

**-:: CREDIT RATING AGENCIES ::-**

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**INTRODUCTION**

A credit rating evaluates the credit worthiness of a debtor, especially a business (company) or a government. It is an evaluation made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default. Credit ratings are determined by credit ratings agencies. The credit rating represents the credit rating agency's evaluation of qualitative and quantitative information for a company or government; including non-public information obtained by the credit rating agencies analysts. Credit ratings are not based on mathematical formulas. Instead, credit rating agencies use their judgment and experience in determining what public and private information should be considered in giving a rating to a particular company or government. The credit rating is used by individuals and entities that purchase the bonds issued by companies and governments to determine the likelihood that the government will pay its bond obligations. A poor credit rating indicates a credit rating agency's opinion that the company or government has a high risk of defaulting, based on the agency's analysis of the entity's history and analysis of long term economic prospects.

**CREDIT RATING AGENCY (CRA)**

A credit rating agency (CRA) is a company that assigns credit ratings for issuers of certain types of debt obligations as well as the debt instruments themselves. In some cases, the servicers of the underlying debt are also given ratings.

In most cases, the issuers of securities are companies, special purpose entities, state and local governments, non-profit organizations, or national governments issuing debt-like securities (i.e., bonds) that can be traded on a secondary market. A credit rating for an issuer takes into consideration the issuer's credit worthiness (i.e., its ability to pay back a loan), and affects the interest rate applied to the particular security being issued.

The value of such security ratings has been widely questioned after the 2007-09 financial crisis. In 2003, the U.S. Securities and Exchange Commission submitted a report to Congress detailing plans to launch an investigation into the anti-competitive practices of credit rating agencies and issues including conflicts of interest. More recently, ratings downgrades during the European sovereign debt crisis of 2010-11 have drawn criticism from the EU and individual countries.

**LIST OF CREDIT RATING AGENCIES**

Agencies that assign credit ratings for corporations include:

- A. M. Best (U.S.)
- Baycorp Advantage (Australia)
- Bulgarian Credit Rating Agency (Bulgaria, European Union)

- Capital Intelligence (Cyprus)<sup>[33]</sup>
- Capital Standards Rating (Kuwait)<sup>[34]</sup>
- CARE Ratings (India)
- Credo line (Ukraine)
- CreditSiren <sup>[35]</sup>(European Union)
- Credit Rating Information and Services Limited(CRISL),<sup>[36]</sup>(Bangladesh)
- CRISIL (India)
- Dagong Global (People's Republic of China)
- Dominion Bond Rating Service (Canada)
- Egan-Jones Rating Company (U.S.)
- First Afghan Credit Risk Ratings (Afghanistan)FACRR
- First Report, (UK)
- Fitch Ratings (Dual-headquartered U.S./UK), 80% of which is owned by FIMALAC, a French firm.
- Global Credit Ratings Co. (Africa)
- HR Ratings (Mexico)[1]
- ICRA Limited (India)
- SMERA INDIA
- Japan Credit Rating Agency, Ltd. (Japan)<sup>[37]</sup>
- Kroll Bond Rating Agency (U.S.)
- Moody's Investors Service (U.S.)
- Muros Ratings<sup>[38]</sup> (Russia alternative rating agency)
- Rapid Ratings International (U.S.)
- Standard & Poor's (U.S.)
- Weiss Ratings (U.S.)
- Onicra Credit Rating Agency of India Ltd (India)

## **CREDIT RATING AGENCIES IN INDIA**

- CIBIL
- CRISIL
- Equifax
- Experian
- High Mark Credit Information Services
- ICRA Limited
- SME Rating Agency of India

## **THE BIG THREE CREDIT RATING AGENCY**

The Big Three credit rating agencies are Standard & Poor's, Moody's Investor Service, and Fitch Ratings. Moody's and S&P each control about 40 percent of the market. Third-ranked Fitch Ratings, which has about a 14 percent market share, sometimes is used as an alternative to one of the other majors.

### **1. STANDARD & POOR'S (S&P)**

Standard & Poor's (S&P) is an American financial services company. It is a division of The McGraw-Hill Companies that publishes financial research and analysis on stocks and bonds. It is well known for its stock market indices, the U.S.-based S&P 500, the Australian S&P/ASX 200, the Canadian S&P/TSX, the Italian S&P/MIB and India's S&P CNX Nifty. The company is one of the Big Three credit-rating agencies, which also include Moody's Investor Service and Fitch Ratings.<sup>[2]</sup> Its head office is located on 55 Water Street in Lower Manhattan, New York City.

### **STANDARD & POOR'S**

<b>Type</b>	:	Subsidiary of The McGraw-Hill Companies, limited liability company
<b>Industry</b>	:	Financial services
<b>Founded</b>	:	1860, present corporation status in 1941
<b>Founder(s)</b>	:	Daryl Lethbridge
<b>Headquarters</b>	:	New York City, United States
<b>Revenue</b>	:	\$2.61 billion US\$ (2009)
<b>Employees</b>	:	10,000 (approximate)
<b>Parent</b>	:	The McGraw-Hill Companies
<b>Website</b>	:	standardandpoors.com

## **2. MOODY'S INVESTORS SERVICE**

Moody's Investors Service, often referred to as Moody's, is the bond credit rating business of Moody's Corporation, representing the company's traditional line of business and its historical name. Moody's Investors Service provides international financial research on bonds issued by commercial and government entities and, with Standard & Poor's and Fitch Group, is considered one of the Big Three credit rating agencies.

The company ranks the creditworthiness of borrowers using a standardized ratings scale which measures expected investor loss in the event of default. Moody's Investors Service rates debt securities in several market segments related to public and commercial securities in the bond market. These include government, municipal and corporate bonds; managed investments such as money market funds, fixed-income funds and hedge funds; financial institutions including banks and non-bank finance companies; and asset classes in structured finance.<sup>[1]</sup> In Moody's Investors Service's ratings system securities are assigned a rating from Aaa to C, with Aaa being the highest quality and C the lowest quality.

### **MOODY'S INVESTORS SERVICE**

<b>Type</b>	:	Subsidiary
<b>Industry</b>	:	Bond credit ratings
<b>Predecessor(s)</b>	:	Moody's Analyses Publishing Company
<b>Founded</b>	:	1909
<b>Headquarters</b>	:	7 World Trade Center New York City, United States
<b>Parent</b>	:	Moody's Corporation
<b>Website</b>	:	www.moodys.com/researchandratings

### 3. FITCH GROUP

The Fitch Group is a jointly owned subsidiary of FIMALAC and Hearst Corporation. On April 12, 2012, Hearst increased their stake in the Fitch Group to 50%. Fitch Ratings and Fitch Solutions are part of the Fitch Group.

Fitch Ratings, dual-headquartered in New York and London, was one of the three Nationally Recognized Statistical Rating Organizations (NRSRO) designated by the U.S. Securities and Exchange Commission in 1975, together with Moody's and Standard & Poor's. It is considered one of the "Big Three credit rating agencies" (Standard & Poor's, Moody's Investor Service and Fitch Ratings).

#### FITCH GROUP

**Type** : Subsidiary of FIMALAC and Hearst Corporation  
**Industry** : Financial services  
**Founded** : 1913  
**Founder(s)** : John Knowles Fitch  
**Headquarters:** London, United Kingdom New York City, United States  
**Key people** : Paul Taylor  
 (President and Chief Executive Officer)  
**Revenue** : \$732.5 Million (2011)  
**Employees** : 2,000 (approximate)  
**Website** : fitchratings.com

#### CREDIT RATINGS

Moody's		S & P		Fitch		
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	p-1	AAA	A-1+	AAA	F1+	PRIME
Aa1		AA+		AA+		High Grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
A2	A	A				
A3	p-2	A-	A-2	A-	F2	Lower medium grade
Baa1		BBB+		BBB+		
Baa2	p-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		

B3		B-		B-		
Caa1		CCC+	C	CCC	C	Substantial risks
Caa2		CCC				Extremely speculative
Caa3		CCC-				In default with little prospect for recovery
Ca		CC				
		C				
C		D	/	DDD	/	In default
/				DD		
/				D		

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