ABSTRACT

Bond rating is one that should be considered by investors before making an investment bond. This is because bond rating provides an informative statement and provide signals about the probability of failure of a company's debt. In the bond rating process, rating agencies rate firms from various aspects, one of which is the company's financial data. Analysis of financial statements in the form of financial ratio analysis and statistical calculations can be used to detect an under or overvalued securities. Research on Indonesia's bond rating is still rare and research results have been found to show different results. Therefore, research should be repeated that test the ability of financial ratios in predicting bond ratings. The purpose of this study was to find empirical evidence of financial ratios that can differentiate ratings of investment grade corporate bonds and non-investment grade, and obtained a predictive model that can assess the bond rating as appropriate.

The data used are the data of non-financial corporate bonds are listed on the Indonesia Stock Exchange (IDX) and assessed by a rating agency PEFINDO in the year 2007-2008. Variable research is leverage (LTLTA), liquidity (CACL), solvency (CFOTL), profitability (OIS), productivity (STA). By using discriminant analysis (MDA) with the application program of SPSS 16, this study tries to examine the financial ratios that can form a bond rating prediction model that can assess accurately.

The results of this research shown below: (1) there are differences in corporate's bond ratings of investment grade and non-investment grade in the financial ratios in liquidity (CACL), solvency (CFOTL), profitability (OIS), and productivity (STA), (2) financial ratios which can form a bond rating prediction model is CACL, OIS, STA, (3) the level of accuracy of the prediction model is formed by 94.6%.

Keywords: *bond rating, financial ratio, MDA.*