

Astral Limited

(Oct 04, 2023)

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	805.00	CARE AA+; Stable/ CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The long-term rating assigned to the bank facilities of Astral Limited (Astral) continue to derive strength from its strong business risk profile with an established track record of operations in the plastic pipes and fittings business with market leadership position in chlorinated polyvinyl chloride (CPVC) pipe segment in India, its strong brand franchise of 'Astral' which is aided by its sustained advertisement and sales promotion spending and complemented by its widespread distribution network and multi-location manufacturing facilities. The ratings also derive strength from its diversified product portfolio in the pipes, water tanks and adhesives segment with backward integration into CPVC compounding, apart from its recent foray into faucets, sanitary ware, and paint segments to fuel its growth in medium term. The ratings also factor in a strong financial risk profile marked by continuous growth in its total operating income (TOI) and profitability over the years aided by capacity expansions, deeper market penetration, launch of new products and industry leading growth rate, and its strong debt coverage and return indicators. TOI and profitability are expected to grow further aided by improvement in capacity utilisation across the existing business segments apart from contribution from the newly commenced businesses. The financial risk profile is expected to remain strong in the medium term in the absence of any major debt-funded capex plan.

The long-term rating, however, continues to be constrained by the susceptibility of its profitability to fluctuations in the raw material prices and foreign exchange rates, supplier concentration risk and high competition in the plastic pipes industry due to low entry barriers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the capacity utilization for pipes as well as adhesive segments along with significant increase in its TOI through greater geographical and product diversification leading to Astral attaining significant market leadership position across its key businesses
- Sustained improvement in its PBILDT margin above 20% and return on capital employed (ROCE) above 30% while maintaining total outside liabilities to tangible net worth (TOL/TNW) ratio below 0.10x and total debt/ PBILDT of around 0.25x on a sustained basis
- Significant diversification of its raw material supplier base along with efficient working capital requirement

Negative factors

- Decline in the scale of operations with TOI going below ₹3,500 crore along with PBILDT margin below 15% and ROCE below 18% on a sustained basis
- Major debt-funded capex or acquisition leading to deterioration in TOL/TNW to more than 0.75x and total debt/PBILDT to more than 1.0x (net of cash and liquid investment) on a sustained basis, along with significant dilution of its liquidity
- Elongation in its operating cycle beyond 80 days having an adverse impact on its cash flow from operations and liquidity
- Any unrelated diversification having adverse impact on the credit profile of the company

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered consolidated financials of Astral for its analytical approach on account of business synergies with its subsidiaries which have been set-up/acquired in different geographies to cater to a wider market or are related to diversification to complement its existing product portfolio, and due to their common management. The details of entities getting consolidated in Astral are shown at **Annexure-6**.

Outlook: Stable

CARE Ratings expects sustained improvement in Astral's operating performance, backed by its diversified revenue profile and healthy demand in end-user industries. The financial risk profile should also remain strong in the absence of long-term debt and lower reliance on working capital borrowings.

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 of operations in plastic pipes and fittings business: Established in 1996, Astral is promoted by Sandeep Engineer (Chairman and Managing Director), who is a Chemical Engineer by qualification and has over three decades of industry experience. He is supported by his two sons for the overall management of the company. Astral is amongst the leading players in the high-margin CPVC pipes and fittings business in India. It was the first company to launch CPVC piping system and to get National Sanitation Foundation approval for the same in 1999 and 2007, respectively. It was also the first company to launch lead-free PVC pipes in 2004 and lead-free uPVC column pipes in 2012. Astral forayed into related adhesives business in 2014 with the acquisition of Seal IT Services Limited (UK) and later acquired Resinova Chemie Limited (RCL) in November 2014. These acquisitions added a variety of adhesives and sealants to Astral's product portfolio. The product portfolio of Astral also includes water tank, faucets, sanitary ware and paints apart from plastic pipe and adhesive.

Wide product portfolio in plumbing and adhesive business with market leadership position in CPVC pipe segment:

Astral has a wide variety of products in PVC, CPVC and lead-free PVC plumbing systems and fittings including drainage systems, agriculture systems, fire sprinkler systems, electrical conduit pipes, plumbing system for industrial applications etc. In the pipes and fittings segment, Astral has significant presence in value-added CPVC products. Astral was the first company to introduce CPVC piping products in India. The acquisition of Rex Polyextrusion Private Limited (Rex; amalgamated with Astral in FY20) further added products like corrugated pipes, cable protection systems for telecommunication lines and pipes for sub-surface drainage. Astral's entire product portfolio includes around 37 different variants in its pipes and water tank segment and around 23 variants in adhesive segment. Astral's product portfolio for the adhesive business include various sealant and adhesives used across multiple applications such as, household, construction, furniture, engineering, automobile and insulation etc. Astral has continually expanded its product portfolio in both piping as well as adhesive segment by introducing next-generation plumbing system for hot and cold water, low noise drainage and sewerage piping system, cyanoacrylate, surface drainage system, solvent cement, and rescue tape etc. to its portfolio over the past few years. The company will continue to benefit from its wide range of products in future as well.

Widespread dealer and distribution network leading to geographically diversified operations:

Over the years, the company has built its 'Astral' brand with the help of established and widespread network of dealers and distributors across India. Astral has 2,778+ distributors with 1,93,000+ dealers for its plumbing and adhesives segment. Astral's strong distribution network has enabled it to have a pan-India presence in its piping as well as adhesive business. For piping business, it has strong presence in West and South India while its presence in North and East India is expected to increase over next few years with commissioning of new plants in Rajasthan, Odisha, Guwahati and Bhubaneswar. Astral is also adding new distributors and dealers in this region. The company see a strong demand prospect for plastic pipe in east India.

The adhesive business currently has strong presence in north India and Astral is leveraging its distribution network of pipe to increase its presence in south and west India. With Astral's entry into paints, faucets and sanitary ware segments, it is expected to expand its distributors and dealer network further.

Furthermore, the share of revenue of Astral from outside India (overseas sales) in its total net sales stood at around 7%-10% during FY19-FY23.

Strong brand franchise of 'Astral' aided by sustained advertising and sales promotion spend:

Astral is consistently investing in brand building with branding activities involving national television advertisement, in-film branding, on-ground cricket match branding, associate sponsor of Indian Premier League (IPL) Teams, train/bus/auto banners, advertisement hoardings, shop hoarding boards, plumber/architects/distributors meet, digital marketing etc. Astral's branding strategy has always been to grow by commanding a strong brand recall in the minds of customers. During FY21, Astral launched exclusive marketing campaign with new brand ambassador, Ranveer Singh (a Bollywood actor) for a period of three years. Prior to Ranveer Singh, Astral had worked with Salman Khan, another Bollywood actor. During 2022, Astral has hired Allu Arjun as its brand ambassador for a period of two years with the key focus on brand recall in South Indian market. On a consolidated level, on an average, Astral spends nearly 2-3% of net sales on advertisement and sales promotion. Higher spending in advertisement and sales promotion by Astral has resulted into higher growth in sales volume compared to peers supported by a strong brand recall.

Multi-location manufacturing facilities, provides ease of market access and enable cost saving on logistic:

At present, Astral has eight piping and water tank manufacturing facilities in India and five adhesives and sealants manufacturing facilities across the globe with three within India and one each in the USA and UK. Due to bulky nature of pipe and water tank, they require a large storage capacity, and involves substantial freight/ logistic cost. To minimize the cost of logistic, Astral has set-up its manufacturing capacities across India targeting each region i.e., North, West, South and East.

The company has also set-up its manufacturing facility in eastern India at Bhubaneswar, Odisha. The plant is serving east and north-east Indian markets. The company also plans to increase the installed capacity of its Bhubaneswar plant. The company is setting up three new manufacturing facilities each at Guwahati, Hyderabad and Kanpur, Uttar Pradesh. These facilities will commence operation gradually over FY24-FY25. The company plans to spend annual capex of around ₹300-350 crore each in FY24-FY26 which is planned to be funded through internal accruals. The incremental capacity should facilitate the future growth in scale of operations.

Expected benefits of diversification from new businesses: In 2022, Astral forayed into paints, faucets, sanitary ware, uPVC and CPVC valves segments. Astral signed definitive agreement to acquire 51% equity stake, for a consideration of ₹194 crore, in an operating paint business (core business) of Gem Paints Private Limited (GPPL) with effect from April 01, 2022. The pay-out for the said acquisition is expected to in the month of October 2023. GPPL was founded in 1980 and has been involved in the manufacturing of high-performance industrial and decorative coatings with market presence in south India. Astral has also acquired a ready facility on asset purchase basis at Jamnagar, Gujarat, to manufacture faucets. These new business segments have synergies with Astral's existing business segments. Astral plans to leverage its vast and deep entrenched pan-India distribution network to drive growth in new businesses. Astral aims to gradually scale up the new offerings by focusing on specific geographies and then eventually establishing its presence pan-India. As per the management, these new categories are expected to generate incremental revenue of ₹1,500 crore over the next five years till FY27 with no major additional capex.

Growing scale of operations along with steady profitability margins supported by in-house CPVC compounding: Astral's consolidated total operating income (TOI) consists of two operating segments with pipes, water tank and Sanitaryware business including faucet ware referred as plumbing business which contributes about 73% and remaining is contributed by adhesive business. During FY23, total operating income (TOI) from plumbing business reported a growth of around 12% on the back of healthy sales volume growth of around 19% which was partially off-set by 7% dip in average sales realization followed by correction in raw material prices. Astral's plumbing sales volume registered a CAGR of around 10% during FY19-FY23 as against 5-8% sales growth registered by its peers. The growth in the plumbing business was supported by consistent increase in installed capacities which has been more than doubled from 1,38,000 MT in FY17 to 2,89,841 MT in FY23. TOI from adhesive business grew by 35% in FY23, aided by the revenue from the newly acquired paint business. The consolidated TOI of Astral is expected to grow at a CAGR of 10%-12% during FY24-FY26 on the back of healthy demand of its products apart from higher capacity utilisation.

Despite growth of over 6% in PBILDT (operating profit), the net profit declined by 6% in FY23 over FY22 due to significant increase in depreciation charge followed by commissioning of new manufacturing facilities. The PBILDT margin declined to 15.78% in FY23 from 17.39% in FY22 due to inventory losses post sharp correction in PVC resin prices. However, PBILDT margin has remained better than its peers. On a long-term basis, Astral is envisaged to maintain PBILDT margin of around 16-17%.

Strong financial risk profile: Astral's overall gearing on a consolidated level remained comfortable at 0.16x as on March 31, 2023, due to its strong net-worth base of around Rs.2,500 crore and minimum reliance on debt. With cash and liquid investments of Rs.682 crore, Astral is net debt free company as on March 31, 2023. Astral's debt coverage indicators remained healthy marked by PBILDT interest coverage of 20x and TD/GCA and Total debt/PBILDT of 0.62x and 0.48x respectively during FY23. Furthermore, capital structure and debt coverage indicators are expected to remain comfortable in the absence of any large debt-funded capex plan. Furthermore, the incremental working capital requirements are also expected to be met out of internal accruals and there would not be any substantial increase in working capital borrowings going ahead. Moreover, ROCE and RONW continue to remain strong at around 23% in FY23 and the same are likely to remain at levels of above 20% for FY24-FY26.

Good growth prospect for plastic pipe and plumbing industry: Demand for building materials such as pipe, paint, sanitaryware and faucets, ceramic, plywood, and laminates are correlated to the real estate development. Further, a significant portion of pipe demand comes from irrigation, urban infrastructure, and sanitation projects, allowing for faster growth than in other building material sectors. Because of increased end-use sector investments such as irrigation, water supply and sanitation (WSS) projects, the plastic pipes industry has historically grown faster than the GDP. In addition, increased awareness, adoption, and replacement of metal pipes with plastic pipes also continue to aid growth of plastic pipe segment. Also, growth in the construction sector (house building), development in infrastructure (railways, road, airport and malls), and application in industries (oil and gas transport), the demand for plastic pipe is expected to increase going forward. Government spending on Pradhan Mantri Krishi Sinchayee Yojana (PMKS), "Nal se Jal" scheme, a component of the Jal Jivan Mission, Pradhan Mantri Awas Yojana (PMAY) are also expected to support the growth of plastic pipe demand.

Liquidity: Strong

Astral's liquidity has remained strong marked by strong cash generation from operations and minimum reliance on external debt. On a consolidated basis, Astral had free cash & liquid investment of ₹682 crore and ₹465 crore as on March 31, 2023, and as on June 30, 2023, respectively which includes around ₹200 crore parked aside for pay out regarding acquisition for GPPL. The strong cash generation results into lower dependency on working capital borrowings. The average utilization of its fund-based (majorly buyer's credit) working capital limits stood low at around 47% during the trailing 12 months-ended July 2023. Its unencumbered cash and liquid investment and available unutilized bank lines are more than adequate to meet its incremental working capital and capex requirement over the next one year. With low overall gearing ratio, Astral has sufficient gearing headroom, to raise additional debt for its capex, if any. Astral's current ratio stood at 1.72x as on March 31, 2023, and it has a controlled operating cycle of 50 days in FY23 at consolidated level, due to tight receivable management.

Key weaknesses

Profitability susceptible to volatility in raw material prices and foreign exchange rates: The raw materials for Astral majorly constitute CPVC resin (comprises around 30-35% of total raw material requirement and majorly imported) and PVC resin (majorly procured domestically). PVC is a synthetic resin manufactured from polymerization of vinyl chloride. Being a crude derivative, PVC prices are correlated with crude prices. The raw material required for adhesives are also crude derivative products. Thus, Astral is exposed to fluctuation in raw material prices. During 2021 and 2022, the prices of PVC resin have remained highly volatile with price surging to nearly ₹160/kg from about ₹75-80/kg which now again trades at around ₹80/kg in September 2023. Substantial and sharp fall in raw material cost leads to inventory losses. Ability to consistently maintain the gross margin amidst volatility in raw material remains crucial for the success of plastic pipe manufactures including Astral.

Astral is exposed to fluctuations in foreign exchange rates since it imports around 25% of its total raw material requirement against which exports are minimal. Astral uses foreign currency buyer's credit of 180 days and does not hedge its open forex cover beyond 60 days, thus exposing it to fluctuations in foreign exchange rate.

Competitive plastic pipes industry and supplier concentration risk: The Indian plastic pipes industry is highly competitive with the market share of unorganized players comprising around 30-35% of the industry. A significant portion of the industry comprises of the unorganized segment on account of low entry barriers in the plastic pipes industry and commoditized nature of the product leading to low product differentiation and pricing pressure. The Indian plastic pipe industry primarily derives its demand from infrastructure/construction and agriculture sector along with replacement/substitution of metal pipes by cost-effective plastic pipes. However, amidst economic slowdown exacerbated by COVID-19 followed by GST implementation, many unorganised players are experiencing liquidity stress. As a result, organised players with robust credit profile, wide product portfolio, strong brand and distribution network continue to gain sizeable market share.

Astral majorly imports CPVC resin from Sekisui Chemical Co Ltd. while it relies on Reliance Industries Ltd (RIL), DCW Limited & Chemplast Sanmar Limited for PVC resins. Astral also imports PVC resins depending upon the pricing differential between RIL and landed cost of imported PVC resin.

Environment, social, and governance (ESG) risks

Parameter	Compliance and action by the company
Environment	<ul style="list-style-type: none"> ▪ Plumbing & Adhesive manufacturing is an energy-intensive process requiring substantial quantities of chemicals and thus resulting in greenhouse gas emissions, waste generation and pollution. As such, the industry's (and Astral's) exposure to litigation/penalties arising from issues related to waste and pollution management remains relatively high. ▪ Astral is fully compliant with all the environmental rules and regulations with dedicated environment managers handling the compliance at respective units. Various monitoring mechanisms are in place to ensure effective compliance. Astral has never paid any environmental compensation against any show cause or closure notices. ▪ All plants are zero liquid discharge plants. Hence, there is no discharge of water outside the plant premises and the wastewater generated is used within the plant. ▪ Most of the waste generated is recycled and reused in the processes and rest is disposed through authorised vendors. ▪ Increase in solar energy capacity to 4,381 kwp from 1991 kwp. Increase of 120% ▪ Astral is certified with ISO 14001:2015 (environmental management systems), ISO 9001:2015 for quality management system and ISO 45001:2018 (occupational health and safety management systems) for integrated management system implementation. ▪ Astral is in the process of integrating TCFD (Task Force on Climate-Related Financial Disclosures) in its risk management process.
Social	<ul style="list-style-type: none"> ▪ Social risks in the industry stem from the health and safety concerns of employees involved in operations, among other things such as fire safety measures etc.

Parameter	Compliance and action by the company
	<ul style="list-style-type: none"> Astral make conscious efforts to ensure that its suppliers adhere to the highest sustainability standards. Its supplier code of conduct embodies its commitment to internationally recognized standards, Universal Declaration of Human Rights as well as prevalent industry standards, and all other relevant and applicable statutory requirements. Astral has continuously involved in helping poor in healthcare, education, & infrastructure development initiatives. Constant raining is provided to employees for safety, hygiene & lifestyle.
Governance	<ul style="list-style-type: none"> Astral's board of directors consists of over 60% independent directors (5 out of 8). There are separate Code of Conducts for Board Members and senior management personnel. Policy on whistle blower and vigil mechanism is in place. Transparency in sharing of required information and consistency in adoption of accounting policies in preparation of financial statements also indicates fair governance practices.

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](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

Astral was established in 1996 as a private limited company by Sandeep Engineer. In 2007, the company was reconstituted as a public limited company with its initial public offering. Furthermore, the name of the company has been changed from Astral Poly Technik Limited to the present one in April 2021. Astral manufactures PVC and CPVC-based plastic pipes, plumbing systems, and adhesives. As on March 31, 2023, Astral had combined pipe and water tanks manufacturing capacity of 289,841 MTPA at its plants spread across Gujarat, Tamil Nadu, Rajasthan, Maharashtra, Uttarakhand and Odisha. Moreover, Astral had total adhesive manufacturing capacity of 1,01,435 MTPA at its plants located in Santej, (Gujarat) Unnao and Rania (Uttar Pradesh), USA and UK as on March 31, 2023. It has also ventured into paint, faucet and sanitaryware businesses. According to the company management, there have been no material findings by the IT department during the search at the office premises of Astral and residence of company officials during November 2021.

Brief Financials (₹ crore) Consolidated	FY22 (A)	FY23 (A)	Q1FY24 (UA)
Total operating income	4,405	5,164	1,283
PBILDT	766	815	202
PAT	490	460	119
Overall gearing (times)	0.18	0.16	NM
Interest coverage (times)	59.37	20.38	33.67

A: Audited UA: Un-audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based/Non-fund-based-LT/ST	-	-	-	-	170.00	CARE AA+; Stable/ CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	635.00	CARE AA+; Stable/ CARE A1+

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	Fund-based/Non-fund-based-LT/ST	LT/ST*	170.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (20-Sep-22)	1)CARE AA; Stable / CARE A1+ (22-Sep-21)	1)CARE AA; Stable / CARE A1+ (06-Oct-20)
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	635.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (20-Sep-22)	1)CARE AA; Stable / CARE A1+ (22-Sep-21)	1)CARE AA; Stable / CARE A1+ (06-Oct-20)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (22-Sep-21)	1)CARE AA; Stable (06-Oct-20)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	-	-	-	1)Withdrawn (20-Sep-22)	1)CARE AA; Stable / CARE A1+ (22-Sep-21)	1)CARE AA; Stable / CARE A1+ (06-Oct-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender detailsTo view the lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Name of Subsidiary	% of holding by Astral as on March 31, 2023
Seal It Services Limited, UK	95.00%
Seal It Services Inc., USA	95.00%
Astral Pipes Limited, Kenya	50.00%
Gem Paints Private Limited (GPPL) @	51.00%
Esha Paints Private Limited (w.e.f. April 20, 2022)	51.00%
Enterprise Software and Technology Services Private Limited @	These entities are a part of recently GPPL and are a non-core business operation of Astral. Due to control on board of GPPL, these entities have been consolidated in Astral.
Womenova Agro Food Park Private Limited @	
Samwin Consolidation LLP @	
Cyphysignals India Private Limited @	

@ w.e.f. April 01, 2022

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.

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About us:

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