

August 27, 2010

**CARE ASSIGNS 'CARE BBB-' RATINGS TO THE BANK FACILITIES OF ARSHIYA NORTHERN FTWZ LTD.****Ratings Assigned**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	280.37*	'CARE BBB- (SO) [Triple B Minus (Structured Obligation)]	Assigned#

*\* Letter of Credit amounting to Rs.63 crore is a sub-limit of the sanctioned term loan.*

*#backed by an unconditional and irrevocable guarantee provided by Arshiya International Ltd*

**Rating Rationale**

The rating factors in the unconditional and irrevocable corporate guarantee provided by Arshiya International Ltd (AIL). On invocation of the guarantee, the guarantor, AIL, is liable to pay on demand within five business days from the date of the notice, the full amount due by Arshiya Northern to the lender. AIL, the guarantor, has a long-term rating of 'CARE BBB-', by CARE.

AIL's ratings continue to derive strength from the promoter and management's track record and experience in the logistic industry, growing scale of operations, completion of its Free Trade Warehousing Zone (FTWZ) project. The rating also factors in the gainful lease of about 2 lakh sq ft of land in the proposed FTWZ. AIL's ratings are, however, constrained by residual project risk, investment commitment towards its subsidiaries and volatility in the EXIM trade.

The ability of AIL to manage envisaged revenues and profitability so as to meet the equity commitments are the key rating sensitivities.

**Company Profile**

Arshiya Northern, a part of the Arshiya Group, was incorporated on June 16, 2008 to set up an FTWZ at Khurja, near Greater Noida. The total cost of the project is Rs.421 crore which is being funded in a debt-equity ratio of 2x. The company has received various statutory approvals for the project. However, the Gazette Notification for the transfer of the FTWZ license in the name of Arshiya Northern is still pending. Arshiya Northern has achieved the financial closure for the project. As on June 30, 2010, the company has incurred a capital expenditure of Rs.183 crore which was financed through promoters' contribution of Rs.75.03 crore, long-term debt of Rs.96.40 crore and balance through unsecured loans from group companies.

<sup>1</sup> "Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications".

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**About Guarantor**

AIL, the ultimate holding company of Arshiya Northen, operates in the freight forwarding and logistics segment and provides integrated supply chain management services. Besides, AIL has already set up one FTWZ in Panvel, Navi Mumbai with a total project cost of Rs. 532.54 crore as well as leased out most of the warehouses. On an operating income of Rs.274 crore in FY10 (provisional), AIL earned a PBILDT of Rs.21 crore and PAT of Rs.15 crore.

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***CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.***

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