

Date: January 30, 2024
SE/2023-24/102

To,

BSE Limited The General Manager The Corporate Relation Department Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001 Scrip Code: 534804	The National Stock Exchange of India Ltd. Listing Department Exchange Plaza Bandra Kurla Complex Bandra (East) Mumbai 400 051 Scrip Code: CARERATING
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Dear Sir/ Madam,

Sub: Press Release

This is with reference to our Press Release dated August 7, 2023, with respect to launch of Sovereign Risk Assessment Framework by CARE Ratings Limited (the Company). The Company has now released a draft Sovereign Rating Methodology for public comments.

Press Release in this connection is attached herewith.

You are requested to kindly take the above information on records.

Thanking you,

Yours faithfully,

For CARE Ratings Limited

Nehal Shah
Company Secretary & Compliance Officer

Encl: As above

CARE Ratings Limited

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Press Release

CareEdge Ratings unveils its Sovereign Rating Methodology for Public Consultation

Invites stakeholders to provide feedback on methodology

Mumbai, 30 January 2024: CareEdge Ratings today unveiled its detailed Sovereign Rating Methodology, which will be used to assess the credit profile of sovereign debt issuers on a global rating scale. A sovereign rating is an assessment of the sovereign's ability and willingness to service its debt in full and in a timely manner.

Speaking on the occasion, **Mehul Pandya, MD and CEO, CareEdge Ratings**, said, "This is an important step in our journey towards evolving into a global knowledge-based organisation. The ratings assigned using our methodology, in the future, will aid the investors and enhance the diversity of opinions in the market. The understanding of global markets so gained will enable CareEdge Ratings in incorporating such trends in our domestic ratings as well."

"The Sovereign Rating methodology has been devised post in depth research and deliberations. It also incorporates CareEdge Ratings' experience and understanding of the credit ratings domain. The methodology is robust and does not differentiate in the treatment of developed and emerging economies on any parameter by applying consistent thresholds across countries. In line with the best global practices, we are seeking feedback from market stakeholders to further enhance our methodology." adds Mr. Pandya.

CareEdge Sovereign Ratings methodology involves analysis under five broad pillars to determine a sovereign's creditworthiness. These pillars are Economic Structure & Resilience (25% weightage), Fiscal Strength (25% weightage), External Position & Linkages (16.67% weightage), Monetary & Financial Stability (16.67% weightage), and Institutions & Quality of Governance (16.67% weightage). The assessment of each of these pillars is based on the consideration of historical, current as well as expected future trends.

Explaining the weightage given to five pillars, **Rajani Sinha, Chief Economist, CareEdge Ratings** said, "The two pillars of Economic Structure & Resilience and Fiscal Strength carry relatively more weight, in the methodology. This is because Economic Structure & Resilience is the foundation of any economy and indicates its ability to grow sustainably and absorb potential shocks. Further, Fiscal Strength reflects the government's financial discipline, and has a direct bearing on the quantum of sovereign debt. Further, the assessment of these two pillars is relatively more quantitative compared to others".

The assessment of the five pillars is based on a set of primary and secondary factors, using a mix of quantitative and qualitative indicators. Primary factors are assessed largely based on quantitative indicators, while secondary factors are country specific nuances that bring a qualitative overlay and analytical comprehensiveness.

We welcome any feedback or suggestions on the methodology. You may provide it till Friday, February 16, 2024 to Kiran Kavala (kiran.kavala@careedge.in) and Akanksha Bhende (akanksha.bhende@careedge.in). We would subsequently publish the final methodology post the feedback.

Disclaimer:

CARE Ratings Limited is currently licensed to offer ratings on scale as specified in SEBI regulations to corporates/other entities in India. As of date, the agency does not have the license to offer a sovereign rating product in different geographies. The agency may explore creation of an appropriate structure in future and might decide to approach relevant regulatory authorities for approvals to launch Sovereign Rating product in due course. Currently, there are no commercial aspects related to the launch of the said risk assessment methodology.

About CareEdge Ratings

CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and holding leadership positions in high-growth sectors such as BFSI and Infra. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd previously known as CARE Risk Solutions Pvt Ltd, and (II) CARE ESG Ratings Ltd, previously known as CARE Advisory Research and Training Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings Africa (Private) Limited in Mauritius, CARE Ratings South Africa (Pvt) Ltd, and CARE Ratings Nepal Limited.