

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

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 Ratings due diligence service is a customised solution for an independent and unbiased verification of customer profile.

CARE Ratings 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 Ratings 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 Ratings 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

CARE Checked

CARE Ratings 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 www.careratings.com, 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 Ratings 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 Ratings assigns BLRs to SMEs on the same long-term and short-term rating scales as that for other instrument ratings for corporates.

NSIC – CARE Ratings Performance & Credit Rating Symbols & Definitions

Rating Symbol Definition

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

Fee Structure for SME Rating

The Rating fees for SME Rating are as follows :

| Turnover of SME (Rs. Cr) | Initial Rating Fee (Rs.) |
|--------------------------|--------------------------|
| Upto 25 | 40,000 |
| >25 upto 50 | 45,000 |
| >50 | 50,000 |

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 CARE Ratings Limited (Formerly known as Credit Analysis & Research Limited) 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. 92 lakh crore (as of March 31, 2017), CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence.

Contacts

Mr. Saikat Roy- Director & Head - SME
Mobile: + 91 9820998779
E-mail: saikat.roy@careratings.com

REGIONAL OFFICE

- AHMEDABAD**
32, Titanium, Prahaladnagar
Corporate Road, Satellite,
Ahmedabad - 380 015.
Tel: +91-79-40265656, Fax: +91-79-40265657
- BENGALURU**
Unit No. 1101-1102, 11th Floor,
Prestige Meridian 2, No. 30,
M.G. Road, Bangalore - 560001.
Tel: +91-80-46625555 / 46625544
Telefax: +91-80-41514599
- CHANDIGARH**
SCF No. 54-55, First Floor, Phase 11,
Sector 65, Mohali 160062
Tel: +91-172-5171100 / 09
- CHENNAI**
Unit No. O-509/C, Spencer Plaza,
5th Floor, No. 769, Anna Salai,
Chennai - 600 002.
Tel : +91-44-2849 7812/2849 0811
Fax: +91-44-28490876
- COIMBATORE**
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
- HYDERABAD**
401, Ashoka Scintilla, 3-6-520,
Himayat Nagar, Hyderabad - 500 029.
Tel: +91-40-69000500 - 522
Fax: +91-40-40020131
- JAIPUR**
304, Pashupati Akshat Heights,
Plot No. D-91, Madho Singh Road,
Near Collectorate Circle, Bani Park,
Jaipur - 302016.
Tel: +91-141-4020213 / 14
- KOLKATA**
3rd Floor, Prasad Chambers,
(Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata - 700
071.
Tel: +91-33- 40181600 / 02
Fax: +91-33-40181603
- NEW DELHI**
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension,
New Delhi - 110055
Tel: +91-11-45333200, Fax: +91-11-45333238
- PUNE**
9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda,
Senapati Bapat Road,
Shivaji Nagar, Pune - 411015.
Tel: +91-20-40009000
- MAURITIUS**
CARE Ratings (AFRICA) Private Limited (CRAF)
1st Floor, MTML Square,
63, Cyber City, Ebene, Mauritius.
Mobile: +230-58883208

CARE Ratings Limited (Formerly known as Credit Analysis & Research Ltd.)

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai 400 022.

Tel: +91-22-6754 3456 | Fax: +91-22- 6754 3457

E-mail: care@careratings.com

CIN # L67190MH1993PLC071691

www.careratings.com

Follow us on  /company/CARE Ratings
 /company/CARE Ratings