

Notes on - Credit rating agencies in India CRISIL, CARE, ICRA, Small & Medium Enterprises Rating Agency (SMERA).

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CREDIT RATING

Credit rating is a relative ranking arrived at by a systematic analysis of the strengths and weaknesses of a company and debt instrument issued by the company, based on financial statements, project analysis, creditworthiness factors and future prospectus of the project and the company appraised at a point of time.

The **rating process** is ultimately an **assessment** of the fundamentals and the probabilities of change in the fundamentals. **Rating** determination is a matter of experienced and holistic judgment, based on the relevant quantitative and qualitative factors affecting the **credit** quality of the issuer.

Objectives of Credit Rating

Credit rating aims to:

- Provide superior information to the investors at a low cost;
- Provide a sound basis for proper risk-return structure;
- Subject borrowers to a healthy discipline, and
- Assist in the framing of public policy guidelines on institutional investment.

Thus, **credit rating in financial services** represent an exercise in faith building for the development of a healthy financial system.

A brief overview of Indian Agencies

Rating Agency	Significance
CRISIL	CRISIL (“Credit Rating Information Services of India Limited”) is the largest rating agency in India with over 65% of Indian market share. Established in 1987, it has been offering its services in manufacturing,

	service, financial and SME sectors. Standard & Poor's now holds the majority stake in CRISIL.
CARE	CARE ("Credit Analysis and Research Limited"), established in 1993 is a credit rating agency promoted and backed by IDBI, UTI, Canara Bank, and other financial institutions and NBFCs. Ratings provided by CARE include financial organizations, state governments and municipal entities, public utilities and special purpose vehicles.
ICRA	ICRA, backed by Moody's is a leading agency that focuses on rating corporate governance, Mutual funds, hospitals, infrastructure development and construction and real estate companies.
SMERA	SMERA, a joint venture by several learning banks of the country primarily focuses on rating the Indian MSME segment.

Credit Rating Agencies in India

The following are the details of the 7 credit rating agencies currently registered to operate in India:

1. Credit Rating Information Services of India (CRISIL) Limited

Credit Rating Information Services of India Limited is the first credit rating agency of the country which was established in 1987. It calculates the credit worthiness of companies based on their strengths, market share, market reputation and board. It also rates companies, banks and organizations, helping investors make a better decision before investing in companies' bonds. Besides India, it is also operational in countries including USA, UK, Hong Kong, Poland, Argentina and China. It offers 8 types of credit rating which are as follows:

- AAA, AA, A – Good Credit Rating
- BBB, BB – Average Credit Rating
- B, C, D – Low Credit Rating

2. Investment Information and Credit Rating Agency of India (ICRA) Limited

Investment Information and Credit Rating Agency of India was established in 1991 and is headquartered in Mumbai. It offers comprehensive ratings to corporates via a transparent rating system. Its rating system includes symbols which vary with the financial instruments. Here are the types of credit ratings offered by ICRA:

- Bank Loan Credit Rating
- Corporate Debt Rating
- Corporate Governance Rating
- Financial Sector Rating
- Issuer Rating
- Infrastructure Sector Rating

- Insurance Sector Rating
- Mutual Fund Rating
- Public Finance Rating
- Project Finance Rating
- Structured Finance Rating
- SME Rating

- **3. Credit Analysis and Research Limited (CARE)**

Credit Analysis and Research Limited (CARE) is operational from April 1993 and offers a range of credit rating services in areas like debt, bank loan, corporate governance, recovery, financial sector and more. Its rating scale includes two categories – long term debt instruments and short term debt ratings. It has its head office in Mumbai and regional offices in New Delhi, Kolkata, Pune, Jaipur, Chandigarh, Bengaluru, Ahmedabad, Chennai, Hyderabad and Coimbatore.

India Ratings and Research Pvt. Ltd.

Formerly known as Fitch Ratings India Pvt. Ltd., evaluates the credibility of corporate issuers, managed funds, financial institutions, project finance companies, urban local bodies and structured finance companies. It has its headquarters in Mumbai and other branch offices in Delhi, Ahmedabad, Chennai, Hyderabad, Bengaluru, Kolkata and Pune.

5. Acuité Ratings & Research (earlier SMERA Ratings Ltd.)

Originally, known as Small Medium Enterprises Rating Agency of India Limited, this credit rating agency is now known as Acuité Ratings & Research. This agency has two divisions – SME Ratings and Bond Ratings. It was established in 2011 and is a hub of financial professionals. It offers credit ratings in the following format:

- AAA, AA, A – Low Credit Risk
- BBB, BB – Moderate Credit Risk
- B, C – High Credit Risk
- D- Defaulted