

## Policy in respect of Non-cooperation by issuer

[Issued in October 2020]

### **Background**

CARE'S Policy in respect of non-cooperation by issuer has been covered in the document named 'Rating process' on our website [www.careratings.com](http://www.careratings.com).

Assigning and monitoring of a rating requires adequate and timely information and cooperation from clients. In the absence of the same, it is not possible, in a reasonable manner, to arrive at the credit quality of an instrument/facility being rated. In case the issuer does not provide the information sought by CARE for monitoring the rating in a timely manner, despite adequate efforts by CARE, CARE shall categorize the issuer as 'non-cooperating'. CARE also construes non-payment of fees by the issuer for conducting the surveillance as a form of non-cooperation.

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

CARE 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 for getting the information, etc. In such cases, CARE uses the suffix "ISSUER NOT COOPERATING\*" with the credit rating symbol. The suffix indicates '*Issuer did not cooperate; Based on best available information*'.

### **What constitutes non-cooperation?**

Once the rating is accepted, it is subject to continuous monitoring during the life of the instrument / facility till withdrawal of the rating by CARE (as per withdrawal policy of CARE). While reviewing the rating, CARE relies on data / information furnished by the client as well as publicly available information considered reliable by CARE. The non-cooperation and insufficient information may not yield meaningful assessment of credit profile of the issuer. As such, failure on the part of the CLIENT to furnish any information, material and clarifications as required by CARE from time to time so as to enable CARE to carry out continuous monitoring of the Rated Debt is construed as non-cooperation. Also, failure to pay the Fee as and when due is also construed as non-co-operation on part of the issuer. When monthly "No Default Statement" has not been received for three consecutive months, except cases which are rated 'CARE D' and existing INC, such cases are reviewed by CARE's Rating committee for appropriate action (including placing these ratings under INC, based on best available information).

### **Review Process for non-cooperating issuers:**

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's Rating Committee takes on record that the client is not cooperating and takes appropriate rating action.

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

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CARE's 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 has put in place 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 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 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 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 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 may take up the initial rating assignment provided, in such cases, CARE will have to issue the PR before the expiry of 12 months from the INC PR of the previous CRA.

### **CARE Ratings Limited**

4th Floor, Godrej Coliseum, Somaiya Hospital Road,  
Off Eastern Express Highway, Sion (East), Mumbai - 400 022.  
Tel: +91-22-6754 3456, Fax: +91-22- 6754 3457, E-mail: care@careratings.com

#### **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.