

## SME Ratings

The Small and Medium Enterprises (SME) segment plays a very vital role in the economic development of our nation. On the other hand, credit risk assessment in this segment requires a specific approach, as the factors affecting the creditworthiness are somewhat dissimilar compared to a large corporate. Hence, to further support the growth for this sector and help the investors to determine the relative creditworthiness of entities belonging to this segment a need for separate rating product was felt. Accordingly, CARE introduced SME ratings in 2006, which is intended entirely for Small and Medium Scale Enterprises.

### CARE SME Ratings :

SME Rating indicates the relative level of creditworthiness of an SME entity, adjudged in relation to other SMEs. It is an issuer-specific rating reflecting the overall general creditworthiness. It is a one-time assessment of credit risk of the rated entity in comparison with the other SMEs.

### Benefits of CARE SME Ratings :

- **An independent third-party opinion on creditworthiness:** CARE is a leading rating agency in India recognized by the major regulators of the financial market viz SEBI and RBI. CARE's unbiased opinion is trusted by various investor communities.
- **Enables establishment of credibility with stake holders:** A good rating may help an entity to establish comfort & confidence with customers, suppliers, collaborators, lenders, etc. This in turn facilitates the better SMEs to differentiate themselves from others.
- **Self-improvement tool:** The SME rating also helps an important self-improvement tool as it provides insight for benchmarking. CARE's rating report subsequent to the rating assignment enlists the strengths and weaknesses of the rated entity thus

providing the management to improve upon its weaknesses.

- **Comparatively easy access to funding:** A better-rated entity can explore wide untraditional sources of funding, which not only reduces the access time but also opens up the possibility for borrowing at a lesser cost.
- **Increased visibility:** All the accepted ratings are posted on the website of CARE. Our various publications also mentioned the list of outstanding ratings.