



## ICRA's Ratings Scale and Definitions

### ICRA's Long-Term Rating Scale

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**Long-Term rating Scale:** All Bonds, NCDs, and other debt instruments (excluding Public Deposits) with original maturity exceeding one year.

- LAAA** The highest-credit-quality rating assigned by ICRA. The rated instrument carries the lowest credit risk.
- LAA** The high-credit-quality rating assigned by ICRA. The rated instrument carries low credit risk.
- LA** The adequate-credit-quality rating assigned by ICRA. The rated instrument carries average credit risk.
- LBBB** The moderate-credit-quality rating assigned by ICRA. The rated instrument carries higher than average credit risk.
- LBB** The inadequate-credit-quality rating assigned by ICRA. The rated instrument carries high credit risk.
- LB** The risk-prone-credit-quality rating assigned by ICRA. . The rated instrument carries very high credit risk.
- LC** The poor-credit-quality rating assigned by ICRA. The rated instrument has limited prospects of recovery.
- LD** The lowest-credit-quality rating assigned by ICRA. The rated instrument has very low prospects of recovery.

### ICRA's Medium-Term Rating Scale (only for Public Deposits)

**Medium-Term Rating Scale:** All Public Deposit Programmes.

- MAAA** The highest-credit-quality rating assigned by ICRA. The rated deposits programme carries the lowest credit risk.
- MAA** The high-credit-quality rating assigned by ICRA. The rated deposits programme carries low credit risk.
- MA** The adequate-credit-quality rating assigned by ICRA. The rated deposits programme carries average credit risk.
- MB** The inadequate-credit-quality rating assigned by ICRA. The rated deposits programme carries high credit risk.
- MC** The risk-prone-credit-quality rating assigned by ICRA. The rated deposits programme carries very high credit risk.
- MD** The lowest-credit-quality rating assigned by ICRA. The rated instrument has very low prospects of recovery.

## ICRA's Short-Term Rating Scale

**Short-Term Rating Scale:** All instruments with original maturity within one year.

- A1** The highest-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of A1+ to reflect their relatively stronger credit quality.
- A2** The above-average-credit-quality rating assigned by ICRA to short-term debt instruments. However, instruments rated in this category carry higher credit risk than instruments rated A1.
- A3** The moderate-credit-quality rating assigned by ICRA to short-term debt instruments. However, instruments rated in this category carry higher credit risk than instruments rated A2 and A1.
- A4** The risk-prone-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry high credit risk.
- A5** The lowest-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category have very low prospect of recovery.

### Special Symbols

*	Rating withdrawn
#	Under rating watch
@	Under rating watch with negative implications
&	Under rating watch with developing implications
%	Under rating watch with positive implications
^	Rating Suspended
fc	Compulsorily Fully Convertible Bonds/Debentures
SO	Structured Obligation
S	Supported by Stand by/Letter of Support
(P)	The Letter 'P' in parenthesis after the rating symbol indicates that the debt instrument is being issued to raise resources by a new company for financing a new project and the rating assumes successful completion of the project
!	Conditional Rating

### Notes:

For the short-term ratings of A1 through to A4, the sign of + (plus) may be appended to the rating symbols to indicate their relatively stronger position within the rating categories concerned. Thus, the rating of A2+ is one notch higher than A2.

For the rating categories LAA through to LC and MAA through to MC, the sign of + (plus) or – (minus) may be appended to the rating symbols to indicate their relative position within the rating categories concerned.

Thus, the rating of LAA+ and MAA+ are one notch higher than LAA and MAA respectively, while LAA- and MAA- are one notch lower than LAA and MAA respectively.

**(SO):** The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

**pp:** The letters 'pp' suffixed to a rating symbol stand for 'principal protected'. According to the terms of the rated instrument, the amount invested, that is the principal, is protected against erosion while the returns on the investment could vary, being linked to movements in one or more variables, such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns resulting from adverse movements in the variable(s) concerned.

**pn:** The letters 'pn' suffixed to a rating symbol stand for 'principal not protected'. According to the terms of the rated instrument, the amount invested, that is the principal, is not protected against erosion, while the returns on the instrument could also vary. Payments on the rated instrument are linked to movements in one or more variables, such as equity indices, commodity prices, and/or foreign exchange rates. The rating assigned expresses ICRA's current opinion on the credit risk associated with the issuer concerned. The rating does not address the risks associated with variability in returns or erosion of principal resulting from adverse movements in the variable(s) concerned.

## Rating Scale for Claims paying ability of Insurance Companies

- iAAA** Highest claims paying ability. Indicates fundamentally strong position. Prospect of meeting policyholder obligations is the best.
- iAA** High claims paying ability. Risk factors are modest and may vary slightly. Prospect of meeting policyholder obligations is high and differs from iAAA only marginally.
- iA** Adequate claims paying ability. Prospect of meeting policyholder obligations is adequate. The risk factors are more variable and greater in periods of economic stress and any adverse changes in business/economic circumstances as may be visualised, may alter the fundamental strength.
- iBBB** Moderate claims paying ability. The protective factors are below average and adverse changes in business/ economic circumstances are likely to affect the prospect of meeting policyholder obligations.
- iBB** Inadequate claims paying ability. The protective factors fluctuate in case of changes in business/economic conditions and prospects of meeting policyholder obligations are more likely to be affected by such changes.
- iB** Weak claims paying ability. Risk factors indicate that policyholders obligations may not be met when due. Adverse changes in business/ economic conditions could result in inability/unwillingness to service policyholder obligations.
- iC** Lowest claims paying ability. Indicates fundamentally poor position. Such companies may often be in default on policyholder obligations and may be or are likely to be placed under supervision of insurance regulators.

**Note :** The suffix of '+' or '-' may be used with the rating symbol (from iAA to iC) to indicate the comparative position within the group covered by the symbol.

## The ICRA Corporate Governance Rating Scale

- CGR1** implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders the highest assurance on the quality of corporate governance. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- CGR2** implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders a high level of assurance on the quality of corporate governance. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- CGR3** implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders adequate level of assurance on the quality of corporate governance. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- CGR4** implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders moderate level of assurance on the quality of corporate governance. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- CGR5** implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders inadequate level of assurance on the quality of corporate governance. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- CGR6** implies that in ICRA's current opinion, the rated company has adopted and follows such practices, conventions and codes as would provide its financial stakeholders low level of assurance on the quality of corporate governance. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.

**Note :** A sign of '+' may be suffixed to any of the rating symbols other than CGR1 to indicate a relatively higher standing within the category represented by the particular symbol.

## The ICRA Stakeholder Value and Governance Rating Scale

- SVG1** implies that in ICRA's current opinion, the rated company belongs to the Highest Category on the composite parameters of stakeholder value creation and management, as also corporate governance practices. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- SVG2** implies that in ICRA's current opinion, the rated company belongs to the High Category on the composite parameters of stakeholder value creation and management, as also corporate governance practices. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- SVG3** implies that in ICRA's current opinion, the rated company belongs to the Adequate Category on the composite parameters of stakeholder value creation and management, as also corporate governance practices. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- SVG4** implies that in ICRA's current opinion, the rated company belongs to the Moderate Category on the composite parameters of stakeholder value creation and management, as also corporate governance practices. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- SVG5** implies that in ICRA's current opinion, the rated company belongs to the Unsatisfactory Category on the composite parameters of stakeholder value creation and management, as also corporate governance practices. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.
- SVG6** implies that in ICRA's current opinion, the rated company belongs to the Lowest Category on the composite parameters of stakeholder value creation and management, as also corporate governance practices. ICRA's opinion, however, is not a certificate of statutory compliance or a comment on the rated company's future financial performance, credit rating or stock price.

**Note :** A sign of '+' may be suffixed to any of the rating symbols other than SVG1 to indicate a relatively higher standing within the category represented by the particular symbol.

## ICRA's Issuer Rating Scale

*for assessing the general creditworthiness of the rated entities relation to their senior unsecured obligations. ICRA's Issuer ratings are not specific to any particular debt instrument issued by the rated entities.*

- IrAAA** The highest-credit-quality rating assigned by ICRA. The rated entity carries the lowest credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.
- IrAA** The high-credit-quality rating assigned by ICRA. The rated entity carries low credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.
- IrA** The adequate-credit-quality rating assigned by ICRA. The rated entity carries average credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.
- IrBBB** The moderate-credit-quality rating assigned by ICRA. The rated entity carries higher than average credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.
- IrBB** The inadequate-credit-quality rating assigned by ICRA. The rated entity carries high credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.
- IrB** The risk-prone-credit-quality rating assigned by ICRA. The rated entity carries very high credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.
- IrC** The lowest-credit-quality rating assigned by ICRA. The rated entity carries extremely high credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument.

**Note :** *For the Rating categories IrAA through to IrC the sign of +(plus) or – (minus) may be appended to the Rating symbols to indicate their relative position within the Rating categories concerned. Thus the Rating of IrAA+ is one notch higher than IrAA, while IrAA- is one notch lower than IrAA.*

# ICRA Mutual Fund Credit Risk Ratings: Scale & Definitions

## ICRA's Long-Term Debt Fund Credit Risk Rating Scale

*This scale is used to rate the underlying credit risk of debt funds portfolio on the long term rating scale*

- mfAAA** The highest-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries the lowest credit risk, similar to that associated with long-term debt obligations rated in the highest-credit-quality category.
- mfAA** The high-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries low credit risk, similar to that associated with long-term debt obligations rated in the high-credit-quality category.
- mfA** The adequate-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries average credit risk, similar to that associated with long-term debt obligations rated in the adequate-credit-quality category.
- mfBBB** The moderate-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries higher-than-average credit risk, similar to that associated with long-term debt obligations rated in the moderate-credit-quality category.
- mfBB** The inadequate-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries high credit risk, similar to that associated with long-term debt obligations rated in the inadequate-credit-quality category.
- mfB** The risk-prone-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries very high credit risk, similar to that associated with long-term debt obligations rated in the risk-prone-credit-quality category.
- mfC** The poor-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries similar credit risk as long-term debt obligations rated in the poor-credit-quality category.
- mfD** The lowest-credit-quality rating assigned by ICRA to debt funds. The rated debt fund carries similar credit risk as long-term debt obligations rated in the lowest-credit-quality category.

**Note:** For the rating categories mfAA through to mfC the sign of + (plus) or – (minus) may be appended to the rating symbols to indicate their relative position within the rating categories concerned. Thus, the rating of mfAA+ is one notch higher than mfAA, while mfAA- is one notch lower than mfAA.

## ICRA's Short-Term debt fund Credit Risk Rating Scale

*This scale applies to debt funds with weighted average maturity up to one year. Such funds would generally include liquid funds and cash funds. Benchmark maturity for this scale is 12 months.*



- mfA1** The highest-credit-quality short-term rating assigned by ICRA to debt funds. The rated fund carries the lowest credit risk, similar to that associated with short-term debt obligations rated in the highest-credit-quality category. Within this category, certain funds are assigned the rating of mfA1+ to reflect their relatively stronger credit quality.
- mfA2** The above-average-credit-quality short-term rating assigned by ICRA to debt funds. The rated fund carries higher credit risk than funds rated mfA1, with such risk being similar as that associated with short-term debt obligations rated in the above-average-credit-quality category.
- mfA3** The moderate-credit-quality short-term rating assigned by ICRA to debt funds. The rated fund carries higher credit risk than funds rated mfA2 and mfA1, with such risk being similar as that associated with short-term debt obligations rated in the moderate-credit-quality category.

**mfA4** The risk-prone-credit-quality short-term rating assigned by ICRA to debt funds. The rated fund carries high credit risk, similar to that associated with short-term debt obligations rated in the risk-prone-credit-quality category.

**mfA5** The lowest-credit-quality short-term rating assigned by ICRA to debt funds. The rated fund carries credit risk similar to that associated with short-term debt obligations rated in the lowest-credit-quality category.

**Note:** For the short-term fund ratings of mfA1 through to mfA4, the sign of + (plus) may be appended to the rating symbols to indicate their relatively stronger position within the rating categories concerned. Thus, the rating of mfA2+ is one notch higher than mfA2.

## ICRA-NSIC Performance and Credit Rating Scale

		<b>Performance Capability</b> 				
		<b>Highest</b>	<b>High</b>	<b>Moderate</b>	<b>Weak</b>	<b>Poor</b>
<b>Financial Strength</b> 	<b>High</b>	SE 1A	SE 2A	SE 3A	SE 4A	SE 5A
	<b>Moderate</b>	SE 1B	SE 2B	SE 3B	SE 4B	SE 5B
	<b>Low</b>	SE 1C	SE 2C	SE 3C	SE 4C	SE 5C

### ICRA SME Rating Scale

<b>Rating</b>	<b>Definition</b>
<b>ICRA SME 1</b>	The highest-credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 2</b>	The high-credit credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 3</b>	The adequate-credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 4</b>	The moderate-credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 5</b>	The inadequate-credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 6</b>	The risk-prone-credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 7</b>	The poor-credit quality rating assigned by ICRA to an SME.
<b>ICRA SME 8</b>	The lowest-credit quality rating assigned by ICRA to an SME.

**Note:** For the Rating categories ICRA SME 2 through to ICRA SME 7 the sign of + (plus) or – (minus) may be appended to the Rating symbols to indicate their relative position within the Rating categories concerned. Thus, the Rating of ICRA SME 2+ is one notch higher than ICRA SME 2, while ICRA SME 2– is one notch lower than ICRA SME

## Grading Symbols

### Grading Scale for Initial Public Offer

<b>IPO Grade 5</b>	Strong fundamentals.
<b>IPO Grade 4</b>	Above average fundamentals.
<b>IPO Grade 3</b>	Average fundamentals.
<b>IPO Grade 2</b>	Below average fundamentals.
<b>IPO Grade 1</b>	Poor fundamentals.

### Grading Scale for Microfinance Institutions

- M1:** Indicates that in ICRA's current opinion, the Graded MFI's ability to manage its microfinance activities in a sustainable manner is the highest.
- M2:** Indicates that in ICRA's current opinion, the Graded MFI's ability to manage its microfinance activities in a sustainable manner is high.
- M3:** Indicates that in ICRA's current opinion, the Graded MFI's ability to manage its microfinance activities in a sustainable manner is moderate.
- M4:** Indicates that in ICRA's current opinion, the Graded MFI's ability to manage its microfinance activities in a sustainable manner is below average.
- M5:** Indicates that in ICRA's current opinion, the Graded MFI's ability to manage its microfinance activities in a sustainable manner is weak.

**Note:** For the Grading categories M2, M3 and M4, the sign of + (plus) may be appended to the Grading symbols to indicate their relative position within the Grading categories concerned. Thus, the Gradings of M2+, M3+ and M4+ are one notch higher than M2, M3, and M4, respectively.

### Grading Scale for Real Estate Developers

<b>DR1</b>	Very strong project execution capacity.
<b>DR2</b>	Strong project execution capacity.
<b>DR3</b>	Moderate project execution capacity.
<b>DR4</b>	Inadequate project execution capacity.
<b>DR5</b>	Weak project execution capacity.

**Note:** The suffix of '+' or '-' may be used with the grading symbol (from DR2 to DR4) to indicate the comparative position within the group covered by the symbol.

### Grading Scale for the Real Estate Project

<b>RT1</b>	Very strong project.
<b>RT2</b>	Strong project.
<b>RT3</b>	Moderate project.
<b>RT4</b>	Inadequate project.
<b>RT5</b>	Weak project.

**Note:** The suffix of '+' or '-' may be used with the grading symbol (from RT2 to RT4) to indicate the comparative position within the group covered by the symbol.

## ICRA Grading Symbols for Contractors

- CR1** Very strong contract execution capacity.
- CR2** Strong contract execution capacity.
- CR3** Moderate Contract execution capacity.
- CR4** Inadequate contract execution capacity.
- CR5** Weak contract execution capacity.

*Note : The suffix of '+' or '-' may be used with the grading symbol (from CR2 to CR4) to indicate the comparative position within the group covered by the symbol.*

## ICRA Grading Symbols for Consultants

- CT1** Very strong project engineering/ project management services capacity.
- CT2** Strong project engineering/ project management services capacity.
- CT3** Moderate project engineering/ project management services capacity.
- CT4** Inadequate project engineering/ project management services capacity.
- CT5** Weak project engineering/ project management services capacity.

*Note : The suffix of '+' or '-' may be used with the grading symbol (from CT2 to CT4) to indicate the comparative position within the group covered by the symbol.*

## Maritime Training Institutes Grading Scale

- ICRA Grade 1** The institution has resources and processes consistent with those required for delivering the highest quality of maritime education and training.
- ICRA Grade 2** The institution has resources and processes consistent with those required for delivering quality of maritime education and training that is high but not as high as ICRA Grade 1.
- ICRA Grade 3** The institution has resources and processes that can deliver good quality of maritime education and training.
- ICRA Grade 4** The institution has resources and processes delivering moderate quality of maritime education and training.
- ICRA Grade 5** The institution has resources and processes delivering low quality of maritime education and training.

## Health Care Grading Scale

- H1** The Institution has resources and processes consistent with those required for delivering the highest quality of care.
- H2** The Institution has resources and processes consistent with those required for delivering the high quality of care.
- H3** The Institution has resources and processes that can deliver moderate quality of care.
- H4** The Institution has resources and processes delivering low quality of care.

*Note : The suffix of '+' or '-' may be used with the grading symbol (from H2 to H4) to indicate the comparative position within the group covered by the symbol.*

# Ratings of Issuers in Nepal

## Background

ICRA has set up a joint venture in Nepal to replicate some of its rating businesses there. The company signed a Memorandum of Understanding with Himalayan Infrastructure Fund Limited (HIFL) of Nepal at Kathmandu on Monday. ICRA is holding the majority stake in the joint venture.

ICRA also announced the setting up of a representative office in the Nepalese capital and appointed Deepak Kafle as resident director to oversee its overseas operations there

## Rating Symbols for Issuers / Instruments in Nepal

The rating for issuers / instruments in Nepal is assigned on an eight-point scale developed specifically for that country, and ranges from '[Nepal] AAA' to '[Nepal] D'. This rating scale ranks the relative default risk associated with issuers in Nepal.

ICRA Rating symbols for issuers / instruments in Nepal and their implications are as follows:

- [Nepal] AAA** : The highest-credit-quality rating relative to other domestic issuers
- [Nepal] AA** : The high-credit-rating quality rating relative to other domestic issuers
- [Nepal] A** : The adequate-credit-quality rating relative to other domestic issuers
- [Nepal] BBB** : The moderate-credit- quality rating relative to other domestic issuers
- [Nepal] BB** : The inadequate-credit-quality rating relative to other domestic issuers
- [Nepal] B** : The risk-prone-credit-quality rating relative to other domestic issuers
- [Nepal] C** : The poor-credit-quality rating relative to other domestic issuers
- [Nepal] D** : The lowest-credit-quality rating relative to other domestic issuers

*Note: For the rating categories AA through to C, the sign of + (plus) or – (minus) may be appended to the rating symbols to indicate their relative position within the rating categories concerned. Thus, the rating of AA+ is one notch higher than AA, while AA- is one notch lower than AA.*