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Rating Criteria for Short-term Debt

Rating of Short-term debt relates to instruments having maturity up to one year. Brickwork Ratings (BWR) links the short-term ratings to the long-term ratings of the issuer. Short-term debt is usually rolled over while long-term debt is expected to be repaid out of the internal accruals of the business. Before issuing any short-term rating, BWR assigns a long-term rating for the underlying credit quality of the issuer. The short-term rating is then arrived based on an analysis of the liquidity risk the company faces. The liquidity risk is analysed with reference to the cash inflows as well as cash outflows, the seasonality, the backup facilities from the banks as well as support from the parent as applicable.

Liquidity Risk

Once the long term rating is assessed, the overall liquidity risk of the organization is examined. Based on the cash flow statements, financial projections, working capital utilisation, seasonality, inventory etc., provided by the issuer, the BWR team analyses the liquidity risk. In some cases the comfort factors like parent support, credit enhancement options viz., guarantees, etc., are also considered while assigning the short term rating.

Mapping Long-term Ratings with Short-term Scales

Typically, the short-term ratings are linked to the long-term ratings as per the table shown below. However, based on the type of entities being rated and the circumstances, BWR may assign a different rating from the typically suggested mapping. BWR uses modifiers '+' from A1 to A4.

Long-term Rating	Short-term Rating
BWR AAA	BWR A1+
BWR AA+	BWR A1+
BWR AA	BWR A1+
BWR AA-	BWR A1+
BWR A+	BWR A1+/BWR A1
BWR A	BWR A1/BWR A2+
BWR A-	BWR A1/BWR A2+
BWR BBB+	BWR A2+/BWR A2
BWR BBB	BWR A2/BWR A3+/BWR A3
BWR BBB-	BWR A2/BWR A3+/BWR A3
BWR BB+ to BWR C-	BWR A4+/BWR A4

Disclaimer:

It must be clearly understood that a Rating opinion is based on various factors/aspects which includes application of certain Rating criteria. The particular criteria applied depends on a number of factors, inter alia, sector/Industry, historical performance, cyclical trends, prevailing economic condition, group support etc. Rating opinions factor many assumptions and the application of any particular criteria or a set of criteria may be full or partial depending upon peculiarity of each case. Application of any Rating criteria should not therefore be considered as rendering finality or completeness to a Rating assessment. A reference to criteria needs to be perceived in broad terms, only as an aid to a rating decision.