



ICRA Rating Feature

Policy on Assigning Provisional Ratings

Assignment of Provisional Ratings¹

ICRA assigns a 'provisional' rating to debt instruments to denote that the rating is contingent upon the completion of certain actions or the execution of certain documentation. These pending actions/ documents could include execution of guarantee deed, setting up of debt service reserve account (DSRA), opening of escrow account, appointment of Debenture Trustee and so on. The provisional rating indicates the final rating that is likely to be assigned after the above actions/ documentation are completed, *ceteris paribus*.

Symbolic Representation and Disclosure of Provisional Ratings

Pursuant to the SEBI Circular dated May 6, 2015, the provisional ratings assigned by ICRA, on both the long-term as well as the short-term scale, are prefixed with the word 'Provisional', signifying that the rating assigned to the instrument concerned is subject to execution of the pending actions/ documentation. ICRA discloses the provisional nature of the rating in all its communication pertaining to that instrument, including the rating communication letter and the rating rationale.

Conversion of Provisional Rating into Final Rating

- » ICRA converts a provisional rating into a final rating as soon as it gets a confirmation about the completion of the pending actions, and/ or execution of the pending documents. The final rating may be the same as the provisional rating or may even differ from the provisional rating in case there is a material divergence between the eventual actions/ documentation vis-à-vis that envisaged initially.
- » In case the debt instrument is issued for only a part of the rated amount or the pending actions/ documentation is completed for only a part of the rated amount, the rating for the part-amount is converted into final. Depending on the actions/ documentation completed, the final rating may differ from the provisional rating assigned earlier. The rating for the remaining portion of the debt amount continues to remain provisional.

Monitoring/ Review of Provisional Rating

- » After the assignment of the provisional rating, if there are material changes in either the terms of the transaction or any other rating driver as applicable, vis-à-vis ICRA's earlier expectation, ICRA shall review the provisional rating and take appropriate rating action as it deems fit.
- » If at any point of time, the entity conveys to ICRA that it no longer plans to issue the proposed debt instrument, the provisional rating is withdrawn.
- » On an ongoing basis, ICRA would engage with the rated entity to understand the timelines within which the said actions/documentation are intended to be completed. If the pending actions/ documentation are not completed even after one-year of the last rating action, the provisional rating may be reaffirmed, revised or withdrawn, depending upon the merits of the case.

¹This document updates and supersedes ICRA's earlier policy on assigning provisional ratings, published in December 2017. Refer to ICRA's website www.icra.in to view the earlier version.

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