



What is a Rating Watch and what does it convey?

ICRA Nepal may place a Credit Rating on “Watch” when there is an unanticipated event, the credit implications of which are either unclear or not fully ascertainable immediately. Such events include a proposed change in ownership control, a merger, a demerger, an acquisition or a sudden regulatory development. ICRA Nepal utilizes the period for which a Credit Rating remains on “Watch” to monitor the ongoing developments and gather additional information so as to assess whether and to what extent the existing Credit Rating may have to be revised. ICRA Nepal designates the Credit Ratings placed on “Watch” in the following three ways:

- » Credit Rating placed under ‘Watch with Positive Implications’ indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be upgraded (Special symbol ‘%’ is used to denote this)

- » Credit Rating placed under ‘Watch with Negative Implications’ indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be downgraded (Special symbol ‘@’ is used to denote this)

- » Credit Rating placed under ‘Watch with Developing Implications’ indicates that once the credit uncertainty gets resolved, the Credit Rating may either be upgraded, downgraded or reaffirmed (Special symbol ‘&’ is used to denote this)

Compared with a “Positive” or a “Negative” rating outlook, the resolution of a rating “Watch” typically happens in a shorter time span. And similar to rating outlooks, a Credit Rating placed on “Watch with Positive Implications” or on “Watch with Negative Implications” does not imply that the Credit Rating would necessarily be upgraded or downgraded in the future; nor is placing any rating on “Watch” necessarily a precursor to a Credit Rating change. A Credit Rating “Watch” is applicable to all debt instruments regardless of the rating level and including those instruments that are rated on the short-term scale.