

Policy on Assignment of Provisional Ratings

[In supersession of CARE's Policy on Assignment of Provisional Ratings issued in [Sept19](#)]

CARE'S Policy on assignment of Provisional Ratings has been covered in the document named 'Rating process' on our website.

Policy for assigning Provisional Rating

When a rating is assigned subject to fulfillment of certain conditions, the rating will be a 'Provisional' rating indicated by prefixing 'Provisional' before the rating symbol. On fulfillment of the said conditions 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 monitoring, review and finalization of the same.

When are Provisional ratings assigned?

When critical documents underlying the rating viz. guarantee document, debenture trustee deed, legal opinion etc. are pending or in cases a rating is assigned subject to fulfillment of certain conditions, CARE assigns 'Provisional' rating. It is indicated by prefixing 'Provisional' before the rating symbol – on long term as well as short term rating scale.

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.

Timelines for review of Provisional ratings for converting to final rating

When the rated instrument is placed, the rating is confirmed, once the conditions stipulated are complied with and documents are received within the stipulated timelines (within 60 days (non-securitization cases)/ 90 days (securitization cases) from the date of placement of the instrument). The executed documents should conform to the structure/conditions as provided at the time of the initial rating. The press release made consequent to confirmation of provisional ratings has to mention about details of execution of appropriate documentation.

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If the documents are not received within the stipulated timelines or if the documents are materially different from the draft documents, the rating will be reviewed in the Rating Committee for appropriate rating action (including withdrawal of the rating).

In case instruments are not placed or CARE Ratings does not have information about placement of the instruments, CARE Ratings continues to follow up with the issuer on the status of placement of instrument, compliance of conditions and completion of the intended actions/documentation. If the instrument is not placed within one-year of the last rating action, the provisional rating may be reviewed by Rating Committee for appropriate rating action (including withdrawal of the 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. Generally final rating will not differ from the provisional rating since CARE expects fulfillment of the conditions and compliance with documentation. However, in case of material differences in the compliance of conditions and documentation completed, the final rating shall be reviewed accordingly. Also in case of Credit Enhanced Ratings the rating will change, in case the rating of the credit enhancement provider changes in the intervening period.

[Reviewed in May 2020.]

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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.