Credit Rating Assessment of CRAB: An Internship Experience on The Evaluation of Sumaiya Enterprise

Azreen Sadiq
ID: 111 201 087
School of Business and Economics
United International University

This report is submitted to the school of Business and Economics, United International University as a partial requirement for the degree fulfillment of Bachelor of Business Administration

Credit Rating Assessment of CRAB: An Internship Experience on The Evaluation of Sumaiya Enterprise

Submitted to:

Mr. Muhammad Enamul Haque
Assistant Professor
School of Business & Economics (SoBE)
Major: Finance

Submitted by:

Azreen Sadiq
Id: 111 201 087
Major: Finance
Registration Trimester: Spring 2025

School of Business and Economics

United International **University**

Date of Submission: August 11, 2025

Letter of Transmittal

11 August, 2025

Mr. Muhammad Enamul Haque
Assistant Professor
School of Business Administration
United International University
Madani Ave, Dhaka 1212

Subject: Submission of Internship Report.

Dear Sir,

It is my pleasure to submit the report on " Credit Rating Assessment of CRAB: An Internship Experience on The Evaluation of Sumaiya Enterprise" as a part of my internship program. I tried my level best to prepare this report.

I therefore, hope that this report will provide necessary information about the credit rating methodology of Credit Rating Agency of Bangladesh. I have tried my best to make this report a fault free one and I hope that you will take any unintentional mistake with kind consideration.

Sincerely yours

Azreen Sadiq
111 201 087
School of Business Administration
United International University

Certification of Similarity Index

Declaration of the Student

I, Azreen Sadiq, hereby declare that this internship report titled “Credit Rating Assessment of CRAB: An Internship Experience on The Evaluation of Sumaiya Enterprise” has been prepared as a partial fulfillment of the requirements for the Bachelor of Business Administration (BBA) degree at United International University (UIU).

This report is the result of my personal efforts, observations, and experiences gained during my internship at Credit Rating Agency of Bangladesh (CRAB). I also confirm that the information presented in this report is true to the best of my knowledge and has not been copied from any unauthorized sources. No part of this report has been submitted previously for any degree or diploma at any academic institution.

I understand that any violation of the university’s academic and ethical standards may lead to disciplinary action.

Azreen Sadiq

Student ID: 111 201 087

Bachelor of Business Administration (BBA)

School of Business and Economics

United International University (UIU)

Corporate Evidence

CREDIT RATING AGENCY OF BANGLADESH LIMITED

Date: April 28, 2025

Ms. Azreen Sadiq
House # 14, Lake Circus Kolabagan,
Dhaka 1205, Bangladesh.

Subject: Internship Appointment Letter.

Dear Ms. Azreen,

With reference to your application, we are pleased to offer you an internship at **Credit Rating Agency of Bangladesh Limited (CRAB)**, effective from April 28, 2025 for a period of three (3) months.

During the internship period, you will be entitled to receive a monthly allowance of Tk. 5,000 (Taka five thousand only).

Kindly sign and return the duplicate copy of this letter as a token of your acceptance and for our records.

We warmly welcome you to CRAB and hope that your association with us will be a valuable experience and contribute positively to your professional development.

Sincerely,

Sanjay Kanti Das
HR In Charge

Acknowledgement and Acceptance

I, accept the terms and conditions of this internship as stated above.

Signature: 28.04.25

Date: 28.04.2025

DH Tower, Level-15, 6 Panthapath, Dhaka-1215; Web: crab.com.bd
Phone: +88-02-55013681, IP-Phone (Hunting): 09613000011; E-mail: info@crab.com.bd

Acknowledgement

At first, I would like to express my gratitude to almighty Allah who has given me the opportunity to go through the total process of internship and to write a report in this regard. In preparing this report, I got full co-operation from my faculty that was a great advantage for me

I would like to express my gratitude and thank to my honorable Academic Advisor Mr. Muhammad Enamul Haque**,** Assistant Professor, whose guidance, support, and constructive feedback throughout this project were invaluable. Without his encouragement and expert advice, completing this report would not have been possible.

My heartfelt thanks also go to the management and staff of CRAB for welcoming me into their organization and allowing me to observe and participate in their daily operations. Their cooperation and willingness to share knowledge greatly enriched my learning experience.

I am also grateful to my family and friends for their continuous support, patience, and motivation throughout my academic journey and internship period. I extend my thanks to everyone who directly or indirectly contributed to the successful completion of this internship report.

This report suffers from many shortcomings; nevertheless, I have exerted my best efforts in preparing this report. I seek excuse for the errors that might have occurred in spite of my best effort.

So lastly, I would like to express our heart full thanks to United International University for providing the theoretical knowledge and valuable guidelines related to report.

Executive Summary

The Credit Rating Agency of Bangladesh's (CRAB) credit rating procedure is thoroughly examined in this report, "Credit Rating Assessment of CRAB: An Internship Experience on the Evaluation of Sumaiya Enterprise." Using both quantitative and qualitative assessment models, the main goal is to evaluate Sumaiya Enterprise's financial and operational performance as a trading company in the spices sector.

Along with qualitative elements like business risk, management risk, bank relationship risk, financial security risk, and other operational risks, the study incorporates CRAB's rating methodology, which assesses leverage, liquidity, profitability, coverage, operational efficiency, and earning quality.

An industry analysis of Bangladesh's credit rating sector is also included in the report, detailing the sector's size, trends, maturity, and competitive positioning.

By connecting academic learning with practical application, the internship experience gave participants hands-on experience with data collection, financial statement analysis, risk assessment, and report preparation. The end result emphasizes how crucial credit ratings are for promoting financial transparency, directing investment choices, and fortifying the credit market.

FOR INTERNSHIP

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List of Acronyms & Abbreviations

EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization

FFO – Funds From Operations

CFO – Cash Flow from Operations

CRAB – Credit Rating Agency of Bangladesh Limited

BSEC – Bangladesh Securities and Exchange Commission

ACRAA – Association of Credit Rating Agencies in Asia

ECAL – Emerging Credit Rating Agency Limited

ICRA – Investment Information and Credit Rating Agency

UIU – United International University

BBA – Bachelor of Business Administration

SME - Small and Medium Enterprise

CHAPTER 1: INTRODUCTION

1.1 Background of the Report

In credit rating, there are two main terms: credit and rating. Credit refers to receiving something of value now and agreeing to pay for it later, often with an interest charge added by the lender. Rating involves evaluating the financial status of a business or person. Together, credit rating analyzes the credit risks tied to a financial instrument or entity. It reflects an evaluation of a specific entity based on its financial credentials and the quality of its past borrowing and lending activity. A credit rating, or credit score, is a numerical value that indicates how trustworthy you are as a borrower. Essentially, your credit score condenses the information from your credit report into one number. The higher the score, the more creditworthy you are. A higher score indicates a good credit rating, while a lower score suggests a poor credit rating. Credit rating matters because it directly affects the amount of credit a lender will provide you and the interest rate and terms that may apply. Generally, credit ratings fall into two categories: long-term and short-term. Long-term ratings apply to debts with maturities exceeding one year. These ratings assess the likelihood of timely repayment of principal and interest over the debt's life, using symbols such as AAA, AA, BBB, BB, B, C, and D. Short-term ratings apply to specific debt instruments with maturities of one year or less. They also assess the chances of timely repayment and use symbols like ST1, ST2, ST3, ST4, ST5, and ST6. For rating outlooks, symbols indicate whether a rating may be raised (positive), lowered (negative), remain unchanged (stable), or fluctuate (developing

1.2 Objectives of the Report

The broad objective of the report is to analyze to get practical knowledge about the Credit Rating Agency of Bangladesh (CRAB). It will also help to know about different sector of Credit Rating industry of our country. To achieve this goal the following specific objectives are looked into:

- To know about the CRAB's process of data collection.
- To know about the plug in of data into excel financial model.
- To know how to analyses the financial data
- To know about the judgment of other qualitative factors to rate the debt.

1.3 Rationale of the Report

This report, “Credit Rating Assessment of CRAB: An Internship Experience on the Evaluation of Sumaiya Enterprise,” connects academic learning with real-world credit rating practices in Bangladesh. The goal is to understand how the Credit Rating Agency of Bangladesh (CRAB) uses structured evaluation tools, especially the scoring model, to determine the creditworthiness of businesses.

In today’s competitive financial environment, clear and honest credit ratings are essential for guiding bank lending, investor choices, and business credibility. By documenting my internship experience, this report highlights how CRAB incorporates regulatory frameworks, ethical standards, and Basel Accord requirements into its work. It also discusses industry challenges like information gaps, confidentiality issues, and external pressures, while showing how professional analysis and systematic scoring provide fair and reliable ratings.

Ultimately, the report reflects my professional learning and explores the important role credit rating agencies play in strengthening Bangladesh’s financial system.

1.4 Scope and Limitations of the Report

Scope:

This report is based on extensive discussions with my supervisor and employees of the Credit Rating Agency of Bangladesh (CRAB). While preparing it, I gained in-depth knowledge about the overview, importance, objectives, mission, framework, and symbols used in the credit rating industry in Bangladesh.

Limitations:

I faced some challenges while preparing this report, such as:

- Unavailability of Data: Some data was not accessible on websites, and printed materials were difficult to gather.
- Inaccuracy of data: It was tough to find reliable data sources among the available options.

Despite these issues, I believe I have done my best to overcome the challenges and complete this report.

1.5 Definition of Key Term

- **Credit Rating:** An independent opinion on how reliable an entity or debt instrument is, showing the chances of timely repayment of principal and interest.

- **Rating Scoring Model:** A structured framework that uses weighted factors to assign a credit score, which translates into a rating grade.

- **Quantitative Assessment:** Analysis based on measurable financial metrics like liquidity, leverage, profitability, and cash flow to evaluate credit risk.

- **Qualitative Assessment:** Evaluation of non-financial aspects such as management quality, industry risk, operational efficiency, and market position to assess stability.

- **SME Rating:** A credit rating specifically for small and medium enterprises, reflecting their financial health, operational strength, and ability to repay.

- **Corporate Rating:** Assessment of large corporate entities' overall creditworthiness, covering financial performance, governance, and market conditions.

- **Basel I, II, III:** International banking regulations set by the Basel Committee to improve risk management. Basel I focused on credit risk, Basel II on risk-sensitive capital requirements, and Basel III on strengthening capital, liquidity, and leverage standards.

CHAPTER 2: COMPANY AND INDUSTRY PROFILE

2.1 Company Analysis

2.1.1 Overview and History

Credit Rating Agency of Bangladesh Ltd. (CRAB) was established in 2003 at the initiative of some leading personalities in private sector and institutions of the country with the commitment to contribute to the development of the capital market by providing quality ratings and comprehensive research services. CRAB was incorporated as a public limited company in 2003 and was granted license by the Bangladesh Securities & Exchange Commission (BSEC) in 2004. Within short span of time, CRAB has established its reputation as a reliable source of independent opinion on risks based on systematic and standardized analysis done by professionals

CRAB is a member of the Association of Credit Rating Agencies in Asia (ACRAA). ACRAA, established in 2001, is a federation of domestic rating agencies of the Asian Continent, formed with support and cooperation of the Asian Development Bank (ADB). ACRAA works to develop cooperation among credit rating agencies in Asia and promote best practices committee of ACRA and actively participates in all its activities (web: www.acraa.com). CRAB is also a founder member of Association of Credit Rating Agencies in Bangladesh (ACRAB).

ECAI Status Bangladesh Bank accredited CRAB as an External Credit Assessment Institution (ECAI) in April 2009. Under the standardized approach for calculating risk weighted assets against credit risk, the credit rating is to be determined on the basis of risk profile assessed by the ECAIs. Banks will use the ratings of the ECAIs and corresponding risk weight for calculating RWA for credit risk under the standardized approach. In 2013 CRAB's SME rating was approved by Bangladesh Bank.

Mission of CRAB:

CRAB aims to significantly contribute to the qualitative development of money and capital markets. It seeks to improve transparency in financial information and bolster the credibility of the corporate sector in Bangladesh, supporting investment growth.

Objectives of CRAB:

- To conduct credit ratings for various debt instruments, including commercial papers, bonds, debentures, Islamic bonds, preference shares, equity instruments, rights issues, and mutual fund units.
- To grade various institutions such as banks, non-banking financial institutions, insurance companies, corporations, non-corporations, societies, trusts, and individuals as requested by clients or required by authorities.
- To collect, process, and provide information services for organizations and clients at various levels.
- To offer consultancy and advisory services across different areas to clients at various levels.
- To act as trustees for any debentures, bonds, securities, commercial papers, or other obligations, exercising roles as executor, administrator, receiver, treasurer, or custodian for such debts and securities.

Collaboration & Membership of CRAB:

Technical Collaboration with ICRA:

CRAB has a technical collaboration agreement with ICRA Limited of India, a leading credit rating agency in the region. This partnership helps CRAB develop rating methodologies, undertake rating assignments, and train professionals. The collaboration facilitates sharing resources, information, and expertise between both organizations, benefiting CRAB.

Member of ACRAA:

CRAB is an active member of the Association of Credit Rating Agencies in Asia (ACRAA). This organization is a federation of domestic rating agencies across Asia, including Japan, the Philippines, Malaysia, Indonesia, Korea, India, Pakistan, China, Taiwan, and Bangladesh. ACRAA was established with the support of the Asian Development Bank (ADB). As a member, CRAB engages in all association activities.

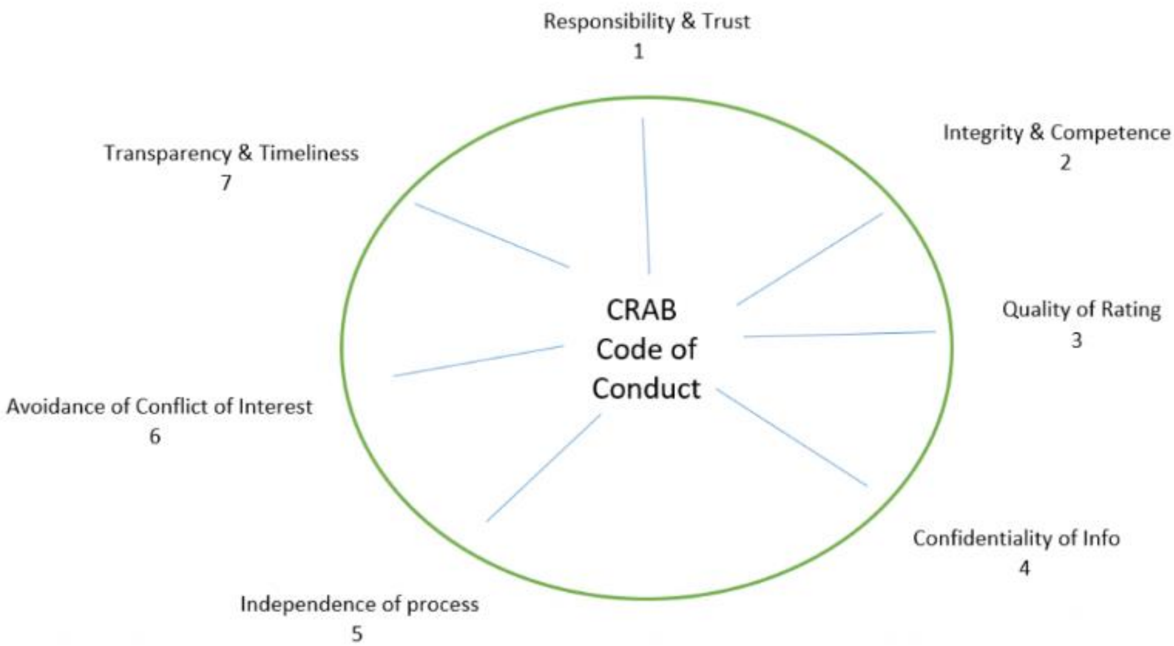

Figure 1: CRAB's Code of Conduct

Code of conduct fundamentals for credit rating agencies:

The Technical Committee of the International Organization of Securities Commissions developed the Code of Conduct Fundamentals for Credit Rating Agencies in December 2004. This code provides practical measures that serve as a guide for implementing the main objectives of credit rating agencies. These measures are the essential components that should be included in each agency's code of conduct, with backing from CRA management and supported by strong compliance and enforcement mechanisms.

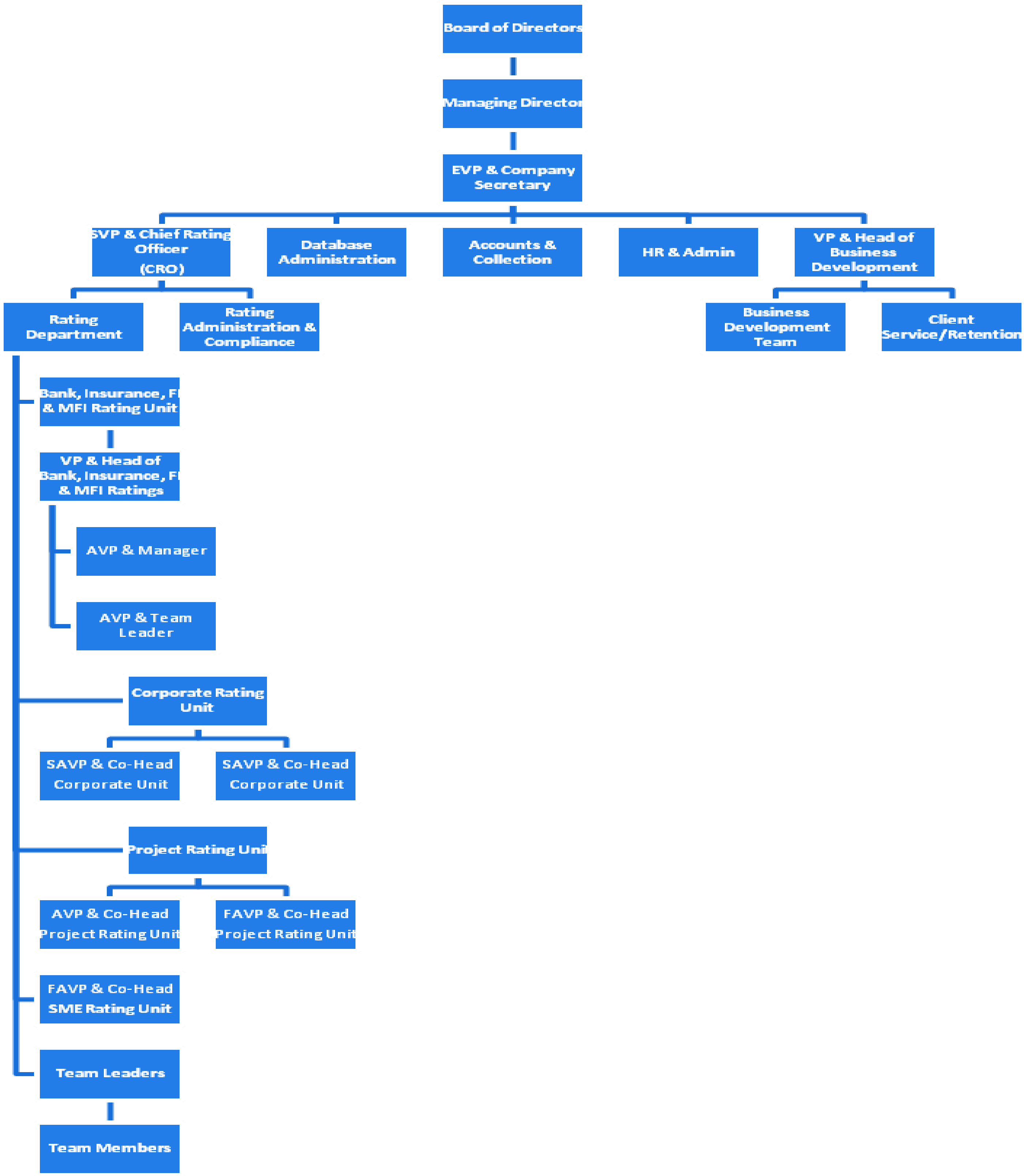

Figure 2: Organogram of CRAB

2.1.2 Trend and Growth

Since its establishment in 2003, Credit Rating Agency of Bangladesh Ltd. (CRAB) has demonstrated significant growth and expansion in both scale and scope. By 2014, CRAB had completed over 4,000 credit ratings across various sectors, and by 2024, that number had more than doubled to approximately 10,711 rated entities and instruments, reflecting its growing influence in the country's financial ecosystem. The agency's portfolio now spans a wide range of industries, including textiles, manufacturing, infrastructure, real estate, financial institutions, telecom, pharmaceuticals, agriculture, and services, showcasing its strong sectoral diversification. CRAB has also maintained an excellent track record in credit assessments, with default studies for 2022, 2023, and 2024 reporting zero 1-year and 3-year default rates across all long-term rating categories. This underscores the agency's analytical rigor and credibility. In addition to being recognized as an External Credit Assessment Institution (ECAI) by Bangladesh Bank since 2009, CRAB's SME rating methodology was approved in 2013, and it is also accredited by the Insurance Development and Regulatory Authority (IDRA) to rate insurance companies. These milestones collectively highlight CRAB's robust growth, institutional recognition, and its pivotal role in strengthening credit risk assessment practices in Bangladesh.

2.1.3 Rating Service

CRAB is a credit rating agency that provides ratings for various financial instruments and entities, including what regulatory authorities require. Their services include ratings for securities from manufacturing companies, corporate bodies, commercial banks, non-bank financial institutions, investment banks, and mutual funds, among others. These obligations cover long-term instruments like bonds and debentures, medium-term instruments like fixed deposit programs, and short-term instruments like commercial papers.

CRAB also rates structured obligations and sector-specific debt obligations from companies in power, telecom, and infrastructure. Additionally, they assess the creditworthiness of large, medium, and small units when these entities seek credit from banks, financial institutions, and financial services firms. CRAB offers the following rating services:

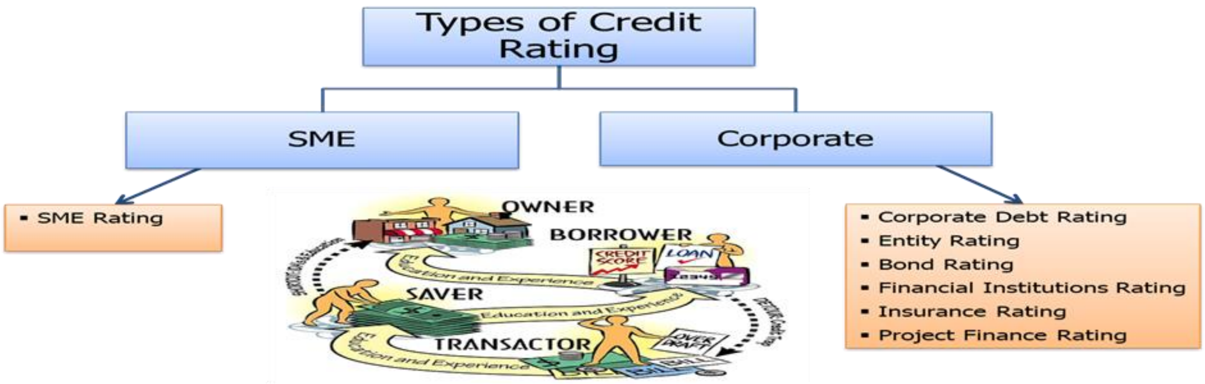

Figure 3: Types of Credit Rating

Entity Ratings:

Entity ratings measure a company's ability to repay its financial obligations on time. These mandatory ratings are required for regulatory compliance, while companies may also pursue voluntary ratings to improve governance and transparency. These ratings help benchmark a company against its peers, boost investor confidence, and streamline future debt ratings.

Financial Institution Ratings:

These ratings evaluate the creditworthiness of financial institutions, such as commercial banks, merchant banks, non-banking finance companies, and housing finance firms. Although these entities all lend and borrow, they differ significantly in terms of operations and internal controls. Ratings focus on risks that could impact a finance company's operations, including operational, financial, and management risks.

Corporate Debt Ratings:

These ratings examine the likelihood of timely repayment of principal and interest according to the terms of the contract for each specific instrument. If an issuer misses or delays a payment, it is considered a default.

Equity Ratings (Initial public Offerings and Right Offerings):

Equity ratings assess the quality of equity based on earnings prospects, risks, and the financial strength of the company. These ratings do not predict future market prices of the company's stock.

Structured Finance Ratings:

Structured Finance Ratings provide an opinion on whether the rated structured instrument can meet its debt obligations according to the terms.

Insurance Companies Rating/Claims Paying Ability Rating:

These ratings evaluate insurers' capacity to pay policyholder claims on time. The rating reflects the financial strength of the insurer from a policyholder's view, influencing consumer choices for insurance companies and products.

Mutual Funds Schemes Rating:

The rating for Mutual Funds Schemes offers investors, intermediaries, and fund sponsors or asset management companies an independent opinion on performance and risks associated with various mutual fund schemes. Fund ratings consider both qualitative and quantitative factors that impact a fund's portfolio.

2.1.4 Grading Services:

CRAB offers tailored evaluation techniques to meet specific requirements in its grading services. These services concentrate on evaluating various activities and entities across different industries. CRAB's grading service provides an impartial, trustworthy, and independent assessment of the quality of the evaluated entities, taking into account the distinctive parameters and challenges pertinent to each sector or sub-sector. Examples include the construction and real estate industry, as well as hospitals and diagnostic services. CRAB intends to establish strategic collaborations with esteemed organizations in the relevant sector or sub-sector to develop and deliver specialized grading products.

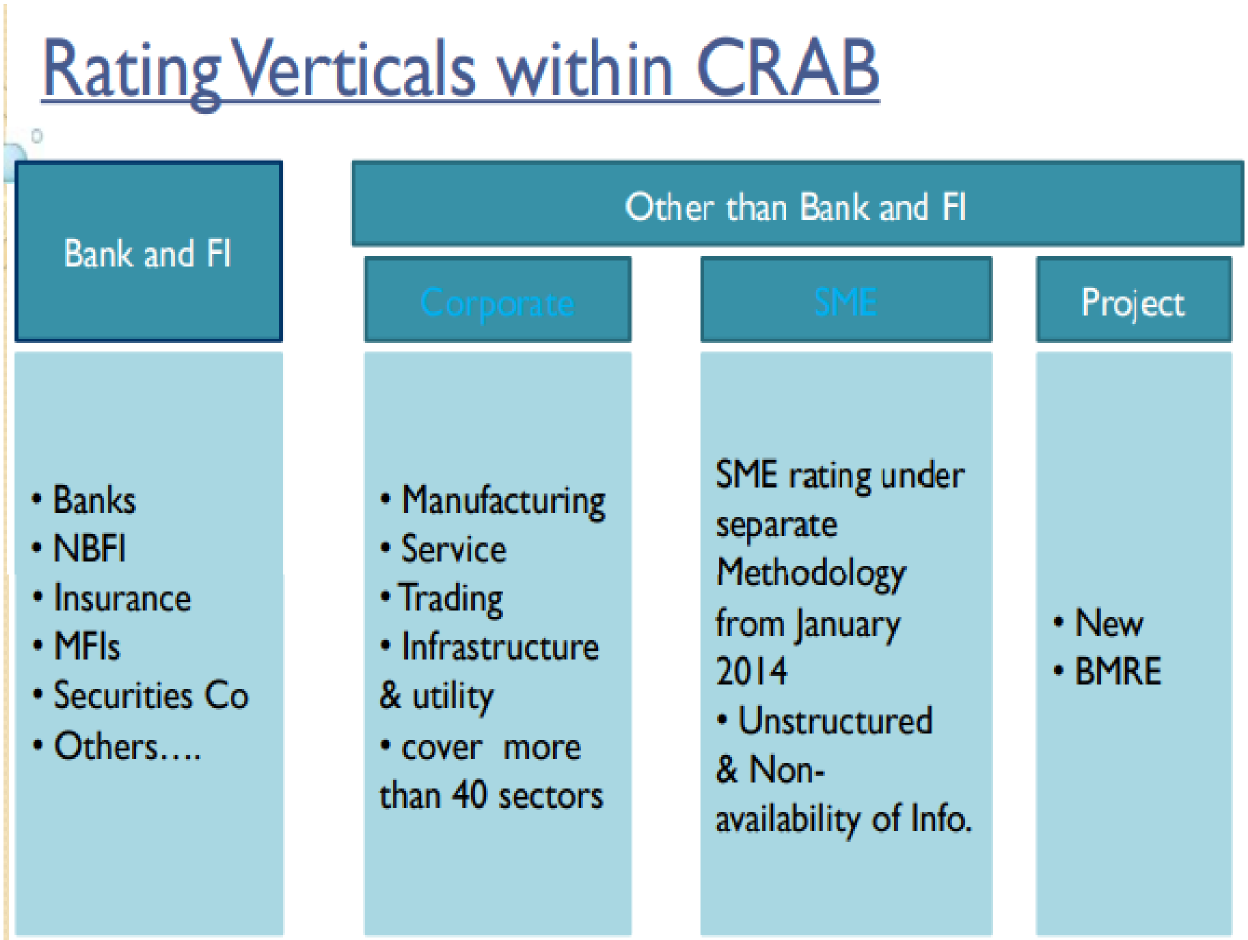

Figure 4: Rating Verticals within CRAB

2.1.5 Company Operations

The organization's operations include gathering and evaluating quantitative financial data as well as qualitative business information, using standardized rating methodologies, and assigning ratings in accordance with regulations established by Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC). The services provided by CRAB encourage openness and discipline in the financial sector while assisting lenders, investors, and other stakeholders in making well-informed decisions.

Credit Rating Process of CRAB:

CRAB's rating process begins when they receive a formal request (or mandate) from the client. A rating team made up of financial analysts is assigned to carry out the rating. Analysts gather information from the client through documents, data, meetings, and site visits. CRAB also uses secondary sources of information, including its research division. After completing the analysis, analysts prepare a draft rating report, which is discussed in an internal committee. A draft report is also shared with the client to ensure accuracy. Then, the report is presented to the CRAB Rating Committee, which has the final authority for assigning ratings. As part of their mandatory surveillance process, CRAB monitors accepted ratings during the contract period. Ratings are generally reviewed once a year unless circumstances call for an earlier review. Ratings can be retained or revised based on this surveillance. The rating process is interactive and involves several steps:

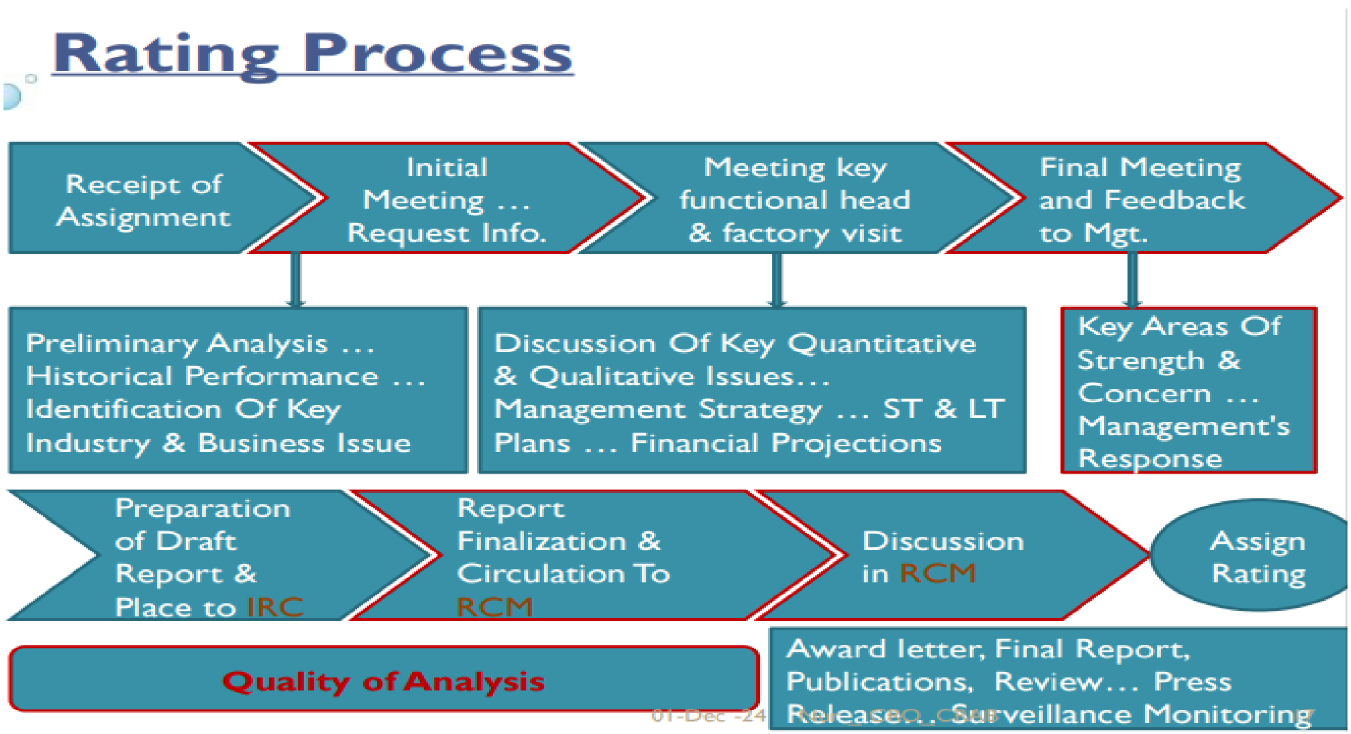

Figure 5: Rating Process of CRAB

Rating Request:

CRAB usually starts ratings when the issuer formally requests it. A contract is signed on a 300 Taka non-judicial stamp paper that outlines the terms and conditions of the engagement.

Team:

The rating team typically includes two members chosen based on the expertise needed to evaluate the issuer's business. The lead analyst, who has sufficient knowledge of the relevant instrument, usually leads the team.

Role of the Lead Analyst:

The lead analyst finalizes the rating report and shares it with the rating committee members. They present the findings to the committee and make sure that all relevant issues affecting the issuer's credit quality are discussed. The lead analyst informs the issuer of the rating decision and starts any necessary follow-up actions.

Information Requirements:

Issuers receive a list of required information and guidelines for discussions. These requirements are based on an understanding of the issuer’s business and include aspects relevant to the rating.

Secondary Information:

CRAB relies on secondary sources of information, including its own research and insights gathered from meetings with the issuer’s bankers, auditors, customers, and suppliers, among other market participants. CRAB also has industry experts available to support the rating team.

Management Meetings and plant visits:

Rating involves evaluating several qualitative factors to estimate the issuer's future earnings. This includes in-depth discussions with the issuer's management to understand business plans, competitive positioning, and funding policies.

Other Meetings:

The CRAB analyst team may also meet with auditors to review accounting policies, internal controls, and disclosures. They might talk to bankers about relationships and past dealings, consult with lawyers regarding significant litigation, and engage trade union leaders if industrial relations are sensitive. They also meet with key executives, as well as a few investors, customers, and suppliers based on the situation to get a wider perspective.

Meeting with the Issuers' CEO /CFO:

This important meeting, usually the last one, involves discussing all significant findings that could influence the rating decision with the issuer's CEO or CFO. If needed, a senior executive may substitute for them during this meeting.

Internal Review Committee Meeting:

After the analyst team prepares a draft report, it is sent to the Internal Review Committee Meeting, which includes senior analysts. The committee reviews the draft rating report, the analysts' findings, and the due diligence, including documents and site visits.

Rating Committee Meeting:

The authority to assign ratings lies with CRAB's Rating Committee. The analyst team sends the rating reports to the committee members beforehand. During the meeting, the rating team presents information about the issuer's business and management. Key issues are discussed in detail, and differing opinions are recorded. Ultimately, a rating is assigned either by consensus or by majority vote.

CRAB's Members of Rating Committee

#	Name	Background
1	Mr. Md. Abu Shahed Shams Azad	Managing Director and Chief Executive Officer
2	Mr. Nur Elahee Molla	Chief Rating Officer
3	Mr. Alim Al Rabby	Head of Business Development
4	Ms. Tahmina Islam	Unit Head, Rating Department
5	Mr. Mohammed Nazrul Islam Bhuiyan	Unit Head, Rating Department

External Members of Rating Committee

#	Name	Background
1	Dr. Mohammad Haroonur Rashid	Former Secretary & Member of Planning Commission Former Chairman of BSEC.
2	Dr. Mohammad Sohrab Uddin	Actuary. Former Deputy Governor, Bangladesh Bank Former Chairman, Sadharan Bima Corporation.
3	Mr. Faruq Ahmad Siddiqi	Former Secretary and Chairman of BSEC. Former Member of National Board of Revenue.

Figure 6: CRAB;s Internal and External Committee Members list

Surveillance:

CRAB is required to monitor accepted ratings during the rated instrument's duration or until any outstanding amounts under the rated programs are resolved. The issuer must provide information to CRAB for this monitoring. If the issuer does not cooperate by providing necessary information, CRAB may conduct surveillance based on available data and interactions, after giving the issuer notice to cooperate. Ratings are generally reviewed annually unless changes occur that warrant an earlier review. Ratings may be upgraded, downgraded, or maintained after surveillance. The CEO can provide the issuer a chance to contest the rating decision after the surveillance process, but the issuer does not have an option to refuse the rating.

2.1.4 SWOT Analysis

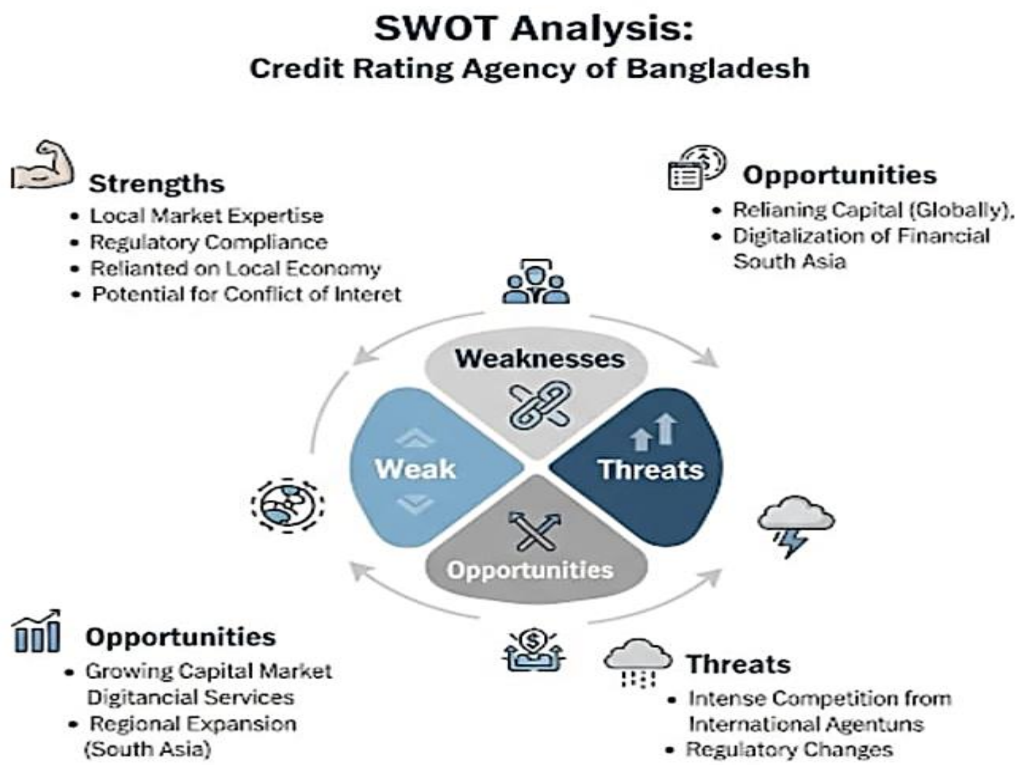

Figure 7: SWOT analysis of CRAB

Strengths

- **Established Reputation:** CRAB is one of the oldest and most recognized credit rating agencies in Bangladesh, with over two decades of industry experience.
- **Wide Sectoral Coverage:** It has rated over 10,000 entities across diverse industries including manufacturing, infrastructure, banking, insurance, telecom, pharmaceuticals, etc.
- **Regulatory Recognition:** Accredited by Bangladesh Bank as an ECAI (External Credit Assessment Institution), SME rating methodology approved, and recognized by IDRA.

- **Strong Analytical Framework:** Utilizes standardized rating methodologies aligned with international best practices while incorporating local market dynamics.
- **Zero Default Record:** Default studies for recent years (2022–2024) show no defaults in long-term rated entities, indicating rating reliability.
- **Professional Team:** Operated by experienced analysts with deep domain expertise in finance, economics, and risk assessment.

Weaknesses

- **Limited International Exposure:** Unlike global agencies, CRAB's operations and reputation are largely confined to the domestic market.
- **Dependence on Regulatory Mandate:** Demand for ratings is often driven by regulatory requirements, which may limit organic growth in demand.
- **Low Public Awareness:** Outside of financial institutions and capital markets, public and investor-level awareness about credit ratings remains low in Bangladesh.

Opportunities

- **Rising Demand for Credit Ratings:** With increasing focus on financial transparency and Basel III implementation, banks and financial institutions increasingly rely on ratings.
- **SME Sector Growth:** CRAB can expand its presence in the SME segment as the government pushes for more formal financing for small businesses.
- **Capital Market Development:** As bond markets grow in Bangladesh, demand for credit ratings of debt instruments will likely increase.
- **Technological Integration:** Adoption of AI, automation, and digital platforms can enhance operational efficiency and reach.
- **Regional Expansion:** Opportunity to collaborate with or expand services to other South Asian markets where formal credit rating systems are still evolving.

Threats

- **Rising Competition:** Other local rating agencies like Emerging Credit Rating Ltd. (ECRL), National Credit Ratings (NCR), and Alpha Credit Rating Limited (ACRL) increase competitive pressure.
- **Regulatory Shifts:** Changes in banking or capital market regulations can influence the relevance or demand for certain types of ratings.
- **Economic Instability:** Political or economic disruptions in Bangladesh can affect business volumes, particularly in sectors CRAB rates heavily.
- **Reputation Risk:** Any instance of rating failure or perceived bias could undermine years of credibility.

2.2 Industry Analysis

2.2.1 Specification of the Industry

The Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank regulate the credit rating sector in Bangladesh. The creditworthiness of businesses, financial institutions, and debt instruments is evaluated by licensed credit rating agencies (CRAs). In order to maintain transparency, lessen information asymmetry, and increase investor confidence in the capital and money markets, the industry is essential.

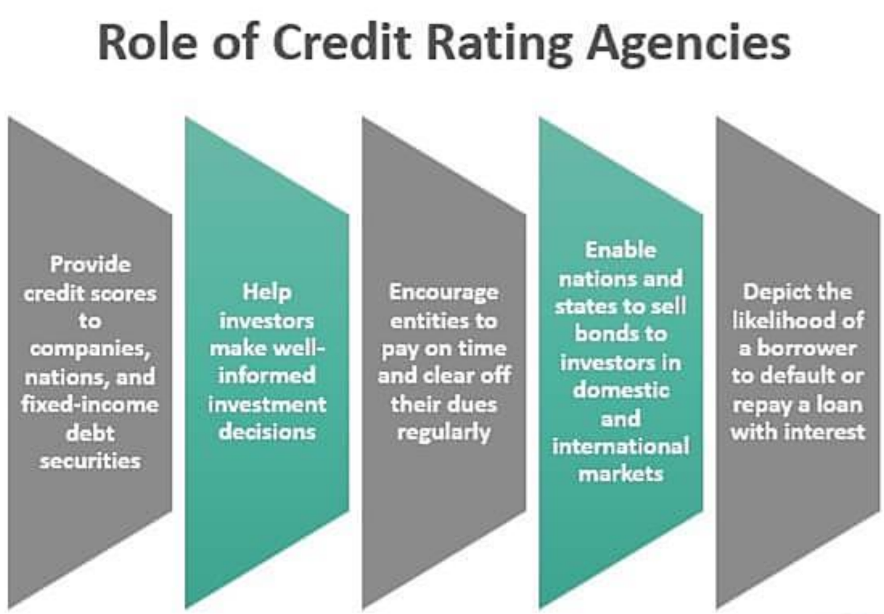

Figure 8: Role of Credit Rating Industries

2.2.2 Size, Trend, and Maturity of the Industry

The credit rating industry in Bangladesh may be small compared to global markets, but it has steadily gained importance over the past decade. Since the Bangladesh Securities and Exchange Commission began licensing agencies in the mid-2000s, this sector has become essential to the country's financial system. Today, a few key players, such as CRAB, CRISL, NCR, and Emerging Credit Rating Ltd., serve a wide range of clients, from large manufacturers to microfinance institutions. Although the total market size in terms of revenue is still modest, the scope of work continues to grow as corporate bonds, sukuks, and new financial products emerge.

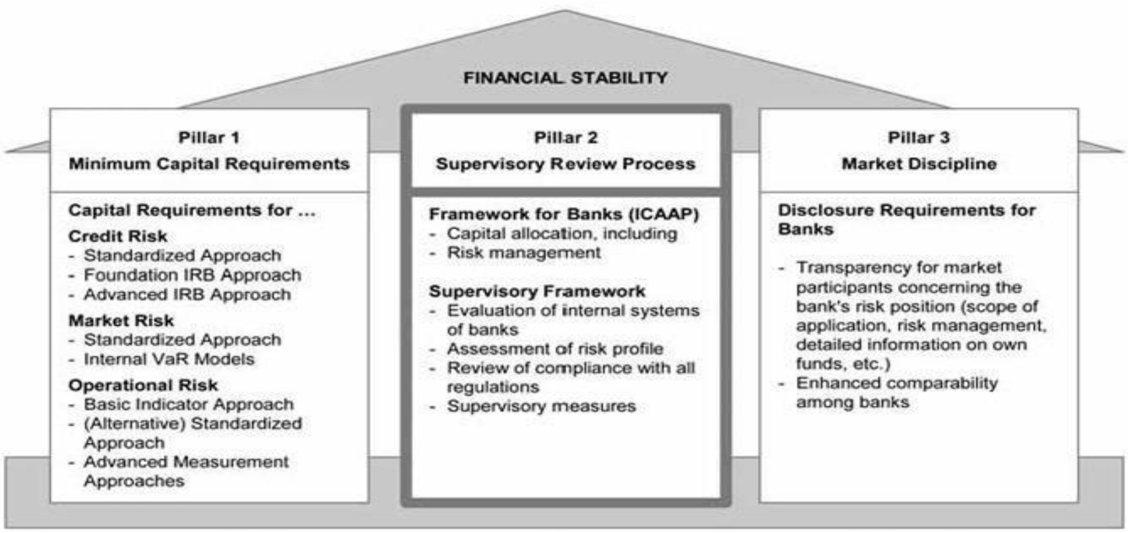

Figure 9: Pillar 1, 2 &3

A major factor behind this growth is the gradual adoption of the Basel II and Basel III frameworks in Bangladesh. Under Pillar 1, banks use credit ratings to determine the risk weights of corporate borrowers. This directly impacts how much capital they must hold. Pillar 2 strengthens the role of ratings in supervisory reviews, ensuring banks maintain enough capital to cover all material risks. Pillar 3 enhances transparency by making ratings publicly available, helping investors and stakeholders make better-informed decisions. In other words, regulation has made ratings mandatory for many entities and has integrated them into financial risk management.

The industry is currently transitioning between late growth and early maturity. Demand for ratings is mostly driven by regulations rather than market choice, but this trend is slowly changing. Investors are beginning to take ratings more seriously when deciding where to invest. Banks are also looking into Internal Ratings-Based approaches under Basel, which require more detailed and nuanced credit evaluations. As Bangladesh's corporate debt market matures, voluntary demand for ratings is expected to increase, making the industry more mature and market-driven.

Overall, the credit rating industry in Bangladesh is on a stable upward trajectory. Its future growth will rely not just on regulatory pressure but also on building credibility, improving analytical depth, and adding value for investors beyond compliance.

Who are the Regulators?

In Bangladesh, there are three regulators for the credit rating company. They always regulate the credit rating company in Bangladesh. Every sector can regulate credit rating agency if they feel needed. The three regulators regulation for credit rating agency is:

Bangladesh Security & Exchange Commission (BSEC):

BSEC is responsible for issuing licenses and monitoring Credit Rating Agencies on a quarterly basis. It ensures compliance with the rules set by the Credit Rating Companies Rules 1996. BSEC regulates the country's capital market under the Securities and Exchange Commission Act 1993. According to BSEC Rules 2004, any public offering of debt instruments, shares at a premium, and rights shares issued at a premium must be rated by an External Credit Rating Institution (ECAI). Credit Rating Companies Rules, 1996:

(SEC/Section-7/117, Dated 24th June 1996)

In exercise of powers conferred by section 32 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), the Securities & Exchange Commission is pleased to make the following rules to regulate the business of credit rating companies.

Requirement for credit rating: No issuer may issue debt security or publicly offer shares at a premium unless the issue receives a rating from a credit rating agency. Eligibility for registration: A company wanting to start as a credit rating agency must meet the following requirements: (a)such company must have a paid-up capital of at least fifty lac taka; (b)such company has professional competence, financial soundness and has entered into a joint venture or technical collaboration arrangement with a reputed credit rating company; (c) No director, officer or employee of such company has been convicted of fraud or breach of trust or has been adjudicated as insolvent; (d) that the promoters of such company are, in the opinion of the Commission, persons of means and integrity and have special knowledge of matters which the company may have to deal with as a credit rating company; Provided that the Commission may impose any condition as it may deem fit from time to time in this respect.

Cancellation or Suspension of Registration: If the Commission believes that a credit rating company has violated any provision or failed to comply with any requirement of the Ordinance, or any rule or direction issued under it, the Commission may cancel or suspend the company's registration by written order if it is necessary for the public interest.

Figure 10: Regulators of Credit Rating Industry of Bangladesh

Bangladesh Bank:

Bangladesh Bank is also regulating Credit Rating Companies through different circular, Circular Letters, Regulation and Guidelines, Governor's Speeches, policies etc. Implementation and guidelines for Basel II of Capital Adequacy and Risk Management, Risk based Capital Adequacy for Bank, supervisory review evaluation process, Mapping of External Credit Assessment Institutions (ECAIs) rating scales with Bangladesh Bank (BB) rating Grade, Implementation of Basel-III in Bangladesh, and mapping of SME Rating Scales of the External Credit Assessment Institutions (ECAIs) with Bangladesh Bank's SME Rating Grades. Lastly, they audit Credit Rating Company whether the companies follow the CRA guideline or not.

Insurance Development & Regulatory Authority Bangladesh:

IDRA's mission is to make the insurance industry the premier financial service provider in the country and as per Bangladesh Bank is circular, every life and general insurance company needs to prepare credit rating reports with validity of one year.

2.2.3 Industry SWOT Analysis

Strengths:

- **Regulatory Support**: The credit rating requirements by BSEC for listed companies and instruments, and by Bangladesh Bank under baseline II/III for banks provide a steady demand for ratings.
- **ECAI Accreditation:** External Credit Assessment Institutions (ECAIs) ECAIs including some organizations like CRAB that have received this accreditation, which makes them more credible and their ratings to be accepted by the regulator.
- **Leaders with Proven Track Record:** At the market fronted by agencies like CRAB and NCR, there are over 15–20 years of operations, strong analytical teams and methodologies that have been practiced.
- **Sectoral Coverage:** Being rated across various sectors expands operations (textiles, infrastructure, financial institutions, telecom domestic and international landscape energy etc.)

Weaknesses:

- **Limited Market Penetration:** A large portion of SMEs and informal businesses remain unrated due to lack of awareness, cost barriers, or voluntary nature of ratings.
- **Concentrated Market:** The industry is dominated by a few players, leading to limited competition and potential conflicts of interest in repeat client relationships.
- **Public Misunderstanding:** There is limited public and investor-level understanding of what credit ratings imply, affecting their full utility in investment decisions.
- **Revenue Dependency:** Over-reliance on regulatory-driven demand and repeat ratings from the same clients can constrain growth and innovation.

Opportunities:

- **SME & Bond Market Expansion:** Growing focus on SME financing and capital market development (including corporate bond issuance) will drive rating demand.
- **Integration with Fintech:** Adoption of data analytics and digital platforms can improve rating coverage, reduce costs, and support real-time assessments.
- **Green and ESG Ratings:** Emerging areas such as environmental, social, and governance (ESG) and green bonds offer scope for new products and services.
- **Regional Cooperation:** As a member of ACRAA, Bangladeshi agencies can benefit from knowledge sharing and potentially expand influence regionally.

Threats:

- **Regulatory Changes:** Any reduction in regulatory dependence on ratings could affect demand (e.g., shift toward internal ratings-based approaches by banks).
- **Reputation Risk:** Any major rating failure or perceived bias could damage public trust in the entire industry.
- **Economic Volatility:** Political instability, inflation, or external shocks may reduce corporate activity and, in turn, demand for ratings.

- **Competition and Fee Pressure:** Increasing competition among domestic agencies may lead to pricing pressure and compromise rating quality in the absence of strong enforcement.

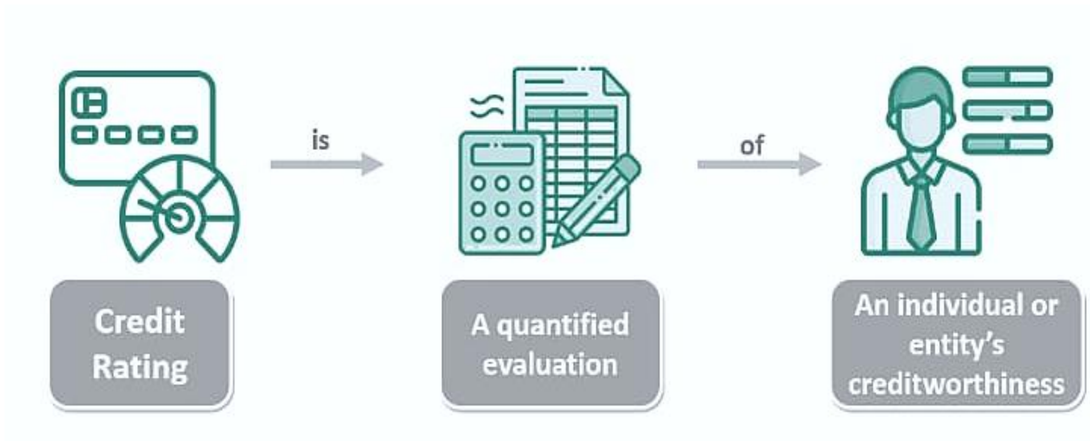

Figure 11: Credit Rating Definition

CHAPTER 3: INTERNSHIP EXPERIENCE

3.1 Position, Duties, and Responsibilities

I joined Credit Rating Agency of Bangladesh (CRAB) as an intern on 28th of April, 2025. I am doing my internship under my corporate supervisor **Md. Motabbir Bhuiyan** who is a Senior Financial Analysts & Team Leader of CRAB.

I am working here to assist my supervisor and sometimes-other analysts in their analysis. I had the opportunity to work on many SME credit rating reports and assist with a few corporate rating assignments. My primary responsibilities included extracting and inputting financial data from client-provided documents such as audited financials, bank-prepared reports, or management accounts into CRAB's standardized Excel templates, which are designed to automatically generate key financial ratios for analysis. CRAB gives ratings to Companies, so that banks or the investors can have the idea about the company's capability to pay off loans/debts. I also handled the client's information database properly to contact with them when needed. I was involved in preparing the SME scoring scale by entering both qualitative and quantitative inputs into CRAB's scoring model. Along that drafting award letters, which are official documents issued to clients after the completion of the rating process, summarizing the final rating outcome. I also participated in two site visits alongside my supervisor, which helped me better understand the clients' operational setups and verify information provided in documents. Site visits are mandatory during initial ratings or when there are significant changes in a company's operations, as they allow analysts to gain first-hand insight into the business's functionality and environment.

3.2 Training & Development

From the very first day of my internship at Credit Rating Agency of Bangladesh Ltd. (CRAB), I was introduced to the organization's structure, its functions, and the scope of credit rating through an orientation slide deck. This provided a clear understanding of CRAB's role in the financial sector and the purpose of credit rating in aiding banks and investors to assess the creditworthiness of businesses.

As part of my training, I was assigned to review multiple SME rating reports to understand the reporting structure, methodology, and analytical approach. My line manager played a vital role in my learning process by guiding me step by step through the rating procedures. He provided detailed explanations, corrected my mistakes constructively, and ensured I understood each part of the process, from data input to analysis and report writing.

Through exposure to various client businesses across different sectors, I gained practical knowledge and operational insights that go far beyond academic textbook learning. I also had the opportunity to interact with other analysts and team members who were very cooperative and supportive throughout. Whenever I faced confusion or needed clarification, they were always approachable and eager to assist, which created a positive and collaborative learning environment. I developed better professional communication skills, particularly in client interactions, internal discussions, and report preparation. This hands-on experience significantly enhanced both my technical knowledge and interpersonal abilities, preparing me for future roles in finance and credit analysis.

Moreover, Credit Rating Agency of Bangladesh gives me chance to learn how to analysis the financial report and company practically and how to communicate and manage the client professionally. Many times, I am analyzing financial report of different company for my academic purpose but now I learn about the steps of practical company Credit Rating analysis. It is my leaning from CRAB, which can help in my future.

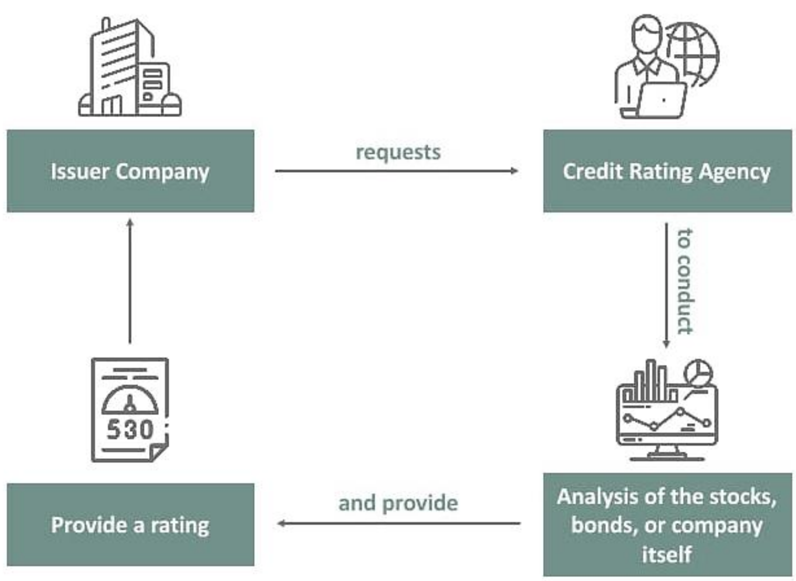

Figure 12: Rating Cycle

3.3 Contribution to Organization / Operations

As part of my internship at the Credit Rating Agency of Bangladesh Ltd. (CRAB), I was actively involved in preparing SME credit rating reports. The process began with verifying whether all necessary documents were submitted for a particular case. These included the credit memo, trade license, sanction letter, bank statements, client's NID, and financial documents. Once verified, I contacted the client directly to gather additional information about the business, clarify ambiguities, and develop a clearer understanding of operations. For initial ratings, physical site visits were mandatory, and inputs gathered during these visits played a crucial role in preparing the Business Overview and Background sections of the report.

After the preliminary understanding was established, I worked on the Financial Input Sheet. If audited financials were available, I directly input the figures into a pre-formatted Excel template provided by CRAB. This template automatically calculated key financial ratios such as gross profit margin, EBITDA margin, current ratio, leverage, and coverage indicators, which were later analyzed in the Financial Overview section. In the absence of formal statements, data was collected based on bank documents, client declarations, and analyst judgment.

The Business Overview and Fact Sheet sections were prepared using client-provided documents and were cross-verified through client discussions. The Loan Details in Appendix 2 were developed using the bank's sanction letters and feedback. If any information was missing, I proactively contacted the respective bank relationship manager to retrieve accurate loan details and clarify repayment behavior. Information on securities and collaterals was extracted from the sanction letters and verified through supporting documents.

Finally, I worked with the team to input both qualitative and quantitative data into CRAB's internal scoring model, which generates a preliminary rating based on business strength, financial performance, industry risk, and management quality. However, the final credit rating was not solely dependent on the model, it required critical analysis of the industry, competitive landscape, and the business's ability to generate sustainable cash flows and repay obligations. Through this process, I gained a solid understanding of the end-to-end workflow of SME credit rating, along with key analytical skills required to interpret financials and assess business risks accurately.

3.4 Evaluation

During my internship at the Credit Rating Agency of Bangladesh Ltd. (CRAB), I was given the opportunity to engage in real-world credit rating assignments, specifically in the SME sector. The experience provided me with hands-on exposure to the complete credit rating process—from document verification to financial analysis and scoring. I was involved in reviewing client documents, preparing financial input sheets, communicating with both clients and bankers, and drafting sections of the final rating reports. I gained firsthand insight into how creditworthiness is assessed using both quantitative data (financial ratios, repayment history, leverage metrics) and qualitative information (industry risk, operational management, and business reputation).

Working alongside experienced analysts helped me understand how professional judgment complements model-based scoring in arriving at a final rating decision. I also learned the importance of attention to detail, data consistency, and analytical rigor in ensuring the accuracy and reliability of credit reports. Overall, the internship was highly valuable in bridging academic knowledge with practical application, especially in financial risk analysis and SME evaluation.

3.5 Skills Applied

Throughout the internship, I was able to apply and strengthen several academic and practical skills, including:

- **Financial Analysis:** I applied my knowledge of income statements, balance sheets, and cash flow analysis to interpret business performance and input data into CRAB's financial templates for ratio generation.
- **Excel Proficiency:** I worked extensively with Excel-based financial models that automatically calculated key performance ratios such as EBITDA margin, current ratio, debt-to-equity ratio, and cash conversion cycle.

- **Communication Skills:** I regularly interacted with clients and bankers to collect missing information, clarify inconsistencies, and verify data, which improved my verbal communication and professional correspondence abilities.
- **Industry Research:** I utilized secondary research and internal databases to gain insights into sector-specific risks, pricing volatility, and competition, which supported the qualitative assessment of each business.
- **Analytical Thinking:** I evaluated businesses based on both structured financial data and unstructured qualitative factors, contributing to the scoring and narrative of SME rating reports.
- **Teamwork & Time Management:** Working under deadlines with analysts and document review teams taught me how to manage time efficiently, collaborate effectively, and maintain accuracy under pressure.

CHAPTER 4: RESEARCH FINDINGS

4.1 Credit Scoring Model

A credit rating model is a framework used to evaluate how likely a borrower is to repay debt. This applies to individuals, businesses, or governments. The model looks at the chances of the borrower meeting their payment obligations on time. It considers both quantitative factors, such as financial ratios, revenue trends, and debt levels, and qualitative factors, such as management quality, business risks, and industry outlook, to produce a rating or score.

Different credit rating agencies have their own models. While the main goal of assessing repayment risk is the same, each agency creates its own scoring methods, weighting, and criteria based on their knowledge, data, and focus area. For instance, Moody's, S&P, and Fitch use global frameworks, while local agencies often adjust models to fit specific market conditions in their countries.

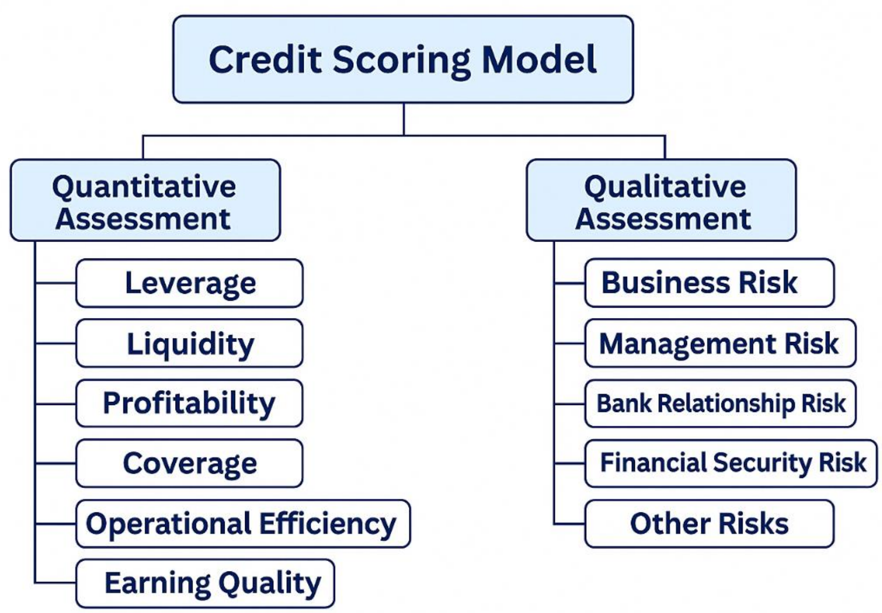

Figure 13: Credit Scoring Model of CRAB

4.2 Credit Rating Assessment of Sumaiya Enterprise:

CRAB's scoring model, developed by the Credit Rating Agency of Bangladesh, is a structured method for rating businesses in Bangladesh. It combines quantitative assessments, such as financial performance, leverage, liquidity, and profitability, with qualitative assessments, including business risk, management quality, banking relationships, financial security, and other risks. Each factor receives a score based on set scales, and the total score determines the final rating grade, like CRAB SME-1, SME-2, or SME-3. The model helps banks, investors, and stakeholders evaluate a company's ability to repay in the local market context.

Before moving to the scoring model analysis, first let us know about this business. Here is a brief info of the business-

Table 1: Company Profile

Name	Sumaiya Enterprise
Establishment Year	2017
Legal Status	Proprietorship
Proprietor	Mr. Shahinur
Business	Trading of spices
Product Range	Monohari Items
Business Address	78, Moulvibazar, Shop no.12, Moulvibazar Trade Center, Dhaka 1211
Factory Address	N/A

It is a spice trading business that sources products from local farmers and wholesalers and sells them to local retailers and individual customers. In FY2024, the firm recorded a total revenue of BDT 156.7 million.

4.2.1 Quantitative Assessment

Quantitative assessment is essential in credit rating as it offers an objective, data-driven evaluation of a company's financial strength and creditworthiness. By looking at key financial metrics, such as leverage, liquidity, profitability, and coverage, it provides a clear view of the business's ability to meet its financial obligations and sustain operations. This assessment removes subjective judgment and helps banks, investors, and stakeholders make informed decisions about lending or investment. It also serves as an early warning system for possible financial trouble, allowing timely corrective measures. Ultimately, strong quantitative performance improves a company's credibility and reduces its perceived credit risk.

4.2.1.1 Financial Risk

It refers to potential challenges or uncertainties related to a company's financial structure and performance. These risks affect a borrower's ability to repay debt and are a core component of the quantitative assessment in credit scoring. Below are the major financial risk components usually considered-

4.2.1.2 Leverage

It helps to measures the company's financial dependence on borrowed funds compared to its equity and earnings. High leverage means higher repayment pressure. The lower ratios indicate a healthier, less risky capital structure. The following table shows the scoring assessment of Leverage Criteria of Sumaiya Enterprise-

Table 2: Leverage Score

Components	Ratio Outcome	Score Obtained	Scale
Total Liability to Total Equity	0.10	3.00	3.00
Total Borrowed Fund to Total Equity (×)	0.10	3.00	3.00
Total Borrowed Fund to EBITDA (×)	0.70	4.00	4.00
Total		**10.00**	**10.00**

Sumaiya Enterprise did very well, with a Total Liability to Total Equity ratio of 0.10x, which is low and healthy. Both Borrowed Fund to Total Equity and Borrowed Fund to EBITDA received full marks as well. The enterprise scored a perfect 10.00 out of 10.00, indicating very low financial risk and a strong capital structure.

4.2.1.3 Liquidity

Liquidity risk checks the firm's ability to meet short-term obligations using its current assets. The following table shows the scoring assessment of Liquidity Criteria-

Table 3: Liquidity Score

Components	Ratio Outcome	Score Obtained	Scale
Current Ratio (x)	7.40	3.00	3.00
Quick Ratio (x)	4.30	1.00	1.00
Total		**4.00**	**4.00**

Sumaiya Enterprise scored 4.00 out of 4.00 which indicates means the business is well-positioned to handle day-to-day operational expenses and any immediate liabilities, showing strong financial discipline and cash management.

4.2.1.4 Profitability

This evaluates how efficiently a business generates profits from its operations. The following table shows the scoring assessment of Profitability Criteria-

Table 4: Profitability Score

Components	Ratio Outcome	Score Obtained	Scale
EBITDA Margin (%)	5.50	0.66	2.00
Gross Profit Margin (%)	9.90	1.32	2.00
Net Profit (after tax) Margin (%)	5.30	2.00	2.00
Return on Average Asset (%)	15.90	0.66	2.00
Return on Average Equity (%)	18.00	0.99	2.00
Total		**5.63**	**10.00**

Sumaiya Enterprise scored 5.63 out of 10.00, indicating a moderate level of profitability. While this is not poor, there is room for improvement in profit margins, return on equity, or net income. The average score suggests that although the business is generating profit, it can further optimize its cost structure or pricing strategy.

4.2.1.5 Coverage

Coverage ratios assess the company’s ability to repay interest and loan obligations from its earnings. The following table shows the scoring assessment of Coverage Criteria-

Table 5: Coverage Score

Components	**Ratio Outcome**	**Score Obtained**	**Scale**
FFO to Total Borrowed Fund (%)	138.90	2.00	2.00
CFO to Total Borrowed Fund (%)	33.90	2.00	2.00
EBIT to Interest Expense (×)	25.20	2.00	2.00
Total		**6.00**	**6.00**

Sumaiya Enterprise received a full score of 6.00 out of 6.00, signaling a strong ability to cover financial obligations. This shows healthy earnings relative to interest expenses and indicates low credit risk from the lender’s perspective.

4.2.1.6 Operational Efficiency

This category evaluates how effectively the company uses its resources to generate revenue. Following table shows the scoring assessment of Operational Efficiency criteria-

Table 6: Operational Efficiency Score

Components	**Ratio Outcome**	**Score Obtained**	**Scale**
Average Inventory Processing Period (Days)	52.00	1.65	2.00
Average Receivable Collection Period (Days)	51.00	1.32	2.00
Revenue /Average Assets	2.99	2.00	2.00
Total		**4.97**	**6.00**

The business scored 4.97 out of 6.00, showing above-average performance. This means the firm is managing its assets, inventories, and operations fairly efficiently.

4.2.1.7 **Earning Quality**

This measures the consistency and reliability of earnings, focusing on the share of cash-based earnings versus accounting-driven profits. Following table shows the scoring assessment of Earning Quality Criteria of the scoring model-

Table 7: Earning Quality Score

Components	**Ratio Outcome**	**Score Obtained**	**Scale**
FFO to Revenue (%)	0.05	0.33	2.00
Revenue growth (%)	63.20	2.00	2.00
Total		**2.33**	**4.00**

Sumaiya Enterprise scored 2.33 out of 4.00, indicating that the business's earnings are moderately reliable.

4.2.1.7 Total Quantitative Score:

The following table gives a clear view of all the elements of quantitative scoring along with their scores and scoring scale-

Table 8: Total Quantitative Score

Components	**Score**	**Scale**
Leverage	10.00	10.00
Liquidity	4.00	4.00
Profitability	5.63	10.00
Coverage	6.00	6.00
Operational Efficiency	4.97	6.00
Earning Quality	2.33	4.00
Total	**32.93**	**40.00**

Sumaiya Enterprise's quantitative assessment shows strong financial health scoring 32.93 out of 40.00 scale. The company has low debt, excellent liquidity, and solid coverage ratios. Although profitability and earnings quality are moderate, they do not present an immediate risk. However, these are important areas to focus on in the future. The high overall score indicates good creditworthiness from a quantitative perspective.

4.3 Qualitative Credit Scoring Model:

Qualitative risks refer to non-financial factors that influence a business's creditworthiness. Unlike financial risks, these cannot be measured just by numbers, but they significantly affect the business's sustainability and stability. An analyst must possess strong industry knowledge and experience to accurately evaluate. These risks are part of the qualitative assessment in a credit scoring model and cover areas such as business profile, industry outlook, management quality, and operational structure.

4.3.1 Business/ Industry Risk

The Business Risk component evaluates the nature of the business, whether it is trading, manufacturing, or providing services. It also considers business size and legal structure, like proprietorship or partnership. These aspects help determine the firm's long-term viability and its exposure to market changes. On the other hand, Industry Risk looks at the competition, growth potential, and weaknesses of the industry where the SME operates. A business in a volatile or declining industry will face more challenges in keeping operations stable. The following table shows the scoring assessment of Business Risk Criteria of Sumaiya Enterprise.

Table 9: Business/Industry Risk score

Component	**Outcome**	**Score Obtained**	**Scale**
Size of Business	Medium (BDT 20.0 million or more)	4.00	4.00
Business Age	7 to 10 years	1.50	2.00
Business Outlook	Stable	1.50	2.00
Business Growth Compared to Industry	Strong (>10%)	3.00	3.00
Market Competition	Highly Competitive	1.00	4.00
Entry/Exit Barriers to Business	Easy	1.50	3.00
Total Score		**12.50**	**18.00**

Sumaiya Enterprise has been in operation for 8 years, placing it in the 7–10 year category and earning a score of 1.50 out of 2.00. With an annual revenue of BDT 156.7 million, the company is classified as a medium-sized business, earning a score of 4.00 out of 4.00 in this area. The business operates in the trading sector, which is seen as moderate in complexity and stability. It is structured as a sole proprietorship, relatively higher risk compared to partnerships or limited companies. Overall, the firm performs well in terms of business size and industry stability, receiving a strong business risk score.

4.3.2 Management Risk:

Management Risk assesses the experience, succession planning, and reliability of the leadership team. Poor management often leads to operational and strategic failures.
The following table shows the scoring assessment of Management Risk Criteria-

Table 10: Management Risk score

Component	Outcome	Score Obtained	Scale
Track Records of the sponsors	Average	2.00	3.00
Educational Qualification, Experience & technical know-how of sponsors/stuffs	More Than 7 Years in related business	2.50	3.00
Risk Tracking Capacity of Sponsors	Past experience – high	2.00	2.00
Personnel Policy & Internal Control System	Average/ as per peer	1.50	2.00
Succession	Yes, with good capability of successor	3.00	3.00
Working Environment/Team Work	As per peer	1.50	2.00
Auditing Firms	Unaudited	-	2.00

Change of external auditor in last 3 years	Yes	1.00	1.00
Total Score		**13.50**	**18.00**

The management appears stable with moderate experience, and the presence of a capable successor indicates continuity in leadership. However, the financials are unaudited, which slightly limits transparency and weakens the assessment of professional management practices.

4.3.3 Bank Relationship Risk

This assesses how responsibly the business engages with banks, including its loan repayment behavior and credit history. The following table shows the scoring assessment of Bank Relationship Criteria-

Table 11: Bank Relationship Risk Score

Component	Outcome	Score Obtained	Scale
How many times the borrower was adversely classified in last 3 years	0 times	3.00	3.00
How many times the borrower's loan was rescheduled/restructured in last 3 years	0 times	2.00	2.00
Current Status of Loans	Regular	5.00	5.00
Compliance of covenants/conditions	Fully Compliance	1.00	1.00
Performance behavior with Supplier/Creditors (Did the borrower pay its suppliers/creditors regularly in last 1 year)	Yes	1.00	1.00
Total Score		**12.00**	**12.00**

Sumaiya Enterprise has a positive track record, with no overdue loans, not under SMA (Special Mention Account), and not classified as NPL (Non-Performing Loan).

Consequently, the company scored full marks, 12.00 out of 12.00, in this category. This shows strong financial discipline and creditworthiness to lenders.

4.3.4 Financial Security Risk:

This Risk examines the quality and type of collateral or guarantees provided, which influences the lender's recovery potential if there is a default. The following table shows the scoring assessment of Financial Security Risk Criteria-

Table 12: Financial Security Risk score

Component	**Outcome**	**Score Obtained**	**Scale**
Security Coverage (Primary)	Reg.Hyp (1st Pari Parsu Charge)	1.00	2.00
Collateral Coverage	Reg mortgage on municipal corporation	1.50	1.50
Eligible Collateral Coverage	50% to 70%	0.50	2.00
Types of Guarantees	Personal guarantees	0.50	1.50
Total Score		**3.50**	**7.00**

Sumaiya Enterprise has provided tangible security with good liquidation value, placing it in the higher security quality bracket. It received a score of 3.50 out of 7.00, indicating moderate-to-strong assurance for lenders in case of repayment default. A higher score would require better or more liquid collateral, but the current level still offers solid financial support.

4.3.5 Other Risks:

This category includes risks from regulatory compliance, disaster preparedness, insurance coverage, tax incentives, and corporate governance. These elements reflect the company's preparedness for external shocks and its commitment to ethical, lawful practices. The following table shows the scoring assessment of Leverage Criteria-

Table 13: Other Risks Score

Component	Outcome	Score Obtained	Scale
Legal/ Environmental Issue	Not Compiled	-	1.00
Disaster Management capacity	Not Satisfactory	-	1.00
Insurance policy	No	-	1.00
Govt. Subsidies / Tax Waiver	Unfavorable	0.50	1.00
Corporate Governance	Non-Questionable corporate governance	1.00	1.00
Total Score		**1.50**	**5.00**

Sumaiya Enterprise scored 1.50 out of 5.00, there may be areas for improvement, such as disaster preparedness or complete insurance coverage. Nevertheless, the score suggests the company is reasonably compliant and prepared operationally.

3.2.4. Total Qualitative Score:

The following table gives a clear view of all the elements of qualitative scoring along with their scores and scoring scale-

Table 14: Total Qualitative Score

Components	Score	Scale
Business Risk	12.50	18.00
Management Risk	13.50	18.00
Bank Relationship Risk	12.00	12.00
Financial Security Risk	3.50	7.00
Other Risk	1.50	5.00
Total	**43.00**	**60.00**

In the qualitative assessment, Sumaiya Enterprise scored 43 out of 60. It performed well in management and bank relationships, but it showed moderate business risk and weaker financial security and other risk areas. In the qualitative assessment, the enterprise scored 43 out of 60. It performed well in management and bank relationships, but it showed moderate business risk and weaker financial security and other risk areas.

3.2.5. Final Credit Score of Sumaiya Enterprise

The following table contains both qualitative and quantitative assessment scores resulting the final score and the rating of Sumaiya Enterprise-

Table 15: Total Credit Score of Sumaiya Enterprise

Quantitative Score	Qualitative Score	Total Score	Rating
32.93	43	75.9	CRAB SE-3

3.2.6. CRAB SME Raring Scale

Credit Rating Agency of Bangladesh (CRAB) follows this Scoring Range to assess their Credit Ratings.

Table 16: SME Rating Scale and Rating Definition of CRAB:

Score Range	Rating	Rating definition
91.00 to 100.00	CRAB – SE 1/ME 1	The highest credit-quality rating assigned by CRAB to an SME
81.00 to 90.00	CRAB – SE 2/ME 2	The high credit-quality rating assigned by CRAB to an SME
71.00 to 80.00	CRAB – SE 3/ME 3	The adequate credit-quality rating assigned by CRAB to an SME
61.00 to 70.00	CRAB – SE 4/ME 4	The moderate credit-quality rating assigned by CRAB to an SME
51.00 to 60.00	CRAB – SE 5/ME 5	The inadequate credit-quality rating assigned by CRAB to an SME

41.00 to 50.00	CRAB – SE 6/ME 6	The risk prone credit-quality rating assigned by CRAB to an SME
31.00 to 40.00	CRAB – SE 7/ME 7	The poor credit-quality rating assigned by CRAB to an SME
21.00 to 30.00	CRAB – SE 8/ME 8	The lowest credit-quality rating assigned by CRAB to an SME

Sumaiya Enterprise's total SME Score was 75.90 which falls under the 71.00 to 80 scoring range. This rating reflects the adequate credit worthiness and overall performance of the unit regarding its business, operation, financial and management structures and functioning. According to laid down standards by CRAB, Sumaiya Enterprise meets the adequate performance range with regards to its commitment to lender.

For corporate ratings, a slightly modified scoring model is used that, similar to the SME scoring model, integrates both quantitative and qualitative assessments. However, the corporate model generally features a more comprehensive analysis of financial ratios, evaluation of sector-specific risks, and consideration of long-term performance trends due to the increased scale and complexity of operations. The qualitative aspect frequently places a stronger focus on corporate governance, strategic positioning, and market competitive advantage. This combined approach guarantees that the ultimate rating reflects not only the company's current financial robustness but also its adaptability and sustainability amid industry and economic challenges.

CHAPTER 5: CONCLUSIONS AND KEY FACTS

5.1 Recommendations

- To make it easier for credit rating agencies to thrive in Bangladesh, more financial products should be introduced. The more financial products (such as mutual funds and bonds) that are offered in Bangladesh, the more affluent, demanding, and alluring credit rating agencies will become.
- By incorporating credit rating services into educational research, seminars should be used to inform the general public about them.
- In order for the general public to properly recognize it, Crab should place more emphasis on promotional activities.

5.2 Key understanding

While working at Credit Rating Agency of Bangladesh (CRAB), I have attained a newer kind of experience. However, throughout my study and analysis I found something important data and I have got some findings. These findings are completely my personal view of point, which is given below:

- The scoring model is an essential tool for objective and consistent evaluation. It assesses both quantitative and qualitative factors such as leverage, liquidity, profitability, business risk, and management quality.
- A multi-layer review process, involving analysts and the Rating Committee, ensures that ratings are fair, unbiased, and reliable.
- The internship provided practical exposure to how structured models inform critical investment and lending decisions.
- CRAB strictly protects client confidentiality, ensuring complete security of client data.
- Incomplete or withheld client information is a challenge, often due to poor management information systems or confidentiality concerns.
- CRAB creates a professional, cooperative, and friendly atmosphere that builds trust and improves its market reputation.
- The credit rating industry in Bangladesh is competitive, with eight licensed agencies. This situation drives the need for accuracy, ethics, and transparency.
- External pressures from banks or clients can affect rating outcomes if not managed with strict ethical standards.

5.3 Conclusion

The internship at CRAB provided a clear understanding of the credit rating process by combining financial analysis, risk assessment, and industry evaluation. The evaluation of Sumaiya Enterprise showed how both quantitative and qualitative factors impact a company's creditworthiness. Gaining insight into industry practices, regulations, and report preparation improved practical skills and professional knowledge. Overall, the experience highlighted the important role of credit rating agencies in Bangladesh’s financial system. They help build investor trust, support capital market growth, and promote sustainable business practices. The findings emphasize that credit ratings are not just a regulatory requirement; they are also a key tool for companies to enhance their market credibility.

The methods and rating processes used by the Credit Rating Agency of Bangladesh (CRAB) are briefly reviewed in this report. Understanding the current credit rating procedure used by CRAB is the main objective. Information about credit ratings, credit scoring evaluations, different rating agencies, and the Credit Rating Agency of Bangladesh Limited (CRAB) are also included in this report.

Reference

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