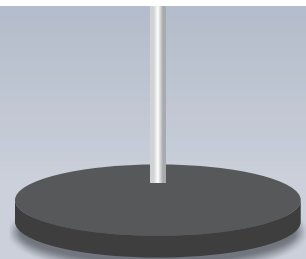
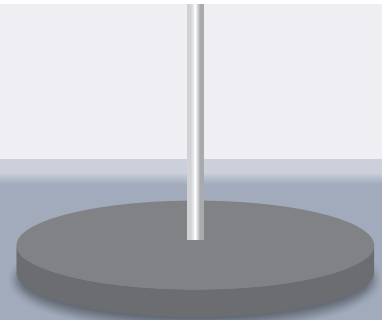
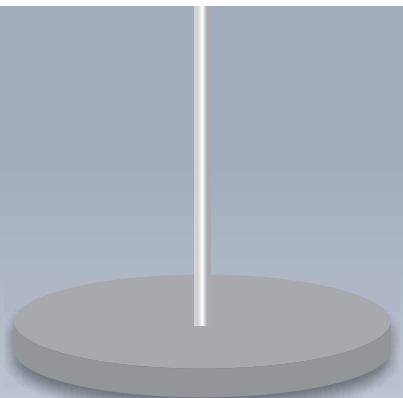
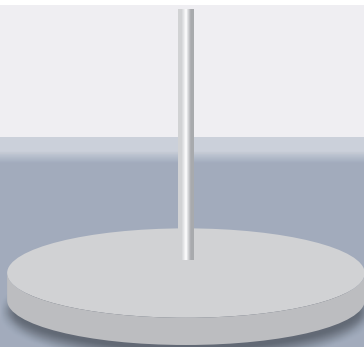


# Services in **MSME** Segment



## CARE Ratings' products assist MSMEs for

- Fund Raising: Equity and Debt
- Availing Favourable Credit Terms
- Reduce Transaction Costs
- Self Evaluation
- Verification of Business Profile
- Channel Partner Evaluation
- Assessment of Business Fundamentals
- Information & Research Services



## Product Basket

- Credit Rating
  - Bank Loan Ratings
  - NSIC-CARE Performance & Credit Rating for MSEs
  - SME Ratings
- SME Fundamental Grading
- Due Diligence services
- Channel Partner Evaluation
- Verification Services
- SME Digest-Publication

## Handholding for MSMEs

Micro, Small and Medium Enterprises (MSMEs) play a significant role in the economic growth and create jobs in the economy. Despite high enthusiasm and inherent capabilities to grow, they have traditionally been facing some constraints - including lack of adequate & timely finance. While bank assistance in itself takes reasonably long time, expecting equity contribution from investors is a much bigger challenge. At the same time, customers, suppliers, channel partners and lenders need authentic information & evaluation of MSMEs in order to establish business relations / take exposures.

CARE Ratings, with its long standing expertise in credit risk assessment, systematic evaluation approach, sound database of more than 6000 MSMEs and being a financial market participant recognised by key regulators viz. SEBI and RBI, is best placed to bridge the gap and provide support to this segment. CARE Ratings offers the following products in this segment:

## Credit Rating Services

### NSIC - CARE Performance & Credit Rating

CARE has signed a MOU with the National Small Industries Corporation (NSIC) for this rating service which covers various indicators encompassing the financial, business, operational and management aspects of MSEs. MSEs will receive a rating which will highlight strengths and weaknesses of existing operations.

**Eligibility:** This rating is only for DIC Registered Micro and Small entities

#### **Tangible Benefits:**

- 75% subsidy in rating fee by NSIC
- Facilitates quicker and cheaper bank finance for rated MSEs (Backed by circulars from Nationalized banks)
- Helps MSEs obtain leverage from the parties in the supply chain

#### **Intangible Benefits:**

- Self-benchmarking tool to reach next level of performance.
- Wider recognition & acceptance as the rating is published on website & bulletins
- Acts as marketing tool with banks and business partners to build credibility

### CARE SME Rating

SME Rating is an issuer-specific, one-time assessment of the credit worthiness in comparison with other SMEs. It depicts overall debt-management capability of the entity. The rating takes into account management capability, industry dynamics, operational performance, financial risk and future prospects for arriving at overall risk profile.

**Eligibility:** Applicable to all types of business enterprises, limited companies, partnership / proprietorship firms, co-operative societies etc.

#### **Benefits to the Issuers:**

- An Independent third – party opinion about credit worthiness.
- Facilitates better SMEs to differentiate themselves from other SMEs.
- Comparatively faster access to bank funding at appropriate terms of lending.
- Can be used as an instrument for self – improvement as it helps in benchmarking.
- Enables establishment of credibility with other stake holders – customers, suppliers.
- Increased visibility as rating outcome would be posted on CARE's website and in publication.

## SME Fundamental Grading

CARE SME Fundamental Grading is an independent and professional opinion on the fundamentals of the issuer. The grade assigned to a particular entity represents a relative assessment of the 'fundamentals' of that issuer. It is based on a detailed analysis of business fundamentals which provide inputs for investment decision & boosts investor confidence.

Issuer would also be benefited as it would help them in benchmarking themselves in the market place. It would involve an in-depth assessment of the various quantitative and qualitative parameters of the issuer. Quantitative parameters include growth prospects of the industry, financial strength & operating performance of the issuer whereas, qualitative parameters primarily include management capability, promoters' evaluation, accounting policies and corporate governance practices.

**The broad evaluation criteria would be as under:**

- Business fundamentals
  - Industry prospects
  - Company prospects
- Financial fundamentals
- Financial fundamentals
- Management capability
- Corporate governance practices

## Due Diligence Service

Due Diligence is an area of expert understanding, which facilitates in reducing the risk of acquiring hidden liabilities and risk exposures linked with a commercial transaction. CARE's due diligence service is a customised solution for an independent and unbiased verification of customer profile.

**CARE Due Diligence Service can cover:**

- Ownership pattern/ promoters' profile
- Organisation structure, controls & systems
- Key managerial personnel
- Business profile
- Demand - Supply analysis of the industry
- Past financial analysis on audited accounts
- Current and proposed bank facilities
- Debt servicing track record with banks
- Group companies/firms
- Third party checks with customers, suppliers, auditor, bankers' feedback.

CARE's Due Diligence could also cover document verification, specified interactions and site visit.

## Channel Partner Evaluation

In the present, intensely competitive business environment, whatever business you are in, suppliers and vendors play a key role in a company's success. Building robust processes alone does not ensure the quality of supplies. Having a formalized system in place to track and evaluate supplier and vendor performance is essential to the smooth operation and profitability of a company. It is equally essential to understand the financial and management strengths of channel partners, the diversity in their activities, and the business environment in which they function.

**CARE Channel Partner Evaluation Includes:**

- Financial Analysis
- Management Discussion
- SWOT Analysis of channel partners
- Feedback from bankers, customers, suppliers, and other relevant sources
- Site visit to gather ground-level information

## Verification Services

CARE verifies the entity profile based on the documents submitted, due diligence exercise and site visit carried out.

### Benefits to the entity:

- Helps the enterprise to establish a reliable and credible business association
- Business entities not having their website can strike new business relations with online presence
- Stake holders find comfort in dealing with small entities, if their credentials are verified by any third party.
- Acts as an independent & unbiased verification of overall profile.
- The profile would be available on CARE's website, which can be accessed by the potential stakeholders of the entity with a secret code / password.

## Bank Loan Ratings (BLR)

BLRs are used by banks to determine risk weights for their exposures, in keeping with the Reserve Bank of India's (RBI's) April 2007 Guidelines for Implementation of the New Capital Adequacy Framework under Basel II framework. CARE's BLR is an opinion on the relative ability and willingness of a borrower to fulfill obligations on specific fund-based or non-fund based facilities in a timely manner. CARE assigns BLRs to SMEs on the same long-term and short-term rating scales as that for other instrument ratings for corporates.

## NSIC – CARE Performance & Credit Rating Symbols & Definitions

### Rating Fees w.e.f. 1st June, 2016

# For Customers of banks with MOUs with CARE

Particulars	Turnover (Rs. Lakh)		
	<50	50-200	>200
Rating fees under the scheme	27000	45000	60000
Add:Service tax @ 15%	4050	6750	9000
Total fees	31050	51750	69000
Less: Subsidy From NSIC (Maximum 75%)	15000	30000	40000
Balance Application Fee from MSEs	16050	21750	29000
Concessional Fees #	12000	15000	18000

### Rating Fees w.e.f. 1st June, 2016

CARE MSE 1	Highest credit worthiness in relation to other MSEs
CARE MSE 2	High credit worthiness in relation to other MSEs
CARE MSE 3	Good credit worthiness in relation to other MSEs
CARE MSE 4	Above average credit worthiness in relation to other MSEs
CARE MSE 5	Average credit worthiness in relation to other MSEs
CARE MSE 6	Below Average credit worthiness in relation to other MSEs
CARE MSE 7	Weak credit worthiness in relation to other MSEs
CARE MSE 8	Poor credit worthiness in relation to other MSEs

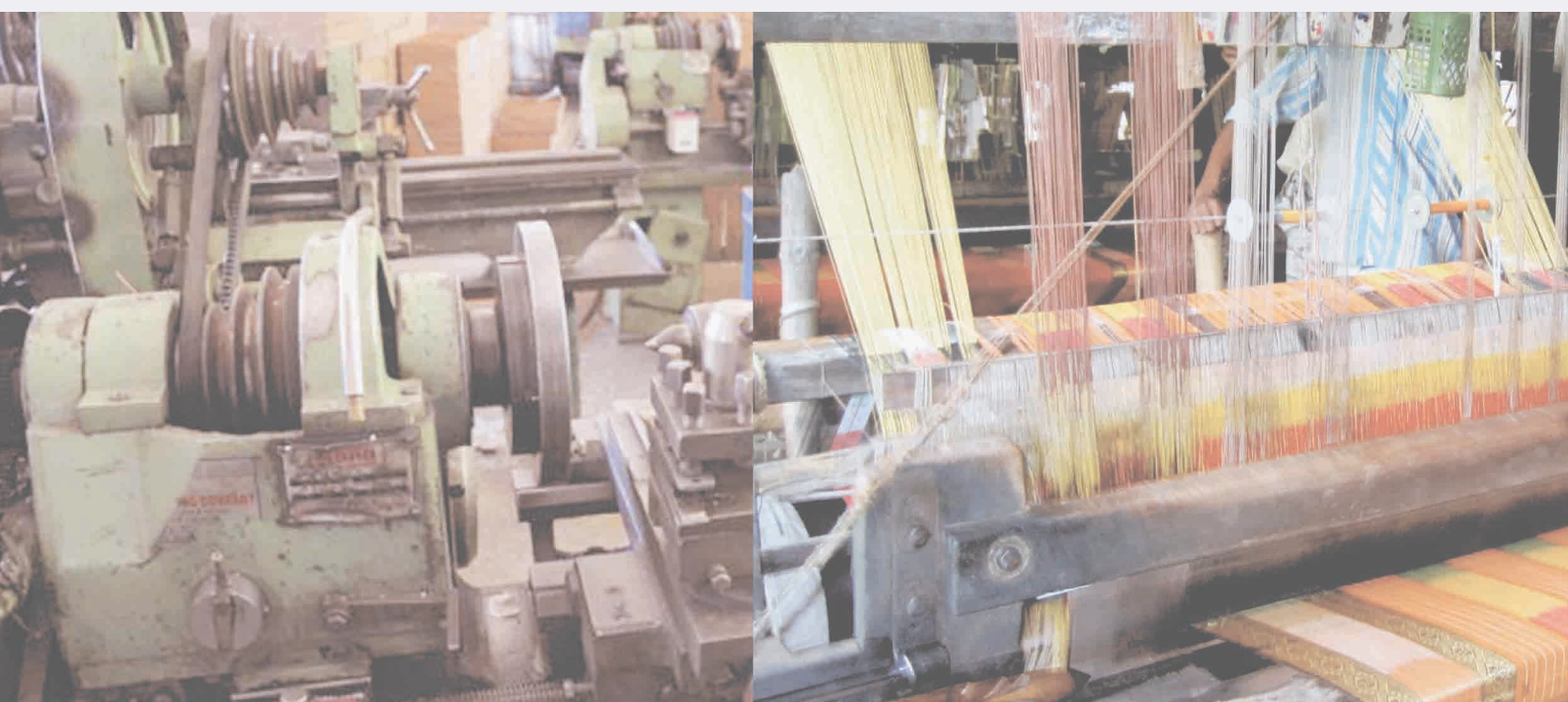
Financial strength indicated by the following	Operating performance indicated by the following	Illustration
<ul style="list-style-type: none"> <li>• Highest</li> <li>• High</li> <li>• Good</li> <li>• Above Average</li> </ul>	<ul style="list-style-type: none"> <li>• Average</li> <li>• Below Average</li> <li>• Weak</li> <li>• Poor</li> </ul>	<ul style="list-style-type: none"> <li>• Highest</li> <li>• High</li> <li>• Average</li> <li>• Weak</li> <li>• Poor</li> </ul>
The rating agency will indicate the rating as follows		
• Company ABC Limited • Financial Strength : Highest		
• CARE MSE 1 • Operating performance: High		

## CARE SME Rating Symbols & Definitions

CARE SME Rating	Definition
CARE SME 1	The level of creditworthiness of an SME, adjudged in relation to other SMEs is the Highest
CARE SME 2	The level of creditworthiness of an SME, adjudged in relation to other SMEs is High
CARE SME 3	The level of creditworthiness of an SME, adjudged in relation to other SMEs is Above Average
CARE SME 4	The level of creditworthiness of an SME, adjudged in relation to other SMEs is Average
CARE SME 5	The level of creditworthiness of an SME, adjudged in relation to other SMEs is Below Average
CARE SME 6	The level of creditworthiness of an SME, adjudged in relation to other SMEs is Inadequate
CARE SME 7	The level of creditworthiness of an SME, adjudged in relation to other SMEs is Poor
CARE SME 8	The level of creditworthiness of an SME, adjudged in relation to other SMEs is the Lowest. Such entities may also be in default

## CARE SME Fundamental Grading – Grading Symbols and Definition

SME Fundamental Grade	Definition
SME Fundamental Grade 5 / 5	Strong fundamentals
SME Fundamental Grade 4 / 5	Very Good fundamentals
SME Fundamental Grade 3 / 5	Good fundamentals
SME Fundamental Grade 2 / 5	Modest fundamentals
SME Fundamental Grade 1 / 5	Weak fundamentals



## About CARE Ratings

Established in 1993 with majority shareholding by leading public sector Banks/FIs, CARE Ratings is presently India's second largest credit rating agency in terms of rating revenue. CARE Ratings provides the entire spectrum of credit rating services that helps the issuers / borrowers to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the best practices. With the rating volume of debt of around Rs. 68,083 billion (as on March 31st 2015), CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence.

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