Infrastructure Sector Ratings (ISR)

CARE's ISR (Infrastructure Sector Ratings) encompasses ratings assigned to debt programmes of issuers in the power, roads, telecommunications and other such infrastructure-related sectors. Of late, these sectors have witnessed considerable private participation considering huge investments required in these sectors. The infrastructure projects are capital intensive and have a long gestation period. CARE adopts a separate methodology for evaluation and assignment of ISR, distinct from corporate sector debt ratings. Demand-related risks are minimal because of huge demand-supply gap in infrastructure segments while supply-related risks assume paramount significance in these ratings.

CARE evaluates economic viability of the project being financed, legal risks, contractual framework, credit enhancement mechanism etc while assigning ISR. Socio-economic viability assessment is critical as majority of the infrastructure companies have revenues determined or regulated by the government or specific authorities and are not market driven, lending inflexibility to their pricing mechanism. Further, credit profiles of respective government bodies awarding the projects have close linkages with those of infrastructure entities. Consequently, the impact of respective government policies, funding support/arrangement etc is evaluated in case of infrastructure sector ratings. Parameters like Sponsor credit profile, financial flexibility, any credit enhancements extended to the underlying infrastructure entity are also taken in consideration. ISR involves analyzing the legal framework in greater detail and does not restrict assessment to financial statements. CARE arrives at an ISR after substantial evaluation and seeking opinion with various legal experts and/or, technical experts in the respective infrastructure segment.

CARE's adoption of a distinctive rating methodology for ISR, enables the investors/issuers /regulators to gather a better perspective on the attributes of the rated entity.

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