

Policy in respect of Non-cooperation by issuer

[Updated in October 2021]

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 relies on data / information furnished by the client as well as publicly available information considered reliable by CARE Ratings. 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.

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 categorized 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 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
<p>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:</p>	<p>As per SEBI & RBI regulations, CARE Ratings is required to review the ratings of listed debt at least once in 12 months and the ratings of all other debt instruments/bank facilities at least once during 15 months.</p> <p>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</p>

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Situations	Timelines
<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 	rating committee for placing them in “INC” category.
Monthly “No Default Statement” (except for cases rated ‘CARE D’)	If “No Default Statement” is not received for a consecutive period of 3 months then such a rating can be taken up for review at the rating committee for appropriate rating action (including placing them in “INC” category).
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 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 instrument/ facility for INC cases, the rating of that instrument/ facility is brought down to ‘CARE D’ in line with CARE Ratings’ policy on default recognition.

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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 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.

[For previous version please refer 'Policy in respect of Non co-operation by issuers' issued in [October 2020](#)]

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