

## Criteria on assigning Outlook to Credit Ratings

In line with Securities and Exchange Board of India (SEBI)'s circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 01, 2016, CARE shall henceforth assign outlook for all the credit ratings. Users of the ratings may please note that ratings assigned/reviewed prior to November 15, 2016 would not have the outlook assigned and all outstanding ratings would progressively be assigned outlooks.

### Rating Outlook

CARE's rating outlook is an opinion on the likely direction of movement of the rating in the medium term. A rating outlook shall be assigned to all credit rating assignments undertaken by CARE.

CARE Ratings factors in projections of the issuer while assigning ratings and hence, the ratings build in the *future prospects of the issuer*. While ratings factor in the known future impact of any business, industry or regulatory changes at the point of assigning the ratings, the rating outlook would indicate the *probable direction of the movement in ratings* as a result of factors, the extent of impact of which, CARE Ratings may not be fully certain of at the time of assigning/ reviewing the credit rating. The illustrative (but not exhaustive) factors include expected changes in the industry dynamics, business conditions, possible changes in the strategic decisions taken and the expected impact of any of the above on the business and financial risk profile of the rated entity.

The rating outlook can be 'Positive', 'Stable' or 'Negative'.

A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

A 'Positive' or 'Negative' outlook may not necessarily mean a rating upgrade or downgrade will happen. It indicates a reasonable likelihood of such a rating transition taking place in the medium term. However, if any unforeseen or sudden events arise which may impact the credit worthiness of the rated entity beyond expectation, the rating action taken may also be contrary to the outlook assigned. Likewise, CARE may effect a change in rating directly, and this rating action need not always be preceded by a corresponding change in the outlook.

### **Applicability**

The Rating Outlook is **applicable** to all debt ratings except 'CARE D'.

The Rating Outlooks shall **not be applicable** to:

- Short-term ratings
- Securitisation ratings
- All products other than debt ratings

Ratings under 'Credit Watch' would be assigned along with "Positive", "Negative" or "Developing" implications indicating the possible direction of movement of the rating consequent to the resolution of the credit watch event.

#### **Disclaimer**

*CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable.*

*CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.*