CARE Ratings' Policy on Withdrawal of Ratings

[Issued in February 2023]

Background

The ratings assigned by CARE Ratings Limited (CARE Ratings) are not a one-time exercise and are kept under surveillance till the time the obligations under such facilities/instruments are fully extinguished or the ratings are withdrawn, in the situations explained in detail in this document.

CARE Ratings withdraws a credit rating under the following situations:

- **Full redemption:** On full redemption of the rated instrument/facility, i.e., on confirmation by the rated entity and lender/trustee that the full maturity value of the instrument/facility has been paid off and there is no amount outstanding on the rated instrument/facility.
- **Proposed debt rated but not placed:** On receipt of confirmation from the rated entity to CARE Ratings that the rating awarded has not been used for mobilising funds, and as such, no amount is outstanding against the rated instrument/facility.
- **Merger/Amalgamation/Liquidation:** On merger/amalgamation/liquidation of the rated entity, wherein it may no longer be useful or necessary for CARE Ratings to maintain a rating on the rated entity's obligations.
- **Withdrawal in case of provisional ratings:**
  Please refer to Policy for assigning Provisional Ratings on our website www.careratings.com.
- **Withdrawal in case of ratings based on credit enhancement:**
  For ratings based on credit enhancement, if during the tenure of the instrument, the credit enhancement ceases to exist or there is a change in terms (in concurrence with the lender), CARE Ratings would review the ratings for withdrawal of the same and simultaneously assign a new rating based on the changed terms. However, the practice of withdrawal and simultaneous reassignment of the rating would not be followed if the credit enhancement fails to work as anticipated. In such cases, CARE Ratings would take an appropriate rating action.

  For example, if CARE Ratings has relied on a corporate guarantee and assigned a 'CE rating' to an issue and the corporate guarantee ceases to exist, the rating would be reviewed for withdrawal and a new standalone rating would be assigned simultaneously. On the other hand, if CARE Ratings has relied on a corporate guarantee and assigned a 'CE rating' to an issue and there is a missed payment without the guarantee being invoked, the rating would be revised downwards in accordance with CARE Ratings' 'Policy on Default Recognition' available on www.careratings.com.

Apart from the above, CARE Ratings would withdraw the ratings of specific instruments/facilities as mentioned below:

- **Capital market securities/instruments (i.e. bonds, NCDs, or other capital market securities/instruments):**
  a) Withdrawal in case of single ratings outstanding on rated security/instrument: CARE Ratings can

withdraw the rating, subject to: -

- CARE Ratings has rated the security/instrument continuously for 5 years OR 50% of the tenure of the security/instrument, whichever is longer; **AND**
- CARE Ratings has received an undertaking from the Issuer that a rating is available on that security/instrument from another Credit Rating Agency (CRA) registered with SEBI; **AND**
- CARE Ratings has received an undertaking from the other CRA that a new rating has been assigned to such security/instrument.

b) Withdrawal in case of multiple ratings outstanding on rated security/instrument: In case of multiple ratings on a security/instrument (where there is no regulatory mandate for multiple ratings), CARE Ratings can withdraw a rating earlier than stipulated provided: -

- CARE Ratings has rated the security/instrument continuously for 3 years OR 50% of the tenure of the security/instrument, whichever is longer; **AND**
- CARE Ratings has received No-objection Certificates (NOCs) from 75% of bondholders by value of the outstanding debt for withdrawal of rating; **AND**
- CARE Ratings has received an undertaking from the Issuer that a rating is available on that security/instrument from another CRA accredited by Securities & Exchange Board of India (SEBI); **AND**
- CARE Ratings has received an undertaking from the other CRA(s) that a rating is available on such security/instrument.

- **Bank facilities:** The ratings of all types of bank loans/facilities can be withdrawn at the request of the issuer, subject to receipt of No Objection Certificates (NOCs) from all the lending banks. NOCs from the banks should be on the bank's official letterhead, duly signed and stamped and specifically mentioning that the NOCs are being issued for such withdrawal of the rating of the facility being availed from the bank.

  Pursuant to the guidance note issued by the Reserve Bank of India (RBI) on April 22, 2022, and the frequently asked questions (FAQs) dated July 26, 2022, bank facility Credit Enhanced (CE) ratings can be withdrawn if the issuer seeks an option to withdraw the rating in consideration of the proposed change in the rating in adherence to the guidance note, based on request for withdrawal from the issuer. In such cases, CARE Ratings shall issue a press release communicating the reason for withdrawal and the standalone rating of the issuer (without factoring explicit support) as per CARE Ratings' assessment.

- **Perpetual debt securities/instruments that are listed or proposed to be listed on a recognised stock exchange:** The ratings of perpetual debt securities like AT1 bonds, that are listed or proposed to be listed on a recognised stock exchange, can be withdrawn subject to the following conditions:
  - CARE Ratings has rated such securities/instruments continuously for 5 years; **AND**
  - CARE Ratings has received an undertaking from the Issuer that a rating is available on such securities/instruments; **AND**
  - CARE Ratings has received an undertaking from the other CRA(s) that a rating is available on such securities/instruments.

- **Open-ended Mutual Fund schemes:** The ratings of Open-ended Mutual Fund schemes being perpetual in nature and having no specified maturity can be withdrawn upon the receipt of the request for withdrawal from the asset management company (AMC). The ratings would be placed on 'Notice of Withdrawal' for 30 days before being withdrawn at the end of such notice period for withdrawal.

- **Issuer Ratings:** Issuer ratings can be withdrawn upon the receipt of the request for withdrawal from the rated entity.
- **Commercial Papers and Certificate of Deposits:** CARE Ratings withdraws outstanding ratings for money market instruments, such as commercial papers, certificates of deposit, etc., upon the receipt of the request for withdrawal from the issuer, if the instrument is not placed or there are no obligations outstanding against the rated instruments. In this regard, CARE Ratings relies on confirmation from the issuers and also takes confirmation from issuing and paying agents or auditors or other sources to satisfy itself that the rated obligations have been repaid fully and there is no outstanding against the same.
- **Security Receipts (SRs):** The ratings of security receipts can be withdrawn at the request of the issuer, subject to receipt of no objection certificates (NOCs) from all the investors and undertaking from the trustee that a rating is available on that SR from another credit rating agency (CRA). The NOCs from the investors should be duly signed and stamped and specifically mentioning that the NOCs are being issued for such withdrawal of the rating of the SRs.
- **Fixed Deposits:** Withdrawal of rating in case of Fixed Deposits raised by corporates:

Sr. No.	Scenario	Procedure for Withdrawal
a)	**If no funds have been mobilised** by the corporate using CARE Ratings' FD rating and as such no amount is outstanding against the rated FD.	CARE Ratings withdraws the rating after receiving the confirmation from the company to this effect.
b)	If the funds mobilised by the corporate using CARE Ratings' FD rating have been **repaid** by the company.	CARE Ratings withdraws the rating after receiving the withdrawal request from the company AND certificate from the auditor that all investors have been paid off (in case of unsecured FD)/ a certificate from the trustee that all investors have been paid off (in case of secured FD).
c)	If the funds have been mobilised by the corporate using CARE Ratings' FD rating but have **not been repaid** by the corporate.	CARE Ratings withdraws the rating after receiving the withdrawal request from the company and the auditor's certificate certifying the list of investors and the amount due to them AND NOC* from all the investors (in case of unsecured FD) /trustee (in case of secured FD). In case, the company has set aside an amount for repayment (equivalent to principal and interest) in an escrow account and informed the depositors accordingly to accept withdrawal of deposits, CARE Ratings shall, at the request of the company and also on furnishing of the auditors' certificate about adequacy of deposit amount in escrow account, withdraw the rating. CARE Ratings withdraws the rating if it is rated 'CARE D' continuously for three years.

*Note: The NOC should specifically mention that the investor has no objection to the withdrawal of the rating

While withdrawing any outstanding credit rating including the ratings placed on notice of withdrawal, CARE Ratings shall also review the rating and reaffirm or suitably revise the rating based on the available information before withdrawing the outstanding rating, except where there are no outstanding obligations under the security/instrument/facility rated, or the company whose security/instrument/facility is rated is wound up or merged or amalgamated with another company.

The withdrawal of the ratings under different situations mentioned above is subject to clearance of fees payable by the clients to CARE Ratings.

[For previous version, please refer 'Policy on withdrawal of Ratings' issued in September 2022**]**

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About:

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE Ratings Ltd, the parent company in the group, is one of the leading credit rating agencies in India. Established in 1993, it has a credible track record of rating companies across multiple sectors and has played a pivotal role in developing the corporate debt market in India. The wholly-owned subsidiaries of CARE Ratings are (I) CARE Advisory, Research & Training Ltd, which offers customised advisory services, credible business research and analytical services (II) CARE Risk Solutions Private Ltd, which provides risk management solutions.