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### A STUDY ON THE ROLE AND RELEVANCE OF CREDIT RATING AGENCIES (CRAS) IN THE AFTERMATH OF GLOBAL FINANCIAL CRISIS

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#### ABSTRACT

Emerging markets and developing economies face one of the central issues namely strengthening of financial systems. This is due to the reason that sound financial systems serve as an important channel for the achievement of economic growth through the mobilization of financial savings, putting them to productive use and transferring various risks. Many countries adopted a series of financial sector liberalization measures in the late 1980s and early 1990s that included interest rate liberalization, entry deregulations, reduction of reserve requirements and removal of credit allocation. In many cases, the timing of financial sector liberalization coincided with that of capital account liberalization. Domestic banks were given access to cheap loans from abroad and allocated those resources to domestic production sectors. Since the Asian financial crisis of 1997-1999, the importance of balancing financial liberalization with adequate regulation and supervision prior to full capital account liberalization has been increasingly recognized. The crisis was preceded by massive, unhedged short-term capital inflows, which then aggravated double mismatches and undermined the soundness of the domestic financial sector. A maturity mismatch is generally inherent in the banking sector since commercial banks accept short-term deposits and convert them into relatively longer-term, often illiquid, assets. Nevertheless, massive, predominantly short-term capital inflows—largely in the form of inter-bank loans—shortened banks' liabilities thus expanding the maturity mismatch. This paper focuses on India's banking sector, which has been attracting increasing attention since 1991 when financial reform programme was launched. This paper throws light on some of the developments that have taken place in the Indian banking sector and challenges ahead for the banking sector as a result of process of banking reforms initiated in 1992.

**KEY WORDS:** Labour Intensive, CRA's, SEBI.

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#### INTRODUCTION

After Independence, the managers of the Indian economy found that the world has been sharply divided into two blocks: the one led by the capitalist economies and other led by the communist economies, primarily the then USSR. There was a cold war between these two blocs. Less developed economies had no option than to join either of the two and invite the ire of the opposite bloc. Especially those economies that were under the British Empire and won freedom during 1940's faced a difficult choice. India chose to keep a safe distance from both the blocks by inventing the idea of a mixed economy. In doing so, India invited as much favor as suspicion from both the blocks. Some economists hold the opinion that the Indian economy was pro-capitalism in its core that wore the façade of a socialistic economy. The state-managed economic endeavors facilitated capital formation in the private sector, often at the cost of the public sector and resources, preparing for a smooth transition to open capitalism in future when the conditions were ripe for such a transition.

Soon after independence, India adopted the path of planned development where the public sector was to play a dominant role in fostering growth at both the central and state levels. The First Five-Year Plan, which was launched in 1950-51, was based on the Harrod-Domar model and primarily concentrated on raising the level of investment in irrigation, power and other infrastructure for accelerating growth. The development strategy was changed radically in 1956 with the initiation of the Nehru-Mahalanobis model of industrial development that emphasized the development of heavy industry under the public sector. Domestic industry was protected

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from foreign competition through high tariff walls, exchange-rate management, controls and licences. This strategy of import substitution and heavy-industry promotion has been criticized for having created a non-competitive, inefficient, capital-intensive and high-cost industrial structure. It is further argued that this policy discriminated against labour-intensive tradable agriculture and resulted in unwarranted export pessimism because of excessive concern about self-sufficiency. The criticism, however, must be balanced against the fact that during this period India built a large infrastructure not only in heavy and machine goods industries, but also in the areas of power, irrigation, credit, higher education, scientific research and training.

It is easy to observe that most of the above strategies can be categorised as measures to improve operational efficiencies and effectiveness. Most of the above can be replicated by any competitor with adequate capital at its disposal. They are me-too strategies. The only advantage is the time required by the competitor to implement them, which too does not yield any long-term advantage. While all these measures to improve operational efficiencies are certainly necessary to survive the competition, they are by no means sufficient. These are what are typically called by organisational behaviourists as 'hygiene factors'. At the beginning of this study, the Mechanics of Information Asymmetry was described. Good governance is the starting point in order to remedy the situation. It is necessary for CRAs, Merchant Bankers and Regulators to initiate studies on patterns of deviant behaviour. Some important variables being conglomeracy, forays into real estate & construction, aggressive chase for growth through mergers & acquisitions, leveraged balance sheet size, dictatorial management, 'inner circle of management', cartelization, influence peddling, unfair trade practices and so on. Put simply, corporate governance addresses the issue of abuse of the corporate structure for personal gain. The links between these traits of bad governance and defaults need to be studied as part of more detailed research. Today, the entire edifice of corporate finance – shareholder wealth maximization is under question. The focus is shifting towards stakeholder satisfaction and societal well being. Auditors and CRAs are the watchdogs of society as also the conscience keepers of the nation, hence corporate governance is even more relevant as the first filter. It is often said, in credit wisdom, that balance sheets do not repay loans – it is the people behind the organization.

Credit Rating Agencies (CRAs) play an important role in assessing risk, its location and distribution in the financial system while facilitating investment decisions that can help investors in achieving a balance in the risk return profile and at the same time assist firms in accessing capital at low cost. CRAs can thus potentially assist and guide the allocation of capital efficiently across all sectors of the economy by pricing risk appropriately. However, in lieu of the massive unfold of Non-Performing Assets (NPA) and Stressed Assets (SA), Banks' credit risk assessment; administration and monitoring have increasingly come into focus in past couple of years. The need for a holistic regulatory framework encompassing participation from all stakeholders in the credit rating ecosystem is imperative to improve the efficacy of CRAs and effective credit risk assessment and monitoring in India.

In order to boost transparency and accountability of Credit Rating Agencies, Securities and Exchange Board of India (SEBI) has tightened the disclosure norms for CRAs vide its circular dated November 1, 2016 ('the Circular'). SEBI has issued these guidelines after some sudden movements in ratings created concerns among investors. The Circular aims to enhance standards followed by the industry and thereby streamlining the process, increase disclosures and facilitate the ease of understanding of ratings issued by CRAs.

### **CREDIT RATING AGENCIES**

Credit Rating in India started with the setting up of The Credit Rating Information Services of India (now CRISIL Limited) in 1987. Currently, there are seven CRAs registered with SEBI including CRISIL Limited, India Ratings & Research Pvt. Ltd. (formerly known as Fitch Ratings India Pvt. Ltd.), ICRA Limited, Credit Analysis & Research Ltd., Brickwork Ratings India Pvt. Ltd., SMERA Ratings Limited and Informatics Valuation and Rating Pvt. Ltd.

In India, CRAs are regulated by SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999 which provide for eligibility criteria for registration of credit rating agencies, monitoring and review of ratings, requirements for a proper rating process, avoidance of conflict of interest and inspection of rating agencies by SEBI, amongst other matters.

The Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 were designed to ensure that only reliable players enter this business through stringent eligibility criteria. It articulates the need for CRAs to operate in a manner that enables them to issue objective and fair opinions through well-defined processes and obligations and enable widespread access to issued and accepted ratings through a clearly defined rating process. Such general obligations largely included the code of conduct, agreement with the client, monitoring and procedure of review of rating, disclosure of rating definitions and rationale, adoption of internal procedures and such other to ensure the fulfillment of the objective. The new guidelines by SEBI tighten the rules for the CRAs to ensure greater disclosure and transparency in the relationship between a rating agency, the borrower and all the stakeholders affected in this exercise.

Credit rating business is a niche segment in the financial services arena. In the post-reforms era, with increased activity in the Indian Financial sector both existing and new companies are opting for finance from the capital market. The competition among firms for a slice of the savings cake has increased. Credit rating business in India is a sweet spot as it is on the cusp of robust growth potential, driven by three triggers: Strong capex cycle in Indian economy, lower penetration of corporate bond market and regulatory push due to implementation of Basel II norms. Credit rating helps in the development of financial markets. Credit rating is an investor service and a rating agency is expected to maintain the highest possible level of analytical competence and integrity. The analytical framework of rating deals with evaluation of both the business and financial risks associated with that entity. Besides qualitative aspects like management capabilities also play a considerable role in determining a rating. Credit ratings establish a link between risk & return. They thus provide a yardstick against which to measure the risk inherent in any instrument. Analytical framework of rating deals with evaluation of both the business & financial risks associated with that entity. The Reserve Bank of India liaises with SEBI, on the issue of rating agencies' adherence to IOSCO Code of Conduct Fundamentals. Given the slump faced by economies globally and the rise in the number of defaulters, it is about time that the channel had a strong credit rating system in place to ensure smooth operation for the entire chain. The most significant change in recent relates to emphasis on their accountability and more important, the caution in regulators' use of ratings.

## **REVIEW OF LITERATURE**

Joshi and Little (1994) attribute a considerable part of the success in export expansion during the second half of the 1980s to the real exchange rate management. Observing that starting in 1986–87, Indian exports grew considerably faster than world trade and as fast as the exports of comparable developing countries, they offer the following assessment that “The real exchange rate was again a critical factor as it depreciated by about 30 percent from 1985/86 to 1989/90. Since Indian inflation in this period rose faster than that of its trading partners, a devaluation of the nominal effective exchange rate of about 45 percent was required and achieved. This reflects a considerable change in the official attitude toward exchange rate depreciation. The change had already begun in 1983, but during 1983 and 1984 action was restricted to keeping the real effective exchange rate constant. From 1985 onward exchange rate policy became more active though the fiction of a fixed basket-peg was still maintained. From a presentational point of view, the sharp devaluation of the U.S. dollar, which began in 1985, helped a great deal. A devaluation of the real effective exchange rate could be secured by keeping the exchange rate of the rupee against the dollar constant, and in fact there was a mild depreciation in terms of the dollar as well. Cabinet approval was sought and obtained to achieve the real effective exchange rate prevailing in 1979. Policymakers recognized that a real exchange rate devaluation was necessary though the terms of trade were modestly improving, because the debt-service burden had increased and a faster growth of imports was to be expected in the wake of industrial and import liberalization.”

Chand and Sen (2002) did some further tests by pooling their sample and employing fixed-effects estimator to allow for intrinsic differences across industries with respect to the rate of technological progress. Their estimates show that on average one percentage point reduction in the price wedge leads to 0.1 percent rise in the total factor productivity. For the intermediate goods sector, the effect is twice as large. The impact of the liberalization of the intermediate goods sector on productivity turns out to be statistically significant in all of their regressions.

Balasubramanyam and Mahambre (2001) attempted to relate different aspects of the reforms with changes in industry performance, in particular with productivity change. They first observed a decline in debt/equity ratios in the majority of industries, especially in new firms, which was seen as a consequence of financial reform. The observed changes in productivity (TFP decline) were mainly attributed to trade and licensing reforms. The authors concluded that in spite of declining productivity the industrial sector has benefited from the reforms by expanding its capacity.

Das (2003) attempted such an assessment and computed effective rates of protection and import coverage as well as import penetration ratios for 72 three-digit industries for four sub-periods of the period 1980 to 2000. Although these ratios are useful they do not show the combined effect of tariffs and QRs on output prices. For that it would be necessary to estimate rates of protection based on price comparison, as had been done in the 1980s by Pursell (1988). The author concluded that the Indian level of protection remained high in comparison with several South-East Asian countries.

Pandey (2004) focused on the measurement of several trade reform variables, including the measurement of protection based on price comparisons. As to the impact of trade liberalisation on industry performance he concluded that this link appears to be weak, given the presence of other factors. Among these factors, government controls in form of industrial licensing and public sector investments are singled out, but the author also points to the well-known ambiguity between protection and growth: High protection tends to generate growth in the initial stages, but declining protection may also lead to growth through competition-induced gains in productivity and exports.

Bajpai (2002) presented a detailed account of the reforms of the 1990s and focused on areas, in which further reforms are required, in particular fiscal consolidation, the labour market, but also trade and foreign investment. These conclusions are clearly based on a positive assessment of the reform impact on economic growth in India, although the author does not present an analysis of the impact.

Banga (2005) also examined the reform impact on wages, but focused on wage inequality. Analysing the impact of three reform targets, FDI, trade and technology, on labour productivity and wage inequality, the author concluded that all three reform components contributed to increased wage inequality.

Kaushik Basu (2004) observed that the actual policy regime that India followed in its early days of independence was a mixture of the two competing visions. A Soviet-style planning system was developed, but without the state having a monopoly of control over the resources. Capitalism was allowed to flourish, but a large bureaucracy was nurtured. Huge investments were made in basic industries, but at the same time several sectors were protected as belonging to the small-scale sector. Capitalism was criticised but it was also relied upon. Socialism was never practiced, but the rhetoric of socialism was the norm. A burgeoning bureaucracy became the surrogate for socialism.

Subramanian (2007), after 1980, some clearer patterns become evident. It appears that two sets of factors played a role. First, different states had different pre-existing capabilities. But these remained latent and could not find expression until the economic environment changed. The trigger-the second set-was the liberalization begun in 1980, and especially the decentralization of economic power that was forced by the



changing political landscape after 1980. Thus, it was the interaction between pre-existing capabilities and the twin triggers of liberalization and decentralization that explains how the different states fared.

Atreye and Kapur (2006) examined the level and determinants of concentration in Indian manufacturing before and after the regulatory and trade reforms. They concluded that after liberalization the concentration declined in some industries and increased in others. The expected outcome of general decline was not observed, partially because the penetration of new competitors is a process that may be completed only over longer periods of time and the duration of this process is likely to vary among industries.

In this study, it has been examined that the impact of credit ratings by all the credit rating agencies (CRISIL, ICRA, CARE, Fitch Ratings and Brickwork Ratings) on equity returns in India. The period of our study is from 1<sup>st</sup> January, 1999 to 31<sup>st</sup> March, 2013. The daily data, credit ratings announcements, daily equity returns and daily Bombay Stock Exchange (BSE) SENSEX Indexes are collected from PROWESS Database of Centre for Monitoring Indian Economy (CMIE).

In the View of Wakeman (1990) "Credit rating denotes an independent and completely unbiased opinion of an agency on the issuer's capability to repay its financial commitments to the depositor or the bondholder of a particular issue based on the net present value of their estimated future earnings. In general, the ratings can be classified as upgrade, downgrade, placement in watch-list etc. These could, and typically do, impact the decisions of the investors. Due to this impact on investors, credit ratings will influence market prices of the financial instruments of these entities. This influence can be distilled by the abnormal stock response during the rating/rating change period. But we don't have any idea as to the extent of the impact of these credit ratings on the stock prices, especially in the Indian market. Besides, the markets understand and factor the reasons for rating change much before the actual rating changes". In that situation, rating changes are not expected to affect stock prices. On the other hand, the rating agencies declare that they receive inside information and rating is a means of communicating significant facets of such information to the stock holders, without exposing detrimental details to the opponents. However, verifying and distilling this impact has important economic ramifications. Needless to say, researchers in countries like Australia, France, Germany, Holland, the U.S.A., the U.K., Japan and China, have analyzed the impact of such rating announcements on their market behaviour. However such studies are very few in the Indian context.

L Paul Hsueh and Y Angela Liu (1992) also examined the impact of credit rating revisions on common stock prices and the market anticipation of bond rating changes on stock prices. Their analysis revealed the impact of credit rating on stock returns is based on the reputation of the company in the security market. The market value or the reputation acquired by the organization through sustained positive performance is very significant in rating revisions. In downgrades and upgrades, there are significant abnormal stock price movements in response to a rating change specifically for firms with less information available in the market.

Kliger and Sarig (2000) scrutinize the response of security prices to Moody's refinement of its rating system in 1982. They captured the slight impact of the new alphanumeric ratings, which were based on just the same information that lie behind the earlier alphabetical ratings.

Steiner and Heinke (2001) examined the correlation between credit ratings and Eurobond prices. They also examined the information content of US based credit rating agencies among non-US investors in the international capital markets. Using daily excess euro bond returns associated with announcements of watch listings and rating changes by Standard & Poor's and Moody's, they carried out the study. The results revealed significant bond price reactions after the announcements of downgrades and negative watch-listings. However, in line with the earlier research findings they also revealed zero impact for the upgrades and positive watch-listings.

Anthony D. May (2010) examined the impact of bond rating changes using daily corporate bond and stock data from TRACE. The study did a comparison of stock and bond markets on abnormal returns. According to their studies, the bond markets and stock market reacts similarly while taking the daily data. The bond returns (bond market) respond positively (negatively) significant to credit rating of upgrades and downgrades for a two day event window. However, their results showed dissimilarity in the stock market. Stock market reaction to downgrade is statistically significant while the reaction to upgrade is statistically insignificant.

Faff, Robert, Parwada, Jerry, Hun-lune (2007) examined the information content of managed fund ratings on the Australian retail investors. The study revealed the far reaching effects of credit ratings. The study revealed the positive reaction of market to upgrade and negative reaction to downgrades in the managed fund market. They also exposed the Australian investors high anticipation to rating revisions mainly downgrades. They attribute this occurrence to the role of qualitative factors in the ratings.

Examining the certification effect of initial rating announcements, and the signaling effect of rating downgrade announcements in China using a pooled time-series cross-sectional issuer rating data of 170 companies listed with the Shanghai and Shenzhen Stock Exchanges from 2002 to 2006, Winnie P. H Poon and Kam C Chan (2007) supported their hypothesis of an asymmetric certification effect. Consistent with the existing literature, they found there are negative signaling effects in the downgrade rating. Intriguingly, when a normally positively biased rating agency gives a low rating, it is a valuable news to the market participants.

Joanne Li, William T. Moore and Yoon Shin (2004) examined the impact of credit rating by global credit rating agencies and local (Japanese) credit rating agencies on the Japanese stock prices. They collected data from Moody Rating Interactive, S & P from Credit week, JCR from web site for a period ranging from 1983 to 2003. They concluded that global credit rating agencies (Moody's and S & P) are more powerful, and their ratings have got a good impact on the investors than the local credit rating agencies. The impact of global credit rating agency is relatively high in downgrades as compared to local rating agencies. Further their research indicates that among global rating agencies, Moody is more powerful in creating stock market price volatility through their announcements. S.V.D. Nageswara Rao and Vishnu S. Ramachandra, (2004) examined the impact of credit rating on the Indian stock prices using conditional risk adjusted method. They revealed significant positive (negative) abnormal returns and volumes prior to the upgrades (downgrades). Attributing this to the efficiency of average stock markets in capturing the factors that lead to rating upgrades or downgrades, the study supported the efficient market hypothesis. However, they exposed the cautious approach of investors to the upgrades and serious outlook of investors to the downgrades. This indicates the seriousness of Indian investors to the downgrades. Nevertheless, the study was done only using conditional risk adjusted method of normal return estimators.

### **IN THE VIEW OF RAJESH PATEL, CHIEF EXECUTIVE OFFICER, INDIA RATINGS AND RESEARCH (2013)**

There are currently six rating agencies registered with SEBI. They are ICRA Ltd., CRISIL Ltd., Fitch Ratings India Pvt Ltd., Credit Analysis & Research Ltd., Brickwork Ratings India Pvt Ltd., and SME Rating Agency of India Ltd. SEBI had initiated a review of the rating process last year after sharp downgrades and abrupt withdrawal of ratings in cases like Amtek Auto hit investors. Here are the highlights of the new norms laid down by the SEBI on the functioning of rating agencies:

Crisil's modified credit ratio (MCR), which is defined as the ratio of (upgrades + reaffirmations) to (downgrades + reaffirmations), is an effective indicator of systemic credit quality trends. Its MCR for long-term ratings improved to 0.98 in the current year from 0.85 in 2001-02 indicating a sharp improvement in credit fundamentals. This improvement was most pronounced in the manufacturing sector, which accounted for all the 14 long-term rating upgrades in this year. Moreover, the MCR for the manufacturing sector in 2002-03 was greater than one (meaning more upgrades than downgrades) for the first time since 1996. This

upturn in the manufacturing sector was led by a revival in core sector industries such as cement and steel as well as other key sectors such as automobiles.

## HYPOTHESIS

1. The influence of credit rating agencies continue to influence the investor's behavior in the aftermath Global financial crisis.
2. The importance of the adequacy of regulatory framework on credit rating agencies has increased in the post financial crisis era.

## RESEARCH METHODOLOGY

The following are the important applications of the t-distribution:

Different statistical techniques also has been used in analysis of data and appropriate hypothesis testing tools has been used to test analyze the results. On the basis of these statistical testing methods conclusion of the research has been made. The collected data/information have been tabulated, classified and analyzed by using proper statistical tools and techniques such as co-relation, t-test, and other tests too. These data have also been interpreted to draw the proper inferences and results. If necessary then their results have been further analyzed and elaborated to find out the exact results. Finally, the researcher has drawn the definite conclusions. On the basis of these conclusions, the scholar has advised the certain policy towards the structural reforms in the context of Rating Agencies in India as well as at International arena.

Financial flexibility is examined in terms of alternate financing plans have been developed and feasibility of such plans. Financial Performance of CRISIL covers Revenue, Profit before Depreciation, Profit before Tax, Earnings per Share, Net worth, Percentage of Dividend, Market capitalization, number of employees.

**Table 1.1**  
**Instruments and Volume of Debt Rated**

Year	Number of Instruments rated	Volume of Debt Rated (Rs. in Crores)	Average Amount Involved with each debt Instrument Rated (Rs. in Crores)
2001	272	53,013	194.90
2002	328	70,441	214.76
2003	381	70,407	184.80
2004	356	70,917	199.21
2005	421	1,30,332	309.58
2006	418	1,24,159	297.03
2007	502	1,87,217	372.94
2008	743	3,86,000	519.52
2009	900	7,00,000	6,949.78
2010	943	16,00,000	8,031.72
2011	3,002	23,00,000	10,024.50
2012	5,178	24,00,000	11,847.50
2013	7,525	30,00,000	12,825.00
2014	10,588	68,21,700	11,147.28
2015	11,699	75,92,500	12,077.07
<b>Total</b>	<b>43,256</b>	<b>2,55,06,686</b>	<b>75,195.59</b>

**Source:** CRISIL Annual Reports.

The average number of instruments rated for a period of 15 years is 2884. When the Standard Deviation is calculated, it is found that the rating value is 3964. The coefficient of variance is considered to be less consistent as its value is 137.46. The rating of instrument is significant during 2001 to 2015 as the instruments show an increasing trend. The volume of debt rated over 15 years has reached an enormous

increase up to Rs 2, 55, 06,686 which is positively correlated with the number of instruments rated. The average amount of rated instruments is low during 2001 to 2004 except 2002. But the average number of rated instruments is showing a progressive increasing trend in the next decade. The above information is presented in a graphical form.

Credit Ratings are based on the latest information which are provided by the issuer company to the rating agency. In evaluation of credit worthiness of an issuer company's financial product, it will analyze all the factors regarding business analysis and financial analysis for a manufacturing concern.

It provides services extensively in the areas of policy making, and economic development. Its range of activities include Complex feasibility studies, creation of appropriate policy frameworks, sector reforms, regulatory support and project structuring for various large and complex projects.

**Table 1.2**  
**Review of Accepted Ratings of Corporate Debt Securities (Rs. in Crores)**

Year	Upgrade		Downgraded		Reaffirmed		Rating Watch		Withdrawal / Suspended		Not meaningful		Total	
	No	Ro	No	Ro	No	Ro	No	Ro	No	Ro	No	Ro	No	Ro
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	6 (14.28)	155 (4.32)	4 (9.52)	73 (1.99)	26 (61.94)	3302 (90.14)	0	0	6 (14.28)	133 (3.63)	-	-	42 (100)	3663 (100)
2002	141 (6.66)	35712 (3.34)	591 (27.91)	13554 (12.68)	1021 (48.32)	862008 (80.64)	90 (4.25)	26788 (2.50)	272 (12.84)	8880 (0.83)	-	-	2117 (100)	10689 (100)
2003	26 (3.21)	1645 (0.34)	201 (24.84)	13542 (28.80)	410 (50.67)	279619 (59.47)	45 (5.56)	26572 (5.65)	127 (15.69)	26901 (5.72)	-	-	809 (100)	47016 (100)
2004	54 (6.85)	14780 (2.19)	43 (5.45)	7064 (1.04)	521 (66.11)	627786 (93.07)	31 (3.39)	13182 (1.95)	128 (16.24)	11438 (1.69)	11 (1.35)	230 (0.03)	788 (100)	67448 (100)
2005	81 (6.69)	22199 (2.63)	60 (4.95)	9582 (1.13)	887 (73.30)	793540 (94.19)	21 (1.73)	4720 (0.56)	153 (12.64)	12278 (1.45)	8 (0.66)	116 (0.01)	1210 (100)	84243 (100)
2006	68 (5.75)	51827 (3.61)	43 (3.63)	6582 (4.77)	870 (73.6)	133901 (93.37)	21 (1.77)	2319 (0.16)	177 (14.97)	33792 (2.35)	3 (0.25)	287 (0.02)	1182 (100)	14340 (100)
2007	32 (2.89)	6533 (0.54)	41 (3.71)	5050 (0.42)	854 (77.35)	114173 (95.94)	39 (3.53)	11364 (0.94)	127 (11.5)	19335 (1.62)	11 (0.99)	5991 (5.03)	1104 (100)	11900 (100)
2008	62 (4.46)	8762 (0.45)	73 (5.25)	31490 (1.64)	1031 (74.22)	180546 (94.45)	51 (3.67)	40602 (2.12)	172 (12.38)	25188 (1.31)	0	0	1389 (100)	19115 (100)
2009	36 (1.71)	17033 (0.63)	251 (11.92)	13002 (4.87)	1430 (67.93)	232342 (87.05)	52 (2.47)	12330 (4.62)	335 (15.91)	44853 (1.68)	1	90 (0.003)	2105 (100)	26687 (100)
2010	197 (5.30)	61052 (1.80)	324 (8.72)	13166 (3.88)	2766 (0.08)	308072 (90.99)	70 (1.88)	27726 (0.81)	358 (9.63)	84569 (2.49)	0	0	3715 (100)	33857 (100)
2011	743 (13.91)	15739 (3.48)	310 (5.80)	28203 (0.62)	3605 (67.49)	419971 (93.09)	100 (1.87)	38662 (0.85)	518 (9.69)	87314 (1.93)	0	0	5341 (100)	45112 (100)
2012	696 (11.48)	10152 (2.5)	650 (10.72)	13551 (3.34)	3935 (64.95)	373659 (92.19)	45 (0.74)	32807 (0.80)	717 (11.83)	81947 (2.02)	0	0	6058 (100)	45112 (100)
2013	463	28624	904	21932	3827	391677	57	22898	637	10717	0	0	5892	49881



3	(7.85)	(0.57)	(15.3 4)	1 (4.39)	(64.9 5)	2 (78.52)	(0.96 )	(0.45)	(11.4 2)	7 (2.14)			(100)	63 (100)
201 4	434 (8.28)	27333 (0.67)	833 (15.8 9)	19818 4 (4.89)	3380 (64.5 0)	303325 8 (74.97)	37 (0.70 )	15097 (0.37)	552 (10.5 3)	78386 (1.93)	0	0	5240 (100)	40456 27 (100)
201 5	464 (14.9 6)	18744 3 (2.94)	206 (6.64)	10320 3 (1.62)	1930 (62.2 3)	594713 9 (93.44)	50 (1.61 )	60743 (0.95)	451 (14.5 4)	65843 (1.03)	0	0	3101 (100)	63643 71 (100)

Source: <http://www.sebi.gov.in/sebiweb/home/list/4/32/0/0/Handbook-of-Statistics>

Note: Figures in parentheses denote percentages

The table shows the Rating exercise of CRISIL, Credit Rating Agency after the initial Rating. It exhibits the quality of Rating and competency of Rating Agency to take a record of developments. The upgrades and downgrades are however critically viewed. For example, an instrument rated 'A', upgraded to 'A+' or downgraded to 'A-' is considered as stable in the category of 'A'. The study covers Investment grade and Non-Investment grades which are grouped as per the study of Rating Agencies. The present analysis shows the trends in rating exercises and their influences. The analysis cycle involves the debt. There is more number of downgrades than the upgrades which is not desirable in the interest of investors. It refers to the stringent framework which was not adopted in the Initial Rating. This infers that the rating is issuer-based. From the year 2000 to 2015, there were 28.84 percent of downgrades which were only 201 instruments. In terms of number of instruments and the volume of debt the ratings 45 instruments were referred to ratings watch whereas 212 instruments were suspended in all.

During the year 2007-08 only 73 instruments were downgraded worth of Rs.31, 490 Crores against the upgrades of 62 instruments worth Rs. 8,762 crores. It reflects seriousness of the situation. In the year 2010 the upgraded instruments have rose to 743 which is (13.91%) with a value of Rs.1, 57,395 crores from Rs.61, 052 in the previous year. This shows that the impact of financial crisis has not influenced our rating process. The Reaffirmed ratings have shown a continuous improvement from 26 instruments to 1930 between 2000-01 to 2014-15. The value has ranged between Rs.3, 302 crores to Rs.59, 47,139 Crores. In reviewing the accepted ratings of corporate debt securities, it is also noted that the ratings are not meaningful but were negligible with a range between 3 to 11 instruments but an amount of Rs 287 crores to Rs.5, 991 crores. Reaffirmed ratings were low as compared to withdrawal or suspended ratings. This indicates that the ratings assigned were gaining the confidence levels amongst issuer companies, where ever the CRISIL has given support to prove issuer companies' truthful commitment.

## CONCLUSION

One of the important determinants of quality of Ratings is stability of Ratings assigned. The ratings assigned by CRISIL with respect to safety and risk are such that CRISIL AAA is Highest Security, CRISIL AA is High Safety, CRISIL A is Adequate Safety, CRISIL BBB is Moderate Safety, CRISIL BB is Inadequate Safety, CRISIL B is High Risk, CRISIL C is Substantial Risk The above table shows the Rating stability and its movements of CRISIL, credit rating agency during the period of 15 years. It means the sustainability of ratings assigned to debt instruments and their movements from one grade to another grade. Ratings upgrades or downgrades by single or multiple signs in the same segment are considered as stable in the present study. Credit ratings are opinions on Default risk. Higher the rating the lower the probability of default risk should be. During the year 2000, CRISIL ratings of instruments in category 'AAA' has registered to the extent of 97.4 percent, which shows that rating stability has been very high. On comparing, this category with other categories of instrument ratings there has been a fluctuating percentage which is identified as 79.63 mean percentages. Other category of rating in CRISIL have registered low stability. But the mean stability in rating is high in CRISIL ratings as a whole. The similar mean stability rating continued in CRISIL for the year 2002 with 90.1 percent. CRISIL AAA ratings have registered a 100 percent stability during the year 2005, 2006 and 2007, which means the risk levels are zero. The other categories of instruments have been showing a decline in rating stability. Surprisingly the Highest safety rating instruments have been showing higher level of percentages during the study period of 15 years. CRISIL BBB to CRISIL C ratings have been

showing a stability rate between 95 percent to 70 percent. As the category is falling the level of percentages are either constant or low with a little margin of difference. In 2015 the mean percentage is low stable in comparison with the previous years.

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