

Credit Rating Agency of Bangladesh (CRAB)

&

Credit Rating Industry of Bangladesh:

An

Internship Report



United International University

Submitted to:

Dr. Md. Mohan Uddin

Professor

School of Business and Economics

United International University

Submitted by:

Nashida Aman Choudhury

ID- 111 131 025

Department of BBA

United International University

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Letter of Transmittal

Date: 13 May, 2018

Dr. Md. Mohan Uddin, Professor
School of Business and Economics
United International University
United City, Madani Avenue, Satarkul, Badda
Dhaka-1212, Bangladesh.

Subject: Submission of Internship Report on “Credit Rating Agency of Bangladesh (CRAB) & Credit Rating Industry of Bangladesh”

Dear Sir,

I am very pleased to submit my Internship report as a significant part of the BBA program of UIU. To prepare this report, I have given my best efforts as much as I can to enhance it properly. I have completed my three-month Internship at **Credit Rating Agency of Bangladesh (CRAB)**.

I would like to thank you for your prolonged support and guidance for preparing this report and would be grateful enough if you kindly accept my internship report. I hope that it will fulfill your expectations and I would warmly welcome your any kind of query regarding the report.

Sincerely yours,

Nashida Aman

Nashida Aman Choudhury

ID No.-111 131 025

Acknowledgement

At first, I would like to express my deepest sense of gratitude to almighty ALLAH. This report needs lots of time, work and dedication. Still, the implementation of this report would not have been possible if I did not have the support of many important individuals. So, I would like to express my sincere gratefulness to all of them.

I am very much thankful to my faculty instructor **Prof. Dr. Md. Mohan Uddin** for his continuous support and guidance. It is due to his guidance that my writings didn't go off track and stayed on topic.

I am also grateful to Credit Rating Agency of Bangladesh Ltd. (CRAB) for giving me the opportunity to be a part of it and accept me as an "Intern". I am also greatly thankful to my supervisor "**Rahnuma Sultana Chowdhury**"; First Assistant Vice President & Team Leader of SME (Small and Medium Enterprise) CRAB, for training me all the necessary things I needed to know about a corporate world. She has enlightened me with her superior knowledge and experience of the work place without which this report wouldn't be possible. Overall, I would like to express my humble gratitude towards the entire family of CRAB for their kind cooperation and encouragement which helped me in gaining such a wonderful real-life experience during my three-month internship program.

Executive Summary

The credit rating as well as the credit rating industry is the recent concept in the financial sector of Bangladesh. Credit ratings are widely used by the investors, issuers, investment banks, broker-dealers, large companies, individuals, small and medium enterprises, each and every sector of Bangladesh now-a-days. In the financial service industry of Bangladesh, credit rating agencies are mainly operating under the “Credit Rating Industry”. There are lots of significant factors that affect the credit rating industry of Bangladesh such as external economic, technological, political, legal, and regulatory factors etc. In Bangladesh Credit Rating Agency’s regulation comes from the Bangladesh Security & Exchange Commission by implementing the “Credit Rating Companies Rules 1996”. There are total eight existing credit rating agencies in Bangladesh currently including CRISL, CRAB, NCR, ECRL, AGRUS, WASO, ALPHA and BDRAL; those are providing a wide range of credit rating services in Bangladesh. As the number of credit ratings agencies are increasing day by day, the credit rating industry of Bangladesh is at the “Maturity stage” in the industry life cycle model. Though the barriers to entry as well as the intensity of rivalry in this credit rating industry is greater but the threat of substitute is very low. Credit Rating Agency of Bangladesh Ltd. (CRAB) is an independent and the second leading credit rating agency in Bangladesh, established in technical collaboration with ICRA Ltd of India. The credit rating industry is the well-developed as well as the most established industry in the financial sector of Bangladesh now-a-days and the demand for the credit rating services are increasing day- by-day which creates a huge opportunity for this industry though challenges also exists and by using these opportunities as well as overcoming those immense challenges, it can be more developed in the upcoming future.

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CHAPTER – ONE

INTRODUCTION

1.1 Introduction:

An internship program can give a student an opportunity to familiar with the real world of business after gaining the theoretical knowledge in the university. It gives a student the best opportunity to build up his or her career in the upcoming future. After completion of an internship program every student must prepare a report based on the organization he or she has worked for. For completing the internship program, I have gone to the “Credit Rating Agency of Bangladesh (CRAB)” to take the real-life experience of the corporate world from 13th February 2018 to 13th May 2018 to fulfill my internship program in United International University.

This internship report is about the overall credit rating industry in Bangladesh in which eight leading credit rating agencies are functioning currently. Credit Rating Agency of Bangladesh Ltd. (CRAB) is the second leading credit rating agency in Bangladesh. In this report there are lots of information about the whole credit rating industry in Bangladesh specifically Credit Rating Agency of Bangladesh Ltd where I have worked for three months.

1.2 Background:

Credit rating industry is very well developed, popular and blooming industry in the financial sector throughout the world and also in Bangladesh. Every business organization must have to take the credit rating services which works as the record or symbol of credit worthiness of a debtor, especially an individual or a business. It is the evaluation process made by a credit rating agency of the debtor's ability to repay the debt and the likelihood of default. There are total eight leading

credit rating agencies operating in Bangladesh currently. This has been created an intense competition among the rating agencies in this industry. The credit rating definition ultimately reflects the credit worthiness of the debtor both the capacity and the willingness of the borrower to repay the loan. The concept of credit rating emerged in early 1900s in the financial market of USA but still the concept is familiar in the financial market of Bangladesh. Rules to regulate the credit rating agencies of Bangladesh came into force in 1996. After six years of those rules, the first entity was rated by the first credit rating agency "Credit Rating Information and Services Limited (CRISL)" in 2002. (**“Concept: Credit Ratings Agencies”, 2006**)

Now-a-days, about hundreds of credit rating reports are published each year mostly by the top two credit rating agencies of Bangladesh; **Credit Rating Information and Services Limited (CRISL)**, **Credit Rating Agency of Bangladesh (CRAB)** as well as other credit rating agencies. These credit rating reports published by the rating agencies are affecting the capital market, money market and also the overall economy of Bangladesh.

1.3 Objectives:

1.3.1 Primary Objectives

I have assigned to complete this internship report as the requirement of our Bachelor of Business Administration (BBA) program from the School Of Business And Economics at “United International University”. The primary objective is to gain overall knowledge about the credit rating industry in Bangladesh specifically the second top credit rating agency **“Credit Rating Agency of Bangladesh (CRAB)”** and to relate the theoretical learning I have acquired in my BBA program with the real-life business situation based on my internship experience at CRAB.

1.3.2 Secondary Objectives

As well as the primary objectives there are some secondary objectives behind conducting this report which are as follows –

- To familiarize with the practical job environment of an organization specifically in the credit rating industry in Bangladesh.
- To know about the current situation of the credit rating agencies in Bangladesh specially one of the most prominent credit rating agency “**Credit Rating Agency of Bangladesh**”.
- To find out the important Economic, Technological, Political, Legal and Regulatory factors those are affecting the credit rating industry in Bangladesh.
- To give a detailed description of Credit Rating Agency of Bangladesh (CRAB), its industry, overview, history, current market situation, its market demand, growth, credit rating performances, credit rating procedures, and overall organizational aspects.
- To acquire an ultimate knowledge about the overall credit rating procedure of CRAB.
- To identify the major strengths, weaknesses, opportunities and threats of CRAB in respect to the other credit rating agencies in Bangladesh and making some recommendations to improve the current credit rating practices of CRAB to better cope with other rating agencies in the future.

1.4 Significance:

Generally, Internship program is very much essential for each and every student, especially for the students of “Bachelor of Business Administration (BBA)” program, which helps them to know about the real-life situations of the corporate world outside of the theoretical knowledge gained in the university. For this reason a student takes the internship program at the last stage of the bachelor’s degree, to launch a career with some practical experience. This three month internship program at Credit Rating Agency of Bangladesh (CRAB); has helped me a lot to understand the real-life situations of job field which will give me an immense benefit in the future.

This report is very important for anyone who wants to know about the credit rating industry among all other industries in the financial sector of Bangladesh. This report provides a detailed description about all the existing credit rating agencies in Bangladesh specifically **Credit Rating Agency of Bangladesh (CRAB)**. If anyone wants to know about CRAB in details, this report will be very much beneficial for them. The recommendation part (recommendation for improving departmental operations and recommendations for improving self-performance) derived from this report at last part can help both the CRAB as well as me to improve in the upcoming future.

CHAPTER - TWO

ANALYSIS OF THE INDUSTRY

2.1. Specification of the Industry

Credit rating agencies mainly operate under the financial service industry of Bangladesh. Under the financial service industry of Bangladesh, there are lots of sectors which includes banks, nonbank financial institutions (NBFI), investment funds, insurance companies, accountancy companies, credit rating agencies, credit unions, credit-card companies and stock brokerage firm etc. But the credit rating agencies specifically undergo in the “**Credit Rating Industry**” of Bangladesh. So, this report mainly focuses on the credit rating industry of Bangladesh under which all the existing credit rating agencies are operating currently.

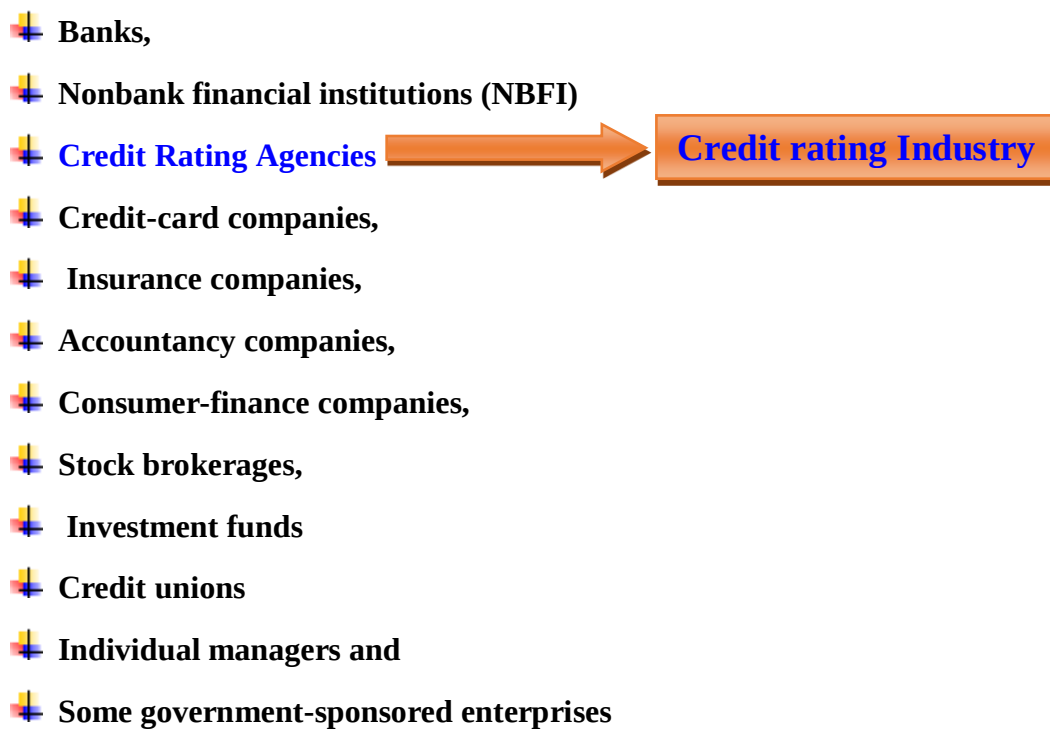


Figure 2.1- The Financial Service Industries of Bangladesh

Hence, it can be concluded that the credit rating agencies are operating under the financial service industry of Bangladesh specifically in the “Credit Rating Industry”.

2.2. Size, Trend, and Maturity of the Industry

2.2.1 Size of Credit Rating Industry in Bangladesh

The ultimate size of the Credit Rating Industry in Bangladesh is huge. The numbers of Credit rating agencies in Bangladesh are increasing now- a-days due to the increased demand of credit rating from the organizations as well as individuals. Now- a- days, this is a very much blooming and updated industry in the financial service sector of Bangladesh.

There are total eight leading credit rating agencies in Bangladesh currently that play a vital role in the “Credit Rating Industry” of Bangladesh. The short summary of those exiting credit rating agencies in our country are given below-

Credit Rating Information and Services Ltd. (CRISL)

Credit Rating Information and Services Limited (CRISL) is a company that started its journey to implement the “Credit Rating “concept in Bangladesh. Before CRISL, “Credit Rating” was text paper words for the teachers and students of Bangladesh. In the year of 2002, Credit Rating Information & Service Limited (CRISL) started its operation as the first registered credit rating agency of Bangladesh. (**“CRISL Business Review”, 2018**). CRISL is now the national flagship company representing this profession of credit rating at home and abroad.

Credit Rating Agency of Bangladesh (CRAB)

Credit Rating Agency of Bangladesh Ltd. (CRAB), the second credit rating agency of Bangladesh which 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. (**“About CRAB”, 2018**). 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. Credit Rating Agency of Bangladesh Ltd (CRAB) is committed to providing the financial markets with reliable, timely and prospective credit opinions. CRAB is now recognized around the country and across all the industrial sectors of Bangladesh as a market leader in credit ratings and research.

National Credit Ratings Ltd (NCR)

National Credit Ratings Limited (NCR) is a full-service rating company that offers a wide range of rating services. Incorporated as a public company, NCR started its business with a paid-up capital of TK 10.00 million. The Securities and Exchange Commission granted the license to NCR in June 2010 under the Credit Rating Companies Rules 1996. (**“National Credit Ratings Ltd”, 2017**). The Company is recognized by the Bangladesh Bank as an External Credit Assessment Institution (ECAI).

Emerging Credit Rating Ltd (ECRL)

Emerging Credit Rating Limited (ECRL) began its journey in the year 2009 with the motive to deliver superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and received Bangladesh Bank recognition as an External Credit Rating Institution (ECAI) in October 2010. (**“Emerging Credit Rating Ltd”, n.d**). The drive to deliver the promised quality has helped ECRL complete 18,900 rating assignments from the time of inception to December 31, 2015. ECRL also established technical collaboration with Malaysian Credit Rating Company named Malaysian Rating Corporation (MARC).

ARGUS Credit Rating Services Ltd (ACRSL)

ARGUS Credit Rating Services Ltd. (ACRSL) is the next-generation Credit Rating Agency of Bangladesh. Founded as a joint venture between global experts in credit & equity research and local sponsors with strong capital markets track record, ACRSL received its license from the SEC in 2011. ACRSL is partnered with DP Information Group (DP), the premier credit rating agency of Singapore for over 30 years. (**“ARGUS Credit Rating Services Ltd”, 2012**). Having pioneered credit rating in Singapore, DP has played an influential role in the development of the credit rating sector in China, Indonesia, and Philippines. Further, DP’s parent company, the UK based Experian Group is one of the world’s top credit reference agencies.

WASO Credit Rating Company (BD) Ltd. (WCRCL)

WASO Credit Rating Company (BD) Ltd. (WCRCL) was incorporated as a public limited company under the Office of the Registrar of Joint Stock Companies and Firms in July of 2009. With the license from the Securities & Exchange Commission (SEC) of Bangladesh to operate as a credit rating company, WCRCL has officially started its journey on 15th February 2012. It has also been recognized as an External Credit Assessment Institution (ECAI) by Central Bank of Bangladesh in October of 2012. WCRCL is independent and transparent in its operations and eligible to rate Banks and FIs, PSEs, Insurance, Corporate and Debt Instruments. The WCRCL team is formed with experienced professionals and specialists from different disciplines with the highest levels of ethics and integrity. (**“WASO Credit Rating Company Ltd.”, 2014**). WASO Credit Rating Company (BD) Ltd. has executed an agreement for foreign partnership with Financial Intelligence Services Ltd (FISL). Through this partnership with FISL, WCRCL has created bondages with the global resources hub, thus being able to provide the best judged opinion through rating services to the nation.

Alpha Credit Rating Ltd.

Alpha Rating was incorporated on 24th February 2011, with a mission to provide independent, transparent & reliable analysis & opinions on the credit worthiness of Bangladeshi Obligors. Alpha Credit Rating Limited has obtained Credit Rating license from Bangladesh Securities and Exchange Commission (BSEC) as per Credit Rating Rules 1996 and also received ECAI accreditation from Bangladesh Bank. (**“Alpha Credit Rating Ltd”, 2016**). Alpha Credit Rating Limited has technical collaboration with Istanbul International Rating Services Inc (also called

TURK rating) Istanbul, Turkey. Alpha Credit Rating Limited is the only Credit Rating Company to receive Insurance Development Regulatory Authority (IDRA) Accreditation.

The Bangladesh Rating Agency Ltd.

The Bangladesh Rating Agency Limited (BDRAL), a subsidiary of Dun & Bradstreet South Asia Middle East Ltd., is the pioneer of rating the SME sectors in Bangladesh. The company launched its SME ratings in Bangladesh following a successful experimental phase carried out in the year 2009 under the name Dun & Bradstreet Rating Agency Bangladesh Limited, which was later renamed. (**“The Bangladesh Rating Agency Ltd”, 2013**).

2.2.2 Trends or Types of Credit Rating

The different types of ratings that are assigned by those existing credit rating agencies in Bangladesh under this industry are described in follows-

a) International Ratings

Credit Ratings (for governments, financial institutions and corporate institutions) summarize an entity's overall creditworthiness and its ability as well as willingness to meet its financial obligations as they come due across international borders. Ratings assigned to an entity are comparable across the international borders. The sectors and types of ratings that may be assigned under this are given below.

i) Sovereign credit ratings:

A sovereign credit rating is the credit rating of a sovereign entity, for example- a national government. The sovereign credit rating indicates the risk level of the investing environment of a country and is used by the investors looking to invest abroad. It takes political risk into account.

ii) Banks and other Financial Institutions ratings:

This type of credit rating which is called “Bank or Financial Institutions rating” includes-

- Long and short term local currency ratings
- Long and short term foreign currency ratings
- Financial strength ratings (an opinion of stand-alone financial health)
- Support ratings (an assessment of the likelihood that a bank would receive an external support in case of financial difficulties)

iii) Corporate ratings:

Credit rating of corporate institutions is called “Corporate ratings” which includes-

- Long- and short-term local currency ratings
- Long- and short-term foreign currency ratings

iv) Issue Credit Ratings:

Bonds, securities and other financial obligations are the opinion of an entity's ability and willingness to pay its financial obligations with respect to a specific bond or other debt instruments. The ratings assigned to the debt issues of the financial institutions and corporates which can be either short-term or long-term, depend on the financial obligation of that institution or company. A short-term rating is assigned to debt instruments with an original maturity of up to one year as well as a long term rating with more than one year.

b) Insurer Financial Strength Ratings

Insurer Financial Strength Ratings (IFSRs) provide a forward-looking opinion of an insurer's capacity and willingness to pay its valid insurance contract obligations when they become due. An IFSR is not specific for any policy or product. IFSRs consider the assessment of an insurer as well as the likelihood that the entity would receive external support in the event of financial difficulties. IFSRs are generally long-term local currency ratings.

c) National Ratings

National Ratings measure the creditworthiness of issuers or issues relative to all other issuers or issues within the same country, and other ratings are not intended to be comparable across countries. National Ratings are used in countries whose sovereign credit ratings are some way below 'AAA' on international ratings scales, and where there is sufficient demand from capital market participants for such ratings.

2.2.3 Maturity of the Credit Rating Industry

Credit rating industry in Bangladesh started its journey for credit rating of all public debt instruments, right offer issues and shares issued at a premium before the same were offered to the public. In the year of 2002, Credit Rating Information & Service Limited (CRISL) started its operation as the first registered credit rating agency of Bangladesh. The second rating agency, Credit Rating Agency of Bangladesh Limited (CRAB) went to its operation on 2004, thus, making the sustainability more difficult for two rating agencies. Other credit rating companies National Credit Ratings Ltd and Emerging Credit Rating Ltd started their journey on 2010. ARGUS Credit Rating Services Ltd. is on operation since 2011. Lastly, new three credit rating companies have come into operation on 2012 which are Alpha Credit Rating Limited, The Bangladesh Rating Agency Limited and WASO Credit Rating Company (BD) Limited. (**“A Brief History of Credit Rating Agencies”, 2018**)

The number of credit rating agencies in Bangladesh have been increased year after year as it started its' journey in 2002. There are total eight existing credit rating agencies in our country currently, all of those are running fluently and making huge profits. As the demand of credit rating are increasing day by day, the credit rating industry are becoming more developed industry among all other industries in Bangladesh. So it have been reached in the “maturity stage” of the industry life cycle model. The market of credit rating is also developing day by day. In the new financial architecture, credit rating agencies are expected to become more important in the management of both corporate and sovereign credit risk. The logic underlying behind the existence of the credit

rating agencies in Bangladesh is to solve the problem of the informative asymmetry between lenders and borrowers regarding the creditworthiness.

According to Association of Credit Rating Agencies of Asia, Bangladesh has the highest number of credit rating agencies. India; one of the largest economic country of Asia has only two credit rating companies currently. On the other hand, China; another largest economic country is continuing its economic growth with a single credit rating company. Hence, we can conclude that, Credit rating industry in Bangladesh currently are at the “**Maturity stage**” of an industry life cycle model which is shown in the **Figure 2.2** below-

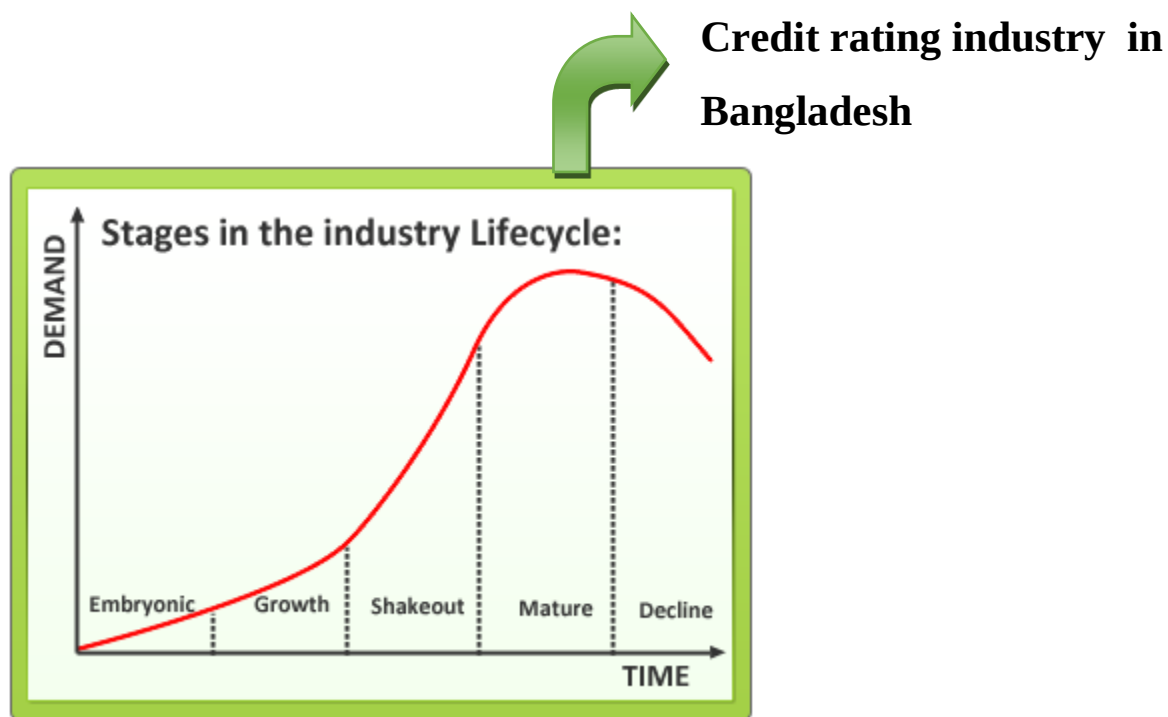


Figure 2.2- The Industry Life Cycle Stages

2.3. Seasonality

Seasonality refers to the periodic fluctuations in a certain business or industry that occurs regularly on a particular season. A season may refer to a specific time period in which the demand of that industry is the highest as denoted by the calendar year. In case of the “Credit Rating Industry”, they do not follow any specific seasonality. Sometimes the rating request from several large companies is increased in the closing period which is either June or December. But on a broader sense, in each and every season of a specific year, there are same levels of rating requests are coming to the existing credit rating agencies of Bangladesh.

Hence, it can be concluded that Credit Rating Agencies in Bangladesh those are operating under the “Credit Rating Industry” do not follow any specific seasonality.

2.4. External Economic Factors

There are several external economic factors that affects the credit rating industry of Bangladesh directly; those factors that are very much important to be considered are described below-

- **Competitiveness of other nonbank financial sectors or NBFIs**

The nonbank financial service sectors or NBFIs other than credit rating agencies in Bangladesh are becoming very much prosperous and profitable day by day which creates a huge competition among the current credit rating industry in our country.

- **Overall economic condition of Bangladesh**

The entire economic condition in Bangladesh which includes development of relevant economic indicators, economic cycles, unemployment rate, availability of relevant resources, key industries, overall industrial structures etc. will directly affect the credit rating industry in our country.

- **Rate and pattern of economic growth**

The GDP growth rate in Bangladesh as well as economic pattern can also affect this industry and its profitability indirectly like the other existing industry. The Bangladesh government has set a target of 7.4% GDP growth rate for the current fiscal year. (**“Bangladesh GDP Growth”, 2018**).

The snap shot of the real GDP growth rate of Bangladesh are shown in ***Figure 2.3***.

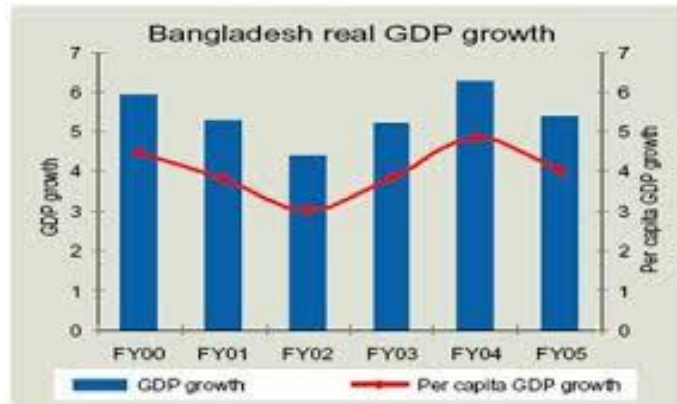


Figure 2.3- GDP Growth rate of Bangladesh

- **Income disparities between the credit rating agencies**

The income differences between the existing credit rating agencies in Bangladesh (for example- CRISL, CRAB, National credit rating ltd., WASO credit rating ltd etc.) can be an important influencing economic factor for this industry.

- **Government economic policies for credit rating industry**

The economic policies followed by the Bangladeshi government can influence this industry directly for example- currency exchange rate, wages rate, interest rate, inflation rate etc.

- **Other countries economic policies regarding credit rating**

The economic policies of other countries can also influence this industry indirectly. Any US policy or global policy of credit rating can impact the credit rating industry of our country to some extent.

2.5. Technological Factors

As well as the external economic factors there are some significant technological factors that also affect the credit rating industry of Bangladesh, those are as follows-

- **Impact of internet on the credit information of the clients**

In this era of technology, internet has a huge impact on the credit information of the client or company because the main source of income of the credit rating industry is to give the ultimate credit information about them, but if this credit information is easily available in “Internet” it will create an immense threat for the credit rating industry on a broader sense.

- **Computerization of manual credit rating process**

To make the credit rating process of the rating agencies more rapid, the computerization of manual credit rating process in future can be an important influencing factor for this industry.

- **Decreasing cost of transportation based on technological efficiencies**

Due to the technological effectiveness now-a-days, the transportation cost for collecting all the initial information about the client company is reducing day-by-day. It imposes a positive impact on this credit rating industry and accelerates the credit rating process of the agencies.

- **Increased credit information websites**

The increasing number of credit information websites creates a negative impact on the overall credit rating industry in Bangladesh.

2.6. Political, Legal, and Regulatory Factors

The credit rating industry is the most well developed as well as the established industry in the financial service sector of Bangladesh. So there are many aspects that can affect this industry both directly and indirectly. Those aspects can be either political, legal or regulatory. All those important factors that affect this industry are described below sequentially-

2.6.1 Political Factors

At first, the several significant political factors that affect the credit rating industry of Bangladesh directly are as follows-

- **Political stability of Bangladesh**

Generally, the political condition of our country is always unstable which affects each and every industry of Bangladesh. So, the political unrest of Bangladesh can also influence this industry.

- **Government Taxation rules for credit rating industry**

The taxation laws regarding the credit rating agency are the most important factor for this industry which plays a vital role in the income or profitability nature for them.

- **Government legislations regarding credit rating**

Any types of legislations or restrictions imposed by the government for this industry can be an important influencing factor. In order to ensure appropriate quality of rating in the local market, the **SECB (Securities and Exchange Commission of Bangladesh)** compulsorily required domestic credit rating agencies seeking licenses to have joint venture or technical collaboration with any established international credit rating agency. **(SECB, 1996)**

2.6.2 Legal Factors

Then comes the various legal factors which also affect this industry indirectly, those are-

- **International law of Credit rating**

International laws for credit rating agencies like international patent laws, customer or client right laws etc. followed by the top three international credit rating agencies **Standard & Poor's, Moody's, Fitch Rating** etc. can create an immense challenge on the credit rating industry of Bangladesh.

- **Laws of credit rating in Bangladesh**

The Credit Rating Companies Rules issued by SECB (Securities and Exchange Commission of Bangladesh) in 1996 called “**Credit Rating Companies Rules 1996**”, created the provisions under which the business of credit rating companies in Bangladesh is ruled, monitored, and controlled. **(“Credit Rating Company Rules”, 2004)**

- **Lending policies of the financial institutions specifically banks**

The lending or credit policy of bank or other financial institutions can affect not only the credit rating agencies profitability but also the organizations' financial condition they rate.

- **Employment as well as Environmental laws for credit rating industry**

Like all the industries in Bangladesh, credit rating industry also has to follow the same employment as well as environmental laws of Bangladesh. It is mandatory for each and every industry in Bangladesh from each and every sector.

2.6.3 Regulatory Factors

In Bangladesh, there are total three major regulators for the credit rating agencies which regulate all the existing rating agencies in Bangladesh. Those three regulators for the credit rating agencies are specified below-

1) Bangladesh Security & Exchange Commission (BSEC):

BSEC (Bangladesh Security & Exchange Commission) is the authority to issue license and quarterly monitor all the credit rating agencies in Bangladesh, it supervises the compliance requirement and rules imposed by the "Credit Rating Companies Rules 1996". BSEC is the regulator of the country's capital market, enacted through the "Securities and Exchange Commission Act 1993". (**"Bangladesh Securities and Exchange Commission Act", 1993**)

2) Bangladesh Bank:

Bangladesh Bank is also regulating Credit Rating Companies through different Circular Letters, Regulation and Guidelines, Governor's Speeches, policies, 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 etc. **(Bangladesh Bank, 2006)**

3) Insurance Development & Regulatory Authority of Bangladesh:

IDRA's (Insurance Development & Regulatory Authority of Bangladesh) mission is to make the insurance industry the premier financial service provider in the country and according to the Bangladesh Bank, every life and general insurance company needs to be rated and prepare credit rating reports with validity of one year.

2.7. Barriers to Entry

Barriers to entry are the existence of high startup costs or other obstacles that prevent new competitors from easily entering into an existing industry. The barriers to build a successful credit rating agency that rates a large number of companies, and is widely relied by the financial market participants, are substantially greater due to the complex regulatory system for the credit rating agencies of Bangladesh. One of the most significant barriers to entry into the credit rating industry

of Bangladesh is the current dominance of a few highly-reputed, well-established rating agencies that pioneered the industry many decades ago for example, “Credit Rating Information and Services Limited (CRISL)” and specifically “Credit Rating Agency of Bangladesh (CRAB)”. So, if any new credit rating agency wants to enter in the existing credit rating industry, the barriers will be higher for them in the future. Not only, the dominance of those credit rating agencies but also the excessive startup cost as well as marketing cost for it will be higher due the intense competition among all the industries in the financial sector of Bangladesh now-a-days.

2.8. Supplier Power

Generally, in case of the credit rating agencies, there is no specific supplier for them because their main product or service is “credit rating”. For providing this service to their customers the main raw material is the overall information specifically the credit information about the client or company. This information is eventually provided by the customer’s or the banks on behalf of that customer. In the broader sense, the ultimate buyer of the credit rating services of credit rating agencies is the actual supplier of that service which is the “Client or Company whom they rate”.

Hence it can be concluded that, the party “**Supplier**” and the concept “**Supplier power**” which is present for all types of manufacturing or service industries, is generally absent for the “Credit Rating Industry” of Bangladesh.

2.9. Buyer Power

The ultimate buyer of the credit rating agencies to whom they provide the credit rating service can be an individual or a company or a firm from any field or industry of Bangladesh. Buyer bargaining power refers to the pressure that a consumer can impose on businesses for getting higher quality products, better customer services, and lower prices. But in case of the credit rating industry, the **“Rating fee”** of the credit rating agencies that the client or company have to give them for the rating services they get is fixed for each and every credit rating agency. There is no bargaining power on the clients’ or customers’ hand for getting this service because the actual rating fee structure is fixed by the Bangladesh bank for all credit rating agencies of Bangladesh.

Hence, it can be concluded that the buyers or the customers of each and every credit rating agency in Bangladesh don’t have any bargaining power over the rating fee structure.

2.10. Threat of Substitutes

Threat of substitutes is the availability of a product that the consumer can purchase instead of the industry’s product. A substitute product is a product from another industry that offers similar benefits to the consumer as the product produced by the firms within the industry which shapes the competitive structure of an industry.

The threat of substitute in the credit rating industry is very low because no other industry in the whole financial sector can provide the credit rating services to the companies or clients as the credit rating agencies can. An auditing firm can audit a company’s financial statements for example-

Balanced sheet or Income statement but they can't provide the credit rating symbols which measure the credit worthiness or loan repay nature of a company. But the credit rating industry only can provide the credit rating services to the individual, company or any other organizations which no other industry can.

2.11. Industry Rivalry

Industry rivalry or rivalry among existing firms can determine the intensity of competition in an existing industry. Industry rivalry among firms is one of the main forces that shape the competitive structure of an industry. There are total eight existing credit rating agencies in Bangladesh that are recognized by Bangladesh Bank and get licenses from Bangladesh Securities & Exchange Commission (BSEC). As the numbers of competitors are large (eight), the intensity of rivalry is huge in this industry. But Credit Rating Information and Services Ltd (CRISL) and Credit Rating Agency of Bangladesh Ltd. (CRAB) those were the first and top two credit rating agency in Bangladesh that still holds their top position in this industry. (**“List of Credit Rating companies in Bangladesh”, 2012**). The name of the total eight existing credit rating agencies in Bangladesh and their registration date are given in the **Table 2.1** below.

Table 2.1-The current no. of credit rating agencies in Bangladesh

Name of Company	Date of Issuance of Registration Certificate
Credit Rating Information and Services Ltd (CRISL)	21 August, 2002
Credit Rating Agency of Bangladesh Ltd (CRAB)	24 October, 2004
National Credit Ratings Ltd	22 June, 2010
Emerging Credit Rating Ltd	22 June, 2010
ARGUS Credit Rating Services Ltd.	21 July, 2011
WASO Credit Rating Company (BD) Limited	15 February, 2012
Alpha Credit Rating Limited	20 February, 2012
The Bangladesh Rating Agency Limited	7 March, 2012

The intensity of rivalry or competition among those credit rating agencies in Bangladesh can be determined by several influencing factors. They are described below-

◆ **Credit rating quality (authenticity of rating)**

The ultimate quality of the credit rating provided by those agencies can create significant competition among them. The top two credit rating agency Credit Rating Information and Services Ltd (CRISL) and Credit Rating Agency of Bangladesh Ltd (CRAB) provide the best quality rating symbols without any concealment of information. For this reason, they have the competitive advantage of “Best quality of credit rating” among all other rating agencies in Bangladesh.

◆ Credit rating methodology

The rating methodology of those agencies can make a huge difference among them in the credit rating industry. The overall rating methodology can be same for all the agencies but some important factors may differ between them which can also generate competitive advantage for the few agencies specifically for CRISL as well as CRAB. Those factors that can create competition or rivalry among the agencies in this industry are-

- Short timing of the credit rating process,
- Fluent communication with the clients during the rating
- Easy rating procedure and
- Smoothness of rating etc.

◆ Rating fee structure

Although, the rating fee charged by the each and every credit rating agency in Bangladesh is fixed by the “Bangladesh bank”, but some credit rating agencies **downgrade (reduce)** their rating fee structure unethically for gaining the competitive advantage in the industry. But still the top credit rating agencies sustain their competitive advantage by following the actual rating fee structure which was fixed by Bangladesh bank.

2.12. Summary of Challenges and Opportunities

The immense challenges as well as the upcoming opportunities for the credit rating industry of Bangladesh in future are summarized below.

2.12.1 Challenges Faced by the Credit Rating Industry

The challenges that are actually faced by this industry currently are described here in details-

➔ Asymmetry of information in credit rating function

A credit rating function consists of a large variety of credit information that needs to be known by the rating agencies about the creditworthiness of the issuer or client or company whom they rate. But **“Information Asymmetry”** is the big challenge faced by the credit rating agencies working under this industry. The essential subject matter of this information asymmetry is a borrower’s creditworthiness that is a borrower knows its own creditworthiness better than a lender does, which can become a barrier for those agencies credit rating service. (**“Information Asymmetry and Credit Rating”, 2017**)

➔ Deviations in ratings and decisions between the rating agencies

There can be some deviations of ratings between the several credit rating agencies which can give different credit decisions about the same company or client. This types of differences in rating between the agencies can impose an immense challenge on the authenticity of the ultimate credit rating services given by the credit rating agencies.

➔ **Increased International credit rating competitors**

The increasing number of international credit rating agencies for example- **Standard & Poor's, Moody's, Fitch Rating** etc. can create a huge challenge on the credit rating industry of Bangladesh on a broader sense.

➔ **Potential conflict of interests and transparency**

Many market participants have expressed their concern over the lack of transparency on credit rating agencies' ratings methodologies, procedures, practices and processes due to the “conflict of interests” between rating agencies (issuer) and the client company. This type of conflict of interest as well as less transparency between the rating agencies can also create challenges for the credit rating industry.

➔ **Barriers to entry and increased competition between the agencies**

The rapid growth of competition among the existing credit rating agencies and the increased barriers to entry for the new entrant rating agencies can impose immense challenges on the existing credit rating industry in Bangladesh.

2.12.2 Opportunities for the Credit Rating Industry

As well as the immense challenges, there are some upcoming opportunities for that industry in the near future which will be very beneficial for them. Those are-

➔ Huge demand of credit rating services

The demand for credit rating services is growing rapidly day by day which creates a significant opportunity for the credit rating industry in Bangladesh. In a 2006 survey, two thirds of the client company stated that they receive good or very good value for the rating they get and their profitability has increased by that rating symbol. (**“The Bond Market Association”, 2006**).

➔ Valuation of good rating quality

Good quality is preferred by the customers of each and every industry specifically the service industry. As credit rating is the well developed and blooming service industry in the financial sector of Bangladesh now-a-days, the good rating quality can increase the opportunities for this industry as well as add additional value for them.

➔ First Movers Advantage

Being the first to the market which is called “First Movers Advantage” which is a significant advantage for any industry, same as the credit rating industry. In the early days, the credit rating agencies and their rating quality were not known by the general people as well as the companies. Then the credit rating industry enjoys the “First mover advantage” in the financial sector of

Bangladesh. As the first mover, today it still plays an important role as an innovative industry for the credit rating services to its market segment.

➔ Credit information value as the major demand driver

The ultimate value of a company's credit or loan information is the main demand driver for the credit rating industry. By utilizing this demand of credit information from the target market properly, the credit rating industry can make more profits than the other industries in the financial sector of Bangladesh.

➔ Credit ratings and Basel II

Regulatory changes in banks' capital requirements under Basel II have resulted in a new opportunity for the credit rating industry in Bangladesh. Ratings can be used to assign the risk weights for determining the minimum capital charges for different categories of borrowers. Moreover, credit ratings are also used for assessing risks in some of the other rules under Basel II which can create more opportunities for this industry. Under the standardized approach of the "Risk Based Capital Adequacy Framework (Basel II)", credit rating is determined on the basis of the risk profile assessed by the Bangladesh Bank. (**"Revised Capital Adequacy Framework Basel II", 2010**)

CHAPTER – THREE

ANALYSIS OF THE ORGANIZATION

3.1 Overview and History of Credit Rating Agency of Bangladesh Ltd. (CRAB)

Credit Rating Agency of Bangladesh Ltd. (CRAB), the leading credit rating agency of Bangladesh, providing rating, grading, advisory and information services, was established in 2003 at the initiative of some leading personalities in private sector and institutions of the country. CRAB was incorporated as a public limited company in 2003 and was granted license by the Bangladesh Securities & Exchange Commission (BSEC) in 2004. Within this short span of time, CRAB has established its reputation as a reliable source of credit rating analysis done by experienced professionals. Credit Rating Agency of Bangladesh Ltd (CRAB) is committed to providing the financial markets with reliable, timely and prospective credit opinions. CRAB is recognized around the country and across all industrial sectors as a market leader in credit ratings and research. The formal launching of the company was held on 5 April 2004. CRAB has been accredited as an External Credit Assessment Institution (ECAI) by Bangladesh Bank in 2009, which status gives it the eligibility to provide rating of bank credit exposures for risk weighted capital adequacy calculation. **(CRAB Brochure, 2012).**

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 and standards. As a member, CRAB has been member of the best practices committee of ACRA and actively participates in all its activities. CRAB is also a founder member of Association of Credit Rating Agencies in Bangladesh (ACRAB). CRAB has a “technical collaboration agreement” with “ICRA

Limited of India”, one of the leading credit rating agencies of the region. This collaboration has provided CRAB with facility for development of rating methodologies, for performing rating assignments and training our professionals. ICRA-CRAB collaboration facilitates sharing of resources and information base and professional expertise between the two organizations, much to the advantage of CRAB. CRAB received accreditation from Insurance Development and Regulatory Authority (IDRA) to conduct credit rating of Insurance Companies. **(The Chief Controller of Insurance, 2007)**

In 2015, CRAB conducted 2,128 ratings covering major number of ratings conducted in the industry during the same period. CRAB’s ratings include mainly Industrial companies both Corporates and Small & Medium Enterprises (SMEs), Banks, Non-banking financial institutions (NBFIs), Infrastructure entities, Microfinance institutions, and Insurance companies etc. During the last twelve years, CRAB has built its strong acceptance in the market contributing to the development of the capital market by providing quality ratings, grading, advisory, training, and information services. The **Table 3.1** shows the short overview of CRAB which includes some important details about it, its performance, growth and most importantly the mission of CRAB.

Table 3.1- Overview of CRAB at a glance

Particulars	Details
Name of the Company	Credit Rating Agency of Bangladesh Ltd.(CRAB)
Constitution	Public Limited Company
Date of Incorporation	28 August 2003
Industrial Group	Service Industry
Area of Services	Credit Rating, grading, advisory, training, and information services
Chairman	Mr. M. Syeduzzaman
Managing Director	Mr. Hamidul Huq
Number of Employees	85 (As of 31 December 2015)
Number of Clients	~ 6,000 clients over the country
Office Address	Corporate Office: D H Tower, 6 Panthapath, Level 15, Dhaka 1215 Phone 55013678, 55013681-84
SME Rating Unit:	HB Tower, 23/G/1 Free School Street, Level 2, Panthapath, Dhaka 1515 Phone: 09613000011
Website	www.crab.com.bd

**CRAB
PERFORMANCE**

CRAB CLIENT

2500

NO OF RATINGS

4200

LOAN RATED
AMOUNT

[2011-13 NOV]

BDT
2,836.0
Billion

Debt Instrument
Rated Amount

BDT
166.7 Billion

Infrastructure Project
Rated Amount

BDT
95.1 Billion

Mission

"To Effect significant contribution towards qualitative development of the money and capital markets and enhancement of transparency of financial information and credibility of the corporate sector in Bangladesh for helping in the growth of investment."

3.2. Trend and Growth

Credit Rating Agency of Bangladesh Ltd (CRAB) is committed to provide the financial markets of Bangladesh with reliable, timely and prospective credit ratings or symbols. CRAB is recognized around the country and across all the industrial financial sectors as a market leader in credit ratings.

3.2.1 Trend of Rating in CRAB

In a broader perspective, CRAB has the trend of 2 types of rating. They are-

1. Corporate Rating

2. Small & Medium Enterprise (SME) Rating

1. Corporate Rating

A corporate credit rating is an opinion of the credit rating agency regarding the likelihood that a corporation will fully meet its financial obligations in the due future. Corporate credit ratings not only address a corporation's financial instruments i.e. debt security such as a bond, but also the corporations itself. Ratings are assigned by using the letter designations such as A, B, C, D etc. Higher grades are intended to represent a lower probability of default. But lower grades mean higher probability of default of that organization. Under the corporate credit rating, there are mainly two types of rating. They are-

- **Long-term rating***(All loans/facilities with original maturity exceeding one year)*
- **Short term rating** *(All loans/facilities with original maturity within one year)*

The rating scales of CRAB for both long and short term of corporate can give a clear view of its corporate rating. There are two important tables Table 3.2 and Table 3.3 attached here which shows these two types of rating of CRAB. At first **Table 3.2** shows the long term corporate rating scales and definitions of CRAB below-

Table 3.2- CRAB rating scales and definitions –Long Term (Corporate)

Long Term Rating	Definition
AAA Triple A	Companies rated in this category have extremely strong capacity to meet financial commitments. These companies are judged to be of the highest quality, with minimal credit risk.
AA₁, AA₂, AA₃* Double A	Companies rated in this category have very strong capacity to meet financial commitments. These companies are judged to be of very high quality, subject to very low credit risk.
A₁, A₂, A₃ Single A	Companies rated in this category have strong capacity to meet financial commitments but are susceptible to the adverse effects of changes in circumstances and economic conditions. These companies are judged to be of high quality, subject to low credit risk.
BBB₁, BBB₂, BBB₃ Triple B	Companies rated in this category have adequate capacity to meet financial commitments but more susceptible to adverse economic conditions or changing circumstances. These companies are subject to moderate credit risk. Such companies possess certain speculative characteristics.
BB₁, BB₂, BB₃ Double B	Companies rated in this category have inadequate capacity to meet financial commitments. Have major ongoing uncertainties and exposure

	to adverse business, financial, or economic conditions. These companies have speculative elements, subject to substantial credit risk.
B₁, B₂, B₃ Single B	Companies rated in this category have weak capacity to meet financial commitments. These companies have speculative elements, subject to high credit risk.
CCC₁, CCC₂, CCC₃ Triple C	Companies rated in this category have very weak capacity to meet financial obligations. These companies have very weak standing and are subject to very high credit risk.
CC Double C	Companies rated in this category have extremely weak capacity to meet financial obligations. These companies are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C Single C	Companies rated in this category are highly vulnerable to non-payment, have payment arrearages allowed by the terms of the documents, or subject of bankruptcy petition, but have not experienced a payment default. Payments may have been suspended in accordance with the instrument's terms. These companies are typically in default, with little prospect for recovery of principal or interest.
D (Default)	D rating will also be used upon the filing of a bankruptcy petition or similar action if payments on an obligation are jeopardized.

(“Credit Rating Scales and Definitions”, 2006)

As the long term rating scale of CRAB, there are also the short term corporate rating scales and definitions are available here which is shown in **Table 3.3** below-

Table 3.3- CRAB rating scales and definitions – Short Term (Corporate)

Short Term Rating	Definition
ST-1 Highest Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is very strong.
ST-2 High Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is strong; however, the relative degree of safety is lower than that for issues rated higher.
ST-3 Adequate Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is adequate; however, the issues are more vulnerable to the adverse effects of changing circumstances than issues rated in the two higher categories.
ST-4 Marginal	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is marginal; and the issues are quite vulnerable to the adverse effects of changing circumstances.
ST-5 Inadequate Grade	This rating indicates that the degree of safety regarding timely payment on the loans/facilities is minimal, and it is likely to be adversely affected by short-term adversity or less favorable conditions.
ST-6 Lowest Grade	This rating indicates that the loans/facilities are expected to be in default on maturity or is in default.

(“Credit Rating Scales and Definitions”, 2006)

2. SME (Small & Medium Enterprise) Rating

While Rating SMEs (**Small & Medium Enterprises**), CRAB evaluates factors such as the candidate SME's management, ownership, organization structure, key human resources, business environment, relationships with trade partners, financial strength, operational efficiency and capabilities, and other non-financial parameters that may have an impact on its creditworthiness. These ratings are entity-specific, and not specific to debt issuances. The SME rating has its own unique features unlike the large corporates. CRAB SME rating would not only provide credit assessments, but also educate the SME sector entrepreneurs to enhance their entrepreneurship and managerial skills. (**"CRAB SME Rating", n.d.**). The rating scales and risk weights of CRAB's SME ratings are shown in **Figure 3.1** below-

MAPPING OF BANGLADESH BANK SME RATING WITH CRAB SCALE			
Exposure Type	Bangladesh Bank SME Rating Grade	Equivalent Rating of CRAB	Risk Weight
Claims on SME	SME 1	CRAB-SE 1/CRAB-ME 1	20%
	SME 2	CRAB-SE 2/CRAB-ME 2	40%
	SME 3	CRAB-SE 3/CRAB-ME 3	60%
	SME 4	CRAB-SE 4/CRAB-ME 4	80%
	SME 5	CRAB-SE 5/CRAB-ME 5	120%
	SME 6	CRAB-SE 6/CRAB-ME 6	150%
		CRAB-SE 7/CRAB-ME 7	
		CRAB-SE 8/CRAB-ME 8	
	Unrated (small enterprise & <BDT 3.00m)		75%
	Unrated (small enterprise having >= BDT 3.00m & Medium Enterprise)		100%

Figure 3.1- CRAB rating scales for SME (Small & Medium Enterprise)

3.2.2 Growth of CRAB

CRAB is the leading credit rating company in Bangladesh providing ratings, research, information and investment advisory services. It is the second premier rating agency of Bangladesh in terms of clients and number of ratings. It has a competitive advantage which arises from its' strong brand value, incomparable credibility, large customer base, market leadership among all other credit rating agencies in Bangladesh like CRISL, NCR, ECRL, WASO rating Ltd, AURGUS rating Ltd etc. It has a strong, rich and well diversified client base ranging from small and medium enterprises (SME) to the largest corporations and financial institutions. The **Table 3.4** shows the growth of CRAB according to the various years' data from CRAB brochure 2017 below-

Table 3.4- CRAB Growth at a glance

Bangladesh Bank grading	Very good category for last 4 years
CRAB clients (as of 30th June, 2017)	7500+
Rating done(as of 31st December,2016)	10,429
SME rating(as of 30 June 2016)	3000+
Debt instruments rating (as of 30 June 2016)	200+

(CRAB brochure, 2017)

3.3. Customer Mix

On a broader perspective, CRAB mainly consists of two major types of customers or clients whom they provide the credit rating symbol. They are-

- 1. Corporate clients**
- 2. Small & Medium Enterprise (SME) clients**

1. Corporate clients of CRAB

In the Corporate rating division of CRAB, it does the rating of different types of corporate entities including the groups of renowned companies in Bangladesh from each and every corporate sector which includes Readymade Garments, Engineering, Rice Mill, Food, Pharmaceuticals, Telecom, Steel, Trading, Textiles, Banks, FIs, MFIs, Insurances and Utilities (power, oil & gas, and transportation), Agriculture, Automotive, Cement, Cold storage and other industries of Bangladesh.

CRAB's ratings are used widely by all kinds of investors and lenders to assess the risks associated with credit or investment decisions. CRAB has a well-diversified corporate client base. The listed names of some renowned companies that CRAB has rated currently are given in **Table 3.5**.

Table 3.5 – The List of the Corporate Clients of CRAB

Name of Client/Company (Alphabetical order)	Company or Firm type	Name of Client/Company (Alphabetical order)	Company or Firm type
A & B Outwear Ltd.	Corporate	A H Khan & Co	Corporate
A M Cold Storage Ltd.	Corporate	A Tex International Ltd.	Corporate
AA Synthetic Fibers Mills Ltd.	Corporate	Balaka Press & Publications	Corporate
BD Sea Food Ltd.	Corporate	Beacon Pharmaceuticals Ltd.	Corporate
Bengal Indigo Ltd.	Corporate	Bengal Knittex Ltd.	Corporate
Chowdhury Enterprise (IBBL)	Corporate	City Dal Mills Ltd.	Corporate
City Feed Products Ltd.	Corporate	City Navigations Ltd.	Corporate
City Seed Crushing Industries Ltd.	Corporate	City Sugar Industries Ltd.	Corporate
DAL Knitwear Ltd.	Corporate	Danish Condensed Milk Ltd.	Corporate

(“CRAB Rating Update”, 2018)

2. Small & Medium Enterprise (SME) client of CRAB

CRAB's ratings on small and medium enterprises (SMEs) reflect the rated small or medium entities' overall creditworthiness. To enable the development of small and medium-sized enterprises (SMEs) in the country and encourage greater transparency, Bangladesh Bank proposes to launch SME ratings in Bangladesh. The SME sector has its own unique features unlike the large corporates and for rating them, CRAB is using tools and methods that are different from those traditionally used for corporate firms. The name of some listed SMEs that CRAB has rated currently are given in the **Table 3.6** below-

Table 3.6- The List of the SME Clients of CRAB

Name of Client/Company (Alphabetical order)	Company or Firm type	Name of Client/Company (Alphabetical order)	Company or Firm type
Abdullah Hardware	SME	A M I And Company	SME
A M Pack Ltd.	SME	A N Corporation	SME
A parvez Chowdhury	SME	A R Bricks	SME
A R Enterprise	SME	A R Traders & Its Sister Concern	SME
A Rahaman Engineering Works	SME	A S Computers	SME
A S Enterprise SME	SME	A S P Enterprise	SME
Abdul Al Shobhan Bricks	SME	Abdul Ali Filling Station	SME

Abdul Barek Traders SME	SME	Abdul Kader Sowdagor	SME
Bengal Traders	SME	Bakul Agro Food Industries	SME
Bahaz Auto Rice Mill	SME	Bakul Rubber & Plastic Industries Ltd	SME
Baishakhi Enterprise	SME	Bakul Shoe Store	SME
Bajpakhi Ltd.	SME	BEXIM	SME
Bakkar Trading	SME	Bhai Bricks	SME
Baktiar Enterprise	SME	Bhai Bhai Chaul Kall	SME
Bhai Bhai Poultry Feed	SME	Bhai Bhai Villa	SME
Bhai Bhai Rice Agency	SME	Bhai Bhai Store	SME
Bhai Bhai Chawler Arot	SME	Belal Poultry Firm	SME
Bhai Foler Arot	SME	Bengal Glory Ltd. SME	SME
China Bangla Shopping Complex	SME	Chitra Agro Farm	SME
China Bazar	SME	Chowdhury Enterprise	SME
China Kitchen Wear Industries Ltd.	SME	Data Solution Ltd	SME
China Bangla Foods	SME	Das Impex SME	SME

(“CRAB Rating Update”, 2018)

3.4. Product/Service Mix

As CRAB is a credit rating agency, its main product or service is the “Credit rating services” it provides to its’ clients both the corporate and SME (Small & Medium Enterprise). It offers the ratings of securities issued by the manufacturing companies, corporate bodies, commercial banks, non-bank financial institutions (NBFI), investment banks and mutual funds and other types of organizations. The securities include long term instruments such as bonds and debentures, medium term instruments such as fixed deposit programs, and short-term instruments such as commercial papers. CRAB also offers ratings of structured obligations and sector specific debt obligations such as instruments issued by Power, Telecom and Infrastructure companies. (**“Rating Services of CRAB”, 2018**).

CRAB mainly offers the following Rating Services:

- **Entity Ratings:**

Entity ratings are a measure of a company’s ability and overall capacity for timely repayment of its financial obligations. They are mandatory ratings required for any regulatory compliance or voluntary ratings that may be sought by companies to enhance corporate governance and transparency. These ratings are useful for benchmarking a company against its peers, enhancing investors’ confidence, market profiling, reducing time for future debt ratings.

- **Financial Institution Ratings:**

These ratings will assess the creditworthiness of financial institutions, i.e. commercial and merchant banks, non-banking finance companies, housing finance companies etc. While each of these entities has the same function, i.e. leverage on own funds and lend to others on a cost basis, there are significant differences in terms of scale of operations, and their internal control systems. Ratings of financial institutions focus on the risks that can possibly affect the operations of a finance company – operating risks, financial risks and management risks.

- **Corporate Debt Ratings:**

Such ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts as per terms of the contract with specific reference to the instrument being rated. A missed or delayed payment by an issuer in breach of the agreed terms of the issue is considered as default.

- **Equity Ratings (Initial public Offerings and Right Offerings):**

Equity rating makes assessment of the relative inherent quality of equity reflected by the earnings prospects, risk and financial strength associated with the specific company. The rating is not intended to predict the future market price of the stock of a company.

- **Structured Finance Ratings:**

Structured Finance Ratings are opinion on the likelihood of the rated structured instrument servicing its debt obligations in accordance with the terms. An SFR is generally different from the corporate Credit Rating of the originator

- **Insurance Companies Rating or Claims Paying Ability Rating:**

Such ratings assess the ability of the insurers concerned to honor policy-holder claims and obligations on time. Rating provides an opinion on the financial strength of the insurer, from a policyholder's perspective, which may act as an important input influencing the consumer's choice of insurance companies and products.

- **Mutual Funds Schemes Rating:**

Mutual Funds Schemes rating is designed to provide Investors, Intermediaries and Fund Sponsors/Asset Management Companies with an independent opinion on the performance and risks associated with various Mutual Fund Schemes. Funds ratings incorporate various qualitative and quantitative factors affecting a fund's portfolio.

Other Rating Services of CRAB:

CRAB performs other rating assignments as requested by clients or required by regulatory authorities. The other service provided by CRAB is-

- **Grading Service**

CRAB offers specialized evaluation methodologies addressing exclusive and area specific requirements under the umbrella of Grading services. CRAB's grading service is designed to provide an objective, credible and independent opinion on the quality of entities being examined with specific reference to parameters and issues unique to the sector/sub-sector.

- **Advisory & Consulting Service**

The Advisory & Consultancy Services will offer wide ranging management advisory services which include strategic counseling, restructuring solutions, financial feasibility, financial structuring/modeling, client specific need-based studies in the banking and financial services, corporate and other core sectors. CRAB is ready to offer advisory/consulting services to clients who are seeking to be more competitive in their operating spheres. Such advisory services will be useful for a variety of clients – corporate entities, regulatory authorities, banks/financial service organizations, industry associations, local governments etc.

- **Information Service**

CRAB provides information service in the form of database, financial analysis, market analysis, market survey etc. The service is customized to specific need of the clients. For further information please contact through email or telephone.

3.5. Operations (Credit Rating Function or Process of CRAB)

CRAB's credit rating operation is started on the receipt of a formal rating request from the “Client Company”. A Rating team consisting of the expert “Financial Analysts” whose are engaged in conducting the whole credit rating assignment. Analysts collect information from the client company through documents, data, meeting, site visits etc. CRAB also relies on the secondary sources of information, including its own research division. After completing the analysis, Analysts prepare a "Draft Credit Rating Report”, which is discussed in the “Internal Rating Committee Meeting”. A draft credit rating report is provided to the client also to ensure that there is no mistake or misrepresentation in the report. After that, the report is presented to the “CRAB Rating Committee (CRC)”. The Rating Committee is the final authority for assigning the “Ratings Symbol” to the client company. CRAB monitors the accepted ratings over the contract period and the ratings are generally reviewed once every year, unless the circumstances are averse.

The overall credit rating procedure of CRAB involves a series of steps. Those steps are described here sequentially but in short because the whole credit rating procedure of them is very lengthy. Those steps are as follows-

➔ Rating Request:

Ratings in CRAB are usually started on the formal request from the prospective Issuer. The contract obtained on a 300 Taka non-judicial Stamp Paper before starting a rating assignment; which covers all the terms and conditions of credit rating agency of Bangladesh (CRAB).

➔ The Rating Team:

The Rating team usually comprises of two members of financial analysts. The composition of the team is based on the expertise and skills required for evaluating the business of the Issuer. The team is usually led by the lead analyst or the team leader with adequate knowledge of the relevant instrument to be rated.

➔ Role of the Lead Analyst:

The lead analyst arranges to finalize the credit rating report and send to the “Rating Committee” members. The lead analyst also arranges to make a presentation before the Rating Committee. The lead analyst will make sure that all the relevant and material issues that may have an impact on the credit quality of the issuer are presented before the rating committee for discussion. The lead analyst will also ensure the communication of the rating decision to the Issuer and initiate all the necessary actions.

➔ Information Requirements:

Issuers are provided with a list of information requirements and broad framework for discussions. These information requirements are derived from the experience of the Issuer's business and broadly conform to all the aspects.

➔ Secondary Information:

CRAB relies on the secondary sources of information including its own in-house research and information obtained through meetings with the Issuers' bankers, auditors, customers and suppliers among many other relevant market participants. CRAB also has a panel of industry experts who provide guidance on the specific issues to the "Rating team".

➔ Management Meetings and company visits:

Rating involves assessment of number of qualitative factors with a view to estimate the future earnings prospects of the Issuer. This requires interactions with the Issuers' management specifically with a view to understanding the business plans, future competitive positions and funding policies, etc. CRAB also visits the Issuer's company before rating them.

➔ Other Meetings:

The CRAB analyst team may also decide to meet the auditors (accounting policies followed, quality of internal controls, standard of disclosures, etc.), bankers or lenders (relationship, reputation, dealings in the past in respect of timeliness of servicing obligations) lawyers (if there are major litigations pending which may have serious impact on credit quality), trade union leaders (if industrial relations is a sensitive issue), key functional executives as well as a few investors, customers and suppliers, depending upon the circumstances to get a direct feedback from them.

➔ Meeting with the Issuers' CEO /CFO:

This would be a very important meeting (usually, the last meeting) when the “Rating team” would discuss all the critical issues or findings that may impact the rating decision with the CEO / CFO of the Issuer (in the absence of CEO / CFO, with a senior executive nominated by the Issuer for this purpose).

➔ Internal Review Committee Meeting:

Once the Analysts team prepares the draft credit rating report, it is placed before the “Internal Review Committee Meeting”. The committee comprises of senior analysts. The committee reviews the draft rating report and analysis made by the financial analysts. Committee also reviews the due diligence, documents, meetings, site visits etc. that have occurred before the rating.

➔ **Rating Committee Meeting:**

The authority for assigning ratings is the “Rating Committee” of CRAB. The analyst team sends the rating reports in advance to the Rating Committee members. The Rating team makes a presentation about the Issuer’s business and the management to the Rating Committee at the meeting. All the key issues are identified and discussed at length during the meetings and all relevant issues, which influence the rating, are considered. Finally, a **“Rating Symbol”** is assigned either by the agreement or by majority votes for the Issuer Company. By assigning the final rating symbol to the client company, the overall credit rating process of CRAB is ended.

The overall credit rating process of CRAB are shown at a glance in the **Figure 3.2** below-

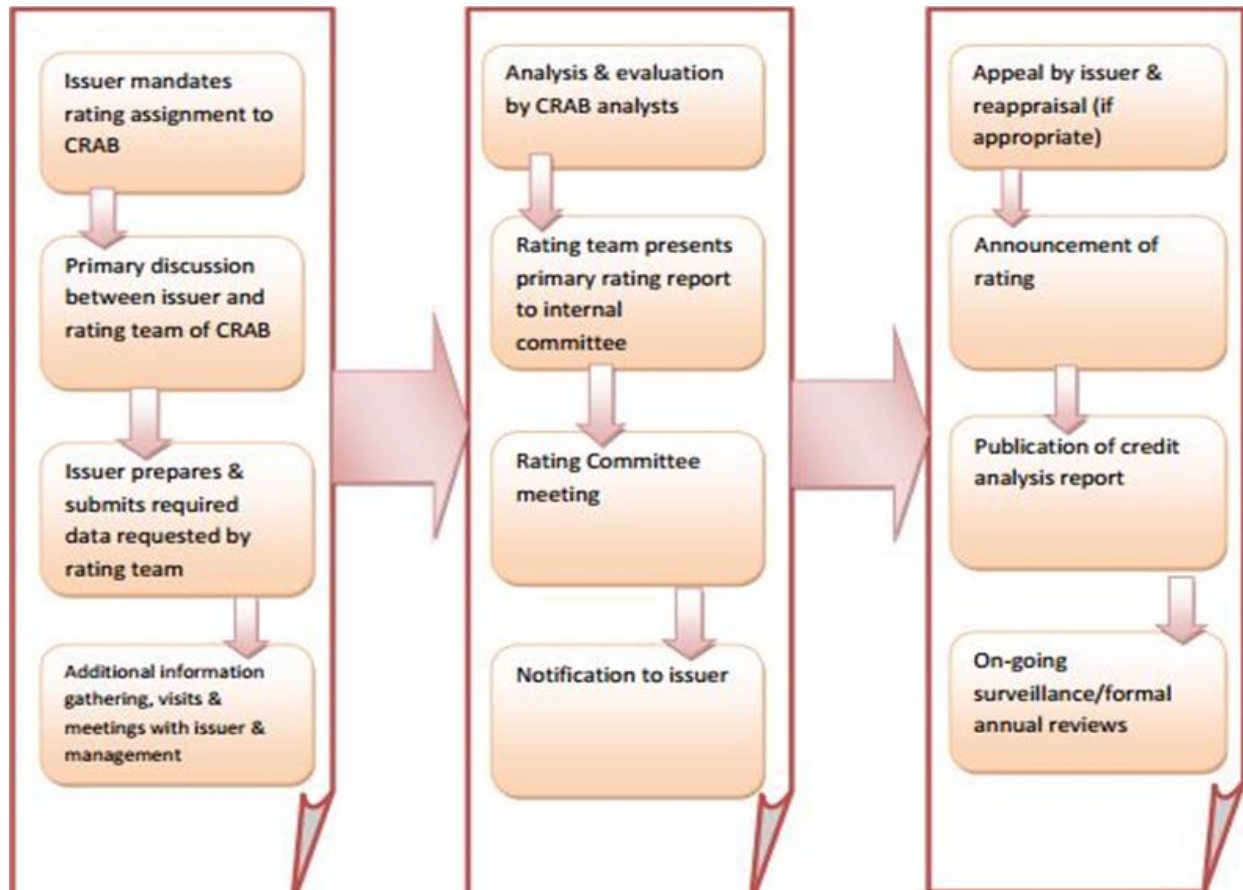


Figure 3.2- Credit Rating Process of CRAB

3.6. SWOT Analysis

Every organization have their own strengths and weaknesses as well as some opportunities and threats from the outside environment. CRAB is none other than them, so it also has its own strengths and weaknesses as well as opportunities and threats from other credit rating agencies of Bangladesh. The overall SWOT analysis of CRAB are shown in brief at **Table 3.7** below-

Table 3.7- SWOT analysis of CRAB at a glance

Strengths	Weaknesses
○ <i>Strong Corporate Identity</i> ○ <i>Efficient Credit Rating Performance</i> ○ <i>Young Enthusiastic / Empowered Workforce</i> ○ <i>Friendly Working Environment</i> ○ <i>Operational efficiency & Country wide network</i> ○ <i>Different types of credit rating services according to the customer demand</i>	○ <i>Absence of strong marketing activities</i> ○ <i>Lengthy procedure of credit rating</i> ○ <i>Biased rating and misrepresentations:</i> ○ <i>Lack of training facility on advanced credit rating methods</i>
Opportunities	Threats
○ <i>Increased demand of credit rating (from both Corporate as well as SME)</i> ○ <i>Bigger Market for credit rating service</i> ○ <i>Experienced and Excellent financial analysts</i> ○ <i>Renowned Rating Committee members</i> ○ <i>Mandatory Credit rating for credit facility users</i>	○ <i>Threat from other credit rating agencies</i> ○ <i>Regularity control of government</i> ○ <i>Similar types of credit rating services are offered by other agencies</i> ○ <i>Difference in rating of two agencies</i> ○ <i>High cost of gathering credit information before rating</i> ○ <i>Employee turnover will be high in future</i>

3.6.1 Strengths

In the SWOT analysis, at first comes the unique strengths of CRAB they have currently which is their competitive advantage among the whole credit rating industry of Bangladesh. Their strengths are described below-

- **Strong Corporate Identity:**

CRAB has been promoted by some of the country's most reputed business, financial sector personalities and institutions of Bangladesh. With its strong corporate image and identity, it has better positioned itself in the minds of the customers or clients. This strong corporate image has helped CRAB to grab the position of “**Second leading Credit Rating Agency**” of Bangladesh.

- **Efficient Credit Rating Performance:**

CRAB's highly specialized analyst teams serve all the clients across the country and ensuring the wide-ranging efficient credit rating performance for them. CRAB's ratings are used extensively by all kinds of investors and lenders to assess their credit risks associated with each and every credit investment decisions.

- **Young Enthusiastic / Empowered Workforce:**

The overall work force of CRAB is considered as the key resources for the organization because they are young, enthusiastic, motivated, competent, energetic and creative. The agency provides its' utmost support for them in terms of financial, technical and moral aspect.

- **Friendly Working Environment:**

In my opinion CRAB's overall working environment are very much warm and friendly for each and every level of employees. There are no major gaps between the top level employees and lower level employees in that organization. The open and free flow of communication between them ensures reasonable suggestions from any level of hierarchy.

- **Operational efficiency & Country wide network**

CRAB also provides efficient credit rating services to their clients (both corporate and SME) to fulfill their ultimate rating needs. Despite of its lengthy rating procedure, their rating symbols are very much useful for those companies. CRAB tries to expand its credit rating operations in each and every section of Bangladesh and this country wide network will not only increase its profitability but also will secure its existence in the credit rating industry in the long run.

- **Different types of credit rating services according to the customer demand**

There are a wide range of credit rating services which are provided to its different types of customers based on their needs or demands.

3.6.2 Weaknesses

After strengths in the SWOT analysis comes the weaknesses. As well as the strengths CRAB also have some weaknesses that are described below-

- **Absence of strong marketing activities**

Credit Rating Agency of Bangladesh does not engage in any kind of strong marketing activities through mass media e.g. TV or radio ads, billboard ads etc. which plays a vital role in awareness building for their target customers. This is a significant weakness of CRAB because if they do so their customer mix will be enhanced in the near future.

- **Lengthy procedure of credit rating**

According to the credit rating methodology of CRAB, its whole procedure of credit rating (whether it's corporate or SME or any other) is excessively lengthy compared to the other credit rating agencies in Bangladesh. It can hamper its customer satisfaction adversely because prompt credit rating service is needed by each and every customer.

- **Biased rating and misrepresentations:**

In many cases, credit rating done by CRAB may suffer from the human bias or misrepresentations for some personal weakness of the analysts which can be adversely affect the rating of any company. Independent or unbiased ratings must be done by the financial analysts that are actually used to judge a company's credit worthiness.

- **Lack of training facility on advanced credit rating methods**

CRAB lacks well trained human resources to some extent because it doesn't have any well-developed training programs based on the advanced credit rating methods used by the foreign country's credit rating agencies.

3.6.3 Opportunities

The upcoming opportunities for CRAB in the near future are very much beneficial. Those are-

- **Increased demand of credit rating (from both Corporate as well as SME)**

Now-a-days clients or companies are much more aware of their "Credit Rating" and the percentage of credit rating is increasing day by day. This increased demand of credit rating (from both the Corporate as well as SME) is a very beneficial opportunity for CRAB in the future.

- **Bigger Market for credit rating service**

As well as the increased demand, the market for credit rating is also growing. According to the different years CRAB brochure, in 2015 CRAB conducted 2,128 ratings, by 2014 rated more than 4,000 entities and instruments and lastly rating done is 10,429 by the 31st December 2016.

- **Experienced and Excellent financial analyst**

CRAB workforce composes of so many experienced and well qualified **financial analysts** as well as management committee which can create huge opportunities for it to earn more profits.

- **Renowned Rating Committee members**

The rating committee members of CRAB are very much renowned in this credit rating industry compared to others credit rating agency.

- **Mandatory Credit rating for credit facility users**

Credit rating symbols are becoming mandatory as well as popular for each and every company who wants to use the credit or loan facility for them. It is a tool to differentiate a company from others in the similar sector.

3.6.4 Threats

At last, the major threats that CRAB faces from the other agencies in this industry are given below-

- **Threat from other credit rating agencies**

Now-a-days, there are increasing numbers of industries for example- bank, NBFI, insurance company, credit rating agencies in the financial sector. Generally, threats exist from other financial industry but other credit rating agencies of Bangladesh like **CRISL, NCR, ECRL, WASO rating ltd, AURGUS rating ltd.** etc. directly creates a huge threat for CRAB in the long run.

- **Regularity control of government:**

The legal framework of Bangladesh for regulating the credit rating agencies is relatively complicated which poses a significant threat for CRAB.

- **Similar types of credit rating services are offered by other agencies**

In the industry analysis part, I have shown the other credit rating agencies that occupy a vast position in this industry and those are providing the same category of credit rating services as CRAB. If they give better credit rating service packages in the future than CRAB, it will adversely affect the revenue or grow of CRAB.

- **Difference in rating of two agencies:**

Rating done by the two different credit rating agencies for the same instrument of the same issuer company would not be identical for many reasons. Such differences are likely to occur because of differences in the judgment of them which can be a threat for CRAB.

- **High cost of gathering credit information before rating**

Before each and every rating, CRAB has to collect lots of information about that client and also has to visit that client company, which is a very time consuming and most importantly very much costly for CRAB. Their high cost structure of credit information can hamper its revenue structure more badly.

- **Employee turnover will be high in future**

As the numbers of credit rating agencies as well as other established industries are increasing day by day in the financial sector, there is a huge threat of high employee turnover for CRAB in future.

3.7. Steps/ Strategies to meet the Challenges and Opportunities

To meet the immense challenges as well as the strong upcoming opportunities in this industry, CRAB must follow some steps or strategies. Those are as follows-

At first, CRAB must use latest and advanced technologies to reduce its lengthy procedure of credit rating and for giving better credit rating services than its competitors (other existing credit rating agencies of Bangladesh).

Then, it has to utilize the increased demand of credit rating (from both Corporate as well as SME) so that they can develop a competitive advantage based on that demand and sustain in this credit rating industry.

Other credit rating agencies are also offering the same rating services like CRAB, so it should give some additional services with the rating symbol to its' clients both the corporate and SME to create a competitive advantage among others.

As CRAB has experienced and excellent financial analysts as well as renowned rating committee members, they must follow some strict rules against any kind of biasness in the credit rating of their clients.

As there is a strong possibility that employee turnover will be high in future, CRAB must give some motivations to their experienced employees (financial analysts) whether it is financial motivation or something else.

There will be always a threat of authenticity of rating done by CRAB or any other rating agencies, so CRAB must keep hold of its “strong corporate or brand image” that ensures its’ ultimate credit rating quality.

At last, CRAB must follow all the rules and regulations given by the regulatory authority of government (Bangladesh Bank) so that no other client or company can doubt about its “efficient credit rating performance”.

CHAPTER -FOUR

INTERNSHIP EXPERIENCE

4.1. Position, Duties, and Responsibilities

I have been worked as an “Intern” at **Credit Rating Agency of Bangladesh (CRAB)** from 13th February 2018 to 13th May 2018 under “Rahnuma Sultana Chowdhury”; First Assistant Vice President & Team Leader of SME. I honestly think that CRAB is one of the best companies for an intern to start his/her corporate career with. Not only because of the benefits that the interns get out here compared to other leading companies, but the environment of CRAB might actually be one of the best working environments. The experience as an intern cannot be shown but can be described in few words which I have tried to cover in this chapter. Here major duties, responsibilities, training, contribution to departmental functions, evaluation, skills applied, new skills developed, application of academic knowledge during my internship program are described.

4.1.1 Position- Intern at CRAB (Credit Rating Agency of Bangladesh)

In CRAB, my work position is an “**Intern**” in the SME (Small and Medium Enterprise) department which was valid till 13th May 2018. I have grabbed this position after giving an interview session with them and proving my worth to them which was not very easy for me. The three-month internship program at CRAB has taught me many important things about real corporate world beyond the academic knowledge I have get at university.

4.1.2 Duties

The major duties that I have been assigned by my supervisor during this three-month internship period at CRAB are given below in brief-

- Communicating with the prospective clients (companies who are rated by CRAB) over the phone before any visit
- Visiting the companies or firms (specifically SME- Small & Medium Enterprises) whom they are rating
- Collecting all the important information about the client or company during the visit before rating which is used initially for preparing the credit report.
- Attending all the corporate events held by CRAB as well as preparing the draft credit rating reports to some extent.
- Assisting my supervisor and sometimes the other financial analysts in their financial analysis of client companies specifically the SME clients.
- Giving input in the MS Excel sheets from the several year's financial statements of the company for preparing credit rating reports in the initial stage.

4.1.3 Responsibilities

The department under which I have been worked in CRAB is called “**Small and Medium Enterprise (SME)**” department. The major responsibilities that I have to perform during the internship under this department are as follows-

One of my major task during this internship program is to give inputs into the several excel files from the client company’s different financial statements, annual reports, banker’s statements, audit reports etc. for both the current and previous year.

I have also given inputs of several companies past credit data into different MS excel files which were initially used for preparing a credit rating report for that company.

I have collected all client’s general information which is available in internet so that my supervisor can analyze them properly before rating.

I have also handled the specific SME client’s over-all information files accurately to contact with them whenever needed.

Most of the time during my internship period, I have visited the companies or firms whom they rate with my supervisor and other analysts so that we can gather detail information about their business before rating them.

4.2. Training

During my internship program at CRAB, there are no specific formal training programs for the interns. So, I haven't get any formal training from them, but I have been given some informal training by them during the three month internship program which will be very much beneficial for me in my future carrier to work in any field.

The most important training is how to communicate with the prospective clients over the phone before any initial visit specifically the small and medium enterprises to whom they give the rating service. They also teach me how to communicate technically with the clients face- to-face and collect several important information during the visit, how to manage all the information collected about the client or company before rating.

Excel training by my supervisor for giving inputs in the excel files (financial highlights) of the companies they are rating recently are very much beneficial for me for getting any types of job in the financial sector in future.

4.3. Contribution to Departmental Functions

During my three-month internship period at CRAB, I have worked under the “**Small and Medium Enterprise (SME)**” department. I have assisted my supervisor mostly by giving various financial inputs in the MS Excel sheet which was used by them initially before preparing any credit rating report. According to their perspective, my most important contribution to this department is “Assist the SME financial analysts in their client company visit”. It helps them a lot to analyze the client’s overall financial background before any rating. I have also communicated with the clients and their employees and collected all types of important credit information about them during the visit. Interaction with the SME clients over the phone before any visit also helps them a lot.

4.4. Evaluation

Credit Rating Agency of Bangladesh gives me a chance to learn how to analyze the financial reports, audit reports, management reports and bankers’ statements of a company and how to communicate or manage the clients professionally for receiving the credit rating services provided by CRAB. Many times, I have analyzed many financial reports or audit reports of different companies for the rating purpose and learnt about the steps of the overall “Credit Rating Process” of CRAB practically. It is my practical learning from CRAB, which will help me a lot in my future career in any sector.

I am very happy that the internship is a mandatory part of our BBA program. It has taught me about the practical job field that I couldn't have learned through the text books or lectures. I have learned a lot about the corporate culture, etiquettes and behavior during this internship period. Now I know better how to mix with people from different backgrounds and communicate with them. Moreover, throughout my internship program I have seen closely how a corporate company like CRAB runs and operates under an industry.

4.5. Skills Applied

The skills that I have gain as well as the skills that I have applied during this internship program are very much important for this chapter because skills are the most important thing that will give me a competitive advantage in the future career in any financial sector. Those skills I have applied during this three month internship period are described below-

- **Communication skill**

The most important skill that I have applied in CRAB during this internship program is the “Communication skill” because one of my major duties is to communicate with the prospective client whether it is SME or corporate over the phone before any visit. Not only that but also the communication during the visit with the client company and their employees are very much beneficial for me to communicate professionally in the future career.

- **English Language skill**

Language skill specifically the “English language skill” is also an important skill that I have applied when I have spoken in all the corporate events of CRAB. The English writing skills I have also applied in preparing the draft credit rating report. The English language is the skill I have applied that will help me in each and every stage of my career.

- **Computer skill (specifically MS Excel, MS Word)**

Computer skill whether it is M S Word, M S Excel or any other important computer skill must be applied by an intern during any types of office work. I have applied this skill in CRAB in lots of tasks that they have assigned me for example giving inputs in MS excel, doing calculation in Excel, preparing draft credit report in M S Word etc.

- **Sincerely working skill**

Among the various skills I have, the most unique skill I have applied during this three month internship period is the sincerely working skill because I was very much sincere about all of duties and responsibilities I have get from my supervisor. Sincerity is the most important skill that anyone have which will help him or her in every phase of life. I have also tried my best to complete all the tasks with sincerity.

4.6. New Skills Developed

I have developed newly the corporate communication skills and learned about the appropriate corporate behaviors as well as etiquettes to interact with the colleagues, customers or clients of a company, how to communicate with the clients over the phone relating different credit rating service issues and also learned how to complete any given tasks within the specified time frame and to prioritize the work based on their importance. I have also learned in CRAB how to work in a team and to maintain a broader network in an office which may help me to build my career in the future in any sector of Bangladesh whether it is bank or any other financial organization. Overall, all the new skills that I have developed in this professional world of CRAB will be very much beneficial for me in my future career. I am very much grateful to the whole CRAB family for those new skills that I have get from them in this three month internship program.

4.7. Application of Academic Knowledge

As I am a student from finance background, the overall theoretical knowledge from the specific courses of finance that I have applied during my internship program are the basic knowledge that I got from the “Principal of Finance” course and most importantly the “Management of Financial Institutions” (MFI) course where I have gain a detail knowledge about the various types of financial institutions in the financial sector of Bangladesh. Overall it is due to my academic knowledge from UIU that I could grab all the practical learning very quickly than I normally would. All the courses I have done in my BBA program have helped me a lot for working in the practical field during the internship program at CRAB.

CHAPTER – FIVE

RECOMMENDATIONS

5.1 Recommendations for Improving Departmental Operations

As the demand of credit rating services is increasing day by day, Credit Rating Agency of Bangladesh (CRAB) should enhance their existing rating services for both the corporate and SME (Small and medium Enterprise) rating department. I want to give some other recommendations for CRAB and the SME department where I have worked.

At first, general people should be educated more about the credit ratings of both the corporate and SME (Small and medium Enterprise) and its effectiveness through seminars, advertisements etc. which will ultimately increase the profitability of both departments. CRAB should emphasize more on the advertising or promotional activities so that general people can know more about it and recognize it properly.

More detail information should be tried to find out about the clients or companies so that the assessment before rating can be made more accurately. In case of individual client rating, they should collect more details about them before rating to ensure more authenticity.

Since the source of income of CRAB is from the client whom they rate, there might be a chance to be biased to the client or company to get more money from them. There should be some strict laws for each and every department of CRAB in order to reduce the biasness of credit rating for both corporate and SME department.

5.2. Recommendations for Improving Self-Performance

As a student, I also have some lacking in myself because no one is perfect in this world. There must be some improving factors on which I should emphasize on for performing better in my future career.

In my perspective, my ultimate speed of working in MS Excel is slow. As I am from the finance background, it is very much essential to be expert in MS Excel to get any types of job in the financial sector.

Being introvert in communication can keep me behind in the professional sector in future. So, I must develop more fluent communication skills to work in any sector of corporate world for every stage of career in my upcoming future

To work more perfectly I must be more patient about any types of duty or assignment I get in my job field. Frankly speaking I become impatient about each and every task I get in my work field. I have to be more persistent to complete any work accurately.

I think I am less confident about my skills or abilities which create a barrier to take any type of challenges or new tasks in my personal as well as professional life. Hence, I should try to be more confident about my ability to take all types of challenges in my life.

CHAPTER - SIX

CONCLUSION

6.1 Conclusion

Credit rating as well as the credit rating industry is a quite new concept in Bangladesh. The credit rating industry of Bangladesh is growing rapidly year after year because credit rating is very much important for both the investors and the borrowers. So the demand for credit rating services is increasing day by day which is a very positive sign for this industry's future. I have successfully done my internship for three months in Credit rating Agency of Bangladesh (CRAB) which is the second leading credit rating agency of Bangladesh; providing rating, grading, advisory and information services. CRAB is recognized around the country and across all kinds of industries in Bangladesh as a market leader in credit ratings and research. It was really a great experience of working with the financial analyst team of CRAB specially SME (Small and medium Enterprise) which was my department.

In this report I have tried to present the overall analysis of the credit rating industry in Bangladesh and specifically the analysis of the "Credit Rating Agency of Bangladesh Ltd". I have described several important things about Credit Rating Agency of Bangladesh Ltd. like what type of organization is it (credit rating agency), what are their main functions of them (credit rating service), how they perform their tasks (credit rating functions), what steps they follow to perform their tasks (credit rating process). I have also identified CRAB's potential opportunities as well as upcoming challenges in the future and suggested them some strategies as well as recommendations so that they can improve their credit rating performances in future. The demand of credit rating and the credit rating agencies of Bangladesh are increasing day-by-day which will help CRAB as well as other credit rating agencies to prosper in the upcoming future.

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APPENDIX

Highlights of the Performances I Have Done in CRAB

I have performed a lots of workings during this three month internship program at CRAB (Credit Rating Agency of Bangladesh). All those working highlights that I have performed at CRAB are attached here as an appendix. The appendix is divided into three parts- First month, Second month and lastly Third month workings which is given below sequentially-

FIRST MONTH: At the very first month of my internship period I have gain a details knowledge about some important matters or topics related with the overall performance of CRAB which includes-

- How to communicate with the client company over the phone before rating specifically **SME (Small and Medium Enterprise)**
- How to gather information about the client company during the visit
- How to interact with the employees of that company during the visit
- How to prepare a draft credit rating report at the initial stage

I have also gained details knowledge about CRAB's overall information as well as its' performance, credit rating reports of both the corporate and the SME (Small and Medium Enterprises), the whole process of credit rating used by CRAB, credit rating scales of both the corporate and the SME, reports that are used by them in the credit rating process of a client or company for example- their financial statements, audit report both the current and previous year or management reports, last bank loan sanction letter and banker's feedback before rating etc.

SECOND MONTH: Then in the second month of my internship, after gaining the detailed knowledge about all the matters above I have given lots of input in the excel files from the financial statements (Income Statements, Balanced Sheets, Cash Flow statements, Equity Statements etc.) of the client companies for both the current and the previous years which excel files are used initially for preparing the final “**Credit Rating Report**” of CRAB. From many companies on which I have worked as well as give input in the excel files, some renowned companies are as follows-

- General Pharmaceuticals Limited
- Ziska Pharmaceuticals Limited
- Orion Infusion Limited
- J K Knit Composite Ltd.
- JK Cotton Mills Limited
- JK Spinning Mills Limited
- JK Synthetic Mills Limited
- Tanima Knit Composite Limited
- Danish Condense Milk Ltd.
- Panasia Clothing Ltd.
- Panasia Sweaters Ltd. and some other companies.

LAST MONTH: In the last month of my internship program, the workloads are so many that I am too much busy to complete them but I am very much thankful to my supervisor to help me.

The works that I have done in CRAB in the last month are as follows-

- I have assist the financial analysts to prepare the credit rating report on SME (Small and Medium Enterprises)
- Before preparing the final credit rating report by the financial analysts, I have made a draft credit report supervised by my supervisor.
- Collecting the relevant data from the client companies for credit rating over the telephone
- Visiting the client companies before rating specifically Small and Medium Enterprises, as I have been worked under the SME department and communicating with the employees of those companies during visit.

As my department was SME, I have also visited several **Small and Medium Enterprises** of Bangladesh whom they rated with my supervisor and other financial analysts. The name and the address of some “**Small and Medium Enterprises (SME)**” that I have visited during this three months internship period are as follows-

Company Name	Company Address
J. K. Cotton Mills Ltd. & J.K. Synthetic Mills Ltd.	Green Orlando (4 th Floor), 42/4, Pragati Sarani, Baridhara, Dhaka
Ziska Pharmaceuticals Ltd.	Nurul Tower, 34, Purana Paltan Line, Dhaka-1000.
Crown Fashion & Sweater Industries Ltd.	Crown plaza, Plot #781-782, Vogra, Joydevpur, Gazipur
Danish Condensed Milk (BD) Ltd	Shanta Western Tower, Level – 13, Bir Uttam Mir Shawkat Road, 186 Tejgaon I/A Dhaka – 1209
Fashion. com Ltd. Apparel Group	House # 439 (4th floor), Road # 28, Mirpur D.O.H.S, Mirpur. Dhaka-1216
Nahid Plastic BD Ltd.	36-37 Umesh Datta Road (2nd Floor), Bakshi Bazar, Lalbag, Dhaka-1211

The draft credit rating report that I have prepared during the internship period are attached hereby.



Credit Rating Report [Surveillance]

Panasia Clothing Limited

Particulars	Ratings
Panasia Clothing Limited	-
BDT 87.5 million long term outstanding	BBB₁(Lr)
BDT 140.0 million short term funded limit	ST-3
BDT 450.0 million short term non-funded limit	ST-3

Date of Rating: 30 March 2017

Validity: The Ratings are valid up to 31 March 2018.

Rating based on: Management financial statements up to 30 June 2016, Bank Liability position as on 22 March 2017 and other relevant quantitative as well as qualitative information.

Panasia Clothing Limited is a family owned export oriented woven garments manufacturer. The entity was ventured in 2008 by Mr. Kazi Anisul Moquit - Managing Director of PCL. Current annual capacity of PCL is around 3 million pieces. Panasia Clothing Ltd. is a modern woven factory equipped with the latest automation Machineries from Juki and other world class brands which are made in Japan, Korea, China, Malaysia, Taiwan, UK, Thailand, Germany etc. The factory is situated at Vogra, Joydebpur Gazipur. The promoters are engaged in buying house business for more than 20 years and entered in RMG production division through establishing the Company. Long relationship with buyers will help the Company to get orders and export satisfactory amount in initial years.

Table: 01	
Brief of Panasia Clothing Limited	
Year of Corporation	04.03.2008
Nature of Business	Woven garments
Office location	Uttara, Dhaka
Factory Location	Vogra, Joydebpur Gazipur
Production Area	129200 Sqft (11864 Sqm)
Production Capacity	250,000 pcs per month
Auditor	Syful Shamsul Alam & co.

Particulars	Ratings
Panasia Clothing Limited	-
BDT 9.1 million long term outstanding	BBB₁(Lr)
BDT 520.0 million short term funded and non-funded limit	ST-3

Date of Rating: 31 April 2018

Particulars	Ratings
Panasia Clothing Limited	BBB₁
BDT 15.08 million long term outstanding	BBB₁(Lr)
BDT 445.00 million short term funded and non-funded limit	ST-3
Outlook	Stable

Date of Rating: 20 August 2017

Lr- Loan rating; ST- Short Term

Financial Highlights			
	~ Year Ended June 30 ~		
(Mil. BDT)	2016	2015	2014
Net Sales	1012.8	973.5	905.6
EBITDA	55.3	111.5	91.3
EBITDA Margin (%)	5.5	11.5	10.1
Net Profit Margin	3.1	9.7	6.4
Return on Asset (ROA)	5.8	32.7	25.5
Quick Ratio	2.7	1.9	1.6
Cash Conversion Cycle (Days)	20.0	33.0	24.0
Borrowed Fund to Equity (x)	0.9	0.3	0.6
Borrowed Fund to EBITDA (x)	4.6	0.6	1.0
Cash Flow from Operations (CFO)	(29.9)	95.5	28.8
Free Cash Flow (FCF)	(206.1)	23.3	34.8
EBIT/Interest (x)	2.8	9.3	5.5