



ICRA Rating Feature

Policy in respect of non-cooperation by the rated entity

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, 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 ICRA with accurate, bonafide, adequate and timely information as required for assigning and/ or monitoring the Credit Rating.

What is the process followed by ICRA in the case of non-cooperation by the Rated Entity?

Situations may arise at times where surveillance of the assigned Credit Rating cannot be carried out because of non-cooperation by the Rated Entity on account of the following:

- » Rated Entity does not provide adequate information to enable Credit Rating decision despite reminders from ICRA: AND/ OR
- » The Rated Entity does not pay fee as per terms of the written agreement to ICRA

As per ICRA's earlier policy, if the Rated Entity did not cooperate on the above, its rating used to be suspended following ICRA's inability to form an opinion about the entity's credit worthiness. However, as per ICRA's revised policy in respect of non-cooperation by the Rated Entity¹ (as outlined in this document), ICRA continues to review such ratings on an ongoing basis throughout the instrument's lifetime, on the basis of best available information.

The Credit Rating in such cases is promptly disseminated via a press release on ICRA's website in the standard format. To caution lenders, investors and market participants, the credit rating symbol in the press release 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 separately and read as "*Issuer did not cooperate; Based on best available information*".

¹ Revised in line with SEBI's circulars (of Nov 2016 and Mar 2017) prescribing enhanced standards for Credit Rating Agencies in India

Rating action taken by ICRA under various scenarios of information availability

Scenario	Rating Action	Description
When only partial information is available, but there is limited evidence to change the opinion on the entity's credit quality since the time it was last assessed	No change in rating; however, the users of the rating should exercise caution as the rating may not adequately reflect the credit risk profile of the entity	ICRA would move the rating to the 'Issuer Not Cooperating' category. The rating would be denoted as [ICRA]Rating Symbol ISSUER NOT COOPERATING*
When only partial information is available, but there is evidence that indicates that the credit quality of the entity has weakened since last assessed	Rating downgraded; 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	ICRA would downgrade the rating and also move the rating to the 'Issuer Not Cooperating' category. The downgraded rating would be denoted as [ICRA]Rating Symbol ISSUER NOT COOPERATING*
When there is lack of information overall, but it becomes known that the entity is defaulting on debt obligations	Rating downgraded to the Default category as per ICRA's Policy on Default Recognition available at www.icra.in	ICRA would downgrade the rating to [ICRA]D, while also moving the rating to the 'Issuer Not Cooperating' category. The downgraded rating would be denoted as [ICRA]D ISSUER NOT COOPERATING*

**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 no updated information on the entity's performance since the time it was last assessed. 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.

What happens in case the Rated Entity has a history of non-cooperation with the earlier Credit Rating Agency?

In case a Rated Entity, having not cooperated with a credit rating agency in the past, approaches ICRA for a Credit Rating, the reasons of non-cooperation with the previous CRA will be disclosed in ICRA's press release. As per the terms of the written agreement, the Rated Entity will be required to disclose to ICRA, the history and status of the rating from the previous credit rating agency, along with reasons for non-cooperation.

Defined Terms**Credit Rating**

A Credit Rating is an opinion on the relative credit risk of the issuer/ borrower/ instrument / borrowing limit expressed in the form of standard symbols or in any other standardised manner, assigned by ICRA and used by the issuer of instrument/ debt obligation, to comply with the requirements specified under regulations.

ICRA

ICRA Limited under this policy shall be referred to as "ICRA" as that term is used throughout this policy.

Rated Entity (ies)

A Rated Entity means any entity rated by ICRA or any entity that issues instrument/ raises debt obligations rated by ICRA or any entity that is seeking a Credit Rating from ICRA.



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