

INDIAN FINANCIAL SYSTEM  
M.COM Semester II

**CREDIT RATING AGENCIES**

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# CREDIT RATING AGENCIES



# MEANING

- Credit rating agency(CRA) means a body corporate which is engaged in the business of rating of securities offered by companies.
- The debt instruments rated by CRAs include government bonds, corporate bonds, certificate of deposits, municipal bonds, stock and collateralized securities, such as mortgage-backed securities and collateralized debt obligations.

# DEFINITION OF CREDIT RATING

- According to CRISIL, credit rating is “an unbiased and independent opinion as to issuer’s capacity to meet its financial obligations. It does not constitute a recommendation to buy , sell or hold a particular security”
- According to Moodys , “ratings are designed exclusively for the purpose of grading bonds according to their investment qualities”

# INTERNATIONAL AGENCIES

- MOODY'S INVESTORS SERVICES
- STANDARD AND POOR'S CORPORATION(S &P)



# MOODY'S INVESTORS SERVICES

- John Moody founded the Moody's agency at the beginning of the 20<sup>th</sup> century.
- It undertakes the rating of wide range of debt related securities , international issues , commercial papers , etc. Both in USA and international markets.
- Other services include- assessing financial strength of insurance companies , mutual funds, banks , public utilities.



# **STANDARD & POOR'S RATINGS SERVICES**

**McGRAW HILL FINANCIAL**



# STANDARD AND POOR'S FINANCIAL SERVICES LLC(S &P)

- One of the first credit rating institutions which has a history of 160 years, founded in the year 1860.
- Offers rating on wide range of debt securities , both in the US and overseas markets.

# OTHER INTERNATIONAL AGENCIES

- Duff and Phelps Credit Rating Company
- Japan Credit Rating Agency
- Fitch Investors Service
- Thomason Bank Watch
- IBCA Ltd



# All About Credit Rating Agencies in India





**CRISIL**

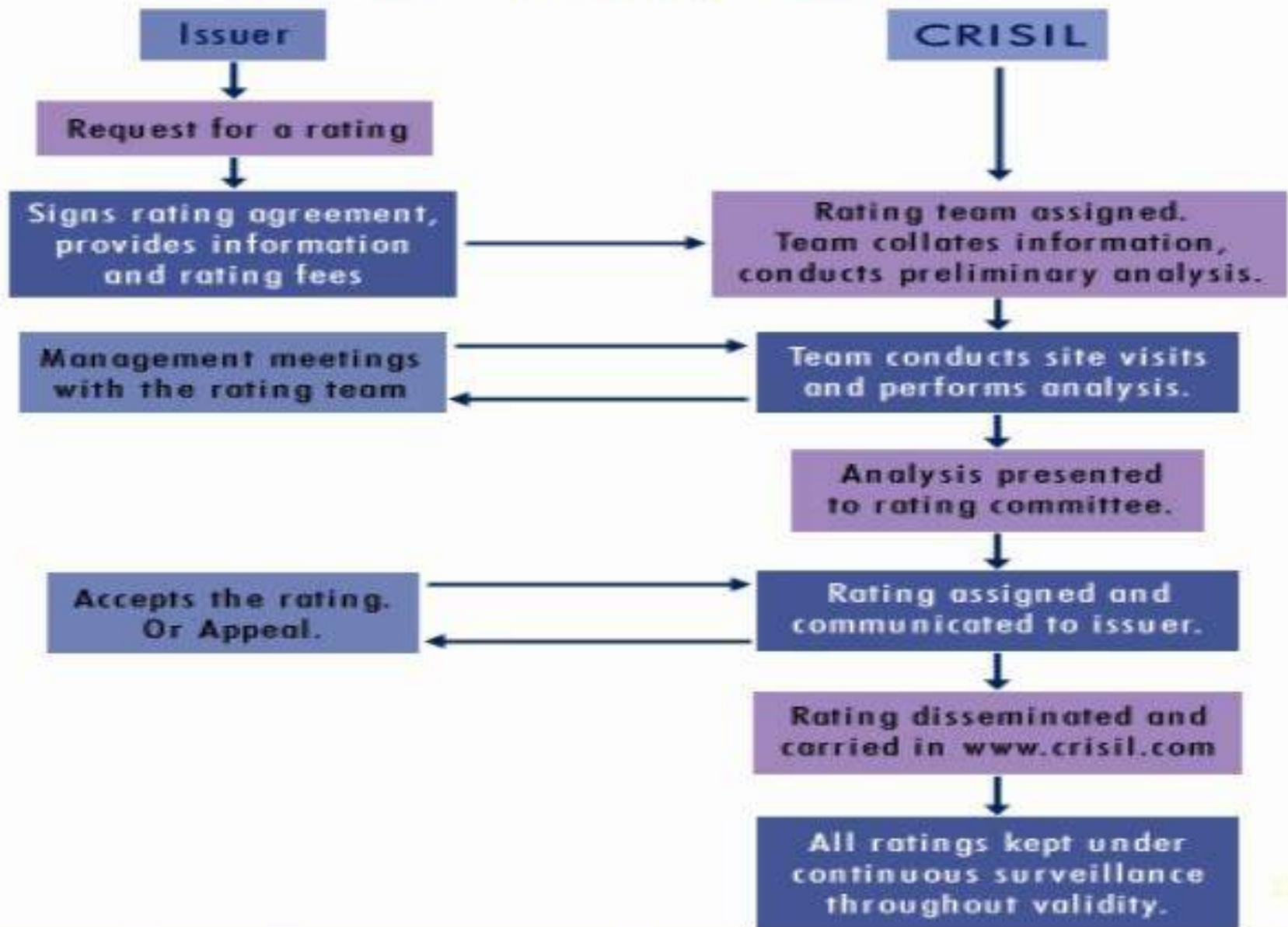
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**RESEARCH**

# CRISIL

- CRISIL formerly Credit Rating Information Services of India Ltd is a global analytical company.
- Headquarter – Mumbai.
- Services offered are:
  - a) Credit rating services
  - b) Advisory services
  - c) Research and information services
- CRISIL is the largest credit rating agency in India and the market leader.
- S & P is the major shareholder of CRISIL with a stake of 67.40%.

# CRISIL's Rating Process



# CRISIL DEBENTURE RATING SYMBOLS

<b>SYMBOL</b>	<b>SAFETY LEVEL</b>
<b>AAA</b>	<b>HIGEST SAFETY</b>
<b>AA</b>	<b>HIGH SAFETY</b>
<b>A</b>	<b>ADEQUATE SAFETY</b>
<b>BBB</b>	<b>MODERATE SAFETY</b>
<b>BB</b>	<b>INADEQUATE SAFETY</b>
<b>B</b>	<b>HIGH RISK</b>
<b>C</b>	<b>SUBSTANTIAL RISK</b>
<b>D</b>	<b>DEFAULT</b>

# CRISIL FIXED DEPOSIT RATING SYMBOLS

<b>SYMBOL</b>	<b>SAFETY LEVEL</b>
<b>F AAA</b>	<b>HIGHEST SAFETY</b>
<b>F AA</b>	<b>HIGH SAFETY</b>
<b>F A</b>	<b>ADEQUATE SAFETY</b>
<b>F B</b>	<b>INADEQUATE SAFETY</b>
<b>F C</b>	<b>HIGH RISK</b>
<b>F D</b>	<b>DEFAULT</b>





ICRA

# ICRA LTD

- ICRA formerly Investment Information and Credit Rating Agency Ltd
- Is an Indian independent and professional investment information and credit rating agency.
- Established in 1991 with Headquarters in Gurgaon
- Moody's Investment Company India Private Limited is the largest shareholder with 31.66% shareholding.
- Services rendered by ICRA are:
  - a. Rating services
  - b. Information services
  - c. Advisory services

# ICRA LONG-TERM DEBT INSTRUMENT RATING SYMBOLS

<b>SYMBOL</b>	<b>SAFETY LEVEL</b>
(ICRA) AAA	HIGHEST SAFETY
(ICRA)AA	HIGH SAFETY
(ICRA) A	ADEQUATE SAFETY
(ICRA) BBB	MODERATE SAFETY
(ICRA)BB	INADEQUATE SAFETY
(ICRA) B	RISK PRONE
(ICRA) C	SUBSTANTIAL RISK
(ICRA) D	DEFAULT

# ICRA MEDIUM-TERM INSTRUMENTS (ALL PUBLIC DEPOSITS PROGRAMMES)

<b>SYMBOL</b>	<b>SAFETY LEVEL</b>
M AAA	HIGHEST SAFETY
M AA	HIGH SAFETY
M A	ADEQUATE SAFETY
M B	INADEQUATE SAFETY
M C	RISK PRONE
M D	DEFAULT



**CARE Ratings**  
Professional Risk Opinion

The logo for CARE Ratings features the word "CARE" in a bold, blue, sans-serif font. The letter "A" is stylized with three diagonal lines extending upwards and to the right. To the right of "CARE" is the word "Ratings" in a blue, serif font. Below this, the phrase "Professional Risk Opinion" is written in a smaller, blue, serif font.

# CARE RATINGS LTD

- Commenced operations in April 1993, is headquartered in Mumbai
- Established itself as the second-largest credit rating agency in India in over 25 years.
- Deals in advisory services, information and credit rating.
- **VARIOUS SERVICES OFFERED ARE:**
  - a) Rating Services
  - b) Credit Reports
  - c) Valuations
  - d) Credit Appraisal
  - e) Reviewing Debt Market
- Launched a new international credit rating agency 'ARC Ratings' with 4 partners from Brazil, Portugal, Malaysia and South Africa.

# CARE LONG-TERM AND MEDIUM-TERM INSTRUMENTS RATINGS SYMBOLS

<b>SYMBOLS</b>	<b>SAFETY LEVEL</b>
CARE AAA	HIGHEST SAFETY
CARE AA	HIGH SAFETY
CARE A	ADEQUATE SAFETY
CARE BBB	MODERATE SAFETY
CARE BB	INADEQUATE SAFETY
CARE B	SUSCEPTIBLE TO DEFAULT
CARE C	HIGH INVESTMENT RISK
CARE D	DEFAULT OR LIKELY TO BE IN DEFAULT

Fitch Ratings



# FITCH RATINGS

- Fitch Ratings is a leading provider of credit ratings, commentary and research.
- Dual headquarters in London and New York, USA
- Operations in more than 30 countries
- Fitch Ratings offers global perspectives shaped by strong local market experience and credit market expertise.
- Fitch Group is a global leader in financial information, providing critical insights that inform better decision-making in financial markets.
- India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions.
- Ind-Ra is a 100% owned subsidiary of the Fitch Group
- Fitch Group is majority owned by Hearst.

The logo for ONICRA features the word "ONICRA" in a bold, black, sans-serif font. The letter "O" is stylized with a red square on its top-right side and a white square on its bottom-left side. A thin horizontal line is positioned below the main text.

**ONICRA**

WE SECURE TRUST

# ONICRA CREDIT RATING AGENCY OF INDIA LTD

- Pioneers in the concept of Individual Credit Rating in India.
- Individual Credit Rating is an objective assessment of the risk attached to a financial transaction with respect to an individual.
- provides ratings, risk assessment and analytical solutions to Individuals, MSMEs and Corporates.
- Private sector agency established in 1993.
- Promoted by ONIDA, famous for consumer durables.
- ONICRA was incorporated for the business of analysis, rating, evaluation and appraisal of obligation, dues ,debts,commitments of an individual.



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SME Rating Agency of India Ltd.

# SMERA (SME RATING AGENCY OF INDIA)

- Ratings and research agency exclusively set up for micro, small and medium enterprises (MSME) in India.
- Founded in 2005 by Small Industries Development Bank of India (SIDBI)
- Headquartered in Mumbai
- Provides ratings which enable MSME, SME'S to raise bank loans at competitive rates of interest.
- Operates as a separate division of **Acuité Ratings & Research Limited**.
- Acuité Ratings is a full service credit rating agency approved by Reserve Bank of India (RBI) and registered with Securities Exchange Board of India (SEBI).



# BRICKWORK RATINGS

- Registered with SEBI in 2008, Corporate office in Bengaluru.
- SEBI registered Credit Rating agency has also been accredited by RBI and empanelled by National Small Industries Corporation with an objective of providing strong research based information for Indian Investors.
- Provides rating services for various capital market instruments, Financial Institutions, Municipal and Urban Local Bodies.
- Offers NCD, Bank Loans, Commercial Papers, MSME ratings and Grading Services.
- Accredited by IREDA and MNRE, Govt of India

TransUnion<sup>®</sup>  CIBIL<sup>®</sup>



# TransUnion CIBIL(Credit Information Bureau India Ltd) Limited

- Credit information company operating in India , incorporated in August, 2000.
- Maintains credit files on 600 million individuals and 32 million businesses.
- TransUnion is one of four credit bureaus operating in India is part of TransUnion, an American multinational group.
- Provides credit information rather than credit rating.
- Is a repository of information and Data collected by CIBIL is used for preparing Credit Information Report, popularly known as CIR, Provides information to its members in the form of these Credit Information Reports.
- Members include: All leading banks, financial institutions NBFC's, housing finance companies.
- CIBIL collects and maintains records of an individual's payments pertaining to loans and credit cards.

Thank You

