

## Guidelines on What Constitutes Non-Cooperation

This guideline incorporates the specific requirements for the 'ISSUER NOT COOPERATING' (NCO) ratings prescribed by the Securities and Exchange Board of India (SEBI) vide its circulars SEBI/HO/MIRSD/ MIRSD4/CIR/P/2016/119, issued on November 1, 2016 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 issued on 3 January 2020.

The guidelines state that, "In case of non-cooperation by the issuer (such as not providing information required for rating, non-payment of fees for conducting surveillance), in line with the existing Regulations, the CRA shall continue to review the instrument, on an ongoing basis throughout the instrument's lifetime, on the basis of best available information, in accordance with the rating process and policies set forth in its Operations Manual/ Internal governing document.

In such cases the credit rating symbol shall be accompanied by "Issuer did not co-operate; Based on best available information"

### What constitutes Non-Cooperation:

India Ratings and Research (Ind-Ra) defines non-cooperation by issuers as referred to in its rating communications as:

1. Non-provision of adequate information or clarification by the issuer or its agents, as sought by Ind-Ra, and considered material for conducting the rating exercise
2. Non-payment of fees by the issuer for review/surveillance, subsequent to initial rating

### Disclosure of Non-Cooperation in Press Release:

In case of non-cooperation by issuers, defined as above, the credit rating symbol is suffixed by [ISSUER NOT COOPERATING]. This is followed by a note which shall read as 'Issuer did not cooperate; Based on best available information'

For example, in case issuer rated at IND BBB+ does not cooperate, its rating will be displayed on Ind-Ra's website as IND BBB+ (ISSUER NOT COOPERATING)

Note: Issuer did not cooperate; Based on best available information

### Actions undertaken by Ind-Ra on non-cooperation by issuers:

- (a) Timely, transparent and accurate accounting statements are critical in ensuring that investors are in a position to assess an issuer's financial condition and fundamental risks. High-quality and timely financial reporting is considered by Ind-Ra to be indicative of robust governance. If an issuer does not provide timely business and financial updates to the agency, it indicates weak governance, particularly in 'Transparency of Financial Information'. The agency may also consider this as symptomatic of a possible disruption / distress in the issuer's business. Please refer to our criteria on 'Evaluating Corporate Governance' for further details. This may result in moving the rating to Issuer Not Cooperating status and also could result in a rating action.
- (b) In line with the regulatory requirement, to enable timely recognition of default, Ind-Ra seeks a 'No Default Statement' (NDS) from the rated entities every month. In case an issuer fails to submit the NDS in a given month in a timely manner, Ind-Ra discloses their names on its website. If the issuer fails to submit the monthly NDS for six consecutive months, or earlier, Ind-Ra may move the rating to Issuer Not Cooperating status and could also take a rating action.
- (c) In line with the regulatory requirement, if an issuer has an investment grade rating outstanding while being non-cooperative for more than six months with Ind-Ra, then Ind-Ra will necessarily downgrade such rating to the

non-investment grade, while maintaining the Issuer Not Cooperating status. This action needs to be taken regardless of whether the issuer is cooperating or not cooperating with any other CRA.

**Rating Review of Non-Cooperating Issuers:**

In case of non-cooperation by the issuer, Ind-Ra continues to review the instrument, on an ongoing basis throughout the instrument's lifetime, on the basis of best available information, till the time the rating is withdrawn. This may include any information that is shared by the client or any publicly available information including the report published by the debenture trustees or feedback from bankers/ auditors. If the issuer decides to co-operate, ratings are displayed in the normal manner.

**Approach for issuers not cooperating with other CRAs:**

Before taking up a new rating assignment, Ind-Ra will examine whether an issuer's rating from all other CRA(s) has persistently remained in the issuer not cooperating category for 12 months or more. This is applicable for both the investment grade and the non-investment grade ratings.

- (a) If 12 months have passed, Ind-Ra will not take up the assignment, until the issuer resumes cooperation with either of the previous CRAs or its ratings with Issuer Not Cooperating status are withdrawn by all the previous CRAs. Exception: In case of securities, Ind-Ra will not carry out the rating assignment until the issuer resumes cooperation with either of the previous CRAs or there is evidence that the issuer has made a request to all the previous CRAs to withdraw its rating (duly acknowledged by all the previous CRAs). The latter would be subject to the rating for the issuer's securities being eligible to be withdrawn by the previous CRAs.
- (b) If 12 months have not passed, Ind-Ra can take up the assignment, subject to publishing the rating before completion of the 12-month period.
- (c) If the entity is cooperative with any CRA, there is no bar on the entity to seek a rating from Ind-Ra.

The period of 12 months of non-cooperation by an issuer with previous CRAs, during which Ind-Ra will undertake the rating assignment is linked to Ind-Ra being able to complete the rating assignment and publish the press release prior to the passage of 12 months. Example: If Ind-Ra takes up the assignment but is unable to conclude the assessment within 12 months of the issuer not cooperating press release of the previous CRA, then Ind-Ra is not allowed to publish the press release.

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