

**Operating Guidelines and  
Policies as required to be  
published under SEBI Master  
Circular dated May 16, 2024**

**JULY 2024**

## AMENDMENT RECORD

SR NO	DATE	DOCUMENT AMENDED FOR
1	August 2017	Policy for appeal by issuers
2	December 2017	Links to CRISIL website
3	August 2018	Functioning and evaluation of rating committees/sub - committees
4	January 2019	Amended Requirements of the SEBI circular on review/appeal by issuer
5	July 2020	Amended Guidelines on what constitutes non- cooperation  New Non –cooperation with Other Credit Rating Agencies (OCRAs)
6	September 2020	Amended  Functioning and evaluation of rating committees/sub – committees  Policy for withdrawal of ratings
7	April 2021	Amended  Functioning and evaluation of rating committees/sub – committees
8	May 2021	Amended  Policy on provisional ratings
9	July 2021	Amended  Policy for withdrawal of ratings  Policy on provisional ratings
10	June 2022	Policy for withdrawal of ratings
10	September 2022	Policy for withdrawal of ratings
11	January 2023	Policy for appeal by issuers

<b>SR NO</b>	<b>DATE</b>	<b>DOCUMENT AMENDED FOR</b>
12.	February 2023	Policy for withdrawal of ratings Policy for placing ratings on Rating Watch
13.	March 2023	Minimum/ Indicative Information requirement
14.	April 2023	Policy for appeal by issuers
15.	July 2023	Updated for the references to SEBI circulars (from Operational Circular to Master Circular dated July 03, 2023)
16.	July 2024	Policy for appeal by issuers Updated for the references to SEBI circulars (from Master Circular dated July 03, 2023 to Master Circular dated May 16, 2024)

**CONTENTS**

About this document ..... 4

Rating process..... 4

Rating criteria ..... 4

General nature of compensation arrangements with rated entities ..... 5

Policy for appeal by issuers ..... 5

Policy for placing ratings on Rating Watch ..... 6

Policy for withdrawal of ratings..... 7

Guidelines on what constitutes non- cooperation ..... 9

Minimum/Indicative Information Requirement ..... 10

Non-cooperation with Other Credit Rating Agencies (OCRAs) ..... 13

Gift policy..... 13

Confidentiality policy ..... 14

Policy on outsourcing of activities ..... 14

Policy on Provisional ratings ..... 14

FAQs on Ratings ..... 17

Disclosure on managing conflict of interest ..... 17

Functioning and evaluation of rating committees/sub - committees..... 17

## About this document

This document covers operating guidelines and policies as required to be published under SEBI Master Circular of dated May 16, 2024 (erstwhile SEBI circular dated November 01, 2016 and SEBI Master Circular dated July 03, 2023). The guidelines and policies outlined in this document apply to all rating assignments executed by CRISIL Ratings and shall cover all products and services that fall within the purview of SEBI Regulations and Circulars.

## Rating process

CRISIL's ratings process is designed to ensure that all ratings are based on the highest standards of independence and analytical rigour. The details of the process are available under the tab, 'Rating Process' on the CRISIL website, at the following link, <https://www.crisilratings.com/en/home/our-business/ratings/understanding-rating/rating-process.html>

Any change in the rating process shall be disclosed on the website, while also providing a reference/ hyperlink to the original provision/ process/ policy, to enable the investors to discern the changes made to the same.

## Rating criteria

Criteria may be defined as the methodology, framework and analytical basis employed to arrive at the qualitative or quantitative metrics of a CRISIL rating. A rating criteria document is the article or note that presents the criteria employed to arrive at the credit rating of an instrument or bank facility. Criteria documents can be accessed under section 'Criteria and Methodology', on the CRISIL website, at the following link, <https://www.crisilratings.com/en/home/our-business/ratings/understanding-rating.html>. The criteria displayed on the website, will include but not limited to, the following:

- a) CRISIL's approach to recognising default<sup>1</sup>
- b) CRISIL's approach to financial ratios
- c) CRISIL's criteria for consolidation
- d) Criteria for notching up stand-alone ratings of companies based on parent support
- e) Criteria for notching up stand-alone ratings of companies based on group support
- f) Criteria for notching up standalone ratings of entities based on government support
- g) Rating criteria for manufacturing and services sector companies
- h) Criteria for rating trading companies
- i) Rating criteria for banks and financial institutions
- j) Rating criteria for finance companies
- k) Evaluating risks in securitisation transactions: A primer
- l) Criteria for rating municipal and urban local bodies
- m) Rating criteria for state governments

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<sup>1</sup> CRISIL Ratings shall endeavor to seek clarifications from relevant regulators, where necessary, while formulating policies for implementing new regulations or circulars pertaining to default recognition.

n) The infrastructure sector: Its unique rating drivers

Each criteria shall be reviewed periodically by CRISIL. The periodicity for such review shall be at least once in three years. While disclosing the revised criteria on the website, CRISIL will also provide a reference or hyperlink to the criteria before revision, to enable investors to discern the changes made.

The press release/Rating Rationale (hereafter referred to as RR), related to rating action, shall provide a reference/ hyperlink to the specific criteria applied for assigning the rating.

### **General nature of compensation arrangements with rated entities**

The general nature of compensation arrangement with rated entities is available on the CRISIL website at: <https://www.crisilratings.com/content/dam/crisil/generic-images1/our-businesses/ratings/regulatory-disclosure-highlighted-policies/regulatory-disclosures/sebi/disclosures-as-per-sebi-circular-cir-mirsd-cra-6-2010/compensation-arrangement.pdf>

### **Policy for appeal by issuers**

As part of the rating process, CRISIL Ratings allows a rated entity that disagrees with a rating assigned (including rating action in case of a rating under surveillance) to appeal for a reassessment of the same before it is published. CRISIL Ratings defines a request for reassessment of rating as an appeal when:

- a) The issuer sends a written request for reassessment in the prescribed format (see Annexure I).
- b) The request is accompanied by new data in addition to the existing information.
- c) The new data, ideally, should address areas that are critical in constraining the rating.

The written request for reassessment is required to be sent to <[debtissue@crisil.com](mailto:debtissue@crisil.com)> besides respective analytical team members.

The analytical team will evaluate the relevance and usefulness of the additional information provided.

However, appeals may not be entertained in the following cases:

1. Where the analytical team concludes the issuer has appealed solely to delay the rating action;
2. Where the analytical team concludes the new information is not likely to alter the rating decision;
3. Where no additional information has been provided by the issuer
4. Where the rating is on 'Rating Watch' in the public domain

For cases under initial rating, CRISIL Ratings requires that any appeal by the client needs to be received within 5 workdays from the date of communication of the rating to the client. For cases under surveillance, an appeal needs to be received within 3 workdays from the date of the Rating

Committee meeting<sup>2</sup>. In case of a conflict in multiple timelines, earliest of the timelines shall apply. The timeline for appeal following review of rating or periodic surveillance shall be applicable for all ratings reviewed at rating committees held on or after August 1, 2024.

After analysing the impact of the new data on the rating, the analytical team shall present its analysis and the final rating recommendation should be presented to a Rating Committee for appeals<sup>3</sup> (for requests by an issuer for review of rating(s) in line with the requirements of the SEBI Master Circular dated May 16, 2024 (erstwhile SEBI circular dated September 19, 2018 and July 03, 2023)) that consists of majority of members that are different from those in the committee that assigned the earlier rating and at least one-third of its members are independent<sup>4</sup>.

The rating team must strive for speedy resolution of the appeal, by publishing the final rating rationale. In the rare instances where the appeal is not likely to be resolved within regulatory timelines, CRISIL Ratings shall publish the RR while the rating is under appeal. If the appeal results in a change of rating, CRISIL Ratings shall subsequently publish a fresh RR.

CRISIL Ratings shall disclose the details relating to appeal such as date of appeal, rating prior to appeal, etc. in line with the requirements of SEBI Master Circular dated May 16, 2024<sup>5</sup>. (erstwhile SEBI Master Circular dated July 03, 2023)

### **Policy for placing ratings on Rating Watch**

Rating Watch is a tool, applicable to all ratings that indicates the uncertainty in rating due to occurrence/ possible occurrence of specific events, which are likely to impact credit profile of the issuer or when the impact of specific events on the credit profile cannot be accurately assessed at the point when they occur, and additional information may be necessary for CRISIL Ratings to fully ascertain the creditworthiness of the rated instrument.

In case of corporate actions such as a merger or acquisition, or de-merger of some business, CRISIL Ratings may place an outstanding rating on Rating Watch after the issuer announces (typically through stock exchanges in case of listed issuers<sup>6</sup>) the corporate action after the Board of the rated entity approves the decision.

In case of material developments / events other than corporate actions such as action by regulatory or government authorities, the ratings may be placed on Rating Watch when the specific events occur. If CRISIL Ratings believes that the event does not alter the credit profile of the issuer, the ratings will not be placed on watch.

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<sup>2</sup> To facilitate appeal by issuers in a timely manner, CRISIL Ratings shall endeavour to communicate the rating on the same day as rating committee, but no later than one day from the same.

<sup>3</sup> The Rating Operations Team will ensure the logistical requirements of the appeal rating committee are met

<sup>4</sup> "independent" would mean people not having any pecuniary relationship with the CRA or any of its employees

<sup>5</sup> This disclosure shall become effective from February 01, 2023 following necessary system and process changes.

<sup>6</sup> In the case of unlisted issuers, this would mean information provided by the issuer to the CRA, post the Board Meeting.

CRISIL Ratings may place a rating on a Rating Watch, with positive, negative or developing implications. A listing under Rating Watch does not imply that a rating will necessarily change, nor is it a prerequisite for rating change. Ratings on Rating Watch will not carry outlooks.

CRISIL Ratings will endeavour to resolve the Rating Watch within 90 calendar days of the rating being placed on Rating Watch. If a resolution is not possible within this time-frame, CRISIL Ratings will communicate the extension of Rating Watch through an RR. In cases where the rating committee decides a rating rationale is not required for extension of the rating watch timelines, the reasons for not publishing the same should be captured in the key issues of that assignment.

Usually, CRISIL Ratings does not assign a new rating for issuers whose ratings are on Rating Watch. However, the unrated existing bank loan facilities of an existing client may be assigned ratings on Rating Watch. CRISIL Ratings will also assign ratings to new instruments on Rating Watch if it is able to identify a meaningful range for the rating upon resolution of the Rating Watch and communicate the same through its RR.

### **Policy for withdrawal of ratings**

Debt instruments rated by CRISIL Ratings are under continuous surveillance over the life of the instrument. The policy for withdrawal of ratings stipulates that ratings on securities/facilities that have scheduled repayment dates (such as bonds, or term loans), may be withdrawn normally on redemption/maturity of the rated facilities or if the obligations on these instruments are pre-paid by the borrower before maturity. In such instances, CRISIL Ratings relies on independent confirmation from the debenture trustees, banks, auditors or any other independent sources on whether the obligations have been repaid in full.

Ratings on securities (such as bonds, debentures and other similar instruments) having a rating only from CRISIL Ratings can also be withdrawn subject to CRISIL Ratings having:

- Rated the instrument continuously for five years or fifty percent of the contracted tenure of the instrument, whichever is higher.
- Received, an undertaking from the issuer that a rating is available on that instrument, along with the request for withdrawal by the issuer
- Received an undertaking from the other CRA(s) that a new rating has been assigned to such security

Alternatively, in case of rated security/ies having multiple ratings i.e. ratings from other credit rating agencies (other CRAs), where there is no regulatory requirement for multiple ratings, the rating on such security/ies can also be withdrawn subject to CRISIL Ratings having:

- Rated the instrument continuously for three years or fifty percent of the contracted tenure of the instrument, whichever is higher;
- Received a No Objection Certificate (NOC) from 75% of bondholders of the outstanding debt by value;
- Received an undertaking from the issuer that another rating is available on that instrument, along with the request for withdrawal by the issuer
- Received an undertaking from the other CRA(s) that a rating is available on such security.



Ratings on perpetual debt securities that are listed or proposed to be listed on a recognized stock exchange can also be withdrawn<sup>7</sup> subject to CRISIL Ratings having:

- Rated such security/ies continuously for 5 years; and
- Received an undertaking from the Issuer that a rating is available on such security/ies; and
- Received, an undertaking from the other CRA(s) that a rating is available on such security/ies.

Ratings on bank loan facilities can also be withdrawn by CRISIL Ratings after receiving request for withdrawal from the client/borrower along with No Objection Certificate (NOC) from all the lending bank(s). The designated bank authority for signing the NOC should preferably be Chief Manager or above. The designation and contact details should be clearly captured and visible in the NOC furnished. The NOC will be required from all the banks in case the rated bank loan facilities have been availed by the borrower from multiple/ consortium banks.

Ratings on open ended debt mutual fund can be withdrawn by CRISIL Ratings after receiving request for withdrawal from the Asset Management Company (AMC), however such ratings will be placed on notice of withdrawal for 30 days. The period of notice of withdrawal will begin from the date of publishing the rating rationale of Notice of Withdrawal.

Ratings for capital protection-oriented funds / schemes (CPOF) can be withdrawn when such schemes / funds have returned to the investors cash flow, net of recurring expenses, equivalent to the entire capital initially mobilized. Appropriate independent confirmation for the same shall be required along with request for withdrawal.

At the time of withdrawal, CRISIL Ratings will review the outstanding rating based on the information provided by the borrower or best available information as the case may be and shall also publish its ratings and the reason for withdrawal in the Rating Rationale, except where the obligations are not outstanding, or the company whose security is rated is wound up or merged or amalgamated with another company.

Corporate credit rating, which is the credit rating of the issuer rather than an instrument, can be withdrawn upon written intimation.

For fixed deposit (FD) instruments, withdrawal of rating may take place in any of the following four ways:

- Redemption of instrument as per original terms.
- Prepayment of all outstanding FD obligations directly to the investors or adequate funding of an escrow account with independent certification of the same.
- The issuer gives request for withdrawal and confirms non-usage of rating for raising fresh FDs. The rating is placed on notice of withdrawal for a period of 3 years (or 1 year for short term FDs), after which the rating is withdrawn.

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<sup>7</sup> With effect from October 01, 2022

- Rated entity is in default category (rating of 'CRISIL D') for more than three years, the rating is placed on notice of withdrawal for a period of 90 days, after which the rating is withdrawn

In case the instrument/facility is not placed by the issuer, the ratings can be withdrawn on receipt of request for withdrawal from the issuer.

Ratings on an instrument/facility can also be withdrawn where the company whose instrument/facility is rated is wound up or merged or amalgamated with another company. In such case, the issuer shall provide a copy of the order of the Court/statutory authority or confirmation from any other independent source.

Policy for withdrawal of Expected Loss (EL) ratings shall be consistent with the withdrawal policy for the respective rated instruments viz. securities, bank loan facilities etc.

The withdrawal of ratings mentioned under the above-mentioned scenarios shall be subject to payment of surveillance fees due (if any) to CRISIL Ratings, in accordance with the rating agreement.

For ratings carrying a Provisional prefix - irrespective of the nature of rated instrument – if there are material changes in the terms of the transaction, the following withdrawal policy shall apply:

- (i) CRISIL Ratings may withdraw the rating, if the issuance is yet to happen.
- (ii) Post issuance of the instrument, CRISIL Ratings may withdraw the rating and concurrently assign a fresh final rating reflecting the revised terms of the transaction, in the same rating rationale / press release.

In case any new regulatory guideline applicable to Credit Rating Agencies triggers a migration of ratings to a new rating scale or a change in rating, symbol, or suffix, CRISIL Ratings may withdraw such ratings solely based on request by the issuer, as a one-time measure, before the migration or change of rating becomes effective in line with regulatory timelines. Such withdrawal shall be subject to specific regulatory guidance (if any) on any additional conditions to be met.

The policy for withdrawal of ratings is also available on the CRISIL website, at the following link, <https://www.crisilratings.com/content/dam/crisil/generic-images1/our-businesses/ratings/regulatory-disclosure-highlighted-policies/highlighted-policies/Policy-for-withdrawal-of-ratings.pdf>

### **Guidelines on what constitutes non- cooperation**

CRISIL Ratings has a policy of keeping its accepted ratings under constant monitoring and review. CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk and hence it is essential that it has access to adequate and reliable information about a rated entity on an ongoing basis. In some cases, monitoring and review of the credit quality of a company can become difficult because of non-cooperation by the company. A company may be classified as non-cooperating, if the company has either:

- I. Not provided information and/ or facilitated meetings with key personnel (hereafter collectively referred as Information) required for rating at the time when review of such instrument is warranted or becomes due; or

- II. Not made payment of fees for conducting surveillance
- III. Not Submitted No-default Statement (NDS) for Listed & Unlisted Companies

In line with SEBI circular titled 'Strengthening of the rating process in respect of INC ratings' dated SEBI Master Circular dated May 16, 2024 (erstwhile SEBI circular dated January 03, 2020 and SEBI Master Circular dated July 03,2023) and subsequent clarifications received from SEBI, if an issuer has an investment grade rating outstanding while being non-cooperative for more than six months with CRISIL Ratings, then its ratings shall be necessarily downgraded to the sub-investment grade, while maintaining the INC status.

### **Minimum/Indicative Information Requirement**

Availability of adequate information is a critical step in the rating process. In order to assign its ratings, CRISIL Ratings endeavours to collect information that it deems necessary through publicly available information and meetings/ interactions with management teams.

As a guidance for analysts, we have listed herein, the basic minimum information necessary for completing the ratings process. However, this forms only the basic minimum information required, and is not a comprehensive list. The analyst may seek additional information depending on the requirements specific to each credit.

In case, analysts believe the rating exercise can be conducted without the basic minimum information requirement as outlined in this document, the same may be undertaken provided the rating committee considers the available information adequate to assign a rating. Indicative but not exhaustive examples of such situations include instances of Payment Defaults or Material Events.

#### **A. Corporate and infrastructure Issuers**

The minimum information required for an analyst for conducting the rating exercise on a new credit or surveillance assignment is as follows:

##### **Initial rating**

- i. Financial statements/ annual reports of the company (audited as far as possible) for the past three years (or less if the company has recently been set up)
- ii. Relevant details of the company's business, industry, and/ or operations, Project details (if available, for companies that are implementing projects)
- iii. Debt repayment schedule

##### **Surveillance**

- i. Recent annual financial statements/ annual report
- ii. Brief update on the company's business, industry, and/ or operations - Current and past operational details including details about capex plans
- iii. Recent quarterly and/ or semi-annual financial results (for listed companies)
- iv. Any other issue felt appropriate by CRISIL Ratings as per internal assessment

**In addition, the analyst may endeavor to get the below mentioned information:**

- i. Top management, board of directors, and shareholding pattern
- ii. Current year information (Year to date/ quarterly/ half yearly financials) for unlisted companies
- iii. Projected financials or estimates of key financials (profit and loss account and Balance sheet)
- iv. Key customers and sales details
- v. Segmental revenue and profitability in case of multi-product companies
- vi. For Commercial Paper and/ or short-term debt ratings, liquidity back-stop undertaking (wherever relevant)
- vii. Monthly bank limit utilisation for the last 6-12 months
- viii. Sanction letter for all sanctioned facilities
- ix. No Default Statement

## **B. Financial sector issuers**

The minimum information required for an analyst for conducting the rating exercise on a new credit or surveillance includes:

### **Initial rating:**

- i. Financial statements/ annual reports of the company (audited as far as possible) for the past three years (or less if the company has recently been set-up)
- ii. Relevant details of the company's business
- iii. Capital adequacy information
- iv. Asset quality information for entities in lending operations

### **Surveillance:**

- i. Recent annual financial statement/ annual report
- ii. Brief update on the company's business, industry, operations, capital adequacy, and/ or asset quality - Current and past operational details including details about investment and growth plans
- iii. Recent quarterly and/ or semi-annual financial results (for listed companies)
- iv. Any other issue felt appropriate by CRISIL Ratings as per internal assessment

In addition, the analyst may endeavor to get the below mentioned information:

- i. Top management, board of directors and shareholding pattern
- ii. Current year information (Year to date/ quarterly/ half yearly financials) for unlisted companies
- iii. Projections or indicative estimates of key figures in P/L and Balance sheet for near term
- iv. Segmental break-up of key parameters (like advances, revenues, asset quality, profitability as relevant) in case of multi-product entities
- v. Movement in NPA / equivalent and level of restructured assets for entities in lending operations
- vi. For Commercial Paper Programme ratings, liquidity support plan (where relevant)
- vii. Statement of structural liquidity

- viii. No Default Statement
- ix. Bank statements

### **C. Guaranteed and/ or partially guaranteed instruments**

The minimum information required for an analyst for conducting the rating exercise on a new credit or surveillance includes:

#### **Initial rating.**

Information required to form a credit opinion on the guarantor (if a rating or credit quality view does not already exist) and issuer (if required) will be based on the sector that the entity operates in.

For rated instruments, the following details comprise the basic minimum information required:

- i. Guarantee document
- ii. Budget document and/ or Government order or equivalent (in case the guarantor is a state government)
- iii. Transaction structure

Provisional ratings may be assigned on the basis of the draft documents already listed. In such cases, the final rating is assigned after the final transaction documents, as relevant, are received and reviewed (please refer section on 'Policy on Provisional ratings' for further details).

#### **Surveillance**

- i. Updated credit opinion on guarantor and issuer (if relevant)
- ii. Adherence to structure by the issuer (if shared by trustee)
- iii. Confirmation of repayment of guaranteed debt

### **D. Securitisation transactions**

The minimum information required for an analyst for conducting the rating exercise on a new credit or surveillance includes:

#### **Initial Rating:**

- i. Contract level pool data as relevant - this can include details such as interest rate, ticket size, tenure, seasoning, geography, loan-to-value (LTV) ratio, and asset type.
- ii. Pool level future cash flows
- iii. Draft terms for the transaction including waterfall, indicative yield on the proposed instrument(s), and structure
- iv. Originator portfolio information including delinquency (0+, 30+ or 90+ dpd, as applicable) and portfolio level cuts (based on various parameters)

The provisional rating may be assigned on the basis of the data and documents listed above. In such cases, the final rating is assigned after the final transaction documents, as relevant, are received and reviewed.

#### **Surveillance:**

- i. Payout data with details of actual principal and interest payouts

- ii. Collection, billings, and collection efficiency details
- iii. Credit enhancement details such as utilisation of cash collateral, and top-up of cash collateral, if any
- iv. Investor payout schedule: schedule of future investor payouts in case of any change.

### **Non-cooperation with Other Credit Rating Agencies (OCRAs)**

In line with SEBI Master Circular dated May 16, 2024 (erstwhile SEBI circular titled 'Strengthening of the rating process in respect of INC ratings' dated January 03, 2020 and SEBI Master Circular dated July 03, 2023) and subsequent clarifications received from SEBI, when issuers with no outstanding CRISIL ratings mandate us for a rating, CRISIL shall examine whether the issuer's ratings from all OCRAs it has outstanding ratings with, have persistently remained in the INC category for 12 months or more before taking up a rating assignment.

- If 12 months have elapsed, CRISIL Ratings shall not take up the assignment, until the issuer resumes cooperation with at least one of the OCRAs or its ratings with INC status are withdrawn by all the OCRAs.

Exception: In case of securities, CRISIL Ratings shall not carry out the rating assignment until the issuer resumes cooperation with at least one of the OCRAs or there is evidence that the issuer has made a request to all the OCRAs to withdraw its rating (duly acknowledged by all the OCRAs). The latter would be subject to the rating for the issuer's securities being eligible<sup>8</sup> to be withdrawn by the OCRAs.

- If 12 months have not elapsed, CRISIL Ratings may take up the rating assignment.
- The period of 12 months of non-cooperation by an issuer with OCRAs, during which CRISIL Rating shall undertake the rating assignment is linked to CRISIL Ratings being able to complete the rating assignment and publish the press release prior to the passage of 12 months. *Example:* If the CRISIL Ratings takes up the assignment, but is unable to conclude the assessment within 12 months of the INC press release of the OCRA, then CRISIL Ratings shall not publish the press release.

For issuers having an existing outstanding rating with CRISIL (either cooperative or with INC suffix), CRISIL shall continue to surveil existing ratings or assign new ratings in line with applicable regulations and its policy, irrespective of the non-cooperation status of such issuers with OCRAs.

### **Gift policy**

All employees of CRISIL are required to abide by the Gift policy as listed under the tab, 'Highlighted Policies' on the CRISIL website at, at the following link, <https://www.crisilratings.com/content/dam/crisil/investors/corporate-governance/gift-policy.pdf>

## **Confidentiality policy**

Policy on treatment of confidential information is available under 'Highlighted Policies', on the CRISIL website, at the following link, <https://www.crisilratings.com/content/dam/crisil/investors/corporate-governance/confidentiality-policy.pdf>

## **Policy on outsourcing of activities**

A policy framework governing all outsourcing activities carried out by CRISIL Ratings, is available under, 'Highlighted Policies', on the CRISIL website, at the following link, <https://www.crisilratings.com/content/dam/crisil/generic-images1/our-businesses/ratings/regulatory-disclosure-highlighted-policies/highlighted-policies/Policy-on-outsourcing-of-activities.pdf>

## **Policy on Provisional ratings**

CRISIL Ratings has revised its Policy on Provisional ratings and aligned it with the requirements of the SEBI Master Circular dated May 16, 2024 (erstwhile SEBI Circular dated April 27, 2021 and SEBI Master Circular dated July 03, 2023) and subsequent communication with the regulators. The revised policy applies to all debt instruments including securities, bank loan facilities, commercial papers etc. as well as to corporate credit ratings (CCR) with immediate effect from the date of this policy for new ratings and for existing outstanding ratings at the earliest but not later than December 31, 2021.

### **Applicability of 'Provisional' prefix**

In instances where completion of certain steps / documentation are pending at the time of rating assignment and the rating is contingent upon occurrence of pending steps or execution of pending documents, CRISIL Ratings assigns provisional ratings to such instruments which are characterised by a prefix 'Provisional' to the rating symbol.

To elaborate, a prefix of 'Provisional' indicates that the rating centrally factors in the completion of the critical steps / documentation; without this, the rating would either have been different or not assigned ab initio.

CRISIL Ratings shall consider ratings as provisional when it is contingent upon occurrence of following steps or execution of following documents, as applicable:

- a) execution of letter of comfort, corporate guarantee, or other forms of explicit third-party support;
- b) execution of documents such as debenture trust deed/ debenture trustee agreement, legal agreements/ opinions, representations and warranties, final term sheet;
- c) assignment of loan pools or finalisation of cash flow escrow arrangements;
- d) setting up of debt service reserve account;
- e) opening of escrow account; or
- f) For a proposed Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT), pending formation of a trust - only after receipt of SEBI Registration. However, the

process of obtaining rating may commence at the stage of the sponsor filing with SEBI for the registration of the Trust, subject to declaration from the sponsor to this effect being submitted to the credit rating agency.

The typical situations where CRISIL Ratings would assign provisional ratings while critical documentation are pending are for instruments / facilities backed by credit enhancement mechanisms such as guarantees and letters of comfort, debt backed by co-obligor structures, covered bonds, instruments with cash flow prioritizations through escrows, securitization transactions, and REITs/InvITs pending formation of trust. CRISIL Ratings shall not assign scenario-based ratings / advance ratings to issuers who are evaluating strategic decisions such as funding mix for a project, acquisition, debt restructuring, scenario-analysis in loan refinancing etc.

CRISIL Ratings may alternatively assign ratings without a 'Provisional' prefix in the above mentioned situations, where it deems that the credit profile is agnostic to completion of steps or execution of aforementioned documents.

### **Conversion of Provisional ratings to Final ratings**

The provisional nature of such ratings is disclosed by CRISIL Ratings in its communications, including rating letter and rating rationale along with details of the necessary steps and/ or documentation that will be needed for conversion to a final rating. Once the relevant steps/documentation (as per expectations when the provisional ratings were assigned) are in place, the provisional rating is converted into final rating in line with the validity period for provisional ratings, as captured below.

When CRISIL Ratings assigns provisional ratings, its existing long-term and short-term rating symbols are prefixed with the term 'Provisional' for assigning such ratings. For example, 'Provisional CRISIL AAA (SO)' or 'Provisional CRISIL A1+ (SO)'. On conversion to final rating, the prefix 'Provisional' is removed. The final rating assigned after conversion of provisional rating shall be consistent with the available documents or completed steps, as applicable. To elaborate, CRISIL Ratings may reaffirm the rating, place it on watch or change the rating, before or at the time of converting the provisional rating to final rating, based on adequacy of the documentation or any other changes in credit profile.

### **Validity period for Provisional ratings**

The provisional rating shall be converted into a final rating following receipt of transaction documents duly executed and/or confirmations on completion of pending steps, as applicable, within 90 days from the date of issuance of the instrument.

For provisional CCRs (typically sought by InvITs / REITs), the date of completion of the offer through which the REIT / InvIT completes its fund raise and issues units will be the date from which the validity period computation will begin, as the provisional rating is assigned to the issuer and not to any specific debt instrument.

The final rating assigned shall be consistent with the available documents or completed steps, as applicable. In case of pending steps / documentation at the end of 90 days from the date of issuance of instrument, CRISIL Ratings may grant extension of upto 90 days from the expiry of the above mentioned validity period, on a case to case basis.



A broad guidance on extension of validity period is provided below, even as the rating decision will be taken by the Rating Committee on a case to case basis.

1. In case of substantial progress in sharing of final documentation / steps and where the documentation received is in line with expectations, CRISIL Ratings may grant extension of the validity period of provisional rating for upto 90 days from the expiry of the above mentioned validity period.
2. In case partial / complete documentation received deviates significantly from the expectations, CRISIL Ratings may take appropriate rating action to alert investors on pending documentation and potential risk to credit profile. Such action may include placing the rating on watch or a rating/outlook change, depending on status of progress on a case to case basis. Simultaneously, CRISIL Ratings may also grant extension of the validity period of provisional rating for upto 90 days from the expiry of the above mentioned validity period, on a case to case basis.

Notwithstanding aforesaid guidance on conversion of provisional rating to final rating, in case of material other developments leading to change in credit profile, CRISIL Ratings may change the provisional rating, irrespective of the status of documentation / steps.

At the end of 180 days from the date of issuance of the instrument, an outstanding provisional rating shall necessarily be converted into final rating that is consistent with the available documents or completed steps, as applicable. CRISIL Ratings shall not assign any provisional ratings upon the expiry of 180 days from the date of issuance of the instrument.

To clarify, the abovementioned validity period of 90 days and extension of upto 90 days for conversion of provisional rating to final will apply only after the instrument is issued.

#### **Additional / supplementary disclosure requirements for provisional ratings**

In line with the requirements of the SEBI Master Circular dated May 16, 2024 (erstwhile SEBI circular dated April 27, 2021 and SEBI Master Circular dated July 03, 2023) on provisional ratings, additional / supplementary disclosure requirements shall apply for press release / rating rationale as well as unaccepted ratings comprising provisional ratings. These, among other things, shall include disclosure of rating that would have been assigned in absence of the pending steps/ documentation considered while assigning provisional rating, where applicable, as well as additional disclosure requirements for REITs / InvITs.

#### **Withdrawal of Provisional Rating**

In case there are material changes in the terms of the transaction and where the issuance is yet to happen, CRISIL Ratings may withdraw the provisional rating.

In case of material changes in terms of the transaction post the issuance of the instrument, CRISIL Ratings may withdraw the provisional rating and concurrently assign a fresh final rating in the same press release, on the basis of the revised terms of the transaction.

Please refer to CRISIL Ratings' Policy for withdrawal of ratings for other scenarios.

## **FAQs on Ratings**

FAQs on the ratings process are also answered on the CRISIL website at the following link, <https://www.crisilratings.com/en/home/our-business/ratings/understanding-rating/rating-faqs.html>

## **Disclosure on managing conflict of interest**

Disclosures on managing conflict of interest are available under 'Highlighted Policies' on the CRISIL website, at the following link, <https://www.crisilratings.com/content/dam/crisil/generic-images1/our-businesses/ratings/regulatory-disclosure-highlighted-policies/highlighted-policies/how-CRISIL-manages-conflict-of-interest.pdf> & <https://www.crisilratings.com/content/dam/crisil/generic-images1/our-businesses/ratings/regulatory-disclosure-highlighted-policies/highlighted-policies/Policy-for-dealing-with-Conflict-of-Interest-in-investment-or-trading.pdf>

## **Functioning and evaluation of rating committees/sub - committees**

Rating committees perform a critical function in assigning ratings. All credit rating decisions (including assigning, upgrading, downgrading, and reaffirming ratings, assigning and revising outlook, placing and resolving Rating Watch, and withdrawing ratings etc.) are taken at RCMs. It is the forum where analysts present their analyses of a rating assignment to the rating committee members.

In line with the requirements of the SEBI Master Circular dated May 16, 2024 (erstwhile SEBI circular dated November 04, 2019 and SEBI Master Circular dated July 03, 2023), the Rating committees of CRISIL Ratings shall report to the CRO for the purpose of their role as a committee member. The CRO shall directly report to the Ratings Sub-Committee (RSC) of the Board of CRISIL Ratings.

### **I. Eligibility for becoming committee/sub-committee members**

Any person (who is an employee working for CRISIL Ratings) to be eligible to be a member of the Rating Committee must have experience in industry and company analysis for at least 5 years and should have demonstrated high analytical prowess and competency.

In addition, such employee must not have any business responsibilities. CRISIL Ratings' MD/CEO shall not be a member of the rating committee of CRISIL Ratings. Business Development team members shall also not attend or participate in rating committee meetings.

CRISIL Ratings also has eminent external person(s) as part of its rating committee, who are independent and have requisite experience in the financial and / or industrial domain. The presence of independent, eminent experts with extensive experience in financial services and /or industry shall foster diverse views and healthy discussion.

## **II. Composition of committee/sub-committee**

The composition of the committee will be announced by the Chief Ratings Officer and Senior Director, COE from time to time. The current composition of CRISIL's Rating committee/sub-committees is available at the following link,

<https://www.crisilratings.com/content/dam/crisil/generic-images1/our-businesses/ratings/regulatory-disclosure-highlighted-policies/regulatory-disclosures/sebi/disclosures-as-per-sebis-circular-sebihomirsdmirsd4cirp2016119/composition-of-committee-subcommittee.pdf>

Sub-committees may be formed in consultation with the Chief Ratings Officer and Senior Director, COE. Its members may be drawn from among the Rating Committee members. For the sake of abundant clarity, persons who have business responsibility shall not be part of the Rating Committee.

## **III. Minimum quorum required**

a. Quorum for cases excluding those with capital market instruments:

CRISIL will have the quorum of 4 members for discussion of all cases with ratings on instruments other than capital market instruments.

b. Quorum for cases with capital market instruments:

For capital market instruments or instruments that have high complexity, the quorum will be of 5 members.

c. Quorum for appeal cases:

In cases of appeal by the issuer, the rating committee for such cases will consist of majority of members that are different from those in the committee that assigned the earlier rating and at least one-third of its members independent in line with the requirements of the SEBI Master Circular dated May 16, 2024 (erstwhile SEBI circular dated September 19, 2018 and SEBI Master Circular dated July 03,2023).

The quorum requirement for rating committees for appeals will be 3 members, considering that the independent member's presence in the rating committee will be subject to conflict clearance, availability and rotation

## **IV. Duties of committee members**

Committee members perform a critical role in assigning high quality ratings by maintaining independence and applying criteria consistently.

Each Rating Committee member of CRISIL Ratings shall

- Satisfy himself/herself that necessary information is available for taking the rating decision.
- Ascertain that the processes as per the internal operations manual are followed.

- Ensure that the credit rating methodology is applied in a consistent manner across all entities and obligations, and all relevant rating factors are incorporated into each rating.
- Keep abreast of developments in the macro environment, regulations, and CRISIL's criteria and policies.
- Disclose any conflict of interest that exists, or is perceived to exist for any case prior to it being taken up for discussion and will recuse themselves from the discussion

In addition, the chairperson of the rating committee/sub-committees will have the following duties:

- I. Manage any conflict that has been brought to his/her notice
- II. Ensure the quorum is present during the RCM.
- III. Oversee the functioning of the RCM so that all relevant information and materials presented at the committee are reviewed
- IV. Maintain and approve by signing (digitally or manually) the minutes of the RCM. The standard format for the same.
- V. Review the decisions taken by RCMs periodically, but at least once in a year.

While the chairperson has the overall responsibility of ensuring that the above-mentioned aspects are addressed, he/she may delegate some responsibilities to committee members or to the Rating Operations team.

## **V. Voting and recording dissent**

The rating committee members will discuss and debate all relevant issues related to a rating assignment. All rating decisions of the Rating Committee will be taken by consensus arrived at by unanimity or by majority with the chairperson having a casting vote.

In case of a dissent with the final decision by a committee member, the dissent along with the reason(s) for dissent will be recorded.

## **VI. Managing conflict of interest in the rating committee/sub-committee.**

Rating committees comprise experienced professionals. Conflict of interest is managed in the following ways at RCMs:

1. Decision making process at rating committees ensures no individual alone can influence the rating decision and individual biases, if any, do not color CRISIL's rating opinion.
2. No committee member has any business development role/responsibility that can create any potential conflict of interest

Committee members need to disclose any conflict of interest that exist, or are perceived to exist, for any case prior to the case being taken up for discussion.



**Annexure I – Format for Request for Reassessment of Rating (Appeal)**

Dear Sir/Madam,

This is with reference to rating of instrument/s XXXX of <name of rated entity> communicated to us vide your email/letter dated XXXX.

As discussed, we wish to appeal against the rating decision referred to above. Please find below the required information.

We request you to consider the same and review the rating assigned to us.

Name of Company	Points to be considered for appeal	Supporting document shared (pls specify)