India Ratings Downgrades U.P. Power Corporation's NCDs (Series 1) to 'IND D' and Reassigns 'IND A+ (CE)'/Stable; Affirms Other Ratings

Nov 20, 2023 | Power Distribution

India Ratings and Research (Ind-Ra) has taken the following rating actions on U.P. Power Corporation Limited's (UPPCL) debt instruments:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs) (Series 1)*#	-	-	-	INR49,997.50	IND A+ (CE)/Stable	Downgraded and reassigned
NCDs (Series 2 Tranche 1)*	-	-	-	INR21,168.00 (reduced from INR22,491.00)	IND A+ (CE)/Stable	Affirmed
NCDs (Series 2 Tranche 2)*	-	-	-	INR29,070.00	IND A+ (CE)/Stable	Affirmed
NCDs (Series 3 Tranche 1)*	-	-	-	INR39,512.00	IND A+ (CE)/Stable	Affirmed
NCDs (Series 3 Tranche 2)*	-	-	-	INR34,880.00	IND A+ (CE)/Stable	Affirmed
Unsupported rating$	-	-	-	-	IND BBB+/Stable	Affirmed

*Details in the annexure

$ Ind-Ra has assigned the unsupported rating in compliance with the Securities Exchange Board of India's circular dated 13 June 2019, which requires credit rating agencies to disclose unsupported ratings without factoring in the explicit credit enhancement (CE) and supported rating after factoring in the explicit CE.

#*Downgraded to 'IND D' before being reassigned

Analytical Approach: All the three series of NCDs are backed by an unconditional, irrevocable, pre-default guarantee from the GoUP, which is the principal debtor for the timely debt servicing throughout the bond tenor. Also, the NCDs have trustee monitored structured payment mechanism, wherein UPPCL's daily collections flow into a designated receipt account (DRA) on a first priority basis and then flow into the designated UPPCL bond servicing account (UBSA) of each series on a daily basis, so that sufficient funds are build up T-15 days from the due date of debt servicing.

For Series-1 bonds: Ind-Ra has factored in the state's consolidated fund support for the timely payment of debt servicing and the replenishment of the debt service reserve account (DSRA); this is almost similar to the comfort available to state development loan investors. This extraordinary cushion available to investors of Series-I was reflected in the two-notch rating differential from Series-2 and Series-3 bonds earlier.

For Series-2 bonds: Ind-Ra has factored in the structured payment mechanism, adequate liquidity buffer and escrow mechanism to trap the UPPCL's subsidy receipts from the GoUP to replenish the DSRA, in case it falls below the requirement.

For Series-3 bonds: Ind-Ra has factored in the structured payment mechanism, the commitment by the GoUP to extend budgetary support for the repayment of bonds and the escrow mechanism to trap the UPPCL's revenue receipts from the irrigation and agriculture departments of the state government against power sales to replenish the DSRA, in case it falls below the requirement.

UPPCL's unsupported rating continues to be based on the credit profile of the GoUP, its ongoing support and the strength of linkage between the corporation and the state government.

The downgrade of Series-1 NCDs rating reflects the delay in the interest payment of ISIN-INE540P07087, INE540P07095, INE540P07103 and INE540P07079 of the series-I bonds. The delay is equivalent to the interest of one day. The reassignment of 'IND A+(CE)' rating is based on Ind-Ra's view on the event and the subsequent remedial measures taken by UPPCL, which have been detailed below. The structure had been working since the bond issuance and sufficient amount was available in the escrow account and the bond servicing account. The agency's concerns had been related to governance and management effectiveness. The default has not occurred because of deterioration in the credit quality, and willingness and ability to pay. As a result, the rating of bond Series-1 has been capped at 'IND A+(CE)' with Stable Outlook, and the ratings for Series-II and Series-III have been affirmed at 'INDA+(CE)'/Stable.

Key Rating Drivers

Adequacy of Credit Enhancement - Unconditional, Irrevocable Guarantee: The GoUP has extended an unconditional and irrevocable guarantee for the rated bonds. The respective structures define the event for invocation of the guarantee by the trustee and other credit enhancers. Ind-Ra, in its analysis, has stressed the GoUP's credit profile by considering a sizeable portion of the guarantee to devolve. As per Ind-Ra's analysis, the guarantor, even in the stress scenario, was found to be meeting all the guaranteed debt obligations.

Breach in Compliance: The interest payment for Series-1 is to be done on a quarterly basis, with the dates being fixed at 15 May, 16 August, 15 November and 15 February. While the issuer has confirmed that they have serviced the bonds on a timely basis, misinterpretation of Business Convention Day led to the interest payout being calculated until 13 November 2023, instead of 14 November 2023, and the interest payment was made accordingly. However, as and when the error came into the notice of the company, the company rectified and made the payment of one-day shortfall in interest along with the delayed interest payment charge to the debenture holders on 17 November 2023 and 18 November 2023, respectively. The default has occurred on account of procedural or system issues or human errors (often termed as technical defaults) and that have been rectified by the issuer promptly when the issue was raised by the debenture trustee.

Furthermore, 15 days before the debt servicing (part of the structure monitored by the trustee), the balance in UPPCL's account for debt servicing of Series 1 was more than sufficient to service the interest and principal obligation, and the event therefore took place solely due to misinterpretation of the Business Day Convention. Until this event, there had not been any instances of delay/default by the company since the issuance of the bonds and it has adhered to the structured payment mechanism. In addition, the pre-default guarantee given by the government of Uttar Pradesh (GoUP) has not been invoked for any series and the consolidated fund of the GoUP has not been utilised for debt servicing of Series 1 bonds so far. The availability of funds and the payment being made before the due date reflects that the company had the ability and willingness to pay. Therefore, Ind-Ra believes that the event does not inherently reflects any deterioration in the credit profile of the company, and it expects that the company would strengthen its standard operating procedure and internal control mechanism to ensure strict adherence to the required compliances and payments as per schedule. The ratings of the other instruments have accordingly been affirmed.

Structured Debt Servicing Mechanism (Series – 3): The rating is supported by the presence of a debt servicing mechanism to tap into UPPCL's top line/cash flows. The mechanism will ensure a minimum daily transfer of INR90 million from UPPCL's daily collections to a DRA on first priority basis, which would then flow into UBSA. The transfers into the DRA will remain free from any encumbrance. Starting from the first day of each quarter, a prorated amount will be auto transferred to the UBSA from the DRA. Daily transfers into the UBSA would be such that the entire amount required for the immediate debt servicing will be available in the UBSA 15 days prior to the servicing date (T-15). The structure provides for the GoUP budgetary support for servicing the bonds by way of the requisite fund infusion in the default escrow account anytime between 15 and 45 prior to every quarterly bond servicing date. On the 14th day prior to the bond service date (T-14 day), in case the built-up is insufficient, the debenture trustee would inform the GoUP and seek the amount to cover up the shortfall by 10 days prior to the bond servicing date (T-10 day). If the GoUP fails to cover up the shortfall in the UBSA T-10 day, the trustee will call upon the GoUP guarantee on the T-9 day to the extent of shortfall. Thereafter, the GoUP will have to make good the UBSA shortfall by T-3 days.

Rolling DSRA (Series-3): The ratings are further supported by the liquidity buffer available for the bond servicing in the form of a rolling DSRA, which, at all times, has to be maintained at an amount equivalent to the total debt servicing obligation (principal and interest) for the next two quarters. The initial DSRA will be created one day prior to the pay-in date. If the shortfall in the UBSA persists on the T-2 day, the trustee would transfer the funds from the DSRA to make good the shortfall in the UBSA.

As it is a rolling DSRA, for tranche 1, UPPCL will need to top it up to meet the enhanced principal repayment requirement falling due from the ninth and 10th quarter within 15 days after the expiry of the seventh and eighth quarter; meanwhile, for tranche 2, the topping will have to be done within 15 days after the expiry of the fifth and sixth quarter for the principal repayment requirement falling due from the seventh and eighth quarter.

DSRA Replenishment from Agriculture and Irrigation Department Accounts (Series-3): The power revenue received by UPPCL from the agriculture and irrigation department of the state government will become available to the trustees for recouping the DSRA in case of its impairment. The revenue received by UPPCL from the agriculture and irrigation department for during FY23 was INR46.18 billion (FY22: INR44.93 billion). This revenue will be routed into a specified account with a default escrow mechanism. In case of a DSRA impairment or a shortfall, the escrow mechanism will be activated.

Furthermore, in case the revenue receipt from the irrigation and agriculture department on a quarterly basis falls short of INR5 billion per quarter for any two consecutive quarters, then the structure provides for the allocation of one or more urban domestic circles/divisions. UPPCL will hypothecate the revenue flow from urban domestic circles/divisions in favour of the debenture trustee until the flow into this subsidy account is restored to INR6 billion per quarter.

During DSRA Impairment (Series-3): In case of a DSRA impairment, firstly the escrow mechanism on UPPCL's default escrow account would be activated on the very next working day on the instruction of the debenture trustee. All funds available in the account would be immediately transferred into the DSRA. Secondly, all amounts in the UBSA and the DRA will be transferred to the DSRA on an ongoing basis until the DSRA is fully replenished and the full requisite amount for servicing of the bonds for the next quarterly pay-out date is built-up in the UBSA.

Secured Bonds (Series-3): The bonds shall be secured by way of a charge on the residual current assets, including receivables of the company after considering prior charges in favour of the existing secured lenders, with a minimum cover of 1.0x to be maintained during the tenure of the bonds. The receipts for supplying power from the irrigation and agriculture departments and the assigned revenue inflows from urban domestic divisions (if required to be allocated) will carry first charge and would also be hypothecated (to the extent of INR6 billion) in favour of the trustee. The charge pertaining to hypothecated assets would be filed with the offices of Registrar of Companies and other appropriate agencies.

Adherence of Servicing Mechanism: The ratings continue to be supported by the presence of a well-orchestrated debt servicing mechanism to ensure the timely servicing of the bonds. The mechanism, which has been ensuring a daily pre-defined transfer of funds from UPPCL's daily collections to the respective debt servicing accounts of different bonds, is being duly adhered to for Series-1 and Series-2.

Rolling DSRA Coverage for Series 1 and Series 2: The affirmation is supported by the adequate liquidity buffer available for bond servicing in the form of a rolling DSRA. The account, at all times, has to be maintained at an amount equivalent to the total debt servicing obligation (principal and interest) for the next one quarter for Series 1 and two quarters for Series 2. UPPCL has been maintaining comfortable coverages, based on the structure payment mechanism, for both DSRAs and bond servicing accounts.

Reducing Power Losses; Improvement in Collection Efficiency: UPPCL's aggregate technical and commercial (AT&C) losses declined over FY19-FY23 to 22.14% in FY23 (FY22:31.22%). However, they are still high. The agreed milestone of AT&C losses is 15% under the Ujjwal DISCOM Assurance Yojana. Its collection efficiency improved to 93.41% in FY23 (FY22: 91.30%). Also, the billing efficiency of UPPCL improved to 83.35% in FY23 (FY22: 80.29%).

To increase its collection efficiency further, UPPCL is changing its billing agencies, increasing the payment gateways and enabling more mobile billing and payment options for consumers. However, Ind-Ra believes UPPCL's collection efficiency might take time to show results and will remain at the same level over the medium term. To bring down the losses, the company is stepping up its investments in the distribution infrastructure and feeder segregation and pre-paid metering under the Revamped Distribution Sector Scheme.

UP's Sustained Revenue Surplus in FY23: Post witnessing a deficit in its revenue account after a span of 14 years in FY21, the revenue account of Uttar Pradesh returned to a surplus of 1.8% of gross state domestic product (GSDP) in FY22. As per the revised estimates (RE) for FY23, the revenue surplus of the state improved further to 2.6% of GSDP (INR539.07 billion) against the budget estimate (BE) of 2.1% (INR431.24 billion). This was higher than Ind-Ra's projection of 1.1% for FY23. While nominal GSDP grew by a modest 9.9% yoy in FY23 (RE), the revenue receipts grew 29.1% yoy during the year. This is higher than the current expenditure of 25.9% yoy in FY23. Notwithstanding the higher revenue surplus, the fiscal deficit was estimated at INR813.26 billion in FY23 (RE) (4.0% of GSDP), against INR811.8 billion (4.0% of GSDP) in FY23 (BE). This is due to higher allocation for capex. The state has budgeted the revenue surplus and fiscal deficit for FY24 at 2.8% and 3.5% of GSDP, respectively. The debt burden of the state in FY24 has been budgeted at 32.1% of GSDP, down from 34.2% in FY23(RE).

Liquidity Indicator - Adequate: UPPCL continues to rely heavily on the state government in the form of equity and fresh loans from banks/financial institutions for meeting its operational expenditure obligations, including debt servicing. For FY23, UPPCL has received and equity infusion of INR87,884 million (FY22: 55,529 million).

UPPCL needs to repay INR143 billion in FY24, as debt obligation (both interest and principal). Although the principal repayment for Series 3 bonds will start after eight quarters of issuing the bonds (Q1FY24), UPPCL will have to service interest from the end of the first quarter of FY23. Ind-Ra believes the liquidity available for bond servicing is adequate, given the available credit enhancers in the form of DSRA and the escrow of revenue for debt servicing. The GoUP has agreed to extend the budgetary support for the repayment of Series 3 bonds. The average maximum working capital utilisation in the 12 months ending September 2023 was 29.15% (maximum: 51.31%).

Unsupported Rating Based on Support and Linkages with GoUP: UPPCL is 100% owned by the GoUP. It has a monopoly over power distribution in Uttar Pradesh. The tariffs are fixed by the state regulator, thus mitigating large fluctuations in its financial performance. However, insufficient and infrequent tariff revisions have been impacting UPPCL's financial performance. The last tariff hike of 11.69% was allowed in FY20.

The GoUP provides revenue subsidy to UPPCL for supplying power to below-poverty-line families and agriculture consumers. The projects implemented by UPPCL are supported by capital grants under various schemes sponsored by the state and centre governments. UPPCL has been regularly receiving grants/equity from the GoUP, which has helped it manage its repayment obligations on time. During FY19-FY23, the GoUP extended equity support of INR272 billion to UPPCL. Furthermore, in terms of revenue subsidy, UPPCL had received INR430.97 billion from the GoUP during FY19-FY23. In addition, for 1HFY24, UPPCL has received revenue subsidy of INR46 billion. Also, the GoUP has been providing support for the loss funding under RDSS. The loss will be taken over by GoUP in a phased manner, and by FY26, 100% loss funding would be given. UPPCL received loss-funding subsidy of INR254.29 billion during FY19-FY23, and INR28.40 billion in 1HFY24.

State's Weak Economic Performance: During FY12-FY22, the gross state value added (GSVA, at FY12 prices) of UP grew at 5.1% CAGR, lower than the national growth rate of 5.5%. GSVA stood at INR11,235 billion in FY22. The base effect and the bounce back in services and industrial sector propelled the state economy to grow 9.5% yoy in FY22 (FY21: negative 5%). The overall economic structure of UP is similar to the national economic structure. The share of services in the Indian economy increased to 53.0% in FY22 from 49.0% in FY12. During the same period, the share of services in UP's economy rose to 47.6% from 45.5%. The trend was similar in agriculture. The share of agriculture in the national economy declined to 15.6% in FY22 from 18.5% in FY12. But in case of UP it declined to 23.1% from 26.9% and remained much higher than the national economy. The share of industrial sector in UP was 29.2% in FY22 compared with 31.2% the national level.

Rating Sensitivities

For Bonds

Positive: Not applicable due to event of default

Negative: Any one or all of the following will result in a negative rating action:

- any deviation from the terms of the bonds or the structured payment mechanism

- a weakening of the credit profile of the state

For Unsupported Ratings

Positive: The following developments can lead to a positive rating action:

- an improvement in the GoUP's credit profile

- sustaining positive EBIDTA (consolidated) at least for two consecutive years

- UPPCL's debt/EBITDA (consolidated) staying below 8.0x for two consecutive years

Negative: Events that could, individually or collectively, lead to a negative rating action include:

- a significant deterioration in the GoUP's credit profile

- any weakening of UPPCL's linkages with the GoUP

- a delay in receipt of subsidy from the GoUP (subsidy receivables increasing to more than 90 days for two consecutive years)

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on UPPCL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

UPPCL is the power distribution company of GoUP. UPPCL was incorporated on 30 November 1999 after the unbundling of UP State Electricity Board and became functional on 15 January 2000. It undertakes business through five subsidiaries.

FINANCIAL SUMMARY

GoUP

Parameters as % of GSDP	**FY23(RE)**	**FY24(BE)**
Revenue balance	2.6	2.8
Fiscal balance	-4.0	-3.5
Total debt	34.2	32.1
Source: GoUP Budget, Ind-Ra		

UPPCL

Parameters (INR billion)	**FY22**	**FY23**
Total income	803	902
EBITDA	53.6	NM
EBITDA margin (%)	6.7	NM
net Debt/EBITDA (x)	11.85	NM
Interest service coverage ratio (x)	0.64	NM
Source: UPPCL, Ind-Ra NM = not meaningful		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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Rating History

Instrument Type	**Current Rating/Outlook**				**Historical R**		
	Rating Type	**Rated Limits (million)**	**Rating**		**11 October 2023**	**12 October 2022**	**31 I 2**
NCDs (Series 1)	Long-term	INR49,997.50	IND A+(CE)/Stable	IND D	IND AA(CE)/Stable	IND AA(CE)/Stable	I AA(CE
NCDs (Series 2 Tranche1)	Long-term	INR21,168	IND A+(CE)/Stable		IND A+ (CE)/Stable	IND A+ (CE)/Stable	IN (CE)
NCDs (Series 2 Tranche2)	Long-term	INR29,070	IND A+(CE)/Stable		IND A+ (CE)/Stable	IND A+ (CE)/Stable	IN (CE)
NCDs (Series 3 Tranche 1)	Long-Term	INR39,512	IND A+(CE)/Stable		IND A+ (CE)/Stable	IND A+ (CE)/Stable	IN (CE)

Proposed NCDs (Series 3)	Long-Term	INR5,608	-	WD	Provisional IND A+ (CE)/Stable	Prov IN (CE)
NCDs (Series 3 Tranche 2)	Long-Term	INR34,880	IND A+(CE)/Stable	IND A+ (CE)/Stable	IND A+ (CE)/Stable	Prov IN (CE)
Unsupported Rating	Long Term	-	IND BBB+ /Stable	IND BBB+ /Stable	IND BBB+ /Stable	IND /S

Annexure

Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Out
NCDs	INE540P07079	17-Feb-17	8.97	15-Feb-24	INR4,650	IND A+(CE)/
NCDs	INE540P07087	17-Feb-17	8.97	14-Feb-25	INR9,300	IND A+(CE)/
NCDs	INE540P07095	17-Feb-17	8.97	13-Feb-26	INR9,300	IND A+(CE)/
NCDs	INE540P07103	17-Feb-17	8.97	15-Feb-27	INR9,300	IND A+(CE)/
NCDs	INE540P07145	27-Mar-17	8.48	15-Mar-24	INR2,492.5	IND A+(CE)/
NCDs	INE540P07152	27-Mar-17	8.48	14-Mar-25	INR4,985	IND A+(CE)/
NCDs	INE540P07160	27-Mar-17	8.48	13-Mar-26	INR4,985	IND A+(CE)/
NCDs	INE540P07178	27-Mar-17	8.48	15-Mar-27	INR4,985	IND A+(CE)/
NCDs	INE540P07228	05-Dec-17	9.75	20-Oct-23	INR1,323	WD (Paid ir
NCDs	INE540P07236	05-Dec-17	9.75	20-Oct-24	INR5,292	IND A+(CE)/
NCDs	INE540P07244	05-Dec-17	9.75	20-Oct-25	INR5,292	IND A+(CE)/
NCDs	INE540P07251	05-Dec-17	9.75	20-Oct-26	INR5,292	IND A+(CE)/
NCDs	INE540P07269	05-Dec-17	9.75	20-Oct-27	INR5,292	IND A+(CE)/
NCDs	INE540P07319	27-Mar-18	10.15	19-Jan-24	INR3,230	IND A+(CE)/
NCDs	INE540P07327	27-Mar-18	10.15	20-Jan-25	INR6,460	IND A+(CE)/
NCDs	INE540P07335	27-Mar-18	10.15	20-Jan-26	INR6,460	IND A+(CE)/
NCDs	INE540P07343	27-Mar-18	10.15	20-Jan-27	INR6,460	IND A+(CE)/
NCDs	INE540P07350	27-Mar-18	10.15	20-Jan-28	INR6,460	IND A+(CE)/
NCDs (series 3)	INE540P07368	30-Mar-22	9.7	31-Mar-25	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07376	30-Mar-22	9.7	31-Mar-26	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07384	30-Mar-22	9.7	31-Mar-27	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07392	30-Mar-22	9.7	31-Mar-28	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07400	30-Mar-22	9.7	31-Mar-29	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07418	30-Mar-22	9.7	31-Mar-30	INR4,939	IND A+(CE)/

NCDs (series 3)	INE540P07426	30-Mar-22	9.7	31-Mar-31	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07434	30-Mar-22	9.7	31-Mar-32	INR4,939	IND A+(CE)/
NCDs (series 3)	INE540P07442	07-Oct-22	9.95	31-Mar-25	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07459	07-Oct-22	9.95	31-Mar-26	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07467	07-Oct-22	9.95	31-Mar-27	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07475	07-Oct-22	9.95	31-Mar-28	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07483	07-Oct-22	9.95	31-Mar-29	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07491	07-Oct-22	9.95	31-Mar-30	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07509	07-Oct-22	9.95	31-Mar-31	INR4,360	IND A+(CE)/
NCDs (series 3)	INE540P07517	07-Oct-22	9.95	31-Mar-32	INR4,360	IND A+(CE)/
Total					**INR174,627.50**	

Covenants (Series 1):

Default in payment: In case of any event of default in the payment of interest and/or principal redemption on the due dates, additional interest of at least 2% p.a.* over the coupon rate will be payable by the company for the defaulting period.
Delay in listing: In case of any delay in the listing of the debt securities beyond 30 days from the deemed date of allotment, the company will pay penal interest of at least 1% p.a.* over the coupon rate from the expiry of 20 days from the deemed date of allotment till the listing of such debt securities to the investor.
Security creation (where applicable): In case of a delay in the execution of trust deed and a change in documents, the company will refund the subscription with agreed rate of interest or will pay penal interest of at least 2% p.a.* over the coupon rate till these conditions are complied with at the option of the investor.

* the interest rates mentioned in above cases are the minimum interest rates payable by the company and are independent of each other.

Covenants (Series 2)

The non-payment of any bond servicing obligation on due date.
Any failure on UPPCL's behalf to perform or comply with one or more of its material obligations in relation to the bonds issued in pursuance of terms and conditions stated in the disclosure document and debenture trustee agreement, which, in opinion of the trustee, is incapable of remedy.

Covenants (Series 3)

Non-payment of any bond servicing obligation on due date.
Any failure on behalf of issuer to perform or comply with one or more of its material obligations in relation to the bonds issued in pursuance of terms and conditions stated in the disclosure document and debenture trustee agreement which in opinion of the trustee is incapable of remedy.
Failure by the GoUP to provide timely funding support through necessary provisions in the state budget, every year throughout the tenure of the bonds.
Failure to honour invocation of GoUP guarantee for DSRA replenishment within stipulated timelines.
Application for initiation of any insolvency proceedings against the issuer under any applicable bankruptcy/insolvency/winding up or other similar law (including the IBC) filed any time during the pendency of the bonds and not stayed or dismissed within seven days from the date of such filing.

Other events of default which are typical for transactions of this nature.

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs (CE)	Moderate

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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APPLICABLE CRITERIA

Local and State Government Rating Criteria

Rating of Public Sector Entities

Evaluating Corporate Governance

Policy for Credit Enhanced (CE) Ratings

Default Recognition and Post-Default Curing Period

The Rating Process