

CRISIL RATINGS - ROUNDUP FOR FY 2000-01

CRISIL's rating actions for the year ended March 31, 2001 are analysed in this report in terms of three broad areas viz. rating upgrades / downgrades, rating stability rates and rating distribution. The report also analyses the correlation between CRISIL rating actions and key macro economic indicators.

CRISIL's rating actions revealed a trend reversal with upgrades equalling downgrades for the year ended March 31, 2001, in contrast to the preceding 4 years when downgrades exceeded upgrades. Interestingly, however, the manufacturing sector which accounted for the bulk of the rating changes saw a higher number of downgrades compared to upgrades during 2000-01. The key sectors contributing to the downgrades were automobile, auto ancillary and steel industries while a large share of upgrades was accounted for by chemical, paper, pharmaceutical and software industries. Besides the positive outlook for the industries witnessing upgrades, the business and financial restructuring of many companies was a major factor contributing to rating upgrades.

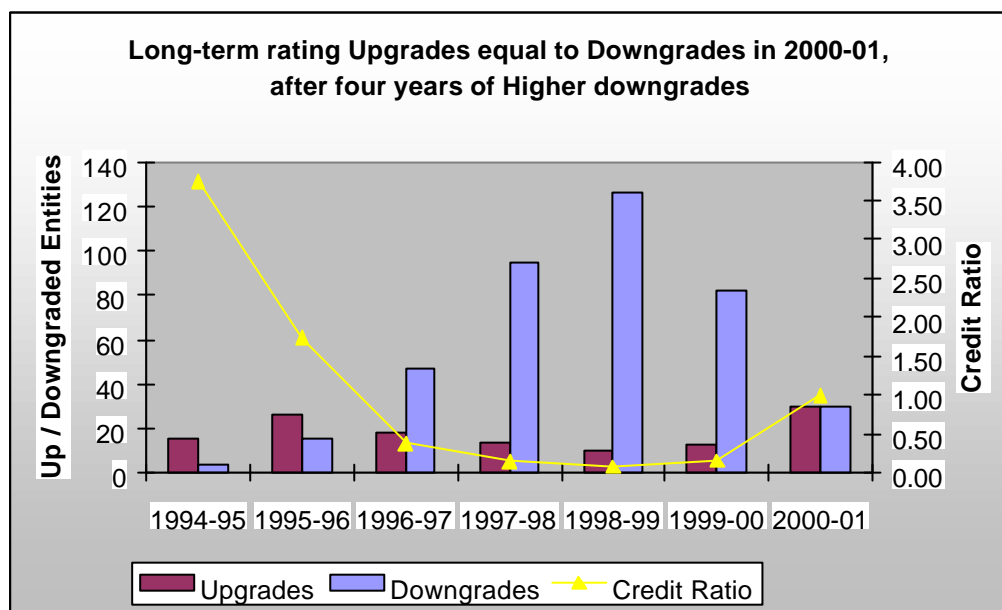
CRISIL ratings have exhibited higher stability during 2000-01 compared to the previous eight years' average stability rates. Rating stability, expressed in terms of percentage of ratings remaining in the same rating category over a one-year period, is an important parameter for investors in managing their credit portfolio based on the expected credit quality deterioration.

The distribution pattern of CRISIL ratings continued its trend of increasing polarisation of ratings, with significant additions in AAA / AA category and lower speculative ratings as on March 31, 2001. The long-term ratings spectrum also showed a slight shift to higher investment grade during the year. The 'AAA' ratings increased substantially with the addition of 18 new AAA ratings during the year, the highest rating additions into AAA category in any single year.

A strong correlation was observed between CRISIL's rating actions, as depicted by Credit Ratio, and key macroeconomic parameters such as GDP growth rate, growth in Index of Industrial Production (IIP) and equity mobilised by Indian Corporates.

CRISIL Rating Actions: Credit Ratio improves significantly compared to earlier years.

CRISIL's long-term rating actions revealed that the Credit Ratio, defined as the ratio of Upgrades to Downgrades, increased substantially from below 1.0 during the period 1995-96 to 1999-2000 to a level of 1.0 in 2000-01. CRISIL upgraded the long-term ratings of 30 entities and downgraded an equal number of long-term ratings in 2000-01, as can be seen from the graph below.



The sector-wise rating actions for the year 2000-01, as percentage of the ratings at the beginning of the year are given below:

	<i>Year Beginning</i>	<i>Upgrades</i>	<i>Downgrades</i>
Manufacturing	260	23	27
Financial Services	20	4	
Infrastructure	21	3	2
FI & Banks	16		1
Total	317	30	30

Key Observations:

The credit ratio for the manufacturing sector stood at 0.85 during the year 2000-01. While the rating upgrades in manufacturing sector accounted for over 75% of total upgrades, this sector's credit ratio was impacted by higher downgrades, which accounted for 90% of total downgrades.

The industries among which downgrades were high include auto ancillaries (4), automobiles (3) and Steel (2), which together account for one-third of the downgrades in the manufacturing sector. Companies in the Chemicals (3), Paper (2), Software (2) and Drugs & Pharmaceuticals (2), industries accounted for 40% of upgrades in the manufacturing sector. Apart from the positive outlook for these industries, many companies were upgraded after business and financial restructuring. Major companies in this category include Raymond Ltd, ITC Bhadrachalam Paperboards Ltd, Wockardt Limited, Ambuja Cement Eastern Limited and Century Enka Limited.

The other two large sectors, viz. financial services, and infrastructure sectors exhibited higher credit ratios though on a smaller base.

A complete list of CRISIL's rating actions of upgrades and downgrades across sectors is provided at the end of this report.

Rating Actions in Investment grade Vs. Speculative grade ratings:

Investment grade rating actions accounted for 69% of all CRISIL rating actions during 2000-01. Among investment grade ratings, the rating upgrades were far higher than the rating downgrades, which resulted in a credit ratio of 1.28. In contrast, credit ratio for speculative grade ratings was 0.28 to 1, and the upgrades include three speculative grade ratings to investment grade ratings.

The notable among the speculative grade upgrades include Ambuja Cement Eastern Limited (formerly DLF Cement Ltd), which was upgraded from Default category to A+, based on the change in ownership and financial support from the promoter. The 'BB' rating of ITC Bhadrachalam Paper Boards Ltd (ITC BPL) was upgraded to AA during the year on account of the improved standalone performance of ITC BPL, financial restructuring and the strong financial and managerial support of parent company ITC Limited. The third upgrade from speculative grade rating was that of Orient Ceramics & Industries Limited from BB+ to BBB-.

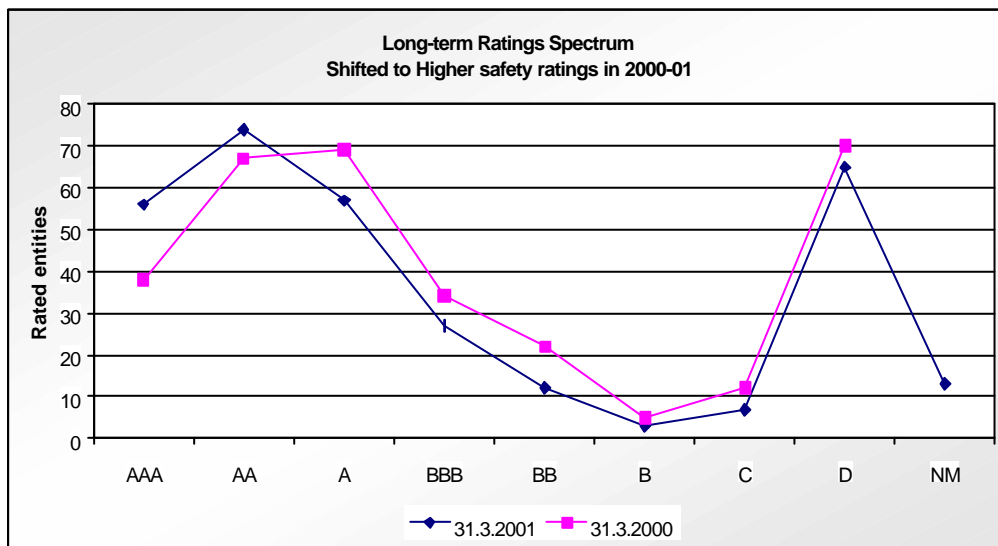
Rating Stability: CRISIL Ratings exhibit high stability in 2000-01

CRISIL ratings were more stable during the year ended March 31, 2001 with more than 80% of the ratings remaining unchanged as compared to the past eight-year average of 76%. This observation holds true for all rating categories, as can be observed from the table below. CRISIL ratings continue to exhibit a high degree of correlation between stability rates and rating levels during 2000-01; i.e., higher rated entities have exhibited much higher stability rates than lower rated entities. The single exception was the lower stability of 'A' rated entities compared to 'BBB' rated entities during 2000-01. Rating stability rates improved significantly in the last year after a series of rating actions during the previous three years.

Stability Rates	2000-01	8 year Avg.
AAA	97.4%	96.8%
AA	88.1%	85.2%
A	82.6%	82.3%
BBB	85.3%	73.2%
BB	77.3%	58.1%
B	60.0%	62.5%
C	66.7%	59.4%

Rating Distribution of CRISIL's Long-term ratings:

The trend of increasing polarisation of ratings towards both ends of the rating scale continued through 2000-01. The liberalisation of the Indian economy has witnessed the entry of several strong multinational companies and also significant increase in competition levels across almost all sectors of the economy. Several industries have seen a shakeout with, companies having strong parentage / group backing and a competitive business position emerging stronger and the weak players being weeded out. The credit quality of several 'A' and 'BBB' rated entities has deteriorated, resulting in a polarisation of ratings. This trend has been observed consistently over the past few years as can be observed in the graph below.



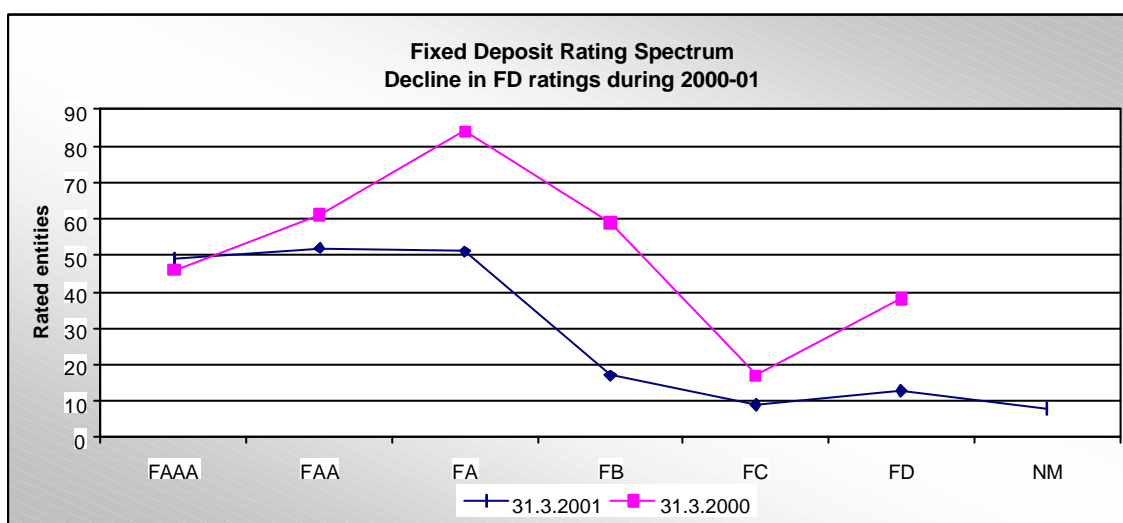
As can be observed, the AAA ratings increased substantially with the addition of 18 new AAA ratings during the year, the highest rating additions into AAA category in any single year. Of these, five entities of AA category were upgraded to AAA category while 13 entities were new ratings assigned by CRISIL during the year.

The additions to AA rating category were mainly due to the rating upgrades from lower rating categories. The trend of declining ratings in A and BBB rating categories continued during last year. The speculative grade ratings also declined with a significant reduction in BB rated entities.

In 2000-01, CRISIL introduced a new rating category - Not meaningful (NM). Companies are moved to NM category, if the rated entity is referred to the Board for Industrial & Financial Reconstruction (BIFR) under Sick Industrial Companies (Special Provision) Act, 1985, or if the entity's creditors have moved the court for winding up proceedings. During the year, CRISIL moved 13 ratings to NM category.

Rating Distribution of CRISIL's Fixed Deposit Ratings :

The Fixed Deposit ratings spectrum has also witnessed similar signs of polarisation with the sharp reduction in the "FA category" towards either direction. The total number of outstanding Fixed Deposit ratings declined because of the lack of business prospects for small players in the NBFC segment, which accounted for a large share of CRISIL's Fixed Deposit ratings. While several NBFCs sought withdrawal of Fixed Deposit ratings owing to their business conditions, CRISIL has followed the rigorous policy of protecting small investor interest before withdrawing any of its Fixed Deposit ratings.

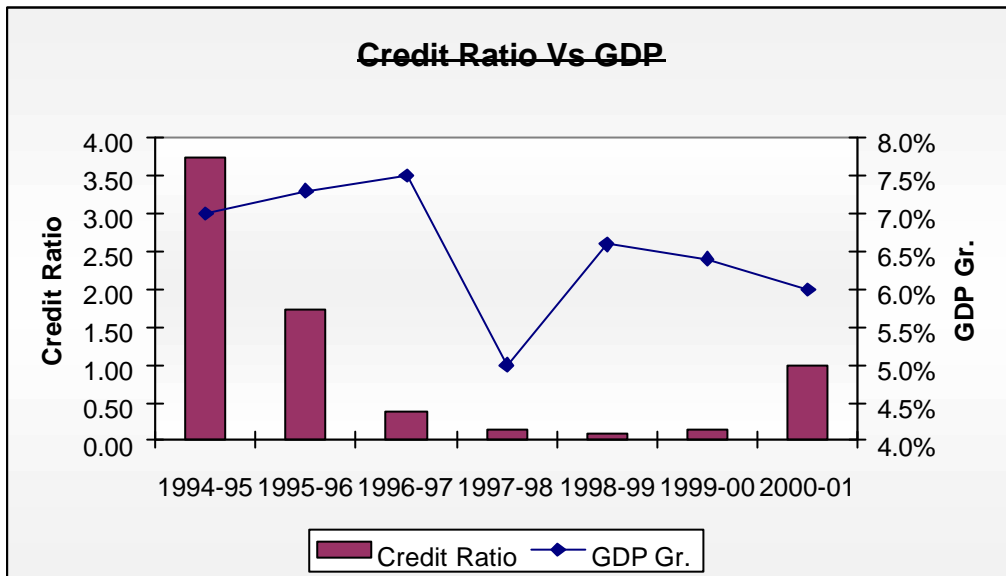


Commercial Paper / Short term Debt Ratings

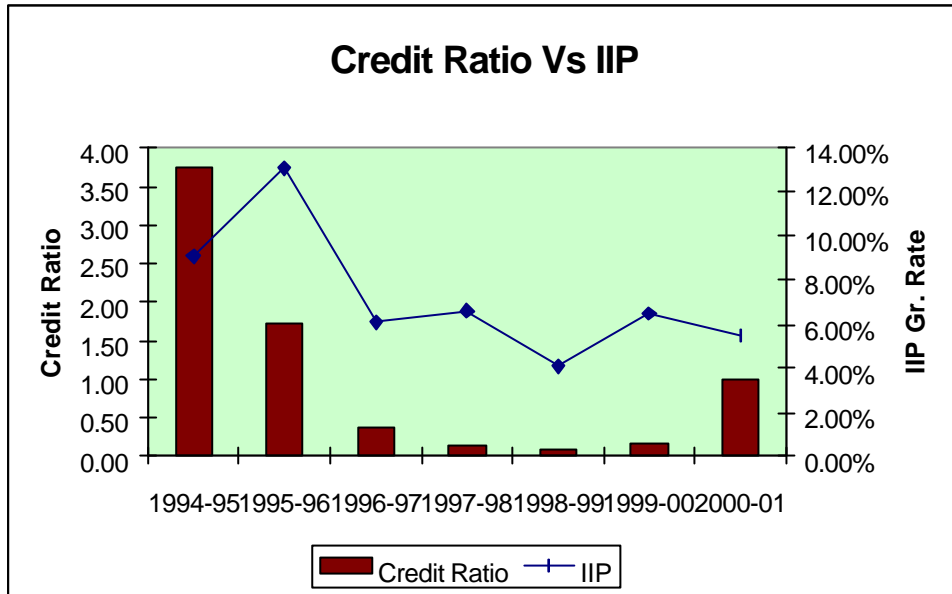
The highest safety (P1+) ratings for Commercial Paper & Short Term Debt have increased from 225 entities at the beginning of the year to 245 entities as on March 31, 2001. Apart from this, as many as 16% of the existing rated entities approached CRISIL for enhancement of their CP limits to take advantage of the lower interest rates. The improved liquidity in the banking system and the continued decline in the short-term interest rates during the year were the major factors for the increase in the entities accessing the money market at finer interest rates.

Correlation of CRISIL Rating Actions with key macroeconomic indicators

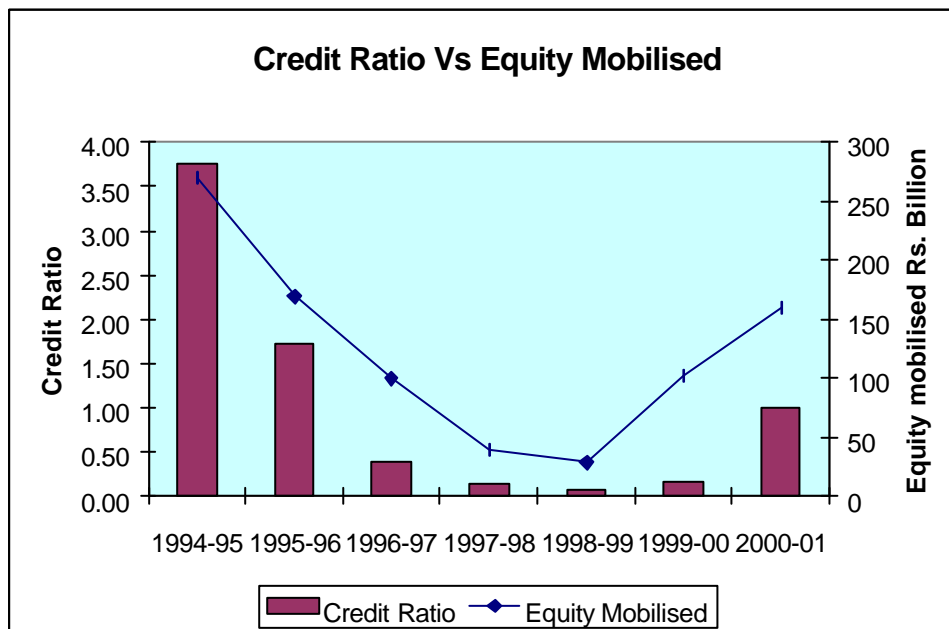
CRISIL Rating actions as depicted by Credit Ratio, the ratio of upgrades to downgrades, exhibit strong correlation with macroeconomic indicators such as Gross Domestic Product (GDP) growth rate, Index of Industrial Production (IIP) and equity mobilised by Indian corporates.



As can be observed from the graph above, a strong correlation between GDP growth rate and Credit ratio was observed for the previous six years, till the year 1999-00. A marginal deviation is witnessed in the year 2000-01 where the GDP growth rate dipped marginally to 6.0%, while the credit ratio improved to 1.0, the reason being CRISIL's pro-active rating corrections in the previous years.



The Index of Industrial Production (IIP) was higher at around 9.5% and 13% during 1994-95 & 1995-96 respectively and in those years credit ratios were above the 1.5 level. Subsequently, the IIP growth rate dropped to around 4 to 6%, and the Credit ratio trend also followed a similar trend of remaining within 1.0 or lower levels.



As depicted in the chart, the equity mobilised by Indian corporates showed a strong correlation for all the previous seven years including 2000-01 with Credit Ratio, i.e., higher the equity mobilised by corporates, higher the credit ratio and vice versa.

CRISIL Rating Actions 2000-01				
Company	Sector	Industry	To	From
Ambuja Cement Rajasthan Ltd	Manufacturing	Cement	A+	D
Armour Polymers Ltd	Manufacturing	Chemicals	D	BB+
Arvind Mills Ltd	Manufacturing	Textiles	D	C
ASIL Industries Ltd	Manufacturing	Steel	D	B
Atul Limited	Manufacturing	Dyes & Pigments	BB+	BBB
Automobile Corporation of Goa Ltd	Manufacturing	Auto Ancillaries	BB+	A-
Ballarpur Industries Ltd	Manufacturing	Paper	A	BBB
BASF India Ltd	Manufacturing	Chemicals	AAA	AA+
Bharat Earth Movers Ltd	Manufacturing	Engineering	BBB+	BBB
Bharat Gears Ltd	Manufacturing	Auto Ancillaries	BBB+	A
Bharti Cellular Ltd.	Infrastructure	Telecommunications	AA	A
Cable Corporation of India Ltd	Infrastructure	Power	D	C
Caprihans India Ltd	Manufacturing	Miscellaneous	BBB	BBB+
Centak Chemicals Ltd	Manufacturing	Chemicals	AA	A+
Century Enka Ltd	Manufacturing	Textiles	AA-	A+
Eicher Ltd	Manufacturing	Automobiles	A	AA-
Electrosteel Castings Ltd	Manufacturing	Steel	AA+	AA
Essar Shipping Ltd	Manufacturing	Shipping	D	C
Essel Packaging Ltd	Manufacturing	Packaging	AA	AA-
Gabriel India Ltd	Manufacturing	Auto ancillaries	BBB-	BBB+
Gujarat Gas Company Ltd	Infrastructure	Oil & Gas	AA+	AA
Hero Honda Finance Ltd	Financial Services	NBFC	AA+	AA-
Hindustan Organic Chemicals Ltd	Manufacturing	Chemicals	C	A-
Hoechst Marion Roussel India Ltd	Manufacturing	Drugs & Pharma	AAA	AA+
HUDCO	Financial Services	Housing Finance	AA	AA-
Indian Seamless Metal Tubes Ltd	Manufacturing	Steel	D	BBB+
Infosys Technologies Ltd	Manufacturing	Computers-SW	AAA	AA
Insilco Ltd	Manufacturing	Chemicals	AA-	A-
ITC Bhadrachalam Paperboards Ltd.	Manufacturing	Paper	AA	BB
Kamat Hotels (India) Ltd	Manufacturing	Hotels	C	A-
KDL Biotech Ltd (Kopran Drugs Ltd)	Manufacturing	Drugs & Pharma	BB+	BBB
Kotak Mahindra Finance Ltd	Financial Services	NBFC	AA+	AA
Kotak Mahindra Primus Ltd	Financial Services	NBFC	AA	AA-
Lohia Starlinger Ltd	Manufacturing	Engineering	A-	A+
Mahindra & Mahindra Ltd	Manufacturing	Automobiles	AA+	AAA
Merind Ltd	Manufacturing	Drugs & Pharma	A	A+
National Fertilizers Ltd	Manufacturing	Fertilisers	AA-	AA+
NIIT Ltd	Manufacturing	Computers-SW	AAA	AA+
Nuclear Power Corporation	Infrastructure	Power	AAA	AA
Orient Ceramics and Industries Limited	Manufacturing	Ceramics & Tiles	BBB-	BB+
Paper Products Ltd, The	Manufacturing	Packaging	AA-	A+
Parrys Confectionery Ltd	Manufacturing	Food Products	A-	AA-
Purolator (India) Ltd	Manufacturing	Auto ancillaries	A-	A
Raymond Ltd	Manufacturing	Diversified	AA+	AA-
Reliance Petroleum Ltd	Manufacturing	Oil & Refining	AA	BBB+
Rico Auto Industries Ltd	Manufacturing	Auto Ancillaries	BBB+	BBB

CRISIL Rating Actions 2000-01				
Company	Sector	Industry	To	From
RPG Transmission Ltd	Infrastructure	Power	D	BB
Saurashtra Cement Ltd	Manufacturing	Cement	D	C
Shanti Gears Ltd	Manufacturing	Engineering	AA-	A+
Siltap Chemicals Ltd	Manufacturing	Packaging	A+	A
Siyaram Silk Mills Ltd	Manufacturing	Textiles	A	A-
Stone India Ltd	Manufacturing	Engineering	D	A
Tata Engineering & Locomotive Co. Ltd	Manufacturing	Automobiles	AA	AA+
The South Indian Bank Ltd	FI & Banks	Bank	BBB-	BBB+
Thirumalai Chemicals Ltd	Manufacturing	Petrochemicals	A-	A
United Phosphorous Ltd	Manufacturing	Pesticides	BBB	A
Vashisti Detergents Ltd	Manufacturing	Miscellaneous	AA+	AA
Vijay Fire Protection System Ltd	Manufacturing	Miscellaneous	D	BB+
Welspun India Ltd.	Manufacturing	Textiles	D	B
Wockhardt Ltd	Manufacturing	Drugs & Pharma	AA+	AA