

Policy on Assignment of Provisional Ratings

[In supersession of CARE’s Policy on Assignment of Provisional Ratings issued in [May 2020](#)]

When a rating is assigned subject to the fulfillment of certain conditions or execution of certain critical documents, the rating is a ‘Provisional’ rating indicated by prefixing ‘Provisional’ before the rating symbol. On fulfillment of the said conditions or execution of the critical documents 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 review, and finalization/ confirmation of the same.

When are Provisional ratings assigned?

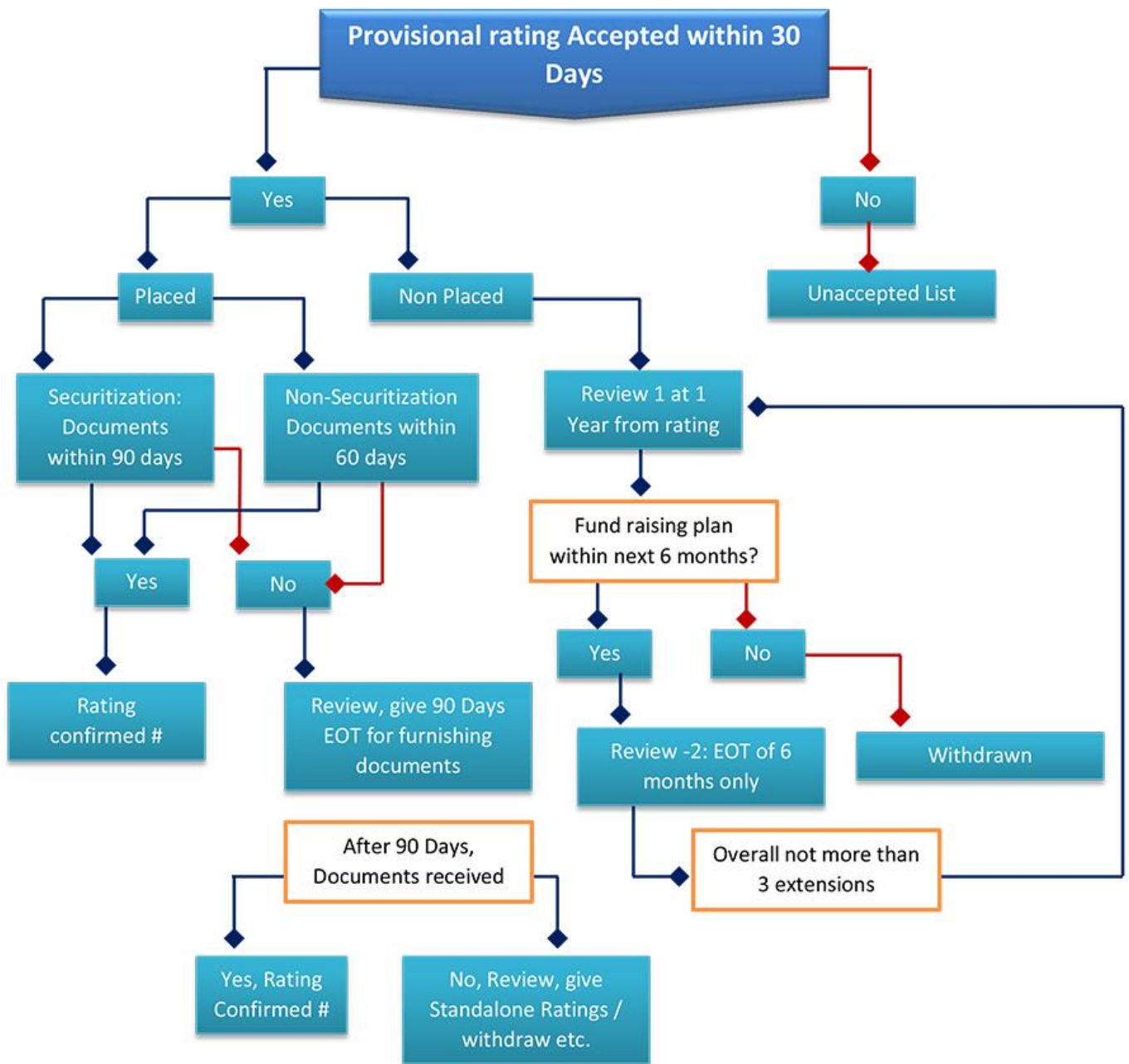
Provisional ratings are assigned when critical documents underlying the rating, viz., guarantee document, debenture trustee deed, legal opinion, etc., are pending to be executed/received .

These ratings are indicated by prefixing ‘Provisional’ before the rating symbol – on long term as well as short-term rating scale. Draft copy of such documents which are pending for execution is generally made available at each time such credit is considered at the Rating Committee.

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. In the opinion of CARE Ratings, fulfillment of such condition and / or execution of documents is a matter of process.

Timelines for review of Provisional ratings for converting to final rating:

The following chart explains the process flow.



If documents are not in conformity with those stipulated at initial rating, then rating is reviewed appropriately.

The press release made consequent to confirmation of provisional ratings must mention about details of execution of appropriate documentation on the basis of which the rating has been confirmed.

In cases where the Rating Committee is of the view that the structure based on which the rating was assigned is not adhered to or documents are materially different from those provided earlier, the case would be reviewed and the Rating may be either revised or withdrawn and simultaneously a standalone rating assigned.

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If the instrument is not placed within one year of the initial rating, the provisional rating may be reviewed for appropriate rating action (such as continuing with the provisional rating with further extension of time, change in rating or withdrawal of the rating, etc.). Overall, not more than three extensions would be granted.

Whenever a case is reviewed either to examine the documentation aspect or funds not having been raised in the stipulated period, the Rating Committee in its analytical judgement shall decide whether extension of time period can be given and the rating may be maintained as 'provisional' after taking a view on the following: -

- If funds are not raised, then the status of fund-raising plan with respect to the rated instrument/facility and likelihood of funds being raised in the next six months;
- If funds have been raised, then the likely timeframe (not later than three months from the date of review) within which the said documentation would be made available; a maximum time-limit to provide documents for placed instruments would be 150 days for non-securitization transactions and 180 days for securitization transactions from assignment of the provisional rating. Post this time-limit, the rating would be appropriately reviewed by the committee for withdrawal of the same or assignment of standalone 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.

[Reviewed in September 2020, next review due in September 2021]

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