



NSIC – CARE

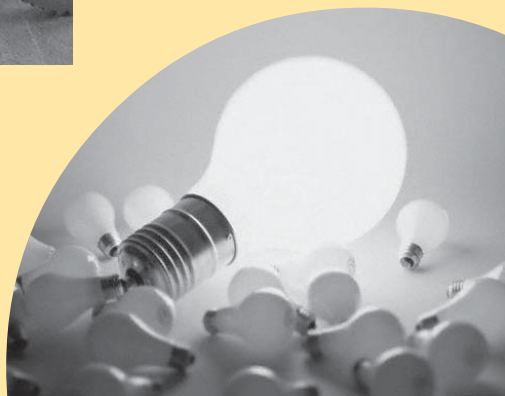
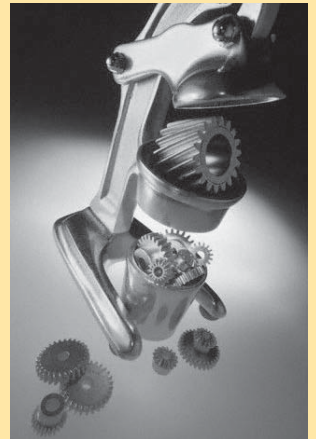
Performance

and

Credit Rating

for

Small Scale Industries



Introduction

Small Scale Industries (SSIs) account for 35% of the direct exports from India. The sector is also a major contributor to the growth of GDP and employment generation in India. As per the results of the Third All India Census of SSIs, the sector employs over 24 million people across various industries.

SSIs in India face a basic problem of lack of timely and adequate credit. This coupled with the gradual dereservation of various items for exclusive manufacture suggests that SSIs must become more competitive by improving productivity, upgrading technology, and financial prudence. A comprehensive package of capital, credit, technology, training, marketing and management measures is needed to ensure growth of this sector.

NSIC – CARE Performance and Credit Rating for SSIs

Credit Analysis & Research Limited (CARE) has signed a Memorandum of Understanding with The National Small Industries Corporation Limited (NSIC) to introduce the NSIC – CARE Performance and Credit Rating for SSIs. **Rating will help SSIs obtain quicker and cheaper credit, facilitate capability assessment of SSIs by their clients and help SSIs obtain leverage from the parties in the supply chain.** The Indian Bank Association (IBA) has been involved in formulating this Scheme.

CARE's methodology for the Performance and Credit Rating Scheme for SSIs will cover various indicators encompassing the financial, business, operational and management aspects of SSIs.

At the end of the rating exercise, SSIs will receive a rating rationale which would state reasons behind the rating assigned and highlight strengths and weaknesses of existing operations.

The rating assigned and accepted will be put on CARE's website that is accessed by various investors, banks and financial institutions on a regular basis. **The application form is available for download at www.careratings.com.**

Rating Process

1. Request for Rating from SSI.
2. Collection of Information from the SSIs.
3. Onsite meeting with SSI management.
4. Analysis of Information obtained from the SSIs.
5. Rating Assigned to SSIs.

SSIs desirous of getting themselves rated will need to submit the application in specified format, in duplicate. The Application form should include documents as specified therein. Duly completed application form, addressed to CARE, can be submitted to the nearest NSIC / CARE office. Following this, a team of analysts from CARE will visit the unit and interact with the management. The rating team may require extra information in order to complete the rating exercise. Entire rating process will be completed in a month's time or earlier, from the date the required documents and information is received by CARE.

Eligibility for the Scheme

Any SSI registered in India, having an investment of not more than Rs.1 crore in Plant & Machinery is eligible. An SSI certificate issued by the concerned SSI registration authority is valid proof of eligibility.

About CARE

Incorporated in 1993, CARE is a premier credit rating, information and advisory services company in India promoted by Industrial Development Bank of India (IDBI), Canara Bank, Unit Trust of India (UTI) and other leading banks and financial services companies.

CARE's Rating Services include rating of debt instruments, credit analysis ratings, loan ratings, corporate governance ratings and assessment of claims-paying ability of insurance companies.

The rating coverage has extended beyond industrial companies to include public utilities, financial institutions, infrastructure projects, special purpose vehicles, state governments and municipal bodies. CARE's clients include some of the largest private sector manufacturing companies, reputed banks, financial institutions and financial services companies in India.





Other products include grading of construction entities, courses offered by maritime training institutes and parallel marketers of LPG & Kerosene.

CARE's Information and Advisory services division prepares credit reports on specific requests from banks or business partners, conducts sector studies and provides advisory services in the areas of financial restructuring, valuation and credit appraisal systems.

Rating Scale

The 15-point scale will focus on performance capability and financial strength, as per the rating matrix given below. The validity of the rating assigned will be for a period of one year from the date of issue of the rating.

		Financial Strength		
		High	Moderate	Low
Performance Capability	Highest	SE 1A	SE 1B	SE 1C
	High	SE 2A	SE 2B	SE 2C
	Moderate	SE 3A	SE 3B	SE 3C
	Weak	SE 4A	SE 4B	SE 4C
	Poor	SE 5A	SE 5B	SE 5C

SE 1A: Highest Performance capability; High Financial strength. Prospects of performance are the highest and the entity has high capacity to meet its financial obligations.

SE 1B: Highest Performance capability; Moderate Financial strength. Prospects of performance are the highest. However, the entity has moderate capacity to meet its financial obligations.

SE 1C: Highest Performance capability; Low Financial strength. Prospects of performance are the highest. However, the entity has low capacity to meet its financial obligations.

SE 2A: High Performance capability; High Financial strength. Prospects of performance are high and the entity has high capacity to meet its financial obligations.

SE 2B: High Performance capability; Moderate Financial strength. Prospects of performance are high. However, the entity has moderate capacity to meet its financial obligations.

SE 2C: High Performance capability; Low Financial strength. Prospects of performance are high. However, the entity has low capacity to meet its financial obligations.

SE 3A: Moderate Performance capability; High Financial strength. Prospects of performance are moderate. However, the entity has high capacity to meet its financial obligations.

SE 3B: Moderate Performance capability; Moderate Financial strength. Prospects of performance are moderate and the entity has moderate capacity to meet its financial obligations.

SE 3C: Moderate Performance capability; Low Financial strength. Prospects of performance are moderate. However, the entity has low capacity to meet its financial obligations.

SE 4A: Weak Performance capability; High Financial strength. Prospects of performance are weak. However, the entity has high capacity to meet its financial obligations.

SE 4B: Weak Performance capability; Moderate Financial strength. Prospects of performance are weak. However, the entity has moderate capacity to meet its financial obligations.

SE 4C: Weak Performance capability; Low Financial strength. Prospects of performance are weak and the entity has low capacity to meet its financial obligations.

SE 5A: Poor Performance capability; High Financial strength. Prospects of performance are poor. However, the entity has high capacity to meet its financial obligations.

SE 5B: Poor Performance capability; Moderate Financial strength. Prospects of performance are poor. However, the entity has moderate capacity to meet its financial obligations.

SE 5C: Poor Performance capability; Low Financial strength. Prospects of performance are poor and the entity has low capacity to meet its financial obligations.

Rating Fee

The fees for rating are based on the turnover.

(Figures in Rs.)

Turnover of SSI unit	< 50 Lakh	50 – 200 Lakh	> 200 Lakh
Total Fees*	29600	39600	52800
Rating Fees	26372	35282	47042
Service Tax Payable on gross Fees	3228	4318	5758
Subsidy from NSIC	22200	29700	39600
Fees payable by SSI*	7400	9900	13200

*Inclusive of service tax @12.24%, the prevailing rate.

SSIs will have to pay their contribution towards the rating fee along with the application form and necessary documents. Subsidised portion of the fee will be released through NSIC after the Rating Report is submitted to NSIC.

List of Documents to be submitted with the Application Form

1. SSI Registration Certificate.
2. Partnership Deed / Memorandum & Article of Association.
3. Authority letter to sign the application.
4. List of all partners / directors with their age, address, Net worth / Income Tax Return, qualifications and experience.
5. Copy of the audited accounts for the last three years (where accounts for the last year has not been audited provisional accounts duly certified by a Chartered Accountant along with two years audited accounts are to be submitted).
6. In case of new project / expansion, copy of the project report containing a brief project profile, cost of project and source / means of finance.
7. Brief write-up about the products manufactured, end users, marketing tie-up and orders in hand.
8. Details of subsidy, tax concession available to the applicant.
9. Quality certificates, export awards won, membership of any associations.
10. Any other information that would enable CARE to understand the business better.

CARE's Offices

Head Office :

Godrej Coliseum, 4th Floor,
Somaiya Hospital Road,
Off Eastern Express Highway,
Sion (East), Mumbai – 400022, India
Tel: 022 – 67543456
Fax: 022 – 67543457
E-mail: care@careratings.com
Website: www.careratings.com

Regional offices :

Ahmedabad : 307 III Floor, ISCON Mall, Near Jodhpur Cross Road, Satellite, Ahmedabad - 380 015
Tel No.(079) 6542 5587/6631 1821/22

Bangalore : No. G1, Canopy Royale Manor, Near Manipal Hospital, Rustombaug, Off Airport Road, Bangalore - 560017 • Tel : 080 - 25205575

Chennai : 22, Wellington Plaza, 90, Anna Salai, Chennai – 600002 • Tel : 044 – 28600876 / 7812

Hyderabad : 302, Priya Arcade Apartments, 8-3-826, Yellareddyguda, Srinagar Colony, Hyderabad – 500073 • Tel : 040 – 55758386

Kolkata : 901 & 902, 9th Floor, Shubham Building, 1, Sarojini Naidu Sarani, Park St. Crossing, Kolkata – 700017 • Tel : 033 – 22808472

New Delhi : 710, Surya Kiran, 19, Kasturba Gandhi Marg, New Delhi – 110001
Tel : 011 – 23318701/23716199

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to buy, sell or hold any security. CARE's ratings are based on information from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most issuers of securities rated by CARE have paid a credit rating fee, based on the amount and type of securities issued.

