

Allcargo Logistics Limited

September 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-convertible debentures	200.00	CARE AA; Stable	Reaffirmed
Commercial paper	250.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the instruments of Allcargo Logistics Limited (ALL) continue to derive strength from the established position of the company in the international supply chain (ISC) and surface transport business, its integrated operations with a diversified income profile, and its strong international presence. Post the demerger, the Container Freight Stations (CFS) and warehousing businesses (earlier under ALL) have moved to demerged entities, Allcargo Terminals Limited (ATL) and Transindia Real Estate Limited (TRL), respectively. These businesses, nevertheless, continue to remain within the Allcargo group, thereby rendering diversity to the revenue profile of the Allcargo group. ALL continues to remain the flagship company of the Allcargo group.

The ratings also factor in the satisfactory operating performance of ALL in FY23, notwithstanding macroeconomic challenges emerging from the high inflation across key markets, resulting in a consumption slowdown and continued geopolitical instability from the Russia-Ukraine conflict. The overall revenue moderated y-o-y by 5% from FY23, following lower global freight rates, albeit an increase in trade volumes. The profitability margins of ALL also moderated, in line with the lowering freight rates, higher container availability, and increased competition.

The ratings continue to derive strength from the satisfactory financial risk profile, with ALL's gross debt having come down further with controlled working capital, proceeds from divestment of assets to Blackstone, the movement of debt related to asset-heavy businesses across the demerged entities and the deleveraging in Gati Limited (Gati). The ratings also draw strength from the leadership of the promoter, Shashi Kiran Shetty, who is supported by a vastly experienced management team with an average experience of over 20 years.

The above ratings' strengths continue to remain tempered by the susceptibility of ALL's operations to EXIM trade volumes, the volatility in freight rates, the intensifying competition in the Multimodal Transport Operations (MTO) and surface transport businesses.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Ability to sustain growth in the scale of operations and increase its market share, with improvement in the PBILDT margin above 9%.
- Continued improvement in the debt metrics, with overall gearing below 0.50x on a sustained basis.

Negative factors

- Unprecedented increase in the debt or aggressive debt-funded acquisition, resulting in a deterioration of the gearing above 0.80x.
- Sustained slowdown in trade volumes arising from the distressed economic scenario, resulting in degrowth across the business segments.

Analytical approach: Consolidated

For arriving at the ratings, CARE Ratings Limited (CARE Ratings) has considered the consolidated financials of ALL owing to the related businesses and financial and operational linkages with its subsidiaries as well as common management. The list of subsidiaries, as on March 31, 2023, is enclosed as **Annexure-6**.

Outlook: Stable

CARE Ratings believes that ALL will continue to maintain its strong financial risk profile, backed by its strong market position with growing scale of operations in the express and contract logistics businesses.

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

Detailed description of the key rating drivers

Key strengths

Established track record and experienced management.

ALL is headed by Shashi Kiran Shetty, who has more than three decades of experience in the logistics business. He served as a former trustee of the Mumbai Port Trust (MPT) and as the chairman of the Association of Multimodal Transport Operations of India (AMTOI). Experienced in the logistics sector, Mr. Shetty guided Allcargo group's entry into verticals that include container freight stations in 2003, contract logistics in 2016, and logistic parks in 2018. In 2005, he steered the acquisition of the global non-vessel operating common carrier ECU-Line (now ECU Worldwide). Several other successful mergers and acquisitions (M&As) were carried out under Mr. Shetty over the past decade, which include Gati in 2020 and Nordicon in 2021. The promoter is supported by a vastly experienced management team.

Flagship company of the Allcargo group with a strong market position in the international supply-chain business

The Allcargo group operates in multiple segments – MTO, CFS,ICD, Projects & Engineering (P&E), domestic mid-mile and last-mile logistics through Gati, and Logistics Parks (LPs), where it has ventured recently. Furthermore, it also provides contract and e-commerce logistics solutions. Its presence across the logistics supply-chain and its strong network spread domestically and across various countries make Allcargo group an end-to-end logistic solutions provider. ALL is the flagship entity of the group and the highest revenue contributor. ALL's domestic services are recognised under the brand 'Allcargo', whereas internationally, ALL is known through its 100% subsidiary, ECU-Line, which has a strong presence in Europe, Latin America, the Middle East, and Africa. The Allcargo group has 300 offices across more than 180 countries, which covers around 4,000 port pairs. ALL is also one of the leading global less-than-container-load (LCL) consolidators.

Continued stable operating performance

ALL continued to report a stable operation performance, although having a marginal decrease of 5% in its total operating income (TOI) from ₹19,062 crore in FY22 to ₹18,051 crore in FY23. The marginal degrowth in revenue is largely on account of the ocean freight rate decline, which is mostly a pass-through and provided strong tailwinds in the previous years. Nevertheless, despite the challenging economic scenario globally, the company maintained stability in the ISC trade volumes handled during the year, which increased y-o-y by 1.50% from 952 ('000 twenty-foot equivalent unit [TEU]) in FY22 to 967 ('000 TEU). ALL's PBILDT margins also declined marginally by 40 bps y-o-y from 6.65% in FY22 to 6.25% FY23 and further to 4.22% in Q1FY24, which is near the pre-COVID levels. Going forward, the PBILDT margin is expected to remain in a similar range, as freight rates are not expected to increase substantially in the medium term. ALL has become the promoter and the single-largest shareholder of Gati, with 50.20% ownership. ALL, in May 2023, has also completed the acquisition of 30% stake in the express logistics joint venture (JV), Gati Kintetsu Express Pvt Ltd (GKEPL), for ₹407 crore. The express logistics and contract logistics businesses and acquisitions in new geographies, such as Nordicon and FairTrade GmbH, are expected to contribute to the incremental growth in the revenue of the company.

Financial risk profile expected to improve.

During FY23, with softening of freight rates and higher container availability, ALL's working capital requirement significantly came down. Furthermore, with the demerger of the erstwhile asset heavy businesses of ALL, the resulting debt has moved out of ALL into TRL. ALL has further continued to successfully reduce Gati's debt from ₹398 crore as on March 31, 2020, to ₹124 crore as on March 31, 2023. In view of the above developments, ALL's gross debt came down to ₹705 crore as on March 31, 2023 (PY: ₹1,852 crore). The overall gearing improved to 0.66x as on March 31, 2023 (PY: 1.04x), including lease liabilities. In Q1FY24, ALL availed a ₹200-crore term loan to acquire 30% stake in GKEPL (total value of ₹407 crore), with the balance ₹207 crore funded out of internal accruals. CARE Ratings expects ALL to maintain comfortable debt metrics going forward, as there is no expected heavy capex considering ALL's current asset-light business model post the demerger. However, any large debt-funded acquisition will be a key monitorable.

Key weaknesses

Logistics industry remains exposed to volatility in global export-import (EXIM) trade.

The Non vessel owned common carrier (NVOCC) business is directly linked to global EXIM trade, and hence, a steep fall in it can weaken the business by constraining the profitability per twenty-foot equivalent unit. Sluggishness in the EXIM trade, in case of a steep fall in global trade, can impact freight volumes, freight rates, and profitability.

Liquidity: Strong

ALL's liquidity has further been shored up with improved collection and the receipt of proceeds from the conclusion of the Blackstone deal. ALL's free cash and liquid investments balance improved to ₹1,154 crore as on March 31, 2023 (PY: ₹790 crore). There is sufficient cushion between the scheduled debt repayment of ₹150 crore in FY24 (CPLTD as on March 31, 2023) and the expected gross cash accruals (GCA) of ₹650 crore. The average utilisation of the fund-based limit for the group was around 20%,

which gives adequate buffer. CARE Ratings expects the working capital utilisation levels to be controlled, as the freight rates are also expected to remain similar with no strong movement in either direction. CARE Ratings expects ALL to continue maintaining substantial liquidity, going forward. Now being in an asset-light model, there is no significant outflow towards capex.

Assumptions/Covenants: Nil

Environment, social, and governance (ESG) risks

ALL has implemented a sustainability strategy focused on ESG and is prioritising efforts to reduce carbon emissions. By 2040, ALL is looking ahead to going carbon-neutral and to transition to 100% renewable sources for electricity consumption of all its owned facilities. ALL's CSR arm, Avashya Foundation, is working to bring about inclusive development across health, education, environment, women empowerment, sports, and disaster relief. ALL has an adequate governance structure, with 50% of its board comprising independent directors, and extensive disclosure.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

ALL is an integrated logistics service provider and is the flagship company of the Allcargo Group. Incorporated in 1993 as a freight-forwarding agent, ALL became a multimodal transport operator in 1998 by offering logistic services, such as consolidation of Less than container Load (LCL) and full-container load cargo for exporters and importers. In 2006, the company acquired ECU Worldwide, which is one of the world's largest players in the LCL segment. ALL is also present in last-mile delivery. The international operations of ALL mainly include the global MTO (LCL consolidation) business (carried out by ECU Worldwide and its subsidiaries). This segment is the largest contributor to the gross revenue for ALL. ALL is among the leading players in the global LCL consolidation market, with a strong network across more than 180 countries and over 300 offices covering over 4,000 port pairs across the world.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Qtr. End. June 30, 2023 (UA)
Total operating income	19,062	18,051	3,291
PBILD	1,268	1,129	139
PAT	824	653	119
Overall gearing (times)	1.04	0.67	NA
Interest coverage (times)	14.59	14.98	5.79

A: Audited; UA: Unaudited; NA: Not available. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper-(Standalone)*	-	-	-	7 days to 365 days	250.00	CARE A1+
Debentures-Non-convertible debentures^	-	-	-	Proposed	200.00	CARE AA; Stable

*Yet to be placed; ^Proposed.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Commercial paper-Commercial paper (Standalone)	ST*	250.00	CARE A1+	-	1)CARE A1+ (04-Oct-22)	1)CARE A1+ (05-Oct-21)	1)CARE A1+ (07-Oct-20) 2)CARE A1+ (04-Aug-20)
2	Debentures-Non-convertible debentures	LT*	-	-	-	-	1)Withdrawn (05-Oct-21)	1)CARE AA; Negative (07-Oct-20) 2)CARE AA; Negative (04-Aug-20)
3	Debentures-Non-convertible debentures	LT*	-	/-	-	-	1)Withdrawn (05-Oct-21)	1)CARE AA; Negative (07-Oct-20) 2)CARE AA; Negative (04-Aug-20)
4	Debentures-Non-convertible debentures	LT*	200.00	CARE AA; Stable	-	1)CARE AA; Stable (04-Oct-22)	1)CARE AA; Negative (05-Oct-21)	1)CARE AA; Negative (07-Oct-20) 2)CARE AA; Negative

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
								(04-Aug-20)

*Long term/Short term.

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

Not available

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-6: List of subsidiaries

Sr. No.	Name of Entity Consolidated	Percentage Ownership	Remarks
1	Administradora House Line C.A.	Full	Subsidiary
2	AGL Bangladesh Private Limited	Full	Subsidiary
3	AGL N.V.	Full	Subsidiary
4	Allcargo Belgium N.V.	Full	Subsidiary
5	Allcargo Hongkong Limited	Full	Subsidiary
6	Allcargo Logistics Africa (PTY) LTD	Full	Subsidiary
7	Allcargo Logistics China Ltd.	Full	Subsidiary
8	Allcargo Logistics FZE	Full	Subsidiary
9	Allcargo Logistics LLC	Full	Subsidiary
10	Allcargo Tanzania	Full	Subsidiary
11	Almacen y Maniobras LCL SA de CV	Full	Subsidiary
12	ALX Shipping Agencies India Private Limited	Full	Subsidiary
13	Antwerp Freight Station n.v. (Previously known as Ecu Global Services N.V.)	Full	Subsidiary
14	Asia Express Line GmbH	Full	Subsidiary
15	Asia Line Ltd	Full	Subsidiary
16	Asia Pac Logistics DE Guatemala S.A.	Full	Subsidiary
17	Asiapac Equity Investment Limited	Full	Subsidiary
18	Asiapac Logistics El Salvador	Full	Subsidiary
19	Asiapac Logistics Mexico SA de CV	Full	Subsidiary
20	ASIAPAC TURKEY TASIMACILIK ANONIM SIRKETI	Full	Subsidiary
21	Avvashya CCI Logistics Pvt Ltd (formerly, CCI Integrated Logistics Pvt Ltd)	Full	62% JV in similar line of business
22	CCS Shipping Ltd.	Full	Subsidiary
23	CELM Logistics SA de CV	Full	Subsidiary
24	China Consolidation Services Ltd	Full	Subsidiary
25	China Consolidation Services Shipping Ltd (Previously known as 'Ecu Worldwide China Ltd')	Full	Subsidiary
26	CLD Compania Logistica de Distribucion SA	Full	Subsidiary
27	Comptech Solutions Pvt. Ltd.	Full	Subsidiary

Sr. No.	Name of Entity Consolidated	Percentage Ownership	Remarks
28	Contech Logistics Solutions Pvt. Ltd	Full	Subsidiary
29	Contech Transport Services (Pvt) Ltd	Full	Subsidiary
30	East Total Logistics B.V.	Full	Subsidiary
31	ECI Customs Brokerage, Inc.	Full	Subsidiary
32	Econocaribe Consolidators, Inc (Previously known as 'DBA Ecu Worldwide (USA) Inc.')	Full	Subsidiary
33	Econoline Storage Corp.	Full	Subsidiary
34	Ecu - Worldwide - (Ecuador) S.A.	Full	Subsidiary
35	Ecu - Worldwide (Singapore) Pte. Ltd	Full	Subsidiary
36	Ecu International (Asia) Pvt. Ltd.	Full	Subsidiary
37	Ecu International Far East Ltd.	Full	Subsidiary
38	Ecu International N.V.	Full	Subsidiary
39	Ecu Shipping Logistics (K) Ltd.	Full	Subsidiary
40	ECU TRUCKING, INC.	Full	Subsidiary
41	Ecu World Wide Egypt Ltd	Full	Subsidiary
42	Ecu Worldwide (Argentina) SA	Full	Subsidiary
43	Ecu Worldwide (Bahrain) Co. W.L.L.	Full	Subsidiary
44	Ecu Worldwide (BD) Limited	Full	Subsidiary
45	Ecu Worldwide (Belgium) N.V	Full	Subsidiary
46	Ecu Worldwide (Canada) Inc.	Full	Subsidiary
47	Ecu Worldwide (Chile) S.A	Full	Subsidiary
48	Ecu Worldwide (Colombia) S.A.S.	Full	Subsidiary
49	Ecu Worldwide (Cote d'Ivoire) sarl	Full	Subsidiary
50	Ecu Worldwide (Cyprus) Ltd.	Full	Subsidiary
51	ECU WORLDWIDE (CZ) s.r.o.	Full	Subsidiary
52	Ecu Worldwide (El Salvador) S.P. Z.o.o S.A. de CV	Full	Subsidiary
53	ECU WORLDWIDE (Germany) GmbH	Full	Subsidiary
54	Ecu Worldwide (Guangzhou) Ltd.	Full	Subsidiary
55	Ecu Worldwide (Guatemala) S.A.	Full	Subsidiary
56	Ecu Worldwide (Hong Kong) Ltd.	Full	Subsidiary
57	Ecu Worldwide (Japan) Ltd.	Full	Subsidiary
58	Ecu Worldwide (Kenya) Ltd	Full	Subsidiary
59	Ecu Worldwide (Malaysia) SDN. BHD.	Full	Subsidiary
60	Ecu Worldwide (Mauritius) Ltd.	Full	Subsidiary
61	Ecu Worldwide (Netherlands) B.V.	Full	Subsidiary
62	Ecu Worldwide (Panama) S.A	Full	Subsidiary
63	Ecu Worldwide (Philippines) Inc.	Full	Subsidiary
64	Ecu Worldwide (Poland) Sp zoo	Full	Subsidiary
65	Ecu Worldwide (South Africa) Pty Ltd	Full	Subsidiary
66	Ecu Worldwide (Thailand) Co. Ltd.	Full	Subsidiary
67	Ecu Worldwide (Uganda) Limited	Full	Subsidiary
68	Ecu Worldwide (UK) Ltd	Full	Subsidiary
69	Ecu Worldwide (Uruguay) S.A.	Full	Subsidiary
70	Ecu Worldwide Australia Pty Ltd	Full	Subsidiary
71	Ecu Worldwide Baltics	Full	Subsidiary
72	ECU Worldwide CEE S.R.L	Full	Subsidiary
73	Ecu Worldwide Italy S.r.l.	Full	Subsidiary
74	ECU Worldwide Lanka (Private) Ltd.	Full	Subsidiary
75	Ecu Worldwide Logistics do Brazil Ltda	Full	Subsidiary
76	Ecu Worldwide Mexico SA de CV	Full	Subsidiary
77	Ecu Worldwide Morocco S.A	Full	Subsidiary
78	Ecu Worldwide New Zealand Ltd	Full	Subsidiary
79	ECU WORLDWIDE SERVICIOS SA DE CV	Full	Subsidiary
80	ECU Worldwide Tianjin Ltd	Full	Subsidiary
81	Ecu Worldwide Turkey Taşımacılık Limited Şirketi	Full	Subsidiary
82	Ecu Worldwide Vietnam Joint Stock Company	Full	Subsidiary
83	Ecuhold N.V.	Full	Subsidiary
84	Ecu-Line Abu Dhabi LLC	Full	Subsidiary
85	Ecu-Line Algeria sarl	Full	Subsidiary
86	Ecu-Line Doha W.L.L.	Full	Subsidiary

Sr. No.	Name of Entity Consolidated	Percentage Ownership	Remarks
87	Ecu-Line Middle East LLC	Full	Subsidiary
88	Ecu-Line Paraguay SA	Full	Subsidiary
89	Ecu-Line Peru SA	Full	Subsidiary
90	Ecu-Line Saudi Arabia LLC	Full	Subsidiary
91	Ecu-Line Spain S.L.	Full	Subsidiary
92	Eculine Worldwide Logistics Co. Ltd.	Full	Subsidiary
93	Ecu-Line Zimbabwe (Pvt) Ltd.	Full	Subsidiary
94	ECUNORDICON AB	Full	Subsidiary
95	ELWA Ghana Ltd.	Full	Subsidiary
96	Eurocentre FZCO	Full	Subsidiary
97	Eurocentre Milan srl.	Full	Subsidiary
98	Fair Trade Gmbh Schiffhart, handel und Logistik	Full	Subsidiary
99	FCL Marine Agencies B.V.	Full	Subsidiary
100	FCL Marine Agencies Belgium bvba	Full	Subsidiary
101	Flamingo Line Chile S.A.	Full	Subsidiary
102	Flamingo Line del Ecuador SA	Full	Subsidiary
103	Flamingo Line del Peru SA	Full	Subsidiary
104	FMA Line Agencies Do Brasil Ltda	Full	Subsidiary
105	FMA-Line Holding N. V.	Full	Subsidiary
106	FMA-LINE Nigeria Ltd.	Full	Subsidiary
107	Gati Asia Pacific Pte Ltd.	Full	Subsidiary
108	Gati Cargo Express (Shanghai) Co. Ltd.	Full	Subsidiary
109	Gati Hong Kong Limited	Full	Subsidiary
110	Gati Import Export Trading Limited	Full	Subsidiary
111	Gati- Kintetsu Express Private Limited	Full	Subsidiary
112	Gati Limited	Full	Subsidiary
113	Gati Logistics Parks Private Limited	Full	Subsidiary
114	Gati Project Private Limited	Full	Subsidiary
115	Guldary S.A.	Full	Subsidiary
116	HCL Logistics N.V.	Full	Subsidiary
117	Integrity Enterprises Pty Ltd	Full	Subsidiary
118	Jordan Gulf for Freight Services and Agencies Co. LLC	Full	Subsidiary
119	NORDICON A/S	Full	Subsidiary
120	Nordicon AB	Full	Subsidiary
121	Nordicon Terminals AB	Full	Subsidiary
122	Oconca Container Line S.A. Ltd.	Full	Subsidiary
123	OTI Cargo, Inc.	Full	Subsidiary
124	PAK DA (HK) LOGISTIC Ltd	Full	Subsidiary
125	Prism Global Ltd.	Full	Subsidiary
126	PRISM GLOBAL, LLC	Full	Subsidiary
127	PT Ecu Worldwide Indonesia	Full	Subsidiary
128	RailGate Nordic AB	Full	Subsidiary
129	Rotterdam Freight Station BV	Full	Subsidiary
130	Société Ecu-Line Tunisie Sarl	Full	Subsidiary
131	SPECHEM SUPPLY CHAIN MANAGEMENT (ASIA) PTE. LTD	Full	Subsidiary
132	Star Express Company Ltd.	Full	Subsidiary
133	TransIndia Realty & Logistics Parks Limited	Full	Subsidiary
134	Zen Cargo Movers Private Limited	Full	Subsidiary

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Ranjan Sharma Senior Director CARE Ratings Limited Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in</p> <p>Pulkit Agarwal Director CARE Ratings Limited Phone: +91-22-6754 3505 E-mail: pulkit.agarwal@careedge.in</p> <p>Arti Roy Associate Director CARE Ratings Limited Phone: +91-22-6754 3657 E-mail: arti.roy@careedge.in</p>
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About us:

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