



ICRA



# CREDIT RATING AGENCIES IN INDIA

**ALL BANKING AND  
GOVERNMENT EXAMS**

**Credit Rating Agencies** remain quite in news especially in Economy & Financial section of news. Recently, after the IL&FS crises, SEBI issued the tightening of disclosure norms for credit rating agencies. The credit rating agencies were asked by SEBI to disclose the liquidity position of the company being rated. So here we will discuss with you all what are **credit rating agencies**, their **regulator**, **functions**, **norms** they follow. This will help you in the **general awareness** of various upcoming **bank and government exams** like **IBPS Clerk**, **NIACL AO**, **IBPS SO** as well as various MBA entrance exams like CMAT, XAT, IIFT etc.

### Sample Questions –

**Q.1 Where is the headquarter of CRISIL?**

- a) Chennai
- b) Bengaluru
- c) Delhi
- d) Mumbai

Answer – (d) Mumbai

**Q.2 What is the difference between a credit rating and a credit score?**

Answer - **Credit Rating** is given to a company and **credit score** is given to an individual.

So here we bring to you all the **important basics** of Credit Rating Agencies in India. Go through these thoroughly so that you **don't miss out on any marks** in upcoming **bank and government exams**.

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## Credit Rating Agencies in India

### What are Credit Rating Agencies?

A credit rating agency or ratings service is a company that **assigns credit ratings to a debtor** on his ability to pay back debt by making punctual principal and interest payments and the possibility of default.

These agencies may rate the creditworthiness of issuers of debt obligations, of debt instruments and of the services of the underlying debt but not of individual consumers. The entities assessed for their creditworthiness may be corporates, state governments, local government bodies, finance companies and even countries.

### Who regulates the credit rating agencies in India?

**Securities and Exchange Board of India (SEBI)** is responsible for regulating credit rating agencies in India under **SEBI (Credit Rating Agencies) Regulations 1999**. SEBI regulates the functioning of rating agencies in order to protect the interests of investors and maintain a general trust in the system. The role of credit rating agencies became more evident after 2007 financial crisis that adversely affected the world economy.

## Credit Rating Agencies in India

The Indian credit rating agencies have evolved a lot over time since the time they came into being. Indian credit rating agencies mainly comprise of the following rating agencies:

1. **CRISIL** – It is the **largest** credit rating agency in India headquartered at **Mumbai** and comprises more than 60% of the market share. It was established in **1987** and the full form is **Credit Rating Information Services of India**.

CRISIL has become a global analytical company that gives ratings to companies, researches the markets and provides risk and policy advisory services to its clients. The world's biggest credit rating agency i.e. **Standard & Poor's** has majority stake in CRISIL. CRISIL works with the government as well as with the governments of other developing nations to enhance the rating infrastructure.

2. **CARE** – India's **second largest** credit rating agency established in **1993** and headquartered at **Mumbai**. **Credit Analysis and Research limited** (CARE) is 100% wholly owned subsidiary of **Fitch Group**.

**CARE** is tasked with the provision of ratings to debt instruments, loan ratings, corporate governance ratings, credit analysis ratings and claims paying ability of insurance companies. It also rates construction companies and maritime training institutes.

CARE provides ratings to State Governments, Municipal corporation bodies, banks and other financial institutions. CARE also rates SMEs based on their financial health.

3. **ICRA** – It is an independent and professional investment information and credit rating agency established in **1991** and headquartered at **Gurugram**, Haryana. **Investment Information and Credit Rating Agency** of India, ICRA was a joint venture between **Moody's** and various Indian commercial banks and financial services companies.

**ICRA** provides ratings to Indian Corporates, Hospitals, Construction and Real Estate companies as well as provides grading and ranking to various mutual funds in India. It also assigns corporate governance ratings to companies.

4. **SMERA** - It is a full-service ratings agency exclusively setup for **Micro, Small and Medium** enterprises in India. However, it has grown over the years to provide ratings to SMEs as well as to mid and large corporates in India. The agency was formed in **2005** by Small Industries Development Bank of India (SIDBI) and various other public & private sector banks in India.

It helps SMEs, MSMEs and other corporates to get loans at a competitive rate from banks. Headquartered at **Mumbai**, SMERA rates bank loans under Basel II guidelines and as well as provides gradings to instruments like bonds, commercial papers, fixed deposits, IPOs, security receipts et. SMERA has pioneered SME rating in India.

5. **ONICRA** – **ONICRA Credit Information Company Ltd.** is a **private** credit rating agency in India that provides Employee Background Assessment & Individual Decision Analytics to enterprise customers.

Founded by Sonu Mirchandani under ONIDA finance, is headquartered at **Gurugram**, Haryana. It provides credit ratings, provides risk assessment reports and analytical solutions to corporates, MSMEs and even to

individuals. It also gives assessment services are provided to national and international companies in the IT, ITES, Hospitality, FMCG, Telecom, KPO, BPO, Automobile & Financial Sector etc.

Established in **1993**, it is one of the seven agencies licensed by National Small Industries Corporation of India for ratings of SMEs.

6. **FITCH INDIA (INDIA RATINGS AND RESEARCH)** - Headquartered in **Mumbai**, Ind-Ra is a 100% owned subsidiary of the **Fitch Group**.

**Ind-Ra** currently maintains coverage of corporate issuers, financial institutions including banks and insurance companies, finance and leasing companies, managed funds, urban local bodies, and structured finance and project finance companies.

### What is the difference between credit ratings and credit score?

A **credit rating is given to a company**, organisation or a government body by calculating its ability to repay the debt and to predict the likelihood of default. On the other hand, a **credit score is given to an individual** after looking at his credit history and repayment behaviour.

So, this was from us about Credit Rating Agencies operating in India. We hope it gives you brief overview about the rating agencies and for more such content keep following the [Oliveboard blog](#).

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