

## Public Finance Rating

Ratings under the public finance domain concern two segments, namely sub-sovereign ratings and ratings of municipal corporations.

### Sub-sovereign ratings

**Sub-sovereign ratings** are ratings assigned to state entities for bonds with a government backing in the form of a guarantee. It may be noted that states in their independent capacity are not rated. CARE has the experience of rating states by virtue of rating state entities across the country. These entities cover the entire spectrum of business operations, from financial corporations to infrastructure boards (irrigation, dams, power and transport). Rating of state entity bonds guaranteed by the government entails an analysis of not just the financials of the entity but also the financial position of the state government. These ratings duly factor in the strengths and weaknesses of the state's economy that underlie the current status and potential growth of the state.

### Municipal corporations

Ratings of Municipal Bonds are ratings assigned to bonds issued by various municipal corporations across the country. Municipal corporations are primarily engaged in developmental activities for cities/regions under their jurisdiction. Thus, ratings on municipal bonds undertake a holistic view on social, economic and financial parameters of the Municipal Corporation. A detailed analysis of existing and prospective development of the city along with an analysis of the debt position of the corporation is considered for such ratings.

### Ratings of ULBs under JNNURM

Municipal corporations have also been rated on a stand-alone basis based on their own finances

check for them even when they are not raising any funds from the market. Issuer ratings of 13 Urban Local Bodies (ULBs) were completed as part of an assignment under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). CARE was one of the rating agencies designated by the Ministry of Urban Development, Government of India to carry out the ratings. This has been a unique credit rating exercise comprising assessment of the general credit worthiness of the ULBs. It for one, reveals the relative standing of the corporations and in turn the extent to which the projects in question can be financed on their own strength. On the other hand, it also marks the first step towards the ULBs approaching the debt markets to bridge the resource-need gap for the substantial ramp up in capex envisaged under the mission. Hence the assignment is itself a watershed in the development of municipal debt markets in the country.