Thursday , March 14, 2013

CARE signals red over pace of downgrades (also see in Jpeg)

Publication: DNA , **Journalist:**Sumit Moitra, **Edition:**Ahmedabad/Pune/Mumbai , **Page No:** 13, **Location:** Middle-Right , **Size(sq.cms):** 150

CARE signals red over pace of downgrades

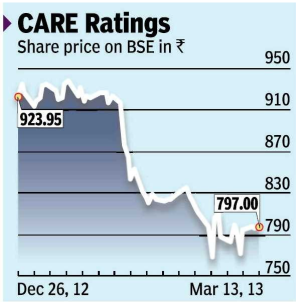
Sumit Moitra @sumitMoitra

Kolkata: The economic slowdown has meant four companies being downgraded for every upgrade, credit rating agency CARE has said.

That compares with the last fiscal when every downgrade was matched by upgrade. Downgrades this fiscal have been more pronounced in infrastructure.

"The extent of downgrades has been very severe. The ratio of number of upgrades to downgrades was 1 in last March. This month, it has fallen to 0.25," said D R Dogra, MD and CEO of CARE.

Compared with 1.4 upgrade-downgrade ratio for nine months (April-December) of 2011-12, and 2.13 for the same period of the previous fiscal, the current situation looks even more worrisome.



This fiscal, the credit ratio has worsened quarter-on-quarter, the third one being the most adverse, said Dogra.

"Look at the trend in the bank NPAs (non-performing assets). That, too, can't be different, though a rating downgrade gives the immediate state of the economy. A bank asset turns bad only after 90 days," said Dogra.

All this is bad news for CARE which has just got listed. The ratings agency may end up with flat revenue as slowdown could mean a cut in fees while downgrades could mean the companies affected might not pay up for rating services.

"We follow a conservative accounting policy. In some cases, we adopt cash-basis of accounting; meaning, we recognise a revenue only when we get the cash. It's possible that a company that's unhappy at being downgraded, may not pay up. We could probably end the year with flat revenues. For, although we have done a higher number of ratings, fees have been cut," said Dogra.