

## Sunteck Realty Limited

February 02, 2024

| Facilities/Instruments                 | Amount (₹ crore)                 | Rating <sup>1</sup>           | Rating Action |
|--|----------------------------------|-------------------------------|---------------|
| Long-term bank facilities              | 887.00<br>(Enhanced from 600.00) | CARE AA-; Positive            | Reaffirmed    |
| Long-term / Short-term bank facilities | 120.00<br>(Reduced from 200.00)  | CARE AA-; Positive / CARE A1+ | Reaffirmed    |
| Issuer rating Issuer Rating            | 0.00                             | CARE AA-; Positive            | Assigned      |
| Non Convertible Debentures             | 100.00                           | CARE AA-; Positive            | Assigned      |
| Commercial Paper*                      | -                                | -                             | Withdrawn     |

\*Proposed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the long term and short-term ratings of Sunteck Realty Limited's (SRL) bank facilities and instrument continues to derive strength from extensive experience of the promoters of nearly two decades in the real estate industry marked by a track record of real estate development of more than five million square-feet (msf). The ratings also favourably take into cognizance, the healthy booking status in the overall project portfolio at an intermediate stage of execution, resulting in the build-up of sizeable-committed receivables thereby ensuring robust cash flow visibility. The ratings of SRL further draw comfort from its strong financial risk profile, characterised by low reliance on debt for the development of projects. Healthy sales traction at the initial stage of construction enables the company in funding the project cost majorly through customer advances. This, coupled with low land cost associated with adoption of asset light model, assists SRL in maintaining low debt profile and healthy profitability. Over the past few years, SRL has consistently reduced its debt levels and with a low debt profile, it continues to maintain robust gearing level and a strong debt to collections ratio. CARE Ratings notes that the company is maintaining a substantial ready inventory with market value of over ₹1500 crore, primarily in the Bandra Kurla Complex (BKC) micro market. Although the sales momentum is gradual in such project, the inventory continues to supplement the company's financial flexibility.

The rating strengths are however, constrained by sizeable development plans in the pipeline with high reliance on customer advances for funding the future project costs, limited geographic presence, moderate scale of operations, and inherent cyclicity associated with real estate sector. Going forward, the ability of the company to launch the planned projects in a timely manner and thereby ramp-up the bookings and collections while maintaining low leverage profile remains a key rating monitorable.

CARE Rating also notes that the SRL has entered a strategic partnership with International Financial Corporation (IFC) for undertaking 4-6 green housing projects in the Mumbai suburbs, targeting mid-income demographic. The partnership with IFC highlights SRL's well-established brand image and robust operational efficiencies. However, no projects have been identified under this partnership so far. SRL is also focussing on expanding its leasing portfolio, which is likely to generate potential leasing income of close to ₹70 crore, annually, from FY25 (FY refers to April 01 to March 31) onwards. This is expected to yield in cash flow stream diversification and financial flexibility for the company.

CARE Ratings Ltd. has withdrawn the rating assigned to the proposed commercial paper program of Sunteck Realty Limited with immediate effect. The action has been taken at SRL's request, as the commercial paper was not placed and there is no outstanding amount under the facility.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Yearly collections of ₹1,500 crore along with gross debt/annual collections (SRL's share) to remain below 0.45x, on a sustained basis.

#### Negative factors

- Considerable decline in the percentage of committed receivable to cover balance project cost and outstanding debt to 60% and below, on a sustained basis.
- Any incremental debt other than envisaged deteriorating overall gearing to 0.50x (net of capital reserve on consolidation) or above, on a sustained basis.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Analytical approach:** Consolidated; as SRL executes projects through subsidiaries, special purpose vehicles (SPVs) and joint ventures (JVs). **Annexure-6** details the list of companies considered in the consolidation.

**Outlook:** Positive

The positive outlook reflects CARE Ratings Limited's (CARE Ratings') belief that SRL's overall business risk profile will improve significantly upon timely launch of the projects and achievement of healthy bookings in the early stage of execution in line with its past track record. This shall ramp-up the bookings and ultimately the overall collections of the company to scale up operations, without significant impact on the existing leverage profile. The outlook may be revised to 'Stable' in the event of substantial delays in launching upcoming projects or significant slowdown in the sales momentum of ongoing/forthcoming projects, leading to a decline in the overall cash flows from envisaged levels.

**Detailed description of the key rating drivers:**

**Key strengths**

**Expansion through asset light model rendering healthy revenue visibility:** The group has completed 13 projects with developed area of over five msf as on September 30, 2023. While these projects were majorly executed on owned land, the company is now focussing on developing the projects on joint venture/joint development agreement (JV/JDA), which is evident from the sizeable land acquisitions from recently signed JDAs. Under such agreements, the company has acquired over 30 msf of development rights, and consideration to JDA partner linked to the collections, leading to efficient management of cash flows. Due to such sizeable acquisitions, the company has pipeline to launch projects for the next seven-to-eight years, reflecting healthy revenue visibility in the medium-to-long term.

**Significant improvement in bookings; recent and upcoming launches to drive the momentum:** As on September 30, 2023, the company has booked more than 70% of the total revenue potential of ongoing projects. Among ongoing projects, the company has sold more than 80% of area in three projects: Maxx World- Naigaon, Sunteck City-4<sup>th</sup> Avenue, and 2<sup>nd</sup> Avenue Pinnacle, Goregaon. It has sold more than 60% area in two projects: Sunteck One World and Sunteck Skypark and close to 40% in the recently launched project: Sunteck Beach Residency- Vasai.

The company strategically focuses on undertaking large scale development in phases, enabling micro-market evolution and subsequent capitalization on pricing growth. Owing to large scale development, the company has enhanced marketability of various clusters, as evident from its robust sales momentum in recent years. SRL reported year-on-year (YoY) growth of 28% and 23% in pre-sales/bookings in FY22 and FY23. The momentum in pre-sales/bookings continues to remain strong in the current fiscal with 16% YoY growth in 9MFY24. The company recently launched a new project in Kalyan, and going ahead, it is anticipated to launch few more projects in the near-term. Accordingly, the consistent launching of projects is expected to maintain a strong sales momentum and contribute to the scaling up of cash flows.

**Strong committed receivable coverage ratio indicating low funding risk and healthy cash flow visibility:** The company has achieved substantial booking level in its ongoing project portfolio, which resulted into build up of sizeable- committed receivables. As on September 30, 2023, the company has committed receivables of over ₹2,200 crore, which covers more than 120% of the balance project cost and outstanding debt. Around 10% of committed receivables pertains to completed projects which are due to be received post possession delivery; hence, there is strong cash flow visibility in the near-term. Amongst ongoing projects, three ongoing projects are in advanced stage of completion with over 70% of cost stands incurred, and three projects in the nascent stage of construction with less than 30% of cost incurred. As on September 30, 2023, SRL has incurred close to 60% of project cost, reflecting intermediate stage of execution. While residual execution risk exists, adequacy of committed receivables indicate a low level of funding risks.

**Low reliance on debt to fund project cost:** The projects currently under execution are being funded through low level of debt. As on September 30, 2023, the committed debt constituted only 7% of total project cost incurred across projects (completed, ongoing and forthcoming). The company's debt position has been consistently declining, as evidenced by the external debt of ₹446 crore, as of December 31, 2023, which decreased from ₹700 crore and ₹593 crore as of March 31, 2022, and March 31, 2023, respectively. The company's comfortable debt position is also reflected from low gearing (after adjustment of capital reserve recognised after acquiring subsidiary from net worth), which stood at 0.35x, 0.40x and 0.35x as on the end of past three financial years (FY21-FY23). The total gross debt/collections have improved significantly from 1.10x as on March 31, 2020, to 0.66x and 0.47x as on the end of previous two fiscals.

The implementation of an asset-light model and a track record of achieving robust sales in the initial stage of construction, enables the company to maintain a low reliance on debt. Consequently, the gearing level is anticipated to stay comfortably below 0.50x, with the debt-to-collection ratio remaining below unity.

**Expansion in leasing portfolio:** Apart from robust cash flow generation from residential projects, SRL is also focussing on expanding its leasing portfolio. In the current fiscal, it has leased out one project, Sunteck- BKC 51, in Mumbai while being in advanced discussion for leasing another project. This shall generate potential leasing income of over ₹70 crore (SRL share), annually. This build-up of leasing income is expected to further strengthen the cash flow position. The company has not availed debt on these projects and hence, leasing cash flows are expected to further supplement the company's financial flexibility.

**Experienced promoters and healthy track record of project execution:** SRL is led by Kamal Khetan, Chairman and MD, who is an engineer in Electronics and Communications from Mangalore University and first-generation promoter. He is involved in corporate strategy and acquisition, while providing guidance on execution and diversification. He is assisted by a well-qualified and an experienced management team with rich experience in real estate business. Till date, SRL has delivered more than five msf space across segments, which reflects its healthy track record in the real estate industry.

### Key weaknesses

**Aggressive expansion plans:** The company has developed area of nearly 5 msf, while planning the development of close to 30 msf in the medium term. Thus, the overall planned size of development remains significantly high as compared to the size developed in the past. For funding the future project costs, the company is largely reliant on the customer advances considering it has healthy track record of achieving strong bookings in the early stage of execution. This apart, surplus from ongoing projects is also expected to support the funding for upcoming projects. Nevertheless, with high dependence on customer advances, the ability of the company to achieve healthy bookings in the new micro markets in line with its past track record of bookings shall remain monitorable.

**Limited geographic presence and moderate scale of operations:** SRL is currently executing projects in micro-markets of MMR and has moderate scale of operations with yearly bookings and collections in the range of ₹1,000-2,000 crore. CARE Ratings notes that the new launches are expected to enhance the scale of cash flows, however SRL's ability to timely launch the projects while maintaining comfortable financial risk profile remains crucial from credit perspective. Furthermore, with all the ongoing projects being executed in MMR, there exists geographic concentration. Any downturn in such micro markets might impact the developer's revenues. Nevertheless, within the MMR region, SRL is expanding its footprints in new development clusters viz. including Kalyan, Nepeanea Road, Vasai, Mira Road and Borivali, among others, mitigating risk to a certain extent. Furthermore, product offerings across segments and price points also contributes in diversifying revenue profile.

### Inherent risk associated with executing large-scale project, given the cyclical nature of the real estate industry:

The company is exposed to the cyclical nature associated with the real estate sector, which has direct linkage with the general macro-economic scenario, interest rates and level of disposable income. In case of the real estate companies, the profitability depends highly on property markets. A high interest rate scenario could discourage consumers from borrowing to finance real estate purchases and might depress the real estate market.

### Liquidity: Strong

As on December 31, 2023, the company has maintained free liquid investments of ₹204 crore, against scheduled debt commitments of close to ₹255 crore in balance FY24 and FY25. This apart, SRL has undrawn bank lines of over ₹700 crore as on December 31, 2023, which reflects a healthy liquidity cushion. Furthermore, healthy level of committed receivables also reflects healthy cash flow visibility. Cash coverage ratio of the company is, accordingly, expected to remain healthy in the next three years.

### Assumptions/Covenants: Not applicable

**Environment, social, and governance (ESG) risks:** The activities in the real estate sector have an adverse impact on environmental and social aspects considering high emission levels, waste generation, climate change, high labour intensity, and related safety issues. SRL has an ongoing focus on strengthening its compliances of ESG parameters and resultantly it has taken various initiatives for efficiently managing ESG risks. The company has also been awarded preliminary certificates by Green Business Certifications Inc. for four residential projects– Sunteck Beach Residences (Vasai), 4th Avenue Sunteck City (Goregaon), Sunteck Maxx World (Naigaon), and Sunteck One World (Naigaon) and three commercial projects- Sunteck BKC 51, Sunteck Crest and Sunteck Icon. Other key initiatives include:

- Environmental- 'Go Green' CSR Campaign, Digital transformation to reduce resource consumption, Rainwater Harvesting.
- Social- Supporting migrant workers following outbreak of COVID-19, contributing to medical initiatives.
- Governance- Code of conduct, Corporate Social Responsibility (CSR) and Whistleblower policies in place, Disclosure on Corporate Governance, etc.

### Applicable criteria

[Short Term Instruments](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology for Real estate sector](#)

[Policy on Withdrawal of Ratings](#)

[Policy on default recognition](#)

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

[Financial Ratios – Non financial Sector](#)

[Consolidation](#)

[CARE Ratings' criteria on Issuer Rating](#)

## About the company and industry

### Industry classification

| Macro-economic Indicator | Sector | Industry | Basic Industry                   |
|--------------------------|--------|----------|----------------------------------|
| Consumer Discretionary   | Realty | Realty   | Residential, Commercial Projects |

Sunteck Realty Limited (SRL; CIN: L32100MH1981PLC025346; market cap: ₹6,557 crore as on January 25, 2024) is engaged in developing residential and commercial properties. The company undertakes projects primarily under joint venture (JV) and joint development arrangement (JDA) formats. SRL's developmental activities are mainly spread across the Mumbai Metropolitan Region, along with some exposure in Tier-II cities such as Jaipur, Nagpur and Goa. Till date, SRL has delivered over five million sq-ft (msf) and has an ongoing development portfolio of close to 7 msf.

### Consolidated

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | December 31, 2023 (UA) |
|----------------------------|--------------------|--------------------|------------------------|
| Total operating income     | 508.46             | 362.02             | 185.63                 |
| PBILDT                     | 91.54              | 63.75              | 11.26                  |
| PAT                        | 25.09              | 1.41               | -30.41                 |
| Overall gearing (times)    | 0.28               | 0.25               | NA                     |
| Adjusted overall gearing*  | 0.31               | 0.27               | NA                     |
| Interest coverage (times)  | 1.18               | 0.74               | 0.22                   |

A: Audited UA: Unaudited; NA: Not available

Note: Financials have been classified as per CARE Ratings' internal standards

\*Adjusted overall gearing is computed after excluding capital reserve from tangible net worth, which was recognised on acquisition of subsidiary.

### Standalone

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | December 31, 2023 (UA) |
|----------------------------|--------------------|--------------------|------------------------|
| Total operating income     | 215.97             | 121.11             | 84.81                  |
| PBILDT                     | 91.54              | 63.75              | 3.26                   |
| PAT                        | 25.09              | 1.41               | -19.25                 |
| Overall gearing (times)    | 0.22               | 0.22               | NA                     |
| Interest coverage (times)  | 1.10               | 0.15               | 0.09                   |

A: Audited UA: Unaudited; NA: Not available

Note: Financials have been classified as per CARE Ratings' internal standards

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer to 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 |
|--|------|------------------|-----------------|---------------|-----------------------------|---|
| Commercial Paper-Commercial Paper (Standalone)   | NA   | Not placed       | NA              | Not placed    | 0.00                        | Withdrawn                                 |
| Fund-based - LT-Term Loan                        |      | -                | -               | January, 2029 | 887.00                      | CARE AA-; Positive                        |
| LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG |      | -                | -               | -             | 120.00                      | CARE AA-; Positive / CARE A1+             |
| Issuer Rating-Issuer Ratings                     |      | -                | -               | -             | 0.00                        | CARE AA-; Positive                        |
| Debentures-Non-Convertible Debentures            | -    | Proposed         | -               | -             | 100.00                      | CARE AA-; Positive                        |

**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 - LT-Term Loan              | LT              | -                            | -      | -   | -   | -   | 1)CARE AA-; Negative (16-Feb-21)<br>2)Withdrawn (16-Feb-21)<br>3)CARE AA-; Negative (22-Apr-20)<br>4)CARE AA-; Stable (03-Apr-20) |
| 2       | Debentures-Non Convertible Debentures  | LT              | -                            | -      | -   | -   | -   | 1)Withdrawn (03-Apr-20)   |
| 3       | Fund-based - LT-Bank Overdraft         | LT              | -                            | -      | -   | -   | -   | 1)Withdrawn (16-Feb-21)<br>2)CARE AA-; Negative (16-Feb-21)   |

| 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   |
|         |   |                 |                              |                    |   |  |   | 3)CARE AA-; Negative (22-Apr-20)<br>4)CARE AA-; Stable (03-Apr-20)                                    |
| 4       | Non-fund-based - ST-BG/LC                       | ST              | -                            | -                  | -   | -  | -   | 1)CARE A1+ (16-Feb-21)<br>2)Withdrawn (16-Feb-21)<br>3)CARE A1+ (22-Apr-20)<br>4)CARE A1+ (03-Apr-20) |
| 5       | Commercial Paper- Commercial Paper (Standalone) | ST              | -                            | -                  | -   | -  | -   | 1)Withdrawn (12-Feb-21)<br>2)CARE A1+ (22-Apr-20)<br>3)CARE A1+ (03-Apr-20)                           |
| 6       | Commercial Paper- Commercial Paper (Standalone) | ST              | -                            | -                  | -   | 1)CARE A1+ (01-Dec-22)<br>2)CARE A1+ (07-Oct-22)                     | -   | -   |
| 7       | Fund-based - LT-Term Loan                       | LT              | 887.00                       | CARE AA-; Positive | -   | 1)CARE AA-; Positive (01-Dec-22)<br>2)CARE AA-; Positive (07-Oct-22) | -   | -   |

| 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 |
| 8       | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | LT/ST           | 120.00                       | CARE AA-; Positive / CARE A1+ | -   | 1)CARE AA-; Positive / CARE A1+ (01-Dec-22) | -   | -   |
| 9       | Debentures-Non Convertible Debentures            | LT              | 100.00                       | CARE AA-; Positive            |   |   |   |   |
| 10      | Issuer Rating-Issuer Ratings                     | Issuer rating   | 0.00                         | CARE AA-; Positive            |   |   |   |   |

\*LT: Long term ST: 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       | Commercial Paper-Commercial Paper (Standalone)   | Simple           |
| 2       | Fund-based - LT-Term Loan                        | Simple           |
| 3       | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | Simple           |
| 4       | Issuer Rating-Issuer Ratings                     | Simple           |
| 5       | Debentures-Non-Convertible Debentures            | Simple           |

**Annexure-5: Lender details**

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

**Annexure-6: List of companies considered under consolidation:**

| Name of entity                             | Stake of SRL             |
|--|--------------------------|
|  | As on March 31, 2023 (%) |
| Skystar Buildcon Private Limited           | 100.00                   |
| Starlight Systems Private Limited          | 100.00                   |
| Starlight Systems (I) Private Limited      | 100.00                   |
| Satguru Corporate Services Private Limited | 100.00                   |
| Sahrish Constructions Private Limited      | 100.00                   |
| Starteck Lifestyle Private Limited         | 100.00                   |
| Satguru Infocorp Services Private Limited  | 100.00                   |
| Advaith Infraprojects Private Limited      | 100.00                   |
| Sunteck Property Holdings Private Limited  | 100.00                   |

| Name of entity  | Stake of SRL             |
|---|--------------------------|
|   | As on March 31, 2023 (%) |
| Sunteck Real Estates Private Limited                        | 100.00                   |
| Sunteck Realty Holdings Private Limited                     | 100.00                   |
| Sunteck Infraprojects Private Limited                       | 100.00                   |
| Clarissa Facility Management LLP                            | 100.00                   |
| Mithra Buildcon LLP   | 100.00                   |
| Sunteck Lifestyle Limited (UAE)                             | 100.00                   |
| Magnate Industries LLP                                      | 100.00                   |
| Sunteck Lifestyle International Private Limited (Mauritius) | 100.00                   |
| Sunteck Lifestyle Management DMCC                           | 100.00                   |
| Shivay Brokers Private Limited                              | 100.00                   |
| Sunteck Lifespace Private Limited                           | 100.00                   |
| Industele Property Private Limited                          | 100.00                   |
| Rammit Corporate Solutions Private Limited                  | 100.00                   |
| Russel Multiventures Private Limited                        | 100.00                   |
| Sunteck Infracon Private Limited                            | 100.00                   |
| Sunteck Realtors Private Limited                            | 100.00                   |
| <b>Joint Ventures</b>                                       |                          |
| Piramal Sunteck Realty Private Limited                      | 50.00                    |
| Nariman Infrastructure LLP                                  | 50.00                    |
| Uniworth Realty LLP   | 50.00                    |
| GGICO Sunteck Limited (UAE)                                 | 50.00                    |

**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.



## Contact us

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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