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Raters find they can't live by ratings alone (also see in Jpeg)

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Raters find they can't live by ratings alone

Diversifying into other streams like consulting, analytics

Megha Mandavia •
@MeghaMandavia

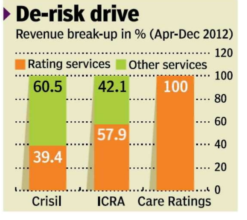
Mumbai: Credit rating companies are looking beyond their core business of judging debt repaying capacity of companies as slowing economy, uncooperative clients and intense competition are leaving little room for rapid growth.

CARE Ratings, which recently entered financial consultation, is the latest to diversify.

"I am doing more number of ratings, but revenue per assignment has gone down. The reason is that our fees is directly proportionate to the amount we rate, and because we are doing smaller debt, the fee earned is also low," said D R Dogra, MD & CEO at CARE.

Apart from debt, rating firms also rate and grade small and medium scale enterprises, education institutes, IPOs and mutual fund schemes.

Crisil was the first rater to diversify way back in 1994. It now calls itself a global analytical company providing ratings, research, and risk and policy advisory services.



Roopa Kudva, MD & CEO at Crisil, said one of the reasons to diversify was to reduce dependence on ratings business and be more independent and objective in rating views.

India Ratings and Research, a Fitch company, might be next to add new business channels.

The company is exploring opening a consultancy firm or a risk analytics business, said Atul Joshi, MD & CEO at India Ratings.

Also, more is not merrier.

India has five raters - Crisil, Icra, CARE, India Ratings and Brickworks - which are seeing facing drop in prices and rise in regulatory costs.

There are other issues, too.

"If an issuer is in financial trouble or going through a rough patch, we find they are not willing to give information. If they do not give information, we are not able to maintain their ratings, resulting in withdrawal of ratings," said Joshi.

Raters have lost clients in the last one year.

Clients also tend to shop for better ratings, and opt to do business with those who are willing to rate them better, which affects rating quality.

Icra said its diversified business model helps it in turbulent times. It runs a consulting business and an analytics company as separate entities.

"Competitive intensity is there and given the state of economy and particularly the activity level at the bond market, there are challenges. But the fact is that having several businesses does help us," said L Shivakumar, senior group vice-president, western region head at Icra.

However, Crisil's Kudva believes there is immense scope.

"The size of the corporate debt market in India is negligible - for a $1.8 trillion economy a $250 billion bond market is very small," said Kudva.

"Sooner or later, the bond market has to take off and there will be an exponential growth in the number of rated debt instruments."