ICRA Non-Depository FI Credit Rating Methodology

The ICRA Non-Depository FI Credit Rating Methodology is designed following the foundational principles of AMELS 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 Non-Depository FI, 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.

ICRA NON-DEPOSITORY FI CREDIT RATING METHODOLOGY

COMPONENTS	WEIGHTAGE
Business Model/Profile Review Size of the Business Competitive Advantages Uncertainty (Future Revenues & Profitability Concentration Risk	15%
Management Quality Governance Regulatory, and Legal Compliance Board of Directors Management Team Ownership	10%
Industry Risk Country Risk with Economic, Political, and Social Stability Industry Risk	15%
Financial Analysis Performance Financial Position Cash Flows	20%
Ratio Analysis Sensitivity Earnings Asset Quality Liquidity	40%

AMELS FRAMEWORK

The AMELS Framework is a widely accepted supervisory tool used by regulatory authorities and non-depository institutions to assess the overall health and stability of non-depository institutions. The acronym "AMELS" stands for five key components:

| (A) Asset Quality | (M) Management | (E) Earnings | (L) Liquidity | (S) Sensitivity |

RATING ASSIGNMENT CRITERIA
Non-Depository fi Ratings

ICRA Non-Depository FI Rating Methodology is designed to cater to small to large insurances in the country. The rating assignment calculation has been designed in a way that appeals to a wide audience in the Non-Depository FI industry. Based on the in dept analysis, the risk team would assign the respective scores or select the desired classifications for each factor when arriving at the final score based on the "ICRA Weighted Average Credit Scoring Model for Financial Institutions" (WACS).

COMPONENTS	WEIGHTAGE	MAXIMUM SCORE	ASSIGNED SCOURE (OUT OF 10)
Business Model/Profile Review	**15.0%**		
Size of the Business	7.5%	10	E
Competitive Advantages	2.5%	10	F
Uncertainty (Future Revenues & Profitability)	2.5%	10	G
Concentration Risk	2.5%	10	H
Management Quality	**10.0%**		
Governance Regulatory and Legal	2.0%	10	I
Compliance	2.0%	10	J
Board of Directors	4.0%	10	K
Management Team	2.0%	10	L
Ownership			
Industry Risk	**15.0%**		
Country Risk with Economic, Political and Social Stability	7.5%	10	M
Industry Risk	7.5%	10	N
Financial Analysis	**20.0%**		
Performance	7.5%	10	O
Financial Position	7.5%	10	P
Cash Flows	5.0%	10	Q
Ratio Analysis	**40.0%**		
Sensitivity	10.0%	10	R
Earnings	10.0%	10	S
Asset Quality	10.0%	10	T
Liquidity	10.0%	10	U

ICRA RATING
ISO 9001 : 2015

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SCORING CHART

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

Final Score (ICRA WACS Model for Fis) =

[(7.5% E) + (2.5%°F) + (2.5%*G) + (2.5%*H) + (2.0%*1) + (2.0%*J) + (4.0%*K) + (20%*L) + (7.5%*M) + (7,5%*N) + (7.5%*O)+(7.5% P) + (5.0%*Q) + (10.0%*R) + (10.0%*s) + (10.0%*T) + (10.0%*U)] *10