

# Fitch Ratings

Fitch Ratings is a company that gives credit ratings and does research in this field. Fitch Ratings are often seen in the news and hence, it is important to understand what the ratings mean and what they signify for a government. Read on about Fitch Ratings for the [UPSC exam](#).

## Introduction

- Fitch Ratings is considered one of the big three credit rating agencies in the world, the other two being Moody's and Standard & Poor's (S&P's).
- It is headquartered in New York and London.
- It was founded in 1914.

## Fitch Rating System

- The Fitch Rating system uses a letter system, quite like the one used by S&P's.

## What is credit rating?

- A credit rating is an assessment of the creditworthiness of a borrower. This borrower could be companies, individuals or governments.
- While individuals are assigned 'credit scores', governments and corporations are given 'credit ratings'.
- An important thing to remember is that **governments are given credit ratings and not countries**.
- The credit worthiness of a country or a sovereign entity is called a sovereign rating.

## Importance of credit ratings

- Basically, the credit rating of a government indicates its ability to pay back the money borrowed.
- Governments of countries need these rating to borrow money.
- Credit ratings also indicate a country's worth as an investment destination.
- A country requests a credit rating agency to assess its economic and political environment and arrive at a rating.
- This is done to attract [FDI](#) to the country.

## Fitch Rating System in Detail

- There are two grades broadly - investment and non-investment grades.
- Entities marked as Investment grade are the highly rated ones whereas the non-investment grade ones indicate a risky investment proposition.
- **Investment Grade**
  - AAA: Reliable and stable; highest quality, established with consistent cash flow
  - AA: Quality companies with a higher risk than AAA entities
  - A: Low default risk; a bit more vulnerable to economic or business factors
  - BBB: Medium class entities which are satisfactory at the moment
- **Non-investment Grade**
  - BB: More vulnerability to default risk; more prone to economic changes
  - B: Degrading financial situation; highly speculative
  - CCC: Real possibility of default
  - CC: Strong possibility of default
  - C: Default or default-like process has begun

- RD: Issuer has defaulted on a payment
- D: Defaulted and likely to default again on obligations
- NR: Not publicly rated

## India and Fitch Ratings

- In 2006, Fitch had for the first time upgraded India's sovereign rating to BBB- from BB+.
- BBB- is the lowest investment grade.
- In April 2019, Fitch assigned India the grade of BBB- with a stable outlook for the 13th time in a row.

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