

Date: 08.02.2023

ISIN: INE526R01028
SCRIP CODE: 539017
SCRIP ID: STARHFL
PAN NO. AAGCA1988C

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai -400 001

Sub: Intimation of credit rating from CARE Ratings Limited

Dear Sir,

Pursuant to Regulation 30 (schedule III, part A) of the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, we hereby inform you that the Company has received Credit Rating from CARE Ratings Limited as follows.

S.NO.	INSTRUMENT TYPE	Amount (Rs. Crore)	RATING
1	Long Term Bank Facilities	167.00	CARE BBB-;Positive (Triple B Minus; Outlook: Positive)

You are requested to kindly take the information on record

Thanking you

Yours faithfully,

For, Star Housing Finance Limited

Ashish Jain
Digitally signed by Ashish Jain
DN: c=IN, o=Personal, postalCode=313001,
st=Jagadhari,
2.5.4.20=ad9b9b09294d43166cd819becbf4e
9d2e089d0bb47711e2287745cad8f50031
2,
Pseudonym=6CA430E736859CF61362966
67B5557FF48DDE70,
serialNumber=2023E9C2C69F24E5E4C3
D428A9AB34501D86C9B9D0377CE3C09
A2D6F08D17, cn=Ashish Jain
Date: 2023.02.08 18:09:14 +05'30'

Ashish Jain
Managing Director
DIN: 02041164

No. CARE/HO/RL/2022-23/3886

Shri Natesh Narayanan
Chief Financial Officer
Star Housing Finance Limited
603, Western Edge I, Off W.E. Highway, Borivali East,
Mumbai
Maharashtra 400066

February 03, 2023

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to our rating letter no. CARE/HO/RL/2022-23/3829 dated January 30, 2023, and your representation email dated February 02, 2023 on the above subject.

2. Our Rating Committee has carefully reconsidered the representation made by you regarding the revision in rating assigned to the above mentioned bank facilities. It has, however, not been found possible to upgrade the rating for the facilities and the rating stands at **'CARE BBB-; Positive [Triple B Minus; Outlook: Positive]** for long-term facilities. In this connection, we assure you that the facts mentioned in your email under reference were considered while deciding the rating.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Tony Mathew

Tony Mathew
Lead Analyst
tony.mathew@careedge.in

Nikhil Hardikar

Nikhil Hardikar
Associate Director
nikhil.hardikar@careedge.in

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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CIN-L67190MH1993PLC071691

Shri Natesh Narayanan
Chief Financial Officer
Star Housing Finance Limited
603, Western Edge I, Off W.E. Highway, Borivali East,
Mumbai, Maharashtra 400066

January 30, 2023

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY22 (Audited) and 9MFY23 (Provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	167.00	CARE BBB-; Positive (Triple B Minus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Total Facilities	167.00 (Rs. One Hundred Sixty-Seven Crore Only)		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 01, 2023, we will proceed on the basis that you have no any comments to offer.
4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.
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in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Tony Mathew

Tony Mathew
Lead Analyst
tony.mathew@careedge.in

Nikhil Hardikar

Nikhil Hardikar
Associate Director
nikhil.hardikar@careedge.in

Encl.: As above

Disclaimer

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	National Housing Bank	32.97	Maturity on October 01, 2032
2.	State Bank of India	10.00	Maturity on March 31, 2027
3.	ICICI Bank Ltd.	10.00	Maturity on November 30, 2024
4.	Indian Overseas Bank	9.76	Maturity on September 30, 2029
5.	Union Bank of India	7.99	Maturity on March 31, 2025
6.	MAS Financial Services Ltd.	4.90	Maturity on October 23, 2026
7.	MAS Rural Housing and Mortgage Finance Ltd.	4.89	Maturity on September 15, 2026
8.	LIC Housing Finance Ltd.	4.76	Maturity on March 01, 2027
9.	Hinduja Leyland Finance Ltd.	4.31	Maturity on March 17, 2026
10.	Hinduja Leyland Finance Ltd.	4.31	Maturity on March 07, 2026
11.	Hinduja Housing Finance Ltd.	3.89	Maturity on July 31, 2026
12.	Sundaram Home Finance Ltd	2.94	Maturity on October 31, 2026
13.	Cholamandalam Investment and Finance Company Ltd.	2.90	Maturity on October 01, 2026
14.	Hinduja Housing Finance Ltd.	2.11	Maturity on June 30, 2024
15.	State Bank of India	2.00	Maturity on August 31, 2023
16.	Capital India Finance Ltd.	1.42	Maturity on October 30, 2024
17.	Avanse Financial Services Ltd.	0.12	Maturity on January 25, 2023
18.	MAS Financial Services Ltd.	0.11	Maturity on December 23, 2022
19.	MAS Financial Services Ltd.	0.11	Maturity on December 09, 2022
20.	AU Small Finance Bank Ltd.	0.05	Maturity on December 15, 2022
21.	Proposed	51.46	Proposed
	Total	161.00	

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	AU Small Finance Bank Ltd.	3.00	Dropline OD of Rs.3 crore as sublimit.
2.	Bank of Baroda	3.00	
	Total	6.00	

Total Long Term Facilities : Rs.167.00 crore

Total Facilities (1.A+1.B) : Rs.167.00 crore

NH

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Annexure 2
Star Housing Finance Limited
January 30, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ²	Rating Action
Long Term Bank Facilities	167.00	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in rating assigned to the bank facilities of Star Housing Finance Limited (SHFL) continues to factor in the steady transformation in corporate governance structures since the onboarding of its strategic investor, Arkfin Investments Private Limited (Arkfin) in 2019 with increased focus on the retail housing loan portfolio with a simultaneous run-down of the project loan segment. Further, decision making in the company is now fairly distributed across a well-defined management structure as compared to its earlier promoter-driven business model. The rating also derives strength from comfortable capital adequacy and gearing levels of the company aided by regular equity infusion from investors and the same has resulted in increase in networth base lending support towards growth in the near term. The rating also takes note of the improvement in profitability supported by increase in scale of operations with healthy disbursements. Asset quality metrics have also witnessed improvement during 9MFY23 with decline in overall GNPA and gross stressed assets aided by loans coming out of restructuring with satisfactory repayment track record.

The rating strengths are partially offset by company's relatively small scale of operations albeit AUM growth witnessed during 9MFY23 and portfolio continues to remain geographically concentrated. Seasoning of loan book remains moderate given the high loan book growth witnessed during 9MFY23 and the same is expected to remain moderate over the medium term given the high loan book growth targets. Given, the borrower profile of company with exposure to the weaker, low income self-employed borrower segment, the asset quality remains susceptible to any economic downturn as witnessed during Covid-19, however this risk is partly offset by the secured nature of lending. The company's resource profile continues to remain modest; however, the same has witnessed improvement with access to funding from refinance lines from National Housing Bank (NHB) and expansion of lender network aiding in improvement in cost of funds.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance of growth in loan portfolio along with achieving geographical diversification while maintaining the asset quality with maintenance of ROTA above 3%.
- Maintenance of adequate capitalization levels.
- Diversification in the resource profile with demonstrated ability to garner resources at favourable rates.

Negative factors

- Deterioration in asset quality with Gross NPA ratio above 5%.
- Deterioration in profitability on as sustained basis.
- Overall gearing exceeding 4 times.

Analytical approach: Standalone

Outlook: Positive

With sharp increase in disbursements, the AUM of the company has witnessed significant growth during 9MFY23 from ₹104.1 crore as on March 31, 2022, to ₹187.5 crore as on December 31, 2022, However, the AUM size continues to

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
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remain relatively moderate. Disbursements during 9MFY23 stood at around ₹112.9 crore as against ₹36.6 crore in FY22. With continuation of momentum in disbursements over the medium term, AUM is expected to grow significantly while maintaining adequate capitalization and comfortable gearing levels. 'Positive' outlook continues to reflect the expectation that the company will continue to maintain higher disbursements, which will improve its scale of operations significantly over the medium term and result in sustenance of improvement in profitability as witnessed during 9MFY23. Furthermore, SHFL has witnessed improvement in profitability and asset quality and with reduction in project loan portfolio the asset quality is expected to be stable. It is to be noted that company is expected to mobilise fresh equity to support growth in its operations. The outlook may be revised to 'Stable' if there is significant moderation in the asset quality and leverage levels exceed 4x on a sustained basis.

Key strengths

Steady transformation in business and corporate governance structure with experienced management team

SHFL has been traditionally operating as a promoter driven company with operations mainly in Rajasthan since its inception till Sep 2019. Post equity infusion of Rs. 15.50 crore in October 2019 from Arkfin Investments Private Limited (Arkfin), SHFL has undergone a steady alteration in line with its strategy to become a professionally run company. As of September 30, 2022 Arkfin holds equity stake of 17.21% in SHFL. Company has been able to attract additional equity of Rs.8.1 crore during FY22 and additional equity of Rs.32.8 crore during 9MFY23 from investors leading to increase in networth base to Rs.100.8 crore as on December 31, 2022. SHFL has expanded its geographic presence to Maharashtra, Madhya Pradesh, Gujarat, Rajasthan and Tamil Nadu with 10 branches including moving its registered/corporate office to Mumbai. The company now exclusively focuses on retail home loans, targeting first time home buyers from the Economically Weaker Section / Low Income Group (EWS / LIG) borrower segment looking to purchase/construct own homes that qualify under PMAY (Pradhan Mantri Awas Yojana) in tier II, III towns and semi-urban geographies. The company has consequently, reduced its exposure to project loans, which has reduced from 48% of its Assets Under Management (AUM) in Sep 30, 2019 to less than 3% as on December 31, 2022. The erstwhile franchise-based business model has been replaced with in-house sourcing, underwriting, processing and collection.

Furthermore, the overall corporate governance framework is being strengthened through reconstitution of the promoter-driven board with a professional management in a steady phased manner over the past 2 years. SHFL now operates as an independent entity managed by a set of housing finance professionals across domains and geographies. Mr. Anil Sachidanand, the MD of Arkfin and a three-decade veteran in the residential mortgage space provides the necessary guidance for implementation of the structural changes as and when required.

Comfortable capital adequacy and gearing levels with regular infusion from investors

Total capital increased to Rs.100.8 crore as on December 31, 2022 aided by the equity infusion from investors. Consequently, the company's capital adequacy levels remain comfortable with CAR and Tier 1 CAR of 84.79% and 83.75% respectively as on September 30, 2022. As at December 31, 2022, gearing remained comfortable at 1.22 times (Total borrowings/ Tangible net worth). Going forward, CARE understands that additional capital infusions by the investors which will further augment the capital base, thus enhancing its ability to fund growth. CARE understands that the management will maintain gearing at less than 4 times at all times.

Evolving risk management practices and processes

SHFL's has taken concentrated efforts to improve its credit risk appraisal processes with continuous investment and efforts undertaken to improve the credit appraisal mechanism. SHFL has also deployed digital collection platform for receivable management enabling the company to monitor end-to-end processing from log-in, sanction, disbursement and receivable management. Active portfolio risk management mechanism includes monitoring of the credit portfolio on a regular basis and enabling of a maker checker policy adopted for all the processes in loan underwriting to avoid frauds. The ability of the company to evolve and continuously improve its risk control systems will remain a key rating sensitivity.



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Improvement in profitability during 9MFY23

Profitability has been impacted during FY21 and FY22 on account company being on the growth phase with opening of new branches, strengthening employee team and investment in technology for aiding in loan management systems and improving underwriting practices. Benefits of lower cost of funds from NHB is negated with company focusing on better profile retail housing loan customers which is expected to keep credit cost in check going forward. ROTA stood at 1.72% during FY22. However, the profitability has witnessed improvement during 9MFY23 with increase in disbursements aiding in increase in other income and with benefits of increased scale the opex has also witnessed moderation during 9MFY23 leading to improvement in PPOP. Further, credit cost has also remained lower with improvement in asset quality leading to company reporting ROTA of 3.93% during 9MFY23. Profitability of the company would be driven by benefits derived from growth in scale of operations while keeping credit cost at check.

Moderately diversified resource profile

The company's borrowing profile is moderately diversified for its size and constitutes NHB refinance lines (26.3%), term loans from banks (39.2%) and NBFCs/HFCs (34.6%) as on September 30, 2022. The company has an established lender relationship with 13 lenders as on September 30, 2022 with the top 5 lenders constituting 75% of total borrowings outstanding as on September 30, 2022. The ability of the company to continue to source funds at competitive rates with diversification of resource profile will remain a key monitorable.

Key weaknesses

Small size and geographically concentrated operations

As on December 31, 2022, SHFL is operating out of the 5 states of Rajasthan, Maharashtra, Madhya Pradesh, Gujarat, and Tamil Nadu, with 10 branches and currently employing more than 130 people. Loan portfolio stood at Rs.187.5 crore as on December 31, 2022. The portfolio remains geographically concentrated with top state exposure in Maharashtra which forms 55% of the portfolio as on November 30, 2022. CARE Edge expects geographic diversification to improve gradually as the company increases its scale in the medium term.

Moderate asset quality and moderate seasoning of portfolio

Albeit improvement the company's GNPA% and NNPA% stood moderate at 2.15% and 1.65% respectively as on December 31, 2022, as against 2.99% and 2.40% as on March 31, 2022 (Mar 31, 2021: 3.05% and 2.59%). SHFL has an operational track record of over a decade in the sector. Nevertheless, CARE notes that the loan book has almost doubled post Q3FY22 and given the long tenure nature of HF loans the seasoning of loan book remains moderate. Going forward, the ability of the company to limit delinquencies will remain a key monitorable.

Inherent risk associated with the borrower segment partly offset by the secured nature of lending

SHFL primarily focuses on the self-employed and informal income borrower segment, especially the Economically Weaker Section (EWS) of the society, majority of whom have undocumented incomes. Further, the customer segment is exposed to volatility in cash-flows and economic disruptions as witnessed during COVID-19. The risk is partly offset by the secured nature of the loan book to some extent, with company maintaining adequate buffer against the Loan to Value (LTV).

Liquidity: Adequate

As per the ALM statement of September 30, 2022, the company's liquidity profile is comfortable with no negative cumulative mismatch in its less than 1-year tenor bucket aided by high cash and bank balance and liquid investments maintained by the company. The company's liquidity is supported by regular fund infusion from its investors. Company had non-lien marked cash and bank balance of Rs.19.5 crore and liquid investments of Rs.8.70 crore as on September 30, 2022.

Applicable criteria

[Policy on default recognition](#)

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About the company

Star Housing Finance Ltd. (SHFL; erstwhile Akme Star Housing Finance Limited (ASHFL)) commenced operations from September 2009 after getting registered with National Housing Bank. Initially, the company was incorporated as Akme Buildhome Pvt. Ltd. on March 17, 2005, built by two promoter families namely Late Dr. Mohan Lal Nagda and Shri. Nirmal Jain. The company is primarily engaged in providing housing loans to individuals for construction, purchase, repair, and upgradation of houses to the under-served segments in the lower- and middle-income categories. The name of the company was changed to Akme Star Housing Finance Pvt. Ltd. in October 2009 and its constitution was changed to public limited and name was changed to ASHFL in November 2009. Company got listed in BSE in March 2015. Mr. Ashish Jain is the Chairman and Managing Director of the company from 2018. Arkfin Investments Private Limited (Arkfin) invested equity capital of Rs.15.5 crore in October 2019 for a stake of 21.5%. As of September 30, 2022 Arkfin holds equity stake of 17.21% in SHFL. Post receipt of equity capital from Arkfin, company has expanded its branch network to 5 states with 10 branches with AUM of Rs.187.5 crore as on December 31, 2022.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov)
Total operating income	15.60	19.37	24.75
PAT	1.56	2.38	5.83
Total Assets	123.86	152.52	242.56
Net NPA (%)	2.60	2.42	1.65
ROTA (%)	1.45	1.72	3.93

A: Audited; Prov: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	6.00	CARE BBB-; Positive
Fund-based-Long Term	-	-	-	-	161.00	CARE BBB-; Positive

Annexure-2: Rating history for the last three years

NH

CARE Ratings Limited

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-Long Term	LT	161.00	CARE BBB-; Positive	-	1)CARE BBB-; Stable (28-Feb-22)	-	-
2	Fund-based - LT-Cash Credit	LT	6.00	CARE BBB-; Positive	-	1)CARE BBB-; Stable (28-Feb-22)	-	-

*Long term/Short term.

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

Name of the Instrument	Detailed Explanation
A. Financial covenants	<ul style="list-style-type: none"> CAR to be maintained 2% above regulatory requirement. Debt/Tangible Net worth not to exceed 7.5x.
B. Non-financial covenants	Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based-Long Term	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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**



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