

THE HINDU Business Line

Rating agencies favour greater due diligence

'Need to strengthen rating methodology'.

Shobha Kannan

<http://www.thehindubusinessline.com/2009/01/14/stories/2009011451200200.htm>

Kolkata, Jan. 13: Rating agencies plan to step up their due diligence process and strengthen their rating methodology after the recent Satyam incident, according to senior officials at rating agencies.

Rating agencies base their analysis on the audited balance sheet of a company, which forms the primary source of information.

"Rating agencies do not look at a company's primary accounts.

"The recent incident has thrown open some challenges for us as it is practically impossible to conduct a re-audit of accounts," said Mr D.R. Dogra, Executive Director, CARE Ratings.

While the Rs 7,100-crore financial fraud at Satyam is only an isolated incident and should not raise suspicion over the entire auditing fraternity as a whole, the rating agencies should, however, take additional measures in order to ensure there is no discrepancy in ratings, said senior officials.

"This (Satyam fraud) is only a one-off case but it has certainly made us more cautious now, we will try and take a closer look at the balance sheet. Though the rating methodology need not be changed we will certainly be more cautious," Mr Dogra said.