

## Grasim Industries Limited

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	9,500.70 (Enhanced from 6,506.00)	CARE AAA; Stable	Reaffirmed
Short-term bank facilities	5,274.30 (Enhanced from 3,350.00)	CARE A1+	Reaffirmed
Non-convertible debentures	1,000.00	CARE AAA; Stable	Reaffirmed
Short-term instruments	1,500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities and instruments of Grasim Industries Limited (GIL) continue to derive strength from its leadership position in the viscose staple fibre (VSF) business and being leading player of caustic soda and speciality chemicals such as epoxy polymers and curing agents in India. Ratings also derive comfort from the diversified business profile of GIL (VSF and chemicals among others), its strong financial flexibility being the flagship company of the Aditya Birla group with a substantial market value of its strategic investments, especially UltraTech Cement Limited (rated 'CARE AAA: Stable/ CARE A1+').

Ratings also factor in strong financial risk profile, marked by healthy operating efficiencies, and strong liquidity. Ratings also consider the healthy operational performance in FY24 considering improvement in operating margins of viscose segment despite fall in realisations in caustic soda segment owing to tepid demand and oversupply situation of caustic soda. However, the operating performance declined in Q1FY25 considering lower operating margins in both viscose and chemicals segment. Viscose operating margins were impacted due to weak demand and disruptive pricing by Chinese exporters. Although declined year-on-year (y-o-y), the chemicals segment operating margins improved quarter-on-quarter (q-o-q) considering sequential q-o-q improvement in caustic soda realisations from Q1FY24.

CARE Ratings Limited (CARE Ratings) notes that the company has forayed into the paints business at a capital outlay of ₹10,000 crore to be deployed over three years starting 2022. This is expected to be funded through a mix of debt and internal accruals, which is expected to result in higher debt levels. CARE Ratings also notes GIL's foray into B2B e-commerce platform for building materials segment with an investment of around ₹2,000 crore over five years starting 2022. GIL's foray in the paints segment and B2B business will further diversify its business profile, supported by a strong financial profile. The timely execution within the cost envisaged and GIL's ability to expand in new operations, while gaining envisaged market share will be a key monitorable.

Rating strengths are susceptible to fluctuation in prices and exposure to risks associated with cyclicity in the VSF business and subdued return on capital employed (ROCE) owing to large investments made in strategic businesses.

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

**Positive factors:** Not applicable

#### Negative factors

- Higher-than-envisaged debt levels due to funding of ongoing capex and/or higher working capital requirements, leading to deterioration in its capital structure marked by overall gearing exceeding 0.50x.
- Significant financial support to subsidiaries, associate companies, or group companies.

### Analytical approach: Standalone

Standalone factoring support to its subsidiaries/ group companies. List of subsidiaries/ group companies to whom support is considered is presented in **Annexure-6**. However, CARE Ratings has not factored support to UltraTech Cement Limited and its subsidiaries, Hindalco Industries Limited and its subsidiaries, and Vodafone Idea Limited and its subsidiaries, as these have been considered as strategic financial investments.

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

**Outlook: Stable**

The company is expected to sustain its strong financial risk profile amidst healthy cash flow generation from operations due to its integrated scale of operations and strong brand, which with stable demand scenario, shall enable it to sustain and improve its healthy business profile in the long term. Healthy cash accruals and strong cash and bank balances shall support its robust liquidity.

**Detailed description of key rating drivers:****Key strengths****Leadership position in VSF industry**

The Aditya Birla group is the global leader in VSF manufacturing with a leading share of the global market and is the largest VSF producer in India. GIL is India's pioneer in VSF, a man-made bio-degradable fibre with characteristics akin to cotton. VSF is widely used in apparel, home textiles, dress materials, knitted wear, and non-woven applications. VSF operations are largely integrated with pulp plants and caustic soda plants in India, captive thermal power plants, and a strong product mix, leading to operational efficiency. Capacity expansion of VSF and caustic soda will further strengthen GIL's market position in the domestic market.

**Diversified business profile**

GIL's core businesses (on a standalone basis) comprises VSF, caustic soda, speciality chemicals, and rayon-grade wood pulp (RGWP) with plants at multiple locations. GIL is the leading producer of caustic soda with an installed capacity of 1,359 kilo tonne per annum (KTPA). Merger with Aditya Birla Nuvo Limited (ABNL) has further strengthened GIL's textile offerings. The company now has capabilities across the entire value chain from fibre to yarn to textile. Within textile, the company has been able to create indigenous brand 'LIVA'. Apart from strong market position and economies of scale, core businesses have healthy operating efficiencies. GIL completed divestment of its fertilisers business (Indo-Gulf Fertilisers) on a going concern basis on January 01, 2022. Total consideration was of ₹1,860 crore. GIL's foray into the paints segment and B2B business will further diversify its business profile.

**Strong financial flexibility**

The Aditya Birla group, led by Kumar Mangalam Birla, enjoys a leading presence across several business segments, including metals, cement, telecom, financial services, and textiles among others. Being holding company of the group, GIL derives strong financial flexibility, having a diversified presence across businesses with a substantial market value of its strategic investments, especially UltraTech Cement Limited, and robust fundraising ability. GIL holds major strategic investments in subsidiaries such as UltraTech Cement Limited (57.27%) and Aditya Birla Capital Limited (52.64%), among others. These businesses are substantial and remain strategic to the group, making GIL a significant entity within the group.

**Healthy operating performance in FY24; despite moderation witnessed in Q1FY25**

The company has strong fundamentals, characterised by a robust business model in its core business segments, high bargaining power with suppliers and customers, a strong distribution network, and healthy profitability. Healthy operating performance is largely due to healthy volumes in viscose and chemicals segment and improvement in operating margins of the viscose segment considering higher efficiencies and reduction in input prices. In FY24, while total operating income (TOI) remained healthy at ₹25,743 crore (PY: ₹26,783 crore), operating margins declined to 8.53% in FY24 against 11.64% in FY23 due to decline in operating margins in chemical segment due to fall in Electro Chemical Unit (ECU) realisations. In Q1FY25, while total income remained healthy at ₹6,987 crore (PY: ₹6,353 crore), operating margins declined to 5.99% against 12.42% in Q1FY24 due to decline in operating margins in both viscose and chemicals segment.

**Viscose segment**

Revenue from the viscose segment (VSF + VFY) remained healthy at ₹14,949 crore (PY: ₹15,149 crore) in FY24 despite being impacted by lower realisations considering softening of input prices. Share of domestic sales volume in overall sales volume stood at about 90% in FY24 (PY: 91%). Growing consumer preference for comfortable casual and value-for-money clothing has spurt demand for cellulosic fibre and VSF has been a key beneficiary of this shift. The share of speciality fibre stood at 19% in FY24 (PY: 19%). Viscose demand was adversely impacted by lower exports of textile value chain and subdued market conditions in developed economies. In FY24, operating margins improved to 11.52% from 6.81% in FY23 considering higher efficiencies and reduction in input prices despite fall in blended realisations. While the revenue from the viscose segment improved to ₹3,787 crore in Q1FY25 (PY: ₹3,584 crore) driven by volume growth despite lower y-o-y realisations, operating margins declined marginally to 10.69% in Q1FY25 as against 10.88% in Q1FY24 considering weak demand and disruptive pricing by Chinese exporters in the Indian market for VFY.

## Chemical segment

In FY24, total income of chemicals segment reported a decline of 21% y-o-y to ₹8,213 crore, largely due to lower caustic realisations considering fall in average caustic soda prices in FY24 against FY23 led by tepid demand and oversupply of caustic soda in the market. Global caustic soda prices declined from US\$659 per tonne in FY23 to US\$432 per tonne in FY24. Caustic soda prices in India also declined in line with the global prices. This led to sequentially lower ECU realisation in domestic markets as well. ECU realisation, which captures realisations of caustic soda, chlorine and hydrogen, witnessed a consistent decline, where it declined from ₹42,136/MT in Q4FY23 to ₹30,427/MT in Q4FY24 impacted by oversupply in domestic caustic soda market and slowdown in chlorine consuming industries. In FY24, operating margins declined to 12.83% from 21.79% in FY23. Caustic soda sales volume improved in FY24 owing to new capacities commissioned in the last two years. GIL continues to work on adding more chlorine derivative products in the portfolio. In FY24, overall chlorine integration improved to 62% compared to 60% in FY23. For FY24, revenue contribution from chlorine derivatives and speciality chemicals (epoxy polymers and curing agents) improved to 20% (PY: 17%) and 26% (PY: 23%), respectively. In Q1FY25, while the revenues from the chemical segment remained healthy at ₹2,066 crore as against ₹2,083 crore in Q4FY24 and ₹2,146 crore in Q1FY24, the operating margins declined y-o-y to 14.01% (PY: 16.68%), although improved q-o-q from 9.36% in Q4FY24 considering sequential q-o-q improvement in caustic soda realisations from Q1FY24. The ECU realisation further improved to ₹32,529/MT in Q1FY25.

## Healthy financial risk profile

Healthy accruals in the last several years resulted in GIL's strong financial profile, despite investments in subsidiaries and related parties, and ongoing capex. The company's debt coverage metrics remained comfortable in FY24 due to healthy cash accruals, despite an increase in the total debt (TD) due to its capex requirements. In Q3FY24, GIL's board approved raising of funds not exceeding ₹4,000 crore by way of a rights issue to fund ongoing capex plans, repay existing borrowings and support general corporate purposes. In January 2024, rights issue was open for subscription and was fully subscribed. The company has received share application money of ₹1,000 crore, and balance amount will be payable by shareholders in up to three additional calls, when decided by the board/ rights issue committee, to be completed by March 2026. In June 2024, the company made the first call, money from which was received in July 2024. Despite the debt-funded capex planned in the medium term, overall financial risk profile is expected to continue to remain strong.

## Large investments made in strategic businesses

A large part of GIL's net worth is deployed in strategic investments, 64% of the tangible net worth (TNW) as on March 31, 2024 (61% of the TNW as on March 31, 2023). Although returns generated from these investments are low, some of these investments have substantial market value, especially UltraTech Cement Limited. A significant decline in the market value of its investments, adversely impacting GIL's financial flexibility, will be a key monitorable.

## Liquidity: Strong

GIL being the flagship company of the Aditya Birla group enjoys strong financial flexibility in terms of raising low-cost debt from the market and refinancing maturing debt. GIL has strong liquidity in the form of undrawn working capital lines. The company had cash and cash equivalents (including liquid investments) of about ₹3,472 crore (as on March 31, 2024), which is sufficient to service scheduled term debt repayments of ₹1,270 crore in FY25.

## Key weaknesses

### Exposure to risks related to cyclical in the VSF business

VSF demand remains impacted by downturns in the economy. It also faces intense competition from other fibres, mainly cotton and polyester staple fibre, leading to fluctuations in profitability. VSF improves moisture absorption of blended yarn; however, cotton can be used instead of VSF in manufacturing blended yarn. Hence, VSF demand will be influenced by movements in cotton prices. GIL's strong market position, aided by largely backward integration of operations, should help it manage downturns in the industry. The company has created a brand around its textile offerings under tag "LIVA", assuring high-quality fabric.

### Significant capex in paints business

Significant capex is expected to be incurred in FY25 majorly for the paints segment. The company has planned to fund this capex through a mix of debt and internal accruals. GIL is exposed to risks associated with project implementation and stabilisation of new capacities until completion of the capex programme. However, the company has substantial experience and a track record in executing similar projects in the past. Therefore, project execution risk is largely mitigated.

GIL has forayed into the decorative paints business with a capital outlay of ₹10,000 crore. Considering changing market dynamics of the decorative paints sector, the company has accelerated execution of the paints capacity of 1,332 million litre per annum (MLPA) with plans to commission plants in phases from Q4FY24. Till June 30, 2024, cumulative capex for the paints business

stood at ₹7,795 crore (around 78% of the planned outlay for paints business). In FY24, the company expended ₹4,471 crore of capex for paints business out of ₹5,900 crore total capex for the year. In Q1FY25, the company expended ₹731 crore for paints business. Balance paints capex spend of around ₹2,200 crore is expected to be incurred in remainder of FY25. On February 22, 2024, GIL launched its products and services under a new decorative paints brand, "Birla Opus", aiming for ₹10,000 crore gross revenue within three years of full-scale operations. Of six manufacturing plants, GIL has inaugurated three plants at Panipat (Haryana), Ludhiana (Punjab), and Cheyyar (Tamil Nadu), which commenced pilot production in February 2024 and commercial production in April 2024. Trial run production started in fourth plant in Chamarajanagar (Karnataka). Other two plants, Mahad (Maharashtra), and Kharagpur (West Bengal) are expected to commence production by end-FY25.

### Financial support to subsidiaries, associates, and group companies

GIL has been investing in subsidiaries, associates, and group entities over the years through cash generated from internal accruals and liquidation of current investments. While some of these investments lend financial flexibility to the company, capital call towards subsidiaries or group companies or additional support to other subsidiaries, associates or group companies may impact the company's liquidity and continues to remain a key rating monitorable.

### Environment, social, and governance (ESG) risks

#### Environment:

The company's financial strength and long-term approach gives it the ability to invest in sustainable initiatives with an ambition to be at the forefront of change. The VSF business has set a target of Net Zero carbon emissions across all operations by 2040 and to reduce greenhouse gas (GHG) emissions intensity to half by 2030. Nagda Plant created the distinction of being the first viscose unit globally to achieve Zero Liquid Discharge (ZLD). The VSF business has achieved the EU Best Available Technology (BAT) compliance independently verified by a third-party at its Vilayat and Kharach sites. The company has partnered with global organisations to speed up and integrate circular economy criteria into all its processes with an objective of extending the useful life of its products via reuse or recycling. The company is committed to sustainable forestry, circularity, and increasingly having renewable energy powering for its operations.

#### Social:

On the social front, the company undertakes community initiatives to empower the society at large in its key areas of interventions.

#### Governance:

The company has instituted stringent policies that are followed and updated regularly and have an effective governance mechanism powered by the Board and its committees. In its board, 50% comprises independent directors (seven of 14 directors) and three women directors.

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

The flagship company of the Aditya Birla group, GIL ranks among India's largest private sector companies. On a standalone basis, GIL's core businesses comprises VSF, caustic soda, speciality chemicals, RGWP and decorative paints, with plants at multiple locations. It also has other businesses such as textiles, and insulators among others. On a consolidated basis, GIL has a presence in other businesses such as cement and financial services – in cement, through its subsidiary UltraTech Cement Limited (57.27%

stake as on June 30, 2024), which is a leading cement player in India having an installed capacity of 140.8 MTPA of grey cement in India as on March 31, 2024. In financial services, the company has a presence through its subsidiary, Aditya Birla Capital Limited. (ABCL, 52.64% stake as on June 30, 2024).

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total operating income	26,782.98	25,742.55	6,987.00
PBILDT	3,116.82	2,197.04	418.23
PAT	2,123.73	945.39	(52.12)
Overall gearing (times)	0.14	0.22	NA
Interest coverage (times)	8.57	4.99	2.99

A: Audited UA: Un audited NA: Not available; Note: these are latest available financial results

#### Status of non-cooperation with previous CRA:

Not applicable

#### Any other information:

#### Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings:

Name of Director	Designation of Director
V. Chandrasekaran	Non-Executive - Independent Director

V. Chandrasekaran who is a Non-Executive - Independent Directors on the Board of GIL is a Non-Executive – Independent Director of CARE Ratings. Independent/Non-executive Directors of CARE Ratings are not part of CARE Ratings' Rating Committee and do not participate in the rating process.

#### Disclosure of Interest of Managing Director & CEO:

Not applicable

#### Rating history for last three years: Annexure-2

#### Covenants of rated instrument / facility: Annexure-3

#### Complexity level of 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 and Rating Outlook
Debentures-Non-convertible debentures*	-	-	-	-	1000.00	CARE AAA; Stable
Fund-based - LT-Term loan	-	-	-	18-04-2033	7650.00	CARE AAA; Stable
Fund-based-Long term	-	-	-	-	1850.70	CARE AAA; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	5274.30	CARE A1+

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 and Rating Outlook
Short-term Instruments-CP/ Short-term loan*	-	-	-	7-364 days	1500.00	CARE A1+

\*Proposed, no outstanding

#### Annexure-2: Rating history for 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 2024-2025	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
1	Debentures-Non-convertible debentures	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (05-Jul-24) 2)CARE AAA; Stable (05-Apr-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (05-Dec-22)	1)CARE AAA; Stable (06-Dec-21) 2)CARE AAA; Stable (05-Apr-21)
2	Fund-based - LT-Term loan	LT	7650.00	CARE AAA; Stable	1)CARE AAA; Stable (05-Jul-24) 2)CARE AAA; Stable (05-Apr-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (05-Dec-22)	1)CARE AAA; Stable (06-Dec-21) 2)CARE AAA; Stable (05-Apr-21)
3	Non-fund-based - ST-BG/LC	ST	5274.30	CARE A1+	1)CARE A1+ (05-Jul-24) 2)CARE A1+ (05-Apr-24)	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (05-Dec-22)	1)CARE A1+ (06-Dec-21) 2)CARE A1+ (05-Apr-21)
4	Short-term instruments-CP/ Short-term loan	ST	1500.00	CARE A1+	1)CARE A1+ (05-Jul-24) 2)CARE A1+ (05-Apr-24)	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (05-Dec-22)	1)CARE A1+ (06-Dec-21) 2)CARE A1+ (05-Apr-21)
5	Fund-based-Long term	LT	1850.70	CARE AAA; Stable	1)CARE AAA; Stable (05-Jul-24) 2)CARE AAA; Stable (05-Apr-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (05-Dec-22)	1)CARE AAA; Stable (06-Dec-21) 2)CARE AAA; Stable (05-Apr-21)

LT: Long term; ST: Short term

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

Not available



**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Term loan	Simple
3	Fund-based-Long Term	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Short-term instruments-CP/ Short-term loan	Simple

**Annexure-5: Lender details**

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

**Annexure-6: List of entities for which support is factored in as on March 31, 2024**

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	ABNL Investments Limited	Full	Pl. refer Analytical approach
2	Samruddhi Swastik Trading and Investments Limited		
3	Grasim Business Services Private Limited		
4	Aditya Birla Renewables Limited		
5	Aditya Birla Renewables SPV1 Limited		
6	Aditya Birla Renewables Subsidiary Limited		
7	Aditya Birla Renewable Energy Limited		
8	Aditya Birla Renewable Solar Limited		
9	ABReL SPV2 Limited		
10	Aditya Birla Renewables Utkal Limited		
11	ABReL Solar Power Limited		
12	ABReL Renewables EPC Limited		
13	ABReL Century Energy Limited		
14	ABReL (MP) Renewables Limited		
15	ABReL Green Energy Limited		
16	ABReL EPCCO Services Limited		
17	ABREL EPC Limited		
18	ABReL (RJ) Projects Limited		
19	ABReL (Odisha) SPV Limited		

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
20	ABReL Hybrid Projects Limited		
21	Aditya Birla Renewables Green Power Private Limited		
22	Aditya Birla Capital Limited		
23	Aditya Birla Finance Limited		
24	Aditya Birla Housing Finance Limited		
25	Aditya Birla Trustee Company Private Limited		
26	Aditya Birla PE Advisors Private Limited		
27	Aditya Birla Capital Technology Services Limited		
28	Aditya Birla Financial Shared Services Limited		
29	Aditya Birla Money Limited		
30	Aditya Birla Money Mart Limited		
31	Aditya Birla Money Insurance Advisory Services Limited		
32	Aditya Birla Insurance Brokers Limited		
33	Aditya Birla Sun Life Insurance Company Limited		
34	Aditya Birla Sun Life Pension Management Limited		
35	Aditya Birla ARC Limited		
36	Aditya Birla Stressed Asset AMC Private Limited		
37	ABARC-AST-001-Trust		
38	ABARC-AST-008-Trust		
39	ABARC-AST-010-Trust		
40	Aditya Birla Special Situation Fund – I		
41	Aditya Birla Capital Digital Limited		
42	Aditya Birla Sun Life Trustee Private Limited	Proportionate	Pl. refer Analytical approach
43	Aditya Birla Wellness Private Limited		
44	Aditya Birla Health Insurance Co. Limited		
45	AV Terrace Bay Inc., Canada		
46	AV Group NB Inc., Canada		
47	Aditya Birla Elyaf Sanayi Ve Ticaret Anonim Sirketi, Turkey		
48	Aditya Group AB, Sweden		



Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
49	Aditya Birla Power Composites Limited		
50	Bhubaneswari Coal Mining Limited		
51	Amelia Coal Mining Limited		
52	Birla Jingwei Fibres Company Limited, China		
53	Birla Advanced Knits Private Limited		
54	Aditya Birla Sun Life AMC Limited	Proportionate	Pl. refer analytical approach
55	Aditya Birla Sun Life AMC (Mauritius) Limited		
56	Aditya Birla Sun Life AMC Ltd., Dubai		
57	Aditya Birla Sun Life AMC Pte. Ltd., Singapore		
58	Aditya Birla Science & Technology Company Private Limited		
59	Renew Surya Uday Private Limited		
60	Aditya Birla Idea Payment Bank Limited (under liquidation w.e.f. September 18, 2019)		
61	Greenyana Sunstream Private Limited		

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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