

Managing Conflict of Interest

[In supersession of “Managing Conflict of Interest” dated [June 2017](#)]

CARE is a professionally managed organization and enjoys high level of independence in its operations.

As per SEBI guidelines issued in July 1999, credit rating agencies cannot rate a security issued by its promoter (defined as a person who holds 10% or more, of the shares of the agency). SEBI has, however, permitted surveillance of ratings done prior to issue of the said guidelines.

CARE has always maintained an arm’s length distance between shareholders and management, thereby ensuring autonomy and independence. CARE has Rating Committees comprising senior executives of the Ratings division of CARE. CARE also has a Ratings Appeal Committee, chaired by an independent external member for considering representations/appeals with respect to ratings assigned, comprising members who are entirely different from the original committee which assigned the rating.

Independence at Rating Committee level

Rating Committee Members of CARE do not participate in any kind of marketing/business development, including fee negotiation with issuers. CARE’s employees (alongwith their dependents) are not allowed to hold shares of the issuer they rate. Further, MD & CEO of CARE is not a part of the Rating Committee.

To avoid conflict of interest and ensure professional conduct, CARE has put in place a comprehensive “Code of Conduct for Directors, Rating Committee Members and Employees of CARE”. Annual compliance statements are also obtained from them.

Independence at organisational level

At the organization level, CARE has independent teams handling business development activities and separate analyst teams handling the rating activities. The business development

team has no say in the rating process or outcome of the rating. Further, CARE has in place a quality control team/sector specialists. Rating notes prepared in connection with initial rating assignments; where Investment grade rating is proposed are reviewed by quality control team/sector specialists team before being considered by the Rating Committees. This apart, rating notes in respect of surveillance of cases belonging to specific sectors/rating categories are also reviewed by quality control team/sector specialists before being presented before the Rating Committees.

Independence of individuals

As explained earlier, the Analyst team handling the rating assignment is independent of the business development team and is not involved in any form of negotiation for rating fee.

Analyst compensation comprises a largely fixed component. In respect of the variable compensation, which is only a small portion of the pay structure, CARE Ratings has a well-defined set of parameters for performance evaluation and is not related to rating revenue.

Employee independence is ensured by the process established at CARE Ratings wherein the analyst conveys his/her views on the case through the Rating note and is free to air his/her views on the cases handled during the rating committee meetings.

Further, to ensure independence of its employees CARE Ratings prohibits its employees from accepting gifts from clients, prospective clients, business partners, vendors, any third parties or persons connected with any form of business dealings with CARE. For CARE's Gift Policy please refer www.careratings.com.

CARE has established policies, procedures, and controls for reviewing the rating of any issuer who has been rated by an analyst who leaves the employment of CARE and joins the said issuer. On being aware of the development, reviews are conducted within specified timelines.

[Last updated on March 4, 2021]

Disclaimer

CARE's ratings 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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 is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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.