

Blue Star Limited

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	84.50	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	3,751.75 (Enhanced from 3,141.75)	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	627.00	CARE A1+	Reaffirmed
Commercial paper	500.00	CARE A1+	Reaffirmed
Commercial paper	200.00	CARE A1+	Reaffirmed
Commercial paper	300.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings for the bank facilities and instruments of Blue Star Limited (BSL) continues to reflect the company's robust business risk profile, underpinned by its leading position in the domestic Electromechanical Projects (EMP) segment and its steadily strengthening foothold in the Unitary Products (UP) segment. Over the years, BSL has made significant investments in capital expenditure and research & development (R&D), contributing to enhanced business resilience through product diversification across multiple categories and segments. In FY25, the company's total operating income (TOI) rose by 24% year-on-year to ₹11,967.65 crore, driven by strong growth of approximately 22% in the UP segment and 27% in the EMP segment.

The business continues to be driven by its robust brand recall and strong order book position (of around ₹6,263.36 crore as on March 31, 2025) along with the established relationship with marquee clients, which provides short-to-medium-term revenue visibility. CARE Ratings Limited (CareEdge Ratings) believes the company shall be able to report healthy operating performance on the back of its existing order book position, as well as improving capacity utilisation level at its plant. While capex at SriCity is progressing as planned, annual capex of around ₹300-400 crore towards capacity enhancement, product development, cost improvisation, and digitisation will benefit the company in the long run.

The ratings continue to draw comfort from BSL's strong financial flexibility, supported by healthy debt protection metrics and a strong liquidity profile. As of March 31, 2025, the company's overall gearing (including acceptances) rose moderately to 0.24x, compared to 0.18x as of March 31, 2024. This increase was primarily driven by higher working capital borrowings and elevated acceptances, reflecting BSL's expanded scale of operations and inventory buildup to meet strong demand, particularly in the UP segment. Furthermore, an increase in lease liabilities during the year contributed to the rise in total debt. At the same time, the company maintained a strong liquidity position, with cash and liquid investments amounting to approximately ₹846 crore as on March 31, 2025.

The company's profitability margins improved in FY25 to 7.32% (PY: 6.39%), primarily driven by strong volume growth, especially in the room air conditioner segment. This led to better operating leverage and more efficient absorption of fixed costs. A strategic price increase implemented in Q3FY25 further supported realisations and contributed to margin expansion. Operational efficiency was also enhanced through cost optimisation measures and supply chain improvements.

Despite the improvement, margins remained around 7%, constrained by continued reliance on imported components and intense market competition. However, CareEdge Ratings expects that ongoing efforts toward product indigenisation and reduced logistics costs—along with benefits from the government's Production-Linked Incentive (PLI) scheme—are likely to support margin improvement going forward.

The above rating strengths are offset by the susceptibility of the business to competition, seasonal variations, changing technologies and downturns in end-user industries. Furthermore, the ratings consider BSL's exposure to challenges in the EMP business resulting in terms of delayed projects which may result in slowing of the order execution rate. Additionally, the business

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

continues to be working capital intensive, however, comfort is drawn from the fact that most of the working capital is financed through creditors because of back-to-back arrangements as well as advances from the customers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement and sustenance of the (profit before interest, lease rentals, depreciation, and taxation) PBILDT margin above 9% with increased demand, price hike and cost control measures.
- Total debt to gross cash accruals (TDGCA) below 1.0x on a sustained basis.
- Overall gearing below 0.20x on a sustained basis.

Negative factors

- Decline in PBILDT margins from projected levels.
- Overall gearing of more than 1x on a sustained basis.
- Deterioration of total debt/PBILDT more than 2.0x on a sustained basis.

Analytical approach: Consolidated, as BSL along with its subsidiaries are operating in the same line of business and have significant operational, financial, and management linkages. The subsidiaries and joint ventures (JV) adopted for consolidation are mentioned in Annexure-6.

Outlook: Stable

The stable outlook reflects medium-term revenue visibility supported by a strong order book in the EMP and non-room air conditioner (RAC) segments, which is expected to partially offset any potential slowdown in the RAC segment. Additionally, the ongoing expansion of the manufacturing facility at Sri City is anticipated to drive higher volume sales and deliver significant benefits from backward integration, thereby supporting revenue growth and help maintaining stable profitability margins. Outlook also considers potential headwinds in the MedTech segment under the Professional Electronics & Industrial Systems (PEIS) division, stemming from recent regulatory measures—such as the ban on importing refurbished medical equipment—which may temporarily affect sourcing flexibility and cost dynamics. Nevertheless, the company is anticipated to maintain a strong financial risk profile and liquidity position, backed by healthy cash flows from operations.

Detailed description of key rating drivers:

Key strengths

Strong business risk profile supported by dominant position in commercial AC systems and cooling product business

BSL is one of the strong players in the consumer durable business, particularly in commercial, RAC systems and across projects business in related segments with an established track record of over six decades and demonstrated capabilities in executing projects across project businesses in domestic and international markets. According to the company management, BSL commands a leadership position in ducted AC segment and scroll chillers, #2/3 position under variant refrigerant flow (VRF), and screw chiller product segment. As on March 31, 2025, the company has 14% market share in RAC and 35% market share in commercial refrigeration alongside extensive distribution network with over 8,800 stores across over 650 locations.

Strong financial risk profile underpinned by operational scale and robust debt coverage metrics

BSL's financial risk profile remains strong, supported by a moderate gearing level of 0.24x in FY25 (FY24: 0.18x), reflecting increased working capital borrowings and lease liabilities aligned with its growing operational scale. The interest coverage ratio improved significantly to 17.95x (FY24: 10.59x), driven by higher earnings and reduced interest costs. Return on capital employed (ROCE) also strengthened to 26.55% in FY25 (FY24: 23.17%), aided by disciplined capital deployment in high-yield areas such as capacity expansion, R&D, and digital infrastructure, alongside improved asset productivity and execution efficiency across key segments.

Healthy order book position supporting short-to medium-term revenue visibility

As on March 31, 2025, BSL reported a total carried-forward order book of ₹6,263.36 crore, of which ~₹4,760 crore pertains to the EMP segment, representing approximately 76% of the overall order book. This reflects a year-on-year growth of 9.9% from ₹5,697.63 crore in FY24 and indicates sustained demand and execution capabilities in the EMP business. The remaining portion of the order book, comprising contributions from the Central Air Conditioning Division (CAD), Cooling & Purification Appliances Group (CPAG), Commercial Refrigeration Business Group (CRBG), and PEIS. The company continues to follow a risk-calibrated approach to order intake, guided by internal policies focused on customer creditworthiness and cash flow visibility. This disciplined

strategy has supported consistent order book growth while maintaining credit quality, thereby ensuring short-to medium-term revenue visibility.

	FY20	FY21	FY22	FY23	FY24	FY25
Carried forward order book (₹ crore)	2,947	2,952	3,253	5,073	5,697	6,236

The order book demonstrates a strong and diversified presence across sectors—including infrastructure (spanning water supply, metro rail, data centres, warehouses, airports, and more), residential developments, and industrial projects.

Capital expenditure aimed at enhancing revenue growth and operational efficiency

BSL operationalised Phase I of its Sri City manufacturing facility in January 2023, adding 3.48 lakh units of annual capacity at a project cost of ₹350 crore, completed on time. The facility operates under its wholly owned subsidiary, Blue Star Climatech Limited, which supplies products directly to BSL. Phase II is currently operational, having been completed in February 2025, and has increased the total installed capacity to 7.7 lakh units per annum with an additional investment of ₹170 crore. Phase III is under construction and is expected to be completed by the end of FY26, which will further enhance capacity to 1.23 million units annually. Over the next 2–3 fiscal years, the company has planned capital expenditure of ₹300–400 crore, towards capacity enhancement, product development, cost improvisation and digitisation.

Well-diversified revenue profile with substantial contributions from the Electro-Mechanical Projects (EMP) and Unitary Products (UP) segments

BSL operates across three key segments, EMP, UP, and PEIS, which contributed 50%, 47%, and 3%, respectively, to consolidated net sales in FY25. The company's revenue is well diversified within each segment across product categories and geographies. Its integrated business model, combining manufacturing, contracting, and after-sales service, enables it to deliver end-to-end solutions.

The EMP segment delivered strong growth, with revenue rising by 27.2% to ₹5,998 crore, driven by sustained demand from industrial projects, particularly in factory and data centre verticals. Despite muted activity in commercial real estate and infrastructure, the segment benefited from improved execution, margin expansion, and a robust carried-forward order book. EBIT increased by 43.9% to ₹491 crore, with margins improving to 8.2%, reflecting operational efficiency and better project mix.

The UP segment also posted healthy growth, with revenue increasing by 22.4% to ₹5,621 crore. This was primarily supported by strong performance in the RAC business, which saw high channel stocking in Q4FY25 in anticipation of a harsh summer and potential supply chain disruptions. The company launched an expanded RAC portfolio, including premium offerings tailored to diverse consumer segments, which contributed to improved realisations. EBIT rose by 30.8% to ₹471 crore, with margins expanding to 8.4%, aided by operating leverage and product mix optimisation.

The PEIS segment, while contributing a smaller share to overall revenue, experienced a 7.7% decline to ₹349 crore, impacted by subdued performance in the Data Security and MedTech verticals due to macroeconomic and regulatory headwinds. However, the Industrial Solutions vertical showed improving traction, partially offsetting the weakness. EBIT contracted by 42.3% to ₹30 crore, with margin pressure evident. Despite this, the segment's limited contribution had minimal impact on the company's blended margins.

Key weaknesses

Exposure to competitive pressures, climatic uncertainty, and sectoral cyclicality

The demand for BSL's EMP segment continues to be closely linked to capital expenditure trends in end-user industries, which are influenced by broader macroeconomic conditions. While muted demand from commercial real estate and infrastructure sectors has posed challenges, robust order inflows from manufacturing and data centre segments have supported growth. The company's strong carried-forward order book and focus on timely project execution have helped maintain healthy cash flows and profitability.

Blue Star retains its leadership in the EMP segment and a strong market position in commercial air conditioning systems. The RAC segment, however, remains sensitive to climatic fluctuations such as delayed summers and early monsoons. The RAC market continues to face intense competition, particularly in the inverter AC category, along with pricing pressures due to input cost volatility.

CareEdge Ratings draws comfort from BSL's ability to pass on input cost increases to customers without significantly affecting its market share. Moreover, industry fundamentals remain favourable, with low air conditioner penetration in India and intensifying summer conditions expected to drive long-term growth. BSL's strategic investments in R&D, backward integration, and distribution expansion position it well to capitalise on these opportunities.

Moderate profitability due to presence in price competitive industry

BSL's PBILDT margins have remained moderate in the 5–7% range over recent fiscals, reflecting structural challenges across segments. The EMP segment, while partially protected by price variation clauses, remains exposed to input cost inflation and execution risks. The UP segment, particularly RAC, continues to face seasonal demand volatility and intense competition, leading to pricing pressures.

To mitigate cost pressures and enhance operational efficiency, BSL has strengthened backward integration through its Sri City plant, commissioned in January 2023. The facility now manufactures key components such as heat exchangers and sheet metal parts, reducing reliance on imports and improving supply chain responsiveness. With over 40% of RAC sales concentrated in South India, the plant's strategic location also helps lower inbound and outbound logistics costs. Further capex is planned to expand capacity, and the government's PLI scheme is expected to support local sourcing and margin stability.

The PEIS segment saw a significant decline in profitability during FY25, largely driven by weak performance in the MedTech and Data Security verticals. The MedTech business was impacted by a regulatory ban on the import of refurbished high-end medical equipment such as MRI and CT scanners, disrupting supply chains and affecting sales. Concurrently, the Data Security segment faced sluggish demand amid a challenging market landscape. Although the Industrial Solutions sub-segment demonstrated some resilience, it was not sufficient to offset the overall downturn in the segment.

Working capital intensive business

The company's operations are inherently working capital intensive, primarily due to the seasonal nature of the RAC business, where demand peaks in Q1 and Q4, prompting inventory buildup from December onwards. Elevated inventory levels during these quarters contribute to higher gross current asset days, which stood at 178 days as on March 31, 2025. Additionally, the EMP segment, comprising around 50% of operations, adds to the working capital intensity due to its Engineering, Procurement and Construction (EPC) driven model. However, this is partially offset by back-to-back arrangements and customer advances, resulting in a high proportion of creditor-funded working capital. Consequently, the company's Total Outside Liabilities to Tangible Net Worth ratio increased to 1.75x in FY25 (PY: 1.60x).

Liquidity: Strong

BSL maintains a strong liquidity position, underpinned by healthy cash accruals and the absence of any long-term debt repayment obligations. As on March 31, 2025, the company had cash and cash equivalents of ₹846 crore. With an overall gearing ratio of 0.24x, BSL is well-positioned to raise additional debt, if required, to support its capital expenditure plans. Over the trailing 12 months up to March 2025, the average utilisation of its fund-based working capital facilities remained low at approximately 8%, reflecting prudent financial management. The company also reported a comfortable current ratio of 1.28x as on March 31, 2025. Looking ahead, BSL plans to undertake capital expenditure in the range of ₹300–400 crore annually over the next three years funded through internal sources.

Environment, social, and governance (ESG) risks

Parameters	Risk factors
Environmental	<p>Carbon Emissions: During FY24, BSL achieved significant carbon emission reductions across its plants:</p> <ul style="list-style-type: none"> • Wada Plant: 1,389 tonnes of CO₂ reduced through 3.1 MW rooftop solar generation. • Dadra Plant: 16.7 tonnes of CO₂ reduced via solar rooftop systems and 8.32 tonnes through VFD compressor installation. • Himachal Pradesh Plants: Over 309 tonnes of CO₂ reduced through LED retrofits, BLDC fans, HVAC upgrades, and compressor optimisation. <p>Energy Conservation: Energy-saving initiatives across plants led to substantial reductions in electricity usage:</p> <ul style="list-style-type: none"> • Wada Plant: LED lighting and HVLS fans saved over 27,500 kWh annually. • Himachal Pradesh Plants: Combined energy savings of over 3.5 lakh kWh through lighting, motor upgrades, and HVAC system improvements. • Dadra Plant: Over 1.5 lakh kWh saved through VFD compressors, pump replacements, and process optimization. • Ahmedabad Plant: Achieved 15% water savings and reduced utility power consumption via high-efficiency compressors. <p>Renewable Energy Usage: Renewable energy usage was significantly enhanced:</p> <ul style="list-style-type: none"> • Wada Plant: 3.1 MW rooftop solar system generated 27.75 lakh kWh. • Thane Office: 50 kWp solar system offset 50,395 kWh. • Chennai Office: 100% power sourced from solar PPA, offsetting 21.3 lakh kWh.
Social	<p>Employee Satisfaction</p> <ul style="list-style-type: none"> • BSL maintained its position as a top-rated employer, leading the Glassdoor rating among competitors for the 6th consecutive quarter. • Continued recognition as a 'Great Place to Work', reflecting strong employee engagement and workplace culture. <p>Gender Diversity</p> <ul style="list-style-type: none"> • Female representation in management staff increased to 10.6% in FY24 (vs 9.1% in FY23). • Gender diversity remains at par with industry averages, considering the manufacturing-intensive nature of operations. • Initiatives included: <ul style="list-style-type: none"> • Flexible work policies and childcare support. • Second career program 'Begin Again'. • Participation in the '1000 Women Leaders Movement'. • Launch of 'SheEvolve', a year-long leadership development program for 210 women managers. <p>Social Capital & CSR</p> <ul style="list-style-type: none"> • CSR spend in FY24: ₹4.26 crore. • Focus areas: <ul style="list-style-type: none"> • Skill Development: 389 apprentices trained under NAPS; 100+ women trained in handicrafts and banana fibre products. • Health & Wellness: Medical support provided to over 1.5 lakh rural families. • Education: 227 students supported under the Mohan T Advani Centennial Scholarship. • 20.56% of value chain partners assessed for workplace discrimination and harassment risks
Governance	<p>Adequate board independence: Out of a total of 12 directors on the Board as of March 31, 2025, seven were Independent Directors, including two women.</p>

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Household appliances

BSL was established in 1943 by the late Mohan T Advani. The company is India's leading central air-conditioning and commercial refrigeration company, and its manufacturing facilities are spread across various locations in India including Ahmedabad, Dadra, Wada and Himachal Pradesh. The company's operations can be classified into three segments, namely Electromechanical Projects and Packaged Air Conditioning Systems (*EMP; Segment -I*), unitary products (*UP; Segment- II*) and Professional Electronics and Industrial Systems (*PEIS; Segment -III*), each contributing 50%, 47% and 3%, respectively, to the consolidated net sales of the company in FY25. It has presence in 18 international markets in the Middle East, Africa, SAARC and ASEAN regions through its product distribution business and joint venture companies.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	7,947	9,632	11,967
PBILDT	474	615	875
PAT	400	414	591
Overall gearing (times)	0.75	0.18	0.24
Interest coverage (times)	8.68	10.59	17.95

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of 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
Commercial Paper-Commercial Paper (Standalone)*	INE472A14OE9	27-May-2025	6.40	10-Jul-2025	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	INE472A14OF6	19-Jun-2025	6.05	16-Sep-2025	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	Proposed	-	-	7-365 days	300.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)*	Proposed	-	-	7-365 days	500.00	CARE A1+
Fund-based - LT-Cash Credit		-	-	-	84.50	CARE AA+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	3751.75	CARE AA+; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	627.00	CARE A1+

*As on June 20, 2025

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	84.50	CARE AA+; Stable	-	1)CARE AA+; Stable (27-Nov-24) 2)CARE AA+; Stable (11-Jul-24)	1)CARE AA+; Stable (14-Jul-23) 2)CARE AA+; Stable (28-Jun-23)	1)CARE AA+; Stable (29-Jun-22)
2	Non-fund-based - ST-BG/LC	ST	627.00	CARE A1+	-	1)CARE A1+ (27-Nov-24) 2)CARE A1+ (11-Jul-24)	1)CARE A1+ (14-Jul-23) 2)CARE A1+ (28-Jun-23)	1)CARE A1+ (29-Jun-22)
3	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (27-Nov-24) 2)CARE A1+ (11-Jul-24)	1)CARE A1+ (14-Jul-23) 2)CARE A1+ (28-Jun-23)	1)CARE A1+ (29-Jun-22)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	3751.75	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (27-Nov-24) 2)CARE AA+; Stable / CARE A1+ (11-Jul-24)	1)CARE AA+; Stable / CARE A1+ (14-Jul-23) 2)CARE AA+; Stable / CARE A1+ (28-Jun-23)	1)CARE AA+; Stable / CARE A1+ (29-Jun-22)
5	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (28-Jun-23)	1)CARE AA+; Stable (29-Jun-22)

6	Commercial Paper- Commercial Paper (Standalone)	ST	200.00	CARE A1+	-	1)CARE A1+ (27-Nov- 24) 2)CARE A1+ (11-Jul- 24)	1)CARE A1+ (14-Jul-23)	-
7	Commercial Paper- Commercial Paper (Standalone)	ST	300.00	CARE A1+	-	1)CARE A1+ (27-Nov- 24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Blue Star Engineering and Electronics Limited	Full	Strong operational and financial linkages between the entities
2	Blue Star Qatar WLL	Full	
3	Blue Star International FZCO	Full	
4	Blue Star Climatech Limited	Full	
5	Blue Star North America Inc.	Full	
6	Blue Star Innovation Japan LLC	Full	
7	Blue Star Europe B.V.	Full	
8	Blue Star MEA Airconditioning LLC (formerly known as Blue Star Systems and Solutions LLC)	Full	
9	BSL AC&R (Singapore) Pte Limited	Full	
10	Blue Star Air Conditioning & Refrigeration (U) Limited	Full	
11	Blue Star M&E Engineering Sdn Bhd	Proportionate	
12	Blue Star Oman Electro-Mechanical Co. LLC	Proportionate	

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

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