



CARE's Issuer Rating

CARE's Issuer Rating is issuer-specific assessment of the credit risk. While the scope of CARE's Issuer Rating is similar to long term instrument ratings, the main difference between Issuer Rating and other ratings is that Issuer Rating is not instrument specific but issuer-oriented.

Issuer Rating factors in expected performance of the entity over an intermediate time horizon of around three years and reflects the capability of the entity as regards servicing of its financial obligations.

Rating Methodology

CARE undertakes rating exercise based on information provided by the entity, in-house database and data from other sources that CARE considers reliable. **CARE undertakes only solicited ratings.**

The methodology mainly focusses on the entity's future cash generation capability and consequently its ability to honour its financial obligations. The analysis therefore attempts to determine the fundamentals of the business 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.

Manufacturing entities

CARE's rating process for manufacturing entities begins with the evaluation of the economy/industry in which the entity operates, followed by the assessment of the business risk factors specific to the entity. This is followed by an assessment of the financial and project-related risk factors as well as the quality of management. Assessing liquidity and financial flexibility of the issuer gains more prominence while arriving at short term ratings apart from the basic fundamental credit analysis of an issuer.

Banks, NBFCs and Financial Institutions

For arriving at the rating of Banks, NBFCs and Financial Institutions CARE evaluates the economy/industry in which the institution operates, followed by the assessment of the business fundamentals of the institution using the 'CRAMELS' model which stands for:

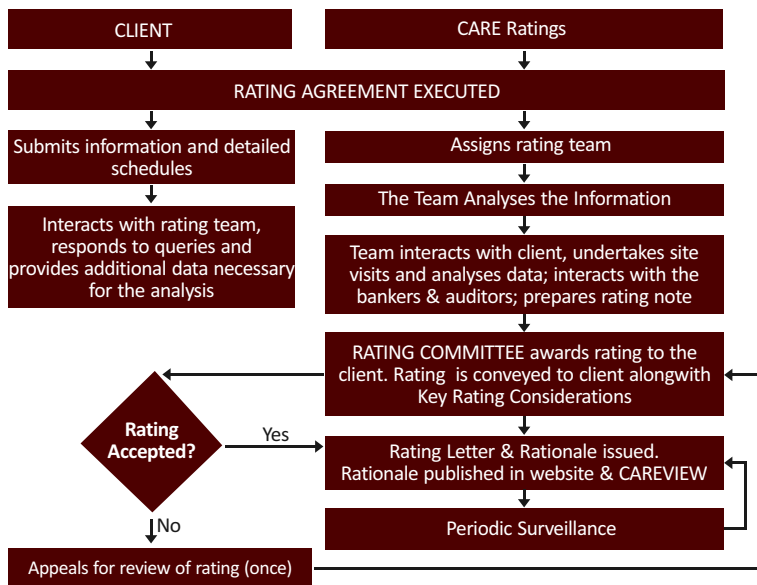
- C→capital adequacy
- R→Resource raising ability
- A→Asset quality
- M→Management quality
- E→Earnings quality
- L→Liquidity
- S→Systems

The detailed rating methodologies (including that for Issuer Rating) are available on CARE's website www.careratings.com

CARE has also developed rating methodologies specific to various sectors. These methodologies attempt to point out factors, over and above those mentioned in the broad methodology, which are considered while analyzing companies belonging to a particular sector.

The detailed rating methodologies for various sectors are available on CARE's website www.careratings.com.

Rating Process



CARE's rating symbols and definitions for Issuer Rating

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

Note: (i) '(Is)' suffix indicates 'Issuer Rating'

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



About CARE Ratings

Credit Analysis and Research Limited (CARE Ratings) commenced operations in April 1993 and in more than two decades, it has established itself as the second-largest credit rating agency in India in terms of rating income.

CARE Ratings provides ratings in the financial sector, infrastructure sector, corporates, public finance and MSME space. Under its umbrella of grading services, CARE Ratings carries out grading of IPOs, assesses financial strength of shipyards, grades various courses of Educational institutions and provides grading services to Energy service companies (ESCO), Renewable energy service companies (RESCO), Real estate projects and Maritime training institutes. CARE Ratings also provides equity grading for listed entities. CARE Ratings also does valuation of equity, debt instruments and market linked debentures (also with embedded complex options).

CARE Ratings is committed towards maintaining high standards of professional quality and integrity. To address any conflict of interest, CARE Ratings has always had an external rating committee since its inception comprising a majority of independent members. Ratings are finally decided by this expert committee.

CARE Ratings has recently partnered with four other domestic credit rating agencies in Brazil, Malaysia, Portugal and South Africa, to form an international credit rating agency called ARC Ratings.

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