

Ref: ITI/CRP/FIN/2023/1056

28th August 2023

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400 001
Scrip Code: 523610

The Manager
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
Scrip Code: ITI

Dear Sir/Madam,

Sub: External Credit Rating

Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is to inform that M/s Brickwork Ratings India Pvt. Ltd. ["M/s Brickwork"] has been assigning credit rating for Bank Loan facilities of ITI Limited since 2015.

The Securities and Exchange Board of India [SEBI] had cancelled the certificate of registration of M/s Brickwork Ratings India Pvt. Ltd vide order dated 06th October 2022, under the SEBI (Intermediaries) Regulations, 2008 ('Intermediaries Regulations' for short) against which Brickwork had filed appeal with Securities Appellate Tribunal (SAT).

As reported by M/s Brickwork vide email dated 16.08.2023, SAT vide order dated 06.06.2023 [copy enclosed as Annexure I], quashed SEBI's decision of cancelling Brickwork license to operate as a Credit Rating Agency and permitted Brickwork to continue to operate as a Credit Rating Agency.

However, during the above process, since the rating came in overdue state and in the absence of rating mandate and requisite details from Company, Brickwork, being unable to maintain valid rating, has revised the rating vide rating letter and rationale dated 24.08.2023 [copy enclosed Annexure II], as under:

Particulars	Rating
Long Term	BWR BB+
Short-Term	BWR A4+
Outlook	Stable

ITI Limited, Registered and Corporate Office, ITI Bhavan, Doorvaninagar, Bengaluru-560016, India

आईटीआई लिमिटेड, पंजीकृत एवं निगमित कार्यालय, आईटीआई भवन, दुरवाणीनगर, बेंगलूरु 560 016. भारत

Phone : +(91) (80) 2561 7486, 2561 4466, Fax : +(91) (80) 2561 7525.

Email : cosecy_crp@itiltd.co.in, Website : www.itiltd.in

CIN : L32202KA1950GoI000640

In this regard, the Company has sought legal opinion on validity of Credit Rating letter dated 24.08.2023. As per the legal opinion dated 28.08.2023, Hon'ble SAT in Appeal No. 694 of 2022 vide its order dated 06.06.2023 has quashed paragraph 13.1 of the order dated 06.10.2022 passed by the Whole Time Member of Securities and Exchange Board of India cancelling the certificate of registration as Credit Rating Agency. However, the same may be ratified by SEBI".

M/s Brickwork has advised the Company to share the requisite details along with a rating mandate to enable them to complete the rating review of the Company on priority.

Accordingly, subject to SEBI's ratification as mentioned above, the Company would submit rating mandate with requisite details to M/s Brickwork so that rating may be reviewed by M/s Brickwork appropriately.

This is for your information and record, please.

Thanking you,
Yours faithfully
For ITI Limited

Shalini Ghatak
Company Secretary

Encl: as above

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Order Reserved on: 24.04.2023

Date of Decision : 06.06.2023

Misc. Application No. 1185 of 2022

And

Appeal No. 694 of 2022

Brickwork Ratings India Private Limited
No. 29/3 & 32/2, 3rd Floor, Raj Alkaa Park
Kalena Agrahara, Bannerghatta Road,
Bangalore – 560 076.

..... Appellant

Versus

Securities and Exchange Board of India
SEB Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

...Respondent

Mr. Somasekhar Sundaresan, Advocate with Mr. Abishek Venkataraman, Ms. Savani Gupte, Mr. Lalit Munshi, Ms. Fatima Fernandes, Advocates i/b Samvad Partners for the Appellant.

Mr. Gaurav Joshi, Senior Advocate with Mr. Abhiraj Arora, Mr. Shourya Tanay, Ms. Misbah Dada, Mr. Deepanshu Agarwal, Advocates i/b ELP for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer
Ms. Meera Swarup, Technical Member

Per : Ms. Meera Swarup, Technical Member

1. Brickwork Ratings India Private Limited (the Appellant) has filed Appeal no. 694 of 2022 against the order dated October 6, 2022 (the Impugned Order) passed by the Whole Time Member ('WTM' for short) of Securities and Exchange Board of India ('SEBI' for short), the respondent, cancelling the Certificate of Registration as Credit Rating Agency ('CRA' for short) in exercise of powers under Section 19 read with Section 12(3) of the SEBI Act, 1992 and Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 ('Intermediaries Regulations' for short).

2. The Appellant was granted registration by SEBI in 2008 as a CRA and a securities market intermediary. The Appellant has also been accredited by the Reserve Bank of India (RBI). In exercise of powers contained under the SEBI Act read with SEBI (Credit Rating Agencies) Regulations, 1999 ('CRA Regulations' for short), the Respondent along with RBI conducted an inspection for the period October 1, 2019 to November 30, 2019 in January 2020 for ascertaining whether the Appellant has been complying with the provisions of SEBI Act and the CRA Regulations. This was the third inspection carried out by the Respondent. The first inspection

was carried out for the period April 1, 2014 to September 30, 2015 and the second inspection for the period April 1, 2017 to September 30, 2018.

3. The impugned order was passed as a result of violation noticed in the third inspection and consequent enquiry proceedings. However, based on the inspections held earlier the impugned order notes that the appellant repeatedly violated various regulations and provisions of SEBI Act and CRA Regulations. Both orders passed consequent to the earlier inspections were challenged in this Tribunal. Some of the violations were upheld by this Tribunal and the penalties were reduced.

4. We have heard Shri Somasekhar Sundaresan, the learned counsel with Shri Abishek Venkataraman, Ms. Savani Gupta, Shri Lalit Munshi and Ms. Fatima Fernandes, the learned counsel for the Appellant and Shri Gaurav Joshi, the learned senior counsel with Shri Abhiraj Arora, Shri Shourya Tanay, Ms. Misbah Dada and Shri Deepanshu Agarwal, the learned counsel for the Respondent.

5. We have two issues before us. Firstly, the alleged violations pointed out is the third inspection and the findings

qua each of these. And, secondly, whether the cancellation of registration of the Appellant as CRA is justified in view of the repeated violations.

6. The details of the alleged violations noticed during the third inspection and our findings against each of them are as follows:-

A. FAILURE TO FOLLOW A PROPER RATING PROCESS.

7. The WTM held in the impugned order that the Appellant failed to follow a proper rating process as it failed to verify projections obtained from Issuers, undertake site visit, interact with management and review the rating criteria periodically thereby violating provisions of Regulation 24(2) and 24(7) of the CRA Regulations, Regulation 13 read with Clause 4 and 5 of Code of Conduct of CRA Regulation and Clause 1 and 2 of Annexure A of SEBI Circular No. SEBI/HO/MIRSD/MIRSED4/CIR/P/2016/119 dated November 1, 2016. The inspection report pointed to three instances wherein projections provided by the Issuers ~~where~~ were accepted without further verification – Welspun Industries Ltd, IDFC First and Adani Rail Infra Pvt. Ltd. (ARIPL). The WTM has finally held that in two instances,

Welspun and IDFC First, the Appellant has not independently verified the projection given by the Issuers. We agree with the WTM that the Appellant has failed to produce any evidence of discussions with Welspun. Contention that the projections were discussed telephonically cannot be accepted on its face value unless supported by evidence. However, in the case of IDFC First, the explanation given by the Appellant and accepted by the Designated Authority in the inspection report seems plausible and relevant for financial firms. If two views are possible then benefit has to be given to the appellant.

8. On interaction with management, three instances were noticed of lack of interaction with management / site visit. The WTM holds that in two instances (IKF Finance Ltd and Entry India) there was lack of interaction with management as no supporting document could be produced to indicate that site visits and discussion with management took place. We find that in the case of IKF Finance, adverse inference has been drawn on the ground that there was no reference of site visit in the minutes of the rating committee. Evidence in the form of flight tickets to Hyderabad were filed to show some proof of site visit. We also find that the requirement to mention site visit in the minutes of the rating committee came

into effect for the first time vide Circular dated November 8, 2019 whereas the alleged site visit was taken in May 2019. These aspects were not considered. Therefore, in our opinion, benefit of doubt can be granted to the appellant. In the case of Entry India, the fact that there was non-cooperation by the Issuer has not been disputed by the Respondent and therefore the charge of not following a proper rating process or failed to exercise due diligence is not proved.

9. The other two allegations regarding failure to follow proper rating process are with regard to seeking feedback from the Bankers and the period of review of rating criteria. The impugned order holds that sufficient documentary evidence was not produced by the Appellant to indicate that all out efforts were made to obtain Bankers feedback. Noting that feedback from Bankers is an important step for credit rating, the Appellant should have maintained records to prove that efforts were made by them. Regarding period of review of rating criteria we note that the Appellant had reduced the period to three years from five years.

B. FAILURE TO ENSURE PROPER MAINTENANCE OF RECORDS TO SUPPORT ITS RATING.

10. The WTM has held that the Appellant has been careless in following the obligations cast upon it while maintaining records on account of two instances of missing signatures on the minutes of meeting, two instances of incorrect recording of attendance of committee members and one instance of not recording discussion about reduction in fees in the Minutes of Rating Committee Meeting. While confirming the violations pointed out by the WTM, we note that signatures on Minutes have been obtained. We also note that there are routine operational errors which have unnecessarily been escalated to regulatory proceedings.

C. DELAYED DISSEMINATION OF INFORMATION WITH RESPECT TO MONITORING OF RATING AND FAILURE TO FOLLOW AN APPROPRIATE RATING PROCESS.

11. We note that admittedly there was delay on part of the Appellant in disclosure of rated pool performance (September 2019 quarter – 15 days delay) in recognition of default by Issuers (Sintex and Reliance Capital Ltd.), review of rating of NCDs (IKF Finance Ltd.), disclosing material events (SREI Infrastructure Finance Ltd. – 7 days delay) and publishing press release (Venus India). Appellant is thus in violation of

Regulations 15(2) and 24(2) of CRA Regulations, Clauses 6.4.2 and 7 of SEBI Circular dated May 3, 2010 and Clause 2 of SEBI Circular dated June 30, 2017.

D. FAILURE TO COMPLY WITH TIMELINES AS PER INTERNAL MANUAL FOR COMPLETION OF RATINGS.

12. The WTM found that the appellant had failed to comply with the timelines as per internal manual of completion of ratings in more than 75% of the cases and therefore violated the Circular dated November 1, 2016. In this regard we are of the opinion that the indicative timeline in an operational manual cannot be elevated to a statutory requirement and non-compliance of the timelines indicated in the internal manual cannot be a ground to impose a penalty. Further, the timelines are indicative in nature. They are not cast in stones and the completion of ratings depends on various factors which are supplied by third parties over whom the appellant has no control. These aspects have not been taken into consideration by the WTM. The Circular of 2016 does not stipulate any timeline for completion of ratings but merely requires the analysts to adhere to timelines. In view of the aforesaid, no

penalty could be imposed for failure to adhere to the timelines.

E. FAILURE TO ADDRESS THE ISSUE OF CONFLICT OF INTEREST.

13. The WTM has pointed out two violations regarding allegations of conflict of interest – IDFC First and IL&FS Group Entity. However, with regard to the IL&FS Group Entity, the WTM has decided not to draw an adverse inference. Thus, the allegation with regard to conflict of interest in the case of IDFC First only remains out of four violations pointed out in the third inspection. In case of IDFC First, the WTM has drawn adverse influence based upon a meeting between the management of IDFC Bank with the Business Development Team of the Appellant which was also attended by the Founder Director (FD), who was also part of the Rating Committee. At the meeting a decision for reducing the fee was also taken. The contention of the appellant, that the FD was there for a courtesy meeting as the MD of IDFC bank was also present and therefore the Code of Conduct was not violated, is erroneous. We find that FD was part of the rating committee and also had access to fee details leading to a conflict of interest. We therefore find that the conclusion

reached by WTM in this single instance does not suffer from any error of law.

F. FAILURE TO MAKE CORRECT DISCLOSURES IN PRESS RELEASES (PRs).

14. Two instances (Coffee Day and Reliance Home Finance Ltd.) have been cited to allege that the Appellant failed to make reference to appropriate rating criteria in the PRs. While admitting to these omissions, the Appellant has stated that the spirit of SEBI Regulations and Circulars were adhered to. In the circumstances, the findings of the WTM need no interference though we are of the opinion that the violation is trivial.

15. To conclude, with respect to findings of WTM regarding violations noticed during third inspection, we find that two findings (A & B) are partly sustained and three findings (C, E & F) are fully sustained. The findings in (D) are not sustained.

16. With regard to the question whether the Cancellation of Registration of the Appellant is justified, the relevant Regulation 27 (pre-amended) of Intermediaries Regulations is as following:-

“Action in case of default

27. After considering the representations, if any, of the noticee, the facts and circumstances of the case and applicable provisions of law or directions, instructions or circulars administered by the Board the designated authority shall submit a report, where the facts so warrant, recommending,-

- (i) suspension of certificate of registration for a specified period;*
- (ii) cancellation of certificate of registration;*
- (iii) prohibiting the noticee to take up any new assignment or contract or launch a new scheme for the period specified in the order;*
- (iv) debarring a principal officer of the noticee from being employed or associated with any registered intermediary or other registered person for the period specified in the order;*
- (v) debarring a branch or an office of the noticee from carrying out activities for the specified period;*
- (vi) warning the noticee.”*

17. The WTM has decided to take action under Regulation 27(ii) as he arrived at the conclusion that “strict regulatory action, in my considered view, is required at this juncture to address the issue and protect the market eco system”. The issue being “repeated lapses, noticed across multiple inspections conducted by SEBI, shows that governance changes recommended in earlier inspections, and monetary penalties imposed have not proved effective or deterred the

Noticee (Appellant) in addressing very basic requirements of running a CRA”.

18. In our view, the repeated violations, which remain after this Tribunal’s order in Appeal no. 439 of 2018 (1st inspection), Appeal no. 475 of 2020 (2nd inspection) and this order, are basically two, namely, delay in recognition of default of NCDs (one instance each in three inspections) and conflict of interest issues due to non-segregation of roles (in 2 out of 3 inspection). In these circumstances, imposition of the most-severe penalty possible under the Regulations is not commensurate with the violations affirmed.

19. We are further of the opinion that the violations as found by the WTM and found by us are routine operational errors which have unnecessarily been escalated to regulatory proceedings. Some of the violations are trivial in nature. Isolated instances by not meeting the rating criteria, not reviewing the rating criteria for shorter period than 3 years / 5 years, not signing the minutes of the meeting, not recording the names of the attendees of the meeting of the rating committee, failure to comply with the timelines specified in the appellant’s manual are such violations which do not warrant cancellation of the license of the appellant. Even the

charge of conflict of interest is not that serious which by itself could warrant cancellation of the license of the appellant.

20. Considering the totality of the violations found we are of the opinion that the alleged violation of routine matters is not deliberate or fraught with malafides or fraud and therefore cannot result in the cancellation of the license. Regulation 26 and 27 of the Intermediaries Regulations requires the Competent Authority to pass appropriate orders and some of the measures have been indicated in Regulation 26. There is not even a whisper in the impugned order as to why these measures are not adequate or commensurate with the alleged violation. In our opinion proportionality in punitive measures is a vital facet of Article 14 and a disproportionate punitive measure which is not commensurate with the violation would be totally violative of Article 14 of the Constitution of India as held by this Tribunal in *Jindal Cotex Limited & Ors. vs SEBI, Appeal no. 76 of 2023 decided on February 23, 2023*. Thus, in our opinion the order of cancellation of the license for the violations committed by the appellant is unjustified and is not commensurate with the alleged violations.

21. Further, in paragraphs 12.6 to 12.9, the WTM has mentioned (i) historical average ratings transition rates across

various CRA (Source : Appellant's website), (ii) data on probability of Default Benchmark by SEBI as Appellant's actual default rates (Source : Appellant's website) and (iii) the fact that a fourth inspection of the Appellant has taken place wherein-

“the prima facie observations emanating from the 4th Inspection, are also similar in nature to those contained in 1st and 2nd Inspection as well as the 3rd Inspection inter alia involving (a) failure to document meetings with management / undertake site visits, (b) failure to undertake independent analysis of projection provided by the Issuer, (c) delay in default recognition, (d) material event delay, (e) Conflict of interest, etc.”

Though, the WTM terms these as “merely incidental observations” which have not been considered against the Appellant in these proceedings, the fact that these were mentioned in the impugned order indicates that these observations have impacted the decision taken by the WTM, that is, cancellation of Registration of the Appellant as CRA. The fourth inspection report which is not part of the SCN cannot be taken into consideration.

22. In view of the aforesaid, while partly affirming the violations noted in the third inspection, paragraph 13.1 of the impugned order cancelling the certificate of registration as CRA is quashed. The appeal is allowed. The matter is remitted to the Respondent to pass a fresh order on the

quantum of penalty other than the order of the cancellation of the license in the light of the observation made above and in accordance with law after giving an opportunity of hearing to the appellant. In the circumstances, parties shall bear their own costs. While considering the quantum, the respondent will take into consideration the interim order passed by this Tribunal wherein the appellant was restrained from taking new clients as a mitigating factor.

23. This order will be digitally signed by the Private Secretary on behalf of the bench and all concerned parties are directed to act on the digitally signed copy of this order. Certified copy of this order is also available from the Registry on payment of usual charges.

Justice Tarun Agarwala
Presiding Officer

Ms. Meera Swarup
Technical Member

06.06.2023

msb


Brickwork Ratings India Pvt. Ltd.

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BWR/BLR/HO/CRC/SAK/2656/2023-24
24Aug2023
Mr. S.V.R. Murthy

DGM-F

ITI Limited

Regd & Corporate Office, ITI Bhavan, Doorvani Nagar

Bangalore, 560016

Karnataka

Dear Sir,

Sub: Non-receipt of information to undertake a review of Ratings of the Bank Loan Facilities of **ITI Limited** for Rs. **4469.50** Crs. (Rupees Four Thousand Four Hundred Sixty Nine Crores and Fifty lakhs Only).

Ref: Our Rating Letter No. BWR/BLR/HO/CRC/SAK/8475/2022-23 dated 03 Mar 2023.

The bank loan rating of ITI Limited ('the company') was migrated to the ISSUER NOT COOPERATING* category on 03 Mar 2023 as the company did not cooperate in submitting the requisite information for a rating review. Brickwork Ratings (BWR) has taken up consistently with the company through emails and telephone calls to provide financial and operational information for the periodic monitoring and review of the ratings. Despite the best efforts of BWR to get at least the minimum required information for a review, the company continues to be non-cooperative. The company has also been non-cooperative in the submission of monthly No Default Statements (NDS) in deviation from the extant guidelines. Due to the continued non-cooperation by the company, non-submission of NDS and in the absence of adequate information from the company, BWR is unable to assess the company's performance and its ability to service its debt and maintain a valid rating.

As per regulatory provisions, Brickwork Ratings has reviewed the Rating for the bank loan facilities of Rs. 4469.50 Crs based on the best available information as the company did not cooperate. Accordingly, the rating for the said bank loan exposure is reviewed as under:

Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous(03 Mar 2023)	Present
Fund Based					
Cash Credit -Sanctioned	1145.00	1145.00	Long Term	BWR BBB+ /Stable ISSUER NOT COOPERATING*/Downgraded^	BWR BB + /Stable Continues to be in ISSUER NOT COOPERATING* category/Downgraded
Cash Credit -Proposed	1217.31	1217.31			
Covid -19 Emergency Line Credit -Sanctioned	82.69	82.69			
Sub Total	2445.00	2445.00			
Non-Fund Based					
Bank Guarantee -Sanctioned	1123.03	1123.03	Short Term	BWR A2 ISSUER NOT COOPERATING*/Downgraded^	BWR A4 + Continues to be in ISSUER NOT COOPERATING*
Letter of Credit -Sanctioned	545.00	545.00			
Credit Exposure Limit (CEL) -Sanctioned	02.50	02.50			



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Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous(03 Mar 2023)	Present
BG/ILC -Proposed	353.97	353.97			
Sub Total	2024.50	2024.50			
Grand Total	4469.50	4469.50	(Rupees Four Thousand Four Hundred Sixty Nine Crores and Fifty lakhs Only)		

#Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned

**Bank Loan facility details are furnished in Annexure-I

*Issuer did not cooperate; based on best available information.

A Rating Rationale issued by us in this regard is enclosed for your information. We are also endorsing a copy of this letter along with a copy of the said Rating Rationale to your bankers for their information and records.

Brickwork Ratings would be happy to review the said ratings provided required information and co-operation is received from your end.

Best Regards,

Saakshi Kanwar

Associate Director - Ratings

DISCLAIMER

Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"].BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgment are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgment obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.



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BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.

ITI Limited
Annexure-I
Details of Bank Loan Facilities Rated by BWR

Name of the Bank	Facilities	Tenure	Amount (Rs.Crs.)
Bank of Baroda	Cash Credit-Sanctioned	Long Term	528.60
	Bank Guarantee-Sanctioned	Short Term	760.03
	Letter of Credit-Sanctioned	Short Term	289.40
	Covid -19 Emergency Line Credit-Sanctioned	Long Term	2.69
Canara Bank	Covid -19 Emergency Line Credit-Sanctioned	Long Term	80.00
	Letter of Credit-Sanctioned	Short Term	8.60
	Bank Guarantee-Sanctioned	Short Term	10.00
	Cash Credit-Sanctioned	Long Term	77.40
Central Bank of India	Cash Credit-Sanctioned	Long Term	44.00
	Bank Guarantee-Sanctioned	Short Term	1.00
	Letter of Credit-Sanctioned	Short Term	30.00
Indian Bank	Letter of Credit-Sanctioned	Short Term	5.00
	Bank Guarantee-Sanctioned	Short Term	5.00
	Cash Credit-Sanctioned	Long Term	10.00
Punjab National Bank	Cash Credit-Sanctioned	Long Term	46.00
	Bank Guarantee-Sanctioned	Short Term	36.00
	Letter of Credit-Sanctioned	Short Term	48.00
State Bank Of India (SBI)	Credit Exposure Limit (CEL)-Sanctioned	Short Term	2.50
	Bank Guarantee-Sanctioned	Short Term	290.00
	Letter of Credit-Sanctioned	Short Term	109.00
	Cash Credit-Sanctioned	Long Term	385.00
	Cash Credit-Proposed	Long Term	1217.31



Brickwork Ratings India Pvt. Ltd.

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Un tied portion from all categories of banks Name of the Bank	Facilities	Tenure	Amount (Rs.Crs.)
	BG/ILC-Proposed	Short Term	353.97
Union Bank of India	Letter of Credit-Sanctioned	Short Term	55.00
	Cash Credit-Sanctioned	Long Term	54.00
	Bank Guarantee-Sanctioned	Short Term	21.00
TOTAL (Rupees Four Thousand Four Hundred Sixty Nine Crores and Fifty lakhs Only)			4469.50

RATING RATIONALE

24Aug2023



ITI Limited

Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of Rs. 4469.50 Crs. of ITI Limited based on best available information, as the issuer did not cooperate.

Particulars

Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (03 Mar 2023)	Present
Fund Based	2445.00	2445.00	Long Term	BWR BBB+ /Stable ISSUER NOT COOPERATING*/Downgraded^	BWR BB + /Stable Continues to be in ISSUER NOT COOPERATING* category/Downgraded
Non Fund Based	2024.50	2024.50	Short Term	BWR A2 ISSUER NOT COOPERATING*/Downgraded^	BWR A4 + Continues to be in ISSUER NOT COOPERATING* category/Downgraded
Grand Total	4469.50	4469.50	(Rupees Four Thousand Four Hundred Sixty Nine Crores and Fifty lakhs Only)		

#Please refer to BWR website www.brickworkratings.com for definition of the ratings

**Details of Bank Loan facilities, consolidation or instruments are provided in Annexure

*Issuer did not cooperate; based on best available information.

Note: ^Revision in analytical approach from CE to standalone; withdrawal of earlier unsupported rating of BWR BBB+/Stable/A2. The ratings for the bank loan facilities of ITI Limited (ITIL or the company) were based on explicit credit enhancement by way of support from the Government of India (GoI) in the form of a Letter of Comfort (LoC) issued by the Ministry of Communications, Department of Telecommunications, GoI.

RATING ACTION / OUTLOOK / NATURE OF NON-COOPERATION

The Bank loan rating of ITI Limited ('the company') was migrated to the ISSUER NOT COOPERATING* category on 03 Mar 2023 as the company did not cooperate in submitting the requisite information for a rating review. Brickwork Ratings (BWR) has taken up consistently with the company through emails and telephone calls to provide financial and operational information for the periodic monitoring and review of the ratings. Despite the best efforts of BWR to get at least the minimum required information for a review, the company continues to be non-cooperative. Further, the company has not been submitting the monthly 'No Default Statement' (NDS) in deviation from the extant guidelines. Due to the continued lack of management cooperation and the absence of adequate information from the company, BWR is unable to assess the company's financial performance and its ability to service its debt and maintain a valid rating. Hence, based on the best available information, continued lack of management cooperation, and non-submission of NDS and in terms of extant regulatory requirements, BWR has downgraded the ratings to BWR BB+ /Stable /BWR A4+ and continued in the ISSUER NOT COOPERATING* category.

*Issuer did not cooperate; based on best available information.

LIMITATIONS OF THE RATING

Information availability risk is a key factor in the assessment of credit risk as generally non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit rating should therefore take into account the possible deterioration in the credit quality of the rated entity arising from its non-transparency and withholding of information required for a review of the rating.

ABOUT THE ENTITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Equipment & Accessories	Telecom - Equipment & Accessories

Incorporated in 1948, ITIL is India's first Public Sector Undertaking, which became a public limited company on 23 November 1985. ITIL is listed on the NSE and BSE. The company is a pioneer in the Indian Telecom equipment market with a diversified product portfolio that includes electronic switching exchanges, transmission equipment, microelectronic equipment, telephone instruments, equipment for Defence, turnkey telecom services, and ground stations for satellite communications. The Central Government (President of India) held 89.97% and the Government of Karnataka held 0.03% of the share capital as on date.

ITI Limited has six manufacturing units in Bangalore, Naini, Rae Bareli, Mankapur, Pallakad and Srinagar. The manufacturing facilities of ITIL have been accredited with a quality management system as per ISO 9001-2015, environmental management system as per ISO 14001-2015, customer satisfaction as per ISO: 10002:2018, OHSAS 18001, and so on. The company's various products and services are having approvals/certifications from recognised bodies such as the Technical Specification Evaluation Certificate (TSEC) issued by QA and Inspection Circle of BSNL, International Electrotechnical Commission (IEC), Bureau of Indian Standards (BIS), National Payments Corporation of India (NPCI), Vikram Sarabhai Space Center (VSSC), Telecommunication Engineering Center (TEC), MasterCard and so on.

(As per the information shared during Feb'22 rating review)

KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 21-22 (Audited)	FY 22-23 (Audited)	FY 23-24 (Unaudited - Midterm_Q1)
Operating Revenue	Rs.Crs.	1860.73	1395.45	157.04
EBITDA	Rs.Crs.	108.75	-153.57	-48.94
PAT	Rs.Crs.	120.08	-360.10	-102.60
Tangible Net Worth	Rs.Crs.	2573.48	2339.60	N.A
Total Debt/TNW	Times	0.64	0.82	N.A
Current Ratio	Times	1.01	0.97	N.A

KEY FINANCIAL INDICATORS (Consolidated)

Key Parameters	Units	FY 21-22 (Audited)	FY 22-23 (Audited)	FY 23-24 (Unaudited - Midterm_Q1)
Operating Revenue	Rs.Crs.	1860.73	1395.45	157.04
EBITDA	Rs.Crs.	108.75	-153.56	-48.94
PAT	Rs.Crs.	118.71	-359.85	-102.81
Tangible Net Worth	Rs.Crs.	2607.98	2374.33	N.A
Total Debt/TNW	Times	0.63	0.81	N.A
Current Ratio	Times	1.01	0.97	N.A

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY

Nil

ANY OTHER INFORMATION

Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facilities	Current Rating ^Å (2023)			2023 (History)		2022		2021		2020	
	Type	Tenure	Amount (Rs.Crs.)	Date	Rating	Date	Rating	Date	Rating	Date	Rating

Facilities	Current Rating ^Å (2023)			2023 (History)		2022		2021		2020	
Fund Based	LT	2445.00	BWR BB+/Stable (Continues to be in ISSUER NOT COOPERATING* category/Dowgraded)	03Mar2023	BWR BBB+ Stable (ISSUER NOT COOPERATING*/Downgraded ^Å)	03Jan2022	BWR A-(CE)Positive to Stable (Upgraded with change in Outlook)	NA	NA	31Dec2020	BWR BBB+(CE)Stable to Positive (Reaffirmation and change in Outlook)
		0.00	NA	NA	NA	24Feb2022	BWR A-(CE)Stable (Reaffirmation)	NA	NA	NA	NA
Non Fund Based	ST	2024.50	BWR A4+ (Continues to be in ISSUER NOT COOPERATING* category/Dowgraded)	03Mar2023	BWR A2 (ISSUER NOT COOPERATING*/Downgraded ^Å)	03Jan2022	BWR A2+(CE) (Upgraded)	NA	NA	31Dec2020	BWR A2 (CE) (Reaffirmation)
		0.00	NA	NA	NA	24Feb2022	BWR A2+(CE) (Reaffirmation)	NA	NA	NA	NA
Grand Total		4469.50	(Rupees Four Thousand Four Hundred Sixty Nine Crores and Fifty lakhs Only)								

^Å On 03 Mar 2023, there was a Revision in the analytical approach from CE to standalone; along with the withdrawal of earlier unsupported rating of BWR BBB+/Stable/A2. The ratings for the bank loan facilities of ITI Limited (ITIL or the company) were based on explicit credit enhancement by way of support from the Government of India (GoI) in the form of a Letter of Comfort (LoC) issued by the Ministry of Communications, Department of Telecommunications, GoI. The LoC is issued in favour of the company's consortium bankers. The LoC dated 29 Dec2021 is valid up to 31 July 2023.

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)
- [What Constitutes Non-Cooperation](#)
- [General Criteria](#)

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ITI Limited ANNEXURE-I

Details of Bank Facilities rated by BWR

SL.No.	Name of the Bank/Lender	Type Of Facilities	Long Term(Rs.Crs.)	Short Term(Rs.Crs.)	Total(Rs.Crs.)
1	Bank of Baroda	Cash Credit-Sanctioned	528.60	–	528.60
2	Bank of Baroda	Bank Guarantee-Sanctioned	–	760.03	760.03
3	Bank of Baroda	Letter of Credit-Sanctioned	–	289.40	289.40
4	Bank of Baroda	Covid -19 Emergency Line Credit-Sanctioned	2.69	–	2.69

SL.No.	Name of the Bank/Lender	Type Of Facilities	Long Term(Rs.Crs.)	Short Term(Rs.Crs.)	Total(Rs.Crs.)
5	Canara Bank	Covid -19 Emergency Line Credit-Sanctioned	80.00	–	80.00
6	Canara Bank	Letter of Credit-Sanctioned	–	8.60	8.60
7	Canara Bank	Bank Guarantee-Sanctioned	–	10.00	10.00
8	Canara Bank	Cash Credit-Sanctioned	77.40	–	77.40
9	Central Bank of India	Cash Credit-Sanctioned	44.00	–	44.00
10	Central Bank of India	Bank Guarantee-Sanctioned	–	1.00	1.00
11	Central Bank of India	Letter of Credit-Sanctioned	–	30.00	30.00
12	Indian Bank	Letter of Credit-Sanctioned	–	5.00	5.00
13	Indian Bank	Bank Guarantee-Sanctioned	–	5.00	5.00
14	Indian Bank	Cash Credit-Sanctioned	10.00	–	10.00
15	Punjab National Bank	Cash Credit-Sanctioned	46.00	–	46.00
16	Punjab National Bank	Bank Guarantee-Sanctioned	–	36.00	36.00
17	Punjab National Bank	Letter of Credit-Sanctioned	–	48.00	48.00
18	State Bank Of India (SBI)	Credit Exposure Limit (CEL)-Sanctioned	–	2.50	2.50
19	State Bank Of India (SBI)	Bank Guarantee-Sanctioned	–	290.00	290.00
20	State Bank Of India (SBI)	Letter of Credit-Sanctioned	–	109.00	109.00
21	State Bank Of India (SBI)	Cash Credit-Sanctioned	385.00	–	385.00
22	Un tied portion from consortium of banks	Cash Credit-Proposed	1217.31	–	1217.31
23	Un tied portion from consortium of banks	BG/ILC-Proposed	–	353.97	353.97
24	Union Bank of India	Letter of Credit-Sanctioned	–	55.00	55.00
25	Union Bank of India	Cash Credit-Sanctioned	54.00	–	54.00
26	Union Bank of India	Bank Guarantee-Sanctioned	–	21.00	21.00
Total			2445.00	2024.50	4469.50
TOTAL (Rupees Four Thousand Four Hundred Sixty Nine Crores and Fifty lakhs Only)					

Print and Digital Media

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