

## CMSL SHARP

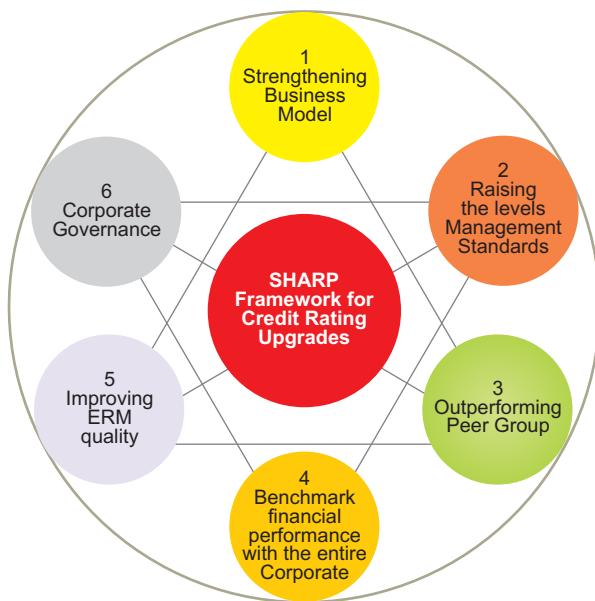
### Strategic and Holistic Advisory for Ratings Enhancement Process

CMSL's advisory service offerings under 'CMSL SHARP' are aimed at enabling clients achieve the optimum rating possible while being rated by external credit rating agencies (such as CRISIL, ICRA, CARE, FITCH and BRICKWORKS), by outlining a strategy for overcoming those deficiencies that would curtail the rating at a lower level.

#### Meaning & Significance of Credit Rating

A credit rating is an opinion of the rating agency on the credit worthiness of a borrower, where the borrower is assessed on the basis of industry, business, financial and management risks. A borrower who is assigned a good rating enjoys savings on interest costs, as well as concomitant benefits such as improved funding flexibility, greater access to capital markets, more favourable perception amongst the investor community besides higher status and comfort among all stake holders. In addition, lenders also gain by way of lower capital adequacy requirements, which frees up cash that can be invested more productively elsewhere.

#### CMSL SHARP Framework



#### CMSL SHARP framework

CMSL adopts a holistic approach while evaluating clients for possibilities for rating upgrades. Every facet of the client's operations is studied in detail in order to uncover areas for improvement. The assessment process includes: understanding of the business model, peer group analysis, benchmarking of financial performance with other corporates, gauging risk management practices and evaluation of the quality of management and corporate governance. By implementing strategies for overcoming deficiencies in different areas, the overall credit profile of the client is strengthened which will qualify it for a superior rating.

#### CMSL Strategy Advisory

Our strategy consulting in this space involves the following steps:

- 1. Understanding current status:** Through detailed interactions with the management of the company and meticulous analysis of all information provided, a likely rating is first arrived at. In addition, strengths and weaknesses are identified vis-à-vis business model, peer group comparison, financial strength, quality of management and EWRM processes. This is submitted to the management as a confidential report.
- 2. Performing gap analysis:** A gap analysis report is prepared by comparing current levels with best practices. Benchmarks for various parameters are identified and a score card is generated to identify the company's position when compared to the best players in the industry.
- 3. Preparing action plans:** Strategies for improvement are formulated; roadmap for implementing the same across functions, business lines and strategies is drawn up. Strategies are prioritised based on discussions with top management.
- 4. Assist in implementing action plans:** This involves developing a modus operandi for the implementation of the various action plans, recommending external agencies wherever required, and co-coordinating with external agencies in select meetings to ensure effective implementation of the plans.



**5. Quarterly performance review:** On a quarterly basis, review reports are submitted to the top management. These reports highlight the performance of the organization on pre-defined benchmarks, and highlight variances (if any). In addition, variances are analyzed to determine whether they are controllable or uncontrollable. While tighter discipline is advocated for controllable factors, strategies are devised for mitigating the impact of uncontrollable or market factors.

**Commitment from client side**

To be successful, the strategic consulting assignment requires the support of the top management of the company. Specifically, cooperation is required in the following areas:

- Detailed discussions with the CMSL team for an in-depth understanding of the business as well as understanding of the long term strategy/vision of top management.
- Assigning key project members from the client side.
- Participation in monthly review meetings.

- Access to internal information and key people in the organisation.

CMSL's service offerings in the strategic consulting domain are not limited to companies being rated for the first time. Rated companies can also avail of these services to overcome their deficiencies and adopt best practices which would improve their rating over a period of time. In case of rated companies experiencing a credit event likely to result in a change in the rating, CMSL offers a detailed assessment of the credit event, including sensitivity analysis of the financial projections (which would be revised to incorporate the impact of the credit event). In this case the deliverable would be a detailed report highlighting the likely change in the rating and strategies to mitigate the impact of adverse credit events.

**Key elements for Credit Rating Enhancement**



**Credit Market Services Ltd.**