

**Enhancing Business Value through Intellectual Leadership**

### **About Us**

ICRA Nepal Limited (ICRA Nepal), the first Credit Rating Agency in Nepal, is a Subsidiary of ICRA Limited (ICRA) of India. It was incorporated on November 11, 2011 and granted licence by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a Technical Support Services Agreement, which envisages ICRA helping ICRA Nepal in such areas as rating process & methodologies, analytical software, research, training, and technical & analytical skill augmentation.

ICRA Limited, an Associate of Moody's Investors Service, 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. ICRA is a public limited company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. Besides India and Nepal, ICRA operates in Indonesia and Sri Lanka through Subsidiaries.

### **Quality and Commitment**

- Facilitating Efficiency in Business

ICRA Nepal's Ratings, Gradings, information products and solutions reflect independent, professional and impartial opinions, which assist businesses enhance the quality of their decisions and help issuers access a broader investor base and even lesser known companies approach the Money and Capital Markets.

- Building Research Capability

We strongly believe that the quality of analytical output is a reflection on an organisation's research capabilities. Towards this end, we are focused on building and continually reinforcing the required in-house research capabilities so as to maintain the highest standards of quality and credibility. We also draw on the strength and experience of the Holding Company and make optimum use of its research capabilities.

- Commitment to the Development of the Financial Market of Nepal

The focus and commitment of ICRA Nepal will remain on developing innovative concepts and products in a dynamic market environment, generating and promoting wider investor awareness and interest, enhancing efficiency and transparency in the financial market, and providing a healthier environment for market participants and regulators.

### **Service Objectives**

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets; and
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

### **Range of Services**

ICRA Nepal offers its clients a broad range of services incorporating both domestic and international perspectives.

### **Rating Services**

ICRA Nepal rates rupee denominated debt instruments issued by commercial banks, financial institutions, non-banking finance companies, public sector undertakings, and manufacturing and service companies, among others. Another key product offered is Issuer Rating Service. ICRA Nepal's Issuer Ratings seek to provide an opinion on the general creditworthiness of the rated entities in relation to their senior unsecured obligations. ICRA Nepal's Issuer Ratings are not specific to any particular debt instrument issued by the rated entities. In an increasingly globalising environment, Issuer Ratings can be of immense help to organisations in negotiating with prospective lenders, contractors, consultants, counter-parties, collaborators, vendors, creditors and other stakeholders who need to form an opinion about the overall credit quality of the company. ICRA Nepal is also offering other products, including Bank Loan/Line of Credit Rating and Rating of Claims Paying Ability of Insurance Companies. The other services include Corporate Governance Rating, Stakeholder Value and Governance Rating, and Credit Risk Rating of Debt Mutual Funds.

**Grading Services**

The Grading Services offered by ICRA Nepal employ pioneering concepts and methodologies, and include Grading of Initial Public Offers (IPOs). Gradually, the Grading Services will also cover Microfinance Institutions (MFIs), Construction Entities, and Real Estate Developers and Projects. An ICRA Nepal IPO Grade represents a relative assessment of the “fundamentals” of the issue graded in relation to the universe of other equity securities listed on the Nepal Stock Exchange.

**Rating/Grading Process**

ICRA Nepal's Rating/Grading Process is initiated on the receipt of the signed Agreement from the client seeking the Rating/Grading. A Rating/Grading Team, usually consisting of two analysts with the expertise and skills required to evaluate the business of the client, is involved with the Rating/Grading assignment. The client is provided a list of information requirements and the broad framework for discussions. These requirements are worked out on the basis of ICRA Nepal's understanding of the client's business, and broadly cover all aspects that may have a bearing on the Rating/Grading. Besides its own Research, ICRA Nepal also draws on secondary sources of information, including the research work of its Holding Company and Technical Collaborator ICRA Limited, while working on the Rating/Grading assignment. The Rating/Grading exercise also involves assessment of a number of qualitative factors, which requires extensive interactions with the client's management on subjects relating to operations, plans, outlook, competitive position, and funding policies, among others, as appropriate.

After completing the analysis, a Rating/Grading Report is prepared, which is then presented to the Rating/Grading Committee. A presentation on the client's business and management is also made by the Rating/Grading Team. The Rating/Grading Committee is the final authority for assigning the Rating/Grading. The assigned Rating/Grading, along with the key issues, is communicated to the client's top management for acceptance. Non-accepted Ratings/Gradings are not disclosed and complete confidentiality is maintained on them, Subject to the regulatory/statutory requirements, if any.

If the client does not find the Rating/Grading acceptable, it has a right to appeal for a review. Such reviews are usually taken up if the client provides certain fresh inputs. During a review, the client's response is presented to the Rating/Grading Committee. If the inputs and/or fresh clarifications so warrant, the Rating/Grading Committee may revise the initial Rating/Grading decision. However, the client has the option of not accepting a Rating/Grading irrespective of whether it is revised or not, after such appeal, and if not accepted, the confidentiality of the Rating/Grading is maintained subject, however, to the regulatory/statutory requirements, if any.

In the case of Ratings, as part of a mandatory surveillance process, ICRA Nepal monitors all accepted Ratings over the tenure of the rated instruments and till any amount is outstanding against the borrowing programme rated.

The Ratings/Gradings are generally reviewed once every year, unless the circumstances of the case warrant an earlier review. The Rating/Grading outstanding may be retained or revised (that is, upgraded or downgraded) on surveillance.

### **Methodology**

For Ratings, ICRA Nepal considers all relevant factors that have a bearing on the future cash generation of the issuer. These factors include: industry characteristics, competitive position of the issuer, operating efficiency, management quality, commitment to new projects and other associate companies, and funding policies of the issuer. A detailed analysis of the past financial statements is made to assess performance under "real world" business dynamics. Estimates of future earnings under various sensitivity scenarios are drawn up and evaluated against the claims and obligations that require servicing over the tenure of the instrument being rated. Primarily, it is the relative comfort level on the issuer's cash flows to service obligations that determines the Ratings.

In the case of Gradings, the methodologies vary in accordance with the nature of the service. For IPO Gradings, the factors analysed include, among others, the prospects of the industry in which the company operates, its competitive strengths, and its financial position. For the Grading of MFIs, the evaluation covers, among other factors, the MFI's operating environment, governance structure, management and systems, scalability, asset quality, liquidity position, funding policies, capitalisation profile and profitability. For the Grading of Construction Entities and Real Estate Developers and Projects, all the relevant risks are analysed under the two broad categories of business risk and financial risk, with the objective being to provide lenders and sector participants with an independent opinion on the quality of the entity/project graded.

### **Research and Publications**

With Nepal's economy undergoing fundamental changes, ICRA Nepal will make use of its access to the research base of the Holding Company and also build up a research programme to analyse contemporary developments that influence the country's money and finance sectors. ICRA Nepal's research and publications include press releases, Rating/Grading rationales, industry reviews, specific comments, economic updates, methodologies, and default studies.

**Board of Directors**

**Mr. Vivek Mathur** is the Executive Vice President of ICRA Limited and Head Rating Operations.

**Ms. Lahar Bhasin** is Head Business Planning of ICRA Limited.

**Ms. Aashmi Rana** is the Founder and Managing Director of Rana Global Pvt. Ltd.

**Mr. Anil Chandra Adhikari** is the CEO of Karja Suchana Kendra.

**Mr. Surya Prakash Shrestha** is an Independent Director of ICRA Nepal Limited.

**Mr. Deepak Raj Kafle** was formerly Chairman, Securities & Exchange Board, Nepal.