Bank Loan Ratings

BLRs is used by banks to determine risk weights for their loan exposures, in line with the Reserve Bank of India's (RBI's) Guidelines for Implementation of the New Capital Adequacy Framework under Basel II framework. CARE rates all type of fund-based and non-fund based facilities sanctioned by Banks. This would include cash credit, working capital demand loans, Letter of Credit, Bank guarantees, Bill discounting, Project loans, Loans for general corporate purposes etc.

Rating Methodology

CARE undertakes rating exercise based on information provided by the company, in-house database and data from other sources that CARE considers reliable. The primary focus of the rating exercise is to assess future cash generation capability and their adequacy to meet debt obligations as per the repayment terms. The analysis therefore attempts to determine the fundamentals of the business and the industry and the probabilities of change in these fundamentals, which could affect the creditworthiness of the borrower. The analytical framework of CARE's rating methodology is divided into two interdependent segments. The first deals with the operational characteristics and the second with the financial characteristics. Besides quantitative factors, qualitative aspects like assessment of management capabilities play a very important role in arriving at the rating for a facility. The relative importance of qualitative and quantitative components of the analysis varies with the type of borrower. Rating determination is a matter of experienced and holistic judgement, based on the relevant quantitative and qualitative factors affecting the credit quality of the borrower.