



Credit Rating of Debt Instruments

CARE Ratings undertakes credit rating of all types of debt and related obligations. These include all types of medium and long-term debt securities such as debentures, bonds and convertible bonds and all types of short-term debt and deposit obligations such as commercial paper, inter-corporate deposits, fixed deposits and certificates of deposit. CARE Ratings also provides issuer specific ratings.

CARE Ratings has a dedicated structured finance team, and has developed rating methodologies for innovative asset and mortgage backed securities in the Indian capital market. The term 'structured financing' refers to securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The securities are termed 'structured' because through specific choices relating to the type and amount of assets and particular structural features, these securities may be structured to achieve a desired rating level. CARE Ratings assigns the suffix (SO) to denote that the rating has been achieved by suitably structuring the transaction to enhance the credit quality of the securities and not on the basis of the credit quality of the issuer alone.

Rating Methodology

CARE undertakes rating exercise based on information provided by the company, in-house database and data from other sources that CARE considers reliable. CARE does not undertake unsolicited ratings.

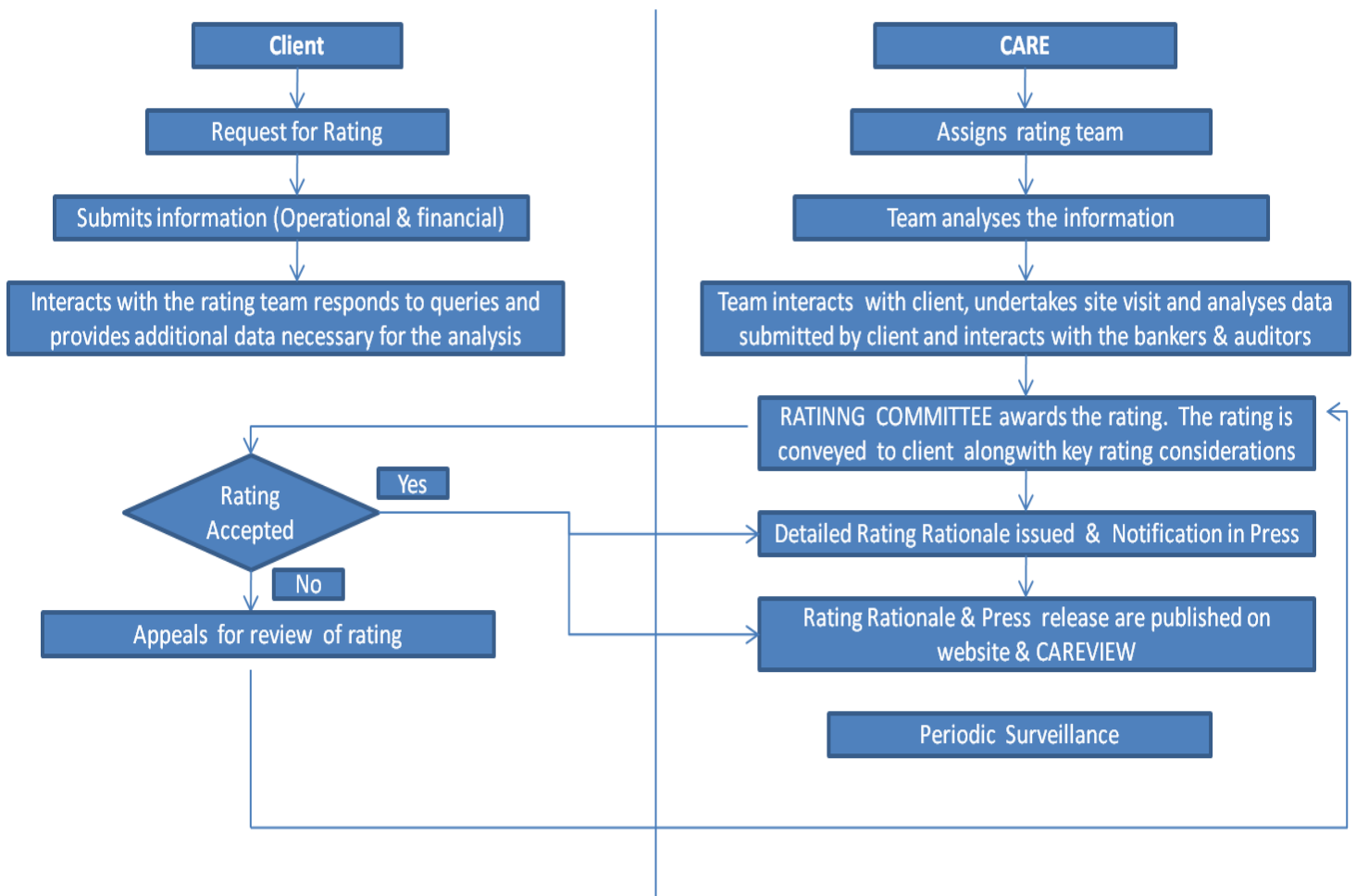
The primary focus of the rating exercise is to assess future cash generation capability and their adequacy to meet debt obligations in adverse conditions. The analysis therefore attempts to determine the long-term fundamentals and the probabilities of change in these fundamentals, which could affect the creditworthiness of the borrower.

The analytical framework of CARE's rating methodology is divided into two interdependent segments. The first deals with the operational characteristics and the second with the financial characteristics. Besides quantitative factors, qualitative aspects like assessment of management capabilities play a very important role in arriving at the rating for an instrument. The relative importance of qualitative and quantitative components of the analysis varies with the type of issuer. Rating determination is a matter of experienced and holistic judgement, based on the relevant quantitative and qualitative factors affecting the credit quality of the issuer.

CARE over the years has developed rating criteria for covering various sectors. These criteria are publicly disclosed and are freely available on CARE's website www.careratings.com

Rating Process

The rating process takes about three to four weeks, depending on the complexity of the assignment and the flow of information from the client. Rating decisions are made by the Rating Committee.



Rating Criteria/Methodology

CARE undertakes rating exercise based on

- Information provided by the company
- In-house database and data from other sources that CARE considers reliable. CARE does not undertake unsolicited ratings.
- The primary focus of the rating exercise is to assess future cash generation capability and their adequacy to meet debt obligations in adverse conditions.
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- The relative importance of qualitative and quantitative components of the analysis vary with the type of issuer.
- Rating determination is a matter of experienced and holistic judgement, based on the relevant quantitative and qualitative factors affecting the credit quality of the issuer.

WHAT RATINGS DO NOT MEASURE

It is important to emphasise the limitations of credit ratings. They are not recommendations to invest. They do not take into account many aspects which influence an investment decision. They do not, for example, evaluate the reasonableness of the issue price, possibilities for capital gains or take into account the liquidity in the secondary market. Ratings also do not take into account the risk of prepayment by issuer. Although these are often related to the credit risk, the rating essentially is an opinion on the relative quality of the credit risk.

Credit Rating of Debt instruments

A. Long / Medium-term Instruments (NCD/FD/CD/SO/CPS/RPS/L)

Symbols	Rating Definition
CARE AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
CARE AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
CARE A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
CARE BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
CARE BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
CARE B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.
CARE C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.
CARE D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {'+' (plus) / '-' (minus)} can be used with the rating symbols for the categories CARE AA to CARE C. The modifiers reflect the comparative standing within the category.

B) Short-term Instruments (NCD/FD/SO/CPS/RPS/L)

Symbols	Rating Definition
CARE A1	Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.
CARE A2	Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.
CARE A3	Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such instruments carry higher credit risk as compared to instruments rated in the two higher
CARE A4	Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.
CARE D	Instruments with this rating are in default or expected to be in default on maturity.

Modifier {"+" (plus)} can be used with the rating symbols for the categories CARE A1 to CARE A4. The modifier reflects the comparative standing within the category.

NCD	Non Convertible Debenture
FD	Fixed Deposit
CD	Certificate of Deposit
SO	Structured Obligations
CPS	Convertible Preference Shares
RPS	Redeemable Preference Shares
L	Loans