EQUALIFI

ECS | EQUALIFIED CREDIT STRATEGIST

Syllabus

Module 1: Foundations of Credit and Credit Markets

- Role of credit in the economy and the financial system.
- Lenders and investors: banks, NBFCs, bond investors, mutual funds, insurers and private credit funds.
- Loans versus bonds: structure, markets and investor rights.
- The credit cycle and its drivers.
- Indian credit markets: bank credit, corporate bonds, commercial paper and NBFC lending.
- Global credit markets: investment grade, high yield, leveraged loans and emerging-market debt.
- Key credit concepts: probability of default, loss given default, exposure at default and expected loss.
- Role of RBI, SEBI and credit rating agencies in credit markets.
- Careers in credit: banks, rating agencies, NBFCs, asset managers, private credit and treasury.

Module 2: Financial Statement Analysis for Credit

- Introduction: the role of financial statements and the relevance of notes to accounts.
- Nuances of accounting: inventories, depreciation, EPS and intangible assets.
- Nuances of leases, hire purchase and pension liabilities.
- Lease accounting under Ind AS 116 and IFRS 16 and its impact on leverage.
- Classification of investments in financial assets.
- Expected credit loss under Ind AS 109 and IFRS 9.
- Ratio analysis, financial modelling and covenant testing.

- Cash flow analysis: operating cash flow, free cash flow and cash flow adequacy.
- Analysis of contingent liabilities, related-party transactions and group exposures.
- Red flags in financial statements.
- GAAP and IFRS: similarities and differences, with Ind AS.
- Case studies.

Module 3: Liquidity, Cash Flow and Debt Capacity

- Liquidity analysis.
- Stress testing.
- Debt service coverage, interest coverage and fixed charge coverage.
- Debt capacity and sustainable leverage.
- Refinancing risk and debt maturity profiles.
- Credit-focused projections: base, downside and stress cases.
- Liquidation scenarios and event risk.
- Comparison: sector versus global peers.
- Case studies.

Module 4: Credit Appraisal and Lending Decisions

- Banker's angle to credit analysis.
- Bank CMA format and credit policy formulation.
- Preparation of credit proposals and credit appraisal.
- Capital budgeting methods.
- Loans versus bonds: appraisal considerations.
- Pre-sanction methodologies and analysis.
- Know Your Customer (KYC) requirements.
- Anti-money laundering checks and fraud risk in lending.
- Credit committees, delegation of powers and sanction process.

- Cash-flow-based lending using GST, banking and Account Aggregator data.
- M&A and LBO financing: credit analysis.
- Behavioural aspects of the credit officer.
- Case studies.

Module 5: ESG and Climate Risk in Credit

- ESG analysis for loans and bonds.
- Physical and transition climate risk in credit portfolios.
- Business Responsibility and Sustainability Reporting (BRSR) for credit analysis.
- Green, social, sustainability and sustainability-linked bonds and loans.
- ESG factors in credit ratings.
- Regulatory expectations on climate-related financial risk.
- Case studies.

Module 6: Loan Documentation, Covenants and Security

- Loan documentation.
- Covenant analysis and trends.
- Covenant-lite structures and global documentation trends.
- Standard documentation: LMA and LSTA frameworks.
- Security creation: mortgages, hypothecation, pledges and guarantees.
- Registration of charges and CERSAI.
- Intercreditor agreements and consortium arrangements.
- Legal enforceability, SARFAESI Act and recovery rights.
- Case studies.

Module 7: Loan and Bond Pricing and Valuation

- Loan and bond pricing, spreads and curves.

- Seniority ranking.
- Rich-cheap analysis.
- Bond valuation measures including swaps, OAS, YTW and YTM.
- Benchmark rates: MCLR, external benchmarks, SOFR and the transition from LIBOR.
- Risk-based pricing and RAROC.
- Corporate bond market in India: issuance, trading and liquidity.
- Case studies.

Module 8: Credit Derivatives and Risk Mitigation

- Credit Default Swaps (CDS).
- Credit default swaps in India.
- Total return swaps and credit-linked notes.
- Risk mitigation using derivatives: swaps, FRAs, caps and floors, and forex hedges.
- Counterparty credit risk and credit valuation adjustment (CVA).
- Case studies.

Module 9: Credit Rating: Internal and External

- Basics of credit rating.
- Credit risk management.
- 5C credit model and analytical framework for credit analysis.
- Industry risk, business risk and financial risk.
- Management risk and project risk.
- Dealing with the intricacies of credit rating.
- Rating methodology for manufacturing companies.
- Ratings for financial institutions and banks.
- Sovereign ratings.
- Internal rating models (Basel).

- Rating scales, outlooks, watches and short-term ratings.
- Default studies, rating transition matrices and rating performance.
- Rating agency conflicts of interest and rating shopping.
- Case studies.

Module 10: Sector and Specialised Credit Analysis

- Project finance and infrastructure credit.
- Real estate and construction finance.
- MSME credit.
- Retail credit: housing, vehicle, personal and unsecured loans.
- Banks, NBFCs and housing finance companies.
- Sovereign, sub-sovereign and municipal credit.
- Cyclical and commodity sectors.
- Credit analysis of holding companies and group structures.
- Case studies.

Module 11: Corporate Banking Facilities and Financing Structures

- Types of corporate banking facilities.
- Assessment of working capital finance.
- Analysis of treasuries and other corporate papers.
- Nuances of credit analysis from the NBFC, private banking and ARC perspectives.
- Priority sector and agricultural lending: analysis and peculiarities.
- Analysis of loans against property and loans against securities.
- Consortium lending and other common financing structures.
- Green bonds.
- Trade finance: letters of credit, bank guarantees and supply chain finance.
- TReDS and receivables financing.

- External commercial borrowings and foreign-currency financing.
- Co-lending arrangements.
- Case studies.

Module 12: Credit Strategy and Portfolio Management

- Understanding yield curves.
- Trading on interest rate risks.
- Understanding credit spreads and trading on credit spreads.
- Other concepts on credit risk.
- Predicting the market.
- Understanding systemic risk.
- Credit analysis in a multi-asset class portfolio.
- Trading strategies for emerging markets.
- Investment grade and high yield strategies.
- Credit portfolio concentration, correlation and limits.
- Credit portfolio stress testing.
- Debt mutual funds and credit funds: strategy and risk.
- Case studies.

Module 13: Private Credit and Alternative Lending

- Growth of private credit globally and in India.
- Direct lending, unitranche and mezzanine finance.
- Special situations and structured credit.
- Venture debt.
- Category II AIFs and credit funds.
- Structuring, pricing and documentation of private credit.
- Monitoring and valuation of private credit portfolios.

- Risks of private credit.
- Case studies.

Module 14: Credit Monitoring and Early Warning Signals

- Credit monitoring and identification of early warning signals.
- Special Mention Accounts and CRILC reporting.
- Asset classification and provisioning: IRAC norms.
- Data-driven early warning systems.
- Fraud identification, classification and reporting.
- Wilful defaulters framework.
- Case studies.

Module 15: Stressed Assets, Restructuring and Insolvency

- Stressed asset management: warning signs, process and monitoring for recovery.
- CDR mechanism.
- Pricing and valuation of NPAs.
- Introduction to distressed debt.
- RBI Prudential Framework for Resolution of Stressed Assets.
- Insolvency and Bankruptcy Code, 2016: CIRP, resolution plans and liquidation.
- Asset Reconstruction Companies and sale of stressed assets.
- Recovery rates and loss given default.
- Distressed debt investing.
- Global restructuring regimes: US Chapter 11 and UK schemes and restructuring plans.
- Case studies.

Module 16: Securitisation and Structured Credit

- Credit enhancement and structures.

- Rating of asset-backed and mortgage-backed securitisation transactions.
- Pricing and valuation of asset-backed and mortgage-backed securities.
- RBI framework for securitisation of standard assets and transfer of loan exposures.
- Pass-through certificates and direct assignment.
- Tranching, waterfalls and cash flow modelling.
- Collateralised loan obligations and global structured credit.
- Risk retention and lessons from the global financial crisis.
- Case studies.

Module 17: Credit Risk Models and Measurement

- Credit risk models, including interest rate regression and time-series modelling.
- Merton and other structural models.
- Reduced-form models and market-implied default probabilities.
- PD, LGD and EAD modelling.
- Credit scoring and scorecards.
- Expected and unexpected loss and economic capital.
- Credit VaR and portfolio models.
- Expected credit loss modelling.
- Model validation and model risk management.
- Case studies.

Module 18: Credit Regulation and Capital

- CRA regulations and debt guidelines.
- SEBI (Credit Rating Agencies) Regulations, 1999.
- SEBI regulations for the issue and listing of non-convertible securities.
- Basel III: capital, leverage, liquidity and large exposures.
- RBI capital adequacy framework.

- Expected credit loss framework for banks.
- RBI regulations on digital lending.
- Fair practices code and responsible lending.
- Case studies.

Module 19: Technology, Data and AI in Credit

- Credit information companies and credit bureaus.
- Account Aggregator framework and alternative data.
- Digital lending and fintech partnerships.
- Automation of credit appraisal and monitoring.
- Machine learning and AI in credit underwriting.
- Explainability, bias and fairness in credit models.
- RBI FREE-AI framework for responsible AI in finance.
- Data privacy under the Digital Personal Data Protection Act, 2023.

Module 20: Ethics and Professional Standards in Credit

- Ethical responsibilities of credit professionals.
- Conflicts of interest in lending, ratings and credit investing.
- Independence and objectivity in credit assessment.
- Confidentiality and use of borrower information.
- Whistleblowing and escalation.
- Lessons from credit failures: IL&FS, DHFL, Lehman Brothers and Silicon Valley Bank.
- Case studies.