private Limited's (VMPL; rated 'CARE AAA; Stable/CARE A1+') foray into the sports segment, including the acquisition of digital streaming rights for the next cycle of the popular Indian Premier League (IPL) cricket matches, is expected to drive the consolidated revenue growth over the next five years. This is likely to be funded by the planned equity infusion of ₹15,145 crore by Bodhi Tree Systems (BTS, a platform of James Murdoch's Lupa Systems and Uday Shankar) and Reliance Projects & Property Management Services Limited (RPPMSL; a wholly-owned subsidiary of RIL), as well as VMPL availing debt to leverage on it. This planned equity infusion through strategic partnership with BTS is expected to restrict the moderation in the Network18's consolidated leverage to some extent apart from providing it with strong liquidity headroom till its new sports ventures achieve break-even.

The above credit strengths are, however, partially offset by its modest standalone digital and print media business wherein it continues to incur net losses; albeit improved revenues in FY22 as well as Q1FY23. The ratings also factor in the requirement of regular investments in its digital platform 'VOOT' and other content offerings, which have a significant gestation period. The timely monetisation of sizeable investments being incurred for the recently acquired rights to digitally stream IPL matches for the next five seasons, will be a key rating monitorable. Furthermore, the ratings take cognisance of the cyclicity associated with its advertisement revenue in a competitive media and entertainment industry.

### 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 controlling stake of RIL in NW18, thereby impacting its financial flexibility.
- Sustained cash losses on consolidated level not adequately covered by the fresh equity capital infusion due to its inability to efficiently monetise its various content rights, and its consequent adverse impact on its leverage and debt coverage indicators.

### Detailed description of the key rating drivers

#### Key rating strengths

**Parentage of the strong and resourceful RIL group:** Independent Media Trust, whose sole beneficiary is RIL, holds a majority stake (73.15%) in Network18. The Network18 group is one of the prominent media and entertainment conglomerates in India with interests in television, print and digital media, OTT platform, movie production and allied businesses, consisting of brands like CNBC TV18, CNN News18, News18, moneycontrol.com, Firstpost, Forbes India, Colors, VOOT amongst others. Network18, TV18 and VMPL are part of the prominent and resourceful Reliance (Mukesh D. Ambani) group whose flagship

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

company - RIL is India's largest private sector enterprise with businesses across the energy and materials value chain, along with a significant and growing presence in the retail and telecom sectors. The promoter group is well supported by an experienced and qualified management team.

**Strategic importance of the media and entertainment business to the RIL group:** The Network18 group is one of the prominent media and entertainment conglomerates in India, with the top three ranking in most of the key segments it operates in. It has interests in television, print and digital media, OTT platform, movie production and allied businesses, consisting of brands like CNBC TV18, CNN News18, News18, moneycontrol.com, Firstpost, Forbes India, Colors, Voot, BookMyShow amongst others. The Network18 group, being RIL group's primary investment in the media and entertainment segment, is a strategically important business for the group as it is vital for further growth of the group's media and entertainment-linked businesses. This is evidenced from its recently announced strategic partnership with BTS, whereby RIL (through its wholly-owned subsidiary) has planned equity infusion of ₹1,645 crore in cash apart from contributing Jio Cinema app to VMPL (entertainment subsidiary of Network18) with an aim to scale up its operations and become one of the largest TV and digital streaming companies in India. As a part of this transaction, BTS is likely to invest ₹13,500 crore in VMPL. The transaction is subject to the requisite approvals. Moreover, Network18's Board of Directors, have two directors each who are also present on the Board of RIL. RIL's media and entertainment vertical also has synergies with its significantly large telecom/digital business. These factors reiterate the significant importance of Network18 group in the overall strategy of RIL.

**Diversified content offerings with dominant position in business news as well as niche entertainment genres and recent foray into live sports segment:** TV18, 51.17% subsidiary of Network18, owns and operates wide network of 60 channels in India spanning news and entertainment. It also caters to the global Indian audience through 20 international beams. The news broadcasting business under TV18 (standalone) includes channels with market leadership position in Hindi (News18 India), English General News (CNN News18) and English Business News (CNBC TV18) segments and a growing Regional News cluster of 14 channels (including joint venture (JV) News18-Lokmat).

Its entertainment subsidiary, i.e., VMPL's flagship channel 'Colors' has been consistently ranked amongst the top Hindi general entertainment channels (GECs) in terms of television viewership on the back of regular investments in popular fiction as well as non-fiction content. VMPL has also been a dominant player in niche segments, such as Kids, Youth and English Entertainment with prominent brands including Nick, MTV, Vh1, Comedy Central, etc. The content offerings of VMPL are expected to diversify further with growth in regional GEC's portfolio and its digital platform, 'VOOT'. VMPL has also forayed into live sports segment by launching three sports channels under the umbrella brand 'Sports18'. VMPL's sports portfolio consists of some of the most popular leagues and events spanning football, basketball, badminton, tennis, boxing, etc. In June 2022, VMPL acquired the exclusive rights to digitally stream the hugely popular IPL cricket matches in the Indian sub-continent for the seasons from 2023 to 2027. IndiaCast Media Distribution Private Limited (IndiaCast), JV of VMPL and TV18, acts as a dedicated distribution arm of VMPL and TV18, to manage its domestic subscription and monetise content in the international markets, in the form of subscription, advertising and syndication (licensing of content rights to other broadcasters).

**Continuous growth in operating revenues; likely to expand significantly in the medium term:** During FY22, Network18 reported a growth of around 25% in its consolidated total operating income (TOI), primarily on account of strong improvement in the advertisement revenues from all the three segments viz. TV News, Entertainment and Digital News. The company reported improved PBILDT margin of 18.39% on account of continued cost controls. Furthermore, during Q1FY23, the revenue continued to grow by around 10% on a Y-o-Y basis even though the subscription revenue de-grew slightly and ad revenues pertaining to 'Colors Rishtey' channel declined during the quarter, as the same was taken off DD FreeDish [Free-to-Air (FTA) Direct-To-Home (DTH) Service]. The profitability margins, however, declined during Q1FY23 owing to higher increase in the operating costs, driven by higher content as well as marketing spends in GEC, sports and digital businesses along-with increase in the employee costs led by ramping-up of personnel to support the growth in operations. Going forward, CARE Ratings Limited (CARE Ratings) expects Network18's consolidated TOI to expand significantly upon monetisation of its digital rights to live stream IPL matches. The group has planned to make a unified OTT app by combining VOOT and JioCinema apps for a more convenient viewing experience for the users. It also has plans to leverage the huge subscriber base of the telecom venture of the RIL group to drive its revenue growth. However, its profitability is expected to come under pressure in the initial seasons of IPL due to large annual rights fee payout to The Board of Control for Cricket in India (BCCI) along-with high marketing spends vis-à-vis revenue from streaming of IPL matches. The planned large equity infusion in its subsidiary, VMPL, is expected to restrict the moderation in its leverage to some extent, apart from providing it with strong liquidity headroom to fund gestation losses in its new sports ventures.

**Comfortable capital structure; albeit likely to moderate going forward:** Network18's overall gearing stood at a healthy level of 0.50x as on March 31, 2022, primarily due to repayment of its working capital bank borrowings through healthy operational cash flow during FY22. However, going forward, its overall gearing (on a gross debt basis) is expected to moderate in the medium

term with increase in debt level to part-fund the sizeable annual pay-outs towards digital rights of IPL, increased content-related investments as well as gestation losses of the newly launched sports channels and other initiatives.

### **Liquidity: Strong**

Network18 (on a standalone basis) had low utilisation of its fund-based working capital limit at around 17% during trailing 12 months ended July 2022 and it has no term loan repayment obligations. Its standalone current ratio remained below unity as its losses are being funded through short-term bank borrowings, CP issue and loans availed from its group companies.

However, its liquidity derives significant comfort from its parentage of RIL, which enables it to have access to bank funding as well as capital market; underpinned by its ability to regularly refinance its CP issue at competitive rates. This ensures superior financial flexibility despite its weak standalone financial risk profile. Also, at a consolidated level, Network18 had free cash and cash equivalents of around ₹463 crore as on March 31, 2022. Furthermore, its liquidity is underpinned by the stance of the parent group to extend financial support to it, if required.

### **Key rating weaknesses**

**Risk associated with monetisation of large-size investments for acquisition of rights to digitally stream IPL matches:** In June 2022, the entertainment arm of the Network18 group, VMPL acquired the exclusive rights to digitally stream IPL matches live in the Indian sub-continent for the seasons from 2023 to 2027. Apart from this, it also won television as well as digital rights for three out of five international territories, including major cricketing nations. VMPL will have to pay an aggregate of around ₹24,352 crore to BCCI over a period of next five years. Looking at the past trend, the latest auction was very aggressive, as BCCI realised almost 3x the value for IPL matches compared to the last auction. The payout to BCCI would be based on the number of matches played in each season.

VMPL has big plans to monetise these rights by way of advertisement and subscription income, given the huge popularity of the IPL cricket league. However, VMPL's ability to monetise the IPL rights adequately and in a timely manner would be critical to improve Network18's consolidated return indicators going forward.

**Modest standalone digital and print media business:** Being a holding company of the Network18 group, and given the modest scale of its standalone digital and print media business, Network18's standalone financial risk profile remains weak, amidst losses in its digital and print media business; albeit improved revenues in FY22 as well as Q1FY23. Its digital news segment turned profitable in FY22, driven by the increasing traction of the digital advertising segment for the industry and company, and led to improvement in the operating margins. Furthermore, the operating losses of its digital and print media business have also declined during FY20-FY22 due to various cost rationalisation measures.

**Regular investments in content offerings resulting in inherent working capital intensive operations:** Entertainment business is inherently working capital intensive, mainly on account of large holding of inventory in the form of content, motion picture as well as streaming rights. The competition amongst top TV channels along with extremely dynamic channel rankings necessitate regular investments in existing and new content offerings. Network18's working capital cycle, although improved, remained elongated at 177 days during FY22 primarily owing to considerably high inventory period. Moreover, with its entertainment subsidiary's venture into the sports segment as well as recent acquisition of digital streaming rights for IPL, Network18 group's reliance on external borrowings is expected to go up in the near term leading to moderation in its leverage on a consolidated basis.

**Volatility of advertisement revenue in a competitive media and entertainment industry:** Network18's total income majorly comprises advertisement and subscription revenue. The advertisement revenue remains vulnerable to factors like market competition, television viewership for the channels, the quality and popularity of content being broadcast, trends in the media sector, regulatory changes and the level of economic activity in general. The ad revenues were impacted during the first quarter of FY22 due to the second wave of the COVID-19 pandemic. However, during the latter half of the year, the ad revenues surpassed pre-COVID-19 levels, with TV ad volumes reaching multi-year high with digital media leading the growth. The return of high impact programming, robust consumer demand, strong fast-moving consumer goods (FMCG) spends and entry of new advertisers drove up volumes and ad-yields. However, the advertising spends were again impacted towards the end of the year due to increasing inflation, further worsened by the Russia-Ukraine conflict, impacting consumer demand. Going forward, any recessionary situation is expected to have a direct impact on the advertisement revenue in a very competitive industry.

### **Analytical approach: Consolidated**

Based on similar line of business and the structure of the group, CARE Ratings Limited (CARE Ratings) has taken a consolidated analytical approach for Network18. The companies considered in its consolidation are as per **Annexure-4**. Furthermore, the strategic importance of the company for the RIL group's media business as well as expected financial support from the parent group, if required, has been taken into consideration.

## Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

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

[Rating Methodology - Consolidation](#)

[Rating Methodology- Notching by factoring linkages in Ratings](#)

[Financial ratios-Non- Financial Sector](#)

[Rating Methodology – Service Sector Companies](#)

[Criteria for Short Term Instruments](#)

## About the company

Network18 was founded in 1996. Independent Media Trust (whose sole beneficiary is RIL) acquired 73.15% stake (directly and indirectly) in Network18 in 2014, thus making it a subsidiary of RIL. Network18 is the media and entertainment business vertical of the RIL group.

On a standalone basis, Network18 primarily acts as a holding company for its subsidiaries, which are involved in various segments of media and entertainment business. At a standalone level, Network18 is also involved in the digital segment (firstpost.com and news18.com) as well as the print segment (Forbes India, Overdrive and Better Photography). It is the largest shareholder in entertainment ticketing and live event platform, bookmyshow.com, with around 39% stake. Furthermore, Network18 has allied investments in Colosseum, Yatra, Ubona and other companies.

Network18 holds 51.17% stake in TV18, which manages its primary business of news broadcasting. On a standalone basis, TV18 operates six news channels in the general news and business news category. It also operates 14 regional news channels across India (including JV, News18-Lokmat).

TV18, through its 51% subsidiary, VMPL, operates GECs such as 'Colors', 'Rishtey', 'Comedy Central' (English), music channels such as 'MTV' and 'VH1', entertainment channels for kids such as 'Sonic', 'Nick' and 'Nick Jr.' VMPL also has presence in movie production and distribution business under Viacom18 Motion Pictures. VMPL has an alliance with Paramount Pictures, the leading Hollywood studio, to market and distribute its films in the Indian sub-continent. VMPL and TV18 are JV partners in IndiaCast to consolidate the distribution functions and drive monetisation of content for channels of TV18 and VMPL. VMPL has also developed an in-house app called "VOOT", which is a digital platform for streaming all TV contents as well as digital-exclusive shows and movies.

VMPL also ventured into the live sports segment in FY22 by acquiring TV and digital rights for some of the marquee sports properties globally and launched three sports channels under the umbrella brand, 'Sports18'. In June 2022, VMPL acquired rights to digitally stream IPL matches for the next five seasons.

Brief Financials of Network18 – Consolidated (₹ crore)	FY21 (A)	FY22 (A)	Q1FY23 (Prov.)
TOI	4,705.11	5,880.19	1,339.89
PBILDT	795.97	1081.32	46.20
PAT	546.59	837.65	39.46
Overall gearing (times)	0.68	0.50	NA
Interest coverage (times)	5.07	11.19	1.63

A: Audited; Prov.: Provisional; NA – Not available; Financials classified as per CARE Ratings' 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 instruments/facilities:** NA

**Complexity level of various instruments rated for this company:** Annexure 3

**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/Non-fund-based-LT/ST	-	-	-	-	1000.00	CARE AAA; Stable / CARE A1+
Commercial paper-Commercial paper (Standalone)	INE870H14NX1	March 14, 2022	4.80%	September 23, 2022	100.00	CARE A1+
	INE870H14NX1	March 14, 2022	4.80%	September 23, 2022	25.00	
	INE870H14OK6	July 21, 2022	5.61%	October 03, 2022	125.00	
	INE870H14OJ8	July 22, 2022	5.61%	October 04, 2022	75.00	
	INE870H14OL4	August 05, 2022	5.78%	October 28, 2022	100.00	
	INE870H14OM2	August 08, 2022	5.76%	October 27, 2022	100.00	
	INE870H14OO8	August 11, 2022	5.97%	November 07, 2022	100.00	
	INE870H14ON0	August 12, 2022	5.97%	November 09, 2022	125.00	
	INE870H14OP5	August 29, 2022	5.98%	November 28, 2022	75.00	
	INE870H14OQ3	August 29, 2022	5.98%	November 24, 2022	50.00	
	INE870H14OR1	September 14, 2022	6.18%	December 06, 2022	75.00	
	INE870H14OS9	September 15, 2022	6.18%	December 09, 2022	75.00	
	INE870H14NP7	February 01, 2022	4.87%	December 14, 2022	75.00	
	INE870H14NM4	January 21, 2022	4.78%	December 15, 2022	25.00	
	INE870H14NM4	January 21, 2022	4.78%	December 15, 2022	75.00	
	INE870H14NO0	February 02, 2022	4.87%	December 16, 2022	100.00	
	INE870H14NW3	March 07, 2022	5.21%	March 06, 2023	75.00	
	INE870H14NW3	March 11, 2022	5.21%	March 06, 2023	25.00	
	Proposed	-	-	7-364 days	100.00	

**Annexure-2: Rating history of 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	Fund-based/Non-fund-based-LT/ST	LT/ST*	1000.00	CARE AAA; Stable / CARE A1+	1)CARE AAA; Stable / CARE A1+ (31-May-22)	1)CARE AAA; Stable / CARE A1+ (28-Sep-21)	1)CARE AAA; Stable / CARE A1+ (01-Oct-20)	1)CARE AAA; Stable / CARE A1+ (09-Oct-19)
2	Commercial paper-Commercial paper (Standalone)	ST	1500.00	CARE A1+	1)CARE A1+ (31-May-22)	1)CARE A1+ (28-Sep-21)	1)CARE A1+ (01-Oct-20)	1)CARE A1+ (09-Oct-19)
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	-	-	-	1)Withdrawn (09-Oct-19)
4	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (09-Oct-19)

\* Long term/Short term



**Annexure-3: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-4: List of companies getting consolidated in Network18 (As on March 31, 2022)**

Name of Companies/ Entities	Relation	% of holding
TV18 Broadcast Limited	Subsidiary	51.17%
AETN18 Media Private Limited	Subsidiary of TV18	26.10%
Viacom 18 Media Private Limited	Subsidiary of TV18	26.10%
Eenadu Television Private Limited	Associate of TV18	12.54%
Viacom 18 Media (UK) Limited	Subsidiary of Viacom 18 Media Private Limited	26.10%
Viacom 18 US Inc.		
Roptonal Limited		
Colosceum Media Private Limited	Subsidiary	100%
e-Eighteen.com Limited	Subsidiary	91.95%
Moneycontrol Dot Com India Limited	Subsidiary of e-Eighteen.com Limited	91.95%
Greycells18 Media Limited	Subsidiary	89.69%
Network 18 Media Trust	Subsidiary	100%
Digital18 Media Limited	Subsidiary	100%
Media18 Distribution Services Limited	Subsidiary	100%
Web18 Digital Services Limited	Subsidiary	100%
Infomedia Press Limited	Subsidiary	50.69%
IndiaCast Media Distribution Private Limited	Subsidiary of TV18	38.63%
IndiaCast UK Limited	Subsidiary of IndiaCast Media Distribution Private Limited	38.63%
IndiaCast US Limited		
Big Tree Entertainment Private Limited	Associate	39.29%
Big Tree Entertainment Singapore PTE. Limited	Subsidiaries of Associate (Big Tree Entertainment Private Limited)	29.30%
Bookmyshow Live Private Limited		39.29%
Bookmyshow Venues Management Private Limited		29.82%
Fantain Sports Private Limited		39.29%
Foodfesta Wellcare Private Limited		31.16
SpaceBound Web Labs Private Limited		
Dyulok Technologies Private Limited		
Big Tree Entertainment DMCC		
Big Tree Entertainment Lanka (Pvt) Limited	Subsidiaries of Big Tree Entertainment Singapore PTE. Limited	29.30%
Bookmyshow SDN. BHD.		14.36
Big Tree Sport & Recreational Events Tickets Selling L.L.C		29.30%
PT. Big Tree Entertainment Indonesia <sup>#</sup>	Subsidiaries of Dyulok Technologies Private Limited	31.16%
Townscript USA, Inc.		
Townscript PTE. Limited		
TribeVibe Entertainment Private Limited <sup>@</sup>	Subsidiary of Bookmyshow Live Private Limited	21.28%
NW18 HSN Holdings PLC	Associate	40.69%
IBN Lokmat News Private Limited	Joint Venture of TV18	25.58%
Ubona Technologies Private Limited	Joint Venture	50%
Preebee Lifestyle Private Limited	Subsidiary of Associate (Big Tree Entertainment Private Limited)	23.57%

<sup>#</sup> 99.99% shareholding held by Big Tree Entertainment Singapore PTE. Limited and 0.01% shareholding is held by Big Tree Entertainment Private Limited directly.

<sup>@</sup> 51% shareholding held by Bookmyshow Live Private Limited and 4% shareholding is held by Dyulok Technologies Private Limited.

**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 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](mailto:care@careedge.in) for any clarifications.

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**About CARE Ratings Limited:**

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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.

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