



# Envisioning the Future

DR DOGRA gives valuable insights into the business of credit ratings.

**T**he credit rating business is unique in the sense that the business is quite sticky. Once the client works with a particular Credit Rating Agency (CRA), the relationship gets cemented for a long period of time as every rating of a debt instrument involves a surveillance exercise, which lasts till the debt is repaid. CARE Ratings has grown rapidly in the last five years to become the second largest credit rating agency in the country in terms of rating income.

Maintaining the business momentum in spite of the sharp economic slowdown was one of the major challenges that the agency overcame. Going forward, CARE's vision is to be the most trusted and credible agency and to be the first preference for any company that seeks a credit rating.

## Building systems

In the last four years, the agency has created systems required to deal with volumes in terms of investment in technology and people. A CARE Knowledge Centre was established in Ahmedabad to streamline, homogenise and automate the entire data entry process, which is a scalable model. An automated process cuts down on the assignment completion time, allowing analysts to concentrate on the value-added analysis of the company.

Another important strategy is to have business development officials in over 60 locations, with only 10 being regular branches. Hence, as business levels scale up, our presence spreads across a wider geography, thereby aiding in future operations.

## Looking ahead

Our business focus is two-fold – ratings and diversification. We plan to expand within the country and globally as well as increase the breadth and depth of India Inc.

In terms of breadth, we have a very good penetration level, which is higher than that of other rating agencies, according to the various coverages listing the top 500 or top 1,000 companies. By widening the landscape, we aim to draw on the big ticket clients.

Penetration levels in the SME segment provide scope for substantial business opportunity, and it is here that

CARE will be simultaneously building strategies to include a progressively larger share of the universe of around 15 lakh significant operational units. The SME business is volume-driven and we believe that our systems will help to enable the attainment of this objective. We have a separate team in place for driving this business. Our Surveys have shown that these units benefit in the credit market through finer interest rates. Therefore, our campaign is soliciting business and educating the clients.

Ratings business is believed to come from two factors – external and internal. A fast paced economy normally leads to higher capital expenditure, which in turn provides demand in the debt market. This automatically leads to higher business for a rating company. By having firm relations with the clients – we have over 8,000 at present – the business would automatically grow.

However, increasing the perimeter of our client base is an ongoing process. And this is where success in the SME space and greater coverage in the LME (large and medium) segments will help. In fact, the latter will be more important when the economy slows down as building relations with new clients will become critical. Also, the SME segment would be more inclined to getting a rating for procuring credit on advantageous terms when the business cycle is on the wrong side.

## Going global

CARE is already present in the global space and the strategy here is to explore all opportunities. We are an equal partner of ARC Ratings, a new global credit rating agency, which has commenced operations. The approach here is to get Indian companies we rate, which are looking overseas for tapping funds, to take a rating from ARC Ratings besides one of the established global credit rating agencies. This will work towards scaling up the business for both CARE and ARC.

CARE has an office in Maldives and is at an advanced stage of doing the same with partners in Mauritius. Given the fast growing economies in Africa, this would provide the company with an opportunity to be leveraged. We have provided technical assistance to a rating company in Mexico and have a similar MoU in place with a company in Ecuador. We are also recognised by the Capital Markets Development Authority for operating in the Republic of





Maldives, and by the Hong Kong Monetary Authority as an external credit assessment institution.

Diversification has been on our radar for some time and our efforts have been towards the acquisition of Kalypto Risk Technologies, which is now CARE Kalypto, offering risk solutions to banks. We are in the process of scaling up operations and have also housed our advisory services here so that we simultaneously build competencies and brand in related fields. CARE is keen on similar acquisitions in the risk and analytics spaces, which are our forte.

**Future expectations**

We are looking forward to better days for both the Indian and global economy. There are signs of an upward movement on the Indian front, and if the Federal Reserve's actions are any indication, it looks like there is a turnaround there too. This could mean a revival in debt and credit markets. But experience has taught us not to take growth for granted and that business cycles are part of the process of economic evolution. In fact, these cycles tend to be common given the inter-linkages of various economies. Considering that credit rating is a relationship business, the goal has to be to garner a larger number of new clients who ultimately will be involved in the India growth story. As a rating agency, we have to keep our systems in place so that we are able to deliver on time and more importantly maintain the quality of our ratings, as credibility is the clinching factor in an industry where competition



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continuously puts pressure to perform even while we work towards enhancing shareholder value. | CW |

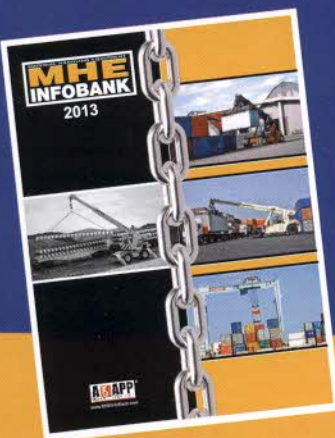
**About the Author:**

**DR Dogra**, Managing Director & CEO, CARE Ratings, has over 35 years of experience in the financial sector in areas of banking and credit rating. Under his leadership, CARE has acquired Kalypto Risk Technologies, opened its first global office in the Republic of Maldives, forged ties with other global rating agencies to create a global rating agency, ARC Ratings and has been listed on the bourses.

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