



ICRA Rating Feature

This Policy stands superseded. Refer to ICRA's website www.icra.in to view the updated Policy on this subject.

Rating Outlook and Rating Watch

ICRA's Credit Ratings are a symbolic representation of its opinion on the relative credit risk associated with the debt instrument being rated by it. The opinion is arrived at following an evaluation of the Rated Entity's business and financial risks, its likely cash flows, and the adequacy of such cash flows to service the debt obligations in a timely manner. Apart from taking into consideration the various quantitative parameters, the rating approach also lays emphasis on qualitative aspects like management quality, integrity and reliability of information flow and the strength of group linkages (if any). This policy updates and supersedes ICRA's earlier policy on this subject, published in December 2016.

What is a Rating Outlook and what does it convey?

ICRA's Credit Ratings are forward-looking opinions on the relative credit risk associated with the rated debt instrument as represented by an appropriate symbol on the relevant rating scale. A rating outlook gives additional information to lenders, investors or other users about the expected direction of rating movement in the near to medium term (typically six months to two years). The rating outlooks assigned by ICRA fall into four categories: Stable, Positive, Negative, No Outlook.

- » A "Stable" outlook indicates a low likelihood of rating change in the near to medium term
- » A "Positive" outlook indicates a high likelihood of an upward rating revision in the near to medium term
- » A "Negative" outlook indicates a high likelihood of a downward rating revision in the near to medium term

However, a "Positive" or a "Negative" outlook does not imply that the Credit Rating would necessarily be upgraded or downgraded in the future. All that the rating outlook points to, without being a necessary precursor to a Credit Rating change, is the likely direction in which the Credit Ratings may move in the near to medium term. This additional information may help investors distinguish among Rated Entities or debt instruments having the same Credit Rating but different rating outlooks.

ICRA assigns a rating outlook only to long-term Credit Ratings at or above [ICRA]B-; and other equivalent Credit Ratings on the medium-term rating scale¹. ICRA does not assign any outlook to securitization transaction Credit Ratings, where the rating symbol has the suffix 'SO' in parenthesis². Also, ICRA's short-term Credit Ratings and the Credit Ratings that are placed on "Watch" (as described in the next section), do not carry a rating outlook.

¹ With effect from January 1, 2017, ICRA has started assigning a rating outlook to long-term Credit Ratings at or above [ICRA]B- and other equivalent Credit Ratings on the medium-term rating scale. Earlier, ICRA was assigning a rating outlook only to long-term Credit Ratings at or above [ICRA]BB- and investment grade Credit Ratings on the medium-term rating scale.

² ICRA however does assign an outlook to non-securitization Credit Ratings (on the long-term scale), where the rating symbol has the suffix 'SO' in parenthesis. Such Credit Ratings are either based on some form of explicit support from a third-party or based on structural features of the rated instrument. ICRA also assigns an outlook to long-term Credit Ratings where the rating symbol has the suffix 'S' in parenthesis. For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

What is a Rating Watch and what does it convey?

ICRA may place a Credit Rating on “Watch” when there is an unanticipated event, the credit implications of which are either unclear or not fully ascertainable immediately. Such events include a proposed change in ownership control, a merger, a demerger, an acquisition or a sudden regulatory development. ICRA utilizes the period for which a Credit Rating remains on “Watch” to monitor the ongoing developments and gather additional information so as to assess whether and to what extent the existing Credit Rating may have to be revised. ICRA designates the Credit Ratings placed on “Watch” in the following three ways:

- » Credit Rating placed under ‘Watch with Positive Implications’ indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be upgraded (Special symbol ‘%’ is used to denote this)
- » Credit Rating placed under ‘Watch with Negative Implications’ indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be downgraded (Special symbol ‘@’ is used to denote this)
- » Credit Rating placed under ‘Watch with Developing Implications’ indicates that once the credit uncertainty gets resolved, the Credit Rating may either be upgraded, downgraded or reaffirmed (Special symbol ‘&’ is used to denote this)

Compared with a “Positive” or a “Negative” rating outlook, the resolution of a rating “Watch” typically happens in a shorter time span. And similar to rating outlooks, a Credit Rating placed on “Watch with Positive Implications” or on “Watch with Negative Implications” does not imply that the Credit Rating would necessarily be upgraded or downgraded in the future; nor is placing any rating on “Watch” necessarily a precursor to a Credit Rating change. A Credit Rating “Watch”, unlike a rating outlook, is applicable to all debt instruments regardless of the rating level and including those instruments that are rated on the short-term scale.

Defined Terms**Credit Rating**

A Credit Rating is an opinion on the relative credit risk of the issuer/ borrower/ instrument/ borrowing limit expressed in the form of standard symbols or in any other standardised manner, assigned by ICRA and used by the issuer of instrument/ debt obligation, to comply with the requirements specified under regulations.

ICRA

ICRA Limited under this policy shall be referred to as "ICRA" as that term is used throughout this policy.

Rated Entity (ies)

A Rated Entity means any entity rated by ICRA or any entity that issues instrument/ raises debt obligations rated by ICRA or any entity that is seeking a Credit Rating from ICRA.

**ICRA Limited****CORPORATE OFFICE**

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300; Fax: +91 124 4050424

Email: info@icraindia.com, Website: www.icra.in

REGISTERED OFFICE

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50; Fax: +91 11 23357014

Branches: **Mumbai**: Tel.: + (91 22) 24331046/53/62/74/86/87, Fax: + (91 22) 2433 1390 **Chennai**: Tel + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294, Fax + (91 44) 2434 3663 **Kolkata**: Tel + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008, Fax + (91 33) 2287 0728 **Bangalore**: Tel + (91 80) 2559 7401/4049 Fax + (91 80) 559 4065 **Ahmedabad**: Tel + (91 79) 2658 4924/5049/2008, Fax + (91 79) 2658 4924 **Hyderabad**: Tel +(91 40) 2373 5061/7251, Fax + (91 40) 2373 5152 **Pune**: Tel + (91 20) 2552 0194/95/96, Fax + (91 20) 553 9231

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