

Indian Renewable Energy Development Agency Limited

June 09, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term Tax Free Bonds	200.00 (Reduced from 500.00)	CARE AA+; Positive	Reaffirmed
Long-term Tax Free Bonds	757.65	CARE AA+; Positive	Reaffirmed
Long-term bonds: (IREDA Green Bonds)	700.00	CARE AA+; Positive	Reaffirmed
Long-term taxable bonds- Borrowing Programme FY22	106.00	CARE AA+; Positive	Reaffirmed
Long-term bonds: Government of India (GoI) Fully serviced bonds	4,000.00	CARE AAA; Stable	Reaffirmed
Long-term instruments -Market borrowing programme FY23	14,900.00	CARE AA+; Positive	Reaffirmed
Perpetual Bonds- Market Borrowing Programme FY23	1,000.00	CARE AA; Positive	Reaffirmed
Subordinated Bonds- Market Borrowing Programme FY23	500.00	CARE AA+; Positive	Reaffirmed
Long-term Tax Free Bonds	250.00	CARE AA+; Positive	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings for the various bonds of Indian Renewable Energy Development Agency Limited (IREDA) continues to factor in 100% stake ownership of IREDA by the Government of India (GoI) and the strategic role of IREDA as the nodal agency for promoting, developing and financing renewable energy (RE) and energy-efficiency (EE) projects in India. The ratings derive strength from the established track record of IREDA for operating in the RE sector, its diversified resource profile, growth in the loan book and moderate, yet improving, asset quality owing to recoveries and minimal slippages. The ratings also take note of the Memorandum of Understanding (MoU) signed between Ministry of New and Renewable Energy (MNRE) and IREDA for raising of GoI fully-serviced bonds through IREDA.

These rating strengths are, however, offset by the company's moderate albeit improving profitability metrics, borrower and sector-wise concentration and significant share towards non-renewable segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors– Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improvement in profitability metrics with return on total assets (RoTA) above 3%.
- Significant scale up in the loan portfolio with dominant share of RE projects.
- Improvement in capitalisation profile supported by equity infusion from GOI and/or timely execution of initial public offering (IPO).

Negative factors– Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Any major change in the shareholding pattern and/or moderation in support from GoI.
- Deterioration in the asset quality and liquidity profile on a sustained basis.
- Gearing going above 10x and inability to improve capitalisation levels.
- Increased exposure towards power distribution companies (Discoms) with higher share of short-term loans in the overall disbursements.

Analytical approach:

Standalone, factoring 100% ownership by GoI.

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

Outlook: Positive

The outlook for IREDA is 'Positive' on account of consistent growth in the loan book primarily driven by the renewable sector. The positive outlook also factors in the company's ability to improve the asset quality through recoveries and upgradations while growing the loan book. Consequently, the profitability metrics have improved. The loan book is expected to consistently grow with rise in the share of RE loan assets, while curtailing disbursements towards state discoms. With IREDA planning for the IPO, the capital base is expected to be sufficient to further support the loan book growth.

The outlook for the company may be revised to 'Stable' if there is any material deterioration in the expected loan book growth, capitalisation or asset quality profile.

The rating to the GoI fully serviced bonds, reaffirmed at CARE AAA; Stable, factors in the obligation of the government to repay the principal and interest amount.

Detailed description of the key rating drivers:

Key strengths

Wholly owned by GoI and expectation of consistent support from the ministry

IREDA is wholly owned by the GoI as on March 31, 2023, operating under administrative control of MNRE to promote, develop and extend financial assistance for RE and EE projects. IREDA has been receiving support from the government in terms of capital infusion in FY15 of ₹40 crore and then in FY22 of ₹1,500 crore. Apart from this, the GoI has provided guarantees for borrowings by IREDA from multilateral and bilateral agencies to the tune of ₹7,540 crore which forms 18% of the total borrowings by the company. In FY24, IREDA plans to file for IPO which will further boost its capitalisation position.

Under the categorisation of Public Sector Enterprises, IREDA was upgraded from 'Schedule C' to 'Schedule B' by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, GoI with effect from January 4, 2010. Furthermore, IREDA has been awarded "Mini Ratna" (Category -I) status in 2015 by MNRE.

Strategic role in promoting RE sector

IREDA is a strategically important entity for GoI and has been promoted by MNRE as a financial institution dedicated to financing of RE and EE projects. IREDA is the nodal agency for providing subsidies and grants issued by the GoI in the RE sector like generation-based incentive schemes for solar and wind power projects, capital subsidy schemes for solar water heaters, Jawaharlal Nehru National Solar Mission, development of Solar Cities Programme and Renewable Energy Certificate Mechanism and the IREDA-National Clean Energy Fund (NCEF) Refinance Scheme to refinance biomass and small hydro projects. Furthermore, IREDA is the implementing agency for the Production Linked Incentive (PLI) scheme for 'High Efficiency Solar photovoltaic (PV) Modules' and Central Public Sector Enterprises (CPSE) Scheme (Government Producer Scheme) of the MNRE, to establish 12,000-MW grid connected solar PV power projects.

IREDA provides a comprehensive range of financial products from project conceptualisation to the post-commissioning stage in the RE sector. IREDA provides various fund-based and non-fund-based facilities, including project finance, short-terms loans, debt refinancing, performance guarantee and letters of comfort. IREDA has also been instrumental in implementing several schemes of the MNRE as the ministry provides budgetary support for research and facilitates development through various institutions, promotes private investment through fiscal incentives, tax holidays, depreciation allowance and remunerative returns for power fed into the grid.

Furthermore, the GOI has set a target to increase the RE generation capacity to 500 GW by 2030 and with IREDA being the nodal agency, it is expected to play a pivotal role in the growth of the RE sector through funding as well as distribution of incentives. As a result, going forward, IREDA's ability to leverage the same and increase the share of RE loan assets in its overall loan book remains a key rating sensitivity.

IREDA enters into MoU with the MNRE on an annual basis. Pursuant to the MoU, the annual targets are set with respect to loan sanctions, disbursements, profitability and other dynamic parameters. Furthermore, IREDA has also been a catalyst in encouraging other financial institutions to finance the RE sector.

Being strategically important in RE, IREDA has majority lending towards renewable segment with 75% of the assets under management (AUM) as on March 31, 2023, up from 66% of the AUM as on March 31, 2022. The remaining share of the AUM is towards discoms and transmission companies (transcos), which the company is consciously reducing over the fiscals.

Diversified resource profile

IREDA being a key institution for the government to promote and finance RE and EE projects, gets the flexibility of raising funds by way of various sources like taxable and tax-free bonds, loans from banks and borrowing from various overseas agencies. As on March 31, 2023, the total borrowings of ₹41,805 crore (+ 43% Y-o-Y) included tax-free bonds (7%), taxable bonds (19%), term loans from banks and others (69%), which are majorly from banks and 23% from foreign multilateral institutions (mostly

these loans are guaranteed by GOI), and sub-debt (2%). GOI fully-serviced bonds (₹1,640 crore) formed 4% of the overall borrowings. Excluding the same, the borrowings of IREDA were ₹40,165 crore as on March 31, 2023.

Growth in loan portfolio

End-fiscal March 31, 2023, IREDA's gross loan book increased by 39% Y-o-Y to ₹46,227 crore (PY: ₹33,913 crore), as against a 22% growth last year. The loan book growth is majorly driven by the solar sector with 33%, followed by loan to state utilities with 23%, small hydro projects with 12%, 8% towards other RE segments and balance 2% towards private entities in FY23. Consequently, share of RE in the portfolio mix stood at 75%, as on March 31, 2023, as against 66% as on March 31, 2022. The loan book growth in FY23 for IREDA is also supported by the sell-down of part of RE portfolio by L&T Finance Holdings Limited.

Borrower concentration exists with top 20 disbursements contributing to 58% of the total disbursements; however, CARE Ratings notes that majority of the top 20 disbursements are to entities with good credit profile (signified by investment grade ratings by the rating agencies). In terms of sector, out of top 20 disbursements, majority is towards solar (33%), followed by non-renewable segment (29%), wind (27%), hydro (6%), and biofuel (5%) as on March 31, 2023.

Key weaknesses

Capital adequacy, though weakening over last few years, remains above the regulatory requirement

The capitalisation profile of IREDA has weakened as on March 31, 2023, with reduction in capital adequacy ratio (CAR) to 18.82% as on March 31, 2023, from 21.22% as on March 31, 2022, and overall gearing (including GOI fully-serviced bonds) moderating to 7x as on March 31, 2023 from 6x as on March 31, 2022. The moderation in capitalisation profile is due to the expansion in loan book which is largely funded by the borrowings. The company had previously received capital infusion from the GoI in FY22 of ₹1,500 crore which comforted the capitalisation with increased capital adequacy ratio (CAR) to 21% as on March 31, 2022 from 17% as on March 31, 2021.

Going forward, IREDA plans to shore up its capital position by listing on market bourses via initial public offer (IPO) route. Consequently, the ability of the company to maintain adequate levels of capitalisation whilst ensuring timely execution of IPO, remains a key rating monitorable

Moderate, albeit improving profitability metrics

IREDA has reported rise in profit after tax (PAT) in FY23 by 36% y-o-y to ₹865 crore with a rise in the total income by 21% y-o-y to ₹3,483 crore. The RoTA improved to 2% in FY23 from 1.9% in FY22 owing to reduction in the operating expenses as a percentage of total assets (0.4% in FY23 as against 0.8% in FY22) and credit costs as a percent of total assets (0.2% in FY23 as against 0.5% in FY22). With the upgradation of non-performing asset (NPA) accounts and recovery in NPA, the credit costs improved in FY23.

Going forward, the ability of the company to sustain the current improvement in profitability metrics whilst increasing its top-line growth remains a key rating monitorable.

Moderate asset quality

The asset quality of the company has improved in FY23 owing to upgradation of four accounts and recovery from a few accounts aggregating to ₹202 crore. This, coupled with slippage of only ₹8 crore in FY23 as against ₹33 crore in FY22, the gross NPA% (GNPA%) reduced to 3% as on March 31, 2023 from 5% as on March 31, 2022. With the rise in provision coverage ratio (PCR) to 49% as on March 31, 2023 from 41% as on March 31, 2022, the net NPA% (NNPA%) reduced to 2% as on March 31, 2023 from 3% as on March 31, 2022.

The majority of these NPAs so far have been in the small hydro projects and wind sectors.

Sector and borrower concentration

Owing to its policy mandate of being the nodal agency for RE development in India, IREDA continues to face high sector and borrower-wise concentration risks. The company continues to have high exposure in wind and solar sector with 55% of AUM as on March 31, 2023, up from 44% of AUM as on March 31, 2022. Furthermore, the top 50 customers form 56% of the loan as on March 31, 2023, though down from 68% of the loan as on March 31, 2022. The portfolio vulnerability remains as 2% of the gross loans are the exposure to Andhra Pradesh discoms where the accounts are not classified as non-performing even though the overdues are more than 90 days. However, the company has created ECL provision of 53% towards these cases.

Liquidity: Adequate

As per asset-liability management (ALM) statement as on March 31, 2023, there are positive cumulative mismatches in all time buckets except over two months to three months' time bucket, arising due to IREDA's borrowings in the form of cash credit. As on December 31, 2022, the company had cash and bank balances of ₹3,526 crore and unutilised sanctioned lines of ₹15,985 crore from domestic and foreign banks, against borrowing which provide support to the liquidity profile.

Applicable criteria

[Policy on default recognition](#)
[Factoring Linkages Government Support](#)
[Financial Ratios - Financial Sector](#)
[Rating Outlook and Credit Watch](#)
[Non Banking Financial Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Incorporated in 1987, IREDA is a wholly-owned GoI enterprise working under the administrative control of MNRE and has been awarded "Mini Ratna" (Category -I) status in 2015 by MNRE. IREDA has been notified as a "Public Financial Institution" under the Companies Act, 1956 and registered as a non-banking finance company (NBFC) with the Reserve Bank of India (RBI), formed for the purpose of promoting, developing and financing RE and EE projects in India.

IREDA is a strategically important entity for GoI that mainly finances projects in the wind, hydro, solar, bio-energy sectors as well as emerging areas, such as battery-powered vehicle sectors. Of late, wind energy and small-hydro sectors have emerged as the key growth areas on account of the incentives offered by the centre as well as some state governments.

The company, besides its own activities, implements programmes on behalf of MNRE on the basis of the MoU entered into with the said Ministry. Pursuant to the MoU, the annual targets are set with respect to loan sanctions, disbursements, profitability and other dynamic parameters. Also, IREDA is a Fund Administrator on behalf of MNRE for distribution of generation-based incentive and capital subsidy for wind and solar sectors. Under these schemes, specific fund amount is provided by MNRE to IREDA for the purpose of disbursement of the same to the GBI claimants as per the scheme of MNRE. Therefore, essentially, the activity is receipt and utilisation of funds.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	2,874.15	3,483.04
PAT	633.52	864.63
Interest coverage (times)	1.53	1.55
Total assets	36,383.18	50,141.11
Net NPA (%)	3.12	1.66
ROTA (%)	1.91	2.00

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 Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ Cr)	Rating Assigned along with Rating Outlook
IREDA Taxable Bonds	INE202E07062	24-Sep-10	9.02%	24-Sep-25	250.00	CARE AA+; Positive
IREDA Taxable Bonds	INE202E07088*	10-May-13	8.44%	10-May-23	0.00	Withdrawn
IREDA Taxable Bonds	INE202E07096	10-May-13	8.49%	10-May-28	200.00	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07161	27-Mar-14	8.56%	27-Mar-29	36.00	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07104	13-Mar-14	8.16%	13-Mar-24	75.76	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07120	13-Mar-14	8.55%	13-Mar-29	123.08	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07146	13-Mar-14	8.55%	13-Mar-34	38.81	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07112	13-Mar-14	8.41%	13-Mar-24	105.29	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07138	13-Mar-14	8.80%	13-Mar-29	234.55	CARE AA+; Positive
IREDA Tax Free Bonds	INE202E07153	13-Mar-14	8.80%	13-Mar-34	144.16	CARE AA+; Positive
Subtotal (IREDA Tax-free and Taxable Bonds)					1,207.65	
GOI Fully Serviced Bonds	INE202E08011	6-Feb-17	7.22%	6-Feb-27	610.00	CARE AAA; Stable
GOI Fully Serviced Bonds	INE202E08029	23-Feb-17	7.60%	23-Feb-27	220.00	CARE AAA; Stable
GOI Fully Serviced Bonds	INE202E08037	6-Mar-17	7.85%	6-Mar-27	810.00	CARE AAA; Stable
GOI Fully Serviced Bonds	Proposed	-	-	-	2360.00	CARE AAA; Stable
Subtotal (GOI fully serviced bonds)					4,000.00	
IREDA Taxable Green Bonds	INE202E07245	24-Mar-17	8.12%	24-Mar-27	200.00	CARE AA+; Positive
IREDA Taxable Green Bonds	INE202E07252	29-Mar-17	8.05%	29-Mar-27	500.00	CARE AA+; Positive
Subtotal (IREDA taxable green bonds)					700.00	
IREDA Taxable Unsecured Bonds	INE202E08078	02-03-2022	5.98%	16-04-2025	106.00	CARE AA+; Positive
					106.00	
Taxable Unsecured Bonds-Market Borrowing Programme	INE202E08086	02-08-2022	7.46%	12-08-2025	648.40	CARE AA+; Positive
Taxable Unsecured Bonds-Market Borrowing Programme	INE202E08094	27-09-2022	7.85%	12-10-2032	1,200.00	CARE AA+; Positive

Name of Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ Cr)	Rating Assigned along with Rating Outlook
Taxable Unsecured Bonds-Market Borrowing Programme	INE202E08102	07-12-2022	7.79%	07-12-2032	515.00	CARE AA+; Positive
Taxable Unsecured Bonds-Market Borrowing Programme	INE202E08110	27-01-2023	7.94%	27-01-2033	1,500.00	CARE AA+; Positive
Long-term Instruments-Borrowings-Market Borrowing Programme	Proposed				11,036.60	CARE AA+; Positive
Subtotal (Market Borrowing Programme)					14,900.00	
Long-term Instruments-Bonds-Perpetual Debt Instruments	Proposed	-	-	-	1,000.00	CARE AA; Positive
Long-term Instruments-Bonds-Subordinate Tier-II Bonds	Proposed	-	-	-	500.00	CARE AA+; Positive

*Withdrawn on receipt of confirmation from company and debenture trustee on maturity and repayment

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	Bonds-Unsecured Redeemable	LT	-	-	-	-	-	1)Withdrawn (29-Sep-20)
2	Bonds-Unsecured Redeemable	LT	250.00	CARE AA+; Positive	-	1)CARE AA+; Positive (31-Dec-22) 2)CARE AAA (CE); Stable (25-Jul-22) 3)CARE AAA (CE); Stable (01-Jul-22)	1)CARE AAA (CE); Stable (16-Sep-21)	1)CARE AAA (CE); Stable (21-Dec-20) 2)CARE AAA (CE); Stable (29-Sep-20)
3	Bonds	LT	-	-	-	1)Withdrawn (25-Jul-22) 2)CARE AAA (CE); Stable (01-Jul-22)	1)CARE AAA (CE); Stable (16-Sep-21)	1)CARE AAA (CE); Stable (21-Dec-20) 2)CARE AAA (CE); Stable (29-Sep-20)
4	Bonds	LT	200.00	CARE AA+; Positive	-	1)CARE AA+; Positive	1)CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (21-Dec-20)

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
						(31-Dec-22) 2)CARE AAA (CE); Stable (25-Jul-22) 3)CARE AAA (CE); Stable (01-Jul-22)	(16-Sep-21)	2)CARE AAA (CE); Stable (29-Sep-20)
5	Bonds	LT	757.65	CARE AA+; Positive	-	1)CARE AA+; Positive (31-Dec-22) 2)CARE AAA (CE); Stable (25-Jul-22) 3)CARE AAA (CE); Stable (01-Jul-22)	1)CARE AAA (CE); Stable (16-Sep-21)	1)CARE AAA (CE); Stable (21-Dec-20) 2)CARE AAA (CE); Stable (29-Sep-20)
6	Bonds	LT	700.00	CARE AA+; Positive	-	1)CARE AA+; Positive (25-Jul-22) 2)CARE AA+; Stable (01-Jul-22)	1)CARE AA+; Stable (16-Sep-21)	1)CARE AA+; Stable (21-Dec-20) 2)CARE AA+; Stable (29-Sep-20)
7	Bonds	LT	4000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (25-Jul-22) 2)CARE AAA; Stable (01-Jul-22)	1)CARE AAA; Stable (16-Sep-21)	1)CARE AAA; Stable (21-Dec-20) 2)CARE AAA; Stable (29-Sep-20)
8	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (25-Jul-22) 2)CARE AA+; Stable (01-Jul-22)	1)CARE AA+; Stable (16-Sep-21)	-
9	Bonds	LT	106.00	CARE AA+; Positive	-	1)CARE AA+; Positive (25-Jul-22)	1)CARE AA+; Stable (16-Sep-21)	-

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
						2)CARE AA+; Stable (01-Jul-22)		
10	Bonds-Perpetual Bonds	LT	-	-	-	1)Withdrawn (25-Jul-22) 2)CARE AA; Stable (01-Jul-22)	1)CARE AA; Stable (16-Sep-21)	-
11	Bonds-Subordinated	LT	-	-	-	1)Withdrawn (25-Jul-22) 2)CARE AA+; Stable (01-Jul-22)	1)CARE AA+; Stable (16-Sep-21)	-
12	Borrowings-Market Borrowing Programme	LT	14900.00	CARE AA+; Positive	-	1)CARE AA+; Positive (25-Jul-22)	-	-
13	Bonds-Subordinated	LT	500.00	CARE AA+; Positive	-	1)CARE AA+; Positive (25-Jul-22)	-	-
14	Bonds-Perpetual Bonds	LT	1000.00	CARE AA; Positive	-	1)CARE AA; Positive (25-Jul-22)	-	-
15	Un Supported Rating	LT	-	-	-	1)Withdrawn (31-Dec-22) 2)CARE AA+ (25-Jul-22)	-	-

*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	Bonds-Perpetual Bonds	Simple
2	Bonds-Subordinated	Simple
3	Bonds-Unsecured Redeemable	Simple
4	Bonds	Simple
5	Borrowings-Market Borrowing Programme	Simple

Annexure-5: Lender details

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

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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