Policy on Assignment of Provisional Ratings

CARE’S Policy on assignment of Provisional Ratings has been covered in the document named ‘Rating process’ on our website.

Policy for assigning Provisional Rating

When a rating is assigned subject to fulfillment of certain conditions, the rating will be a ‘Provisional’ rating indicated by prefixing ‘Provisional’ before the rating symbol. On fulfillment of the said conditions to the satisfaction of CARE, the final rating is assigned by CARE.

This document explains in detail the process followed by CARE while assigning provisional ratings and also further monitoring, review and finalization of the same.

When are Provisional ratings assigned?

When critical documents underlying the rating viz. guarantee document, debenture trustee deed, legal opinion etc. are pending or in cases a rating is assigned subject to fulfillment of certain conditions, CARE assigns ‘Provisional’ rating. It is indicated by prefixing ‘Provisional’ before the rating symbol – on long term as well as short term rating scale.

All communications for ‘Provisional’ rating explicitly mention the conditions and steps/documents pending, which form the basis for assigning a provisional rating. Communications include provisional communication, rating letter(s), Press Releases and Rating Rationales, wherever applicable.

Timelines for review of Provisional ratings for converting to final rating

When the rated instrument is placed, the rating is confirmed, once the conditions stipulated are complied with and documents are received within the stipulated timelines (within 60 days (non-securitization cases)/ 90 days (securitization cases) from the date of placement of the instrument). The executed documents should conform to the structure/conditions as provided at the time of the initial rating.

If the documents are not received within the stipulated timelines or if the documents are materially different from the draft documents, the rating will be reviewed in the Rating Committee for appropriate rating action (including withdrawal of the rating).
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In case instruments are not placed or CARE Ratings does not have information about placement of the instruments, CARE Ratings continues to follow up with the issuer on the status of placement of instrument, compliance of conditions and completion of the intended actions/documentation. If the instrument is not placed within one-year of the last rating action, the provisional rating may be reviewed by Rating Committee for appropriate rating action (including withdrawal of the rating).

In case the issuer has raised only a part of the rated debt instrument or the pending actions/documentation is completed for only a part of the rated amount, the rating for such part-amount is converted into final. Generally final rating will not differ from the provisional rating since CARE expects fulfillment of the conditions and compliance with documentation. However, in case of material differences in the compliance of conditions and documentation completed, the final rating shall be reviewed accordingly. Also in case of Credit Enhanced Ratings the rating will change, in case the rating of the credit enhancement provider changes in the intervening period.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.