

STANDARD & POOR'S

Credit Assessment Services

For project finance and related transactions

With the ongoing global trend toward the privatisation of (and increasing investment in) infrastructure, Standard & Poor's *Credit Assessment Service* has increasingly been used for toll road, airport and other types of concessions. Many bidding consortia are interested in obtaining a preliminary view on the creditworthiness of a finance proposal linked to, for example, a privatisation or concession bid. A key advantage of the credit opinion is that the feedback from Standard & Poor's is at an early stage in the process and sometimes this could provide an opportunity to make changes to a proposed finance structure more easily and less expensively. Further, a Standard & Poor's opinion can provide a solid basis for underlying assumptions about debt capacity and financing costs.

What is a Credit Assessment?

It is a preliminary point-in-time indicator of creditworthiness expressed in a broad rating category, e.g. Low Investment Grade ('bbb' category)*. This broad rating category is determined by analysing the available information, which in most cases is contained in reasonably developed documents and finance structures. The analysis will use reasonable assumptions based on

the company's experience for similar structures in areas that have not been finalised. A *Credit Assessment* often serves as an effective first step toward a fully developed rating and can be applied for both bank and bond finance structures.

The Process

The schedule to initiate the *Credit Assessment* is generally 4 to 6 weeks before the result is required.

In competing bid situations, the *Credit Assessment* is often used at a preferred bidder stage or close to bid and final offer (BAFO). The information analysed is submitted to a full Rating Committee, which includes senior and global sector analysts. The outcome of the Credit Assessment service is a report from Standard & Poor's which:

- Indicates the broad rating category.
- Summarises key strengths and weaknesses, and identifies open questions upon which a formal rating outcome would depend.

Users of Credit Assessments

There are three main groups who have used this service:-

Sponsors/Consortiums

A *Credit Assessment* can:

- Show that a proposal has been independently assessed;

- Be an indicator that a proposal has the potential to reach an investment grade rating (which often is a determining criterion for the granting authority to award the concession);
- Increase the flexibility of a bid and the potential to attract a wider range of investors to support the financing.

Local and Regional Governments

The *Credit Assessment* can:

- Provide a uniform screening format to enable comparison of multiple bids.
- Assist in the evaluation of bids for creditworthiness and financial viability.

Financial Institutions

The *Credit Assessment's* early indication of a project's creditworthiness can help financial institutions to analyse and underwrite a transaction, potentially reducing syndication risk.



* Credit assessment rating categories are expressed in lower case letters.