

This document updates and supersedes ICRA's earlier policy on this subject, published in March 2023. The policy is in line with the specific requirements for the 'Issuer Not Cooperating' (INC) ratings prescribed by the Securities and Exchange Board of India (SEBI).

## Overview

ICRA's credit ratings are a symbolic representation of its opinion on the relative credit risk associated with timely debt servicing by an entity. The rating approach involves evaluating the ability of the rated entity to generate cash from operations, the predictability of such cash flows and assessing their adequacy to meet the debt servicing obligations over the tenure of the rated instrument. This entails analysing the riskiness of the industry in which the entity operates, the entity's own business position, its exposure to financial risks, the entity's future business plans, besides the management quality and the governance practices followed.

For undertaking the above analysis, ICRA relies on public information as well as non-public information, the source for the latter primarily being the rated entity itself. ICRA enters into a written agreement with the rated entity that seeks a credit rating for its borrowing limits/ debt obligations. As per the terms and conditions of the written agreement, the rated entity is required to furnish information and clarifications as may be periodically required by ICRA to monitor the assigned credit rating throughout the lifetime of the borrowing limits/ debt obligations. The rated entity is expected to provide to ICRA accurate, bonafide, adequate, and timely information as required for assigning and/or monitoring the credit risk.

## What is the approach taken by ICRA in the case of non-cooperation by the rated entity?

Situations may arise at times when ICRA is unable to effectively monitor the credit quality of a rated entity because of non-cooperation by it in terms of sharing adequate information or not giving an opportunity to discuss the business performance and future plans with the management, despite reminders from ICRA. This makes it difficult to take a reliable credit rating decision. In addition, situations may arise where the rated entity does not adhere to the commercial terms of the written agreement with ICRA.

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An indicative list of information<sup>1</sup> required by ICRA to adequately monitor the credit quality of a rated entity includes (but not limited to):

- i. Timely updates on the financial performance via quarterly, half-yearly or annual results, as the case maybe
- ii. Regular updates on the operational performance including the capital expenditure and other investment plans
- iii. Details relating to the debt obligations and repayments
- iv. Timely submission of “No Default Statement”
- v. Any other information, as may be requested by ICRA from time to time

If the entity does not share the information sought by ICRA within seven calendar days of seeking the information, even after repeated reminders (within these seven calendar days), ICRA may take appropriate rating action depending upon the severity of information risk of the entity.

Under the situations where the rated entity remains non-cooperative, ICRA continues to review such ratings on an ongoing basis throughout the instrument’s lifetime, or until such ratings are withdrawn, on the basis of best available information. The rating action as well as any relevant update on the entity is disseminated via a rating rationale on ICRA’s website. To caution lenders, investors and market participants, the credit rating symbol in the rating rationale for such entities is accompanied by the suffix “ISSUER NOT COOPERATING” in the same font size as the rating symbol, followed by an asterisk mark, with a description spelt out separately and read as “*Issuer did not cooperate; Based on best available information*”.

## What does a rating symbol accompanied by the suffix “ISSUER NOT COOPERATING” signify?

A rating symbol that is accompanied by the suffix “ISSUER NOT COOPERATING” signifies that the rating is based on limited or outdated information on the entity’s performance since the time it was last assessed comprehensively. For such ratings, the lenders, investors and other market participants are thus advised to exercise appropriate caution while using the rating, as it may not adequately reflect the credit risk profile of the entity. The entity’s credit profile may have changed to an extent not represented by the rating symbol. A rating symbol that is accompanied by the suffix “ISSUER NOT COOPERATING” can also signify non-adherence to the commercial terms by the rated entity as per the written agreement with ICRA.

## Rating action taken by ICRA in case of non-cooperation by the rated entity

### ***When the No Default Statement is not submitted by the rated entity***

To enable timely recognition of default, ICRA seeks a ‘No Default Statement’ (NDS) from the rated entities on a monthly basis. If the entity fails to submit the NDS for three consecutive months and ICRA is unable to validate the timely debt servicing from other sources, ICRA will, within five working days of three consecutive months of non-submission of NDS, migrate the rating to the INC category. Notwithstanding the above, ICRA may also migrate the rating to the INC category before the expiry of three consecutive months of non-receipt of NDS, if the circumstances so merit. This could be accompanied by any other rating action, as considered appropriate, within the contours of ICRA’s policies and the relevant methodologies.

### ***When an investment grade entity (marked as INC) remains persistently non-cooperative for over six months***

If an entity has an investment grade rating outstanding while being persistently non-cooperative with ICRA for more than six months, its rating is necessarily downgraded to the non-investment grade<sup>2</sup>. The rating symbol in such cases would continue to reflect the INC status.

<sup>1</sup> For more details, refer to ICRA’s website [www.icra.in](http://www.icra.in)

<sup>2</sup> An INC rating in the investment grade may be downgraded to the non-investment grade even before the passage of six months of persistent non-cooperation, depending on the merits of the case.

### Extent of downgrade under various scenarios

Scenario	Rating Action
<b>When only partial information is available but there are reasons to believe that the credit quality of the entity has weakened since last assessed</b>	<b>Rating downgraded:</b> The severity of the downgrade would depend on ICRA's assessment of the entity's credit quality based on information available on a best effort basis. The users of the rating should exercise caution as despite the downgrade, the rating may still not adequately reflect the credit risk profile of the entity.
<b>When no information or only partial information is available, and it is difficult to form a reliable opinion on the credit quality of the entity</b>	<b>Rating may or may not be downgraded:</b> ICRA would assess the extent to which the lack of information creates an uncertainty regarding the entity's performance and hence its credit risk. Accordingly, ICRA would consider whether the rating of the entity could be retained or needs to be suitably downgraded depending on the extent of information available commensurate with the rating <sup>3</sup> . Also, the users of the rating should exercise caution as the rating, whether retained or downgraded, may still not adequately reflect the credit risk profile of the entity.
<b>When there is lack of information overall, but it becomes known that the entity is defaulting on debt obligations</b>	<b>Rating downgraded to the Default category:</b> This would be as per ICRA's Policy on Default Recognition available at <a href="http://www.icra.in">www.icra.in</a> .

## What is the approach taken in case an entity has a history of non-cooperation with other credit rating agencies?

In case an entity approaches ICRA for a credit rating, having not cooperated with all other credit rating agencies (CRAs) with whom it has any rating outstanding, ICRA will examine whether the entity's rating from all the other CRAs has persistently remained in the INC category for 12 months<sup>4</sup> or more.

- » If the entity's rating from all the other CRAs has persistently remained in the INC category for 12 months or more, ICRA would not carry out the rating assignment until the entity resumes cooperation with any of the other CRAs or its ratings with INC status are withdrawn by all the other CRA. *Exception:* In case of securities, ICRA would not carry out the rating assignment until the entity resumes cooperation with any of the other CRAs or there is evidence that the entity has made a request to all the other CRAs to withdraw its rating (duly acknowledged by all the other CRAs). The latter would be subject to the rating for the entity's securities being eligible<sup>5</sup> to be withdrawn by the other CRAs.

<sup>3</sup> It may be noted that with prolonged non-cooperation, the uncertainty around the entity's performance would increase further because of persistent lack of information. Thus, the rating may be subjected to a further downgrade, if the circumstances so merit.

<sup>4</sup> The period of 12 months of non-cooperation by an entity with the other CRAs, during which ICRA might consider undertaking the rating assignment for such entity would be linked to ICRA being able to complete the rating assignment and publish the press release prior to the passage of 12 months. *Example:* If ICRA initiates the rating exercise but is unable to conclude the assessment within 12 months of the INC press release of the other CRA, then ICRA would not publish the press release, unless the entity resumes cooperation with any of the other CRAs or gets its ratings withdrawn from all the other CRAs.

<sup>5</sup> The said eligibility criteria for the withdrawal of the rating of securities is as specified by SEBI.

- » If 12 months of persistent non-cooperation with all the other CRAs are yet to expire, ICRA may carry out the rating assignment and the rating rationale that shall be published by ICRA as part of the rating assignment would disclose, *inter alia*, the reasons for non-cooperation by the entity with the other CRA(s). As per the terms of the written agreement, the rated entity is required to disclose to ICRA, the history and status of the rating from the other CRA, along with reasons for non-cooperation.

If ICRA already has rating(s) outstanding for an entity, it would continue to surveil the ratings for the ongoing borrowing facilities/ debt instruments and/ or assign ratings to its enhanced limits/ borrowing programme, regardless of the entity's non-cooperation status with the other CRAs.

Contact us for any feedback or comments at: [methodologies@icraindia.com](mailto:methodologies@icraindia.com)

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in) and [www.icraresearch.in](http://www.icraresearch.in)

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