

Background

The assessment of credit quality encompasses detailed analysis of the business, management, financial and industry risk associated with the issuer entity. Hence, to assign and monitor the ratings, it is important to have access to adequate and reliable information about the issuer on a continuous basis.

While assigning a rating, CARE Ratings Limited (CARE Ratings) relies on the data / information furnished by the client as well as publicly available information that it considers to be reliable. The reliance on data/information provided by the client is even more pronounced for unlisted entities where there is limited information available in the public domain. As such, cooperation from issuers in terms of providing adequate and timely information is extremely essential in assignment and continuous monitoring of a rating.

Assessing the risk of non-availability of information

CARE Ratings believes that the purpose of credit ratings is best served if there is transparency in the information sharing and discussions between the rated entities and CARE Ratings, so that all the non-public information can be suitably incorporated to conduct a proper credit risk assessment. This assumes importance as information sharing is not a one-time exercise but an ongoing and continuous process which is critical to the review of the ratings. On the contrary, for the entities which do not share information or engage in discussions with CARE Ratings, the credit risk assessment is solely based on public information, and that too, only to the extent this information is accessed by CARE Ratings. Hence, typically, such ratings are based on the past performance judged from old or outdated datapoints and lacks a holistic assessment, which may not reflect the true robustness of ratings that enjoy the benefit of full cooperation from the issuers. It is continuous endeavour of CARE Ratings to elicit cooperation from its rated entities for the rating review process to the best possible extent. The list of "Minimum/ Indicative Information requirement" in terms of various sectors or types of ratings is enclosed as an **Annexure** at the end of this criteria paper.

In accordance with SEBI circular no. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016, in case the issuer does not provide the information as sought for ratings or does not pay the fees for surveillance, then the issuer can be categorised as 'non-cooperating' by attaching a suffix "ISSUER NOT COOPERATING*" (INC) with the credit rating symbol. The suffix indicates 'Issuer did not cooperate; Based on best available information'.

What constitutes non-cooperation and timelines for the same:

Once the rating is accepted, it is subject to continuous monitoring during the life of the security / instrument / facility till withdrawal of the rating by CARE Ratings (as per withdrawal policy of CARE Ratings). As mentioned earlier, CARE Ratings relies on data / information furnished by the issuer as well as publicly available information for assigning or reviewing a rating. Any non-cooperation or inadequate information provided by the issuer may not yield meaningful assessment of credit profile of the issuer by CARE Ratings.

The following table lists out situations with timelines under which an issuer company shall be placed in the non-cooperating category:

| Situations | Timelines |
|--|--|
| Failure on the part of the rated issuer to furnish any material information, documents and clarifications or provide time for management interaction as required by CARE Ratings from time to time to carry out continuous monitoring of the rated debt. An indicative list of material information could be as under: <ul style="list-style-type: none"> • Financial results and explanation on the same • Current and past operational details • Details about capex plans • Details required to conduct due diligence • Debt obligations and repayment details • Any other material information | As per SEBI and RBI regulations, CARE Ratings is required to review the ratings of listed debt securities at least once in 12 months, and the ratings of all other debt instruments/bank facilities at least once during 15 months. In case adequate information to undertake a review within the regulatory timelines mentioned above is not received, then such a rating shall be taken up for review at the rating committee for placing them in "INC" category. |
| Monthly "No Default Statement" (except for cases rated 'CARE D') | CARE Ratings follows a uniform practice of three consecutive months of non-submission of No-default Statement (NDS) (or inability to validate timely debt servicing through other sources) as a ground for considering migrating the ratings to INC and shall tag such ratings as INC within a period of 7 days of three consecutive months of non-submission of NDS. However, CARE Ratings in its judgement may migrate a rating to the INC category before the expiry of three consecutive months of non-receipt of NDS. |
| Failure to pay rating fees | 60 days from the invoice date/surveillance due date/anniversary date, whichever is later. |

The above-mentioned time-lines are the outer limits for placing the ratings under "INC" category. However, in some cases even before the expiry of this timeline, an issuer may be placed in INC category due to non-receipt of certain critical information or for non-receipt of fees. CARE Ratings may also extend the outer limit of the time-line for placing the ratings under "INC" category due to non-receipt of fees from certain category of clients, such as Public Sector Undertakings, etc.

CARE Ratings discloses the aspect of non-cooperation in its Press Releases (PR) along-with the reasons for non-cooperation, details of follow-up done by CARE Ratings for getting the information, etc.

Review process for non-cooperating issuers:

In case of non-cooperating clients, CARE Ratings reviews the rating of securities/instrument(s)/facilities on the basis of the 'best available information'. This includes any information shared by the client with CARE Ratings, any publicly available information including the report published by the Debenture Trustees (DT) from time to time, feedback from bankers/ auditors/ DTs, etc.

The cases which are in the INC category are reviewed on the basis of best available information till the time the rating is withdrawn. CARE Ratings' Rating Committee takes on record that the client is not cooperating and takes appropriate rating action.

Whenever CARE Ratings becomes aware of any missed payment on a rated security/instrument/ facility for INC cases, the rating of that security/instrument/ facility is brought down to 'CARE D' in line with CARE Ratings' policy on default recognition.

CARE Ratings' process of INC review has been updated in line with SEBI circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2, dated January 3, 2020. Accordingly, with effect from July 1, 2020, CARE Ratings has put in place a process to review and downgrade any investment grade INC rating to non-investment grade with INC status, if the issuer has all the outstanding ratings as non-cooperative for more than 6 months.

Other aspects with respect to the issuers not cooperating with other credit rating agencies (CRAs):

In line with the aforesaid SEBI circular dated January 3, 2020, and subsequent clarifications provided by SEBI, CARE Ratings shall examine whether the issuer's rating from all other CRAs has persistently remained in the INC category for 12 months or more before taking up an initial rating assignment. This is applicable from January 1, 2021.

- If 12 months have passed, CARE Ratings shall not take up the assignment, until the issuer resumes cooperation with any of the previous CRAs, or its ratings with INC status are withdrawn by all the previous CRAs. In case of securities, CARE Ratings shall not carry out the rating assignment until the issuer resumes cooperation with any of the previous CRAs, or there is evidence that the issuer has made a request to all the previous CRAs to withdraw its rating (duly acknowledged by all the previous CRAs). The latter would be subject to the rating for the issuer's securities being eligible to be withdrawn by the previous CRAs (in line with the policy on withdrawal of ratings).
- If 12 months have not passed, CARE Ratings may take up the initial rating assignment provided, in such cases, CARE Ratings will have to issue the PR before the expiry of 12 months from the INC PR of the previous CRA.

Annexure

Minimum information requirement, in the absence of which the case may be tagged as INC

Standard minimum information requirement for corporate sector cases:

1. No default statements
2. Latest annual report/audited financial statements
3. Latest interim financial results and liquidity position
4. Details of debt position and repayment terms
5. Latest quantitative/operational details (as applicable/if deemed necessary)
6. Status of any major project under implementation
7. Updated details of major bankers/auditors/trustees/IPAs, etc.
8. Management interaction

Standard minimum information requirement for Infrastructure sector cases

1. No default statements
2. Latest annual report/audited financial statements
3. Latest interim financial results and liquidity position
4. Details of debt position and repayment schedule
5. Business plan / cash flow projections for at least next 2 years
6. Operating performance (e.g., toll collections/ actual plant load factor (PLF)/ annuities/ cargo volumes handled/tariff revision, etc)
7. Status of any major project under implementation
8. Details of capex / investment plans (for holdco)
9. Updated details of bankers/auditors/trustees/IPAs, etc.
10. Management interaction

Standard minimum information requirement for banks/NBFCs

1. No default statements
2. Latest annual report/audited financial statements
3. Latest interim financial results
4. Details of debt position and repayment schedule
5. Details of top individual/group exposures (in case of wholesale lending NBFCs/banks)
6. Updated details of bankers/auditors/trustees/IPAs, etc.
7. Capital adequacy ratio (CAR), asset liability maturity (ALM) statement as at the end of latest quarter/half year/year

8. Operational data, including portfolio cuts, product profile, product-wise AUM, product-wise delinquencies/gross non-performing asset (GNPA), collection efficiency, etc. (as applicable/if deemed necessary)
9. Latest liquidity position
10. Management interaction

[For previous version please refer 'Policy in respect of Non-cooperation by issuer issued in [October 2021](#)]

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About:

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE Ratings Ltd, the parent company in the group, is one of the leading credit rating agencies in India. Established in 1993, it has a credible track record of rating companies across multiple sectors and has played a pivotal role in developing the corporate debt market in India. The wholly-owned subsidiaries of CARE Ratings are (I) CARE Advisory, Research & Training Ltd, which offers customised advisory services, credible business research and analytical services (II) CARE Risk Solutions Private Ltd, which provides risk management solutions.

Disclaimer:

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Ltd. or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings.

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