

# ICRA CREDIT RATING METHODOLOGIES

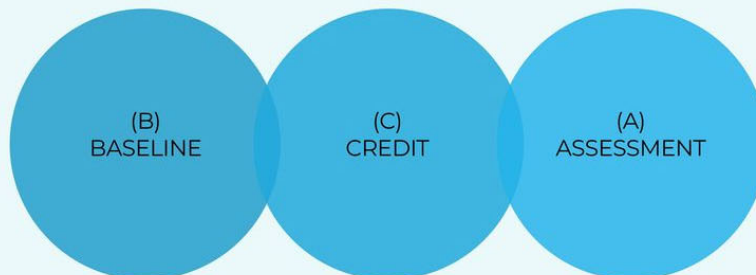
## Corporates

The ICRA Corporate Rating Methodology is designed following the foundational principles of BCA Framework. This combination of globally recognized standards in ICRA approach underscores the commitment to elevating local credit assessments to international benchmarks. By integrating these frameworks, we ensure a meticulous evaluation of Corporate, aligning with global best practices while catering to the unique nuances of the local financial landscape. This reflects our dedication to delivering precise, transparent, and globally competitive credit ratings.

## BCA FRAMEWORK

## RATING METHODOLOGY

The BCA Framework is a widely accepted supervisory tool used by regulatory authorities and corporates to assess the overall health and stability of corporates. The acronym "BCA" stands for three key components:



# ICRA CORPORATE RATING METHODOLOGY

## ICRA Corporate Rating Methodology

ICRA Corporate Credit Rating Methodology was designed to analyze both qualitative and quantitative factors of a company, covering its internal and external business environment. The key components of the corporate rating methodology are interlinked with each factor to provide a holistic analysis and viewpoint of overall credit worthiness of corporates.

## ICRA CORPORATE RATING METHODOLOGY

COMPONENTS	WEIGHTAGE
1. Rating Source Documents Completeness and timeliness of the submitted KYC/financial documents and information	NA
2. Internal Environment Analysis Business Model/Strategy - Product portfolio, diversification, value proposition, KPI and business risks and competition Management Review - Organisational structure, leadership background, talent management, succession planning, management risks and historical track records, team composition Business Outlook -Future Business outlook, expected strategic partnerships, expansion, downsizing plans	35%
3. External Environment Analysis Industry Review - Global and domestic industry outlook, direct and indirect impact to the business, industry risks and new trends, global and domestic economic trend External Stakeholder Relationships - Customer and supplier relationships, banking relationships, licensing and government regulations, auditor relationships and other external relationships, adverse news flows on the management and company, corporate social responsibility.	25%
4. Financial Analysis Financial Statement Analysis - Profit and loss statement, balance sheet, cash flow statement audit report, notes to financial statements, ratio analysis, key financial risks, bank credit turnover Financial Projections/Forecast Review - Growth drivers and underlying assumptions, accuracy, reliability and reasonableness of the forecasts, relationship with industry trends and industry averages.	40%



# Rating Assignment Criteria

## Corporate Ratings

ICRA Corporate Rating Methodology is designed to cater to a wide audience of corporate clients in the local market, ranging from SMES to large corporates. Hence, the rating assignment calculation has been made with easy applicability based on the rigorous analysis done by the risk team based on the defined methodology. Accordingly, the risk team would assign the respective scores to each component and arrive at the final score based on the "ICRA Weighted Average Credit Scoring Model for Corporates (WACS)".

COMPONENTS	WEIGHTAGE	MAXIMUM SCORE	ASSIGNED SCORE (OUT OF 10)
<b>Internal Environment Analysis</b> Business Model/Strategy Management Review Business Outlook Review	<b>35%</b> 15% 15% 5%	10 10 10	P Q R
<b>External Environment Analysis</b> Industry Analysis External Stakeholder Analysis	<b>25%</b> 15% 10%	10 10	S T
<b>Financial Statement</b> Analysis Financial Forecast Review	<b>40%</b> 30% 10%	10 10	U V

### SCORING CHART

9	10	STRONG
7	8	GOOD
5	6	MODERATE
3	4	WEAK
1	2	BAD

Final Score (ICRA WACS Model for Corporates) =

$$[(15\%*P) + (15\%*Q) + (5\%*R) + (15\% *S) + (10\%*T) + (30\%*U) + (10\%*V)] * 10$$