

This policy updates and supersedes ICRA's earlier policy on this subject, published in February 2023.

Grounds for Withdrawal Credit Rating

1. In case of securities

A credit rating for securities (such as bonds, non-convertible debentures or NCDs etc.) can be withdrawn if there are no obligations outstanding against the rated securities. ICRA relies on the confirmation received from the debenture trustees, auditors, or other sources to determine if the rated obligations have been repaid fully.

If there are obligations outstanding against the rated securities, the credit rating for such securities can be withdrawn if either of the following conditions are satisfied:

- a. ICRA having rated the security continuously for five years or 50% of the tenure of the security, whichever is higher. In such cases, the request for withdrawal from the rated entity should be accompanied by an undertaking that a rating is available on that security from another credit rating agency. Further, an undertaking should be available from the other credit rating agency that a rating is available on that security, or
- b. The security is rated by multiple credit rating agencies even without a regulatory requirement for multiple ratings and the security has been rated by ICRA continuously for three years or 50% of the tenure of the security, whichever is higher. In such cases, the request for withdrawal from the rated entity should be accompanied by an undertaking that a rating is available on that security from another credit rating agency. Further, an undertaking should be available from the other credit rating agency that a rating is available on that security. In addition, in such cases, ICRA should receive a No-objection Certificate (NOC) for the withdrawal of rating from 75% of the security holders (by value) of the debt outstanding.

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Perpetual debt securities: A credit rating for the perpetual debt securities (such as Basel III Tier-I or AT-I bonds) can be withdrawn subject to:

- (i) ICRA having rated the security continuously for five years; and
- (ii) The request for withdrawal from the rated entity being accompanied by an undertaking that a rating is available on that security from another credit rating agency; and
- (iii) ICRA receiving an undertaking from the other credit rating agency that a rating is available on that security.

2. In case of money market instruments

A credit rating for money market instruments (such as commercial papers, certificates of deposit etc.) can be withdrawn if there are no obligations outstanding against the rated instruments. ICRA relies on confirmation received from the issuing and paying agents or trustees (as the case may be), or auditors or other sources to determine if the rated obligations have been repaid fully.

3. In case of bank loans/ facilities

A credit rating for bank loans/ facilities¹ can be withdrawn if there are no obligations outstanding against the rated facilities. ICRA relies on confirmation received from the lenders, the auditors, or other sources to determine if the rated obligations have been repaid fully.

If there are obligations outstanding against the rated facilities, the credit rating for any specific bank loan/ facility can also be withdrawn at the request of the rated entity on receipt of an NOC from the respective lending bank(s). However, in the case of consortium lending, if the bank leading the consortium confirms that it is authorized to provide an NOC on behalf of all the consortium banks, ICRA can withdraw the rating assigned to the consortium bank's loans/ facilities based on the NOC furnished by the lead banker, without the need for an NOC from the individual banks.

4. In case of pooled investment schemes

A credit rating for open-ended mutual fund schemes, alternative investment funds (AIFs) or capital protection-oriented schemes, can be withdrawn upon receipt of the withdrawal request from the sponsor, the trustee, or the manager. Such credit rating will be placed on a 'Notice of Withdrawal' for at least 30 days, before being withdrawn at the end of the withdrawal notice period.

For the closed-ended mutual fund schemes, AIFs or the capital protection-oriented schemes, the credit rating can be withdrawn upon the maturity of the rated schemes/ fund/ redemption of units. ICRA relies on the redemption-related details available on the website of the sponsor concerned or other third-party sources to determine if the units of the scheme/ fund have been fully redeemed.

5. In case of public deposits/ fixed deposits

A credit rating for public-deposit/ fixed deposit programmes can be withdrawn under the following conditions:

- » If the deposits are fully redeemed; or
- » The rated entity requests for a rating withdrawal alongside a confirmation that it has set aside in an escrow account, an amount that ICRA considers adequate for the payment of principal and interest to the depositors; or
- » The rated entity requests for a rating withdrawal alongside a confirmation that it has stopped using the ICRA-assigned credit rating to mobilize further deposits. In such cases, the credit rating is placed on a 'Notice of Withdrawal' for at least six months², before being withdrawn at the end of the withdrawal notice period.

6. In case of Issuer Rating

An Issuer Rating, which is not applicable to any specific debt obligation, can be withdrawn at the request of the rated entity.

7. In case of Provisional Rating

For details on the policy on withdrawal concerning provisional ratings, refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

8. In case of ratings for Security Receipts

¹Bank loans or facilities include both fund-based and non-fund-based facilities as well as term loans.

²The period for which a fixed deposit rating may be placed on a 'Notice of Withdrawal' (beyond the minimum period of six months) depends on the maximum residual tenor of the rated fixed deposits, subject to a maximum period of three years.

A rating for security receipts³ may be withdrawn if the security receipts are fully redeemed or provided for/ written-off. ICRA relies on confirmation received from the trustee or other sources to determine the same. The rating can also be withdrawn on either the receipt of an NOC from all the investors or at the request of the trustee, provided that such request is accompanied by an undertaking from the trustee that a rating is available on that security receipt from another credit rating agency.

9. In case of other ratings

Other ratings such as Expected Loss ratings for projects/ instruments associated with the infrastructure sector, may be withdrawn at the request of the rated entity. In such cases, if the rating is public, it is placed on 'Notice of Withdrawal' for at least 30 days, before being withdrawn at the end of the withdrawal notice period.

10. Other indicative grounds for withdrawing the rating

- i. A credit rating may be withdrawn, even without an explicit request by the rated entity, in case the rated entity/ fund/ scheme is wound up, or the rated entity is merged/ amalgamated with another entity.
- ii. A credit rating may be withdrawn, even without an explicit request by the rated entity, in case the rated instrument/ facility is transferred to another entity by the issuer/ rated entity, as confirmed by the debenture trustee/ lender(s).
- iii. In case the rated security is not placed by the entity or the entity does not borrow against a rated bank loan/ facility, ICRA may withdraw the credit rating on receipt of withdrawal request from the entity.
- iv. A credit rating for securities, bank facilities, or other instruments or borrowing programmes may be withdrawn, even without an explicit request by the rated entity, if ICRA has evidence that the security/ facility/ instrument has been extinguished/ closed.
- v. There may be cases where a rating is based on factoring-in some form of explicit third-party credit support (or some structural features), but later the rating is to be reviewed without considering the presence of the explicit third-party credit support (and vice-versa) on account of reasons such as the support becoming redundant, or no longer being available or the terms getting amended. In such cases, ICRA may withdraw the rating outstanding and simultaneously assign a fresh rating after taking into account the revised terms/ circumstance. The withdrawal of the earlier rating and the concurrent assignment of the fresh rating would be communicated via the same rating rationale⁴. The above approach to a rating withdrawal may also be applied in cases where there is a regulatory directive concerning how an explicit support form is to be evaluated.

³ These are not disclosed publicly.

⁴ **NOTE 1:** There could be situations where a rating is assigned after duly evaluating the fundamental credit factors as well as the terms of the transaction structure. However, it is experienced later that the structure failed to work in the manner that it was designed to. Example: The beneficiary failed to invoke the corporate guarantee in a timely manner, or the lender failed to dip into the Debt Service Reserve Account (DSRA) on or before the due date, leading to missed payments. Such instances of failures in the working of the structure are not covered under this approach. ICRA's approach has been and would continue to be that of 'downgrading' the rating of the rated instrument/ facility in such cases. This is because these instances do not involve a change in the transaction terms.

NOTE 2: There could be other instances of changes in the rating factors that are beyond the control of the CRAs, but these too are not covered under this approach. As an example, there could be changes in the regulatory policies including changes in the import duty structure etc.—which could change the rating of an entity. In such cases, ICRA's approach has been and would continue to be that of 'upgrading/ downgrading' the rating of the instrument/ facility. This is because these instances/ events, are related to an assessment of the fundamental credit drivers of an entity.

- vi. A credit rating for a rated instrument/ facility, against which obligations might be outstanding, may also be withdrawn at the request of the entity even if other conditions for withdrawal are not met (such as where an NOC from the lenders is not available for the withdrawal of ratings for bank facilities). This approach would be applicable only when the regulators specifically permit doing so for an identified class of ratings.

Notes

- a. If a credit rating is placed on a 'Notice of Withdrawal', ICRA may revise the credit rating in the notice of withdrawal period, if the circumstances so merit. ICRA will continue to monitor the rating(s) assigned to the entity /instrument till the date of withdrawal, as per its internal processes and the rated entity/ Issuer is also expected to share the information sought by ICRA for the same.
- b. While withdrawing a credit rating, ICRA reviews the same and may even revise it, if the circumstances so warrant. At the time of withdrawal of a credit rating, if incremental information is not available to carry out a review, ICRA's rating rationale would disclose this aspect. A review of the credit rating is not required if there are no obligations outstanding against the rated instrument/ facility and if no rating action is taken on the other rated instruments/ facilities of the entity. Also, in case of the transfer of the rated debt to another entity, a review of the credit rating is not carried out. Further, if a credit rating is withdrawn upon the winding-up of the rated entity, or upon its merger or amalgamation with another entity, a review of the credit rating is not carried out as the same would not be meaningful for an entity that ceases to exist. Further, in the case of withdrawal of securitization transaction ratings where the reason for withdrawal is full maturity of the pass-through-certificates (PTCs), a review of the credit rating is not required because, upon maturity, the trust that issues the PTCs also folds and is not expected to issue fresh PTCs.
- c. The rating rationale published by ICRA mentions the reason(s) for withdrawal of the credit rating.
- d. The withdrawal of rating(s) may be subject to the clearance of the fee due to be paid by the rated entity to ICRA.

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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 and www.icresearch.in

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