Rating System for Commercial Projects
(A Review Paper)

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Abstract - Credit rating plays a pivotal role in the decision-making process of stakeholders in the capital market including regulators, issuers and investors. Therefore, it has been focused by the researchers doing research in the field of finance domain on this emerging concept. Many studies have been conducted in the Indian context as well as the global arena on rating methodology, importance of ratings, performance of rating agencies, investors' awareness, etc. This report puts a light on Credit Ratings of Commercial Buildings and Quality Parameters of Credit Rating Agencies and their impact on the project from customer and investor point of view.

Focusing on Quality Ratings as a prime factor of Credit Ratings of Commercial Buildings. The main objective of our project is to prepare a Quality Rating Guide named C.R.I.C BOOK for benefitting the credit worthiness of companies and for assuring utmost customer satisfaction by guiding them to make better decisions.

Keywords - Rating System, credit rating system, Quality

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1. OVERVIEW

Today India is fastest developing country in the world. The development of India's infrastructure is critical to the country's economic progress. The government of India recognises the importance of infrastructure development for the country's overall progress and is working hard to pass laws that will accelerate the building of world-class facilities. India also needs to qualitatively ramp up the real estate sector inside the country. This will not only help the country to move at a faster pace but this will create a positive sentiment in the minds of domestic as well as foreign investors regarding the real estate capability of the country.

Credit Ratings of real estate projects act as a verification of the financial credibility and quality of work against real estate companies. Such companies strive to achieve the highest ratings to assure investors proper risks and returns on their investments, along with customer advances, customer satisfaction and robust sales

2. BENEFITS OF RATING FOR COMMERCIAL PROJECTS

Developers are rewarded for upholding high standards of legal and building processes when they receive a rating. This allows for an orderly expansion of this industry.

Fundraising and project promotion are both likely to be aided by rating. Ratings can help disintermediation by lowering borrowing costs for issuers. Individual and institutional investors might utilise ratings to show the firm in a positive light to potential overseas collaborators.

Since rates of interest on debt instruments are linked to ratings, it aids in the pricing of debt offers for both issuers and intermediaries.

3. NEED OF RESEARCH

In today's real estate market, there are a lot of unknowns when it comes to making an investment in a home or property. Quality of materials used in construction, timeliness of completion, investors' trustworthiness, and access to bank funding are all considered when assigning a rating to a structure.

The Quality Rating Guide covers vast parameters on which project quality depends. It will act as a tool for companies to achieve the highest quality ratings and also act as a priority reference for customers to justify their quality related decisions.

In order to make a connection between risk and reward, credit ratings are used. In order to maximise

the risk-return trade-off, an investor can use a rating to analyse the risk level and compare the offered return rate with the projected return rate.

Consumers will feel more secure when making investment decisions if they know how a developer and their project are rated, and developers will be able to raise more money for their endeavours. Investment portfolios are mostly determined by factors such as a company's credit rating.

4.   PRESENT THEORIES AND PRACTICES

As defined by Ms. Sandra Kirthy (2015), Investors rely on the services of credit rating organisations to assess investment risk and return before making important choices. Credit rating organisations' approach, procedure, and rating symbols are critical to understanding their entire services. As a result, we will be comparing the rating processes, symbols, and services provided by CRISIL, ICRA, and CARE, as well as Fitch India Ltd.'s credit rating methodology, process, and symbols. With the help of reputable foreign agencies, India's rating agencies are working to improve their own procedures. Within a macroeconomic framework, Indian credit rating organisations must develop their own methodology, processes, and symbols. For investors, several credit rating agencies give valuable insights into the risks and possibilities connected with diverse investing situations through their ratings.

Binh K. Nguyena and Hasim Altana (2000) conducted a study on the subject. It compares five popular sustainable grading systems, notably LEED, GREEN STAR, HK-BEAM, BREEAM, and CASBEE. All of the aspects of sustainable grading tools are taken into consideration throughout the review process. All features of the systems are examined in order to determine which one is the best (s). Sustainable rating tools are examined in depth in the study, which acts as a guide for consumers when determining which rating system to use.

There are hundreds of building evaluation tools available throughout the world, each specialising in a distinct aspect of sustainable development and catering to a certain project type. There were 382 registered building software programmes for evaluating energy efficiency, renewable energy, and long-term sustainability by the end of March 2010. A few systems, on the other hand, have gained widespread acceptance and are recognised as the gold standard for long-term sustainable development.

This study will focus on the most popular, influential, and technologically sophisticated rating tools currently on the market. [1].

BREEAM (Building Research Establishment's Environmental Assessment Method) is one of the most widely utilised environmental evaluation methodologies for buildings. Environmental assessment approaches have been developed using this technology since 1990, when it was first developed. [1].

Environmentally friendly building can be measured using the LEED Green Building Rating System, which was established in 1998 by the United States Green Building Council (USGBC). More than 14,000 LEED projects have been completed in the United States and 30 other countries, totalling 99 billion m2 of development area. [2].

Omair Awadh (2017) Comparative analysis of the GBRSs LEED's Energy category scores give the highest to the overall points available in the same system, at 26%, whereas BREEAM, GSAS, and Estidama contribute between 23% and 24%. This category is different in all four cases. BREEAM places a significant emphasis on health and well-being, giving the category a weight of 16 percent. Occupants' comfort and Indoor Environmental Quality fall under this area. The Location & Transportation category has a 25% weighting in LEED. In spite of the fact that both LEED and BREEAM are widely used across the world, there is a noticeable difference in how much weight LEED places on categories outside the building as opposed to how much weight BREEAM places on categories within the structure. In GSAS, the water and indoor environment categories are both worth 15%, but in the Estidama building rating system, the water and energy categories are both worth 24%. Prioritizing is based mostly on the Gulf region's lack of oil reserves' resilience and water scarcity.

Dat Tien Doan (2017) For both green practitioners and scholars, this publication provides a comprehensive overview of BREEAM, LEED and CASBEE. The present state and trend of green building grading systems were addressed in depth, including categories, points, and mandated credits. In addition, each rating system's advantages and disadvantages were examined. The contrasts between new building and neighbourhood development/communities/urban development were also analysed using similar methodologies. The inclusion of economic and institutional factors as additional assessment criteria and guidelines for green building grading systems is recommended for a more comprehensive and thorough examination of the project. The implications of incorporating economic and institutional aspects into current green building certification systems need to be studied further. This study only looked at two key papers, the New Construction and Neighbourhood Development guidelines, which should be examined to provide a better baseline knowledge of green grading systems. It was also only recently that the previous CASBEE manuals were translated into English so that an analysis could be done on them. Consequently, it's probable that the four grading systems chosen don't fully reflect the global trend of

hundreds. It's conceivable that some of the findings in this research are incorrect.

Concluding Remark: Quality Ratings is the prime factor for Credit Ratings in real estate projects. Every decision made regarding quality will have a good or bad impact depending upon the direction of the decision. Quality parameters of Credit Rating Agencies were analyzed and were broken down into a simpler format. This data was either divided as per items, processes or legal regulations.The Quality Rating Guide was created as a comprehensive tool containing the analyzed data regarding quality parameters of Credit Rating Agencies. Corresponding data was collected and divided into three parts viz. Processes, Interior and Surroundings. This data was further subdivided into approx five objectives viz. Functions & Utilities, Life Span & Construction Time, Environmental & Health, Miscellaneous and Cost.

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