ABSTRACT

This study focus on the relationship between credit risk and market risk of a industry. This paper models the fact that how a particular company if risky from market point of view is also risky from credit point of view. Credit and market risk modeling has become increasingly important to all the operating companies. With the imposition of Basel norms companies are required to have a sophisticated modeling techniques to use internal models for the purpose of calculating capital requirement to cover credit risk and market .A high level of credit risk and market risk is the key reason behind companies failing or facing severe difficulties. The management of credit rating industries is the critical component of credit risk and market risk management. Conditional value at risk is gaining popularity as a measure of risk both credit risk and market risk, with the recognition that high lending losses are often impacted by a small number of extremes events. The study examines the relation between credit risk and market risk of top rated companies and low and defaulted companies in an Indian context based on value at risk and conditional value at risk approach in risk management framework. We use different components in the modeling. Significant correlation is found between of the approaches used showing that companies in a particular industry are risky from a credit perspective are not significantly different from those which are risky from a market perspective.