

Sub: Letter of invitation for conducting Study of the impact of 'Performance & Credit Rating Scheme for Micro and Small Enterprises'

Sir,

National Small Industries Corporation Ltd (NSIC) is a Government of India Enterprise under the administrative control of Ministry of MSME. NSIC has been implementing the Performance & Credit Rating Scheme for Micro and Small Enterprises, which was launched in April, 2005. NSIC has empanelled the leading credit rating agencies to carry out the rating of Micro and Small Enterprises under the scheme. Till July 2009 more than 13500 Micro and Small Enterprises have been rated under the scheme.

NSIC intends to get conducted a feedback survey/study of the Micro and Small Enterprises rated under the scheme to assess the impact of the scheme in the context of objectives and benefits of the scheme as stated in the Terms of reference. A copy of the Terms of reference along with following documents is attached for your reference:

- (i) Standard form of certificates (i.e Annexure A, B, B1) to be included in the technical proposal and Annexure C in the financial proposal.
- (ii) Standard form of agreement to be executed with the agency to which the work will be awarded.
- (iii) A copy of the Performance & Credit Rating Scheme for Micro and Small Enterprises.

In this regard sealed quotations are invited on two bid system (i.e. Technical proposal and financial proposal) from reputed professional agencies / institutions having experience of conducting study / survey. The quotations in two separate envelopes (marked as Technical proposal or financial proposal) should be addressed to the undersigned, super scribing as 'Quotation to conduct the study of the impact of Performance & Credit Rating Scheme for Micro and Small Enterprises'. The quotation must be reached to the NSIC Central Receipt Section by 23rd October, 2009.

NSIC reserves the right to accept or reject any or all of the quotations received in response to the above referred invitation, without explaining any reason.

Thanking you,

Yours faithfully,

(Gaurang Dixit)
General Manager
(Fin.)

Terms of Reference

Performance & Credit Rating Scheme for Micro and Small Enterprises

1. Background of the Scheme :

Fast changing global economic scenario and liberalization of economic environment in our country have thrown up many opportunities and challenges to the micro and small enterprises in India. Therefore, a need has been felt to create awareness amongst micro and small enterprises about the strength and weakness of their existing operations and to provide them an opportunity to enhance their organization strength. As a step in this direction, National Small Industries Corporation Ltd. (NSIC) in consultation with the Small Industry Associations, Indian Banks' Association and Credit Rating Agencies has formulated a Rating Scheme for micro and small enterprises.

The Scheme titled '**Performance & Credit Rating Scheme for micro and small enterprises**' was formally launched by Hon'ble Union Finance Minister and Hon'ble Union Minister for SSI & ARI on 7th April, 2005.

2. Objectives of the Scheme:

It is envisaged that the rating scheme would encourage Micro and Small Enterprises in improving its contribution to the economy by way of increasing their productivity and also make access to credit cheaper and cheaper. While formulating the rating Scheme, following advantages have been foreseen:

- (i) The rating will serve as a trusted third party opinion on Micro and Small Enterprises (MSEs) capabilities and creditworthiness and an independent evaluation by a third party will have good acceptance from Banks, Financial Institutions, MSEs Customers and Buyers.
- (ii) MSEs will be able to secure credit from Banks & Financial Institutions with comparative ease and at lower interest rates.
- (iii) The rating scheme will benefit Banks and Financial Institutions by providing them an independent evaluation of the strengths and weaknesses of the applicant borrowing unit, which would help them in evaluating risk and taking credit decision.
- (iv) Rating of MSEs would facilitate vendors/buyers in judging the capabilities and capacity of the Micro and Small Enterprises for taking a decision on finalization of purchase contracts with them.
- (v) The rating scheme will help in-fusion of a sense of financial and operational discipline, which would further help the overall growth of Micro and Small Enterprises.
- (vi) The contribution of Micro and Small Enterprises to the economy will improve by way of higher production, exports and other global competitive advantages.

3. Current Status of Implementation:

Government has appointed NSIC as the implementing agency for the scheme. The scheme is being operated through seven accredited rating agencies i.e. CARE, CRISIL, D&B, FITCH, ICRA, ONICRA and SMERA. NSIC is implementing the Scheme and creating awareness thereof among the Micro and Small Enterprises by conducting various open houses/exclusive sessions on the rating scheme. In these programs various Industry Associations and Rating Agencies were also involved. The Scheme is also propagated in the seminars and campaigns being conducted by NSIC for its various schemes. Efforts are being made to popularize the Scheme, so that maximum number of units can avail the benefits of the Scheme. So far more than 14000 Micro and small enterprises have applied for rating under the scheme. Out of which more than 13000 micro and small enterprises have been assigned rating by the various rating agencies.

4. Scope of assignment:

The scope of assignment of the proposed study is to get a feedback from the rated MSEs to assess the impact of the Scheme in terms of improvement in respect of the followings:

- Ease of access to credit.
- Increase in volume of credit.
- Increase in recognition among vendors and buyers.
- Overall operational efficiency.
- Any other commercial/non-commercial advantages.

In addition to the above, the study also aims to assess the impact of the scheme in the context of the objectives of the scheme and the advantages foreseen at the time of formulation of the Scheme.

5. Methodology for the Proposed Study:

The scope of work would inter-alia include the following:

- Preparation of standard questionnaire and finalize in consultation with NSIC.
- Distribution of questionnaire to all units rated under the scheme.
- Obtaining of questionnaire duly filled by the units. However it should be ensured that the sample size of the study should at least cover 500 units of the total rated units.
- Personal discussions and interviews of the rated units with a sample size of at least 50 Micro and small enterprises.
- Personal discussions and interviews with the officials of banks and rating agencies.

- Analyzing the data so received and synchronizing the same in line with the objectives of the scheme as mentioned above.
- Preparation and submission of the draft report.
- Incorporating the amendments, if any, and submission of final report.

6. Deliverables & Time Schedule:

The list of deliverables and period for completion of each of the deliverables, from the date of the assignment of the work, are given below:

Sr. No.	Deliverables	Period (from the date assignment of the work)
1.	Preparation and finalisation of standard questionnaire in consultation with NSIC.	2 weeks
2.	Receipt of questionnaire (duly filled in) from the units.	6 weeks
3.	Personal discussions and interviews	6 weeks
4.	Analysis of the data	8 weeks
5.	Submission of two copies of draft reports.	10 weeks
6.	Incorporating amendments, if any, and submission of 5 copies of the final report along with 5 CDs.	12 weeks

7. Data to be provided by NSIC:

The following details will be provided to the agency at the time of conducting the study:

- i) A copy of the Scheme detailing salient features of the scheme, rating process, rating scales.
- ii) Address of the Rating agencies.
- iii) Details of the rating fee charged by the rating agencies.
- iv) List of units accredited under the scheme.

Annexure A

CONSULTANT'S ORGANISATION AND EXPERIENCE

A – Consultant's Organisation

[Provide here a brief (note more than two pages) description of the background and organisation of your entity and each associate, if any, for this assignment.]

B – Consultant's Experience

[Using the format below, provide information on each assignment for which your entity, and each associate for this assignment, was contracted for

carrying out consulting services similar to the ones requested under this assignment.]

Assignment name : Approx. value of the contract (in Rupees) :

Country :

Location within country :

Name of client :

Address :

Start date (month/year) :

Completion date (month/year) :

Name of associated Consultants, if any: Name of senior professional staff of your firm involved and functions performed (indicate most significant profiles such as Project Director/Coordinator, Team Leader):

Narrative description of Project:

Description of actual services provided by your staff within the assignment:

Firm's
Name: _____

Annexure B

I General Description of Team

Sr. No.	Name of Team Leader & Staff	Position	Input (Staff -
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months)

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

Note: CV of the Team Members to be provided in the format given at **Annexure B-I.**

CURRICULUM VITAE (CV) OF PROPOSED PROFESSIONAL STAFF FOR THE ASSIGNMENT

1. Proposed Position [only one candidate shall be nominated for each position]:-

2. Name of Entity [Insert name of entity proposing the staff]:_____

3. Name of Staff [Insert full name]:

4. Date of Birth:_____

Nationality:_____

5. Education:[Indicate college/ university and other specialized education of staff member, giving names of institutions, degrees obtained, and dates of obtainment]:

6. Membership of Professional Associations:

7. Publications (Indicate books, research papers and other articles published in reputed journals).

8. Other Training(s) : [Indicate significant training since degrees under 5 – Education were obtained]:

9. Countries of Work Experience : [List countries where staff has worked in the last ten years]:

10. Employment Record:[Starting with present position, list in reverse order every employment held by staff member since graduation, giving for each employment (see format here below): dates of employment, name of employing organization, positions held]:

From [Year]:_____ To [Year]:_____

Employer:_____

Positions held:_____

11. Detailed Tasks Assigned

[List all tasks to be performed under this assignment]

12. Work Undertaken that Best Illustrates Capability to Handle the Tasks Assigned

[Among the assignments in which the staff has been involved, indicate the following information for those assignments that best illustrate staff capability to

handle the tasks listed under point 10].

Name of assignment or project_____

Year_____

Location_____

Client_____

Main project features:_____

Positions held:_____

Activities performed:_____

13. Certification:

I, the undersigned, certify that to the best of my knowledge and belief, this CV correctly describes myself, my qualifications, and my experience. I understand that any willful misstatement described herein may lead to my disqualification or dismissal, if engaged.

_____ Date:_____

[Signature of staff member or authorized representative of the staff]

Day/Month/Year

Full _____ name _____ of _____ authorized representative:_____

CONSULTANT'S FINANCIAL PROPOSAL

(a) Cost of the Study/Survey/Research Paper : Rs
(based on team and staff inputs and all
necessary activities as per ToR)

(b) Service Tax : Rs.

(c) Total Cost (a+b) : Rs.

Note : No separate payment towards overheads, equipment, accommodation,
procurement of primary and /or secondary data, necessary travel (if any),
etc. shall be allowed.

AGREEMENT

THIS AGREEMENT is entered into this [insert starting date of assignment] between the National Small Industries Corporation Ltd. (NSIC) (a Government of India Enterprise) having its principal place of business at NSIC Bhawan, Okhla Industrial Estate, New Delhi-110020 and [insert Consultant's name] ("the Consultant") having its principal office located at [insert Consultant's address] acting through _____.

WHEREAS, the NSIC wishes to have the Consultant perform the Assignment hereinafter referred to, and

AND WHEREAS, the Consultant is willing to perform this Assignment,

NOW, THEREFORE, THE PARTIES hereby agree as follows:

1. **Services**
 - (i) The Consultant shall perform the assignment specified in "Terms of Reference and Scope of Assignment," which is an integral part of this Agreement (the "Assignment").
 - (ii) The Consultant shall provide the details of personnel listed in Annex B, "Consultant's Personnel," to perform the Assignment.
 - (iii) The Consultant shall submit to the NSIC the reports in the form _____ and numbers and within the time periods specified in clause no 6 of TOR.

2. **Term** The Consultant shall perform the Assignment within twelve weeks from the date of this Agreement], or any other period as may be subsequently agreed by the parties in writing, subject to liquidated damages for the delay attributable to the Consultant as indicated in clause 12 of this agreement.

3. Payment A. Ceiling

For the Assignment, the NSIC shall pay the Consultant the sum of [insert amount]. This amount includes all of the Consultant's costs and deliverables as well as any tax obligation that may be imposed on the Consultant.

B Schedule of Payments

The schedule of payments is specified below:

- | | |
|---|------|
| i) on award of assignment to consultant | -20% |
| ii) on submission of Draft Report | -50% |
| iii) on submission and acceptance of final report | -30% |

C. Payment Conditions

- (i) Payment on signature of this Agreement shall be made against a bank guarantee of equivalent amount from a Scheduled Bank in favour of the NSIC

_____ till receipt of the draft report from Consultant and acceptable to the NSIC.

(ii) Final payment shall be made not later than 6 weeks, following submission by the Consultant of complete invoices in duplicate to the NSIC whichever is later.

4. Project Administration

Coordinator

The NSIC designates Shri/ Smt. as the NSIC's Coordinator; for this Assignment. The Coordinator will be responsible for the coordination of activities under this Agreement, for acceptance and approval of the reports and of other deliverables by the NSIC and for receiving and approving invoices for the payment.

5. Performance Standards

The Consultant undertakes to perform the Assignment with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly but not later than ___ days replace any employees assigned under this Contract that the NSIC considers unsatisfactory.

6. Confidentiality

The Consultant shall not disclose any proprietary or confidential information relating to the Services, this Agreement or the NSIC's business or operations without the prior written consent of the NSIC.

7. Ownership of Material

Any studies, reports or other material, graphic, software or otherwise, prepared by the Consultant for the NSIC under the Agreement shall belong to and remain the property of the NSIC. The Consultant may retain a copy of such documents and software for the purpose of this Agreement.

8. Insurance

The Consultant will be responsible for taking out any appropriate insurance coverage at its own cost.

9. Re-Assignment

The Consultant shall not re-assign this Agreement or sub-contract any portion of it without the NSIC's prior written consent.

10 Dispute Resolution

Any dispute arising out of the Agreement, which cannot be amicably settled between the parties, shall be referred for arbitration to an arbitrator nominated by the Chairman cum Managing Director, NSIC Provisions of the Arbitration

and Conciliation Act, 1996, as amended from time to time, shall be applicable. Courts in Delhi shall have jurisdiction in the matter.

11 Events of Default

- (i) Delay in furnishing of any report within the period mentioned for in clause no 6 of TOR. Provided that there shall not be default for the period of Force Majure and delays solely attributable to the NSIC.
- (ii) Any report being non-acceptable to the NSIC for lack of professional quality.
- (iii) Breach of any of the terms of this Agreement.

12 Consequences of Default

- (i) On the occurrence of any of the event of default on the part of Consultant, the NSIC may terminate this Agreement and claim refund of any money paid or invoke the bank guarantee and refuse to make any more payment.
- (ii) In case of default being limited to delay only not exceeding 5 weeks, the NSIC, may in the alternative, claim the agreed liquidated damages @ 5% of the amount of contract for every week of delay, not exceeding in any case 25% of the amount of contract. The amount of liquidated damages shall be withheld and/or recovered from the payment to be made to the Consultant.

13 Force Majure

The Parties shall be entitled to excuse performance of their respective obligations to the extent they are unable to perform the contract by an event of Force Majure. A party claiming relief on this account shall immediately on becoming aware of Force Majure event give notice to the other party disclosing the manner in and the period during which performance of its obligation is likely to be affected.

For the purpose of the Agreement Force Majure means Acts of God, wars or similar action affecting India Civil Comotions or general strike (excluding by its own employees) lying beyond the reasonable control of the affected Pary.

14 Notice

The address of the Parties for all communication is :

NSIC : National Small Industries Corporation Ltd
NSIC Bhawan, Okhla Industrial Estate, New Delhi-110020

Consultant :

All notices with the aforesaid address sent by pre-paid registered-post or speed post or sent by fax with confirmation of its delivery or email shall be deemed to have been served and received by the addressee within the time they should have been delivered/received at the addressee's end.

Any change of address will not be valid unless acknowledged by the other party.

IN WITNESS WHEREOF, the representatives of the Parties to this Agreement being duly authorized have hereunto set their hands and have executed those present this __ day of ____

For and on behalf of the

The National Small Industries
Corporation Ltd.

FOR THE CONSULTANT

Signed by _____

Signed by _____

Designation:

Designation: _____

In presence of _____

In presence of _____

NSIC

Performance
&
Credit Rating
Scheme for
Small Industries

Performance & Credit Scheme for Rating of Small Scale Industries

BACKGROUND

The Small Scale Sector occupies an important position in any developing economy the world over. Fast changing global economic scenario has thrown up many opportunities and challenges to the Small Scale Industries in India. While, on the one hand, many opportunities have opened up for the small scale sector to enhance productivity and look for new markets in other countries, it has also put an obligation on them to upgrade their competence in terms of technology, management & financial strength to successfully meet the global competition. Therefore, there is a need to create awareness amongst Small-Scale Units about the strengths and weaknesses of their existing operations and to provide them an opportunity to enhance their organizational strengths.

As a step in this direction, a need was felt for introducing a Rating Scheme for the Small Scale Industries. It is expected that the Rating Scheme would encourage SSI sector in improving its contribution to the economy by way of increasing their productivity, since a good rating would enhance their acceptability in the market and also make access to credit quicker and cheaper and thus help in economizing the cost of credit. Besides, the rating would also infuse a sense of confidence amongst the buyers for taking a decision on the options of sourcing material from Small Scale Units.

With above background, a Performance & Credit Rating Scheme for Small Scale Industries has been formulated in consultation with various stakeholders i.e. Small Industries Associations, & Indian Banks' Association and various Rating Agencies viz. CRISIL, ICRA, Dun & Bradstreet (D&B) and ONICRA. It has the approval of the Government.

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TITLE OF THE SCHEME

The scheme is titled:

“PERFORMANCE & CREDIT RATING SCHEME FOR SMALL INDUSTRIES”

SALIENT FEATURES OF THE SCHEME

1. APPROACH FOR RATING OF SSI UNITS

- i. NSIC is the nodal agency for implementing the scheme of performance and credit rating for Small Scale Industries through its various branches/offices located in the country.
- ii. The unit's rating shall be a combination of performance and credit worthiness of the unit. The SSI rating methodology shall cover a combination of credit and performance factors including parameters measuring operational, financial, business and management risks.
- iii. The Rating Agencies shall be empanelled by NSIC Head Office, for implementing the Scheme in order to facilitate the Rating process.
- iv. NSIC shall maintain a database about the units awarded Rating by different Rating Agencies.

2. SELECTION OF THE RATING AGENCY BY SSI UNITS

The Small Scale Unit shall be at liberty to select any of the rating agencies empanelled under the rating scheme with NSIC. The rating agency chosen by the unit shall be mentioned in its request for obtaining the rating.

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3. RATING PROCESS

The rating process will be undertaken in the following manner:

STEPS	RATING PROCESS
1.	<u>Request for Rating from SSI units</u>
2.	Collection of Information from the SSI unit(s)
3.	Onsite meeting with SSI Management
4.	Analysis of Information obtained from the SSI Unit(s)
5.	Assign Rating

The validity of a rating shall be for a period of one year from the date of issue of the rating letter.

4. RATING FEE

The Rating Agencies have different fee structure for their rating of various clients including Small-Scale Units. The Rating Agencies will devise their fee structure for SSI units under this Scheme separately.

As the evaluation criteria for award of Rating is different with various Rating Agencies and their acceptability also varies with the users, the rating fee to be charged by the Rating Agencies will be varying.

The Rating Agencies will, however, be free to decide their rating fees which will be intimated to NSIC at the time of empanelment, so that fee is well known in advance to the applicant unit as well as NSIC. The rating fees may, however, be reviewed by Rating Agencies from time to time due to the competition and the number / size of clientele.

Although, the rating fee of different Rating Agencies may vary but for the purpose of subsidizing the fee, a ceiling has been prescribed by the Government as per table give below under Sharing of Fees.

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The Small-Scale Units will have to pay their contribution towards the rating fee along with its application. The payment can be made by way of pay order / demand draft drawn in favour of the Rating Agency selected by the SSI unit.

In the event of the request for Rating being treated as closed by the Rating Agency due to non-receipt of the complete information, 50% of the fees received from the SSI unit shall be refunded by the Rating Agency. However, if the SSI unit backs out from the rating process after the Rating Agency has carried out its inspection, no amount shall be refunded back.

5. SHARING OF FEES

The fee to be paid to the rating agencies shall be based on the turnover of the Small-Scale Units which has been categorized into three slabs. The slabs of the Turnover and the Share of Ministry of SSI towards the fee charged by the Rating Agency have been indicated in the table given below:-

Turnover	Fee to be reimbursed by Ministry of SSI
Up to Rs.50 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.25,000/-
Above Rs.50 lacs to Rs.200 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.30,000/-
Above Rs.200 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.40,000/-

The balance amount towards the fee shall be borne by the Small-Scale Units.

The portion of the fee to be subsidized by the Ministry shall be released through NSIC after submission of the Rating Report to NSIC by the Rating Agencies.

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6. RATING SCALES

While the criteria for evaluation would be left to each of the Rating Agencies, the symbols and their definition for indicating the risk score in the rating awarded has been evolved for uniform implementation by the Rating Agencies. The symbols along with their definition while assigning a Rating to Small-Scale Units are placed at Annexure-I. These symbols depict both the performance evaluation as well as the credit worthiness of the unit.

The Rating to be awarded by each of the Rating Agencies shall be prefixed by the word NSIC. Thus Rating awarded by say ICRA shall be termed as **“NSIC-ICRA Performance and Credit Rating”**

7. SHARING OF THE EVALUATION/RATING OF SSI UNITS

The Rating Agencies shall share the Rating awarded to SSI units with NSIC.

8. PROMOTION OF THE SCHEME

The scheme would be given wide publicity by NSIC, IBA and Credit Rating Agencies. The details of the scheme would also be available on the website of the Ministry of SSI, NSIC, IBA & its member banks, SSI Associations and the Rating Agencies shall also be used to promote the Rating Scheme.

9. APPLICATION FORM

The application forms will be available at all the offices of NSIC and with the empanelled Rating Agencies.

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The forms will also be made available at the website of NSIC, IBA and the Rating Agencies. Interested Small Industries Associations will also be requested to make available the Application Form from their website.

Any SSI unit wishing to apply for rating will have to fill up the prescribed application form and submit the same to NSIC or the rating agency chosen by it.

10. PROCESS FLOW OF APPLICATION

The SSI unit will have to submit its application for rating in duplicate. It can be submitted to any of the offices/branches of NSIC or directly to the Rating Agency selected by the Small-Scale Unit.

On receipt of Application, NSIC will forward the IInd copy along with the information and documents submitted by the unit to the Rating Agency along with their comments, if any. Alternatively, if the Application is submitted to the Rating Agency, one copy of the application shall be sent by Rating Agency to NSIC for their reference and comments.

11. INFORMATION REQUIRED FOR RATING

SSI units applying for rating will have to submit the documents as per list placed as Annexure-I (B) along with the application.

12. TIME FRAME FOR COMPLETION

The Rating Agencies shall peruse the documents received and in case of any short fall, communicate the same to the unit for completion / rectification thereof within a period of 15 days.

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If the particulars are not received within the period mentioned the agency shall the reminder giving further 15 days time for submission. In the event of the unit not responding within 15 days from the date of 2nd communication to the unit, the case will be treated as closed.

From the date of receipt of all information from the applicant unit, the rating agency shall complete the exercise of evaluation and award of Rating within one month thereof.

Rating Scale of SEs on Performance and Credit Parameters under the NSIC Scheme of Rating of SEs.

SE 1A: Highest Performance capability; High Financial strength. Prospects of performance are the highest and the entity has high capacity to meet its financial obligations.

SE 1B: Highest Performance capability; Moderate Financial strength. Prospects of performance are the highest. However, the entity has moderate capacity to meet its financial obligations.

SE 1C: Highest Performance capability; Low Financial strength. Prospects of performance are the highest. However, the entity has low capacity to meet its financial obligations.

SE 2A: High Performance capability; High Financial strength. Prospects of performance are high and the entity has high capacity to meet its financial obligations.

SE 2B: High Performance capability; Moderate Financial strength. Prospects of performance are high. However, the entity has moderate capacity to meet its financial obligations.

SE 2C: High Performance capability; Low Financial strength. Prospects of performance are high. However, the entity has low capacity to meet its financial obligations.

SE 3A: Moderate Performance capability; High Financial strength. Prospects of performance are moderate. However, the entity has high capacity to meet its financial obligations.

SE 3B: Moderate Performance capability; Moderate Financial strength. Prospects of performance are moderate and the entity has moderate capacity to meet its financial obligations.

SE 3C: Moderate Performance capability; Low Financial strength. Prospects of performance are moderate. However, the entity has low capacity to meet its financial obligations.

SE 4A: Weak Performance capability; High Financial strength. Prospects of performance are weak. However, the entity has high capacity to meet its financial obligations.

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SE 4B: Weak Performance capability; Moderate Financial strength. Prospects of performance are weak. However, the entity has moderate capacity to meet its financial obligations.

SE 4C: Weak Performance capability; Low Financial strength. Prospects of performance are weak and the entity has low capacity to meet its financial obligations.

SE 5A: Poor Performance capability; High Financial strength. Prospects of performance are poor. However, the entity has high capacity to meet its financial obligations.

SE 5B: Poor Performance capability; Moderate Financial strength. Prospects of performance are poor. However, the entity has moderate capacity to meet its financial obligations.

SE 5C: Poor Performance capability; Low Financial strength. Prospects of performance are poor and the entity has low capacity to meet its financial obligations.