

MAPPING OF ICRA'S LONG-TERM AND SHORT-TERM RATINGS

Short-Term Ratings

ICRA assigns short-term ratings with symbols from [ICRA]A1 through to [ICRA]D to debt instruments/ facilities with original maturity up to one year issued by non-financial corporates, financial institutions, structured finance vehicles, project finance and public sector entities. ICRA's short-term ratings measure the probability of default of the rated debt instruments/ facilities over their entire tenure. For the short-term ratings, modifiers {"+" (plus)} are used with the rating symbols for the categories [ICRA]A1 to [ICRA]A4. The modifier reflects the comparative standing within the category. While the short-term rating of [ICRA]A1 indicates that the instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations and such instruments carry the lowest credit risk, the short-rating of [ICRA]D indicates that the instruments with this rating are in default or are expected to be in default upon maturity. ICRA assigns short-term ratings to instruments such as commercial papers, certificates of deposit, short-term debentures, other money market related instruments maturing within one year from the date of issuance and bank loans (fund-based and non-fund based) with contractual maturity of up to one year.

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Linkage between Long-term and Short-term Ratings

Although ICRA ratings are specific to the rated instruments/ facilities, the short-term ratings in general have a linkage with the assigned or the notional long-term ratings of the entities concerned. Besides the fact that short-term instruments like commercial papers are usually on-going programmes, thus warranting a longer-term rating view, in ICRA's opinion, refinancing risk or an entity's access to other sources of funding, is also largely influenced by the entity's longer-term credit profile.

Thus, apart from focusing on short-term factors like near-term business risk drivers and liquidity position of the entities, ICRA also factors-in an entity's long-term credit profile while assigning short-term ratings to the debt instruments issued or the borrowing facilities availed by it. The Table below presents a broad guidance to the linkage between ICRA's short-term and long-term ratings.

Chart: Indicative mapping of ICRA’s long-term and short-term ratings

		ST Rating Mapping								
		A1+	A1	A2+	A2	A3+	A3	A4+	A4	D
LT Rating	AAA	[ICRA]A1+								
	AA+									
	AA									
	AA-	[ICRA]A1								
	A+									
	A	[ICRA]A2+								
	A-									
	BBB+	[ICRA]A2								
	BBB									
	BBB-	[ICRA]A3+								
	BB+									
	BB	[ICRA]A3								
	BB-									
	B+	[ICRA]A4+								
	B									
	B-	[ICRA]A4								
	C+									
C	[ICRA]D									
C-										
D	[ICRA]D									
D										

- As an illustration, the Chart above guides that if the long-term rating of an entity is assessed to be in the [ICRA]AAA or the [ICRA]AA category, its short-term rating would invariably be [ICRA]A1+. Likewise, if the long-term rating of an entity is assessed to be in the [ICRA]B or the [ICRA]C categories, its short-term rating would invariably be [ICRA]A4.
- Where the long-term rating could map with either of the two short-term ratings, like the possibility of the long-term rating of [ICRA]A+ being mapped with either of [ICRA]A1+ or [ICRA]A1, the decision regarding the specific short-term rating to be assigned is typically driven by the relative liquidity assessment of the entity/ instrument/ facility being rated. Thus, as an example, where an entity demonstrates a superior or a strong liquidity profile, an [ICRA]A1+ rating is assigned on the short-term scale corresponding to the long-term rating of [ICRA]A+.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in and www.icresearch.in

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