

# CARE Ratings launches New Credit Rating System for Infrastructure Projects



## Salient Features:

- Developed in consultation with the Ministry of Finance and other stakeholders
- The new ratings will be a comment on the expected loss (EL) of a debt instrument after factoring in the probability of default (PD) and recovery prospects.
- The new credit rating addresses the concerns of the existing approach and focuses on recovery of dues by investors or lenders over the life cycle of an infrastructure project.
- Comfort to long-term investors as these ratings can be assessed for their differentiating and predictive abilities.
- The new ratings will be assigned on a scale from [Infra] EL 1 to [Infra] EL 7, with EL 1 having the lowest expected loss and EL 7 the highest.
- The new rating scale can be used to assess projects across sub-sectors in infrastructure

throughout their life cycle. However, initially, ratings will be assigned only to completed and operational infrastructure projects.

- Conventional ratings scales will continue to be used for capital provisioning, while the new scale will be an additional input for debt market investors.

## Benefits:

- Facilitating greater participation of long-term investors by enabling better risk-based pricing.
- Enhancing participation of investors and lenders, which in turn will provide a boost to the development in the corporate bond market in these instruments.
- Add a new dimension of buoyancy to a market that has hitherto been enveloped with some skepticism when it comes to infra projects.

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