

CareEdge Spreads its Overseas Wings from Gift City Base

Co launches international corporate and sovereign ratings, plans to expand to African countries

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Gandhinagar: CareEdge Ratings expects to tap into the market of rating foreign currency loans of Indian companies after it launched the international corporate and sovereign ratings service from its Gift City office.

Mehul Pandya, chief executive of CareEdge Global IFSC, the company that will handle this business, said besides competing with foreign peers, Care has plans to expand into African countries, giving them the option of being rated from a new perspective. "So far, more than \$50 billion has been raised from Gift City and most of it has been rated by foreign agencies. If we just consider a few basis points of this amount in fees, it has huge revenue potential. We have a natural advantage because of our domestic expertise which we will leverage," Pandya said.

CareEdge invested \$3.6 million for this new subsidiary which is its third international subsidiary adding to operating ones in Nepal and Mauritius.

Pandya said the company plans to tap emerging markets in Asia and Africa to expand its foreign currency ratings business. Besides Mauritius CareEdge has also pending licences for approval in South Africa and Kenya.

Along with foreign currency loans CareEdge also launched its sovereign ratings business initiating India's rating at BBB+ a notch higher than its US-based peers, while rating China at A, a notch lower than the other agencies.

The rating agency has initiated ratings on 39 countries and plans to add more to give an emerging market option to countries looking for a new credit perspective.



Veteran banker and Jio Financial chairman KV Kamath said the new sovereign option gives "the Global South a view to stand on their own feet" and could lead to a lot of things coming out of India in the future.

Pandya said CareEdge needed an offshore licence to set up foreign currency loans and sovereign operations and chose to do it through Gift City instead of starting new operations in Singapore and Dubai.

"A sovereign rating involves currency convertibility risk which is a core credit risk from an issuer perspective. We now have the wherewithal to provide a rating on some African economies or provide a foreign currency rating for an automobile company for example which will help compare one company with another globally," Pandya said. He expects to add sovereign ratings on 15 to 20 other countries in the next one to three years.

CareEdge assigned India a BBB+ higher than other agencies due to its large and diverse economic structure as well as its healthy growth performance.

"India's high foreign exchange reserves and low levels of external debt contribute to a favourable external position supporting its overall credit profile. However, these positives are balanced against high general government debt and weak debt affordability. The country has a low per capita income and high oil import dependency (~85%), which increases its vulnerabilities arising from global oil price shocks," CareEdge said.

(The reporter was in Gandhinagar at the invitation of CareEdge)